



**ANNUAL FINANCIAL REPORT**  
**For the Year Ended June 30, 2010**

# LOCAL GOVERNMENT PERSONNEL INSTITUTE

For The Year Ended June 30, 2010

## **EXECUTIVE DIRECTOR**

Diana Moffat

## **BOARD OF DIRECTORS**

*Mike McArthur*

(Chairman)

Executive Director

Association of Oregon Counties

*Mike McCauley*

Executive Director

League of Oregon Cities

*Libet Hatch*

County Representative

HR Director

Benton County

*Kim Marr*

City Representative

Assistant City Manager

City of Dallas

*John Arens*

Special District Representative

Executive Directors

Mid-Columbia COG

## **REGISTERED ADDRESS**

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Salem, OR 97301

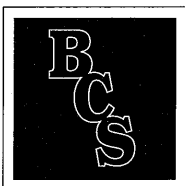
PO Box 908

Salem, OR 97308

# LOCAL GOVERNMENT PERSONNEL INSTITUTE

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**BOLDT, CARLISLE & SMITH LLC**

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERSHIP ■ ASSURANCE ■ INNOVATION

## INDEPENDENT AUDITOR'S REPORT

### Board of Directors

### LOCAL GOVERNMENT PERSONNEL INSTITUTE

### Salem, Oregon

We have audited the accompanying financial statements of the governmental activities and the major fund of **LOCAL GOVERNMENT PERSONNEL INSTITUTE**, as of and for the year ended June 30, 2010, which collectively comprise the Institute's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Institute's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the **LOCAL GOVERNMENT PERSONNEL INSTITUTE**, as of June 30, 2010, the respective changes in financial position, and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages a - d is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. 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.

### Boldt, Carlisle & Smith LLC

Certified Public Accountants

Salem, Oregon

By:

Douglas C. Parham, Member

October 13, 2010

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

# LOCAL GOVERNMENT PERSONNEL INSTITUTE

## MANAGEMENT'S DISCUSSION AND ANALYSIS

For The Year Ended June 30, 2010

Our discussion and analysis of Local Government Personnel Institute's (hereinafter LGPI) financial performance provides an overview of the Institute's financial activities for the fiscal year ended June 30, 2010. This information is presented in conjunction with the audited financial statements that follow this section.

### Financial Highlights

- LGPI's total net assets exceeded its liabilities by \$138,043 of which \$123,330 is unrestricted.
- The revenue generated by LGPI was \$18,763 more than budgeted, due to higher than estimated membership dues and conference revenues.

### Overview of the Financial Statements

These financial statements include all of LGPI activities using the integrated approach as prescribed by GASB Statement No. 34.

**Government-wide financial statements.** The government-wide financial statements present LGPI's financial picture from the economic resources measurement focus using the accrual basis of accounting.

*The statement of net assets* presents information on all of LGPI's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether LGPI's financial position is improving or deteriorating.

*The statement of activities* presents information showing how LGPI's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only effect cash flows in future fiscal periods (e.g., unused vacation leave).

Both the government-wide financial statements distinguished LGPI functions that are primarily supported by charges for services and membership dues.

**Fund financial statement.** LGPI has only one fund.

All LGPI services, membership dues, and other revenue are reported in the General Fund, using the accrual basis of accounting, measuring cash and other financial assets that can readily be converted to cash. The General Fund statements provide a detailed short-term view of LGPI's general operation and the basic services provided. The General Fund information determines whether there are more or fewer financial resources that can be spent in the near future to finance LGPI's projects, with the exception of a restricted cash amount which represents a fiduciary responsibility to parties outside of LGPI and which is not available to support LGPI's own programs.

**Notes to basic financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### **Government-wide Financial Analysis**

Net assets may serve over time as a useful indicator of an entity's financial position. In the case of LGPI, assets exceeded liabilities by \$138,043 at the end of the current fiscal year.

	2010	2009
<u>Assets</u>		
Current and other assets	\$ 171,062	\$ 160,058
Capital assets, net	14,713	19,808
Total assets	185,775	179,866
<u>Liabilities</u>		
Current liabilities	28,587	11,667
Accumulated unpaid vacation	19,145	22,147
Total liabilities	47,732	33,814
<u>Net assets</u>		
Investment in capital assets	14,713	19,808
Unrestricted	123,330	126,244
Total net assets	\$ 138,043	\$ 146,052

### **Statement of Activities**

Approximately 11% of LGPI's net assets are invested in capital assets. LGPI uses these capital assets to provide services to local governments; consequently, these assets are not available for future spending. Although LGPI's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

During FY 2009-10, membership fees revenue was \$37,007 more than budgeted.

LGPI's actual expenses were \$24,456 less than budgeted.

- **Comparative Analysis.** Overall, revenue decreased approximately 6% this year due largely to decreases in consulting services revenue. Total expenses increased about 2%, which is attributable to normal increases in personal services and benefits, dues, publications and seminars combined with decreases in contracted services, postage and phone.

	2010	2009
<b>Revenues</b>		
Membership fees	\$ 174,607	\$ 172,299
Consulting services	402,742	452,686
Conference	32,508	21,189
Other	3,053	1,795
Interest	853	2,760
Total revenues	<u>613,763</u>	<u>650,729</u>
<b>Expenses</b>		
Personal services	515,071	486,848
Materials and services		
Contracted services	9,475	17,349
Travel	1,487	1,450
Meals and lodging	-	-
Facility rentals	38,675	35,370
Dues, publications and seminars	33,227	29,644
Computer software	2,378	812
Insurance	1,888	1,850
Postage and phone	4,861	5,691
Office supplies	2,016	2,013
Printing and copying	4	170
Miscellaneous	4,254	2,848
Depreciation	<u>5,095</u>	<u>20,998</u>
Total expenses	<u>621,772</u>	<u>611,722</u>
Net change in net assets	<u>\$ (8,009)</u>	<u>\$ 39,007</u>



Membership revenue was stable, with a little more than 1% increase from last year.

Consulting services revenue decreased approximately 12% this year, largely due to a decline in consulting billable hours.

LGPI's annual Conference in 2010 saw a revenue increase of 53% over 2009.

### **Capital Assets**

During 2010, LGPI decreased its capital assets by \$5,095. No fixed assets were disposed of. No new assets were acquired. At June 30, 2010, capital assets amounted to \$14,713, which includes accumulated depreciation of \$98,549. The change is due to depreciation expense less capital asset additions.

### **Economic Factors**

LGPI is a voluntary membership organization for Oregon local government entities and as such is liable to be affected by the economies of those entities, and inasmuch as local governments rely on revenue from taxes and state revenues, LGPI is also thereby affected.

### **Requests for Information**

This financial report is designed to provide members, citizens, taxpayers, and creditors with a general overview of LGPI's finances and to demonstrate LGPI's accountability for the money it receives. If you have any questions about this report or need any additional information, contact LGPI at PO Box 908, Salem OR 97308, or phone (503) 588-2251.

## **BASIC FINANCIAL STATEMENTS**

**LOCAL GOVERNMENT PERSONNEL INSTITUTE**

**STATEMENT OF NET ASSETS**

**June 30, 2010**

**ASSETS**

Cash and investments	\$ 95,763
Receivables	72,268
Prepaid expenses	3,031
Capital assets, net of depreciation	<u>14,713</u>

TOTAL ASSETS	<u>185,775</u>
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**LIABILITIES**

Accounts payable	8,702
Deferred revenue	19,885
Accumulated unpaid vacation	<u>19,145</u>

TOTAL LIABILITIES	<u>47,732</u>
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**NET ASSETS**

Invested in capital assets	14,713
Unrestricted fund balance	<u>123,330</u>

TOTAL NET ASSETS	<u><u>\$ 138,043</u></u>
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**LOCAL GOVERNMENT PERSONNEL INSTITUTE**

**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2010**

**EXPENSES**

Personal services	\$ 515,071
Materials and services	101,606
Depreciation	<u>5,095</u>
TOTAL EXPENSES	<u>621,772</u>

**PROGRAM REVENUES**

Membership fees	174,607
Charges for services	<u>435,250</u>
TOTAL PROGRAM REVENUES	<u>609,857</u>
NET PROGRAM REVENUE (EXPENSE)	<u>(11,915)</u>

**GENERAL REVENUES**

Other	3,053
Interest	<u>853</u>
TOTAL GENERAL REVENUES	<u>3,906</u>
CHANGE IN NET ASSETS	(8,009)
NET ASSETS - BEGINNING	<u>146,052</u>
NET ASSETS - ENDING	<u><u>\$ 138,043</u></u>

# LOCAL GOVERNMENT PERSONNEL INSTITUTE

## BALANCE SHEET

### GENERAL FUND

June 30, 2010

#### ASSETS

Cash and investments	\$ 95,763
Prepaid expenses	3,031
Receivables	<u>72,268</u>

TOTAL ASSETS	<u>\$ 171,062</u>
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#### LIABILITIES

Accounts payable	\$ 8,702
Deferred revenue	19,885
Payroll liabilities	<u>2,305</u>

TOTAL LIABILITIES	<u>30,892</u>
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#### FUND BALANCES

Unreserved fund balance	
Designated for personnel expenditures	27,305
Undesignated	<u>112,865</u>

TOTAL FUND BALANCES	140,170
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*Amounts reported for governmental activities in the statement of net assets are different because:*

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,713
Accumulated unpaid vacation is not due and payable in the current period and, therefore, is not reported in the funds.	<u>(16,840)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 138,043</u>
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# LOCAL GOVERNMENT PERSONNEL INSTITUTE

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL GENERAL FUND

For the Year Ended June 30, 2010

	Budget	Actual	Variance
<b>REVENUES</b>			
Membership fees	\$ 137,600	\$ 174,607	\$ 37,007
Consulting services	435,400	402,742	(32,658)
Conference	19,000	32,508	13,508
Other	-	3,053	3,053
Interest	3,000	853	(2,147)
<b>TOTAL REVENUES</b>	<u>595,000</u>	<u>613,763</u>	<u>18,763</u>
<b>EXPENDITURES</b>			
Personal services	<u>530,990</u>	<u>520,378</u>	<u>10,612</u>
Materials and services			
Contracted services	14,000	9,475	4,525
Travel	2,500	1,487	1,013
Facility rentals	40,000	38,675	1,325
Dues/publications/seminars	34,500	33,227	1,273
Insurance	2,100	1,888	212
Postage	750	757	(7)
Telephone	4,600	4,104	496
Equipment maintenance	6,000	3,341	2,659
Computer software	3,000	2,378	622
Office supplies	3,000	2,016	984
Printing	-	4	(4)
Miscellaneous	5,000	4,254	746
Total materials and services	<u>115,450</u>	<u>101,606</u>	<u>13,844</u>
Contingency	<u>94,330</u>	<u>-</u>	<u>94,330</u>
<b>TOTAL EXPENDITURES</b>	<u>740,770</u>	<u>621,984</u>	<u>118,786</u>
Net change in fund balance	(145,770)	(8,221)	137,549
Unreserved fund balance, beginning of fiscal year	<u>145,770</u>	<u>148,391</u>	<u>2,621</u>
Unreserved fund balance, end of fiscal year	<u>\$ -</u>	<u>\$ 140,170</u>	<u>\$ 140,170</u>

See notes to basic financial statements

**LOCAL GOVERNMENT PERSONNEL INSTITUTE**

**RECONCILIATION OF THE CHANGE IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2010**

NET CHANGE IN FUND BALANCE - GENERAL FUND \$ (8,221)

*Amounts reported for governmental activities in the statement of activities are  
different because:*

General Fund reports capital outlay as an expenditure. However, in the  
statement of activities, the cost of those assets is allocated over their estimated  
useful lives as depreciation expense. This is the amount by which depreciation  
exceeded capitalized expenditures in the current period. (5,095)

The statement of activities includes the effects of changes in accumulated unpaid  
vacation, whereas general fund does not report this item. 5,307

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (8,009)

# **LOCAL GOVERNMENT PERSONNEL INSTITUTE**

## **NOTES TO BASIC FINANCIAL STATEMENTS**

**June 30, 2010**

### **1. Summary of significant accounting policies**

#### **A. Organization and fund structure**

The **LOCAL GOVERNMENT PERSONNEL INSTITUTE** is a joint venture of the Association of Oregon Counties (AOC) and the League of Oregon Cities (LOC). The Institute was formed in July 1971 to provide personnel related services, publications, and consulting to Oregon municipal corporations and other local governments in Oregon.

Control of the Institute is vested in a board of directors, which is composed of one representative from the AOC and one representative from the LOC, as well as three other members. The chief administrative officer is the executive director, who reports to the board of directors.

The accompanying basic financial statements present the activities and funds for which the Institute is considered to be financially accountable. The criteria used in making this determination includes appointment of a voting majority, imposition of will, financial benefit or burden on the primary government, and fiscal dependency on the primary government. Based upon the evaluation of these criteria, the Institute is a primary government with no includable component units.

#### **B. Government-wide and fund financial statements**

The government-wide financial statements, which include the Statement of Net Assets and the Statement of Activities, report on all of the activities of the Institute.

The Statement of Activities demonstrates the degree to which direct expenses of a function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include charges for services provided by a function and contributions from members that are restricted to meeting the operational requirements of a particular function. Other revenues not includable as program revenues are reported as general revenues.

Separate financial statements are provided for the governmental fund. Additionally, the General Fund's revenues, expenditures and changes in fund balance—budget and actual has been included as a basic financial statement.



## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### C. Fund structure

The accounts of the Institute are organized as a single (General) fund. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Institute resources are allocated to and accounted for based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major governmental fund included in the accompanying basic financial statements is as follows:

<b>Fund Type</b>	<b>Principal Revenue Source</b>	<b>Primary Expenditure Purpose</b>
GOVERNMENTAL General	Membership and service fees	General operating expense

#### D. Basis of accounting

The government-wide financial statements are presented on an accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when incurred. The government-wide financial statements also include capital assets and long-term obligations.

The fund financial statements are presented on a modified accrual basis of accounting. Under this method, revenues are recognized when they become measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures are recognized when the related liability is incurred. This presentation conforms to Institute budgetary procedures.

In the government-wide financial statements, Financial Accounting Standards Board (FASB) and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied, unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

When both restricted and unrestricted resources are available for use, it is the Institute's policy to use restricted resources first, then unrestricted resources as they are needed.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 1. Summary of significant accounting policies (continued)

#### E. Budget policies and budgetary control

The Institute is not subject to Oregon Local Budget Law, ORS Chapter 294. Since the Institute does not provide services directly to individuals, the Institute is not subject to budget provisions under ORS 294.900 to 294.930. However, the Institute does prepare a budget for management control purposes. Comparisons of actual and budgeted transactions are shown on the Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual.

#### F. Capital assets

Capital assets, which include equipment and an online database, are reported in the government-wide financial statements. Capital assets are defined by the Institute as assets with an initial cost of more than \$1,500. Such assets are recorded at historical cost and are depreciated over estimated useful lives of three to seven years using the straight-line method.

#### G. Compensated absences

##### 1. Sick leave

The Institute has a policy which permits employees to accumulate sick leave at the rate of one day per month over their working careers up to a maximum of 720 hours. The Institute does not compensate the employees for unused accumulations upon termination of employment.

##### 2. Vacation leave

The Institute employees earn vacation at rates determined by their length of employment, and may not carry more than two years' accumulation forward (at the calendar year anniversary) without approval of the director. Employees are paid for accumulated vacation upon termination of employment.

#### H. Use of 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 certain assets, liabilities, revenues, expenses, and other disclosures. Accordingly, actual results may differ from estimated amounts.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 2. Deposits and investments

Investments are stated at fair value. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments with a remaining maturity of more than one year, at the time of purchase are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. Investments in the State of Oregon Local Government Investment Pool (LGIP) are stated at fair value.

The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state that by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State's short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the Institute's position in the LGIP is the same as the value of the pool shares.

*Credit risk:* Oregon statutes authorize the Institute to invest in obligations of the U.S. Treasury and U.S. agencies, bankers' acceptances, repurchase agreements, commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record, and the state treasurer's investment pool.

As of June 30, 2010, the Institute had the following investments:

	<u>Maturities</u>	<u>Fair Value</u>
State Treasurer's Investment Pool	N/A	\$ <u>70,337</u>

*Interest Rate Risk:* The Institute does not have a formal policy that limits investment maturities as a means of managing its exposure to fair-value losses arising from increases in interest rates.

*Concentration of Credit Risk:* The Institute does not have a formal policy that places a limit on the amount that may be invested in any one insurer. 100 percent of the Institute's investments are in the State Treasurer's Investment Pool.

*Custodial Credit Risk – Investments:* This is the risk that, in the event of the failure of a counterparty, the Institute will not be able to recover the value of its investments that are in the possession of an outside party. As of June 30, 2010, none of the Institute's investments have custodial credit risk. The Institute does not have a policy which limits the amount of investments that can be held by counterparties.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 2. Deposits and investments (continued)

*Custodial credit risk – deposits:* This is the risk that in the event of a bank failure, the Institute's deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Institute'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 with institutions participating in the Oregon Public Funds Collateralization Program are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. As of June 30, 2010, none of the Institute's bank balance was exposed to custodial credit risk.

A. The Institute's deposits and investments at June 30, 2010 are as follows:

Investments - State Treasurer - Local Government Investment Pool	\$ 70,337
Unrestricted cash	<u>25,426</u>
Total deposits and investments	<u>\$ 95,763</u>

### 3. Receivables

Receivables represent amounts owed to the Institute at June 30, 2010 for consulting services and other items.

### 4. Capital assets

	Balances July 1, 2009	Additions	Deletions	Balances June 30, 2010
Equipment	\$ 11,560	\$ --	\$ --	\$ 11,560
Online database	<u>101,702</u>	<u>--</u>	<u>--</u>	<u>101,702</u>
Subtotals	113,262	--	--	113,262
Accumulated depreciation	<u>(93,454)</u>	<u>(5,095)</u>	<u>--</u>	<u>(98,549)</u>
Totals	<u>\$ 19,808</u>	<u>\$ (5,095)</u>	<u>\$ --</u>	<u>14,713</u>

For the year ended June 30, 2010, depreciation charged to expense in the statement of activities amounted to \$5,095.

## NOTES TO BASIC FINANCIAL STATEMENTS (Continued)

### 5. Deferred revenue

Deferred revenue at June 30, 2010 consists of:

Prepaid dues \$ 19,885

### 6. Defined benefit pension plan

The Institute contributes to the Oregon Public Employees' Retirement System (PERS), a cost sharing multiple-employer defined benefit pension plan and the Oregon Public Service Retirement Plan (OPSRP), a cost sharing multiple-employer hybrid pension plan. Both PERS and OPSRP are governed by the Public Employees' Retirement Board (PERB) under the provisions of Oregon Revised Statutes 238. PERS provides retirement benefits under a variety of benefit options, as selected by retiring employees, and provides death and disability benefits. OPSRP provides a combination of retirement benefits under a defined benefit plan and an individual account program (IAP), the balance of which will be paid out in either a lump sum or over a 5, 10, 15 or 20 year period. Employees hired on or after August 29, 2003 participate only in OPSRP. Beginning January 1, 2006, active PERS members hired before August 29, 2003 became members of the IAP of OPSRP. These members retain their existing PERS account; however, any future member contributions will be placed in the IAP. A copy of the Oregon Public Employees' Retirement System annual financial report may be obtained by writing to Public Employees' Retirement System, P.O. Box 23700, Tigard, OR 97281-3700, by calling (503) 598-7377 or at [www.oregon.gov/PERS](http://www.oregon.gov/PERS).

Institute employees are eligible to participate after completing six months of service. Covered employees are required by state statute to contribute 6 percent of their compensation to the plan. Current law permits the Institute to pay this amount on behalf of the employees. The Institute's contribution rate is set by PERB and is periodically adjusted based upon actuarial computations of the amount needed to provide retirement benefits. The Institute's current contribution rate is 9.15 percent of covered compensation for employees hired before August 29, 2003. For employees hired on or after August 29, 2003, the Institute's contribution rate was 9.89 percent.

The Institute's contribution to the plan for the years ending June 30, 2010, 2009, and 2008 were equal to the Institute's required contributions for each year as follows:

Year Ended June 30,	Institute Contribution	Institute Paid Member Contribution	Totals
2010	\$ 44,695	\$ 15,863	\$ 60,558
2009	36,851	27,413	64,264
2008	39,595	19,228	58,823

## **NOTES TO BASIC FINANCIAL STATEMENTS (Continued)**

### **7. Related party transactions**

Conference revenue includes \$330 from AOC. Materials and services expenditures include \$2,668 and \$345 of fees paid to LOC and AOC.

Employee health insurance is provided through payments to the City County Insurance Services Employee Benefits Services Trust, which handles group insurance programs for participating cities and other related organizations.

The Institute leases office space from the LOC for \$2,857 per month. The lease is month to month and may be cancelled by either party.

Office space lease expenditures amounted to \$34,282 for the year ended June 30, 2010.

### **8. Contingency - sick leave**

Portions of amounts accumulated at any point in time are expected to be redeemed before termination of employment; however, such redemptions cannot be reasonably estimated. As of June 30, 2010, employees of the Institute had accumulated 508 hours of sick leave.

### **9. Risk management**

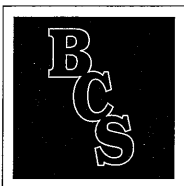
The Institute is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1981 the League of Oregon Cities joined together with the Association of Oregon Counties to form City County Insurance Services (CCIS), a public entity risk pool currently operating as a common risk management and insurance program for approximately 265 municipal corporations and associated entities in the State of Oregon. CCIS is self-sustaining through member premiums and reinsures through commercial companies for claims in excess of specified minimums for various insured events.

The Institute continues to carry commercial insurance for other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **10. Designation of fund balances**

The Institute's Board of Directors designated \$27,305 of the general fund balance as a reserve for personnel expenses. This amount is determined by the cost of the administrative, vacation, holiday, and one-third of the sick leave accruals as of June 30, 2010.

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY THE  
MINIMUM STANDARDS FOR AUDITS OF  
OREGON MUNICIPAL CORPORATIONS**



**BOLDT, CARLISLE & SMITH LLC**

**CERTIFIED PUBLIC ACCOUNTANTS**

**PARTNERSHIP ■ ASSURANCE ■ INNOVATION**

**INDEPENDENT AUDITOR'S REPORT REQUIRED BY THE  
MINIMUM STANDARDS FOR AUDITS OF OREGON MUNICIPAL CORPORATIONS**

Board of Directors  
LOCAL GOVERNMENT PERSONNEL INSTITUTE  
Salem, Oregon

We have audited the basic financial statements of the LOCAL GOVERNMENT PERSONNEL INSTITUTE as of and for the year ended June 30, 2010, and have issued our report thereon dated October 13, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

**Compliance**

As part of obtaining reasonable assurance about whether the LOCAL GOVERNMENT PERSONNEL INSTITUTE's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. As such, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**

In connection with our testing nothing came to our attention that caused us to believe the LOCAL GOVERNMENT PERSONNEL INSTITUTE was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-240 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.



**Internal Control OAR 162-10-0230**

In planning and performing our audit, we considered the LOCAL GOVERNMENT PERSONNEL INSTITUTE's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the LOCAL GOVERNMENT PERSONNEL INSTITUTE's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the LOCAL GOVERNMENT PERSONNEL INSTITUTE's internal control over financial reporting.

In connection with our audit we have issued a letter to management, as required by statement of auditing standards No. 115, communicating significant deficiencies and material weaknesses in internal controls.

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

**Boldt, Carlisle & Smith LLC**

Certified Public Accountants

Salem, Oregon

October 13, 2010