

**SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)**

ANNUAL FINANCIAL REPORT

YEAR ENDED JUNE 30, 2018

**SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)**

BOARD OF DIRECTORS

YEAR ENDED JUNE 30, 2018

PRESIDENT

Scott Asla
Bend, Oregon

TREASURER

Bill Inman
Bend, Oregon

SECRETARY

Rodney Dieckhoff
Bend, Oregon

REGISTERED AGENT

Stephanie Humphrey
Bend, Oregon

**SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)**

TABLE OF CONTENTS

YEAR ENDED JUNE 30, 2018

	<u>Page</u>
INDEPENDENT ACCOUNTANTS' REVIEW REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-7
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	13
Notes to Basic Financial Statements	14-20
SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual	21
MANAGEMENT REPRESENTATION AS REQUIRED BY STATE REGULATIONS	22



To the Board of Directors
Special Road District No. 1
Deschutes County, Oregon

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

We have reviewed the accompanying financial statements of the governmental activities and the major fund of Special Road District No. 1 as of and for the year ending June 30, 2018, which collectively comprise the District's basic financial statements as listed in the table of contents. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the management of Special Road District No. 1. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis is presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who consider it to be an essential part of financial reporting and for placing the basic financial statements in an appropriate operational, economic, or historical context. The information is a representation of management. We have not audited or reviewed such required supplementary information, and accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on it.

Supplementary Information

The Schedule of Revenues, Expenditures & Changes in Fund Balance – Budget & Actual is presented for purposes of additional analysis and is not a required part of the basic financial statements. We have not audited or reviewed this information and accordingly, we do not express an opinion, conclusion or any other form of assurance on it.

Management's Report on Other Regulatory Requirements

The accompanying Management Representation as Required by State Regulations is required by the Oregon Secretary of State. We have not audited or reviewed this information and accordingly, do not express an opinion, conclusion or any other form of assurance on it.

Prior Year Financial Statements – Summarized Information

We previously reviewed Special Road District No. 1's June 30, 2017 financial statements and in our report dated December 11, 2017, stated that based on our procedures, we were not aware of any material modifications that should be made to the financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended June 30, 2017, for it to be consistent with the reviewed financial statements from which it has been derived.



Brenda Bartlett, CPA
SGA Certified Public Accountants & Consultants, LLP

May 26, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

**SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)**

MANAGEMENT'S DISCUSSION AND ANALYSIS

YEAR ENDED JUNE 30, 2018

As management of Special Road District No. 1 (the District), we offer readers this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018.

Financial Highlights

The District is primarily a property tax-based organization, with 98% of our revenue derived from property taxes. The vast majority of our revenues support road maintenance in Deschutes County, Oregon. The District services a specified area of Deschutes County, Oregon.

As a property tax-based organization, we are subject to uncertainties in economic conditions relative to our area, however, we feel that the District is able to effectively manage its resources to meet increased demands felt in our communities. The economic outlook is expected to improve for the year ended June 30, 2019. The District continues to look for new and unique opportunities to work with other agencies and organizations to provide quality services for our community.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements provide information about the activities of the District as a whole and present a longer-term view of the District's finances.

The government-wide financial statements include all assets and liabilities, using the accrual basis of accounting, which is similar to the method of accounting used by most private-sector businesses. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued

YEAR ENDED JUNE 30, 2018

These two statements report the District's net position and changes to them. Net is one way to measure an organization's financial health. Changes in net position over time provide an indicator of whether financial health is improving or deteriorating.

Government Fund Financial Statements

Government fund financial statements also provide insight into the District's overall health. Fund financial statements report the District's operations in more detail than the government-wide financial statements. The District has only one fund, the general fund.

This fund is reported using the modified accrual basis of accounting. The governmental fund statements provide a detailed short-term view of the District's operations. The relationship between governmental activities and governmental funds is described in reconciliations after the fund financial statements of this report.

Notes to the Financial Statements

The notes provide additional information that is essential for a full understanding of the information provided in the government-wide and fund financial statements. They are an integral part of the financial statements and should be read in conjunction with them.

SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued

YEAR ENDED JUNE 30, 2018

Financial Analysis of the District as a Whole

The District's net position at June 30, 2018 is \$469,956, a decrease of \$29,646 from June 30, 2017. The decrease in overall net position is attributable to additional required spending on road materials as well as increases in compensation for the two employees of the District.

	June 30,	
	2018	2017
Assets		
Current assets	\$ 187,515	\$ 219,968
Capital assets, net of depreciation	295,464	303,029
Total assets	482,979	522,997
Liabilities		
Current liabilities	13,022	23,395
Total liabilities	13,022	23,395
Net Position		
Net investment in capital assets	295,464	303,029
Unrestricted	174,492	196,573
Total net position	\$ 469,956	\$ 499,602

SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued

YEAR ENDED JUNE 30, 2018

The District's total revenues for the year ended June 30, 2018 increased by \$5,624 over amounts in the year ended June 30, 2017. This is primarily due to increases in property tax revenue turned over from the county, which comprised approximately \$13,000 of the increase, offset by a decrease in other income of approximately \$7,400. Road maintenance supplies increased over the prior year and the board awarded significant cost of living compensation increases over the amounts paid in the year ended June 30, 2017.

	June 30,	
	2018	2017
Program Revenues		
Charges for services	\$ 3,080	\$ 13,695
General Revenues		
Property taxes	249,354	236,379
Gain on sale of assets	1,500	
Worker's compensation rebate	1,756	
Other income	342	334
Total revenues	256,032	250,408
Program Expenses		
Road maintenance	285,678	237,387
Total expenses	285,678	237,387
Change in net position	(29,646)	13,021
Net position, beginning of year	499,602	486,581
Net position, end of year	\$ 469,956	\$ 499,602

Financial Analysis of the Government's Funds

The focus of the District's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance serves as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)**

MANAGEMENT'S DISCUSSION AND ANALYSIS - continued

YEAR ENDED JUNE 30, 2018

At June 30, 2018, the District's governmental funds reported an ending fund balance of \$176,800, a decrease of \$20,906 related to higher expenditures in payroll and road maintenance supplies. The ending fund balance constitutes a nonspendable fund balance of \$8,969 and an unassigned fund balance of \$167,831 which is available for spending at the District's discretion.

Capital Assets

The District's capital assets were substantially acquired from expenditures paid by property taxes. The summary of net investment in capital assets is as follows:

	June 30,	
	2018	2017
Land	\$ 55,688	\$ 55,688
Building and improvements	40,778	42,458
Equipment	198,998	204,883
	<u>\$ 295,464</u>	<u>\$ 303,029</u>

Budgetary Highlights

Local budget law as it applies to road districts in Oregon under ORS 371 does not require annual adopted appropriation of expenditures. The District prepares a budget for its purposes. Total expenditures were \$2,500 over than budgeted for fiscal year end June 30, 2018.

Economic Factors and Next Year's Budgets

Central Oregon will continue to face challenges anchored in supporting relatively high growth and relatively low wages. The District's area of service is road maintenance. Property tax collections have improved as the economy has continued to expand and are expected to remain fairly consistent in the coming years.

Requests for Information

This financial report is designed to provide interested parties with a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. If you have questions about this report or need additional financial information contact the Special Road District No. 1, 56488 Solar Drive, Bend, Oregon 97707.

BASIC FINANCIAL STATEMENTS

SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)

STATEMENT OF NET POSITION

JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current assets		
Cash and investments	\$ 172,738	\$ 211,380
Property taxes receivable	5,808	6,119
Prepaid expenses	<u>8,969</u>	<u>2,469</u>
Total current assets	187,515	219,968
Noncurrent assets		
Capital assets, net of accumulated depreciation	<u>295,464</u>	<u>303,029</u>
Total assets	<u>482,979</u>	<u>522,997</u>
LIABILITIES		
Current liabilities		
Accounts payable		17,994
Accrued payroll liabilities	<u>13,022</u>	<u>5,401</u>
Total current liabilities	<u>13,022</u>	<u>23,395</u>
NET POSITION		
Net investment in capital assets	295,464	303,029
Unrestricted	<u>174,492</u>	<u>196,573</u>
Total net position	<u>\$ 469,956</u>	<u>\$ 499,602</u>

See accompanying notes and independent accountants' review report.

SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

Functions/Program	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities	
		Charges for Services	Operating Grants and Contributions	2018	2017
Governmental Activities					
Road maintenance	\$ 285,678	\$ 3,080	\$	\$ (282,598)	\$ (223,692)
General Revenues					
Property taxes				249,354	236,379
Worker's compensation rebate				1,756	
Gain on sale of capital asset				1,500	
Interest				342	334
				252,952	236,713
Increase (decrease) in net position				(29,646)	13,021
Net position - beginning				499,602	486,581
Net position - ending				\$ 469,956	\$ 499,602

See accompanying notes and independent accountants' review report.

SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)

BALANCE SHEET - GOVERNMENTAL FUNDS

JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

	Governmental Fund Type	
	General Fund	
	2018	2017
ASSETS		
Cash and investments	\$ 172,738	\$ 211,380
Property taxes receivable	5,808	6,119
Prepaid expenses	8,969	2,469
Total assets	\$ 187,515	\$ 219,968
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE		
Liabilities		
Accounts payable	\$	\$ 17,994
Accrued payroll and related expenses	6,064	
Total current liabilities	6,064	17,994
Deferred inflow		
Unearned property taxes	4,651	4,268
Fund balance		
Nonspendable		
Prepaid expenses	8,969	2,469
Unassigned	167,831	195,237
Total fund balance	176,800	197,706
Total liabilities, deferred inflow and fund balance	\$ 187,515	\$ 219,968

See accompanying notes and independent accountants' review report.

SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION**

JUNE 30, 2018

Fund balance of governmental funds.	\$	176,800
Capital assets are not financial resources and therefore are not reported in the governmental funds:		
Acquisition cost	\$	585,167
Accumulated depreciation		<u>(289,703)</u>
		295,464
Employee benefits not expected to liquidate shortly after year end are not reported as liabilities in the governmental funds.		(6,959)
Deferred revenues in governmental funds are considered resources in the net position of governmental activities.		<u>4,651</u>
Net position of governmental activities	<u>\$</u>	<u>469,956</u>

See accompanying notes and independent accountants' review report.

SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2018 AND SUMMARIZED INFORMATION FOR JUNE 30, 2017

	Governmental Fund Type	
	General Fund	
	2018	2017
REVENUES		
Property taxes	\$ 248,971	\$ 236,018
Proceeds from sale of asset	1,500	
Interest on investments	342	334
Other income	1,756	
Contract services	3,080	13,695
	<u>255,649</u>	<u>250,047</u>
EXPENDITURES		
Current		
Personal services	110,758	87,242
Materials and services	138,233	131,936
Capital outlay	27,564	15,593
Debt service		325
	<u>276,555</u>	<u>235,096</u>
NET CHANGE IN FUND BALANCE	(20,906)	14,951
FUND BALANCE, beginning of year	<u>197,707</u>	<u>182,756</u>
FUND BALANCE, end of year	<u>\$ 176,801</u>	<u>\$ 197,707</u>

See accompanying notes and independent accountants' review report.

SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES**

YEAR ENDED JUNE 30, 2018

Net change in fund balance - total governmental funds	\$	(20,906)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Deferred revenues in governmental funds are considered revenues in the Statement of Activities.		383
Compensated absences not expected to liquidate shortly after year end are not an expenditure in the governmental funds.		(1,557)
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Expenditures for capital assets	\$	27,564
Current year depreciation		(35,130)
		<u>(7,566)</u>
Change in net position of governmental activities	\$	<u>(29,646)</u>

See accompanying notes and independent accountants' review report.

**SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Special Road District No. 1 (the District) was organized under Oregon revised Statute 371 to maintain roads in a specified area of Deschutes County, Oregon. The District is a political subdivision of the State of Oregon. Under the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, the reporting entity consists of the primary government.

The District is governed by an independently elected board of directors and is legally separate from all other entities. It is also financially independent of other state and local governmental units. It has the power to levy taxes, is responsible for its debts and is entitled to any surpluses. The District is not a component unit of another entity.

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The significant policies of the District are described below.

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities and display information on all of the activities of the District. They include all funds of the reporting entity.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges for goods and services in and 2) grants and contributions that are restricted to meet operational or capital requirements. Other items not properly included among program revenues are reported instead as general revenues, including property taxes, other income and interest earnings.

Net position is reported as restricted when constraints placed on its use are either externally restricted (such as by grantors and donors) or through enabling legislation.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

**SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resource measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable is when the amount of the transaction can be determined. Available means collectable within sixty days of the current period. The revenues susceptible to accrual include property taxes, intergovernmental revenue, interest revenue and charges for services. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, if expected to be liquidated with available current resources.

Expenditures related to compensated absences are recorded as expenditures only to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from general long-term debt or capital leases are reported as other financing sources.

The District's general fund is the primary operating fund of the District and is used to account for all activities.

Budget Policy

The District, organized under Oregon Revised Statutes Chapter 371, is not subject to Oregon Local Budget Law under the provisions of Oregon Revised Statutes Sections 294.305 to 294.565. The District prepares a budget each year for its own guidance and is required to certify its tax assessment each year to the County.

Cash and Investments

For financial reporting purposes, the District considers all highly liquid investments with original maturities of 90 days or less to be cash equivalents. Oregon Revised Statutes authorized the District to invest in obligations of the U.S. Treasury and Agencies, time certificates of deposit, bankers' acceptances, repurchase agreements, and the State of Oregon Local Government Investment Pool.

Supply Inventories and Prepaid Items

The cost of inventory items is recognized as an expenditure when purchased (purchase method) for the fund statements. Management has determined that the inventory is not material for the full accrual statements.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the governmental fund statements and the government-wide statements.

SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property Taxes

Property taxes are levied and become a lien on July 1. Collection dates are November 15, February 15 and May 15 following the lien date. Discounts are allowed if the amount due is received by November 15 or February 15. Taxes unpaid and outstanding on May 16 are considered delinquent. An allowance for doubtful accounts is not deemed necessary, as uncollectible taxes become a lien on the property.

In the government wide statements, all property tax receivable are recognized as revenue. Uncollected taxes are deemed to be substantially collectible or recoverable through liens; therefore, no allowance for uncollectible taxes has been established. All property taxes receivable is due from property owners within the District.

Capital Assets

In the government-wide statements, capital assets are recorded at original or estimated original cost. Donated capital assets are recorded at their estimated fair value on the date donated. The District defines capital assets as assets with an initial cost of more than \$500 and an estimated useful life extending beyond one year. Interest and other costs incurred during construction are capitalized. Maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are depreciated using the straight-line method over the following useful lives:

Equipment	5-10 years
Building and Improvements	30 years

In the governmental fund statements, capital assets are expended as incurred as capital outlay.

Long-Term Obligations

In the government-wide financial statements, long-term debt is reported as a liability in the Statement of Net Position. In the fund financial statements, principal and interest payments are recorded as expenditures.

SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Equity Classification

In government-wide financial statements, equity is classified and displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and is reduced by the outstanding balance of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position – Consists of net assets with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets.”

It is the District’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position is available. No funds were restricted as of June 30, 2018.

In the fund financial statements, the District reports fund balance in accordance with *GASB No 54, Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, in the fund financial statements governmental funds are categorized by the nature of the resources within the fund. The District reports fund balance using the following categories:

Nonspendable fund balance indicates the portion of fund equity that cannot be spent as it is not in a spendable form, such as inventories and prepaid expenditures.

Restricted fund balance indicates the portion of fund equity which is externally restricted by creditors, grantors or law.

Unassigned fund balance indicates the portion of general fund equity which is available for budgeting in future periods.

When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed. When unrestricted resources are available for use, it is the District’s policy to use committed resources first, assigned second, and then unassigned resources as needed.

**SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Compensated Absences

Vacation pay is recorded as an expenditure when earned in the government-wide statements. In the fund statements, only those amounts liquidated with sixty days after year end are accrued.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may vary from those estimates.

NOTE 2 – CASH AND INVESTMENTS

The types of investments in which the District may invest are restricted by Oregon Revised Statutes. Authorized investments include bank demand deposits, general obligations of the United States Government and its agencies, and certain states, certain guaranteed investments issued by banks, and the State of Oregon Local Government Investment Pool.

Deposits with Financial Institutions

Deposits with financial institutions include bank demand deposits. As of June 30, 2018, the District reported cash of \$172,738 with a bank balance of \$183,015. Oregon Revised Statute Chapter 295 requires that bank depositories pledge collateral against any public fund deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank loss. The Office of the State Treasurer maintains a list of financial institutions in which deposits in excess of deposit insurance limits can be held. As of June 30, 2018, the District's cash balances did not exceed FDIC insurance. With respect to collateral requirements of ORS 295, the District was in compliance throughout the year ended June 30, 2018.

**SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 3 – PROPERTY TAXES

The levy for general operations is based on a permanent rate of \$1.982 per \$1,000 of taxable assessed value. Unpaid property taxes become subject to foreclosure four years after they become a lien on the property. Tax collections and foreclosures are the responsibility of the county tax assessor.

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2018 was as follows:

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2018</u>
Nondepreciable capital assets				
Land	\$ 55,688	\$	\$	\$ 55,688
Depreciable capital assets				
Buildings and improvements	67,335			67,335
Equipment	449,580	27,564	(15,000)	462,144
Total depreciable capital assets	<u>516,915</u>	<u>27,564</u>	<u>(15,000)</u>	<u>529,479</u>
Accumulated depreciation				
Buildings and improvements	(24,877)	(1,680)		(26,557)
Equipment	(244,696)	(33,450)	15,000	(263,146)
Total accumulated depreciation	<u>(269,573)</u>	<u>(35,130)</u>	<u>15,000</u>	<u>(289,703)</u>
Total depreciable capital assets, net	<u>247,341</u>	<u>(7,566)</u>		<u>239,776</u>
Total capital assets, net	<u>\$ 303,029</u>	<u>\$ (7,566)</u>	<u>\$</u>	<u>\$ 295,464</u>

For the year ended June 30, 2018, depreciation expense of \$35,130 was directly charged to road maintenance.

**SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)**

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

NOTE 5 – LEASE ARRANGEMENT

The District leases from a nonprofit organization the use of their clubhouse space to hold the monthly board and executive meetings pending the District's meetings do not interfere with other uses of the clubhouse by the nonprofit organization. The fee to rent the clubhouse is \$50 per use, with an annual discount of \$60. There is no written lease involved for this arrangement. For the year ended June 30, 2018, \$540 was paid to the nonprofit organization for rental of the clubhouse.

NOTE 6 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for other risks of loss, including employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 7 – SUBSEQUENT EVENTS

The District purchased a water tanker shortly after year end in the amount of \$62,000. No financing was used for the purchase.

Subsequent events have been evaluated through June 24, 2019, which is the date the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)

GENERAL FUND

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET AND ACTUAL**

YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Variance with Final Budget</u>	<u>Actual</u>
REVENUES			
Property taxes	\$ 230,000	\$ 18,971	\$ 248,971
Equipment sales	1,500		1,500
Interest on investments	90	252	342
Contract services	3,600	(520)	3,080
Other income		1,756	1,756
Total revenues	<u>235,190</u>	<u>20,459</u>	<u>255,649</u>
EXPENDITURES			
Personal services			
Wages	95,000	3,446	91,554
Payroll taxes and benefits	10,000	(2,546)	12,546
Worker's compensation	10,000	3,342	6,658
Total personal services	<u>115,000</u>	<u>4,242</u>	<u>110,758</u>
Materials and services			
Accounting and legal	4,500	(4,164)	8,664
Insurance	4,900	(157)	5,057
Other administrative	15,190	12,385	2,805
Contract services	2,000	1,750	250
Road equipment and repairs	41,500	(1,662)	43,162
Road materials	80,000	(20,410)	100,410
Utilities	5,100	(349)	5,449
Total materials and services	<u>153,190</u>	<u>(12,607)</u>	<u>165,797</u>
Total expenditures	<u>268,190</u>	<u>(8,365)</u>	<u>276,555</u>
NET CHANGE IN FUND BALANCE	<u>(33,000)</u>	<u>(12,094)</u>	<u>(20,906)</u>
FUND BALANCE, beginning of year	<u>197,706</u>		<u>197,706</u>
FUND BALANCE, end of year	<u>\$ 164,706</u>	<u>\$ (12,094)</u>	<u>\$ 176,800</u>

See independent accountants' review report.

**MANAGEMENT REPRESENTATION AS REQUIRED
BY STATE REGULATIONS**

**SPECIAL ROAD DISTRICT NO. 1
(Deschutes County, Oregon)**

MANAGEMENT REPRESENTATION AS REQUIRED BY STATE REGULATIONS

YEAR ENDED JUNE 30, 2018

The Special Road District No. 1 is subject to, and responsible for, compliance with various laws, rules, and regulations relating to its operation and finances. Among such laws, rules, and regulations are the requirements prescribed in Municipal Audit Law (ORS Chapter 297) and the Minimum Standards for Review of Oregon Municipal Corporations (OAR 162, division 40) including, but not limited to:

- (a) Deposit of public funds with financial institutions (ORS Chapter 295).
- (b) Indebtedness limitations, restrictions, and repayment.
- (c) Insurance and fidelity bonds in force or required by law.
- (d) Public contracts, purchasing, and improvements.

The management of Special Road District No. 1 is aware of the requirements of Oregon laws and administrative rules concerning each of the above requirements and has complied, in all material respects, with such requirements. Further, we are not aware of any violations or possible violations of laws, rules, or regulations, whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.


Signature

SCOTT R. ASLRA PRESIDENT 6/11/2019
Print Name Title Date

See independent accountants' review report.