

***OREGON SCHOOL BOARDS ASSOCIATION
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2011***

OREGON SCHOOL BOARDS ASSOCIATION
JUNE 30, 2011

BOARD OF DIRECTORS

<u><i>Name</i></u>	<u><i>Address</i></u>	<u><i>Position</i></u>
David Beeson	Silverton, Oregon	President
Kris Howatt	Gresham, Oregon	President-Elect
Terry Lenchitsky	Boring, Oregon	Vice President
Lori Theros	Klamath Falls, Oregon	Secretary-Treasurer
Beth Gerot	Eugene, Oregon	Immediate Past President
Laurie Adams	Springfield, Oregon	Director
Michael Blanchard	Dallas, Oregon	Director
Linda Brown	Lake Oswego, Oregon	Director
Tim Cook	Portland, Oregon	Director
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Greg Jackle	John Day, Oregon	Director
Greg Kintz	Vernonia, Oregon	Director
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Samuel Lee III	Winston, Oregon	Director
Patti McLeod	Hillsboro, Oregon	Director
Dick Morley	Stayton, Oregon	Director
Craig Prewitt	Phoenix, Oregon	Director
Steve Rankin	Madras, Oregon	Director
Liisa Reid	Albany, Oregon	Director
James Woods	Portland, Oregon	Director

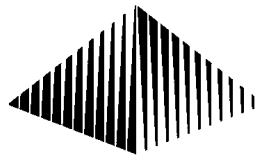
EXECUTIVE DIRECTOR

Kevin McCann
1201 Court Street NE
Salem, Oregon

OREGON SCHOOL BOARDS ASSOCIATION
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GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Oregon School Boards Association
Salem, Oregon

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, and each major fund of Oregon School Boards Association (OSBA), as of and for the year ended June 30, 2011, which collectively comprise the OSBA's basic financial statements as listed in the table of contents. These financial statements are the responsibility of OSBA's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, and each major fund of OSBA as of June 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in the notes to the financial statements, during the year ended June 30, 2011, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis (MD&A) on pages 3 through 6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oregon School Boards Association's financial statements as a whole. The schedule of revenues, expenditures and changes in fund balance – budget and actual, and the schedule of amounts due to others are presented for purposes of additional analysis and are not a required part of the financial statements. The schedule of revenues, expenditures and changes in fund balance – budget and actual and the schedule of amounts due to others are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respected in relation to the financial statements as a whole.

GROVE, MUELLER & SWANK, PC
CERTIFIED PUBLIC ACCOUNTANTS

By:



Charles A. Swank, A Shareholder
December 6, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

OREGON SCHOOL BOARDS ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2011

As management of Oregon School Boards Association (OSBA), we offer readers of OSBA's financial statements this narrative overview and analysis of the financial activities of the Association for the fiscal year ended June 30, 2011.

Financial Highlights

The assets of the Oregon School Boards Association exceeded its liabilities at the close of the most recent fiscal year by \$79,656,683 (net assets). Of this amount, \$50,000,000 is committed and \$1,838,118 is invested in capital assets. The remaining \$27,818,565 (unrestricted net assets) may be used to meet the OSBA's ongoing obligations to members and creditors.

The Oregon School Boards Association's total net assets increased by \$87,714 during the fiscal year ended June 30, 2011.

The Oregon School Boards Association continued to operate without the need for debt borrowing during the current fiscal year.

Revenues totaled \$5 million and expenses totaled \$4.9 million for the year.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the Oregon School Boards Association's basic financial statements. This annual report consists of three parts: management's discussion and analysis (this section), the financial statements, and required supplementary information. The basic financial statements comprise three components: 1) association-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains supplementary information. The Oregon School Boards Association is established under the authority of Chapter 190 of the Oregon Revised Statutes as an intergovernmental entity engaged only in providing services to Oregon school districts. The reporting entity includes two discretely presented component units, Oregon School Boards Association Legal Assistance Trust and Oregon School Boards Association Property and Casualty Coverage for Education Trust.

The *association-wide financial statements* are designed to provide readers with a broad overview of OSBA's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* includes all of OSBA's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets are an indicator of whether OSBA's financial position is improving or deteriorating, respectively.

The *Statement of Activities* presents information showing how OSBA's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., accounts receivable and earned but unused compensated absences).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Oregon School Boards Association, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the activities of Oregon School Boards Association are reported as a single fund.

Fund Financial Statements (Continued)

The fund is used to account for essentially the same functions reported in the entity-wide financial statements. Unlike the entity financial statements, the fund financial statements focus on near term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating near-term financial requirements.

As detailed in the notes to the financial statements, the Association adopted the provisions of GASB Statement #54 *Fund Balance Reporting and Government Fund Types Definitions*. The changes required relate to the reporting of special revenue funds. Since all activities of the Association are reported in one fund, GASB Statement #54 does not affect the presentation of the Association's financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the financial data provided in the financial statements. The notes to the financial statements can be found on pages 13 through 31 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* that further explains and supports the financial statements with a comparison of OSBA's budget for the year and amounts due to others. There were no changes to the Association's budget during the year, nor were there any significant variances from budget. The supplementary information can be found on pages 32 through 34 of this report.

Using this Annual Report

OSBA's annual report consists of financial statements that show information about OSBA's activities. In addition, other activities which OSBA administers are shown as supplemental information. OSBA has established controls to manage funds for particular purposes and to show that it is meeting legal responsibilities to membership. OSBA uses the full accrual method of accounting in which all assets and all liabilities associated with its operation are included on the statement of net assets. The focus is on income measurement, which, together with the maintenance of equity, is an important financial indication.

Our auditor has provided assurance in their independent auditor's report, located immediately preceding this Management Discussion and Analysis, that the basic financial statements are fairly stated. Varying degrees of assurance are being provided by the auditor regarding the other information included in this report. A user of this report should read the independent auditor's report carefully to ascertain the level of assurance being provided for each of the other parts of this report.

OREGON SCHOOL BOARDS ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
JUNE 30, 2011

Financial Analysis

The Oregon School Boards Association's net assets were \$79,656,683 at June 30, 2011. Of this amount, \$27,818,565 was unrestricted, \$50,000,000 was restricted and \$1,838,118 was invested in capital assets.

Condensed Statement of Net Assets
as of June 30,

	<u>2011</u>	<u>2010</u>
Net Assets		
Current and Other Assets	\$ 78,461,545	\$ 78,378,786
Capital Assets, Net	<u>1,838,118</u>	<u>1,862,262</u>
<i>Total Assets</i>	80,299,663	80,241,048
 Liabilities	 <u>642,980</u>	 <u>672,081</u>
 Net Assets		
Invested in Capital Assets	1,838,118	1,862,262
Restricted	50,000,000	50,000,000
Unrestricted	<u>27,818,565</u>	<u>27,706,707</u>
<i>Total Net Assets</i>	<u>\$ 79,656,683</u>	<u>\$ 79,568,969</u>

Condensed Statement of Activities
year ended June 30,

	<u>2011</u>	<u>2010</u>
Revenues		
Program Revenues	\$ 2,684,999	\$ 8,250,589
General Revenues	<u>2,329,141</u>	<u>2,802,246</u>
<i>Total Revenues</i>	<u>5,014,140</u>	<u>11,052,835</u>
 Expenses		
General Operations	4,871,685	4,396,693
Depreciation	<u>54,741</u>	<u>47,632</u>
<i>Total Expenses</i>	<u>4,926,426</u>	<u>4,444,325</u>
 Increase in Net Assets	 <u>\$ 87,714</u>	 <u>\$ 6,608,510</u>

Capital Assets

At June 30, 2011, the Oregon School Boards Association had \$1,838,113 invested in capital assets. This amount represents a net decrease (including additions, deductions and depreciation) of \$24,144 from last year.

Investment in Local Government Center Trust

OSBA is a participant with the Association of Oregon Counties and the League of Oregon Cities in the Local Government Trust (LGCT). The Trust is governed by three trustees, one each from the participating organizations all having an equal vote in the operations. The LGCT is a trust established by agreement among the three associations to operate the Trust and maintain its property. OSBA maintains an ongoing financial responsibility for its share of liabilities for its proportional share of any contracts entered into while bound by the intergovernmental agreement. OSBA maintains an undivided one third interest in the property held by the Trust.

Economic Factors and Next Year's Budgets and Rates

The Oregon School Boards Association is primarily dependent upon member dues, contract services and investment earnings for the funding of operations; and is therefore affected by local economic conditions. The 2008-09 fiscal year represented a change in OSBA's revenue dependence. A primary resource for the organization has been endorsement fees collected from several pooled insurance programs. The largest of those pools, the Employee Benefits Insurance Trust, has stopped doing business as a result of legislative action. The dissolution of the Trust resulted in a significant transfer of financial reserves to OSBA pursuant to the Trust Agreement. These reserves are being held in an endowment with the investment earnings being made available to fund OSBA's operations. The budget for 2011-12 has already been approved by the Board and no major changes are expected, although the Association will closely monitor rates of return on their various investments to determine if any changes will be required during the course of the year.

Contacting the Oregon School Boards Association's Financial Management

Our financial report is designed to provide our citizens and creditors with a general overview of the Oregon School Boards Association's finances and to show the Oregon School Boards Association's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, contact Sharon Addison of Oregon School Boards Association.

BASIC FINANCIAL STATEMENTS

OREGON SCHOOL BOARDS ASSOCIATION
STATEMENT OF NET ASSETS
JUNE 30, 2011

	<i>Oregon School Boards Association</i>	<i>Component Units</i>	
		<i>Legal Assistance Trust</i>	<i>Property and Casualty Coverage for Education</i>
ASSETS			
Cash and cash equivalents	\$ 4,997,387	\$ 664,494	\$ 635,130
Accounts receivable	436,810	-	897,561
Interest receivable	637,666	-	196,419
Prepaid expenses	43,688	-	54,910
Investments in federal securities (at fair value)	72,345,994	-	28,843,495
Capital Assets, net	356,816	-	-
Investment in Local Government Center Trust	1,481,302	-	-
<i>Total Assets</i>	80,299,663	664,494	30,627,515
LIABILITIES			
Accounts payable	261,981	140,728	76,585
Accrued compensated absences	216,126	-	-
Claims and claims adjustment expense payable	-	-	14,166,364
Payroll liabilities	1,440	-	-
Deferred revenue:			
Member dues	107,651	5,850	-
Publication subscription	37,695	-	-
Conference fees	250	-	-
Deferred premiums	-	-	1,046,373
Due to others	6,233	-	-
Security deposit	11,604	-	-
<i>Total Liabilities</i>	642,980	146,578	15,289,322
NET ASSETS			
Investment in capital assets	1,838,118	-	-
Restricted	50,000,000	-	3,293,757
Unrestricted	27,818,565	517,916	12,044,436
<i>Total Net Assets</i>	\$ 79,656,683	\$ 517,916	\$ 15,338,193

The accompanying notes are an integral part of the financial statements.

OREGON SCHOOL BOARDS ASSOCIATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2011

	<i>Oregon School Boards Association</i>	<i>Component Units</i>	
		<i>Legal Assistance Trust</i>	<i>Property and Casualty Coverage for Education</i>
REVENUES			
Program Revenues			
Membership dues	\$ 699,493	\$ 170,300	\$ -
Insurance trusts management fees	320,569	-	-
Convention and conference	319,984	-	-
Sale of publications	227,207	-	-
Contract services	1,117,746	-	-
Premiums	-	-	21,447,082
	<hr/>	<hr/>	<hr/>
<i>Total Program Revenues</i>	2,684,999	170,300	21,447,082
General Revenues			
Interest	2,374,605	3,273	785,884
Rental income	135,408	-	-
Sale of assets	3,426	-	-
Gain/(loss) on investments	(221,799)	-	(44,770)
Miscellaneous income	37,501	-	-
	<hr/>	<hr/>	<hr/>
<i>Total General Revenues</i>	2,329,141	3,273	741,114
	<hr/>	<hr/>	<hr/>
<i>Total Revenues</i>	5,014,140	173,573	22,188,196
EXPENSES			
Personnel services	3,758,385	-	-
Legislative	9,512	-	-
Travel and auto	215,897	-	-
Professional development	67,704	-	-
Publications	35,734	-	-
Convention and conference	247,082	-	-
Office expense	244,223	2,197	-
Dues and subscriptions	128,247	-	-
Building and lot	102,990	-	-
Board of Directors projects	44,553	-	-
Legal and accounting fees	646	121,543	-
Technical connections	2,069	-	-

	<i>Oregon School Boards Association</i>	<i>Component Units</i>	
		<i>Legal Assistance Trust</i>	<i>Property and Casualty Coverage for Education</i>
EXPENSES (Continued)			
Loss and loss adjustment	\$ -	\$ -	\$ 8,954,814
Depreciation	54,741	-	-
Insurance premiums	-	-	8,272,053
Agent commissions	-	-	1,966,522
Administrative	14,643	-	-
Contract fees	-	-	1,577,988
Other	-	-	418,956
<i>Total Expenses</i>	<u>4,926,426</u>	<u>123,740</u>	<u>21,190,333</u>
CHANGE IN NET ASSETS	87,714	49,833	997,863
Transfer from SDAO	-	-	150,000
Return of surplus equity	-	-	(497,473)
NET ASSETS, Beginning of year	<u>79,568,969</u>	<u>468,083</u>	<u>14,687,803</u>
NET ASSETS, End of year	<u>\$ 79,656,683</u>	<u>\$ 517,916</u>	<u>\$ 15,338,193</u>

The accompanying notes are an integral part of the financial statements.

OREGON SCHOOL BOARDS ASSOCIATION
BALANCE SHEET
JUNE 30, 2011

ASSETS

Cash and cash equivalents	\$ 4,997,387
Investments	72,345,994
Accounts receivable	436,810
Interest receivable	637,666
Prepaid expenses	43,688

Total Assets 78,461,545

LIABILITIES

Accounts payable	261,981
Accrued payroll taxes and benefits	1,440
Deferred revenue	163,433

Total Liabilities 426,854

FUND BALANCE

Committed	50,000,000
Nonspendable	43,688
Unassigned	27,991,003

Total Fund Balance \$ 78,034,691

The accompanying notes are an integral part of the financial statements.

OREGON SCHOOL BOARDS ASSOCIATION
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2011

Total budgetary fund balance \$ 78,034,691

The budgetary fund balance is different than net assets because:

Capital assets are not financial resources and therefore are not reported as assets for budgetary purposes. The cost of the assets is \$1,001,069 and the accumulated depreciation is \$644,253. 356,816

Investment in Local Government Center Trust is not a financial resource and therefore is not reported as assets for budgetary purposes. 1,481,302

Compensated absences are not current financial expenses and therefore are not reported as liabilities for budgetary purposes. (216,126)

Total Net Assets \$ 79,656,683

The accompanying notes are an integral part of the financial statements.

OREGON SCHOOL BOARDS ASSOCIATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2011

REVENUES

Membership dues	\$ 699,493
Interest	2,374,605
Insurance trusts management fees	320,569
Convention and conference	319,984
Sale of publications	227,207
Contract services	1,117,746
Rental income	135,408
Sale of assets	20,820
Gain/loss on investments	(222,041)
Miscellaneous income	37,501

Total Revenues 5,031,292

EXPENDITURES

Personnel Services

Salaries	2,459,949
Payroll assessment	1,152,570
Contract services/other	131,250

Total Personnel Services 3,743,769

Legislative

Legislative committee	6,800
Legislative report	2,712

Total Legislative 9,512

Travel

Officers and committee	121,094
Staff	65,372
Automobile expense	29,432
Automobile purchase	47,748

Total Travel 263,646

Professional Development

67,704

Publications

Superintendent search	3,163
PR in action	3,942
Miscellaneous publications	28,629

Total Publications 35,734

EXPENDITURES (Continued)**Convention and Conference**

Convention	\$	178,201
Summer Conference		18,186
Collective Bargaining		5,759
School Law Conference		986
Sustainable Schools		15,139
McGrath Training		9,645
Leadership Oregon		16,168
Misc. Conferences		2,998

Total Convention and Conference 247,082

Office Expense

Audit, insurance, bonds		88,916
Telephone and video conferencing		11,575
Postage		14,980
Supplies and photocopies		90,961
Equipment maintenance		6,232
Equipment purchase		45,117
Staff recruitment		1,085

Total Office Expense 258,866

Dues and Subscriptions

National School Boards Association		77,381
Other		50,866

Total Dues and Subscriptions 128,247

Building and Lot

Building operations		90,990
Building reserve		12,000

Total Building and Lot 102,990

Board of Directors Projects

44,553

Legal Fees

646

Technical Connections

2,069

Total Expenditures 4,904,818

The accompanying notes are an integral part of the financial statements.

OREGON SCHOOL BOARDS ASSOCIATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (Continued)
YEAR ENDED JUNE 30, 2011

EXPENDITURES (Continued)

REVENUES OVER EXPENSES	\$ 126,474
FUND BALANCE, Beginning of year	<u>77,908,217</u>
FUND BALANCE, End of year	<u><u>\$ 78,034,691</u></u>

The accompanying notes are an integral part of the financial statements.

OREGON SCHOOL BOARDS ASSOCIATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2011

Net change in budgetary fund balances	\$	126,474
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Amounts reported in the Statement of Activities are different because:

Budgetary accounting reports capital outlay as an expenditure. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciated expense. This amount is the difference between capital outlay \$47,748 and depreciation (\$54,741), and disposition with a net book value of (\$17,393).	(24,386)
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Budgetary accounting does not report compensated absences. However, in the Statement of Activities the cost of compensated absences is expensed.	(14,616)
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Change in investment in Local Government Center Trust.	242
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<i>Change in Net Assets</i>	\$	<u>87,714</u>
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The accompanying notes are an integral part of the financial statements.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Oregon School Boards Association (OSBA) was organized in 1946 in Eugene, Oregon. It is a voluntary association of local boards of education organized under Oregon Revised Statutes Chapter 190. The primary sources of revenue are from investment earnings, contract income for services rendered and membership dues. Dues are collected from member districts annually, membership is voluntary.

Financial Statements

Any school district, education service district, or community college can become a member of OSBA by applying and paying the annual membership dues. Membership can be terminated by a district at any time. OSBA can terminate membership for non-payment of fees. Charter schools may become associate members with no voting rights.

The financial statements of OSBA have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of OSBA. Program revenues include: a) membership dues, and b) other program related revenues that are restricted to meeting operational or capital requirements. Other items not properly included among program revenues are reported instead as general revenues.

The more significant of the government's accounting policies are described below:

Reporting Entity

In evaluating how to define OSBA, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits OSBA and/or its citizens, or whether the activity is conducted within the geographic boundaries of OSBA and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether OSBA is able to exercise oversight responsibilities. Based upon the application of these criteria, OSBA has two component units which require disclosure. Separate financial statements for OSBA Legal Assistance Trust and the OSBA Property and Casualty Coverage for Education Trust can be obtained from OSBA.

Effective July 1, 2008, the OSBA Employee Benefits Insurance Trust discontinued its operations. At that time, the Trust's balances were transferred to the Association pursuant to the Trust Agreement. The resolution for dissolution called for an establishment of a \$50,000,000 reserve to protect the funds in a manner consistent with the agreement. An additional reserve of \$15,000,000 is available only upon a majority vote by the Board. These reserves are being held in an endowment with the investment earnings being made available to fund OSBA's operations.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation and Method of Accounting

The association-wide financial statements (i.e., the statement of net assets and the statement of activities) present financial information about OSBA as a whole. The information includes all of the non-fiduciary activities of OSBA.

The accompanying financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to government entities.

The statement of net assets and statement of activities display information about the reporting entity as a whole. These statements focus on the sustainability of the Association as an entity and the change in aggregate financial position resulting from the activities of the year. These statements are reported using the economic resources measurement focus and the accrual method of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

The accounts of the Association are organized in a single fund which is used to account for the Association's activities. Revenues are principally from membership dues, investment earnings and services. This fund is reported on the balance sheet and statement of revenues, expenditures and changes in fund balance using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred.

When expenses are paid for purposes in which both restricted and unrestricted net assets are available, the Association deems restricted net assets to be spent first.

Fund Balance

In the year ended June 30, 2011, the Association adopted GASB Statement #54 *Fund Balance Reporting and Governmental Fund Types Definitions*. In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Association is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Although not a major impact on the financial statements, Governmental Fund type fund balances are now reported in the following classifications.

Fund balance is reported as non-spendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the Board of Directors takes formal action that places specific constraints on how the resources may be used.

The Board of Directors can modify or rescind the commitment at any time through taking a similar formal action.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Resources that are constrained by the Association's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the Board of Directors approves which resources should be "reserved" during the adoption of the annual budget. The Association's Executive Director uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the Association's Annual Financial Report.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been restricted, committed, or assigned within the General Fund. This classification is also used to report any negative fund balance amounts in other governmental funds.

The Association adopted the provisions of GASB Statement #54 *Fund Balance Reporting and Government Fund Types Definitions*. The changes required relate to the reporting of special revenue funds. Since all activities of the Association are reported in one fund, GASB Statement #54 does not affect the presentation of the Association's financial statements except as defined above.

Cash and Cash Equivalents

For financial reporting purposes, OSBA considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents including the investment in the Local Government Investment Pool.

Investments

The Association carries its investment in marketable bonds at fair value. The fair value of publicly traded bonds is based on quoted market prices. Accordingly, unrealized gains or losses are recorded for the increase or decrease in the fair value of assets from the beginning of the year to the end of the year.

Oregon statutes authorize the Association to invest in general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon municipalities, bank repurchase agreements, bankers' acceptances, commercial paper, and the Oregon State Treasurer's Local Government Investment Pool, among others. In addition, the Association maintains an investment policy which is re-adopted annually by the Board.

Investment income is composed of interest and net changes in the fair value of applicable investments. Investment income is included in other local revenue in the fund financial statements.

Investments are held by a third party in the name of the Association.

Accounts Receivable

Accounts receivable represent member dues, amounts due from reinsurance providers, fees for services provided as well as various miscellaneous refunds. Due to the nature of the receivables and the likelihood of collection, no provision for uncollectible accounts has been made.

Capital Assets

Capital assets which include land and improvements, buildings and improvements, vehicles, furniture, equipment and construction in progress, are reported in the association-wide financial statements.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Capital assets are defined by the Association as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost, or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the estimated fair market value at the date of the donation. The costs of normal 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 estimated useful lives:

Buildings improvements	15 years
Vehicles, furniture and equipment	3-5 years

Compensated Absences Payable

The OSBA's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. The current and long-term liabilities for vested or accumulated vacation leave, compensatory time, and retirement benefits are reported on the government-wide financial statements. Total unpaid compensated absences at June 30, 2011 were recorded on the books of the Association based on total vested hours multiplied by current wage rates.

No liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

Income Taxes

The Association is exempt from Federal income taxes under Internal Revenue Code Section 115.

Property Taxes

The Association is exempt from taxes for all real and personal property, including property held under lease or lease purchase agreements under ORS 456.220 and ORS 456.225 of Oregon Law.

Deferred Revenue

The Association reports deferred revenue on its statement of net assets. Deferred revenues arise when resources are received by the Association before it has a legal claim to them, as when dues are received prior to the incurrence of qualifying earning period. In subsequent periods, when the Association has a legal claim to the resources, the liability for deferred revenue is removed from the statement of net assets and revenue is recognized.

Retirement Plans

Substantially all of OSBA employees are participants in the State of Oregon Public Employees Retirement System (PERS). Contributions to PERS are made on a current basis as required by the plan and are charged as expenses.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

The Association is exposed to various risks to loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association carries commercial insurance for risks of loss including worker's compensation, property, general liability, umbrella, automobile liability, directors and officers liability, and employee dishonesty coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Budgets and Budgetary Accounting

Operating budgets in accordance with ORS 294.900 are adopted each year on a modified accrual basis of accounting. The administrative and fiscal staff prepares a budget for each of the separate projects and for the total operation of OSBA. The budget is submitted to the Board of Directors for approval, modification, and adoption.

Use of 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 reporting amounts of certain assets, liabilities, revenues and expenses. Actual results may differ from such estimates. Financial statement items particularly sensitive to estimates are the allowance for doubtful accounts, and the useful lives of property and equipment.

CASH AND CASH EQUIVALENTS

Cash

Cash on hand	\$	175
Demand deposits with financial institutions		23,829

Cash equivalents

Local Government Investment Pool	1,411,473
Umpqua Bank money market account	3,561,910

<i>Total Cash and Cash Equivalents</i>	\$	<u>4,997,387</u>
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Deposits

At June 30, 2011, the Association's deposits with various financial institutions had a bank value of \$5,033,505.

Custodial Credit Risk - Deposits

The Association has an agreement with West Coast Bank that all deposits maintained in non-interest bearing accounts are covered under FDIC insurance regardless of balance.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

CASH AND CASH EQUIVALENTS (Continued)

Local Government Investment Pool

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool (LGIP) is part. Participation by local governments is voluntary. At June 30, 2011, the carrying value of the position in the Oregon State Treasurer's Short-Term Investment Pool approximates fair value. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP. The LGIP is not rated as to credit quality.

INVESTMENTS

At June 30, 2011, the Association's investment balances were as follows:

<i>Description</i>	<i>Face Amount</i>	<i>Fair Value</i>	<i>Investment Maturities</i>	
			<i>Less than 18 months</i>	<i>18-60 months</i>
Allstate Life Global - 5.375%, due 4/30/13	\$ 1,024,142	\$ 1,077,703	\$ -	\$ 1,077,703
Bank of America - 4.5%, due 4/1/15	1,012,397	1,045,500	-	1,045,500
Bank of America - 5.0%, due 2/3/14	976,935	1,076,613	-	1,076,613
Bank of America - 6.15%, due 4/25/13	1,702,382	1,744,818	-	1,744,818
FFCB - 2.04%, due 6/15/16	1,000,000	988,461	-	988,461
FFCB - 2.45%, due 12/28/15	2,000,000	2,017,760	-	2,017,760
FHLMC - 2.125%, due 8/25/15	3,000,000	3,009,195	-	3,009,195
FHLMC - 2.0%, due 6/29/16	2,000,000	1,978,094	-	1,978,094
FHLMC - 2.5%, due 5/25/2016	1,001,500	1,004,886	-	1,004,886
FHLMC - 2.8%, due 4/28/16	2,000,000	2,003,778	-	2,003,778

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

INVESTMENTS (Continued)

<i>Description</i>	<i>Face Amount</i>	<i>Fair Value</i>	<i>Investment Maturities</i>	
			<i>Less than 18 months</i>	<i>18-60 months</i>
FNMA -1.55%, due 10/27/15	\$ 2,000,000	\$ 1,984,912	\$ -	\$ 1,984,912
FNMA - 1.75%, due 8/25/15	1,000,000	998,561	-	998,561
FNMA - 1.875%, due 9/9/15	1,000,000	1,004,067	-	1,004,067
FNMA - 2.05%, due 10/8/15	1,000,000	1,000,295	-	1,000,295
FNMA -2.125%, due 8/5/15	1,000,000	1,001,852	-	1,001,852
FNMA -2.25%, due 7/22/15	2,000,000	2,002,304	-	2,002,304
FNMA -2.375%, due 7/21/15	1,000,000	1,001,277	-	1,001,277
FNMA -2.6%, due 1/25/16	2,000,000	2,003,486	-	2,003,486
FHLB - 2.05%, due 10/5/15	2,000,000	1,988,340	-	1,988,340
FHLB - 1.75%, due 11/23/15	2,000,000	1,995,718	-	1,995,718
FHLB - 1.85%, due 9/10/15	1,000,000	998,204	-	998,204
FHLB - 1.875%, due 10/19/15	2,000,000	1,993,928	-	1,993,928
FHLB - 2.0%, due 10/5/15	1,775,000	1,762,843	-	1,762,843
FHLB - 2.0%, due 12/9/15	1,000,000	992,491	-	992,491
FHLB - 2.0%, due 6/26/16	1,000,000	988,661	-	988,661
FHLB - 2.02%, due 6/29/16	2,000,000	1,987,082	-	1,987,082
FHLB - 2.2%, due 6/30/16	2,000,000	1,982,490	-	1,982,490
FHLB - 2.25%, due 12/22/15	1,142,857	1,143,155	-	1,143,155
FNMA Stripped Notes, due 2/16/16	1,000,000	1,001,815	-	1,001,815
GE Cap Corp - 3.75%, due 11/14/14	1,021,328	1,058,508	-	1,058,508
GE Co - 5.0%, due 2/1/13	2,057,856	2,149,333	-	2,149,333
Hudson United Bk - 7.0%, due 5/15/12	2,048,161	2,105,756	2,105,756	-
ID Hlth Facilities Auth - 3.5%, due 7/1/15	382,643	381,754	-	381,754
JP Morgan Chase - 3.4%, due 6/24/15	1,011,185	1,026,651	-	1,026,651
JP Morgan Chase - 3.7%, due 1/20/15	1,012,559	1,039,807	-	1,039,807
JP Morgan Chase CB - 5.75%, due 1/02/13	1,064,905	1,065,943	-	1,065,943
Key Bank NA - 5.091%, due 3/26/15	1,042,076	1,086,923	-	1,086,923
Key Bank NA - 5.5%, due 9/17/12	1,826,974	1,867,495	1,867,495	-
Key Bank NA - 5.7%, due 8/15/12	921,165	928,535	928,535	-

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

INVESTMENTS (Continued)

<u>Description</u>	<u>Face Amount</u>	<u>Fair Value</u>	<u>Investment Maturities</u>	
			<u>Less than 18 months</u>	<u>18-60 months</u>
Met Travelers Global - 3.125%, due 1/11/16	\$ 1,009,400	\$ 1,012,416	\$ -	\$ 1,012,416
Met Travelers Life - 5.125%, due 8/15/14	535,765	563,149	-	563,149
Metro Life Global - 5.125%, due 11/9/11	1,056,303	1,067,164	1,067,164	-
Nations Bank Corp - 7.75%, due 8/15/15	1,145,581	1,135,159	-	1,135,159
Ore St Hsg & Cmnty - 2.65%, due 1/1/15	500,000	502,820	-	502,820
Ore St Hsg & Cmnty - 2.75%, due 7/1/15	450,000	457,497	-	457,497
Pacificorp 1st - 8.95%, due 9/1/11	1,041,416	1,012,650	1,012,650	-
Port of Portland AR - 5.0%, due 7/1/15	1,122,970	1,114,390	-	1,114,390
Principal Life - 5.25%, due 1/15/13	1,055,062	1,061,188	-	1,061,188
Rabobank - 3.2%, due 3/11/15	999,614	1,034,535	-	1,034,535
Toyota Motor Credit - 2.8%, due 1/11/16	1,010,260	1,023,610	-	1,023,610
US Bank - 4.95%, due 10/30/14	1,622,222	1,641,276	-	1,641,276
Wachovia - 4.875%, due 2/1/15	1,041,668	1,073,650	-	1,073,650
Wells Fargo - 3.625%, due 4/15/15	1,056,207	1,045,400	-	1,045,400
Wells Fargo - 3.75%, due 10/1/14	1,014,711	1,053,908	-	1,053,908
Westpac - 4.2%, due 2/27/15	1,058,753	1,058,188	-	1,058,188
		<u>\$ 72,345,994</u>	<u>\$ 6,981,600</u>	<u>\$ 65,364,394</u>

Investment Objectives

- a. To assure the safety of principal.
- b. To retain liquidity to meet projected or unexpected cash needs.
- c. To attain the best possible total return (yield and market appreciation) while retaining liquidity and minimizing risk.
- d. To comply with the provisions of Chapter 294 of Oregon Revised Statutes.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

INVESTMENTS (Continued)

Investment Securities and Diversification

Acceptable Investments:

1. General obligations of the United States issued as U.S. Treasury Bills, Notes and Bonds and Federal Agency securities.
2. Obligations of Oregon and its respective political subdivisions having a long-term rating of A or an equivalent rating or better, or are rated in the highest category for short-term municipal debt by a nationally recognized statistical rating organization.
3. Lawfully issued debt of Washington, Idaho and California and their respective political subdivisions having a long-term rating of AA or an equivalent rating or better, or are rated in the highest category for short-term municipal debt by a nationally recognized statistical rating organization.
4. Negotiable Certificates of Deposit of banks, mutual savings banks and savings and loan associations which maintain a head office or branch in the state of Oregon.
5. Fixed or Variable Life Insurance or Annuity Contracts and Guaranteed Investment Contracts issued by life insurance companies authorized to do business in Oregon.
6. Deferred Compensation Funds used by other public employers if the Trust is a public instrumentality of such public employers and is described as set forth in ORS 294.035(7).
7. Banker's Acceptance of qualified financial institutions pursuant to Oregon law. Guaranteed by and carried on the books of a qualified financial institution defined as financial institution located and licensed to do business in the state of Oregon or a financial institution licensed and qualified to do business in the states of California, Idaho and Washington that is wholly-owned by a bank-holding company that owns a financial institution that is located and licensed to do banking business in the state of Oregon and the obligation is eligible for discount by the Federal Reserve System and issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organization.
8. Corporate Indebtedness: Commercial Paper, Bonds and MTNS.
9. Securities of any open- and/or closed-end management investment company or investment trust subject to the limitations set forth in ORS 294.035(10).
10. Repurchase Agreements: Only securities described in paragraph 1 above shall be used in conjunction with repurchase agreements and such securities shall have a maturity of not longer than three years. The price paid for such securities may not exceed amounts or percentages prescribed by Oregon statute.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

INVESTMENTS (Continued)

Portfolio Diversification:

To support the stated investment objectives, the Association's funds will be diversified to sufficiently minimize risk as well as to assure adequate liquidity and marketability of the invested funds. Additionally, ORS 294.035 sets forth diversification limitations. These limitations are applied on a fund-by-fund basis.

Corporate Indebtedness of "Oregon Issuer" (ORS 294.035(9)9C0):

- No more than 35% of any association's fund
- No more than 5% with any one single corporate entity

Corporate Indebtedness of "Outside Oregon Issuer" (ORS 294.035(9)(a)(b)):

- No more than 35% of any association's fund
- No more than 5% with any one single corporate entity

Banker's Acceptances:

- No more than 25% of any association's fund may be invested in banker's acceptances of any qualified financial institution

None of the investments in commercial paper exceeded 5%.

INVESTMENT IN LOCAL GOVERNMENT CENTER TRUST

The Local Government Center Trust was established by the Oregon School Boards Association, together with the League of Oregon Cities and the Association of Oregon Counties to hold title to jointly-owned property. The Local Government Center, owned by the Trusts, houses the operations of these organizations. Each organization is entitled to an undivided interest in properties held by the Trust according to the distribution ratio of the Declaration of Trust, as amended. Each organization is required to pay its proportionate share of expenditures for operation and maintenance of the building, reimbursements for other services provided, and monthly payments for reserve purposes.

The Association's investment in the Trust, at cost, consists of the following:

	<i>June 30,</i> <i>2011</i>
Cash on deposit	\$ 233,433
Accounts receivable	41,728
Land and improvements	216,141
Building	1,636,779
Furniture and equipment	71,699
Construction in Process	7,890
Less depreciation	(689,400)
Accounts payable	(36,968)
	<hr/>
<i>Total Investment in Local Government Center Trust</i>	\$ 1,481,302 <hr/> <hr/>

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

INVESTMENT IN LOCAL GOVERNMENT CENTER TRUST (Continued)

Separate financial statements for the Local Government Center Trust are available for the year ended June 30, 2011.

ACCOUNTS RECEIVABLE

Receivables as of year-end for the Association are as follows:

PERS Employer Alliance	\$ 140,729
Professional services	200,693
Rental revenue	95,388
	<hr/>
<i>Total Accounts Receivable</i>	<u><u>\$ 436,810</u></u>

CAPITAL ASSETS

	<u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2011</u>
Land	\$ 126,729	\$ -	\$ -	\$ 126,729
Equipment	382,561	-	-	382,561
Automobiles	248,392	47,748	(23,718)	272,422
Building improvements	219,357	-	-	219,357
	<hr/>	<hr/>	<hr/>	<hr/>
	977,039	47,748	(23,718)	1,001,069
Accumulated depreciation	(595,837)	(54,741)	6,325	(644,253)
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>\$ 381,202</u>	<u>\$ (6,993)</u>	<u>\$ (17,393)</u>	<u>\$ 356,816</u>

PENSION PLAN

Plan Description

The Association is a participating employer in the Oregon Public Employees Retirement System ("PERS"), a cost-sharing multiple-employer public employee retirement system established under Oregon Revised Statutes 238.600 that acts as a common investment and administrative agent for public employers in the State of Oregon. PERS is a defined benefit pension plan that provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to members and their beneficiaries. Benefits are established by state statute.

In the 2003 legislative session, the Oregon Legislative Assembly created a successor plan for PERS. The Oregon Public Service Retirement Plan ("OPSRP") is effective for all new employees hired on or after August 29, 2003. The new plan consists of a defined benefit program (the "Pension Program") and a defined contribution portion (the Individual Account Program or "IAP"). The Pension Program portion of OPSRP provides a life pension funded by employer contributions. Benefits are calculated by a formula for members who attain normal retirement age. The formula takes into account final average salary and years of service and a factor that varies based on type of service (general versus police or fire).

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

PENSION PLAN (Continued)

Plan Description (Continued)

Beginning January 1, 2004, all PERS member contributions go into the IAP portion of OPSRP. PERS members retain their existing PERS accounts, but any future member contributions are deposited into the member's IAP, not the member's PERS account. Those employees who had established a PERS membership prior to creation of OPSRP will be members of both the PERS and OPSRP system as long as they remain in covered employment.

Both PERS and OPSRP are administered by the Oregon Public Employees Retirement Board ("OPERB"). The comprehensive annual financial report of the funds administered by the OPERB may be obtained by writing to Oregon Public Employees Retirement System, P.O. Box 23700, Tigard, Oregon 97281-3700, by calling (503) 598-7377, or by accessing the PERS web site at www.oregon.gov/PERS.

Funding Policy

Employer contributions are required by state statute and made at actuarially determined rates as adopted by the OPERB. Covered employees are required by state statute to contribute 6.0% of their annual salary to the system, but the employer is allowed to pay the employees' contribution in addition to the required employers' contribution.

The Association has elected to contribute the 6.0% "pick-up" starting January 1, 2005.

In addition to the 6.0% "pick-up," the Association contributed 9.99% of covered payroll to PERS for the fiscal year ended June 30, 2011. This contribution rate was determined as part of the December 31, 2005 actuarial evaluation and was recalculated to reflect the impact of recently passed legislation (House Bills 2001, 2003, and 2004). Subject salary for the year was \$2,364,929 and the Association's total payroll was \$2,454,400.

<u><i>Year Ended</i></u> <u><i>June 30,</i></u>	<u><i>Employer</i></u> <u><i>Contributions</i></u>	<u><i>Percentage</i></u> <u><i>Contributed</i></u>
2011	\$ 378,232	100%
2010	365,085	100
2009	474,915	100

The Association's pension liability and the annual required contribution rate were determined using the entry age cost method. The unfunded actuarial liability ("UAL") created by this method, including gains and losses, is amortized as a level percentage of salary over a period commencing on the valuation date (2001, 2003, 2005, and 2007) and ending on December 31, 2027 using closed amortization. Beginning in 2007, each valuation's UAL will be amortized over 20 years, again using closed amortization. The actuarial assumptions include an investment return of 8.0% per year, projected salary increase of 3.75%, health cost inflation graded from 9.0% in 2007 to 5.0% in 2013, and a consumer price inflation component of 2.75%.

The OPERB utilizes a technique called asset smoothing to determine the actuarial value of assets. The actuarial value of assets are reported at fair market value, less a reserve equal to a pro-rata portion of the investment gains (losses) over the four-year period ending on the valuation date. Investment gains (losses), effective from January 1, 2000, are recognized at the rate of 25% per year. The actuarial value of assets is limited to a 10% corridor above and below the fair market value.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

RELATED PARTY TRANSACTIONS

The following transactions occurred during the period beginning July 1, 2010 and ended June 30, 2011 between the Trust and other companies or individuals which were related through common ownership or management:

Amounts recognized as receivable from or payable to related parties for the year June 30, 2011:

<u>Company Name</u>	<u>Type of Receivable/Payable</u>		
Legal Assistance Trust	Accounts receivable	\$	140,729
OSBA Property and Casualty Coverage for Education	Accounts receivable		94,848
Local Government Center Trust	Accounts receivable		95,388
Local Government Center Trust	Accounts payable		13,612

Amounts recognized as revenues from related parties for the year June 30, 2011:

<u>Company Name</u>	<u>Type of Revenue</u>		
Local Government Center Trust	Rental income	\$	89,921

SUBSEQUENT EVENTS

Oregon School Boards Association follows the provisions of Accounting Standards Codification (ASC) 855 "Subsequent Events". ASC 855 establishes accounting and disclosure requirements for subsequent events. Management has evaluated subsequent events through December 6, 2011, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

OREGON SCHOOL BOARDS ASSOCIATION LEGAL ASSISTANCE TRUST

The Oregon School Boards Association Legal Assistance Trust was created on January 20, 1990, between participating school districts and the Oregon School Boards Association. The Oregon School Boards Association serves as the trustee. The purpose of the Trust is to assist participating school districts in pursuing and financing the cost of litigation on issues or causes that generally affect or will affect public school districts in the State of Oregon.

Allowance for Doubtful Accounts

The Trust regularly reviews the collectability of accounts receivable and, when necessary, sets up an allowance for amounts which may not be collectable. The Trust has no receivables at June 30, 2011 and 2010, therefore an allowance for doubtful accounts was not deemed necessary.

Income Taxes

The Trust is exempt from Federal income taxes under Internal Revenue Code Section 115.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

OREGON SCHOOL BOARDS ASSOCIATION LEGAL ASSISTANCE TRUST (Continued)

Deferred Revenue

The Trust reports unearned revenue on its balance sheets as deferred revenue. Deferred revenues arise when resources are received by the Trust before it has a legal claim to them, as when membership dues are received in advance. In subsequent periods, when revenue earning criteria is met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Use of 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 reporting amounts of certain assets, liabilities, revenues and expenses as of and for the years ended June 30, 2011 and 2010. Actual results may differ from such estimates.

Cash and Cash Equivalents

On June 30, 2011, the Trust had the following cash and cash equivalents:

Demand deposits with financial institutions	\$ 10,548
Investment in Local Government Investment Pool	653,946
	<hr/>
<i>Total Cash and Cash Equivalents</i>	<i>\$ 664,494</i>
	<hr/> <hr/>

The Trust's deposits with various financial institutions had a bank value of \$10,674 at June 30, 2011.

Custodial Risk - Deposits

This is the risk that in the event of a bank failure, the Trust's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Trust's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution.

At June 30, 2011, all deposits were covered by FDIC insurance. Deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the State of Oregon. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities.

Investments

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool (LGIP) is part. Participation by local governments is voluntary. At June 30, 2011, the carrying value of the position in the Oregon State Treasurer's Short-Term Investment Pool approximates fair value. The investment in the Oregon Short-Term Fund is not subject to risk evaluation. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

OREGON SCHOOL BOARDS ASSOCIATION LEGAL ASSISTANCE TRUST (Continued)

Investments (Continued)

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP. The LGIP is not rated as to credit quality.

Related Party Transactions

During the year ended June 30, 2011, the Trust paid \$49,609 (accrued in the year ended June 30, 2010) and accrued expenses of \$140,728 to the Oregon School Boards Association for reimbursement of legal fees paid by the Oregon School Boards Association on behalf of the Public Employer's Defense Alliance.

OREGON SCHOOL BOARDS ASSOCIATION PROPERTY & CASUALTY COVERAGE FOR EDUCATION

The Oregon School Boards Association Property and Casualty Coverage for Education Trust is an unincorporated entity created by the Oregon School Boards Association. The Board of Directors of Oregon School Boards Association Property and Casualty Coverage for Education Trust are appointed by the Board of Directors of Oregon School Boards Association. The Trust pays a fee to OSBA for administration.

Premiums

Premiums are taken into income as earned over the term of related insurance policies. Policies are generally written for the annual period from July 1 through June 30. As of June 30, 2011, the Trust held unearned premiums in the amount of \$1,046,373.

Claims and Claims Adjustment Expenses

Unpaid losses and loss adjustment expense have been estimated based upon an actuarial study of the program prepared by the Trust's consulting actuary. The Trust establishes claims liabilities based on estimates of the ultimate cost of claims (including future claims adjustment expenses) that have been reported but not settled, and claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on several complex factors, the process used in computing claims liabilities does not necessarily result in an exact amount.

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

OREGON SCHOOL BOARDS ASSOCIATION PROPERTY & CASUALTY COVERAGE FOR EDUCATION
(Continued)

Claims and Claims Adjustment Expenses (Continued)

Claims liabilities are recomputed periodically using a variety of techniques to produce current estimates that reflect recent settlements, claims frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed on both the actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Self-Insurance Limits

The Trust has established a \$600,000 general liability and a \$250,000 property self-insurance limit. The self-insurance pool provides for the first \$600,000 of each general liability claim and the first \$250,000 of property, automobile, errors and omissions, and other miscellaneous coverages.

Cash and Cash Equivalents

On June 30, 2011, the Trust had the following cash and cash equivalents:

Demand deposits with financial institutions	\$ 132,807
Investment in Local Government Investment Pool	502,323
	<hr/>
<i>Total Cash and Cash Equivalents</i>	<i>\$ 635,130</i>
	<hr/> <hr/>

At June 30, 2011, the Trust's deposits with various financial institutions had a bank value of \$143,760.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the Trust's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Trust's deposits with financial institutions up to \$250,000 each for the aggregate of all non-interest bearing accounts and the aggregate of all interest bearing accounts at each institution. Deposits in excess of FDIC coverage are with institutions participating in the Oregon Public Funds Collateralization Program. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2011, all amounts were covered by FDIC insurance.

Local Government Investment Pool

The State Treasurer of the State of Oregon maintains the Oregon Short-Term Fund, of which the Local Government Investment Pool (LGIP) is part. Participation by local governments is voluntary. At June 30, 2011, the carrying value of the position in the Oregon State Treasurer's Short-Term Investment Pool approximates fair value. The investment in

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

OREGON SCHOOL BOARDS ASSOCIATION PROPERTY & CASUALTY COVERAGE FOR EDUCATION
(Continued)

Local Government Investment Pool (Continued)

the Oregon Short-Term Fund is not subject to risk evaluation. Separate financial statements for the Oregon Short-Term Fund are available from the Oregon State Treasurer.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Commission. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of, or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short Term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP. The LGIP is not rated as to credit quality.

Investments

At June 30, 2011, the Trust's investment balances were as follows:

<i>Description</i>	<i>Face Amount</i>	<i>Fair Value</i>	<i>Investment Maturities</i>	
			<i>Less than 18 months</i>	<i>18-60 months</i>
Federal Government Obligations	\$ 1,064,826	\$ 1,064,826	\$ 1,064,826	\$ -
Bank of America - 5.45%, due 4/1/2015	536,134	538,322	-	538,322
Bank of America - 4.5%, due 4/1/2015	512,870	522,750	-	522,750
FFCB - 2.04%, due 6/15/2016	1,000,000	988,461	-	988,461
FHLMC - 2.125%, due 8/25/2015	2,000,000	2,006,130	-	2,006,130
FHLMC - 2.8%, due 4/26/16	1,000,000	1,001,889	-	1,001,889
FNMA - 2.125%, due 8/12/2012	1,000,000	1,002,559	1,002,559	-
FNMA - 1.875%, due 9/9/2015	1,000,000	1,004,067	-	1,004,067
FNMA - 2.125%, due 8/10/2015	1,009,691	1,010,150	-	1,010,150
FNMA - 2.25%, due 7/22/2015	2,000,000	2,002,304	-	2,002,304
FHLB - 2.05%, due 10/5/2015	1,445,000	1,436,576	-	1,436,576
FHLB - 1.75%, due 11/23/2015	1,000,000	997,858	-	997,858
FHLB - 1.85%, due 9/10/2015	1,000,000	998,204	-	998,204
FHLB - 1.875%, due 5/11/2015	2,000,000	1,993,928	-	1,993,928
FHLB - 2.2%, due 6/30/2016	1,000,000	991,245	-	991,245
FHLB - 3.25%, due 8/26/2014	1,008,965	1,004,711	-	1,004,711
FHLB STD NET, due 4/27/2016	1,000,000	1,000,320	-	1,000,320
GE - 1.307%, due 8/15/2011	493,039	500,120	500,120	-
GE - 3.75%, due 11/14/2014	509,013	529,254	-	529,254
ID HLTH - 4%, due 7/1/2015	331,336	330,100	-	330,100

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

OREGON SCHOOL BOARDS ASSOCIATION PROPERTY & CASUALTY COVERAGE FOR EDUCATION
(Continued)

Investments (Continued)

<i>Description</i>	<i>Face Amount</i>	<i>Fair Value</i>	<i>Investment Maturities</i>	
			<i>Less than 18 months</i>	<i>18-60 months</i>
JP Morgan Chase - 3.7%, due 1/20/2015	\$ 505,149	\$ 519,904	\$ -	\$ 519,904
JPM Bear Stearns - 5.7%, due 11/15/2014	549,971	552,236	-	552,236
Key Bank - 5.5%, due 9/17/2012	1,025,206	1,052,110	1,052,110	-
Mellon Bank - 5.0%, due 12/01/2014	1,069,157	1,099,923	-	1,099,923
Merrill Lynch - 5.45%, due 2/5/2013	523,017	530,396	-	530,396
NYL - 3%, due 5/4/2015	986,238	982,525	-	982,525
Rabobank - 3.2%, due 3/11/2015	999,614	1,034,535	-	1,034,535
US Bank - 4.95%, due 10/30/2014	1,069,153	1,094,184	-	1,094,184
Wells Fargo - 3.75%, due 10/1/2014	1,016,049	1,053,908	-	1,053,908
<i>Totals</i>		\$ 28,843,495	\$ 3,619,615	\$ 25,223,880

Accounts Receivable

Accounts receivable as of June 30, 2011 consist of the following:

Contributions receivable	\$ 15,285
Reinsurance receivable	842,181
Miscellaneous receivable	40,095
<i>Total Accounts Receivable</i>	\$ 897,561

Claims and Claims Adjustment Expenses Payable

The Trust has established a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claims adjustment expenses. The liability is based on an actuarial study of the program prepared by the Trust's consulting actuary. Administration fees for unresolved claims was estimated at \$818,200 and included in claims payable.

The liability for unpaid claims and claims adjustment expenses has not been discounted and does not reflect a reduction for future interest income which will be available to meet the Trust's claims payment obligations. The following represents changes in those aggregate liabilities for the Trust during the past year:

OREGON SCHOOL BOARDS ASSOCIATION
NOTES TO FINANCIAL STATEMENTS (Continued)
YEAR ENDED JUNE 30, 2011

OREGON SCHOOL BOARDS ASSOCIATION PROPERTY & CASUALTY COVERAGE FOR EDUCATION
(Continued)

Claims and Claims Adjustment Expenses Payable (Continued)

Claims and claims adjustment expense payable at beginning of year	\$ 10,995,730
PACT beginning claims expense from merger	<u>-</u>
<i>Total Claims and Claims Adjustment Expenses Payable</i>	10,995,730
Provisions for insured events of the current year	8,120,071
Increase (decrease) in provision for prior years	714,908
Provision for ULAE	<u>119,835</u>
<i>Total Incurred Claims and Claims Adjustment Expenses</i>	8,954,814
Incurred claims and claims adjustment payments:	
Claims and claims adjustment expenses attributable to insured events of the current year	(2,523,717)
Claims and claims adjustment expenses attributable to insured events of prior years	<u>(3,260,463)</u>
<i>Total Incurred Claims and Claims Adjustment Payments</i>	<u>(5,784,180)</u>
<i>Claims and Claims Adjustment Expenses Payable at End of Year</i>	<u><u>\$ 14,166,364</u></u>

Claims and Administrative Services Agreements

The Trust receives professional insurance management and support services from Special Districts Association of Oregon. The expense for services provided under contract during the year ended June 30, 2011 was \$1,225,000.

The Trust also receives administration and support services from Oregon School Boards Association. The expense for these services provided under contract for the year ended June 30, 2011 was \$304,400.

SUPPLEMENTAL INFORMATION

OREGON SCHOOL BOARDS ASSOCIATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance</u>	<u>Actual</u>
REVENUES				
Membership dues	\$ 698,000	\$ 698,000	\$ 1,493	\$ 699,493
Interest	2,248,273	2,248,273	126,332	2,374,605
Insurance trusts management fees	324,000	324,000	(3,431)	320,569
Convention and conference	384,103	384,103	(64,119)	319,984
Sale of publications	212,425	212,425	14,782	227,207
Contract services	1,058,500	1,062,100	55,646	1,117,746
Rental income	110,000	110,000	25,408	135,408
Gain/loss on disposal of assets	-	-	20,820	20,820
Gain/loss on investments	-	-	(222,041)	(222,041)
Miscellaneous income	25,100	25,100	12,401	37,501
<i>Total Revenues</i>	5,060,401	5,064,001	(32,709)	5,031,292
EXPENDITURES				
Personnel Services				
Salaries	2,497,271	2,497,271	37,322	2,459,949
Payroll assessment	1,286,555	1,286,555	133,985	1,152,570
Contract services/other	87,000	87,000	(44,250)	131,250
<i>Total Personnel Services</i>	3,870,826	3,870,826	127,057	3,743,769
Legislative				
Legislative committee	12,000	12,000	5,200	6,800
Legislative report	24,000	24,000	21,288	2,712
<i>Total Legislative</i>	36,000	36,000	26,488	9,512
Travel				
Officers and committee	205,800	205,800	84,706	121,094
Staff	30,000	30,000	(35,372)	65,372
Automobile expense	30,000	30,000	568	29,432
Automobile purchase	20,000	20,000	(27,748)	47,748
<i>Total Travel</i>	285,800	285,800	22,154	263,646
Professional Development	80,000	80,000	12,296	67,704

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance</u>	<u>Actual</u>
EXPENDITURES (Continued)				
Publications				
Critical issues	\$ 5,000	\$ 5,000	\$ 5,000	\$ -
Superintendent search	7,350	7,350	4,187	3,163
PR in action	4,714	4,714	772	3,942
Outside printing	500	500	500	-
Miscellaneous publications	15,500	15,500	(13,129)	28,629
<i>Total Publications</i>	33,064	33,064	(2,670)	35,734
Convention/Conference				
Convention	208,540	208,540	30,339	178,201
Summer Conference	23,000	23,000	4,814	18,186
Collective Bargaining	8,000	8,000	2,241	5,759
School Law Conference	500	500	(486)	986
Sustainable Schools	30,000	30,000	14,861	15,139
McGrath Training	18,000	18,000	8,355	9,645
Leadership Oregon	35,135	35,135	18,967	16,168
Misc. Conferences	17,000	17,000	14,002	2,998
<i>Total Convention.Conference</i>	340,175	340,175	93,093	247,082
Office Expense				
Audit, insurance, bonds	83,000	83,000	(5,916)	88,916
Telephone and video conferencing	17,000	17,000	5,425	11,575
Postage	40,000	40,000	25,020	14,980
Supplies and photocopies	97,300	97,300	6,339	90,961
Equipment maintenance	16,500	16,500	10,268	6,232
Equipment purchase	24,820	24,820	(20,297)	45,117
Staff Recruiting	5,000	5,000		1,085
<i>Total Office Expense</i>	283,620	283,620	20,839	258,866
Dues and Subscriptions				
National School Boards Association	78,582	78,582	1,201	77,381
Other	74,000	59,000	8,134	50,866
<i>Total Dues and Subscriptions</i>	152,582	137,582	9,335	128,247

OREGON SCHOOL BOARDS ASSOCIATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (Continued)
YEAR ENDED JUNE 30, 2011

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Variance</u>	<u>Actual</u>
EXPENDITURES (Continued)				
Building and Lot				
Building operations	\$ 110,000	\$ 110,000	\$ 19,010	\$ 90,990
Building reserve	12,000	12,000	-	12,000
<i>Total Building and Lot</i>	122,000	122,000	19,010	102,990
Board of Directors Projects	57,000	57,000	(12,447)	44,553
Legal Fees	15,000	15,000	14,354	646
Technical Connections	3,500	3,500	1,431	2,069
Contingency	45,000	45,000	45,000	-
<i>Total Expenditures</i>	5,324,567	5,252,567	282,847	4,904,818
REVENUES OVER (UNDER)				
EXPENSES	(264,166)	(188,566)	315,040	126,474
FUND BALANCE, <i>Beginning of year</i>	20,774,208	20,774,208	57,134,009	77,908,217
FUND BALANCE, <i>End of year</i>	\$ 20,510,042	\$ 20,585,642	\$ 57,449,049	\$ 78,034,691

OTHER SUPPLEMENTAL INFORMATION

OREGON SCHOOL BOARDS ASSOCIATION
SCHEDULE OF AMOUNTS DUE TO OTHERS
YEAR ENDED JUNE 30, 2011

OREGON COUNCIL OF SCHOOL ATTORNEYS

Revenues:

Dues \$ 9,721

Expenditures

Dues 1,220

Other 400

Total Expenditures 1,620

Revenues in excess of expenditures 8,101

Balance - July 1, 2010 20,815

Balance - June 30, 2011 \$ 28,916

OREGON SCHOOL SAFETY OFFICERS ASSOCIATION

Revenues:

Dues \$ 3,590

Annual meetings 680

Sponsorships 225

Total Revenues 4,495

Expenditures

Conferences and meeting expense 3,496

Other 9,067

Total Expenditures 12,563

Revenues in excess of expenditures (8,068)

Balance - July 1, 2010 8,068

Balance - June 30, 2011 \$ -

PERS EMPLOYER ALLIANCE

Revenues:

Litigation fees \$ 140,729

Expenditures

Legal 212,516

Other 4,408

Total Expenditures 216,924

Expenditures in excess of revenues (76,195)

Balance - July 1, 2010 53,512

Balance - June 30, 2011 \$ (22,683)

COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Board of Directors
Oregon School Boards Association
Salem, Oregon

We have audited the basic financial statements of the Oregon School Boards Association as of and for the year ended June 30, 2011, and have issued our report thereon dated December 6, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294.900).**
- **Insurance and fidelity bonds in force or required.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **Accountability for collecting or receiving money by elected officials - no money was collected or received by elected officials**

In connection with our testing it came to our attention that the Association was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations. The Association was not in compliance with ORS 162-010-0300 pertaining to the percentage of allowable corporate indebtedness for public funds.

OAR 162-10-0230 Internal Control

In planning and performing our audit of the statements of net assets and statements of revenues, expenses and changes in net assets of the Oregon School Boards Association as of and for the year ended June 30, 2011 in accordance with auditing standards generally accepted in the United States of America, we considered the Council's internal control over

financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.


Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

We issued to management our separate letter describing significant deficiencies in internal control.

This report is intended solely for the information and use of the board of directors/council members/commissioners and management of the Oregon School Boards Association and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

GROVE, MUELLER & SWANK, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

By: 

Charles A. Swank, A Shareholder
December 6, 2011