



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Enduris Washington

Spokane County

For the period September 1, 2015 through August 31, 2017

Published March 5, 2018

Report No. 1020892





Office of the Washington State Auditor

Pat McCarthy

March 5, 2018

Board of Directors
Enduris Washington
Spokane, Washington

Report on Financial Statements

Please find attached our report on the Enduris Washington's financial statements.

We are issuing this report in order to provide information on the Pool's financial condition.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy
State Auditor
Olympia, WA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Enduris Washington
Spokane County
September 1, 2015 through August 31, 2017**

Board of Directors
Enduris Washington
Spokane, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Enduris Washington, Spokane County, Washington, as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements, and have issued our report thereon dated February 22, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Pool's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Pool's financial statements are free from material misstatement, we performed tests of the Pool's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pool's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy

State Auditor

Olympia, WA

February 22, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Enduris Washington Spokane County September 1, 2015 through August 31, 2017

Board of Directors
Enduris Washington
Spokane, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Enduris Washington, Spokane County, Washington, as of and for the years ended August 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed on page 9.

Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether

due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Pool's preparation and fair presentation of the financial statements 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 the Pool's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Enduris Washington, as of August 31, 2017 and 2016, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed on page 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Pool's basic financial statements as a whole. The Department of Enterprise Services (DES) Schedule of Expenses and List of Participating Members are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2018 on our consideration of the Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control over financial reporting and compliance.



Pat McCarthy
State Auditor
Olympia, WA

February 22, 2018

FINANCIAL SECTION

Enduris Washington Spokane County September 1, 2015 through August 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2017 and 2016

BASIC FINANCIAL STATEMENTS

Comparative Statement of Net Position – 2017 and 2016

Comparative Statement of Revenues, Expenses and Changes in Net Position – 2017 and 2016

Comparative Statement of Cash Flows – 2017 and 2016

Notes to Financial Statements – 2017 and 2016

REQUIRED SUPPLEMENTARY INFORMATION

Ten-Year Claim Development Information – 2017 and 2016

Reconciliation of Claims Liabilities by Type of Contract – 2017 and 2016

Schedule of Proportionate Share of Net Pension Liability (PERS 1, PERS 2) – 2017 and 2016

Schedule of Employer Contributions (PERS 1, PERS 2) – 2017 and 2016

Notes to Required Supplementary Information – 2017 and 2016

SUPPLEMENTARY AND OTHER INFORMATION

Department of Enterprise Services (DES) Schedule of Expenses – 2017 and 2016

List of Participating Members – 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE FISCAL YEAR ENDED AUGUST 31, 2017

Enduris' management presents this narrative overview and analysis (MD & A) of the financial activities of the Pool for the fiscal year (FY) ended August 31, 2017. We encourage the use of this discussion and analysis in conjunction with the financial statements, notes to financial statements, and required supplementary information included in this report.

HIGHLIGHTS

- Enduris capped its 2017 fiscal year with continued member growth. The Pool added 17 new members representing over \$354,618 annually in new contribution dollars. Members are added throughout the year and pay a prorated contribution for the year they join Enduris. The full value of the new contributions will be recognized in FY 2018.
- Enduris continues to meet the solvency standards established by Washington Administrative Code (WAC) 200-100-03001.
- Enduris is funded in excess of the 89% confidence level as it relates to claim reserves. WAC 200-100-03001 requires a minimum of 80% confidence level.
- Enduris' overall financial position declined during FY 2017 with a \$3,014,561 decrease in net position. The decrease is primarily due to an increase in claim expenses.
- Enduris had 99.1% retention for the FY 2017 membership renewal.

FINANCIAL STATEMENT OVERVIEW

The Pool reports its activities as an enterprise fund. An enterprise fund is a proprietary fund and, as such, uses full accrual accounting for its activities. Revenues are recognized when earned, and expenses are recognized when incurred. Enduris is not legally required to formally adopt a budget; however, it does so in order to monitor revenues and expenses and for rate setting purposes.

This MD & A is presented with Enduris' three financial statements: comparative statement of net position; comparative statement of revenues, expenses and changes in net position; and comparative statement of cash flows. The comparative statement of net position presents information on the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position on August 31, 2017. Net position is equal to assets and deferred outflows of resources minus liabilities and deferred inflows of resources. The increases or decreases in net position over time may be a useful indicator in determining if the financial position of the Pool is improving or deteriorating. The comparative statement of revenues, expenses, and changes in net position presents information on the change in net position (revenues minus expenses) for the fiscal year. Whereas, the statement of net position is a snap shot of the financial position of the Pool on August 31, 2017, the statement of revenues, expenses, and changes in net position presents the activities of the Pool for the entire fiscal year September 1 through August 31. The changes in net position, presented on the statement of revenues, expenses, and changes in net position are on an accrual basis and does not necessarily coincide with cash flow. The statement of cash flows presents the actual cash flow from activities during the fiscal year.

FINANCIAL ANALYSIS

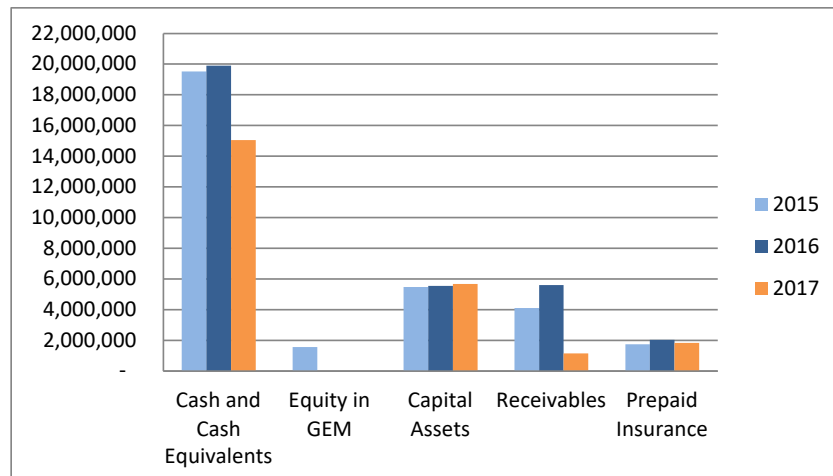
	2017	2016	2015
Current Assets	\$ 18,029,440	\$ 27,540,471	\$ 25,369,041
Capital Assets	5,673,310	5,543,257	5,471,462
Other Non-Current Assets	-	-	1,565,882
Total Assets	23,702,750	33,083,728	32,406,385
Deferred Outflow of Resources	242,745	173,459	75,037
Current Liabilities	5,089,560	14,318,097	12,360,912
Non-Current Liabilities	9,741,918	6,930,557	6,244,489
Total Liabilities	14,831,479	21,248,654	18,605,400
Deferred Inflow of Resources	164,941	44,895	182,885
Investment in Capital Assets	5,673,310	5,543,257	5,471,462
Unrestricted Net Position	3,275,766	6,420,381	8,221,675
Total Net Position	\$ 8,949,076	\$ 11,963,638	\$ 13,693,137

Assets –

Assets of Enduris decreased 28% for FY 2017 and increased 2.1% for FY 2016. The primary assets of the Pool are **cash and cash equivalents**. Cash and cash equivalents can vary significantly at year end generally due to claim payments and the timing of member payments for renewal invoices. During FY 2017, the Pool expended more on claims, reinsurance and premiums. Refer to Expense Section of the MD & A for a discussion on these expenses. Fiscal year 2017 cash and cash equivalents decreased over FY 2016 due to the increased claim payments. **Receivables due for members' contributions** fluctuate year to year due to the timing of payments from members for the renewal invoices. **Accrued copays and deductibles** are the portion of claim costs that is the responsibility of the member. Copays and deductibles are billed when claims close; therefore, it is not unusual to have fluctuations in the corresponding receivable. **Accrued recoverables** are monies due from reinsurance carriers for claim costs above the Pool's self-insured retention and subrogation due from at-fault parties. Claim severity and frequency result in fluctuations in these accrued receivables.

Prepaid insurance are reinsurance premiums paid that will be recognized in the next fiscal year. Fiscal year 2017 decreased 10.0% over prior year and 17.0% FY 2016 over FY 2015. The decrease year over year is due to the timing of the policies and the favorable cost of reinsurance.

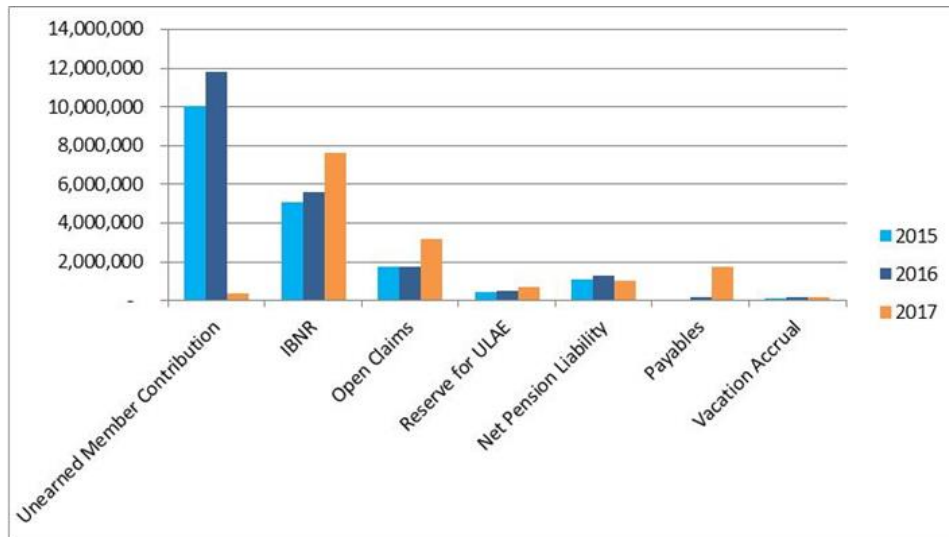
Capital assets fluctuated by 2.3% and 1.3% for FY 2017 and 2016 respectively. For a discussion of capital assets refer to Note 5 – Capital Assets in the Notes to the Financial Statements.



Liabilities –

Liabilities of Enduris decreased 30.0% in FY 2017. Fiscal year 2016 increased 14.2% and fiscal year 2015 liabilities were relatively stable. The decrease in liabilities is due to the primary liabilities which are: unearned member contributions (member contributions invoiced that will be recognized in the subsequent fiscal year), claim reserves (open claims, incurred but not reported [IBNR], and unallocated loss adjustment expenses [ULAE]). **Claim reserves** increased FY 2017 over FY 2016 by 47.01% and FY 2016 over FY 2015 by 7.9%. Property claim costs continue to trend higher than historical development resulting in reserve increases in FY 2017 and FY 2016. Additionally, in FY 2017, IBNR reserve increased as a result of new member growth. The estimate for future claim costs (claim reserves) is based on various complex factors and, as such, will vary. Please refer to the discussion on claim expense in the Expenses Section of the MD & A. Refer to Note 1(h) in the Notes to the Financial Statements for more discussion on claim liabilities.

Net pension liability (NPL) decreased FY 2016 to FY 2017 by 19.5%. The NPL represents Enduris' proportional share of the collective net pension liability. Please refer to the discussion on deferred outflows and inflows of resources below.



Deferred Outflows and Deferred Inflows of Resources –

Deferred outflows and deferred inflows of resources are a result of the implementation of GASB Statement No. 68. The Pool is required to recognize its proportional share of collective pension amounts, including deferred outflows and deferred inflows of resources for the PERS pension plans it participates in (PERS Plan 2), or that it is required to fund per the Revised Code of Washington (PERS Plan 1 Unfunded Actuarial Accrued Liability). The collective pension amounts are provided by Washington State Department of Retirement Systems. The calculations are based on several factors and will vary year to year. Please refer to notes 1m and 6 in the Notes to the Financial Statements.

Revenue --

	2017	% of Total Revenue	2016	% of Total Revenue	2015	% of Total Revenue
Operating Revenues:						
Member Contributions	\$ 12,021,541	98.6%	\$ 10,644,814	115.7%	\$ 9,730,313	98.8%
Other	7,110	0.1%	4,465	0.0%	6,199	0.1%
Total Operating Revenue	12,028,651	98.6%	10,649,279	115.8%	9,736,512	98.8%
Non-Operating Revenues (Expenses):						
Interest Income	165,754	1.4%	115,142	1.3%	115,511	1.2%
Change in Equity in GEM	-	0.0%	(1,565,882)	-17.0%	-	0.0%
Total Non-Operating Revenue	165,754	1.4%	(1,450,740)	-15.8%	115,511	1.2%
Total Revenue	12,194,405	100.0%	9,198,539	100.0%	9,852,023	100.0%
Operating Expenses:						
Incurred Loss and Allocated Loss Adjustment Expenses:						
Claims Paid, net of recoveries	5,274,815	43.3%	4,339,050	47.2%	3,337,197	33.9%
Change in Liabilities for unpaid claims	3,453,879	28.3%	546,047	5.9%	292,426	3.0%
Unallocated Loss Adjustment Expenses:						
Change in ULAE Reserve	235,000	1.9%	30,000	0.3%	20,000	0.2%
Excess/Reinsurance Premiums	3,410,914	28.0%	3,024,726	32.9%	2,573,220	26.1%
Insurance Services-						
Brokerage Fee	133,900	1.1%	130,000	1.4%	130,000	1.3%
Actuarial Services	33,190	0.3%	31,857	0.3%	32,325	0.3%
General & Administrative	467,497	3.8%	439,237	4.8%	426,141	4.3%
Contracted Services	248,567	2.0%	358,669	3.9%	394,777	4.0%
Payroll	1,873,205	15.4%	1,950,065	21.2%	1,755,749	17.8%
Depreciation	78,000	0.6%	78,387	0.9%	74,502	0.8%
Total Operating Expenses	15,208,967	124.7%	10,928,038	118.8%	9,036,337	91.7%
Total Expenses	15,208,967	124.7%	10,928,038	118.8%	9,036,337	91.7%
Change in Net Position	(3,014,562)	-24.7%	(1,729,499)	-18.8%	815,686	8.3%
Ending Net Position	\$ 8,949,076		\$ 11,963,638		\$ 13,693,137	

Operating revenue is generated from member contributions and member trainings. The increase in member contributions in both FY 2017 and FY 2016 is mainly attributed to new member growth. Rates for property and liability for 2017 were 1.9%. Fiscal year 2016 and FY 2015 inflationary increases on both property and liability rates were 1.9% and 2.9%, respectively. Property values, insured at replacement cost, incurred an inflationary adjustment based on Marshall & Swift. Marshall & Swift is a leading provider of building cost data. The replacement cost for FY 2017 for structures, contents, and mobile equipment was 1.00%. The replacement cost adjustment factors for PY 2016 were: 2.07% for structures, and 2.11% for contents and mobile equipment. In FY 2015, structures were adjusted 3.9% and contents and mobile equipment were adjusted .02%.

Non-operating revenue is interest earned on excess cash invested with the Spokane County Investment Pool (SCIP) and the change in Enduris' equity in Government Entities Mutual (GEM). As discussed in the Assets section of the MD & A, the equity in GEM was written down to zero during FY 2016. The result of this write down is a significant decrease in non-operating revenue. **Interest income** was stable for past three fiscal years. Interest rates earned on funds invested with SCIP continue to hover around 1%. For the fiscal years 2017, 2016, and 2015, interest rates were 1.00%, 0.77%, and 0.65% at year-end respectively.

Expenses –

In total, FY 2017 operating expenses increased 39.0% over FY 2016, and FY 2016 operating expenses increased 21% from FY 2015. **Incurred loss and allocated loss adjustment expenses (claim expense)** are primarily responsible for the operating expense increase in FY 2017 and FY 2016. Claim expense increased 34.6% in FY 2016 and 82% in FY 2017. Fluctuations in claim expense are not unexpected as a variety of factors contribute to claim expense.

The estimate for claim reserves is evaluated bi-annually by the actuary, PricewaterhouseCoopers (PwC), and any adjustments to claim reserves are charged or credited to claim expense in the current year. Claim losses for policy year 2015 continue to have a negative impact on claim expenses. Property losses for 2015 continue to trend higher than historical experience. Fiscal year 2016 claim expense includes an unfavorable adjustment for prior year claim costs of \$647,000. In addition to the adjustments to claim reserves, changes in the membership and self-insured retention (SIR), and the economy affect claim expense. New members bring the potential for additional risk, resulting in an actuarial increase in IBNR. In 2010, Enduris increased the self-insured retention (SIR) on both property and liability losses. As a result, the Pool retains a greater share of the cost of the loss with less being shifted to the excess insurance carrier.

Enduris is growing, therefore, reinsurance costs are growing. **Reinsurance premiums** for the past three years have trended upwards. Reinsurance premiums charged by reinsurance carriers are the product of exposures multiplied by rate. Reinsurance carriers use the same exposure base as the Pool. For liability coverage, exposures are the hours reported to Department of Labor and Industries for all members except fire districts. Fire districts exposures are total emergency runs. Total insured values (TIV) are used as the basis for property.

The increase in liability reinsurance premiums in FY 2017 is due to the increase in members. Liability reinsurance premiums increased 12.8% FY 2017 over FY 2016. Fiscal year 2016 increased from FY 2015 as a result of an increase in liability limits to \$20 million.

Property TIV increased due to growth in membership, inflationary increases in value, and changes to properties by existing members. Total insured values increased 19.19 % and 7.4% for FY 2017 and FY 2016, respectively. Market conditions contributed to a decrease in property reinsurance rates. Fiscal year 2017 rates for non-highly protected risk (Non-HPR) decreased 2.6% and HPR rate decreased 2.6%. Rates for FY 2016 decreased 2.1% on Non-HPR properties and decreased 5.4% on HPR properties. The results of the changes in TIV and rates are FY 2016 property reinsurance premiums increased 10.8% over FY 2015.

General and administrative expenses increased 6% from FY 2016 to FY 2017 and increased 3.1% from FY 2015 to FY 2016.

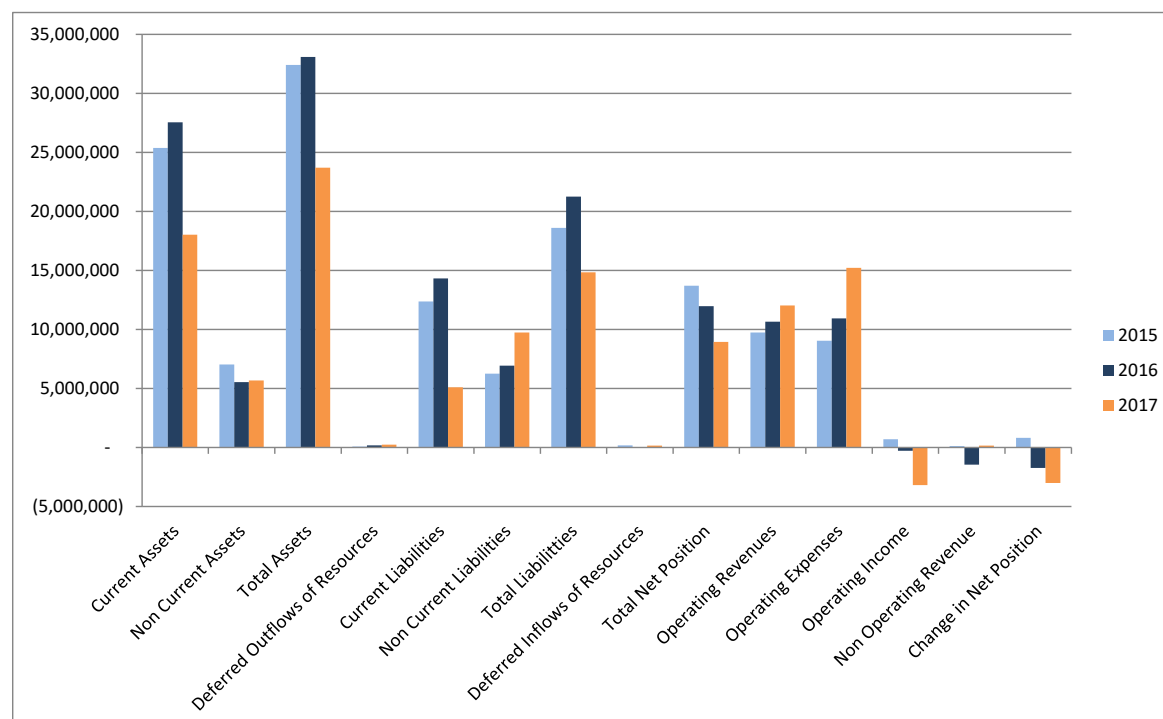
In FY 2017, new member growth contributed to increases in retention and marketing, and member education expenses. In addition, awareness of member education services contributed to increases in member education costs. Marketing efforts have increased as competition for the finite number of entities eligible for membership with Enduris decreases.

Contracted services decreased in FY 2017 over FY 2016 by 31% and decreased FY 2016 over FY 2015 by 9%. Pre-defense legal costs have fluctuated during the last three years. These costs will fluctuate annually based on need. The pre-defense program is designed to help members mitigate and/or avoid a claim or lawsuit. The pre-defense program is used primarily for employment practices liability incidents.

Payroll expenses decreased 4.0% in FY 2017 and increased for FY 2016. In 2016 there were twenty-seven pay periods, one more than the normal twenty-six. FY 2017 the pay period returned to normal.

Depreciation was stable over the last three years. Note 5 – Capital Assets in the Notes to the Financial Statements contains further discussion of Enduris’ capital assets.

Comparative Financial Data



FINANCIAL CONTACT

Questions concerning the information provided in this discussion and analysis, and Enduris’ financial statements, or requests for additional information should be addressed to:

Enduris
Mark A. Kammers, Chief Executive Officer
1610 S. Technology Blvd., Suite 100
Spokane, WA 99224
509-838-0910
800-462-8418

COMPARATIVE STATEMENT OF NET POSITION

AUGUST 31, 2017 AND 2016

	2017	2016
Assets		
Current Assets		
Cash	\$ 15,047,607	\$ 19,898,076
Receivables		
Member Contributions	26,557	4,145,643
Accrued Copays/Deductible	109,247	64,940
Accrued Recoverables	1,015,140	1,393,345
Prepaid Insurance	1,830,889	2,038,467
Total Current Assets	18,029,440	27,540,471
Non-Current Assets		
Nondepreciable Capital Assets	1,625,193	1,417,140
Capital Assets (net of depreciation)	4,048,117	4,126,117
Total Non-Current Assets	5,673,310	5,543,257
Total Assets	23,702,750	33,083,728
Deferred Outflow of Resources		
Deferred Outflow on Pensions	242,745	173,459
Liabilities		
Current Liabilities		
Accounts Payable	1,749,407	142,411
Payroll/Payroll Taxes Payable	1,042	1,103
Unearned Member Contributions	339,111	11,820,549
Current Portion of Claim Reserves	3,000,000	2,354,034
Total Current Liabilities	5,089,560	14,318,097
Non-Current Liabilities		
Accrued Vacation Payable	166,532	146,530
Claim Reserves		
IBNR	4,615,855	3,273,297
Open Claims	3,194,804	1,729,449
Unallocated Loss Adjustment Expense	725,000	490,000
Net Pension Liability	1,039,727	1,291,281
Total Non-Current Liabilities	9,741,918	6,930,557
Total Liabilities	14,831,478	21,248,654
Deferred Inflow of Resources		
Deferred Inflow on Pensions	164,941	44,895
Net Position		
Investment in Capital Assets	5,673,310	5,543,257
Unrestricted	3,275,766	6,420,381
Total Net Position	\$ 8,949,076	\$ 11,963,638

The accompanying notes are integral part of these statements

COMPARATIVE STATEMENT OF REVENUES,
EXPENSES, AND CHANGES IN NET POSITION for
the Fiscal Years Ended
AUGUST 31, 2017 AND 2016

	2017	2016
Operating Income		
Member Contributions	\$ 12,021,541	\$ 10,644,814
Other	7,110	4,465
Total Operating Income	<u>12,028,651</u>	<u>10,649,279</u>
Operating Expenses		
Claims Expense	8,963,694	4,915,097
Reinsurance Premiums	3,410,914	3,024,726
Insurance Services	167,090	161,857
General and Administrative	467,497	439,237
Contracted Services	248,567	358,669
Payroll Expense	1,873,205	1,950,065
Depreciation	78,000	78,387
Total Operating Expenses	<u>15,208,967</u>	<u>10,928,038</u>
Operating Income (Loss)	(3,180,316)	(278,759)
Non-Operating Income (Expense)		
Interest and Investment Income	165,754	115,142
Change in Equity in GEM	-	(1,565,882)
Total Non-Operating Income (Expense)	<u>165,754</u>	<u>(1,450,740)</u>
Change in Net Position	(3,014,562)	(1,729,499)
Beginning Net Position	<u>11,963,638</u>	<u>13,693,137</u>
Ending Net Position	<u>\$ 8,949,076</u>	<u>\$ 11,963,638</u>

The accompanying notes are integral part of these statements

COMPARATIVE STATEMENT OF CASH FLOWS

AUGUST 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Cash received from members and others	\$ 6,334,117	\$ 11,036,316
Cash paid for salaries and benefits	(1,873,205)	(1,942,489)
Cash paid for claims	(4,975,015)	(4,445,193)
Cash paid for excess coverage insurance	(3,410,914)	(3,321,342)
Cash paid for insurance	(167,090)	(161,857)
Cash paid for contract services	(248,567)	(373,100)
Cash paid for general and administrative expenses	(467,497)	(431,019)
Net Cash Flows Provided (Used) by Operating Activities	<u>(4,808,170)</u>	<u>361,316</u>
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(208,053)	(98,371)
Net Cash Flows Provided (Used) by Capital & Related Activities	<u>(208,053)</u>	<u>(98,371)</u>
Cash Flows From Investing Activities		
Interest on investments	165,754	115,142
Net Cash Flows Provided (Used) by Investing Activities	<u>165,754</u>	<u>115,142</u>
Net Increase (Decrease) in Cash	(4,850,469)	378,087
Beginning Cash and Equivalents	19,898,076	19,519,989
Ending Cash and Equivalents	<u>\$ 15,047,607</u>	<u>19,898,076</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Cash Flows from Operating Activities:		
Operating Income (Loss)	\$ (3,180,315)	(278,759)
Adjustments to Reconcile Net Income to Cash		
Provided by Operations:		
Depreciation	78,000	78,387
(Increase) Decrease in:		
Accounts Receivable	4,119,086	(1,390,633)
Accrued Recoverables	333,898	(106,145)
Prepaid expenses	207,578	(296,615)
Deferred outflows of resources - pension	(69,286)	(98,422)
Increase (Decrease) in:		
Accounts payable	1,606,995	22,548
Accrued vacation	20,002	18,763
Unearned member contributions	(11,481,438)	1,777,670
Reserve for IBNR	1,988,524	572,874
Reserve for Open Claims	1,465,355	(26,827)
Reserve for ULAE	235,000	30,000
Payroll/Payroll Taxes Payable	(61)	576
Net pension liability	(251,554)	195,889
Deferred inflows of resources - pension	120,046	(137,990)
Net Cash Provided by Operating Activities	<u>\$ (4,808,170)</u>	<u>\$ 361,316</u>
Supplementary Information		
Noncash Financing and Investing Activities		
Change in Equity in GEM	<u>\$ -</u>	<u>\$ (1,565,882)</u>

The accompanying notes are integral part of these statements

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 1, 2016 THROUGH AUGUST 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Reporting Entity

Enduris is an unincorporated, not-for-profit, local government risk sharing pool. The members are various governmental entities throughout the state of Washington. Enduris was originally organized in 1987, and reorganized in 1990 pursuant to **RCW 48.62.031, 36.16.138 and 39.34**. Enduris was formed under a Master Agreement, approved by the Enduris Board of Directors and the governing bodies of the Enduris members.

Enduris was established to provide risk financing to its member governmental entities for general liability, automotive liability and property damage, inland marine, fidelity and other such property coverage common to public entities. Enduris' general objective is to formulate, develop and administer, on behalf of the member governmental entities, a program of insurance at the lowest possible cost. Enduris transfers its risk by buying excess insurance and reinsurance over Enduris' self-insured retention (See Note 2 & 3).

Membership in Enduris requires a commitment of at least one full policy year and notification of withdrawal from Enduris at least 60 days prior to renewal. Enduris pays the cost of administration, risk management services, and other such costs as approved by the Board of Directors. If the assets of Enduris were to be exhausted, members would be responsible for Enduris' liabilities. Enduris members are special purpose districts such as public health districts, water districts, irrigation districts, weed districts, park and recreation districts, libraries, fire districts, air pollution districts, mosquito control districts, port districts, regional support network districts, conservation/soil/reclamation districts, cemetery districts, seaport authorities, public facility districts, diking/drainage districts, water conservancy boards, ferry districts, hospital districts, and various consortiums. Enduris currently has 540 members.

b. Basis of Accounting

The accounting records of Enduris are maintained in accordance with methods prescribed by the State Auditor's Office under the authority of **RCW chapter 43.09**. Financial statements are prepared in accordance with generally accepted accounting principles (GAAP).

Enduris uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the 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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities. Operating revenues include all program contributions, related fees and assessments, which is integral to the financing of the insurance and risk management programs. Investment income is classified as nonoperating income. Operating expenses include: claim expense, excess insurance/reinsurance premiums, expenses incurred to administer the membership claims, and general and administrative expenses. Administrative expenses include: payroll, board and staff expense, broker fees, contracted services, office rent and expenses, marketing, and general office expenses.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

c. Exemption from Federal and State Taxes

Pursuant to revenue ruling number 90-74, income of municipal risk pools is excluded from gross income under IRC Section 115(1).

RCW 48.62 exempts Enduris from insurance premium taxes and business and occupation taxes imposed pursuant to **RCW 82.04**.

d. Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and short term investments with an original maturity of three months or less. State statutes authorize the government to invest according to **RCW 48.62**. At August 31, 2017 and 2016, Enduris has invested its excess cash in the Spokane County Investment Pool (SCIP) managed by the Treasurer of Spokane County. The investment in the SCIP can be withdrawn upon demand and accordingly is classified as a cash equivalent (see Note 4).

e. Receivables

Receivables are from members or excess/reinsurance carriers and are, therefore, deemed collectible. No allowance has been established for uncollectible accounts. If necessary, management would determine if an account was uncollectible. If deemed uncollectible, the account would be charged to expense in the period in which the account is deemed uncollectible.

In prior years, the total billed for the next period at the end of the current period was recorded as accounts receivable and then an offset entry was booked to unearned revenue. In the current year, only the amounts collected in advance were included in unearned revenue and only earned billings were included in accounts receivable.

f. Capital Assets

See note 5.

g. Unpaid Claims Liabilities

Enduris establishes reserves for future claim liabilities based on estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage, subrogation, deductible, and reinsurance recoverable on unpaid claims are deducted from liability for unpaid claims.

Because actual claim costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount, particularly for coverages such as general liability.

Claim liabilities are recomputed periodically using a variety of actuarial and statistical techniques, to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claim 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 claim liabilities are charged or credited to expense in the periods in which they are made.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

h. Unearned Member Contributions

Member contributions are billed in advance and recognized as revenue in the period for which coverage is provided. Overall, liability contribution rates are based on the funding requirements of the program. Individual member rates are based on the member type and loss history. Contributions for property coverage are based on insured value, loss history, deductible selected by the member, and reinsurance rates charged by the reinsurer.

In prior years, the total billed for the next period at the end of the current period was recorded as accounts receivable and then an offset entry was booked to unearned revenue. In the current year, only the amounts collected in advance were included in unearned revenue and only earned billings were included in accounts receivable.

i. Excess/Reinsurance

Enduris uses excess/reinsurance agreements to reduce its exposure to large losses on all types of insured events. Excess/reinsurance permits recovery of a portion of losses from excess/reinsurance carriers, although it does not discharge Enduris' primary responsibility for the excess/reinsured risk. Enduris does not report excess/reinsured risks as liabilities unless it is probable that the excess/reinsurance carrier will be unable to perform its contractual obligations (see Note 2 and 3).

j. Claim Reserves

Claims are charged to income as incurred. Claim reserves represent the accumulation of estimates for reported, unpaid claims, plus a provision for claims incurred but not reported. These estimates are continually reviewed and updated and any resulting adjustments are reflected in current earnings.

k. Reserve for Unallocated Loss Adjustment Expenses

A reserve for unallocated loss adjustment expenses (ULAE) represents the estimated cost to be incurred with respect to the settlement of claims in process and claims incurred but not reported. In fiscal year 2009, Enduris established a reserve for ULAE. The estimated reserve at year end is provided by the actuary, PricewaterhouseCoopers LLP (PwC). Two methods are used to develop a range from which PwC selects the total ULAE reserve. The two methods are a ratio of paid ULAE to net paid loss and allocated loss adjustment expenses (ALAE), and insurance industry ratios of ULAE reserves to net loss and ALAE reserves. The change in the liability each year is charged or credited to income in the current year.

l. Compensated Absences

Compensated absences are absences for which employees will be paid such as vacation and sick leave. These absences are recorded as an expense and liability of Enduris. Paid vacation days are earned at the following rates:

- 1 – 2 years service – 15 days
- 3 – 5 years service – 17 days
- 6 – 9 years service – 20 days
- 10 and over years service – 25 days

Accrued vacation pay is not capped, and is payable upon termination, retirement or death, and therefore has been accrued as a liability in the financial statements (see note 11). Sick leave does not vest until death or retirement; thus, no liability is recognized.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

m. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

n. Deferred Outflows/Inflows of Resources – Pensions

Deferred inflows of resources for pensions are recorded when actual earnings on pension plan investments exceed projected earnings. Deferred outflows of resources for pensions are recorded when projected earnings on pension plan investments exceed actual earnings. These are amortized to pension expense using a systematic and rational method over a closed five-year period.

Deferred outflows and deferred inflows of resources for pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the Pool's proportionate share of net pension liability. These deferred outflows and deferred inflows are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

Pool contributions to pension plans made subsequent to the measurement date are deferred outflows of resources and reduce net pension liability in the subsequent year.

NOTE 2 – RISK FINANCING LIMITS

The following table reflects the risk financing limits on coverage policies issued and retained by Enduris on August 31, 2017. Claim coverage is provided on an occurrence basis.

TYPE OF COVERAGE	MEMBER ⁽⁷⁾ DEDUCTIBLES	SELF-INSURED RETENTION	EXCESS LIMITS
Property Loss ⁽¹⁾			
Buildings and Contents ⁽²⁾	\$1,000	\$250,000	\$1,000,000,000
Flood	1,000	250,000	50,000,000 (shared)
Earthquake	1,000	250,000	10,000,000 (shared)
Terrorism	1,000	250,000	500,000,000 (shared)
Comprehensive General Liability, including Professional Liability	1,000	1,000,000	20,000,000
Terrorism Liability ⁽³⁾	1,000	1,000,000 ⁽⁹⁾	
Auto Liability	1,000	1,000,000	20,000,000
Public Officials Errors and Omissions ⁽⁴⁾	1,000	1,000,000	20,000,000
Employment Practices Liability ⁽⁵⁾	20% Copay	1,000,000	20,000,000
Crime ⁽⁶⁾ , Named Position	1,000	50,000	1,000,000
Boiler and Machinery	1,000	Varies ⁽⁸⁾	100,000,000
Auto Physical Damage	Varies	25,000	1,000,000,000
		100,000 Emergency Vehicles	
Cyber	20% Copay	100,000	2,000,000

- (1) The minimum deductible for property damage and bodily injury is \$1,000. The minimum deductible for auto physical damage can be as low as \$250 for comprehensive or specified perils and \$250 for collision.
- (2) Buildings and contents are covered to the extent of the cost of repair or replacement pursuant to the excess insurance policy terms.
- (3) Terrorism liability is fully funded by Enduris.
- (4) The minimum deductible for public officials' errors and omissions is \$1,000.
- (5) Members pay a 20% co-pay of costs up to a maximum of \$100,000. By meeting established guidelines, the co-pay will be waived.
- (6) The members named position bond and blanket bond is optional and provides a maximum limit of \$1,000,000 per occurrence for a blanket bond, and a \$500,000 maximum limit for named position.
- (7) Members may request a higher deductible than the standard \$1,000. Additional deductible options offered by the Board to the members include \$5,000, \$10,000, \$25,000, \$50,000, \$100,000 or \$250,000 deductible for liability and property.
- (8) Self insured retention varies depending on motor horsepower.
- (9) Pool aggregate is \$1,000,000.

NOTE 2 – RISK FINANCING LIMITS continued

Article 8 of the Master Agreement states that the funds of Enduris shall be used to hold harmless and defend any director, officer, executive director or employee for any act or omission taken or omitted in good faith by the Board, the executive director, or employee relating to or arising out of the conduct of Enduris business. This obligation shall be considered an expense of Enduris. Enduris may purchase, subject to availability and cost, insurance providing coverage for directors, officers and the executive director. As of August 31, 2017 Enduris had the following coverages:

Property	Same as Enduris members, see notes 2 and 3
Auto/General Liability	Same as Enduris members, see notes 2 and 3
Errors & Omissions	Same as Enduris members, see notes 2 and 3
Auto Physical Damage	Self-Insured

All of the above limits are subject to change by Enduris and are subject to specific limitations as specified in the memorandum of coverage provided to each member entity.

NOTE 3 – EXCESS/REINSURANCE CONTRACTS

Enduris maintains excess/reinsurance contracts with several insurance carriers, which provide various limits of coverage over Enduris' self-insured retention limits. The limits provided by these excess/reinsurance contracts as of August 31, 2017 were:

Coverage	Excess Carrier	Per Occurrence	Member Aggregate	Pool Aggregate
General Liability	GEM and Genesis	10,000,000	None	None
	Great American Ins Co ⁽¹⁾	10,000,000	None	None
Public E & O	GEM and Genesis	10,000,000	10,000,000	None
	Great American Ins Co ⁽¹⁾	10,000,000	None	None
Employment Practices	GEM and Genesis	10,000,000	10,000,000	None
	Great American Ins Co ⁽¹⁾	10,000,000	None	None
Property	APP	100% replacement cost per location	100% replacement cost per location	100% replacement cost per location
Flood				50,000,000 (shared)
Earthquake				10,000,000 (shared)
Terrorism (Property)				500,000,000 (shared)
Crime	National Union Fire Ins Co Pitts	1,000,000	None	None

- (1) Great American Insurance Company provides \$10,000,000 in excess of \$10,000,000 provided by GEM and Genesis.

NOTE 3 – EXCESS/REINSURANCE CONTRACTS continued

The limits provided by these excess/reinsurance contracts as of August 31, 2016 were:

Coverage	Excess Carrier	Per Occurrence	Member Aggregate	Pool Aggregate
General Liability	GEM and Genesis	10,000,000	None	None
	Great American Ins Co ⁽¹⁾	10,000,000	None	None
Public E & O	GEM and Genesis	10,000,000	10,000,000	None
	Great American Ins Co ⁽¹⁾	10,000,000	None	None
Employment Practices	GEM and Genesis	10,000,000	10,000,000	None
	Great American Ins Co ⁽¹⁾	10,000,000	None	None
Property	APIP	100% replacement cost per location	100% replacement cost per location	100% replacement cost per location
Flood				50,000,000 (shared)
Earthquake				10,000,000 (shared)
Terrorism (Property)				500,000,000 (shared)
Crime	National Union Fire Ins Co Pitts	1,000,000	None	None

The policy year for Enduris membership is September 1 through August 31. Liability reinsurance policies are effective September 1 through August 31. Property reinsurance policies are effective July 1 through June 30. At the renewal of the policies, limits are subject to change. When a change occurs in the limits, Enduris may be responsible for differences between the coverage provided to the membership at the beginning of the policy year and limits purchased at renewal. As of August 31, 2017, Enduris management opines there are no claims against Enduris members that would result in an additional liability to Enduris above the self-insured retention. Exposures regarding changes in excess/reinsurance are minimal.

Reinsurance premiums ceded during FY 2017 were \$3,410,914, and during FY 2016 were \$3,024,726. The following amounts were the estimated amounts recoverable from reinsurers that reduced the claim liabilities on the balance sheet at August 31, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Open Claim Reserves	\$3,194,804	\$1,729,450
IBNR	\$7,615,855	\$5,627,330

In the past 3 years (2017, 2016, and 2015), there have been no claim settlements, per occurrence or in aggregate, that have exceeded the coverage provided by excess/reinsurance contracts.

NOTE 4 –DEPOSITS AND INVESTMENTS

It is the policy of Enduris to invest cash in excess of current needs in the Spokane County Investment Pool (SCIP). The objective of the policy is to maximize yield, in a safe and prudent manner, without jeopardizing principal. Although heavily concentrated in SCIP, management of Enduris opines, based on the investment policy of SCIP, there is not any significant risk associated with interest rate, credit, or concentration risks and Enduris does not address these risks in policy. Fiscal year end deposits and investments were as follows:

	2017	2016
Funds held by Spokane County Treasurer:		
Spokane County Investment Pool	\$ 12,144,975	\$ 13,084,543
Claim Bank Account	399,463	150,000
Payroll Bank Account	37,023	35,905
Operating Bank Account	2,465,945	6,627,428
Petty Cash	200	200
Total	<u>\$ 15,047,607</u>	<u>\$ 19,898,075</u>

Spokane County Investment Pool (SCIP)

Funds invested in the SCIP are carried at cost plus interest which approximates fair value. Enduris' fair value of its position in SCIP approximates the same as the value of the pool shares. Interest earnings from SCIP are allocated on average daily balance, and credited monthly. Funds invested in the SCIP can be withdrawn on demand and are reported as cash and cash equivalents. The SCIP is not registered with the Securities and Exchange Commission and is unrated. The State Auditor's Office and the Finance Committee of Spokane County provide regulatory oversight of the SCIP. SCIP has not obtained or provided any legally binding guarantees. SCIP is currently unrated and has an average life of 396 days. The monies held in the pool investment funds are not subject to categorization by risk category.

Investments by SCIP are limited by state statute. SCIP deposits and certificates of deposit are covered by federal depository insurance (FDIC and FSLIC) or by collateral held in a multiple financial institution collateral pool administered by the PDPC (Washington Public Deposit Protection Commission). The SCIP investment policy in its entirety is available at www.spokanecounty.org.

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments' book value measurements at June 30, are as shown below:

Description	Level 1	Level 2	Level 3
United States Treasury:			
US Treasury	\$ 4,410,245	\$ -	\$ -
US Agency	5,728,229	-	-
Municipal	-	217,247	-
LGIP State Investment Pool	-	1,789,254	-
Total	<u>\$ 10,138,473.75</u>	<u>\$ 2,006,501.25</u>	<u>\$ -</u>

The difference between book value and fair value is an immaterial \$37,649.

Claim, Payroll and Operating Bank Accounts

Enduris' claim, payroll, and operating accounts are covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the PDPC.

Cash held in the bank claim account is for payment of claims on insurable risks retained by Enduris of up to \$1,000,000 on general liability, up to \$250,000 on criminal losses, up to \$250,000 on property, and any covered auto physical damage loss. Enduris may pay the total claim and be reimbursed by the excess/reinsurance carrier for the amount exceeding the self-insured retention.

NOTE 4 –DEPOSITS AND INVESTMENTS continued

Cash held in the bank operating account is for payment of operating expenses and reimbursing the claim and payroll accounts. Operating expenses include expenses other than payroll and claim expenses.

Cash held in the bank payroll account is for payment of payroll, payroll taxes, and employee benefits.

NOTE 5 – CAPITAL ASSETS

Capital assets activity for the year ended August 31, 2017 was as follows:

	Balance August 31, 2016	Additions and Transfers In	Deletions and Transfers Out	Balance August 31, 2017
Non-depreciable assets:				
Land	\$ 1,374,244	\$ -	\$ -	\$ 1,374,244
Other Assets	34,563	-	-	34,563
RMIS - WIP	8,333	208,053	-	216,386
	<u>1,417,140</u>	<u>208,053</u>	<u>-</u>	<u>1,625,193</u>
Depreciable assets:				
Buildings and Improvements	3,696,691	-	-	3,696,691
Equipment	234,921	-	-	234,921
Land improvements	521,290	-	-	521,290
Vehicles	93,890	-	-	93,890
	<u>4,546,792</u>	<u>-</u>	<u>-</u>	<u>4,546,792</u>
Totals, at cost	<u>5,963,932</u>	<u>208,053</u>	<u>-</u>	<u>6,171,985</u>
Accumulated depreciation:				
Accumulated depreciation	<u>420,675</u>	<u>78,000</u>	<u>-</u>	<u>498,675</u>
Depreciable assets, net	<u>4,126,117</u>	<u>(78,000)</u>	<u>-</u>	<u>4,048,117</u>
Capital assets, net	<u>\$ 5,543,257</u>	<u>\$ 130,053</u>	<u>\$ -</u>	<u>\$ 5,673,310</u>

Capital asset activity for the year ended August 31, 2016 was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
Non Depreciable Capital Assets:				
Land	\$ 1,319,260	\$ 54,984		\$ 1,374,244
Other Capital Assets	28,041	6,522		34,563
Work in Progress - RMIS		8,333		8,333
Total Non Depreciable Capital Assets	<u>1,347,301</u>	<u>69,839</u>	<u>-</u>	<u>1,417,140</u>
Depreciable Capital Assets:				
Office Building	3,696,691			3,696,691
Land Improvements	482,107	39,183		521,290
Office Furniture and Equipment	234,921			234,921
Vehicles	52,730	41,160		93,890
Total Depreciable Capital Assets	<u>4,466,449</u>	<u>80,343</u>	<u>-</u>	<u>4,546,792</u>
Accumulated Depreciation:				
Office Building	(172,287)	(49,294)		(221,581)
Land Improvements	(22,486)	(6,976)		(29,462)
Office Furniture and Equipment	(102,662)	(15,751)		(118,413)
Vehicles	(44,848)	(6,366)		(51,214)
Total Accumulated Depreciation	<u>(342,285)</u>	<u>(78,387)</u>	<u>-</u>	<u>(420,670)</u>
Total Capital Assets, Net	<u>\$ 5,471,462</u>	<u>\$ 71,795</u>	<u>\$ -</u>	<u>\$ 5,543,257</u>

NOTE 5 – CAPITAL ASSETS continued

Capital assets are stated at historical cost. Enduris' current policy is to capitalize items with a cost of over \$5,000. Depreciation is provided for over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are:

Buildings	75 years
Land Improvements	75 years
Equipment & Furniture	3 to 15 years
Vehicles	5 to 10 years

Land Improvements include improvements to land such as parking lots and landscape that do not have indefinite lives.

Land for the building was purchased, at a cost of \$802,252, in February 2010. Costs incurred for permanent improvements to the land are included in land costs in the capital assets table.

Capital asset purchases during FY 2017 consisted of RMIS consulting. In FY 2016, the Pool purchased land, for the construction of a berm to prevent flooding; landscape and sprinkler system improvements; vehicle; RMIS consulting; and artwork for the lobby.

NOTE 6 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for Enduris for the year 2017 and 2016:

State Sponsored Pension Plans

Aggregate Pension Amounts – All Plans

	<u>2017</u>	<u>2016</u>
Pension liabilities	\$ 1,039,727	\$ 1,291,281
Pension assets		
Deferred outflows of resources	\$ 242,745	\$ 173,459
Deferred inflows of resources	\$ 164,941	\$ 44,895
Pension expense/expenditures	\$ 13,307	\$ 112,812

Substantially all Enduris full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

NOTE 6 – PENSION PLANS continued

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least 5 years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary (OSA) and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll for fiscal year 2017) were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
TOTAL	11.18%	6.00%

No Enduris employees are covered by PERS Plan 1; however, a portion of the PERS Plan 2 contribution is allocated by DRS to the PERS Plan 1 UAAL. The amounts allocated to PERS Plan 1 UAAL were \$60,703 for FY 2017, \$65,476 for FY 2016, \$52,490 and for FY 2015.

PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least 5 years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under 1 of 2 provisions:

- With a benefit that is reduced by 3% for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

NOTE 6 – PENSION PLANS continued

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at 3% annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after 5 years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5% and escalate to 15% with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the OSA to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for fiscal year 2017 were as follows:

PERS Plan 2/3				
Actual Contribution Rates	Employer 2/3	Employee 2	Employee 3	
PERS Plan 2/3	6.23%	6.12%	Varies	
PERS Plan UAAL	4.77%			
Administrative Fee	0.18%			
TOTAL	11.18%	6.12%	Varies	

The portion of Enduris' total actual contributions, calculated using the above rates, allocated to PERS Plan 2 and administrative expense was \$93,960 for the year ended August 31, 2017; \$87,858 for the year ended August 31, 2016. Enduris employees are PERS Plan 2; no employees are covered under PERS Plan 3.

One employee is ineligible to participate in PERS and contributions in lieu of PERS are being made to a deferred compensation plan. These contributions utilize the same withholding and employer contribution percentages as PERS Plan 2. The amounts contributed in lieu of PERS were \$26,807, \$24,506, and \$21,326 for the years ended August 31, 2017, 2016, and 2015 respectively.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's 2007-2012 *Experience Study*.

NOTE 6 – PENSION PLANS continued

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members are calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5%.

To determine that rate, an asset sufficiency test included an assumed 7.7% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7% except LEOFF 2, which has assumed 7.5%). Consistent with the long-term expected rate of return, a 7.5% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1 and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5% was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5% approximately equals the median of the simulated investment returns over a 50 year time horizon.

NOTE 6 – PENSION PLANS continued

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of NPL

The table below presents Enduris' proportionate share of the net pension liability, as of June 30, 2017, calculated using the discount rate of 7.5%, as well as what the Enduris' proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
June 30, 2017			
PERS 1	\$ 652,262	\$ 535,435	\$ 434,237
PERS 2/3	\$1,358,616	\$ 504,292	\$ (195,699)
June 30, 2016			
PERS 1	\$ 707,919	\$ 587,046	\$ 483,028
PERS 2/3	\$1,296,622	\$ 704,235	\$ (366,595)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2017, Enduris reported a total pension liability of \$1,039,727 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	\$ 535,435
PERS 2/3	\$ 504,292

NOTE 6 – PENSION PLANS continued

At June 30, 2016, Enduris reported a total pension liability of \$1,291,281 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	\$ 587,046
PERS 2/3	\$ 704,235

At June 30, Enduris' proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	.010931%	.0112840%	(.000353)%
PERS 2/3	.013987%	.0145140%	(.000527)%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended August 31, 2017, the Enduris recognized pension expense was as follows:

	Pension Expense
PERS 1	\$ 33,422
PERS 2/3	\$ 70,121
Administration Fee	\$ 2,661
In Lieu of PERS	\$ 26,807
TOTAL	\$ 133,011

For the year ended August 31, 2016, the Enduris recognized pension expense was as follows:

	Pension Expense
PERS 1	\$ 20,586
PERS 2/3	\$ 89,732
Administration Fee	\$ 2,494
In Lieu of PERS	\$ 24,506
TOTAL	\$ 137,318

NOTE 6 – PENSION PLANS continued**Deferred Outflows of Resources and Deferred Inflows of Resources**

At August 31, 2017, Enduris reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$ 12,894
Net difference between projected and actual investment earnings on pension plan investments	\$	\$ 104,515
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$ 21,832
Contributions subsequent to the measurement date	\$	\$
TOTAL	\$	\$ 139,241
PERS Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,097	\$
Net difference between projected and actual investment earnings on pension plan investments		\$ 25,700
Changes of assumptions	\$ 5,387	\$
Changes in proportion and differences between contributions and proportionate share of contributions		\$
Contributions subsequent to the measurement date	\$186,262	\$
TOTAL	\$242,745	\$ 25,700
PERS Plans 1 and 2 Combined	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 51,097	\$ 12,894
Net difference between projected and actual investment earnings on pension plan investments		\$ 130,215
Changes of assumptions	\$ 5,387	\$
Changes in proportion and differences between contributions and proportionate share of contributions		\$ 21,832
Contributions subsequent to the measurement date	\$186,262	\$
TOTAL	\$242,745	\$ 164,941

NOTE 6 – PENSION PLANS continued

At August 31, 2016, Enduris reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Net difference between projected and actual investment earnings on pension plan investments	\$ 14,781	\$
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$ 12,021	\$
TOTAL	\$ 26,802	\$

PERS Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37,500	\$ 23,247
Net difference between projected and actual investment earnings on pension plan investments	\$ 86,178	\$
Changes of assumptions	\$ 7,279	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$ 21,648
Contributions subsequent to the measurement date	\$ 15,701	\$
TOTAL	\$ 146,657	\$ 44,895

PERS Plans 1 and 2 Combined	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 37,500	\$ 23,247
Net difference between projected and actual investment earnings on pension plan investments	\$ 100,959	\$
Changes of assumptions	\$ 7,279	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$ 21,648
Contributions subsequent to the measurement date	\$ 27,722	\$
TOTAL	\$ 173,459	\$ 44,895

Deferred outflows of resources related to pensions resulting from the Enduris' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2018. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows

Year ended August 31, 2017:

	Plan 1	Plan 2	Total
2018	\$ (36,687)	\$ 13,837	\$ (22,850)
2019	\$ (36,687)	\$ 13,837	\$ (22,850)
2020	\$ (37,465)	\$ 9,277	\$ (28,188)
2021	\$ (28,401)	\$ (6,168)	\$ (34,569)

NOTE 7 – BENEFIT ALLOWANCE

Regular employees of Enduris receive a taxable medical benefit allowance. The allowance may be used to purchase medical coverage for the employee and eligible dependents or directed to a 457 deferred compensation plan or 401(a) retirement plan. The deferred compensation plan is administered by the state of Washington Department of Retirement Systems. The 401(a) plan is administered by ICMA Retirement Corporation. As of August 31, 2017 and August 31, 2016, the allowance was \$1,600 per month.

NOTE 8 – CLAIM RESERVES (UNPAID CLAIM LIABILITIES)

Enduris establishes claim reserves for reported and unreported insured events, which include estimates of the undiscounted future cash payments of losses and related claim adjustment expenses, and unallocated loss adjustment expenses (ULAE). The following table presents the changes in Enduris' aggregate claim reserves during each of the years ended August 31, 2017 and 2016.

	<u>2017</u>	<u>2016</u>
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$ 7,846,780	\$ 7,270,823
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	7,062,145	4,237,902
Changes in provision for insured events of prior fiscal years	1,666,549	647,193
Changes in ULAE	<u>235,000</u>	<u>30,000</u>
Total incurred claims and claim adjustment expenses	<u>8,963,694</u>	<u>4,915,097</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	2,267,463	1,299,461
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	<u>3,007,353</u>	<u>3,039,587</u>
Total payments	<u>5,274,815</u>	<u>4,339,140</u>
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u>\$ 11,535,659</u>	<u>\$ 7,846,780</u>
Claims Reserves	\$ 3,194,804	\$ 1,729,449
Claims IBNR	7,615,855	5,627,331
ULAE - Administrative Run Off	<u>725,000</u>	<u>490,000</u>
Unpaid claim and claim adjustment expenses	<u>\$ 11,535,659</u>	<u>\$ 7,846,780</u>

NOTE 9 – GEM

Enduris is a founding member of Government Entities Mutual, Inc. (GEM), a captive insurance program. A captive is an insurance company owned and operated by its insured. The intent of membership in GEM is to access the available reinsurance market through GEM. On becoming a member of GEM in FY 2003, Enduris made a five year commitment of membership which has been fulfilled. As a member of GEM, Enduris participates in the profits and/or losses of GEM. GEM's annual report can be reviewed on their website www.gemre.com.

In FY 2015, the interpretation of the return of a member's allocation of equity came under question. Based on preliminary discussions it was determined that the current balance of the Pool's equity in GEM at 8/31/2014 was a reasonable estimate of the Pool's expected return. The equity in GEM is not an asset that can be readily converted to cash in order to pay liabilities. Based on management's evaluation in FY 2016, Enduris management opines that the possibility of the return of the balance of the Pool's equity in GEM is remote and therefore, in the best interest of the Pool, recommended that the equity in GEM be written down to zero. With the support of the Pool's state regulator, the write down of the equity in GEM was approved by the Enduris Board of Directors.

NOTE 10 – 401(a) RETIREMENT PLAN

Enduris does not participate in social security and therefore, the Board of Directors of Enduris elected to participate in a 401(a) defined contribution retirement plan for the benefit of Enduris employees. The Enduris 401(a) Money Purchase Plan (the Plan) is administered by ICMA Retirement Corporation and open to all employees of Enduris.

The contribution rates and terms of the plan were established by Enduris' Board of Directors, and may be modified by the Executive Director. Enduris makes contributions in the amount of 6.2% of an employee's gross wages, in lieu of a contribution to social security. Employees are required to make a matching contribution of 6.2% and the employees have the option to contribute in excess of 6.2%. Employees are eligible for participation upon employment and are immediately 100% vested. Investment of both the employer and employee contributions is at the direction of the employee. Enduris made all required contributions (included in payroll expense) to the Plan in the amounts of \$106,928 for FY 2017 and \$100,325 for 2016.

NOTE 11 – COMPENSATED ABSENCES

Compensated absences payable of Enduris employees were \$166,532 and \$146,530 in FY 2017 and FY 2016, respectively. They increased by \$20,002 from 2016 to 2017.

NOTE 12 – WASHINGTON ADMINISTRATIVE CODE (WAC) 200-100

Revised WAC 200-100 requires Enduris to maintain certain levels of primary and secondary assets to meet solvency standards. As defined in WAC 200-100-03001, total primary assets, cash and cash equivalents less non-claim liabilities, must be at least equal to the unpaid claims estimate at the expected level as determined by the actuary. Additionally, total primary and secondary assets must be at least equal to the unpaid claims estimate at the 80% confidence level as determined by the actuary. Secondary assets are defined as insurance receivables, real estate or other assets (less any non-claim liabilities) the value of which can be independently verified by the state risk manager.

Test 1

	8/31/2017	8/31/2016
Primary Asset Test:		
Primary Assets	\$ 11,830,000	\$ 10,587,000
Unpaid Claims- Expected Level	11,536,000	7,847,000
Margin [(1) -(2)]	<u>\$ 294,000</u>	<u>\$ 2,740,000</u>
Test 1 Result	PASS	PASS

Test 2

Primary and Secondary Test:		
Secondary Assets	\$ 8,655,000	\$ 10,201,000
Primary and Secondary Assets	20,485,000	20,788,000
Unpaid Claims- 80%/70% Confidence Level	16,894,000	12,353,000
Margin [(6) - (7)]	<u>\$ 3,591,000</u>	<u>\$ 8,435,000</u>
Test 2 Result	PASS	PASS

NOTE 13 – Subsequent Events

Management has reviewed its financial statements and evaluated subsequent events for the period of time from its year ended August 31, 2017 through February 22, 2018, the date the financial statements were issued. Management is not aware of any additional subsequent events that would require recognition or disclosure in the accompanying financial statements.

1. Ten-Year Claim Development Information

The table on the following page illustrates how Enduris' earned revenues and interest income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by Enduris as of the end of each of the last 10 years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year net earned contribution revenue and investment income.
2. This line shows each fiscal year's operating costs of Enduris, including overhead and claims expense not allocable to individual claims.
3. This line shows Enduris' net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called the policy year).
4. This section of 10 rows shows the cumulative net amounts paid as of the end of previous years for the policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers/excess carriers as of the end of the current year for each policy year.
6. This section of 10 rows shows how each policy year's net incurred claims increased or decreased as of the end of previous years. 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 new incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for previous policy years.

COMPARATIVE SCHEDULE OF CLAIM DEVELOPMENT, EARNED CONTRIBUTION AND UNALLOCATED EXPENSES
For the Years Ended August 31, 2008 through August 31, 2017

Fiscal and Policy Year Ended:	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
1 Gross Earned Member Contributions and Investment Revenue										
Coded	\$12,194,405	\$10,759,956	\$9,845,824	\$9,122,389	\$8,922,518	\$8,564,617	\$8,212,394	\$8,088,282	\$7,618,020	\$7,116,459
Net Earned	3,410,914	3,024,726	2,573,220	2,379,103	2,069,493	1,844,113	1,707,444	1,850,798	1,794,387	1,653,625
	8,783,491	7,735,230	7,272,604	6,743,286	6,853,025	6,720,504	6,504,950	6,237,484	5,823,633	5,462,834
2 Unallocated Operating Expenses										
	3,069,358	3,018,216	2,833,494	2,742,013	2,750,372	2,545,448	2,306,838	2,052,406	2,265,972	1,713,689
3 Estimated Losses and Expenses end of accident year:										
Incurred	8,262,490	4,764,115	5,579,089	3,299,284	5,682,367	4,534,981	4,879,104	4,189,260	2,678,334	3,721,283
Coded*	1,200,345	526,213	1,288,118	595,161	1,984,802	947,021	1,412,804	1,108,849		
Net Incurred	7,062,145	4,237,902	4,290,971	2,704,123	3,697,565	3,587,960	3,466,300	3,080,411	2,678,334	3,721,283
4 Cumulative paid as of:										
End of policy year	2,267,463	1,299,461	1,474,825	795,257	975,658	967,692	1,168,523	674,553	602,729	1,347,196
One year later		2,341,497	3,233,756	1,475,050	2,584,598	1,861,766	1,565,110	1,656,882	901,168	1,873,429
Two years later			4,198,576	1,847,649	2,870,454	2,548,488	1,902,086	2,009,437	1,215,177	2,158,616
Three years later				1,963,048	3,454,683	3,012,813	1,975,934	2,088,511	1,340,596	2,188,423
Four years later					4,059,694	3,208,753	2,110,683	2,099,986	1,522,937	2,225,391
Five years later						3,230,077	2,111,125	2,282,907	1,630,168	2,233,556
Six years later							2,135,806	2,308,024	1,629,768	2,297,456
Seven years later								2,341,552	1,629,203	2,297,396
Eight years later									1,725,961	2,297,396
Nine years later										2,363,630
5 Re-estimated Coded Losses and Expenses:										
	1,200,345	419,466	2,246,124	600,062	3,672,613	234,027	413,547	352,100	1,266,676	1,449,451
6 Re-estimated Incurred Claims:										
End of policy year	7,062,145	4,237,902	4,290,971	2,704,123	3,697,565	3,587,960	3,466,300	3,080,411	2,678,334	3,721,283
One year later		5,164,957	5,148,746	2,585,441	4,087,613	3,213,997	3,054,227	3,278,374	2,419,143	3,492,304
Two years later			5,488,233	2,578,430	4,059,584	3,441,417	2,818,600	3,121,862	2,015,107	3,107,977
Three years later				2,632,828	4,173,469	3,657,272	2,693,495	2,672,092	1,949,443	2,737,476
Four years later					4,605,935	3,641,415	2,472,686	2,584,945	1,800,837	2,578,413
Five years later						3,502,034	2,316,223	2,712,300	1,783,224	2,391,501
Six years later							2,265,567	2,592,960	1,736,922	2,407,620
Seven years later								2,556,863	1,684,551	2,368,548
Eight years later									1,759,201	2,336,286
Nine years later										2,391,121
7 Increase (decrease) in Estimated Net Incurred Claims and Expenses From End of Policy Year:										
	\$0	\$927,055	\$1,197,262	(\$71,295)	\$908,370	(\$85,926)	(\$1,200,733)	(\$523,548)	(\$919,133)	(\$1,330,162)

* At policy year end 2010 our actuary started calculating estimated coded ultimate loss.

2. Reconciliation of Claim Liabilities by Type of Contract

The schedule below presents the changes in claim liabilities for the past two years for Enduris' two types of contracts: liability and property.

	LIABILITY PROGRAM		PROPERTY PROGRAM	
	2017	2016	2017	2016
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$ 6,882,935	\$ 6,078,548	\$ 963,845	\$ 1,192,275
Incurring claims and claim adjustment expenses:				
Provision for insured events of the current fiscal year	4,117,161	2,814,442	2,944,984	1,423,460
Changes in provision for insured events of prior fiscal years	1,276,545	(215,173)	390,004	862,366
Changes in ULAE	235,000	30,000	-	-
Total incurred claims and claim adjustment expenses	5,628,706	2,629,271	3,334,988	2,285,826
Payments:				
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	694,763	404,537	1,572,700	894,924
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	2,328,197	1,420,254	679,156	1,619,333
Total payments	3,022,959	1,824,884	2,251,856	2,514,256
Total unpaid claims and claim adjustment expenses at end of the fiscal year	\$ 9,488,682	\$ 6,882,935	\$ 2,046,977	\$ 963,845
Claims Reserves	2,112,090	1,311,647	1,082,714	417,802
Claims IBNR	6,651,592	5,081,288	964,263	546,043
ULAE - Administrative Run Off	725,000	490,000	0	0
Unpaid claim and claim adjustment expenses	\$ 9,488,682	\$ 6,882,935	\$ 2,046,977	\$ 963,845

3. Schedule of Proportionate Share of the Net Pension Liability

Enduris Schedule of Proportionate Share of the Net Pension Liability PERS Plan 1 As of June 30 Last 10 Fiscal Years*					
	2017	2016	2015	2014	2013
Employer's proportion of the net pension liability (asset)	0.011284%	0.010931%	0.011123%	0.011413%	0.011149%
Employer's proportionate share of the net pension liability	\$ 535,435	\$ 587,046	\$ 581,836	\$ 574,925	\$ 651,464
Employer's covered employee payroll	\$ 1,277,215	\$ 1,317,479	\$ 1,275,150	\$ 1,267,997	\$ 1,227,877
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	41.92%	44.56%	45.63%	45.34% *	53.06%
Plan fiduciary net position as a percentage of the total pension liability	61.24%	57.03%	59.10%	61.19% *	

* Until a full 10-year trend is compiled, Enduris will present information only for those years for which information is available.

Enduris Schedule of Proportionate Share of the Net Pension Liability PERS Plan 2 As of June 30 Last 10 Fiscal Years*					
	2017	2016	2015	2014	2013
Employer's proportion of the net pension liability (asset)	0.014514%	0.013987%	0.014373%	0.014694%	0.014847%
Employer's proportionate share of the net pension liability	\$ 504,292	\$ 704,234	\$ 513,555	\$ 297,019	\$ 633,969
Employer's covered employee payroll	\$ 1,277,215	\$ 1,317,479	\$ 1,275,150	\$ 1,267,997	\$ 1,227,877
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	39.48%	53.45%	40.27%	23.42%	51.63%
Plan fiduciary net position as a percentage of the total pension liability	90.97%	85.82%	89.20%	93.29% *	

* Until a full 10-year trend is compiled, Enduris will present information only for those years for which information is available.

4. Schedule of Employer Contributions

Enduris
Schedule of Employer Contributions
PERS 1
As of August 31
Last 10 Fiscal Years*

	2017	2016	2015	2014	2013
Statutorily or contractually required contributions (for UAAL portion only)	\$ 71,941	\$ 65,476	\$ 52,490	\$ 50,571	\$ 32,151
Contributions in relation to the statutorily or contractually required contributions	\$ (71,941)	\$ (65,476)	\$ (52,490)	\$ (50,571)	\$ (32,151)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ (0)	\$ (0)
Covered employer payroll (for UAAL only)	\$ 1,272,609	\$ 1,385,369	\$ 1,280,988	\$ 1,265,764	\$ 1,243,482
Contributions as a percentage of covered employee payroll	5.7%	4.7%	4.1%	4.0%	2.6%

No Enduris employees are covered by PERS Plan 1; however, a portion of the PERS Plan 2 contribution is allocated by DRS to the PERS Plan 1 UAAL.

* Until a full 10-year trend is compiled, Enduris will present information only for those years for which information is available.

Enduris
Schedule of Employer Contributions
PERS 2
As of August 31
Last 10 Fiscal Years*

	2017	2016	2015	2014	2013
Statutorily or contractually required contributions	\$ 67,874	\$ 85,364	\$ 66,176	\$ 62,266	\$ 58,632
Contributions in relation to the statutorily or contractually required contributions	\$ (90,935)	\$ (85,364)	\$ (66,176)	\$ (62,266)	\$ (58,632)
Contribution deficiency (excess)	\$ (23,061)	\$ -	\$ (0)	\$ (0)	\$ 0
Covered employer payroll	\$ 1,272,609	\$ 1,385,369	\$ 1,280,988	\$ 1,265,764	\$ 1,243,482
Contributions as a percentage of covered employee payroll	5.3%	6.2%	5.2%	4.9%	4.7%

* Until a full 10-year trend is compiled, Enduris will present information only for those years for which information is available.

5. Notes to Required Supplementary Information

Methods and Assumptions Used in Calculations of Contractually Required Contributions (CRC):

The Office of the State Actuary (OSA) calculates the actuarially determined contributions (ADC) based on the results of an actuarial valuation consistent with the state's funding policy defined in Chapter 41.45 Revised Code of Washington. Consistent with the state's contribution-rate adoption process, the results of an actuarial valuation with an odd-numbered year valuation date determine the ADC for the biennium that ensues two years later. For example, the actuarial valuation with a June 30, 2015 valuation date, completed in the fall of 2016, determines the ADC for the period beginning July 1, 2017, and ending June 30, 2019.

OSA calculates the ADC consistent with the methods described above. Adopted contribution rates could be different pending the actions of the governing bodies. For instance, for the period beginning July 1, 2015, and ending July 30, 2016, the contributions rates the Pension Funding Council adopted, which the Legislature did not change, reflect a phasing in of the increase to the contribution rates that resulted from a change to the mortality assumption. The increase is expected to be phased in over three biennia.

OSA calculates the contractually required contributions using the same assumptions and methods as the ADC except the CRC reflect the adopted contribution rates for the time periods shown, which might differ from the contributions rates produced for the ADC.

Additional actuarial method and assumption information is located in Note 6 – Pension Plans in the Notes to the Financial Statements.

DEPARTMENT OF ENTERPRISE
SERVICES

SCHEDULE OF EXPENSES

For the Year Ended 2017 and 2016

	2017	2016
CLAIMS:		
Claims Paid	\$ 5,274,815	\$ 4,339,050
Increase (Decrease) in reserve for IBNR	1,988,524	572,876
Increase (Decrease) in reserve for Open Claims	1,465,355	(26,829)
Increase (Decrease) in reserve for ULAE	235,000	30,000
TOTAL CLAIMS	\$ 8,963,694	\$ 4,915,097
EXCESS/REINSURANCE:		
Excess Liability	\$ 1,180,152	\$ 1,075,509
Property	2,230,762	1,949,217
TOTAL EXCESS/REINSURANCE	\$ 3,410,914	\$ 3,024,726
GENERAL AND ADMINISTRATIVE:		
Staff expenses/travel/education	\$ 96,276	\$ 85,528
Board expenses/travel/education	10,155	21,961
Office Supplies and printing	15,234	19,486
Rent	1,619	1,548
Retention and marketing	61,166	66,087
Telephone	15,608	16,661
Postage	10,348	13,463
Office/Building Equipment	3,159	23,142
Dues and subscriptions	16,108	12,199
Maintenance and repairs	54,655	53,764
Utilities	41,230	39,264
Travel, consultant	3,925	6,855
Member education	116,345	62,160
Miscellaneous	4,663	5,590
Interest	8,425	-
Disaster recovery	-	4,290
Bank charges	5,337	4,904
Vehicle	3,243	2,335
TOTAL GENERAL AND ADMINISTRATIVE	\$ 467,496	\$ 439,237
DEPRECIATION:		
Depreciation	\$ 78,000	\$ 78,387
TOTAL DEPRECIATION	\$ 78,000	\$ 78,387
INSURANCE SERVICES:		
Actuarial Study	\$ 33,190	\$ 31,857
Broker Fee	133,900	130,000
TOTAL INSURANCE SERVICES	\$ 167,090	\$ 161,857
PAYROLL:		
Salaries and wages	\$ 1,484,434	\$ 1,420,790
Payroll taxes	28,813	30,632
Pension	(13,337)	137,318
Employee benefits	373,295	361,325
TOTAL PAYROLL	\$ 1,873,205	\$ 1,950,065
CONTRACTED SERVICES:		
Legal		
Contract	\$ 99,441	\$ 106,458
EPL	2,058	239
Municipal Research and Services Center	56,870	68,244
Pre-Defense/Pre-Defense Investigation	28,520	124,506
Special Counsel		
Financial Audit	12,441	11,936
Administration and support services	26,767	24,802
Computer support		
Claims audit	10,750	10,750
State risk mgmt fees	11,720	11,734
TOTAL CONTRACTED SERVICES	\$ 248,567	\$ 358,669

4Culture	District #1	Clallam County FPD #1
Adams Conservation District	Benton Franklin Health District	Clallam County FPD #3
Adams County FPD #6	Benton Irrigation District	Clallam County FPD #4
Adams County Mosquito Control District	Benton-Franklin Council of Governments	Clallam County FPD #5
Adams County Noxious Weed Board	Bertrand Watershed Improvement District	Clallam County FPD #6
Adams County Park & Recreation Board #2	Black Diamond Water District	Clallam County Park & Recreation District #1
Adams County Park & Recreation District #4	Blalock Orchards Water District #12	Clark Co Cemetery Dist #4
Adams County Park District #1	Brewster Flat Irrigation District	Clark Co Cemetery Dist #5
Adams County Parks & Recreation District #3	Bridgeport Irrigation District #1	Clark Co Diking District #14
Adams County Weed District #1	Burbank Irrigation District #4	Clark Conservation District
Admiral's Cove Water District	Camano Island Mosquito Control District #1	Clark County Fire District #3
Aging & Adult Care of Central Washington	Capital Area Regional Public Facilities District	Clark County FPD #13
Aging & Long Term Care of Eastern Washington	Carnhope Irrigation District #7	Clark County Mosquito Control District
Agnew Irrigation District	Cascade Irrigation District	Clark County Public Facilities District
Ahtanum Irrigation District	Cascade Valley Water District	Clear Lake Water District
Alta Vista Irrigation District	Cascadia Conservation District	Cline Irrigation District
Anderson Island Park & Recreation District	Cattle Point Water District	Colfax Cemetery District #6
Ashford Water District	Cemetery District #6 of Clark County	Columbia Co Rural Library
Asotin County Conservation District	Central Kitsap Fire and Rescue	Columbia Conservation District
Asotin County FPD #1	Central Klickitat Conservation District	Columbia Irrigation District
Asotin County Health District	Central Klickitat County Park & Recreation District	Columbia Mosquito Control District
Asotin County Library	Central Mason Fire & EMS	Community Connectivity Consortium
Badger Mountain Irrigation District	Central Skagit Rural Library District	Coulee Area Park & Rec Dist
Bainbridge Island Fire Department	Chelan Co Fire District #10	Cowlitz Conservation District
Bainbridge Island Park & Recreation District	Chelan County Cemetery District #1	Cowlitz County Cemetery District #2
Bayview Beach Water District	Chelan County Cemetery District #4	Cowlitz County -Lewis County FPD #20
Benton Clean Air Authority	Chelan County Fire District #8	Cowlitz County Mosquito Control District
Benton Co FPD #1	Chelan County FPD #6	Cowlitz County Public Facilities District
Benton Co FPD #2	Chelan County FPD #9	Cowlitz Skamania County FPD #7
Benton Co FPD #4	Chelan Falls Irrigation District	Crockett Lake Water District
Benton Co Noxious Weed Control Bd	Chelan Falls Water District	Crystal Mountain Sewer District
Benton Co Weed District #1	Chelan River Irrigation District	Darrington Fire Department District #24
Benton Conservation District	Chelan-Douglas Health District	Diamond Lake Water & Sewer District
Benton County FPD #5	Chinook Water District	Douglas Co Cemetery District #2
Benton County FPD #6	City of Kent Special Events	Douglas Co Sewer District #1
Benton County Mosquito Control	Center PFD	Douglas County Fire District #4
	Clallam Conservation District	Douglas County FPD #3

Douglas Okanogan County FPD #15
 Drayton Watershed Impr Dist
 Dungeness Irrigation District
 Duvall - King County FPD #45
 East County Park & Recreation District
 East Lewis County Public Development Authority
 East Wenatchee Water District
 Eastern Klickitat Conservation District
 Eastmont Metropolitan Park District
 Eastside/Westside Irrigation District
 Eastsound Sewer & Water District
 Edmonds Public Facilities District
 Entiat Irrigation District
 Everett Public Facilities District
 Fall City Metropolitan Park District
 Ferry Co #3/Stevens Co #8 Joint Fire Protection District
 Ferry Conservation District
 Ferry County EMS District #1
 Fidalgo Pool & Fitness Center District
 Fort Worden PDA
 Foss Waterway Development Authority
 Foster Creek Conservation District
 Four Lakes Water District
 Franklin Co Irrigation District
 Franklin Conservation District
 Franklin County Emergency Management
 Franklin County FPD #3
 Franklin County Mosquito Control
 Freeland Water District
 Garfield Cemetery District #2
 Grant County Conservation District
 Grant County FPD #10
 Grant County FPD #11

Grant County FPD #12
 Grant County FPD #7
 Grant County FPD #8
 Grant County Health District
 Grant County Hospital District #7
 Grant County Mosquito Control District #1
 Grant County Mosquito Control District #2
 Grant County Port District #4
 Grant County Port District #5
 Grant County Port District #6
 Grant County Port District #7
 Grays Harbor Conservation District
 Grays Harbor County FPD #1
 Grays Harbor County FPD #10
 Grays Harbor County FPD #12
 Grays Harbor County FPD #15
 Grays Harbor County FPD #2
 Grays Harbor County Public Facilities District
 Grays Harbor County Water District #1
 Grays Harbor FPD #17
 Grays Harbor Historical Seaport Authority
 Great Rivers BHO
 Greater Bar Water District
 Greater Columbia Behavioral Health
 Greater Wenatchee Irrigation District
 Greater Wenatchee Regional Events Center PFD
 Hangman Hills Water District #15
 Helensdale Irrigation District
 Highland Irrigation District
 Highland Water District
 Highline Water District
 Hutchinson Irrigation District #16
 Hydro Irrigation District #9
 Icicle Irrigation District
 Inchelium Water District
 Intercounty Weed District #51
 Intercounty Weed District #52
 Isenhardt Irrigation District
 Island Co Diking District #2

Island Co Emergency Services Comm Center
 Island County Diking District #1
 Jefferson County Conservation District
 Kapowsin Water District
 Key Peninsula Metropolitan Park District
 King Co Drainage District #1
 King Co Water District #119
 King Conservation District
 King County Cemetery District #1
 King County Drainage District #7
 King County Law Library
 King County Water District #1
 King County Water District #111
 Kiona Irrigation District
 Kitsap Conservation District
 Kitsap County Health District
 Kitsap County Health District - sub-entity
 Kitsap Public Facilities District
 Kitsap Readiness Center Joint Management Group
 Kittcom
 Kittitas County Conservation District
 Kittitas County FPD #7
 Kittitas County FPD #8
 Kittitas County Water District #4
 Kittitas County Water District #6
 Kittitas County Weed District #5
 Kittitas Park & Rec District #1
 Klickitat County FPD #1
 Klickitat County FPD #11
 Klickitat County FPD #13
 Klickitat County FPD #14
 Klickitat County FPD #3
 Klickitat County FPD #4
 Klickitat County Port District
 Klickitat EMS
 La Conner Regional Library
 Lagoon Point Water District
 Lake Chelan Reclamation District
 Lake Chelan Sewer District
 Lake Forest Park Water District
 Lake Stevens Fire Dist
 Laurel Watershed Impr Dist

Leavenworth Mosquito Control District
 Ledgewood Beach Water District
 Lenora Water & Sewer
 Lewis Co Cemetery Dist #2
 Lewis Co Flood District #1
 Lewis Co FPD #8
 Lewis County Cemetery District #1
 Lewis County Conservation District
 Lewis County FPD #13
 Lewis County FPD #2
 Lewis County FPD #5
 Lewis County Public Facilities District
 Lewis County Water & Sewer District #6
 Lewis-Mason-Thurston Area Agency on Aging
 Liberty Lake Sewer District
 Lincoln County Conservation District
 Lincoln County FPD #6
 Lincoln County FPD #9
 Lincoln County Noxious Weed Control Board
 Lincoln County Park & Recreation District #2
 Lincoln County Park & Recreation District #3
 Lincoln-Adams County FPD #3
 Loon Lake Sewer District #4
 Lopez Island Library District
 Lopez Island Solid Waste District
 Lower Columbia Fish Recovery Board
 Lynnwood Public Facilities District
 Main Street Sewer District
 Manchester Water District
 Manson Park & Recreation District
 Marshland Flood Control District
 Mason Conservation District
 Mason County FPD #1
 Mason County FPD #11
 Mason County FPD #17

Mason County FPD #6
 McKenna Water District
 Methow Valley Irrigation District
 Methow-Okanogan Reclamation District
 Midway Sewer District
 Model Irrigation District #18
 Mukilteo Water District
 Naches Park & Recreation District #1
 North Beach Public Water
 North City Water District
 North Country Emergency Medical Service
 North Lynden Watershed Improvement District
 North Olympic Library System
 North Sound Regional Support Network
 North Whatcom Fire & Rescue
 North Yakima Conservation District
 Northeast Tri County Health District
 Northwest Clean Air Agency
 Northwest Park & Recreation District #2
 Oakesdale Park & Recreation District #4
 Odessa Public Development Authority
 Okanogan Conservation District
 Okanogan County FPD #10
 Okanogan County FPD #11
 Okanogan County FPD #12
 Okanogan County FPD #2
 Okanogan County FPD #7
 Okanogan County FPD #8
 Okanogan County Public Health
 Okanogan County Rural FPD #6
 Okanogan Irrigation District
 Olympic Region Clean Air Agency
 Orcas Island Library District
 Orcas Island Park & Rec District
 Oroville Tonasket Irrigation District
 Pacific Co FPD#1
 Pacific Conservation District

Pacific County Drainage District #1
 Pacific County Fire District #6
 Pacific County FPD #2
 Pacific County FPD #4
 Palouse Conservation District
 Palouse-Rock Lake Conservation District
 Pangborn Memorial Airport
 Pend Oreille Cemetery District #1
 Pend Oreille Co FPD #8
 Pend Oreille Co Hospital Dist
 Pend Oreille Co Library
 Pend Oreille Conservation District
 Pend Oreille County FPD #2
 Pend Oreille County FPD #3
 Pend Oreille County FPD #4
 Pend Oreille County FPD #6
 Pend Oreille FPD #5
 Peninsula Metropolitan Park District
 Penn Cove Water & Sewer District
 Peshastin Irrigation District
 Pierce Co Drainage Dist #10
 Pierce Co FPD #21/Graham Fire
 Pierce Co FPD #23
 Pierce Conservation District
 Pierce County FPD #18
 Pierce County FPD #27
 Pine Creek Conservation District
 Pomeroy Conservation District
 Port of Benton
 Port District of South Whidbey Island
 Port Ludlow Drainage District
 Port of Allyn
 Port of Brownsville
 Port of Camas-Washougal
 Port of Centralia
 Port of Chehalis
 Port of Chelan County
 Port of Chinook
 Port of Clarkston
 Port of Columbia
 Port of Coupeville
 Port of Dewatto

Enduris Membership

Port of Douglas County
Port of Edmonds
Port of Eglon
Port of Friday Harbor
Port of Garfield
Port of Grandview
Port of Grapeview
Port of Grays Harbor
Port of Hoodspout
Port of Illahee
Port of Ilwaco
Port of Indianola
Port of Kahlotus
Port of Keyport
Port of Kingston
Port of Lopez
Port of Manchester
Port of Mattawa
Port of Olympia
Port of Orcas
Port of Othello
Port of Pasco
Port of Pend Oreille
Port of Peninsula
Port of Port Townsend
Port of Poulsbo
Port of Ridgefield
Port of Royal Slope
Port of Shelton
Port of Silverdale
Port of Skagit County
Port of Skamania County
Port of Tracyton
Port of Walla Walla
Port of Waterman
Port of Whitman County
Port of Willapa Harbor
Port of Woodland
Poulsbo Fire Department
Puget Sound Clean Air Agency
Quillayute Valley Park &
Recreation District
Renton Regional Fire Authority
Republic Public Development
Authority
Richland Public Facilities District
Sacheen Lake Sewer & Water
District

Salish BHO
Samish Water District
San Juan Cemetery District #3
San Juan Cemetery District #1
San Juan Conservation District
San Juan County Fire District #4
San Juan Island Library District
San Juan Island Park &
Recreation District
Scatchet Head Water District
SE WA ALTC Council of
Governments
Seaview Sewer District
Selah and Moxee Irrigation
District
Silver Lake Flood Control District
Silverdale Water District #16
Skagit Co Cemetery District #1
Skagit Co Dike & Drainage Dist
#5
Skagit Co Drainage & Irrigation
Dist #17
Skagit Co FPD #15
Skagit Co FPD #7
Skagit Conservation District
Skagit County Consolidated
Diking District #22
Skagit County Dike District #17
Skagit County Drainage and
Irrigation District #15
Skagit County Drainage District
#19
Skagit County FPD #12
Skagit County FPD #13
Skagit County FPD #16
Skagit County FPD #17
Skagit County FPD #4
Skagit County FPD #5
Skagit County FPD #9
Skagit County PUD #1
Skagit County Regional Public
Facilities District
Skamania County Cemetery
District #1
Skamania County FPD #5
Skamania County FPD #6
Skamania County Mosquito
Control District

Snohomish Co Drainage &
Improvement District #13
Snohomish Co Hospital District
#2
Snohomish Conservation District
Snohomish County Diking
District #1
Snohomish County FPD #25
Snohomish County Public
Facilities District
Snohomish Health District
Snoqualmie Valley Watershed
Improvement District
Soos Creek Water & Sewer
South Bay Fire Dept
South Douglas Conservation
District
South King Fire & Rescue
South Kitsap Fire and Rescue
South Lynden Watershed Impr
Dist
South Pierce Fire & Rescue Dist
#17
South Whidbey Fire/EMS
South Whidbey Park &
Recreation District
South Yakima Conservation
District
Southwest Clean Air Agency
Southwest Suburban Sewer
District
Spokane County Air Pollution
Control Authority
Spokane County Conservation
District
Spokane County FPD #10
Spokane County FPD #12
Spokane County FPD #13
Spokane County FPD #2
Spokane County FPD #3
Spokane County FPD #5
Spokane County Noxious Weed
Control Board
Spokane PFD
Spokane Regional Health District
Spokane Regional Transportation
Council
Spokane Valley Fire District

Stevens Co FPD #12
 Stevens Co FPD #13
 Stevens Co FPD #7
 Stevens County Conservation District
 Stevens County Fire District #1
 Stevens County FPD #11
 Stevens County FPD #2
 Stevens County FPD #5
 Stevens County FPD #9
 Stevens County Rural Library District
 Stevens Pass Sewer District
 Stillaguamish Flood Control District
 Strathview Water District #16
 Sumas Watershed Impr Dist
 SunLand Water District
 SW WA Council of Governments on Aging & Disabilities
 Swantown Water District
 Tekoa Park & Recreation District #6
 Terrace Heights Irrigation District
 Thurston Co Cemetery District #2
 Thurston Co Chambers Ditch Dist #3
 Thurston Conservation District
 Thurston County FPD #5
 Thurston County FPD #9
 Thurston Mason BHO
 Tonasket EMS District
 Tonasket Park & Recreation District
 Touchet-Lowden Mosquito Control District
 Tri-City Estates Water District #45
 Underwood Conservation District
 Union Gap Irrigation District

Upper Skagit Library District
 Upper Valley Park & Recreation Service Area
 Valley View Sewer District
 Vashon Island Fire & Rescue
 Vashon-Maury Island Park & Recreation District
 Vel View Water District #13
 Vera Water and Power
 Village Green Metro Park Dist
 WA Fire Commissioners Assoc
 Wahkiakum County Conservation District
 Wahkiakum County FPD #2
 Wahkiakum County Port District #1
 Wahkiakum County Port District #2
 Walla Walla Co FPD #5
 Walla Walla Co Rural Library District
 Walla Walla County Conservation District
 Walla Walla Watershed Management Partnership
 Wallula Water District #1
 Warden Port District #8
 Weed District #1 of Grant County
 Weed District #3 of Grant County
 Wells Ranch Irrigation District
 Wenas Irrigation District
 Wenatchee Heights Reclamation District
 Wenatchee Reclamation District
 Wenatchee Valley Transportation Council
 Wenatchee-Chiwawa Irrigation District
 Whatcom Co Flood Control Zone District
 Whatcom Conservation District

Whatcom Council of Governments
 Whatcom County Cemetery District #10
 Whatcom County Cemetery District #6
 Whatcom County FPD #11
 Whatcom County FPD #17
 Whatcom County Water District #13
 Whidbey Island Conservation District
 Whitestone Reclamation District
 Whitman Co FPD #6
 Whitman Co FPD #8
 Whitman Conservation District
 Whitman County Fire District #5
 Whitman County FPD #10
 Whitman County FPD #12
 Whitman County FPD #13
 Whitman County FPD #14
 Whitman County FPD #7
 Whitman County Rural Library District
 Willapa Valley Water District
 Wolf Creek Reclamation District
 Yakima Co Drainage Improvement District #28
 Yakima Co FPD #7
 Yakima Co FPD #9
 Yakima Co Mosq Control Dist #1
 Yakima County Drainage Improvement District #11
 Yakima County FPD #14
 Yakima County Health District
 Yakima Regional Clean Air Authority
 Yakima Reservation Irrigation District
 Zillah Irrigation District

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance Pool.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov