

**SPECIAL DISTRICTS  
ASSOCIATION OF OREGON**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2010 AND 2009**

# SPECIAL DISTRICTS ASSOCIATION OF OREGON

## TABLE OF CONTENTS

---

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	2
FINANCIAL SECTION	
Statement of Net Assets	6
Statement of Revenues, Expenses, and Changes in Net Assets	8
Statement of Cash Flows	10
Notes to Financial Statements	12
REQUIRED SUPPLEMENTARY INFORMATION	
Reconciliation of Claims Liability by Type of Contract	22
Claims Development Information	23
SUPPLEMENTARY INFORMATION	
Combining Statement of Net Assets by Insurance Program	28
Combining Statement of Revenues, Expenses, and Changes in Net Assets by Insurance Program	29
Graphical Summary of Claims	30



**James Marta & Company**  
**Certified Public Accountants**

*Accounting, Auditing, Tax, and Consulting*

---

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors and Trustees  
Special Districts Association of Oregon  
Salem, Oregon

We have audited the accompanying Statement of Net Assets of Special Districts Association of Oregon (the Association) as of and for the years then ended June 30, 2010 and 2009, and the related Statement of Revenues, Expenses, and Changes in Net Assets, and Statement of Cash Flows for the years then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Special Districts Association of Oregon as of June 30, 2010 and 2009, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 2 to 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The Reconciliation of Claims Liabilities by Type of Contract and the Claims Development Information are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The combining financial statements (as listed in the table of contents) and the Graphical Summary of Claims are provided for purposes of additional analysis and are not required parts of the basic financial statements. Such information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

James Marta & Company, CPAs  
October 30, 2010

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# SPECIAL DISTRICTS ASSOCIATION OF OREGON

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

---

### **Background**

The Special Districts Association of Oregon (SDAO) is a nonprofit organization, established in 1978, with the primary objective of developing and disseminating information to special districts (municipal governments) within Oregon. Additionally, SDAO acts as a clearinghouse for information to improve efficiency in the providing of all types of public service.

In July 1985, the Special Districts Insurance Services Trust (SDIS) was formed by SDAO. SDIS is under the direction of a Board of Trustees separate from that of SDAO. The general objectives of SDIS are to formulate, develop, and administer, on behalf of its members, a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The group-purchase insurance program (health, property, crime, boiler & machinery, and bond) and the self-insured liability programs were started in 1985. The self-insured workers' compensation program began on July 1, 1988. On January 1, 1993, SDIS began self-insuring the property program.

Since SDAO and SDIS have only municipal government members, are organized to provide various services to those government members, and SDIS serves as a public entity risk pool, these general purpose financial statements are presented in a governmental entity format utilizing governmental accounting standards, including Governmental Accounting Standards Board Opinion No. 10 (GASB No. 10). Other criteria utilized in determining the financial reporting entity include financial interdependency, authority to appoint governing authority and management, ability to influence operations, and accountability for fiscal matters.

### **Reporting Authorities**

SDAO has a 12-member board that is elected by the membership. Six of the board members include a representative from each of the following: port, sanitary, water, park & recreation, fire and irrigation. Five board members fill the at-large positions, 3 of which are true at large. The final board position is the past-president of the Association.

SDIS is made up of a 7-member board referred to as the Trust. The SDAO board, at the recommendation of the nominating committee, appoints the Trust positions. The nominating committee is a group of current Board and Trust members. A mailing to the membership is done whenever there is a vacancy on the Trust Board. Members are given time to respond and then the nominating process begins.

### **Membership**

The Special Districts Association of Oregon is a 501(c)6 non profit association (115 IRS exemption) made up of over 875 special districts members from 32 different types of special districts throughout Oregon. SDAO serves the members by providing insurance related services such as workers' compensation, property and liability, health, dental, vision, life, short-term and long-term disability. SDAO also provides education, training, and legislative services to the membership. Each year a certain number of SDAO board positions are up for re-election with each member district having one voting delegate.

# SPECIAL DISTRICTS ASSOCIATION OF OREGON

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2010

---

### Overview of the Financial Statements

The *Statement of Net Assets* and the *Statement of Revenues, Expenses, and Changes in Net Assets* report information about SDAO as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The difference between assets, what SDAO owns, and liabilities, what SDAO owes, is the net assets which is one way to measure the SDAO's financial health, or financial position. Over time, increases or decreases in net assets are one indicator of whether its financial health is improving or deteriorating.

The *Statement of Cash Flows* presents information about the cash receipts and cash payments during the year. The *Notes to the Financial Statements* provides additional information that is essential to the full understanding of the data provided in the financial statements.

Combined statements are provided with the supplementary information and reflect financial information separated by the specific program to which it relates. The accounting system is organized so that each program can be accounted for and evaluated independently.

### Financial Highlights

Member contributions increased 10% from the prior period to a total of \$44.4 million. The workers compensation program had the largest increase at 13% due to additional schools joining the program. The property casualty program had a 4.5% increase in contributions mostly attributable to exposure changes.

Loss and loss adjustment expenses for the special district programs decreased 14%. This was the result of very favorable claims development for the 2009 general liability policy combined with the lowest auto physical damage claims year in seven years. Prior year projections for the liability program decreased over \$950,000. In total, the liability program losses were just 37% of budget. The property program had net losses of \$1.3 million, or 123% of budget. The workers compensation program had a stable year combined with a reduction in prior year estimates of \$875,000.

Net income from operations was \$3.9 million. The investment portfolios, with the continued decrease in interest rates, increased in value by \$5.4 million. Net income for the fiscal year was \$6.5 million after netting out some return of equity to members.

Total assets increased by \$5.3 million, a 11% increase. Total liabilities decreased by over \$900,000, or (4%) as the claims payables decreased \$1.6 million due to favorable prior year developments.

SDAO's programs continue to succeed with a very strong member base. With continued success in our program, we will continue the longevity credit program for the 2012 property casualty program.

**SPECIAL DISTRICTS ASSOCIATION OF OREGON**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2010**

**Analysis of Overall Financial Position & Results of Operations**

Condensed Combined Statement of Net Assets accounts are as follows:

	<u>06/30/10</u>	<u>06/30/09</u>	<u>Change From 2010 to 2009</u>	<u>06/30/08</u>	<u>Change From 2009 to 2008</u>
Cash and Cash Equivalents	\$ 4,946,595	\$ 5,819,627	\$ (873,032)	\$ 8,319,599	\$ (2,499,972)
Other Current Assets	6,551,173	4,647,702	1,903,471	5,106,854	(459,152)
Noncurrent Investments	39,904,915	36,580,049	3,324,866	34,649,375	1,930,674
Noncurrent Capital Assets	<u>3,171,275</u>	<u>2,194,564</u>	<u>976,711</u>	<u>2,175,662</u>	<u>18,902</u>
<b>Total Assets</b>	<u>\$ 54,573,958</u>	<u>\$ 49,241,942</u>	<u>\$ 5,332,016</u>	<u>\$ 50,251,490</u>	<u>\$ (1,009,548)</u>
Other Payables	\$ 943,435	\$ 1,049,422	\$ (105,987)	\$ 717,137	\$ 332,285
Deferred Revenue	6,810,973	6,038,946	772,027	6,049,154	(10,208)
Claims Payable	5,478,470	6,770,504	(1,292,034)	4,300,000	2,470,504
Noncurrent Claims Payable	<u>7,835,731</u>	<u>8,171,668</u>	<u>(335,937)</u>	<u>9,336,094</u>	<u>(1,164,426)</u>
<b>Total Liabilities</b>	<u>21,068,609</u>	<u>22,030,540</u>	<u>(961,931)</u>	<u>20,402,385</u>	<u>1,628,155</u>
Invested in Capital Assets, net of Related Debt	3,171,275	2,194,564	976,711	2,175,662	18,902
Restricted Net Assets	2,163,809	-	2,163,809.00	1,412,813	(1,412,813)
Unrestricted Net Assets	<u>28,170,265</u>	<u>25,016,838</u>	<u>3,153,427</u>	<u>26,260,630</u>	<u>(1,243,792)</u>
<b>Total Net Assets</b>	<u>\$ 33,505,349</u>	<u>\$ 27,211,402</u>	<u>\$ 6,293,947</u>	<u>\$ 29,849,105</u>	<u>\$ (2,637,703)</u>

**Statement of Net Assets**

Cash and investments increased \$2.5 million to \$45 million while capital assets increased \$1 million with the purchase of the first floor of our claims location.

Deferred revenue had no major changes at just over \$6.8 million. Claims payable decreased by \$1.6 million, or 11%, due to overall favorable actuarial adjustments to prior policy periods. Claims payable is split between programs as follows: \$4.1 million for the liability program, \$1 million property, \$7.6 million for workers compensation, and approximately \$550,000 for the dissolved school programs. Total liabilities decreased by \$962,000, or (4.4%).

**SPECIAL DISTRICTS ASSOCIATION OF OREGON**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2010**

Condensed Combined Income Statement accounts are as follows:

	<u>06/30/10</u>	<u>06/30/09</u>	<u>Change from 2010 to 2009</u>	<u>06/30/08</u>	<u>Change from 2009 to 2008</u>
Member Contributions	\$ 44,405,303	\$ 40,443,535	\$ 3,961,768	\$ 35,534,311	\$ 4,909,224
Miscellaneous Income	2,333,946	2,463,236	(129,290)	2,268,999	194,237
Investments	<u>3,563,628</u>	<u>(1,826,475)</u>	<u>5,390,103</u>	<u>1,575,156</u>	<u>(3,401,631)</u>
Total Income	<u>50,302,877</u>	<u>41,080,296</u>	<u>9,222,581</u>	<u>39,378,466</u>	<u>1,701,830</u>
Loss and Loss Adjustment	8,175,572	9,488,018	(1,312,446)	9,514,552	(26,534)
Other Insurance Costs	29,258,949	26,462,637	2,796,312	23,698,074	2,764,563
Operating Expenses	<u>6,256,567</u>	<u>5,972,820</u>	<u>283,747</u>	<u>5,279,416</u>	<u>693,404</u>
Total Expenses	<u>43,691,088</u>	<u>41,923,475</u>	<u>1,767,613</u>	<u>38,492,042</u>	<u>3,431,433</u>
Return of Equity to Members and other programs	<u>317,840</u>	<u>1,794,526</u>	<u>(1,476,686)</u>	<u>-</u>	<u>1,794,526</u>
Net Revenue Over Expenses	<u>\$ 6,293,949</u>	<u>\$ (2,637,705)</u>	<u>\$ 8,931,654</u>	<u>\$ 886,424</u>	<u>\$ (3,524,129)</u>

**Income Statement**

Member contributions were \$44.4 million, a 10% increase over the prior year.

Loss and loss adjustment expenses for the SDAO pooled programs decreased substantially for the year to \$8.2 million. The largest dollar decrease came from the liability program decreasing \$1.4 million, or (58%) due to favorable actuarial adjustments to prior years. The property program remained at \$1.3 million while workers compensation decreased \$400,000, or (7%).

Reinsurance premiums increased for the property and workers compensation programs as a result of an increase in exposures. The broker fee is comprised of the placing of reinsurance and occasional consulting on arising issues. Claims service fees encompassed the staff and operating expenses of those individuals working on SDIS's claims with other claims staff being allocated to claims outsourcing activities.

Total addition to retained earnings for the year was \$6.3 million after the return of equity to members and other programs in the amount of \$318,000. This brings total retained earnings to \$33.5 million. The strong retained earnings base gives SDAO options in the future in regards to reinsurance pricing, SIR levels, return of excess earning through the longevity credit program, additional safety grants, etc.

**Currently known facts and conditions that may have a significant effect on financial position**

There are no currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

## **FINANCIAL SECTION**

**SPECIAL DISTRICTS ASSOCIATION OF OREGON**

**STATEMENTS OF NET ASSETS**

**JUNE 30, 2010**

	<u>SDAO</u>	<u>SDIS</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 89,945	\$ 4,856,650		\$ 4,946,595
Accrued interest	6,578	257,266		263,844
Investments - current portion	32,911	2,465,714		2,498,625
Accounts receivable	1,258	1,885,167		1,886,425
Due from SDIS	387,632	-	(387,632)	-
Prepaid expenses	9,340	1,892,939		1,902,279
Total Current Assets	<u>527,664</u>	<u>11,357,736</u>	<u>(387,632)</u>	<u>11,497,768</u>
Noncurrent Assets				
Restricted investments	-	2,163,809		2,163,809
Investments	879,758	36,861,348		37,741,106
Capital assets (net)	3,138	3,168,137		3,171,275
Total Noncurrent Assets	<u>882,896</u>	<u>42,193,294</u>	<u>-</u>	<u>43,076,190</u>
Total Assets	<u>1,410,560</u>	<u>53,551,030</u>	<u>(387,632)</u>	<u>54,573,958</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	62,378	717,996		780,374
Due to SDAO	-	387,632	(387,632)	-
Deferred revenue	-	6,810,973		6,810,973
Commissions payable	-	13,061		13,061
Claims payable - current portion	-	5,478,470		5,478,470
Total Current Liabilities	<u>62,378</u>	<u>13,408,132</u>	<u>(387,632)</u>	<u>13,082,878</u>
Noncurrent Liabilities				
OPEB Liability	25,000	125,000	-	150,000
Claims payable	-	7,835,731		7,835,731
Total Noncurrent Liabilities	<u>25,000</u>	<u>7,960,731</u>	<u>-</u>	<u>7,985,731</u>
Total Liabilities	<u>87,378</u>	<u>21,368,863</u>	<u>(387,632)</u>	<u>21,068,609</u>
<b>NET ASSETS</b>				
Invested in capital assets	3,138	3,168,137		3,171,275
Restricted in accordance with Workers Compensation Laws	-	2,163,809		2,163,809
Unrestricted	1,320,044	26,850,221		28,170,265
Total Net Assets	<u>\$ 1,323,182</u>	<u>\$ 32,182,167</u>		<u>\$ 33,505,349</u>

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

**SPECIAL DISTRICTS ASSOCIATION OF OREGON**

**STATEMENT OF REVENUES EXPENSES  
AND CHANGES IN NET ASSETS**

**JUNE 30, 2009**

	<u>SDAO</u>	<u>SDIS</u>	<u>Eliminations</u>	<u>Total</u>
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 40,404	\$ 5,779,223		\$ 5,819,627
Accrued interest	6,457	278,589		285,046
Investments - current portion	16,522	685,982		702,504
Accounts receivable	2,400	1,836,766		1,839,166
Due from SDIS	289,736	-	(289,736)	-
Prepaid expenses	4,880	1,816,107		1,820,987
Total Current Assets	<u>360,399</u>	<u>10,396,667</u>	<u>(289,736)</u>	<u>10,467,330</u>
Noncurrent Assets				
Restricted investments	-	1,481,819		1,481,819
Investments	817,995	34,280,234		35,098,229
Capital assets (net)	3,588	2,190,976		2,194,564
Total Noncurrent Assets	<u>821,583</u>	<u>37,953,029</u>	<u>-</u>	<u>38,774,612</u>
Total Assets	<u>1,181,982</u>	<u>48,349,696</u>	<u>(289,736)</u>	<u>49,241,942</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable	63,413	687,636		751,049
Due to SDAO	-	289,736	(289,736)	-
Deferred revenue	-	6,328,685		6,328,685
Commissions payable	-	8,640		8,640
Claims payable - current portion	-	5,300,000		5,300,000
Total Current Liabilities	<u>63,413</u>	<u>12,614,697</u>	<u>(289,736)</u>	<u>12,388,374</u>
Noncurrent Liabilities				
Claims payable	-	9,642,168		9,642,168
Total Liabilities	<u>63,413</u>	<u>22,256,865</u>	<u>(289,736)</u>	<u>22,030,542</u>
<b>NET ASSETS</b>				
Invested in capital assets	3,588	2,190,976		2,194,564
Restricted in accordance with				
Workers Compensation Laws	-	1,481,819		1,481,819
Unrestricted	1,114,981	22,420,036		23,535,017
Total Net Assets	<u>\$ 1,118,569</u>	<u>\$ 26,092,831</u>		<u>\$ 27,211,400</u>

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

**SPECIAL DISTRICTS ASSOCIATION OF OREGON**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>SDAO</u>	<u>SDIS</u>	<u>Total</u>
<b>Operating Revenues</b>			
Member contributions	\$ -	\$ 44,405,303	\$ 44,405,303
Membership dues	12,855	-	12,855
Contracted legislative services	132,000	-	132,000
Conference and seminars	112,866	35,145	148,011
Administration income	-	1,913,701	1,913,701
Miscellaneous income	22,110	66,969	89,079
Total Operating Revenues	<u>279,831</u>	<u>46,421,118</u>	<u>46,700,949</u>
<b>Operating Expenses</b>			
Underwriting Expenses:			
Loss and loss adjustment expenses	-	8,175,572	8,175,572
Insurance premiums	-	27,063,565	27,063,565
Broker fees	-	135,000	135,000
Local agent commissions	-	1,732,795	1,732,795
Workers' compensation taxes	-	327,589	327,589
Other Operating Expenses:			
Legislative expense	444,703	-	444,703
Conference and training	85,014	315,471	400,485
Claims admin service	-	280,681	280,681
Claims service fee	-	1,465,156	1,465,156
Dividends	-	35,361	35,361
Other expenses	598,675	3,032,778	3,631,453
Total Operating Expenses	<u>1,128,392</u>	<u>42,563,968</u>	<u>43,692,360</u>
Operating Income (Loss)	<u>(848,561)</u>	<u>3,857,150</u>	<u>3,008,589</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	78,153	3,485,475	3,563,628
Rental revenues	-	38,300	38,300
Rental expenses	-	(34,089)	(34,089)
Total Nonoperating Income(Loss)	<u>78,153</u>	<u>3,489,686</u>	<u>3,567,839</u>
Income (Loss) Before Transfers	(770,408)	7,346,836	6,576,428
Transfers In (Out)	<u>975,021</u>	<u>(1,257,500)</u>	<u>(282,479)</u>
Change in Net Assets	204,613	6,089,336	6,293,949
Net Assets, Beginning	<u>1,118,569</u>	<u>26,092,831</u>	<u>27,211,400</u>
Net Assets, Ending	<u>\$ 1,323,182</u>	<u>\$ 32,182,167</u>	<u>\$ 33,505,349</u>

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

**SPECIAL DISTRICTS ASSOCIATION OF OREGON**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>SDAO</u>	<u>SDIS</u>	<u>Total</u>
<b>Operating Revenues</b>			
Member contributions	\$ -	\$ 40,424,427	\$ 40,424,427
Membership dues	26,607	-	26,607
Contracted legislative services	149,000	-	149,000
Conference and seminars	100,981	7,225	108,206
Administration income	-	1,902,696	1,902,696
Miscellaneous income	31,681	232,852	264,533
Total Operating Revenues	<u>308,269</u>	<u>42,567,200</u>	<u>42,875,469</u>
<b>Operating Expenses</b>			
Underwriting Expenses:			
Loss and loss adjustment expenses	-	9,488,018	9,488,018
Insurance premiums	-	24,382,398	24,382,398
Broker fees	-	174,250	174,250
Local agent commissions	-	1,612,858	1,612,858
Workers' compensation taxes	-	293,130	293,130
Other Operating Expenses:			-
Legislative expense	435,785	-	435,785
Conference and training	135,539	254,902	390,441
Claims admin service		236,845	236,845
Claims service fee	-	1,410,974	1,410,974
Dividends		1,794,526	1,794,526
Other expenses	619,375	2,834,982	3,454,357
Total Operating Expenses	<u>1,190,699</u>	<u>42,482,883</u>	<u>43,673,582</u>
Operating Income (Loss)	<u>(882,430)</u>	<u>84,317</u>	<u>(798,113)</u>
<b>Nonoperating Revenues (Expenses)</b>			
Investment losses	(38,896)	(1,787,579)	(1,826,475)
Rental revenues	-	32,738	32,738
Rental expenses	-	(45,855)	(45,855)
Total Nonoperating Income(Loss)	<u>(38,896)</u>	<u>(1,800,696)</u>	<u>(1,839,592)</u>
Income (Loss) Before Transfers	(921,326)	(1,716,379)	(2,637,705)
Transfers In (Out)	<u>954,315</u>	<u>(954,315)</u>	<u>-</u>
Change in Net Assets	32,989	(2,670,694)	(2,637,705)
Net Assets, Beginning	<u>1,085,580</u>	<u>28,763,525</u>	<u>29,849,105</u>
Net Assets, Ending	<u>\$ 1,118,569</u>	<u>\$ 26,092,831</u>	<u>\$ 27,211,400</u>

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

**SPECIAL DISTRICTS ASSOCIATION OF OREGON**

**STATEMENT OF CASH FLOWS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>SDAO</u>	<u>SDIS</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Cash received from members	\$ 13,997	\$ 44,839,190	\$ 44,853,187
Other operating receipts	266,976	1,980,454	2,247,430
Cash paid for claims	-	(9,803,539)	(9,803,539)
Cash paid for insurance premiums	-	(27,140,397)	(27,140,397)
Cash paid for other underwriting expenses	-	(2,913,652)	(2,913,652)
Cash paid for salaries and benefits	(553,685)	(2,927,780)	(3,481,465)
Cash paid for other operating expenses	<u>(553,377)</u>	<u>(1,112,154)</u>	<u>(1,665,531)</u>
Net Cash Flows Provided by (Used in) Operating Activities:	<u>(826,089)</u>	<u>2,922,122</u>	<u>2,096,033</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers between SDIS and SDAO	<u>877,125</u>	<u>(1,159,604)</u>	<u>(282,479.00)</u>
Net Cash Flows Provided by (Used in) Noncapital Financing Activities	<u>877,125</u>	<u>(1,159,604)</u>	<u>(282,479.00)</u>
<b>Cash Flows From Capital &amp; Related Financing Activities</b>			
Purchase of Capital Assets	<u>(1,375)</u>	<u>(1,153,264)</u>	<u>(1,154,639)</u>
Net Cash Flows Used in Capital and Related Financing Activities	<u>(1,375)</u>	<u>(1,153,264)</u>	<u>(1,154,639)</u>
<b>Cash Flows Provided by Investing Activities</b>			
Investment income received	27,532	1,211,026	1,238,558
Proceeds from sales/maturities of investments	331,032	15,049,015	15,380,047
Payments for purchases of investments	(358,684)	(17,796,079)	(18,154,763)
Rental and other receipts	-	38,300	38,300
Cash paid for rental expenses	<u>-</u>	<u>(34,089)</u>	<u>(34,089)</u>
Net Cash used in Investing Activities	<u>(120)</u>	<u>(1,531,827)</u>	<u>(1,531,947)</u>
Net Increase (Decrease) in Cash	49,541	(922,573)	(590,553)
Beginning Cash and Equivalents	<u>40,404</u>	<u>5,779,223</u>	<u>5,819,627</u>
Ending Cash and Equivalents	<u>\$ 89,945</u>	<u>\$ 4,856,650</u>	<u>\$ 4,946,595</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income (loss)	\$ (848,561)	\$ 3,857,150	\$ 3,008,589
Adjustments to reconcile net income to cash provided by operations:			
Depreciation	1,824	176,103	177,927
(Increase) decrease in:			
Accounts receivable	1,142	(48,401)	(47,259)
Prepaid expenses	(4,460)	(76,832)	(81,292)
Increase (decrease) in:			
Account/commissions payable	23,966	159,781	183,747
Deferred revenue	-	482,288	482,288
Claims liabilities	<u>-</u>	<u>(1,627,967)</u>	<u>(1,627,967)</u>
Net Cash Provided by Operating Activities	<u>\$ (826,089)</u>	<u>\$ 2,922,122</u>	<u>\$ 2,096,033</u>
<b>Noncash Investing and Financing Activities</b>			
Unrealized gains on investments	<u>\$ 50,500</u>	<u>\$ 2,295,772</u>	<u>\$ 2,346,272</u>

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

**SPECIAL DISTRICTS ASSOCIATION OF OREGON**

**STATEMENT OF CASH FLOWS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>SDAO</u>	<u>SDIS</u>	<u>Total</u>
<b>Cash Flows From Operating Activities</b>			
Cash received from members	\$ 31,707	\$ 40,119,566	\$ 40,151,273
Other operating receipts	281,662	348,247	629,909
Cash paid for claims	-	(8,181,944)	(8,181,944)
Cash paid for insurance premiums	-	(24,478,844)	(24,478,844)
Cash paid for other underwriting expenses	-	(2,802,135)	(2,802,135)
Cash paid for salaries and benefits	(605,248)	(2,732,825)	(3,338,073)
Cash paid for other operating expenses	<u>(553,255)</u>	<u>(1,138,662)</u>	<u>(1,691,917)</u>
Net Cash Flows Provided by (Used in) Operating Activities	<u>(845,134)</u>	<u>1,133,403</u>	<u>288,269</u>
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers between SDIS and SDAO	<u>820,126</u>	<u>(820,126)</u>	<u>-</u>
Net Cash Flows Provided by (Used in) Noncapital Financing Activities	<u>820,126</u>	<u>(820,126)</u>	<u>-</u>
<b>Cash Flows From Capital &amp; Related Financing Activities</b>			
Purchase of Capital Assets	<u>(1,349)</u>	<u>(127,641)</u>	<u>(128,990)</u>
Net Cash Flows Used in Capital and Related Financing Activities	<u>(1,349)</u>	<u>(127,641)</u>	<u>(128,990)</u>
<b>Cash Flows Provided by Investing Activities</b>			
Investment income received	28,903	1,395,295	1,424,198
Proceeds from sales/maturities of investments	143,204	6,254,438	6,397,642
Payments for purchases of investments	(188,756)	(10,279,218)	(10,467,974)
Rental and other receipts	-	32,738	32,738
Cash paid for rental expenses	-	(45,855)	(45,855)
Net Cash Provided by (Used in) Investing Activities	<u>(16,649)</u>	<u>(2,642,602)</u>	<u>(2,659,251)</u>
Net Increase (Decrease) in Cash	(43,006)	(2,456,966)	(2,499,972)
Beginning Cash and Equivalents	<u>83,410</u>	<u>8,236,189</u>	<u>8,319,599</u>
Ending Cash and Equivalents	<u>\$ 40,404</u>	<u>\$ 5,779,223</u>	<u>\$ 5,819,627</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income (loss)	\$ (882,430)	\$ 84,317	\$ (798,113)
Adjustments to reconcile net income to cash provided by operations:			
Depreciation	319	109,769	110,088
(Increase) decrease in:			
Accounts receivable	5,100	(584,392)	(579,292)
Prepaid expenses	12,134	(96,446)	(84,312)
Increase (decrease) in:			
Account/commissions payable	19,743	34,550	54,293
Deferred revenue	-	279,531	279,531
Claims liabilities	-	1,306,074	1,306,074
Net Cash Provided by Operating Activities	<u>\$ (845,134)</u>	<u>\$ 1,133,403</u>	<u>\$ 288,269</u>
<b>Noncash Investing and Financing Activities</b>			
Unrealized losses on investments	<u>\$ (71,584)</u>	<u>\$ (3,126,485)</u>	<u>\$ (159,406)</u>

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

# SPECIAL DISTRICTS ASSOCIATION OF OREGON

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

---

### 1. ORGANIZATION AND OPERATIONS

#### A. Nature of Association

The Special Districts Association of Oregon (SDAO) is a nonprofit organization, established in 1978, with the primary objective of developing and disseminating information to special districts (municipal governments) within Oregon. Additionally, SDAO acts as a clearinghouse for information to improve efficiency in the providing of all types of public service. SDAO is governed by a twelve-member Board of Directors elected by the membership.

In July 1985, the Special Districts Insurance Services Trust (SDIS) was formed by SDAO. The SDAO Board appoints a seven-member Board of Trustees to oversee the Association's insurance programs and services through SDIS. The general objectives of SDIS are to formulate, develop, and administer, on behalf of its members, a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The group-purchase insurance program (health, property, crime, boiler and machinery, and bond) and the self-insured liability programs were started in 1985. The self-insured workers' compensation program began on July 1, 1988. On January 1, 1993, SDIS began self-insuring the property program.

#### B. Financial Reporting Entity

Since SDAO and SDIS have only municipal government members, are organized to provide various services to those government members, and SDIS serves as a public entity risk pool, these general purpose financial statements are presented in a governmental entity format utilizing governmental accounting standards, including Governmental Accounting Standards Board Opinion No. 10 (GASB No. 10). Other criteria utilized in determining the financial reporting entity include financial interdependency, authority to appoint governing authority and management, ability to influence operations, and accountability for fiscal matters.

For financial reporting purposes, SDAO and SDIS report on a fund basis as follows:

Special Districts Association of Oregon (SDAO) - This Fund provides information of interest on a timely basis to special districts within Oregon. The principal sources of revenue for this Fund include membership dues charged to the member districts and fees earned from sponsoring conferences and seminars.

Special Districts Insurance Services Trust (SDIS) - This Fund administers the purchase of various excess insurance coverages and self-insured programs, including liability, property, workers' compensation and health, for members of SDAO. Resources are provided by premium payments (contributions) from the members.

**SPECIAL DISTRICTS ASSOCIATION OF OREGON**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

---

**C. Membership**

Any special district can become a regular member by applying to the Association, and by paying the membership fee for the current fiscal year in advance. Regular membership may be terminated by payment of all unpaid fees and notification to the office of the Association. The Association may terminate membership for non-payment of fees. For the fiscal year ended June 30, 2010, there were over 875 members of the Association.

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting**

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues from contributions and interest are recognized when earned and expenses are recognized when goods or services have been rendered. Liabilities for reserves for open claims and claims incurred but not reported have been recorded in the Association's financial statements.

The Association applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations, except where superceded by GASB pronouncements.

**B. Principles of Consolidation**

The combined financial statements include the activities of two commonly controlled entities namely, SDAO and SDIS. All material intercompany transactions have been eliminated from the combined financial statements.

**C. Cash**

For financial reporting purposes, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash.

**D. Receivables**

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. As of June 30, 2010 and 2009, the total accounts receivable portfolio was considered collectible. Interest on investments is recorded in the year the interest is earned.

**E. Investments**

The SDAO records its investments at fair market value. Changes in fair market value are reported as revenue in the Statement of Revenues, Expenses, and Changes in Net Assets. The effect of recording investments and LAIF at fair market value is reflected as a net increase in the fair value of investments on the Statement of Revenues, Expenses, and Changes in Net Assets and on the Statement of Net Assets. Fair market values of investments have been determined based on quoted market prices.

**F. Capital Assets**

# SPECIAL DISTRICTS ASSOCIATION OF OREGON

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

---

Land is carried at cost. Other capital assets with costs exceeding \$250 are capitalized and stated at cost net of accumulated depreciation. Depreciation is determined using the straight-line method, over the estimated useful life of the related assets. The useful lives of the building and office equipment are forty years and three to five years, respectively. Maintenance and repairs of a routine nature are charged to expense as incurred.

### **G. Provision for Losses and Loss Adjustment Expenses**

SDIS establishes claims liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of 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 amounts of salvage, subrogation, reinsurance, or excess insurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim 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 both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. These claims liabilities are reported at their present value using an expected future investment yield assumption of 4%. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

### **H. Unallocated Loss Adjustment Expenses**

A reserve for unallocated loss adjustment expenses for all coverage years of \$779,794 and \$894,124 was established as of June 30, 2010 and 2009, respectively. This reserve recognizes the future unallocated cost of claims administration.

### **I. Deferred Revenues**

Membership dues received in advance are recorded as deferred revenue and recognized in the year to which they apply. Member contributions are recognized as revenue when earned, based upon the coverage period of the related insurance.

### **J. Operating Revenues**

Operating revenues result from exchange transactions associated with the principal activity of the organization. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating revenues is comprised of premium contributions, administration income, membership dues, and related fees and assessments which are an integral part of the operations. All other revenues, including investment income, are classified as nonoperating.

### **K. Premium Contributions**

As discussed in 1 B. SDAO's accounting is in accordance with Governmental Accounting Standards since

# SPECIAL DISTRICTS ASSOCIATION OF OREGON

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

---

it is a quasi governmental entity. SDAO is a proprietary fund type. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Contribution income consists of payments from members that are planned to match the expense of insurance premiums for coverage in excess of self-insured amounts, estimated payments resulting from self-insurance programs, and operating expenses. Contributions are recognized as revenues in the period for which insurance protection is provided. Anticipated investment income is considered in this determination of sufficiency of premiums.

### **L. Excess Insurance Coverage**

SDIS enters into various excess insurance contracts to limit large losses. At June 30, 2010, SDIS retained the first \$1,000,000 of liability, \$500,000 of property and auto physical damage and \$750,000 of workers' compensation risk per occurrence. The excess insurer provides coverage to specified upper limits with a maximum of \$10,000,000 for liability, \$300,000,000 for property and to the statutory limits of the State of Oregon for workers' compensation. SDIS provides group-purchase insurance for crime, bond, boiler and machinery, and health.

### **M. Compensated Absences**

The Association's vacation policy provides for the accumulation of earned vacation leave, with such leave being fully vested when earned. A liability for accrued vacation has been computed and recorded based on unused vacation days times the current rate of pay. The liability for compensated absences was \$237,431 and \$224,269 as of June 30, 2010 and 2009, respectively.

Accumulated sick leave benefits are recognized as liabilities by the Association, according to their sick leave policy. This policy states that employees who have five years of service have a claim on sick leave in the amount of half of their new accrual each year. The total liability for accumulated sick leave was \$9,392 and \$9,528 as of June 30, 2010 and 2009, respectively.

### **N. Allocation of Indirect Expenses**

Indirect expenses are allocated among insurance programs in the percentage management estimates each program bears on administration costs.

### **O. Income Tax Status**

SDAO, including SDIS, is exempt from federal income taxes under Section 501(c)(6) of the Internal Revenue Code. SDIS has received a favorable ruling from the IRS stating that all activities of the Association that assist in essential governmental functions are exempt under Section 115.

**SPECIAL DISTRICTS ASSOCIATION OF OREGON**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**P. Management Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

**Q. Reclassifications**

Certain amounts in the prior year financial statements have been reclassified to conform to the presentation in the current year financial statements.

**3. CASH AND CASH EQUIVALENTS**

Cash consisted of the following as of June 30, 2010 and 2009:

	2010		2009	
	SDAO	SDIS	SDAO	SDIS
Cash on Hand	\$ 146	\$ 150	\$ 146	\$ 150
Cash in Bank	89,799	4,106,323	40,258	3,578,626
Cash Equivalents	-	750,177	-	2,200,447
Total	<u>\$ 89,945</u>	<u>\$ 4,856,650</u>	<u>\$ 40,404</u>	<u>\$ 5,779,223</u>

At June 30, 2010, cash in bank was federally insured against loss up to \$250,000 for each FDIC insured bank that the funds are deposited with.

**4. INVESTMENTS**

Under provisions of the Special District Association of Oregon's investment policy, SDAO/SDIS may invest in the following types of investments:

- Demand deposits
- Direct obligations of the U.S. Treasury, repurchase agreements, and obligations guaranteed by the U.S.
- Certificates of deposits with Oregon banks
- Commercial paper
- Commercial bonds
- Corporate Securities
- Convertible Bonds
- Equities
- Other investments not addressed but subject to Board and Trust approval

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from changes in interest rates, SDAO's investment policy limits maturities at the time of purchase of any investment to ten years, except U.S. Agency mortgage-backed securities where maximum average life will not exceed ten years.

**SPECIAL DISTRICTS ASSOCIATION OF OREGON**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

As of June 30, 2010, Special Districts Association of Oregon had the following investments held in a managed portfolio:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>		
		<u>&lt;1yr</u>	<u>1-3 yrs</u>	<u>&gt;3yrs</u>
US Treasuries	\$ -	\$ -	\$ -	\$ -
Government Agencies	14,807,575	1,891,704	2,793,784	10,122,087
Agency / Mortgage Backed	2,389,927	-	-	2,389,927
Corporate Notes	9,461,147	606,921	1,429,193	7,425,033
Subtotal	26,658,649	\$ 2,498,625	\$ 4,222,977	\$ 19,937,047
Equities	7,875,833			
Bond Funds	7,869,058			
<b>Total</b>	<b>\$ 42,403,540</b>			

*Credit Risk.* It is SDAO’s general investment policy to apply the prudent person standard, which states “Investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.” SDAO limits purchase of commercial paper to those rated P-1 or better by Moody’s Investors Services, A-1 or better by Standard & Poor’s corporation or has an equivalent credit rating. Commercial bonds at the time of purchase must be rated A or higher by either Moody’s Investors Service or Standard & Poor’s Corporation, or have an equivalent credit quality rating. US Treasuries contain the explicit guarantee of the U.S. Government.

<u>Credit Rating (S&amp;P)</u>	<u>Federal Agencies</u>	<u>Corporate Notes</u>	<u>Mortgage-Backed</u>	<u>US Treasuries</u>	<u>Totals</u>
AAA	\$ 14,805,849	\$ 688,497	\$ -	\$ -	\$ 15,494,346
AA+	-	829,982	-	-	829,982
AA-	-	3,133,451	-	-	3,133,451
AA	-	2,374,145	-	-	2,374,145
A+	-	977,676	-	-	977,676
A	-	1,457,398	-	-	1,457,398
N/A	1,724	-	2,389,927	-	2,391,651
<b>Totals</b>	<b>\$ 14,807,573</b>	<b>\$ 9,461,149</b>	<b>\$ 2,389,927</b>	<b>\$ -</b>	<b>\$ 26,658,649</b>

**SPECIAL DISTRICTS ASSOCIATION OF OREGON**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

Concentration of Credit Risk: SDAO's investment policy places investment limits on certain securities as follows:

	Limit	
	Per Institution	Per Type of Investment
Equities	5%	25-35%
Fixed Income	--	65-75%

Investments in securities of any one issuer consisting of 5% or more of total investments are as follows:

	Fair Value	% of Portfolio
Federal Home Loan Banks	\$ 7,063,605	16.66%
Fannie Mae	5,557,101	13.11%
Freddie Mac	2,373,032	5.60%
Federal Farm Credit Banks	2,202,038	5.19%

Foreign Currency Risk: SDAO does not have a formal policy to limit foreign currency. Risk of loss arises from changes in currency exchange rates. As of June 30, 2010 and 2009 SDAO has invested in a municipal bond denominated in Canadian dollars with a market value of \$1,558,545 and \$520,585, respectively.

**5. CAPITAL ASSETS**

Capital assets consist of the following:

	2009	Additions	Disposals	2010
<b><u>SDAO</u></b>				
Office equipment	\$ 44,693	\$ 1,375	\$ -	\$ 46,068
Accumulated depreciation	(41,105)	(1,825)	-	(42,930)
Net Capital Assets SDAO	\$ 3,588	\$ (450)	\$ -	\$ 3,138
<b><u>SDIS</u></b>				
Office equipment	\$ 693,025	\$ 80,727	\$ -	\$ 773,752
Building	2,169,370	1,072,537	-	3,241,907
Vehicles	119,797	-	-	119,797
Land	197,792	-	-	197,792
Parking Lot	211,223	-	-	211,223
	3,391,207	1,153,264	-	4,544,471
Accumulated depreciation	(1,200,231)	(202,227)	26,124	(1,376,334)
Net Capital Assets SDIS	\$ 2,190,976	\$ 951,037	26,124	\$ 3,168,137
Total Capital Assets (net)	\$ 2,194,564	\$ 950,587	\$ 26,124	\$ 3,171,275

Depreciation expense totaled \$177,926 and \$136,212 for the fiscal years ended June 30, 2010 and 2009, respectively.

**SPECIAL DISTRICTS ASSOCIATION OF OREGON**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**6. CLAIMS LIABILITIES**

As discussed in Note 1, SDIS establishes a liability for both reported and unreported insured events. The following represents changes in the aggregate liabilities during the years ended June 30:

	<u>2010</u>	<u>2009</u>
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	<u>\$ 14,942,168</u>	<u>\$ 13,636,094</u>
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	<u>9,697,809</u>	<u>10,151,040</u>
Changes in provision for insured events of prior fiscal years	<u>(1,522,237)</u>	<u>(663,970)</u>
Total incurred claims and claim adjustment expenses	<u>8,175,572</u>	<u>9,487,070</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	<u>3,907,920</u>	<u>3,370,446</u>
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>5,895,619</u>	<u>4,810,550</u>
Total payments	<u>9,803,539</u>	<u>8,180,996</u>
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u><u>\$13,314,201</u></u>	<u><u>\$14,942,168</u></u>
<u>Component of Claims Liabilities</u>		
Claims Reserves	\$ 4,980,146	\$ 8,074,874
Incurred but not reported (IBNR)	7,554,261	5,973,170
Unallocated loss adjustment expense (ULAE)	779,794	894,124
Total Claims Liabilities	<u><u>\$ 13,314,201</u></u>	<u><u>\$ 14,942,168</u></u>
Current portion	\$ 5,478,470	\$ 5,300,000
Noncurrent portion	<u>7,835,731</u>	<u>9,642,168</u>
	<u><u>\$ 13,314,201</u></u>	<u><u>\$ 14,942,168</u></u>

As of June 30, 2010 and 2009, \$14,019,842 and \$15,825,2002 of unpaid claims and claim adjustment expenses were presented at their net present value of \$13,314,201 and \$14,942,168 using an interest rate of 4%.

**SPECIAL DISTRICTS ASSOCIATION OF OREGON**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**7. ACCOUNTS RECEIVABLE**

The combined accounts receivable as of June 30, consists of the following:

	<u>2010</u>	<u>2009</u>
Contributions Receivable	\$ 958,231	\$ 750,423
Reinsurance Receivable	363,204	420,768
Other Receivables	<u>564,990</u>	<u>667,975</u>
Total	<u>\$ 1,886,425</u>	<u>\$ 1,839,166</u>

The total accounts receivable balance is expected to be collectible.

**8. INTERFUND TRANSACTIONS**

SDIS paid SDAO a marketing and promotional sponsorship fee in the amount \$975,021 and \$954,315 for the years ended June 30, 2010 and 2009, respectively.

**9. FLEXLEASE PROGRAM**

The Association sponsors a FlexLease Program that administered by Charter Investment Group. FlexLease offers reduced interest rates in financing the capital needs of special districts. Apart from sponsoring the FlexLease Program and collecting sponsorship fees, the Association is not contingently liable for this program.

**10. RETIREMENT PLANS**

SDAO established a Basic Standardized 401(k) Profit Sharing Plan administered by Nationwide. This plan covers all permanent employees. Employees are fully vested upon entering the plan. Originally, the employer's contribution rate to the plan was 7%. Employees had the option to contribute up to 15% of their gross salary. Upon termination, the employee must withdraw their funds if the fund balance is less than \$3,500. For amounts over \$3,500, the terminated employee has the option to rollover the funds or leave them in the plan.

Effective January 1, 2000, the employer's contribution rate on the above 401(k) Profit Sharing Plan was increased to 10% of each employee's gross salary. Employees now have the option of contributing up to the federally mandated limit. Employee contributions for the year ended June 30, 2010 and 2009 were \$228,350 and \$199,579, respectively. Retirement plan expense for the years ended June 30, 2010 and 2009 were as follows:

	<u>2010</u>	<u>2009</u>
SDIS Employer Contributions	\$ 298,236	\$ 265,591
SDAO Employer Contributions	<u>51,398</u>	<u>51,109</u>
Total	<u>\$ 349,634</u>	<u>\$ 316,700</u>

**SPECIAL DISTRICTS ASSOCIATION OF OREGON**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2010 AND 2009**

**11. POST-EMPLOYMENT HEALTHCARE PLAN**

*Plan Description.* If an employee reaches the age of 59 and has 10 years of continuous service, upon resignation or retirement, and the employee elects to continue medical coverage through the group health plan offered to SDAO employees, SDAO will contribute 30% of the monthly premium cost until the employee turns age 65 if coverage is available from SDAO's group health plan provider. There are currently no former employees receiving benefits from this policy. The Plan does not issue a financial report.

*Funding Policy and Annual OPEB Cost.* SDAO will not be funding the plan in the current year. The Board will review the funding requirements and policy annually. The annual other postemployment benefit (OPEB) cost is calculated based on the *annual required contribution of the employer (ARC)*, an amount determined in accordance with the parameters of GASB 45 Alternative Measurement Method which was implemented prospectively. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The annual OPEB cost for the current year and related information were as follows:

Annual required contribution	<u>\$ 150,000</u>
Annual OPEB cost (expense)	150,000
Contributions made	<u>-</u>
Increase in net OPEB obligation	150,000
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u><u>\$ 150,000</u></u>

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current fiscal year were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$ 150,000	0%	\$ 150,000

*Funded Status and Funding Policy and Annual OPEB Cost.* As of July 1, 2009, the valuation date, the actuarial accrued liability (AAL) for benefits was \$960,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,879,200, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 33 percent.

# SPECIAL DISTRICTS ASSOCIATION OF OREGON

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2010 AND 2009

---

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrences of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer as subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*Actuarial Methods and Assumptions.* Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term prospective of the calculations.

In the July 1, 2009 valuation date, the entry age cost method was used. The actuarial assumptions included a 5 percent investment rate of return and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5 percent after ten years. Both rates included a 3.5 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period as July 1, 2009, was thirty years.

### 12. EQUITY TRANSFER

SDAO, in cooperation with Oregon School Board Association (OSBA), established a school property and casualty pool referred to as Property and Casualty Coverage for Education (PACE). PACE is owned by OSBA. SDAO has maintained the liabilities from the school program it operated for three years and OSBA has maintained its liabilities for the previous PACT program. SDAO and OSBA have separate contracts with PACE to administer the pool. SDAO is responsible for all accounting, underwriting, claims, and loss control services. OSBA is responsible for marketing and general administrative oversight.

SDAO's Board authorized the transfer of all net assets from the three years of operations of the SDAO school program. No contributions were made for 2009 and 2010, respectively. Subsequent contributions will be made each year until all claims have been accounted for.

### 13. LINE OF CREDIT

SDAO holds a line of credit with Key Bank as required by the State of Oregon's Workers' Compensation Division. As of June 30, 2010 and 2009, the balance was \$5,566,000 and \$3,265,000 respectively.

**REQUIRED SUPPLEMENTARY INFORMATION**

**SPECIAL DISTRICTS INSURANCE SERVICES**

**RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	Liability		Property		Workers' Compensation		Schools		Totals	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$ 4,926,474	\$ 5,005,140	\$ 1,730,103	\$ 1,283,136	\$ 7,307,152	\$ 5,638,885	\$ 978,439	\$ 1,708,933	\$ 14,942,168	\$ 13,636,094
Incurred claims and claim adjustment expenses:										
Provision for insured events of the current fiscal year	1,999,362	2,333,403	1,521,462	1,402,492	6,176,985	6,415,145	-	-	9,697,809	10,151,040
Changes in provision for insured events of prior fiscal years	(964,510)	168,171	(142,556)	(46,987)	(877,838)	(683,989)	462,667	(101,165)	(1,522,237)	(663,970)
Total incurred claims and claim adjustment expenses	1,034,852	2,501,574	1,378,906	1,355,505	5,299,147	5,731,156	462,667	(101,165)	8,175,572	9,487,070
Payments:										
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	744,954	838,350	899,581	404,258	2,263,385	2,127,838	-	-	3,907,920	3,370,446
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	1,047,387	1,741,890	1,192,371	504,280	2,769,997	1,935,051	885,864	629,329	5,895,619	4,810,550
Total payments	1,792,341	2,580,240	2,091,952	908,538	5,033,382	4,062,889	885,864	629,329	9,803,539	8,180,996
Total unpaid claims and claim adjustment expenses at end of the fiscal year	\$ 4,168,985	\$ 4,926,474	\$ 1,017,057	\$ 1,730,103	\$ 7,572,917	\$ 7,307,152	\$ 555,242	\$ 978,439	\$ 13,314,201	\$ 14,942,168
<u>Component of Claims Liabilities</u>										
Claims Reserves	\$ 60,024	\$ 2,203,555	\$ 606,209	\$ 1,456,829	\$ 4,011,045	\$ 3,782,959	\$ 302,868	\$ 631,531	\$ 4,980,146	\$ 8,074,874
Incurred but not reported (IBNR)	3,864,307	2,428,293	353,221	169,738	3,116,974	3,086,798	219,759	288,341	7,554,261	5,973,170
Unallocated loss adjustment expense (ULAE)	244,654	294,626	57,627	103,536	444,898	437,395	32,615	58,567	779,794	894,124
Total Claims Liabilities	\$ 4,168,985	\$ 4,926,474	\$ 1,017,057	\$ 1,730,103	\$ 7,572,917	\$ 7,307,152	\$ 555,242	\$ 978,439	\$ 13,314,201	\$ 14,942,168
Current portion	\$ 1,715,436	\$ 1,600,000	\$ 418,494	\$ 500,000	\$ 3,116,071	\$ 2,800,000	\$ 228,469	\$ 400,000	\$ 5,478,470	\$ 5,300,000
Noncurrent portion	2,453,549	3,326,474	598,563	1,230,103	4,456,846	4,507,152	326,773	578,439	7,835,731	9,642,168
	\$ 4,168,985	\$ 4,926,474	\$ 1,017,057	\$ 1,730,103	\$ 7,572,917	\$ 7,307,152	\$ 555,242	\$ 978,439	\$ 13,314,201	\$ 14,942,168

## SPECIAL DISTRICTS INSURANCE SERVICES

### CLAIMS DEVELOPMENT INFORMATION

JUNE 30, 2010

---

The tables on the following pages illustrate each program's earned revenues and investment income compared to related costs of loss and other expenses assumed by the program as of the end of the year. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's a) gross earned contributions revenue and investment revenue, b) the amount of contributions revenue ceded to reinsurers, and c) the amount of net earned contributions revenue and investment revenue.
2. This line shows each fiscal year's other operating costs including overhead and claims expense not allocable to individual claims.
3. This line shows the total of each policy year's a) gross incurred claims and allocated claim adjustment expense (both paid and accrued); b) the loss assumed by excess insurers or reinsurers, and c) the net amount of incurred claims and allocated claim adjustment expenses as originally reported at the end of the year.
4. This section shows the cumulative amounts paid by policy year as of the end of each fiscal year.
5. This line discloses the reestimated amount for losses assumed by excess insurers or reinsurers based on the information available as of the end of the current year.
6. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
7. This line compares the latest reestimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought.

As the data for individual policy years matures, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

SPECIAL DISTRICTS INSURANCE SERVICES  
CLAIMS DEVELOPMENT INFORMATION  
**LIABILITY PROGRAM**

	Policy Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1. Required contribution and investment revenue:										
Earned	\$5,171,136	\$5,901,204	\$6,825,521	\$7,386,817	\$7,216,429	\$7,614,252	\$7,729,382	\$7,942,253	\$8,313,915	\$4,122,934
Ceded	211,388	297,800	506,001	615,000	465,000	595,902	552,066	552,045	576,272	306,940
Net earned	4,959,748	5,603,404	6,319,520	6,771,817	6,751,429	7,018,350	7,177,316	7,390,208	7,737,643	3,815,994
2. Unallocated expenses	1,939,780	2,145,508	2,288,097	2,446,218	2,593,808	2,823,898	3,164,262	3,511,348	3,683,962	1,875,946
3. Estimated incurred claims and expense, end of policy year:										
Incurred	2,533,334	2,557,568	2,606,181	2,535,633	2,668,712	2,747,087	2,413,471	2,589,495	1,798,730	1,383,745
Ceded	331,320	105,000	91,594	79,449	78,968	153,066	74,307	139,842	44,228	86,943
Net incurred	2,202,014	2,452,568	2,514,587	2,456,184	2,589,744	2,594,021	2,339,164	2,449,653	1,754,502	1,296,802
4. Paid (cumulative) as of:										
End of policy year	155,014	150,416	247,732	195,658	214,922	217,559	207,095	224,884	111,063	322,028
One year later	977,029	771,914	956,520	1,312,308	1,178,104	987,255	911,547	952,171	533,991	
Two years later	1,849,448	1,408,769	1,214,093	1,769,837	1,482,234	1,300,273	1,692,796	1,294,800		
Three years later	2,164,678	1,595,581	1,502,539	2,012,770	1,746,411	1,692,796	1,697,065			
Four years later	2,322,144	1,984,007	1,846,647	2,372,528	2,077,648	1,815,981				
Five years later	2,368,596	2,032,255	2,034,769	2,869,588	2,089,752					
Six years later	2,370,997	2,071,976	2,040,073	2,869,304						
Seven years later	2,414,758	2,066,351	2,334,082							
Eight years later	2,408,734	2,080,351								
Nine years later	2,408,734									
5. Reestimated ceded claims and expenses:	60	267	679	1,632	1,190	5,299	9,735	113,232	44,228	86,943
6. Reestimated net incurred claims and expenses:										
End of policy year	2,202,014	2,452,568	2,514,587	2,456,273	2,589,744	2,594,021	2,339,164	1,228,967	1,112,717	1,296,802
One year later	2,412,095	1,914,926	2,121,289	2,764,058	2,322,269	2,122,707	2,113,484	2,449,652	1,754,502	
Two years later	2,456,956	1,989,280	1,898,230	2,880,350	2,168,389	2,258,004	2,549,143	2,137,146		
Three years later	2,560,046	2,138,216	1,866,415	2,779,194	2,446,422	2,148,250	2,346,687			
Four years later	2,515,176	2,205,042	2,019,049	3,050,900	2,184,615	1,973,446				
Five years later	2,443,544	2,171,401	2,097,892	2,914,710	2,128,592					
Six years later	2,389,745	2,091,432	2,426,375	2,890,837						
Seven years later	2,449,241	2,081,449	2,343,975							
Eight years later	2,412,819	2,084,330								
Nine years later	2,409,667									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	207,653	(368,238)	(170,612)	434,653	(461,152)	(620,575)	7,522	(312,507)	0	(0)

The above information reflects policy years for this program which is also a calendar year. The effective date of the information is June 30, 2009. Thus, the 2009 column reflects half of policy year 2009.

SPECIAL DISTRICTS INSURANCE SERVICES  
CLAIMS DEVELOPMENT INFORMATION  
**PROPERTY PROGRAM**

	<u>Policy Year</u>									
	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
1. Required contribution and investment revenue:										
Earned	1,852,316	2,222,788	2,657,916	2,681,713	2,658,485	2,661,692	2,894,673	3,172,442	3,396,583	1,861,903
Ceded	<u>675,835</u>	<u>925,958</u>	<u>1,410,872</u>	<u>949,023</u>	<u>852,989</u>	<u>1,104,248</u>	<u>1,386,838</u>	<u>1,354,415</u>	<u>1,413,915</u>	<u>773,081</u>
Net earned	1,265,840	1,296,830	1,247,044	1,732,690	1,805,496	1,557,444	1,507,835	1,818,027	1,982,668	1,088,821
2. Unallocated expenses	491,418	536,059	652,017	692,406	686,808	747,970	962,521	1,101,370	1,193,728	621,008
3. Estimated incurred claims and expense, end of policy year:										
Incurred	725,672	1,395,024	437,911	450,298	437,935	1,082,536	690,218	11,787,571	848,228	1,559,675
Ceded	<u>72,434</u>	<u>828,175</u>	<u>43,252</u>	<u>3,932</u>	<u>3,933</u>	<u>3,928</u>	<u>1,956</u>	<u>10,162,130</u>	<u>1,440</u>	<u>443,530</u>
Net incurred	653,238	566,849	394,659	446,366	434,002	1,078,608	688,262	1,625,441	846,788	1,116,145
4. Paid (cumulative) as of:										
End of policy year	110,158	124,480	42,924	118,114	43,582	228,539	83,230	87,934	160,387	291,742
One year later	412,367	341,617	305,110	340,371	459,582	722,422	363,725	331,805	768,228	
Two years later	423,528	372,460	303,225	631,726	476,209	705,606	866,403	1,528,420		
Three years later	423,020	392,216	303,175	676,831	476,772	714,211	871,340			
Four years later	423,020	349,536	303,175	676,831	476,772	707,375				
Five years later	422,235	248,141	303,175	675,445	476,772					
Six years later	422,235	344,946	303,175	672,293						
Seven years later	420,135	344,946	303,175							
Eight years later	414,518	344,946								
Nine years later	414,518									
5. Reestimated ceded claims and expenses:	0	509,202	0	0	0	3,114,583	1,570,842	10,500,505	1,440	443,530
6. Reestimated net incurred claims and expenses:										
End of policy year	653,238	566,849	394,659	446,366	434,002	1,078,607	688,262	715,817	492,868	1,116,145
One year later	431,332	384,002	314,763	564,719	548,553	852,348	883,308	1,625,441	846,788	
Two years later	424,224	382,888	307,989	691,964	499,124	744,055	866,403	1,564,360		
Three years later	423,206	418,889	306,464	693,358	488,911	714,233	871,340			
Four years later	423,020	365,975	303,930	676,831	476,772	707,375				
Five years later	422,235	249,714	303,175	675,445	476,772					
Six years later	422,235	344,946	303,175	672,293						
Seven years later	420,135	344,946	303,175							
Eight years later	414,518	344,946								
Nine years later	414,518									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	(238,720)	(221,903)	(91,484)	225,928	42,770	(371,233)	183,078	-61,081	0	0

The above information reflects policy years for this program which is also a calendar year. The # date of the information is June 30, 2009. Thus, the 2009 column reflects half of policy year 2009.

SPECIAL DISTRICTS INSURANCE SERVICES  
CLAIMS DEVELOPMENT INFORMATION  
**WORKERS' COMPENSATION PROGRAM**

	Fiscal and Policy Year Ended									
	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10
1. Required contribution and investment revenue:										
Earned	2,376,464	2,299,500	3,014,440	3,429,205	4,360,131	4,637,408	6,082,045	7,233,953	8,766,121	10,439,240
Ceded	42,366	65,048	158,051	382,436	487,704	509,362	515,123	589,850	739,189	877,397
Net earned	2,334,098	2,234,452	2,856,389	3,046,769	3,872,427	4,128,046	5,566,922	6,644,103	8,026,932	9,561,843
2. Unallocated expenses	709,795	684,859	849,752	881,324	1,059,721	1,157,107	1,624,834	1,944,069	2,432,272	2,679,874
3. Estimated incurred claims and expense, end of policy year:										
Incurred	1,597,396	2,520,108	2,167,966	1,767,445	3,145,536	3,036,012	2,937,906	4,825,935	6,672,021	6,106,370
Ceded	73,889	571,859	263,084	52,200	79,232	57,301	63,618	131,346	256,876	159,065
Net incurred	1,523,507	1,948,249	1,904,882	1,715,245	3,066,304	2,978,711	2,874,288	4,694,589	6,415,145	5,947,306
4. Paid (cumulative) as of:										
End of policy year	457,171	633,733	558,811	553,606	1,110,994	1,143,718	974,590	1,723,288	2,127,838	2,263,391
One year later	898,666	1,350,186	1,395,034	1,101,054	2,042,293	2,340,705	2,061,483	2,961,645	4,389,692	
Two years later	1,047,212	1,635,297	1,481,346	1,320,150	2,220,646	2,698,429	2,473,633	3,180,854		
Three years later	1,080,058	1,798,477	1,503,491	1,442,676	2,398,446	2,876,171	2,585,920			
Four years later	1,136,345	1,867,643	1,544,937	1,467,990	2,463,308	2,896,979				
Five years later	1,155,537	1,908,234	1,545,191	1,474,657	2,537,958					
Six years later	1,167,801	1,921,260	1,547,569	1,474,822						
Seven years later	1,164,015	1,944,089	1,600,803							
Eight years later	1,164,432	1,970,994								
Nine years later	1,164,432									
5. Reestimated ceded claims and expenses:	943	518,703	1,007	2,632	3,398	7,425	9,191	23,115	173,639	159,065
6. Reestimated net incurred claims and expenses:										
End of policy year	1,523,507	1,953,373	1,904,882	1,715,245	3,066,304	2,978,710	2,874,288	4,694,590	6,415,145	5,947,306
One year later	1,337,264	2,219,266	1,853,543	1,690,946	2,686,306	3,261,228	2,921,526	4,077,491	6,214,732	
Two years later	1,254,271	2,228,877	1,803,059	1,769,466	2,587,581	3,253,580	3,056,010	3,829,644		
Three years later	1,248,537	2,154,628	1,704,405	1,629,357	2,675,304	3,111,455	2,871,491			
Four years later	1,281,016	2,142,517	1,655,621	1,623,063	2,700,788	3,073,875				
Five years later	1,234,801	2,115,428	1,656,307	1,569,866	2,708,920					
Six years later	1,217,392	2,094,846	1,621,533	1,527,300						
Seven years later	1,203,424	2,092,785	1,702,104							
Eight years later	1,192,382	2,094,708								
Nine years later	1,175,460									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	(348,047)	146,459	(202,778)	(187,945)	(357,383)	95,164	(2,797)	(864,945)	(200,413)	(0)

The above information reflects policy years for this program which is July 1 through June 30. The effective date of the information is June 30, 2009. Thus, all years reflect the entire policy year.

SPECIAL DISTRICTS INSURANCE SERVICES

CLAIMS DEVELOPMENT INFORMATION

**School Program**

	<u>Fiscal and Policy Year Ended</u>		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
1. Required contribution and investment revenue:			
Earned	8,308,821	8,679,451	12,218,209
Ceded	<u>4,514,659</u>	<u>3,220,709</u>	<u>4,830,968</u>
Net earned	3,794,162	5,458,742	7,387,241
2. Unallocated expenses	1,107,630	1,258,485	2,286,533
3. Estimated incurred claims and expense, end of policy year:			
Incurred	2,633,347	2,856,389	3,267,631
Ceded	<u>125,518</u>	<u>749,774</u>	<u>204,535</u>
Net incurred	2,507,829	2,106,615	3,063,096
4. Paid (cumulative) as of:			
End of policy year	797,594	439,042	700,420
One year later	965,333	720,805	1,561,233
Two years later	1,662,217	902,676	2,311,835
Three years later	1,934,310	1,134,742	2,733,792
Four years later	1,999,942	1,255,399	3,482,166
Five years later	2,027,156	1,389,922	
Six Years Later	2,026,056		
5. Reestimated ceded claims and expenses:	649,928	448,480	64,216
6. Reestimated net incurred claims and expenses:			
End of policy year	2,579,645	2,106,615	3,063,095
One year later	2,302,090	1,538,755	3,044,263
Two years later	2,465,690	1,372,955	3,344,768
Three years later	2,225,132	1,431,403	3,257,549
Four years later	2,135,813	1,576,810	3,872,361
Five years later	2,075,214	1,475,462	
Six Years Later	2,069,352		
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	(438,477)	(631,153)	809,266

The above information reflects policy years for this program which is July 1 through June 30.. The effective date of the information is June 30, 2009. Thus, all years reflect the entire policy year.

## **SUPPLEMENTARY INFORMATION**

**SPECIAL DISTRICTS INSURANCE SERVICES**  
**COMBINING STATEMENT OF NET ASSETS BY INSURANCE PROGRAM**  
**JUNE 30, 2010**

<b>ASSETS</b>	<b>Liability</b>	<b>Property</b>	<b>Workers ' Compensation</b>	<b>Group Purchase</b>	<b>School Fund</b>	<b>Eliminating Entries</b>	<b>Total</b>
<b>Current Assets:</b>							
Cash	\$ 842,955	\$ 215,806	\$ 1,743,452	\$ 1,954,437	\$ 100,000	\$ -	\$ 4,856,650
Accrued interest	197,779	-	59,487	-	-	-	257,266
Investments - current portion	827,708	119,617	1,478,825	-	39,564	-	2,465,714
Accounts receivable	742,017	47,767	861,033	182,400	51,950	-	1,885,167
Prepaid expenses	682,010	981,447	-	229,482	-	-	1,892,939
Due from other programs	620,441	-	-	-	-	(620,441)	-
<b>Total Current Assets</b>	<b>3,912,910</b>	<b>1,364,637</b>	<b>4,142,797</b>	<b>2,366,319</b>	<b>191,514</b>	<b>(620,441)</b>	<b>11,357,736</b>
<b>Noncurrent Assets:</b>							
Restricted investments	-	-	2,163,809	-	-	-	2,163,809
Investments	22,125,944	3,197,554	10,480,231	-	1,057,619	-	36,861,348
Capital assets (net)	3,168,137	-	-	-	-	-	3,168,137
<b>Total Noncurrent Assets</b>	<b>25,294,081</b>	<b>3,197,554</b>	<b>12,644,040</b>	<b>-</b>	<b>1,057,619</b>	<b>-</b>	<b>42,193,294</b>
<b>Total Assets</b>	<b>29,206,991</b>	<b>4,562,191</b>	<b>16,786,837</b>	<b>2,366,319</b>	<b>1,249,133</b>	<b>(620,441)</b>	<b>53,551,030</b>
<b>LIABILITIES</b>							
<b>Current Liabilities:</b>							
Accounts payable	358,425	-	317,830	41,741	-	-	717,996
Due to SDAO	387,632	-	-	-	-	-	387,632
Deferred revenue	3,000,885	1,642,847	683,693	1,483,548	-	-	6,810,973
Commissions payable	5,775	-	7,286	-	-	-	13,061
Due to other programs	-	18,187	523,123	79,131	-	(620,441)	-
Claims payable - current portion	1,200,000	500,000	2,700,000	-	400,000	-	4,800,000
<b>Total Current Liabilities</b>	<b>4,952,717</b>	<b>2,161,034</b>	<b>4,231,932</b>	<b>1,604,420</b>	<b>400,000</b>	<b>(620,441)</b>	<b>12,729,662</b>
<b>Noncurrent Liabilities:</b>							
OPEB Laibility	125,000	-	-	-	-	-	125,000
Claims payable	2,968,985	496,958	4,872,917	20,099.00	155,242	-	8,514,201
<b>Total Noncurrent Liabilities</b>	<b>3,093,985</b>	<b>496,958</b>	<b>4,872,917</b>	<b>20,099</b>	<b>155,242</b>	<b>-</b>	<b>8,639,201</b>
<b>Total Liabilities</b>	<b>8,046,702</b>	<b>2,657,992</b>	<b>9,104,849</b>	<b>1,624,519</b>	<b>555,242</b>	<b>(620,441)</b>	<b>21,368,863</b>
<b>NET ASSETS</b>							
Invested in Capital Assets	3,168,137	-	-	-	-	-	3,168,137
Restricted in accordance							
Workers Compensation Laws	-	-	2,163,809	-	-	-	2,163,809
Unrestricted	17,992,152	1,904,199	5,518,179	741,800	693,891	-	26,850,221
<b>Total Net Assets</b>	<b>\$ 21,160,289</b>	<b>\$ 1,904,199</b>	<b>\$ 7,681,988</b>	<b>\$ 741,800</b>	<b>\$ 693,891</b>	<b>\$ -</b>	<b>\$ 32,182,167</b>

**SPECIAL DISTRICTS INSURANCE SERVICES**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS BY INSURANCE PROGRAM**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

	<u>Liability</u>	<u>Property</u>	<u>Workers' Compensation</u>	<u>Group Purchase</u>	<u>School Fund</u>	<u>Total</u>
<b>Operating Revenues</b>						
Member contributions	\$ 6,751,364	\$ 3,574,818	\$ 9,744,358	\$ 24,334,763	\$ -	\$ 44,405,303
Conference and seminars	35,145	-	-	-	-	35,145
Administration income	1,225,000	-	343,351	345,350	-	1,913,701
Miscellaneous income	66,969	-	-	-	-	66,969
Total Operating Revenues	<u>8,078,478</u>	<u>3,574,818</u>	<u>10,087,709</u>	<u>24,680,113</u>	<u>-</u>	<u>46,421,118</u>
<b>Operating Expenses</b>						
Underwriting Expenses:						
Loss and loss adjustment expense	1,034,852	1,358,001	5,299,147	20,905	462,667	8,175,572
Insurance premiums	595,076	1,498,226	877,397	24,092,866	-	27,063,565
Broker fees	31,500	45,000	45,000	13,500	-	135,000
Local agent commissions	790,887	435,906	427,470	78,532	-	1,732,795
Workers' comp. taxes	-	-	327,589	-	-	327,589
Other Operating Expenses:						
Conference and training	315,471	-	-	-	-	315,471
Claims admin service	-	-	280,681	-	-	280,681
Claims service fees	601,933	200,643	662,580	-	-	1,465,156
Dividends	35,361	-	-	-	-	35,361
Other expenses	1,790,905	448,423	686,651	106,799	-	3,032,778
Total Operating Expenses	<u>5,195,985</u>	<u>3,986,199</u>	<u>8,606,515</u>	<u>24,312,602</u>	<u>462,667</u>	<u>42,563,968</u>
Operating Income (Loss)	<u>2,882,493</u>	<u>(411,381)</u>	<u>1,481,194</u>	<u>367,511</u>	<u>(462,667)</u>	<u>3,857,150</u>
<b>Nonoperating Revenues (Expenses)</b>						
Investment income	1,787,917	333,460	1,130,587	6,923	226,588	3,485,475
Rental revenues	38,300	-	-	-	-	38,300
Rental expenses	(34,089)	-	-	-	-	(34,089)
Total Nonoperating Income(Loss)	<u>1,792,128</u>	<u>333,460</u>	<u>1,130,587</u>	<u>6,923</u>	<u>226,588</u>	<u>3,489,686</u>
Income (Loss) Before Transfers	4,674,621	(77,921)	2,611,781	374,434	(236,079)	7,346,836
Transfers Out to SDAO	(279,038)	(100,095)	(262,159)	(326,229)	(289,979)	(1,257,500)
Change in Net Assets	4,395,583	(178,016)	2,349,622	48,205	(526,058)	6,089,336
Net Assets, Beginning	16,764,706	2,082,215	5,332,366	693,595	1,219,949	26,092,831
Transfer of Equity to PACE Program	-	-	-	-	-	-
Net Assets, Ending	<u>\$ 21,160,289</u>	<u>\$ 1,904,199</u>	<u>\$ 7,681,988</u>	<u>\$ 741,800</u>	<u>\$ 693,891</u>	<u>\$ 32,182,167</u>

**SPECIAL DISTRICTS INSURANCE SERVICES**

**GRAPHICAL SUMMARY OF CLAIMS**

**FOR THE YEAR ENDED JUNE 30, 2010**

