

**OREGON SCHOOL BOARDS ASSOCIATION
PROPERTY AND CASUALTY COVERAGE FOR EDUCATION**

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

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2023 AND 2022**

OREGON SCHOOL BOARDS ASSOCIATION
PROPERTY AND CASUALTY COVERAGE FOR EDUCATION
BOARD OF DIRECTORS

Tim Belanger - Chair
Business Services Director – Orgon Trail 46

Dawn Moorefield – Vice Chair
Assistant Superintendent – Cascade 5

Paul Andrews
Superintendent – High Desert ESD

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Risk Manager - North Clackamas

Dawn Watson
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Olivia Meyers Buch
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Brad Henry
Chief Operations Officer – Bend-La Pine 1

Sean Taggart
Dir. Of Risk Management – Rogue CC

Jordan Ely
Chief Financial Officer – Northwest Regional ESD

**OREGON SCHOOL BOARDS ASSOCIATION
PROPERTY AND CASUALTY COVERAGE FOR EDUCATION**

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James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Oregon School Boards Association
Property and Casualty Coverage for Education
Salem, Oregon

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Oregon School Boards Association Property and Casualty Coverage for Education (PACE), which comprise the statement of financial position as of June 30, 2023 and 2022, and the related statement of activities, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of PACE as of June 30, 2023 and 2022, and the changes in its net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of PACE and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about PACE's ability to continue as a going concern for a period of at least twelve months from the date of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PACE's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about PACE's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Other Information

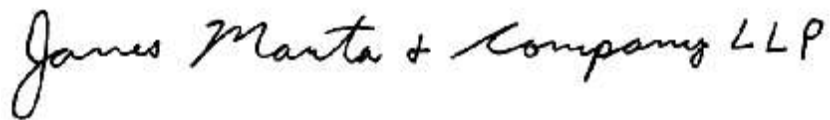
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise PACE's basic financial statements. The Claims Development Information and the Graphical Summary of Claims are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Claims Development Information and the Graphical Summary of Claims are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing

and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information as listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Report on Other Legal and Regulatory Requirements

In accordance with auditing standards generally accepted in the United States of America, we have also issued our report dated November 17, 2023, on our consideration of the PACE's internal control over financial reporting. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and the results of that testing, and not to provide an opinion on internal control over financial reporting. That report is an integral part of an audit performed in accordance with auditing standards generally accepted in the United States of America in considering the PACE's internal control over financial reporting.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 17, 2023

FINANCIAL SECTION

**OREGON SCHOOL BOARDS ASSOCIATION
PROPERTY AND CASUALTY COVERAGE FOR EDUCATION**

STATEMENT OF FINANCIAL POSTION

JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
ASSETS:		
Current Assets:		
Cash	\$ 3,077,801	\$ 2,547,594
Accounts receivable	399,706	476,232
Prepaid expenses	38,135	39,624
Total Current Assets	<u>3,515,642</u>	<u>3,063,450</u>
Non Current Assets:		
Investments	<u>77,344,888</u>	<u>72,598,523</u>
Total Assets	<u>80,860,530</u>	<u>75,661,973</u>
 LIABILITIES		
Current Liabilities:		
Accounts payable	836,693	1,168,905
Unearned revenue	-	149,256
Claims payable - current portion	14,487,880	8,713,067
Total Current Liability	<u>15,324,573</u>	<u>10,031,228</u>
Non Current Liabilities		
Claims payable	<u>22,706,230</u>	<u>25,838,448</u>
Total Liabilities	<u>38,030,803</u>	<u>35,869,676</u>
 NET ASSETS		
Restricted net assets	7,455,491	7,117,224
Unrestricted net assets	35,374,236	32,675,073
Total Net Assets	<u>\$ 42,829,727</u>	<u>\$ 39,792,297</u>

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

**OREGON SCHOOL BOARDS ASSOCIATION
PROPERTY AND CASUALTY COVERAGE FOR EDUCATION**

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
REVENUES:		
Member contributions	\$ 54,318,435	\$ 50,151,176
Miscellaneous / other income	7,750	6,000
Total Revenues	<u>54,326,185</u>	<u>50,157,176</u>
EXPENSES:		
Underwriting Expenses:		
Claims expense	20,991,974	19,735,326
Insurance premiums	24,496,471	21,682,281
Local agent commissions	2,836,397	2,690,016
Broker fees	170,000	160,000
Operating Expenses:		
Contract fees - SDAO	3,230,500	2,966,400
Contract fees - OSBA	1,790,843	1,692,526
Operating expenses	1,252,475	1,045,002
Member dividends	-	64,209
Total Expenses	<u>54,768,660</u>	<u>50,035,760</u>
Operating Income (Loss)	(442,475)	121,416
NONOPERATING REVENUES		
Investment income (loss)	<u>3,479,905</u>	<u>(11,175,145)</u>
CHANGE IN NET ASSETS	3,037,430	(11,053,729)
NET ASSETS, BEGINNING	<u>39,792,297</u>	<u>50,846,026</u>
NET ASSETS, ENDING	<u><u>\$ 42,829,727</u></u>	<u><u>\$ 39,792,297</u></u>

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

**OREGON SCHOOL BOARDS ASSOCIATION
PROPERTY AND CASUALTY COVERAGE FOR EDUCATION**

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flow From Operating Activities		
Cash received from members	\$ 54,176,929	\$ 49,618,102
Cash paid for claims	(18,272,853)	(14,591,796)
Cash paid for insurance premiums	(24,496,463)	(21,682,264)
Cash paid for other underwriting expenses	(3,006,405)	(2,850,033)
Cash paid for operating expenses	(6,604,541)	(7,144,200)
Net Cash Flows Provided (Used) by Operating Activities	<u>1,796,667</u>	<u>3,349,809</u>
Cash Flows From by Investing Activities		
Investment income received	1,625,830	778,729
Purchase of investments	(11,000,000)	(11,000,000)
Sale of investments	8,107,710	5,837,948
Net Cash Flow Provided (Used) by Investing Activities	<u>(1,266,460)</u>	<u>(4,383,323)</u>
Net Increase (Decrease) in Cash	530,207	(1,033,514)
Beginning Cash and Equivalents	2,547,594	3,581,108
Ending Cash and Equivalents	<u>\$ 3,077,801</u>	<u>\$ 2,547,594</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows		
Provided by Operating Activities		
Operating income (loss)	(442,475)	121,416
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows		
Provided by Operating Activities		
(Increase) Decrease in:		
Account receivable	76,526	3,111,598
Prepaid expenses	1,489	(16,479)
Increase (Decrease) in:		
Accounts payable	(332,212)	(1,359,584)
Unearned revenue	(149,256)	(539,074)
Claims liabilities	2,642,595	2,031,932
Net Cash Flows Provided by Operating Activities	<u>\$ 1,796,667</u>	<u>\$ 3,349,809</u>
Noncash Investing and Financing Activities		
Unrealized gain/(loss) on investments	<u>\$ (11,661,453)</u>	<u>\$ (11,661,453)</u>

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

**OREGON SCHOOL BOARDS ASSOCIATION
PROPERTY AND CASUALTY COVERAGE FOR EDUCATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

1. ORGANIZATION AND OPERATIONS

A. Organization

The Oregon School Boards Association Property and Casualty Coverage for Education Trust (“Trust”), is a component unit of Oregon School Boards Association (OSBA), a nonprofit organization. The Trust was formed effective July 1, 2006 and offers property and casualty coverage to school districts.

The self-insurance pool provides for the first \$750,000 of each general liability and auto liability claim Effective 7/1/2013; the Trust went to a \$5 million property SIR with a \$5 million aggregate policy.

B. Membership

Members must be an Oregon School District, Education Service District, or Community College which is a member of the OSBA, a Charter School per SB 100 (1999 Oregon Laws Charter 200) that is sponsored by a participating member of the Trust or a district who purchases coverage from the OSBA-PACE excess carrier. Currently, there are 300 members in the PACE program.

C. Admission and Withdrawal of Members

Admission

Under the Trust’s Agreement, new members must complete a written application, receive resolution to admit by the governing board of the Trust, and receive written acceptance of membership from the Trust.

Withdrawal

Status as a member will be continuous unless terminated by the member of the Trust. Each member shall continue its membership for an initial period of not less than one full fund year. A member may withdraw prior to the end of one full fund year upon six months written notice to the Trust. Participants may withdraw at any time upon submitting a six months written notice to the Trust.

D. Reporting Entity

The Trust’s reporting entity includes all activities (operations of its officers and Board of Directors as they relate to the Authority) considered to be part of (controlled by or dependent on) the Trust. This includes financial activity relating to all of the membership years of the Trust.

**OREGON SCHOOL BOARDS ASSOCIATION
PROPERTY AND CASUALTY COVERAGE FOR EDUCATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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 Trust's financial statements.

B. Cash and Cash Equivalents

For purposes of the statements of financial position and cash flows, the Trust considers all demand deposits and their investment in the State of Oregon Local Government Investment Pool as cash equivalents.

C. Statement of Cash Flows

The Trust considers interest on investments to be nonoperating revenue; therefore, investment income is presented in the investing section of the Statement of Cash Flows.

D. Receivables

Accounts receivable represent amounts of reinsurance due on claims, contributions due and amounts due on services provided. Due to the nature of the receivables and the likelihood of collection, no provision for uncollectible accounts has been made.

E. Investments

Investments are stated at fair value. Fair value is the amount at which an investment could be exchanged between willing parties, other than in a forced or liquidation sale. If a quoted market price is available for an investment, that amount is used as the fair value. 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.

F. Unearned Revenue/Prepaid Expenses

The policy year-end for the programs is June 30th. As such, certain revenues are treated as unearned and certain expenses as prepaid. This is to reflect a proper matching of revenues and expenses for the fiscal year-end financial statements.

**OREGON SCHOOL BOARDS ASSOCIATION
PROPERTY AND CASUALTY COVERAGE FOR EDUCATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

G. 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, 2023 and 2022, the Trust held unearned premiums in the amount of \$- and \$149,256, respectively.

H. Claims and Claims Adjustment Expenses

Each program establishes claims liabilities based on estimates of the ultimate cost of claims (including future allocated claim adjustment expense) 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 and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims 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, 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 both on 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.

I. Restricted Surplus

The Trust's policy is to return surplus of the Trust to members once the unrestricted surplus reaches three times the initial net surplus. The Trust is required to annually evaluate the amount of the surplus available to distribute to its members. State law requires the Trust to maintain a surplus equal to 25% of net contributions. See note 7 for current year restricted surplus calculation.

J. Income Taxes

The Trust is tax exempt for federal and state taxes under Internal Revenue Code Section 115.

K. Contribution Income

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.

**OREGON SCHOOL BOARDS ASSOCIATION
PROPERTY AND CASUALTY COVERAGE FOR EDUCATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

K. Contribution Income (continued)

Revenues mainly consist of premium contributions from members. Member contributions are recognized as revenues in the period for which insurance protection is provided. Contribution development is performed by staff and the Board of Directors based on the particular characteristics of the members. 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. The activities of the Trust consist solely of risk management programs and claims management activities related to the coverages described above. The reporting entity does not include any other component units within the criterion prescribed by Generally Accepted Accounting Policies (GAAP).

L. Unallocated Loss Adjustment Expense (ULAE)

The liability for ULAE includes all costs expected to be incurred in connection with the settlement of unpaid claims that cannot be related to a specific claim.

M. Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principals 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 from those estimates. Material estimates that are particularly susceptible to significant change in the near term are described elsewhere in this report.

3. CASH AND INVESTMENTS

A. Cash and Cash Equivalents

The Trust has the following cash and cash equivalents as of June 30:

	2023	2022
Demand Deposits with Financial Institutions	\$ (119,400)	\$ 1,949,821
Local Government Investment Pool	3,197,201	597,773
Total	<u>\$ 3,077,801</u>	<u>\$ 2,547,594</u>

**OREGON SCHOOL BOARDS ASSOCIATION
PROPERTY AND CASUALTY COVERAGE FOR EDUCATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

A. Cash and Cash Equivalents (continued)

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.

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, 2023, 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 comingled 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.

**OREGON SCHOOL BOARDS ASSOCIATION
PROPERTY AND CASUALTY COVERAGE FOR EDUCATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

B. Investments

As of June 30, 2023, The Trust had the following investments held in a managed portfolio:

	<u>Amount</u>	<u>Percentage</u>
Large CAP US Equity Fund	\$ 2,514,818	3.25%
Multi Asset Core Plus Fund	17,466,543	22.58%
Low Duration Bond Fund	11,522,739	14.90%
Core BD Fund	45,091,227	58.30%
Private Credit Fund I LLC	749,561	0.97%
Total	<u>\$ 77,344,888</u>	<u>100%</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.

Investment Securities and Diversification

Acceptable Investments:

1. Federally insured certificates of deposits, savings accounts, and money market funds that invest in government backed securities.
2. Bank repurchase agreements, banker acceptances, and commercial paper.
3. United States Treasury Bills and United States Government Securities that are backed by full faith of the United States Government.
4. Investment grade (BBB) or better individual corporate or municipal bonds.
5. Exchange traded funds.
6. Open end and closed-end mutual funds.
7. Equities of Corporations listed on the New York Stock Exchange (NYSE),
8. American Stock Exchange (AMEX), and large and medium capitalization companies listed on National Association of Securities Dealers Exchange (NASDAQ).
9. Master Limited Partnerships (MLPs).
10. Real Estate Investment Trusts (REITs)

Portfolio Diversification:

To support the stated investment objectives, the Trust's funds will be diversified to sufficiently minimize risk as well as to assure adequate liquidity and marketability of the invested funds.

- a. In order to minimize the risk of large losses in individual security positions, the portfolio will be constructed to attain extensive diversification in both equity and fixed income investments

**OREGON SCHOOL BOARDS ASSOCIATION
PROPERTY AND CASUALTY COVERAGE FOR EDUCATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

with no material concentration of plan assets in any single security or industry group with the exception of U.S. Government and Agency obligations.

- b. Economic Sectors: It is expected that the equity component of the portfolio will reflect a broad economic sector diversification.

Asset Category	Preferred Allocation	Target Range
Equities	40%	20 - 50%
Bonds/Fixed Income	55%	30 - 70%
Cash/Equivalents	5%	0 - 20%

PACE considers all funds noncurrent, as their intent is to hold them longer than one year and as “funds” they do not have maturity dates.

Fair values of assets measured on a recurring basis at June 30, 2023 and 2022 are as follows:

		<u>Fair Value Measurements at Reporting Date</u>		
		<u>Using Quoted Prices</u>		
		In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	<u>Fair Value</u>			
<u>June 30, 2023</u>				
Bond and Equity Mutual Funds	\$ 77,344,888	\$ 77,344,888	-	-
Total Investments	<u>\$ 77,344,888</u>	<u>\$ 77,344,888</u>	<u>\$ -</u>	<u>\$ -</u>
<u>June 30, 2022</u>				
Bond and Equity Mutual Funds	\$ 72,598,523	\$ 72,598,523	-	-
Total Investments	<u>\$ 72,598,523</u>	<u>\$ 72,598,523</u>	<u>\$ -</u>	<u>\$ -</u>

All assets have been valued using a market approach. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. There were no changes in the valuation techniques and related inputs.

4. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2023 and 2022 consist of the following:

	<u>2023</u>	<u>2022</u>
Contributions Receivable	\$ 31,557	\$ 29,564
Reinsurance Receivable	366,153	444,672
Other Receivables	1,996	1,996
Total	<u>\$ 399,706</u>	<u>\$ 476,232</u>

5. CLAIMS LIABILITIES

**OREGON SCHOOL BOARDS ASSOCIATION
PROPERTY AND CASUALTY COVERAGE FOR EDUCATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

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. The liability for unpaid claims and claims adjustment expenses have been discounted and reflects 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 fiscal years ended:

	<u>2023</u>	<u>2022</u>
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$ 34,551,515	\$ 32,519,583
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	21,772,240	19,576,664
Changes in provision for insured events of prior fiscal years	(1,281,298)	209,013
Changes in provision for ULAE	<u>501,032</u>	<u>(50,351)</u>
Total incurred claims and claim adjustment expenses	<u>20,991,974</u>	<u>19,735,326</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	6,481,579	5,077,706
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>11,867,800</u>	<u>12,625,688</u>
Total payments	<u>18,349,379</u>	<u>17,703,394</u>
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u>\$ 37,194,110</u>	<u>\$ 34,551,515</u>

As of June 30, 2023 and 2022, \$39,542,213 and \$36,499,407 of unpaid claims and claim adjustment expenses were presented at their net present value of \$34,551,515 and \$34,551,515 using an interest rate of 2.5%.

**OREGON SCHOOL BOARDS ASSOCIATION
PROPERTY AND CASUALTY COVERAGE FOR EDUCATION**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

6. CLAIMS AND ADMINISTRATIVE SERVICE AGREEMENTS

The Trust receives professional insurance management and support services from Special Districts Association of Oregon (SDAO). The expense for services provided under contract during the years ended June 30, 2023 and 2022 were \$3,230,500 and \$2,966,400, respectively.

The Trust also receives pre-loss legal, administration and support services from Oregon School Boards Association. The expense for these services provided under contract during the years ended June 30, 2023 and 2022 were \$1,790,843 and \$1,692,526, respectively.

7. RESTRICTED SURPLUS

Restricted surplus balances for June 30, 2023 and 2022 are calculated as follows:

	2023	2022
Member Premiums	\$ 54,318,435	\$ 50,151,176
Premiums Paid	<u>24,496,471</u>	<u>21,682,281</u>
Net Contributions	29,821,964	28,468,895
State Restricted Percentage (25%)	<u>0.25</u>	<u>0.25</u>
Restricted Surplus	<u><u>\$ 7,455,491</u></u>	<u><u>\$ 7,117,224</u></u>

The amounts the Trust returned in surplus equity during the years ended June 30, 2023 and 2022 was \$0. Upon inception of the Trust, the Special Districts Insurance Services Trust (SDIS) School District Program's operations and members were transferred to the Trust. An agreement exists between SDIS and the Trust stating that SDIS will annually identify and transfer balances of retained net assets deemed prudent from the SDIS School District Program to the Trust. The Trust will then distribute this surplus to remaining members of the School District Program.

8. SUBSEQUENT EVENTS

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended June 30, 2023, through November 17, 2023, the date the financial statements were issued. Management is not aware of any subsequent events, other than those described above, that would require recognition or disclosure in the accompanying financial statements.

SUPPLEMENTARY INFORMATION

**OREGON SCHOOL BOARDS ASSOCIATION
PROPERTY AND CASUALTY COVERAGE FOR EDUCATION
CLAIMS DEVELOPMENT INFORMATION**

JUNE 30, 2023

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.

**OREGON SCHOOL BOARDS ASSOCIATION
PROPERTY AND CASUALTY COVERAGE FOR EDUCATION
CLAIMS DEVELOPMENT INFORMATION**

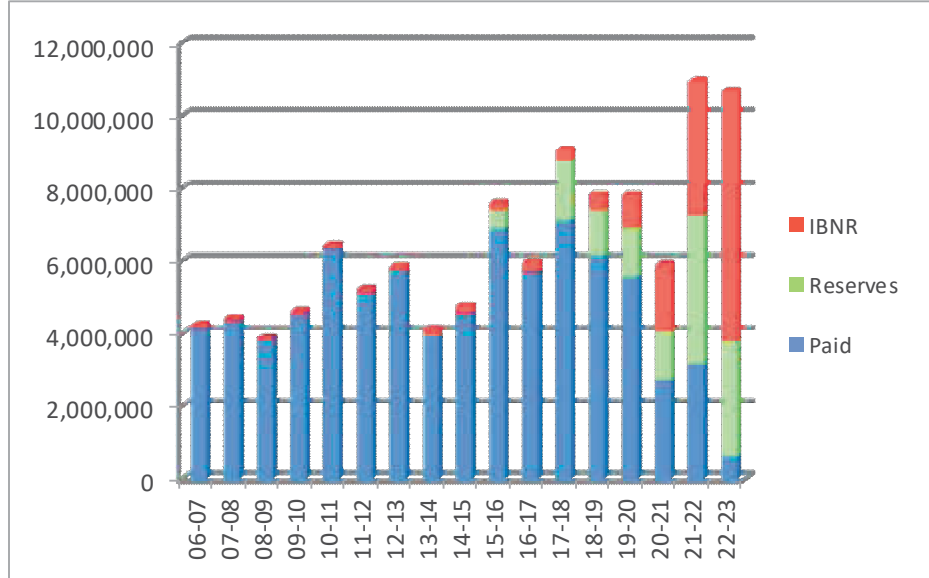
JUNE 30, 2023

	<u>Fiscal and Policy Year Ended</u>									
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
1. Required contribution and investment revenue:										
Gross Contribution	\$ 30,289,039	\$ 31,151,517	\$ 31,934,445	\$ 32,719,169	\$ 33,163,193	\$ 34,218,363	\$ 36,395,758	\$ 43,281,842	\$ 50,151,161	\$ 54,318,427
Investment Earnings During Policy Period	996,096	438,688	163,779	845,386	328,291	874,144	384,873	1,723,322	(2,190,711)	801,571
Investment Earnings Subsequent to Policy Period	2,625,808	805,032	2,324,207	521,963	1,529,186	502,950	(64,698)	(890,553)	255,160	0
Ceded	8,002,527	8,834,245	9,129,962	8,982,134	10,322,137	11,766,796	14,203,680	17,481,229	21,682,264	24,496,462
Net earned	25,908,416	23,560,991	25,292,468	25,104,385	24,698,533	23,828,661	22,512,253	26,633,381	26,533,346	30,623,536
2. Unallocated expenses	4,858,458	5,672,618	5,832,902	6,332,895	6,776,590	7,270,398	7,428,203	7,849,851	8,545,515	9,280,212
3. Estimated incurred claims and expense, end of policy year:										
Incurred	11,144,669	17,873,761	10,736,025	31,646,560	10,127,289	17,741,223	18,652,113	22,339,444	19,593,882	22,174,216
Ceded	695,957	4,988,675	686,421	13,382,116	829,753	818,633	771,796	5,950,431	738,094	401,976
Net incurred	10,448,712	12,885,086	10,049,604	18,264,444	9,297,536	16,922,590	17,880,317	16,389,013	18,855,788	21,772,240
4. Paid (cumulative) as of:										
End of policy year	3,871,921	3,647,253	1,945,190	6,175,180	2,273,917	3,904,005	5,999,897	4,786,088	5,077,706	6,481,579
One Year Later	5,741,652	9,633,712	4,953,176	8,033,979	4,418,774	10,525,675	10,613,996	10,589,391	10,234,540	
Two Years Later	7,446,169	11,286,883	7,091,355	13,721,748	6,978,654	13,072,642	11,837,272	12,841,238		
Three Years Later	9,003,055	12,245,128	8,030,282	15,847,799	8,514,949	15,119,614	13,959,387			
Four Years Later	9,498,665	12,902,600	9,397,261	16,816,772	10,094,874	15,445,180				
Five Years Later	9,532,006	12,910,409	9,688,259	17,331,571	10,176,567					
Six Years Later	9,548,265	12,905,941	10,378,758	18,177,423						
Seven Years Later	9,570,213	12,909,053	11,021,549							
Eight Years Later	9,591,311	12,910,852								
Nine Years Later	9,596,847									
5. Reestimated ceded claims and expenses	16,230	8,266,521	147,577	15,603,218	705,952	44,365	5,530,387	7,846,920	2,317,019	401,976
6. Reestimated net incurred claims and expenses:										
End of policy year	10,448,712	12,885,086	10,049,604	18,264,444	9,297,536	16,922,589	17,880,317	16,389,012	19,576,664	21,772,240
One Year Later	10,368,345	14,044,716	10,814,538	17,191,721	10,360,036	18,441,370	17,172,376	16,724,523	19,151,595	
Two Years Later	9,990,599	14,283,404	9,860,016	18,576,454	11,691,686	17,419,109	16,712,201	16,186,028		
Three Years Later	10,244,811	13,627,041	9,804,260	18,757,321	11,614,979	17,547,877	16,249,772			
Four Years Later	10,013,297	13,617,108	11,058,062	18,780,672	11,941,722	17,172,603				
Five Years Later	9,824,703	13,380,836	11,197,354	18,240,359	12,071,714					
Six Years Later	9,866,919	13,200,123	11,702,216	18,406,371						
Seven Years Later	9,805,387	13,268,562	11,709,710							
Eight Years Later	9,820,803	13,103,185								
Nine Years Later	9,780,988									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	\$ (667,724)	\$ 218,099	\$ 1,660,106	\$ 141,927	\$ 2,774,179	\$ 250,014	\$ (1,630,544)	\$ (202,984)	\$ 295,807	\$ -

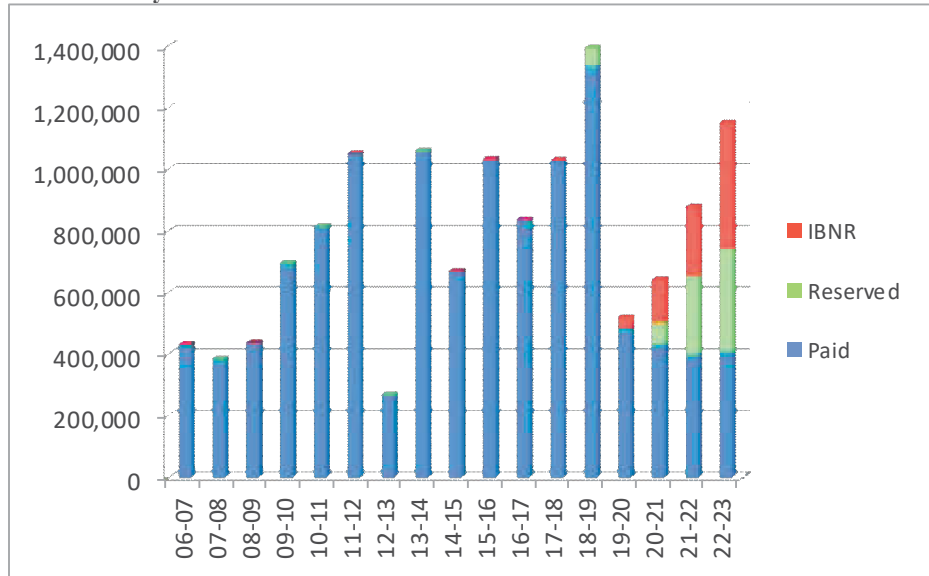
**OREGON SCHOOL BOARDS ASSOCIATION
PROPERTY AND CASUALTY COVERAGE FOR EDUCATION
GRAPHICAL SUMMARY OF CLAIMS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

General Liability



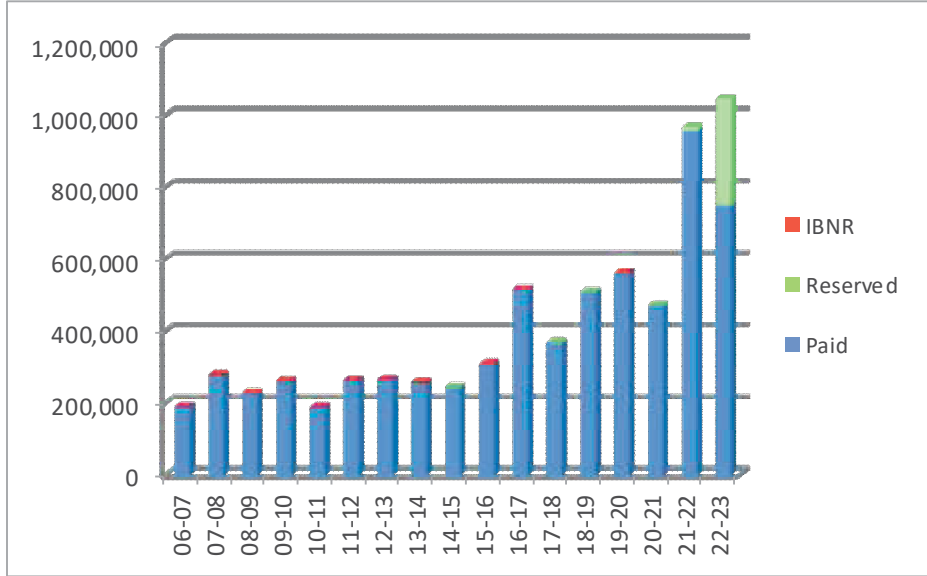
Auto Liability



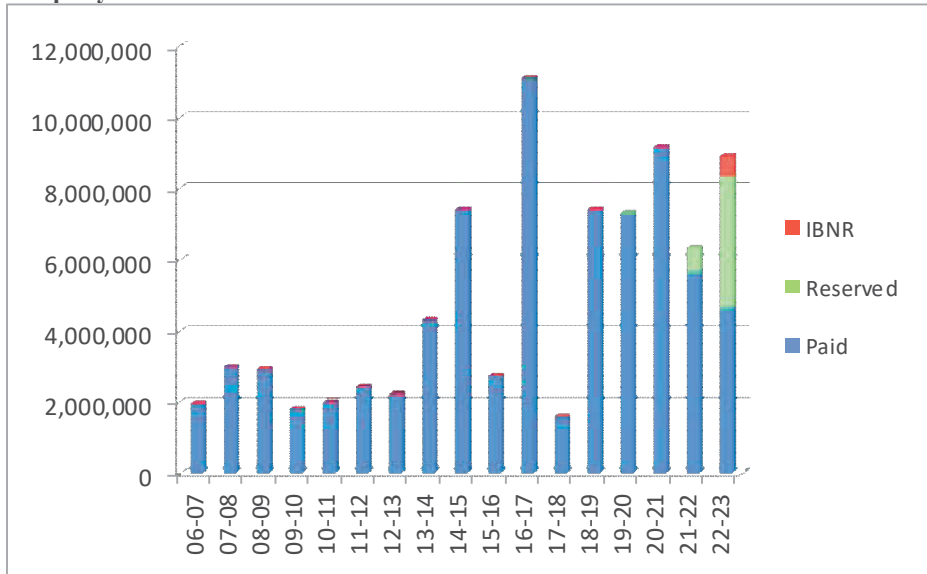
**OREGON SCHOOL BOARDS ASSOCIATION
PROPERTY AND CASUALTY COVERAGE FOR EDUCATION
GRAPHICAL SUMMARY OF CLAIMS**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Auto Physical Damage



Property





James Marta & Company LLP
Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

**COMMUNICATION WITH THOSE CHARGED
WITH GOVERNANCE**

November 17, 2023

Board of Directors of
OSBA Property and Casualty Coverage for Education Trust
Salem, Oregon

We have audited the financial statements of OSBA Property and Casualty Coverage for Education Trust as of and for the year ended June 30, 2023 and 2022, and have issued our report thereon dated November 17, 2023. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated June 23, 2023, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of OSBA Property and Casualty Coverage for Education Trust solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We have no findings regarding significant control deficiencies over financial reporting and material noncompliance, or other matters.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

We follow the AICPA Ethics Standard Rule 201C, and in conjunction with this, we annually review with all engagement staff potential conflicts and obtain a conflict certification. In addition, we inquire on each

engagement about potential conflicts with staff. We have not identified any relationships or other matters that in the auditor's judgment may be reasonably thought to bear on independence.

Qualitative Aspects of the Entity's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by OSBA Property and Casualty Coverage for Education Trust is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2023. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are the claim liabilities and the related discount assumptions.

Management's estimate of the claim liabilities is based on calculations reported by the actuary and claim administrators. We evaluated the key factors and assumptions used to develop the claim liabilities and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting OSBA Property and Casualty Coverage for Education Trust's financial statements relate to accounting policies affecting claim liabilities.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. No such misstatements were identified during the audit.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. No such misstatements have been identified.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to OSBA Property and Casualty Coverage for Education Trust's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated November 17, 2023.

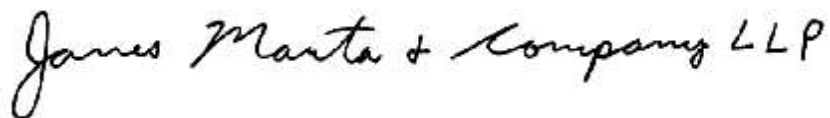
Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with OSBA Property and Casualty Coverage for Education Trust, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as OSBA Property and Casualty Coverage for Education Trust's auditors.

This report is intended solely for the information and use of the Board of Directors and management of OSBA Property and Casualty Coverage for Education Trust and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "James Marta & Company LLP". The signature is written in a cursive, flowing style.

James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 17, 2023



SAFETY • SERVICE • SAVINGS
A TRUST BUILT FOR STUDENTS

Working together to keep Oregon students safe, reduce risks and conserve member resources.

November 17, 2023

**2023-2024 PACE
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Cascade 5

Paul Andrews
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Ldrshp. Support Specialist
High Desert ESD

PACE ADMINISTRATOR
Dave Harvey

James Marta & Company LLP

701 Howe Avenue, Suite E3

Sacramento, CA 95825

To James Marta & Company LLP:

This representation letter is provided in connection with your audit of the Statement of Financial Position, Statement of Activities, Statement of Functional Expenses and Statement of Cash Flows of OSBA Property and Casualty Coverage for Education Trust as of June 30, 2023 and 2022 and for the years then ended, and the related notes to the financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of OSBA Property and Casualty Coverage for Education Trust in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of November 17, 2023.

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated June 23, 2023 for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.

Oregon School Boards Association in cooperation with Special Districts Association of Oregon

OSBA OFFICE 1201 Court Street NE, Suite 400, Salem, OR 97301 | 503-588-2800 / 800-578-6722 | Fax: 503-588-2813

SDAO SALEM OFFICE PO Box 12613, Salem, OR 97309 | 503-371-8667 / 800-285-5461 | Fax: 503-371-4781

CLAIMS OFFICE PO Box 23879, Tigard, OR 97281 | 503-670-7066 / 800-305-1736 | Fax: 503-620-9817

PACE.OSBA.ORG

- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of uncorrected misstatements summarized in the attached schedule and aggregated by you during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All funds and activities are properly classified.
- All net assets components and fund balance classifications have been properly reported.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.

Information Provided

- We have provided you with:
 - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation or claims.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- OSBA Property and Casualty Coverage for Education Trust has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which OSBA Property and Casualty Coverage for Education Trust is contingently liable.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
 - Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for

disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.

- Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed.
- Other liabilities or gain or loss contingencies that are required to be accrued or disclosed.
- OSBA Property and Casualty Coverage for Education Trust has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Required Supplementary Information

With respect to the required supplementary information accompanying the financial statements:

- We acknowledge our responsibility for the presentation of the required supplementary information in accordance with U.S. GAAP.
- We believe the required supplementary information, including its form and content, is measured and fairly presented in accordance with U.S. GAAP.
- The methods of measurement or presentation have not changed from those used in the prior period.

Supplementary Information

With respect to the supplementary information accompanying the financial statements:

- a. We acknowledge our responsibility for the presentation of the supplementary information in accordance with accounting principles generally accepted in the United States of America.
- b. We believe the supplementary information, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America.

- c. The methods of measurement or presentation have not changed from those used in the prior period.
- d. We believe the assumptions or interpretations underlying the measurement or presentation of the supplementary information, and the basis for our assumptions and interpretations, are reasonable and appropriate in the circumstances.

A handwritten signature in black ink, reading "Michael Doherty". The signature is written in a cursive, flowing style with a prominent initial "M".

Mike Doherty, Contracted Accountant