



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report
Enduris Washington

For the period September 1, 2017 through August 31, 2018

Published August 19, 2019

Report No. 1024448





**Office of the Washington State Auditor
Pat McCarthy**

August 19, 2019

Board of Directors
Enduris Washington
Spokane, Washington

Report on Financial Statements

Please find attached our report on 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 cursive script that reads "Pat McCarthy".

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
September 1, 2017 through August 31, 2018**

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 Enduris Washington, as of and for the years ended August 31, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements, and have issued our report thereon dated August 12, 2019.

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

August 12, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Enduris Washington September 1, 2017 through August 31, 2018

Board of Directors
Enduris Washington
Spokane, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Enduris Washington, as of and for the years ended August 31, 2018 and 2017, 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 the Enduris Washington, as of August 31, 2018 and 2017, and the 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 opinions on the financial statements that collectively comprise the Pool's basic financial statements as a whole. The List of Participating Members and Department of Enterprise Services Schedule of Expenses 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 August 12, 2019 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

August 12, 2019

FINANCIAL SECTION

Enduris Washington September 1, 2017 through August 31, 2018

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2018 and 2017

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2018 and 2017

Statement of Revenues, Expenses and Changes in Net Position– 2018 and 2017

Statement of Cash Flows – 2018 and 2017

Notes to the Financial Statements – 2018 and 2017

REQUIRED SUPPLEMENTARY INFORMATION

Ten Year Claim Development Information – 2018 and 2017

Reconciliation of Claim Liabilities by Type of Contract – 2018 and 2017

Schedule of Proportionate Share of the Net Pension Liability – (PERS 1, PERS 2) – 2018
and 2017

Schedule of Employer Contributions – (PERS 1, PERS 2, LEOFF 2) – 2018 and 2017

Notes to Required Supplementary Pension Information – 2018 and 2017

SUPPLEMENTARY AND OTHER INFORMATION

Department of Enterprise Services (DES) Schedule of Expenses – 2018 and 2017

List of Participating Members – 2018



Management's Discussion and Analysis

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, 2018. 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

- During fiscal year 2018 (FY 2018) Enduris added 11 new members representing approximately \$249,000 in new annual 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 2019.
- Enduris continues to meet the solvency standards established by Washington Administrative Code (WAC) 200-100-03001.
- Enduris is funded in excess of the 95% confidence level as it relates to claim reserves. WAC 200-100-03001 requires a minimum of 80% confidence level.
- Enduris' overall financial position increased during FY 2018 with a \$1,182,992 increase in net position.
- Enduris had 99.27% retention for the FY 2018 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: statement of net position; statement of revenues, expenses and changes in net position; and statement of cash flows. The statement of net position presents information on the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position on August 31, 2018. 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 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, 2018, 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.

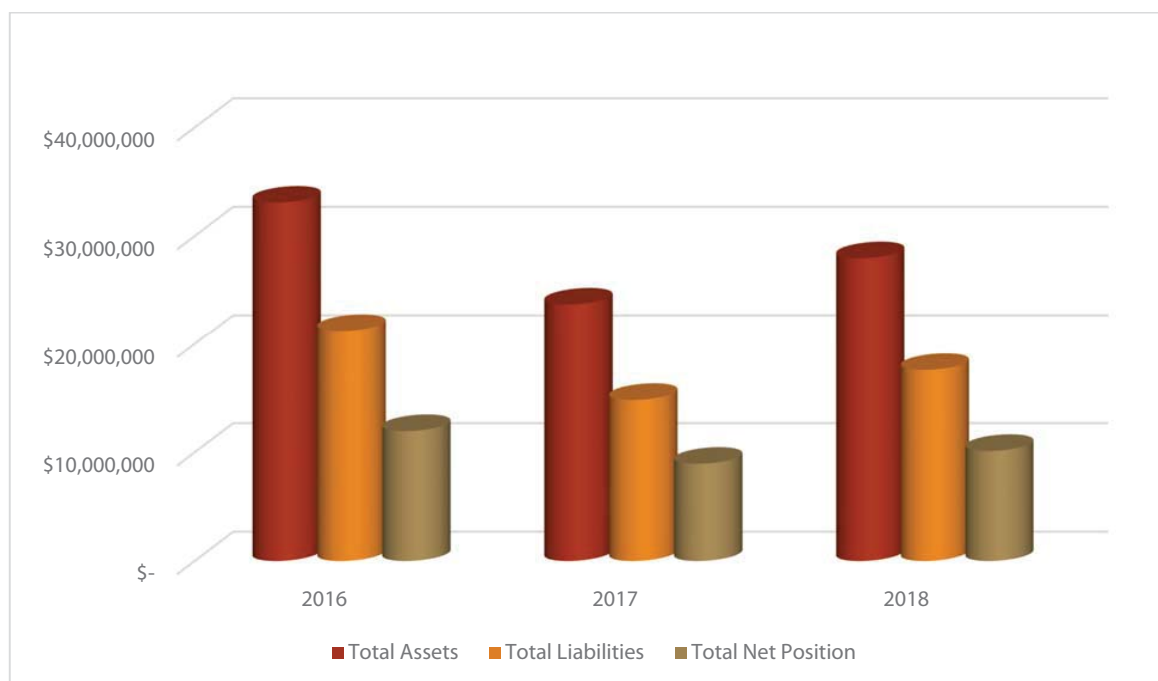
Management's Discussion and Analysis (cont.)

FINANCIAL ANALYSIS

Financial Position

The table and graph below provide a summary of the Net Position of Enduris at August 31st for the last three years. Although FY 2017 was a difficult year for the Pool and our Net Position declined by \$3.0 million, in FY 2018 the Net Position improved by \$1.2 million.

	2018	2017	2016
Current Assets	\$ 21,609,103	\$ 18,029,440	\$ 27,540,471
Capital Assets	5,379,363	5,673,310	5,543,257
Equity in GEM	975,708	-	-
Total Assets	\$ 27,964,174	\$ 23,702,750	\$ 33,083,728
Deferred Outflow of Resources	\$ 77,945	\$ 242,745	\$ 173,459
Current Liabilities	9,462,640	5,089,560	14,318,097
Non-Current Liabilities	8,134,802	9,741,918	6,930,557
Total Liabilities	\$ 17,597,442	\$ 14,831,478	\$ 21,248,654
Deferred Inflow of Resources	\$ 312,609	\$ 164,941	\$ 44,895
Investment in Capital Assets	5,379,363	5,673,310	5,543,257
Unrestricted Net Position	4,752,705	3,275,766	6,420,381
Total Net Position	\$ 10,132,068	\$ 8,949,076	\$ 11,963,638

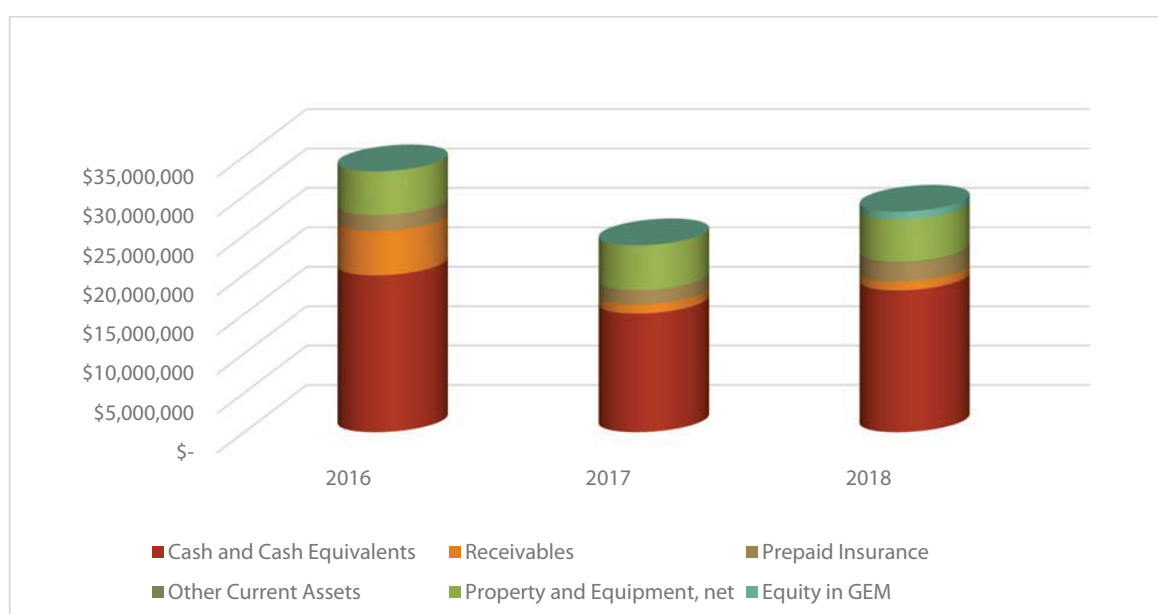


Please see the detail financial analysis of the components of changes in total assets, total liabilities and change in net position in the following paragraphs.

Management's Discussion and Analysis (cont.)

Assets –

Financial solvency is dependent on Enduris' assets, the principal of which are cash and cash equivalents, receivables, prepaid insurance and capital assets. A strong cash flow is necessary to meet the Pool's regular financial obligations (claim payments, operating expenses), and is also required to meet the solvency standards established by the State Risk Manager. Solvency standards require risk pools to maintain certain financial reserves in order to ensure that claims are funded. Current standards require primary assets in excess of claims reserves at the expected level as determined by the actuary. The test is measured by a simple 'pass or fail'. Since inception of the standards, Enduris continues to pass the primary and total asset tests as defined by the State Risk Manager.



The **Total Assets** of Enduris increased \$4.3 million (18%) in FY 2018 and decreased \$9.4 million (28%) in FY 2017. The FY 2018 increase was principally as a result of changes in cash and cash equivalents, prepaid insurance and equity in GEM. The FY 2017 decrease was principally related to declines in member contributions receivable and cash and cash equivalents.

Cash and cash equivalents can vary significantly at year end generally due to the timing and severity of claim payments and the timing of the issuance of member contribution invoices and the related cash receipts from members for the upcoming policy period which begins on September 1st. For FY 2018, the timing of member contribution receipts was the driver of the \$2.9 million (20%) increase over FY 2017. For FY 2017, the \$4.9 million (24%) decrease was due to an increase in claims payments compared to FY 2016.

Receivables due for members' contributions declined by \$0.03 million to a negligible balance in FY 2018 and by \$4.1 million (99%) in FY 2017. Receivables due for members' contributions represents the amounts due from members for endorsement invoices outstanding for the current policy year ending August 31st. Member contributions billed but not collected for the upcoming policy year are not included in accounts receivable in

Management's Discussion and Analysis (cont.)

FY 2018 and FY 2017 but they were in FY 2016 and in prior years. Refer to Note 1 – Summary of Significant Accounting Policies in the Notes to the Financial Statements for a discussion on how these revenues are applied and adjusted. **Accrued copays and deductibles** of \$0.12 million at fiscal year-end 2018 increased 6% in FY 2018 and 68% in FY 2019. This receivable balance represents the portion of claim costs that are the responsibility of the member. Member copays and deductibles are billed when Enduris has paid in excess of the relevant amount on the open claims; therefore, it is not unusual to have fluctuations in the corresponding receivable. **Accrued recoverables** of \$0.9 million are consistent year-over-year FY 2018 and decreased 27% in FY 2017. This receivable balance represents monies due from reinsurance carriers for claim costs above the Pool's self-insured retention and subrogation due from at-fault parties. These balances fluctuate in conjunction with claim severity and frequency.

Prepaid insurance of \$2.4 million at fiscal year-end 2018 represents reinsurance premiums for annual excess/reinsurance policies paid by the Pool, the cost of which will be amortized and recognized in operating expense in the next fiscal year (see Note 3 – Excess/Reinsurance Contracts in the Notes to the Financial Statements). Fiscal year 2018 increased \$0.5 million (31%) over FY 2017 while FY 2017 decreased \$0.20 million (10%) over FY 2016. The fluctuations year-over-year is due to the timing of the Pool's payment for policy coverage as well as changes in the cost of reinsurance related to rate changes and member exposures.

Other current assets of \$0.1 million is a new line item in FY 2018 and relates to the prepaid amount of the Origami claims software and services contract which is being amortized over the annual service period.

Capital assets of \$5.4 million at fiscal year-end 2018 decreased by 5% compared to FY 2017 and increased 2.3% in FY 2017 compared to FY 2016, respectively. For a discussion of capital assets refer to Note 5 – Capital Assets in the Notes to the Financial Statements.

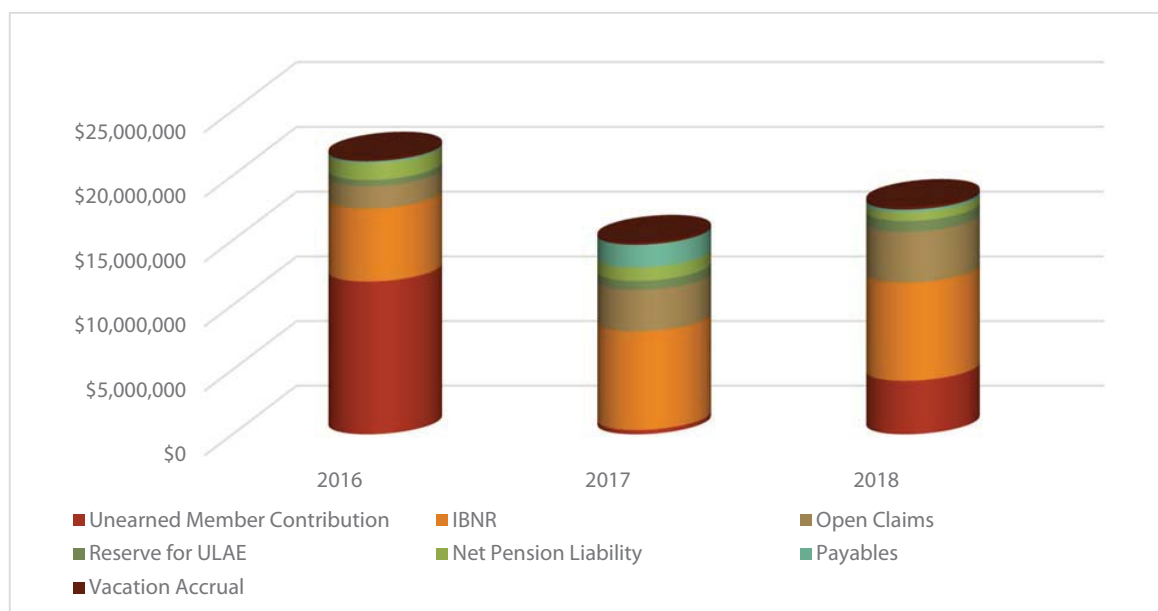
Other non-current Assets increased by \$0.9 million in FY 2018 and is related to the reinstatement of the Pool's initial surplus investment in GEM. There was no balance in FY 2017. See further discussion in Note 9 – Equity Investment in GEM.

Liabilities –

Enduris' main liabilities are claim reserves. Coverage with Enduris is occurrence form. Occurrence form means that claims incurred in prior years can, and often are, paid in future years. Because we use occurrence form and because of accounting principles, the Pool establishes reserves for claims incurred that we won't find out about until sometime in the future. These reserves are called IBNR, incurred but not reported. We also set claim reserves for claims reported that have not been paid. These reserves are called open claims. IBNR, open claims, and unallocated loss adjustment expenses (ULAE) are collectively called claim reserves. The estimate for claim reserves is evaluated annually by the Pool's actuary Aon Global Risk Consulting (AON). The estimate is based on several complex factors, and as such will vary. Membership growth can affect the claim reserves established by AON, as well as loss history. The Pool carefully vets new members to minimize unexpected claim exposure. Additionally, we actively work with the membership to mitigate risk through an array of customized loss control services.

Other liabilities of the Pool include unearned member contributions (member contributions received that will be recognized in the subsequent fiscal year), accounts payable, accruals and the net pension liability.

Management's Discussion and Analysis (cont.)



The **Total Liabilities** of Enduris increased \$2.8 million (19%) for FY 2018 and decreased \$6.4 million (30%) in FY 2017 driven by changes in Claims Reserves and Unearned member contributions.

Claim reserves increased \$0.8 million (7%) in FY 2018 over FY 2017. This compares to a \$3.7 million (47%) increase in FY 2017 over FY 2016. Liability and Property Program claim costs continue to trend higher than historical development resulting in reserve increases in FY 2018 and FY 2017. 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.

Unearned member contributions increased \$3.8 million for FY 2018 due to the timing of cash receipts from members for policy year 2019 contributions. Beginning in FY 2017 only those contributions that were received as of August 31st are reported as unearned. In FY 2016 and prior years both contributions received and outstanding were included as an unearned liability, with amounts outstanding reported as member contributions receivable. This change in presentation caused a decline in unearned member contributions of \$11.5 million (97%) from FY 2016 to FY 2017.

Net pension liability (NPL) decreased by \$0.37 million (36%) in FY 2018 and \$0.25 million (19%) in FY 2017. The NPL represents Enduris' proportional share of the Washington State collective net pension liability. Refer to Note 6 – Pension Plans.

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. See further discussion in Note 6 – Pension Plans.

Management's Discussion and Analysis (cont.)

Revenues, Expenses and Changes in Net Position

Enduris' Net Position increased by \$1.2 million for FY 2018 and decreased by \$3.0 million for FY 2017. In FY 2018 and FY 2017, the Pool's Operating loss equaled \$0.02 million and \$3.1 million and was principally driven by higher than expected claims expenses. Non-operating income was \$1.2 million in FY 2018 and \$0.16 million in FY 2017 and consisted of interest income and the FY 2018 Change in equity in GEM as outlined further in the following paragraphs.

The following table is a summary of the Statement of Revenues, Expenses and Changes in Net Position for the last three years.

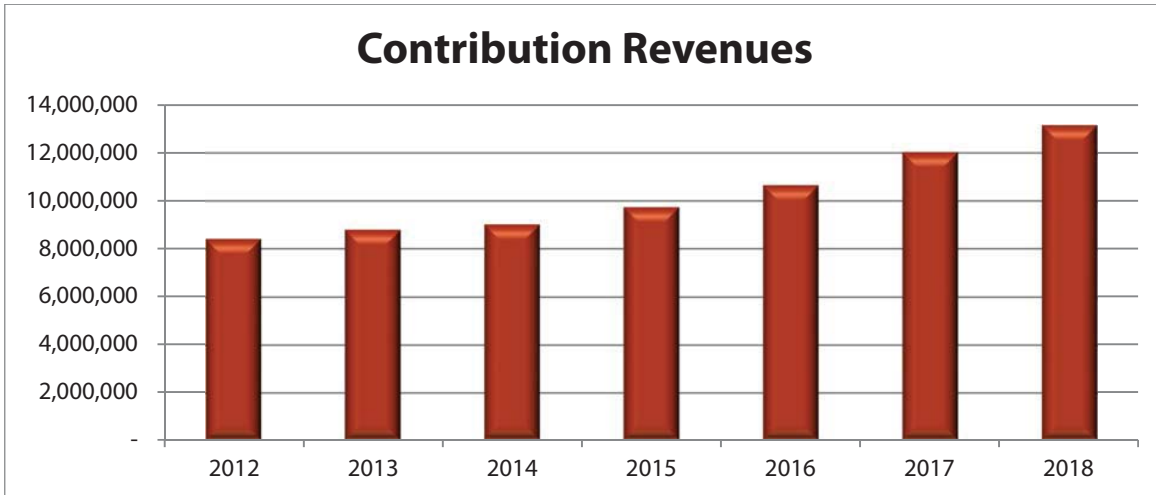
	2018		2017		2016	
	\$	% of Revenue	\$	% of Revenue	\$	% of Revenue
Operating Income						
Member Contributions	13,150,970	99.9%	12,021,541	99.9%	10,644,814	100.0%
Other	10,850	0.1%	7,110	0.1%	4,465	0.0%
Total Operating Income	13,161,820	100.0%	12,028,651	100.0%	10,649,279	100.0%
Operating Expenses						
Claims Expense	6,300,812	47.9%	8,963,694	74.5%	4,915,095	46.2%
Reinsurance Premiums	3,421,615	26.0%	3,410,914	28.4%	3,024,726	28.4%
Insurance Services	445,873	3.4%	167,090	1.4%	161,857	1.5%
General and Administrative	465,103	3.5%	467,497	3.9%	439,239	4.1%
Contracted Services	477,173	3.6%	248,567	2.1%	358,668	3.4%
Payroll Expense	1,996,919	15.2%	1,873,205	15.6%	1,950,065	18.3%
Depreciation	77,561	0.6%	78,000	0.6%	78,387	0.7%
Total Operating Expenses	13,185,056	100.2%	15,208,967	126.4%	10,928,037	102.6%
Operating Income (Loss)	(23,236)	-0.2%	(3,180,316)	-26.4%	(278,758)	-2.6%
Non-Operating Income (Expense)						
Interest and Investment Income	230,520	1.8%	165,754	1.4%	115,142	1.1%
Change in Equity in GEM	975,708	7.4%	-	0.0%	(1,565,882)	-14.7%
Total Non-Operating Income (Expense)	1,206,228	9.2%	165,754	1.4%	(1,450,740)	-13.6%
Change in Net Position	1,182,992	9.0%	(3,014,562)	-25.1%	(1,729,498)	-16.2%
Beginning Net Position	8,949,076		11,963,638		13,693,137	
Ending Net Position	\$ 10,132,068		\$ 8,949,076		\$ 11,963,639	

Revenue –

Revenue for operating the Pool comes primarily from member contributions. Rates are applied to exposures to calculate member contributions. Except for fire districts, liability exposures for all members are the worker and volunteer hours reported to the Department of Labor and Industries (L&I hours). Fire district exposures are their annual number of emergency runs (EMS runs). The concept for the liability exposure base is simple; the number of worker hours/emergency runs represents a quantitative measure of risk. Property exposures are members' total insured value (TIV). Property coverage is stated value or replacement cost. Auto physical damage (APD) coverage is actual cash value or replacement cost. The calculated base rates are adjusted to factor in loss experience on an individual member basis.

Management's Discussion and Analysis (cont.)

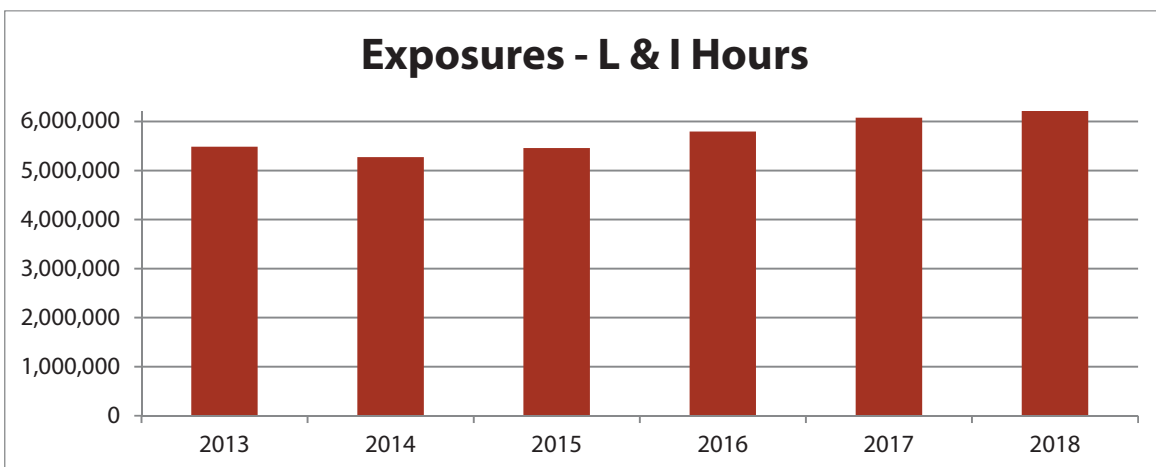
Operating revenue increased \$1.1 million (9%) in FY 2018 compared to FY 2017 and \$1.4 million (13%) from FY 2016 to FY 2017. Contribution revenues have increased steadily each year as shown in the chart below. Contribution revenue changes are a result of membership growth, member exposure increases, base rate increases and rate experience adjustments.



Enduris added 11 new members representing approximately \$249,000 in annual contribution dollars in FY 2018 and 17 new members representing approximately \$355,000 in annual contributions dollars in FY 2017.

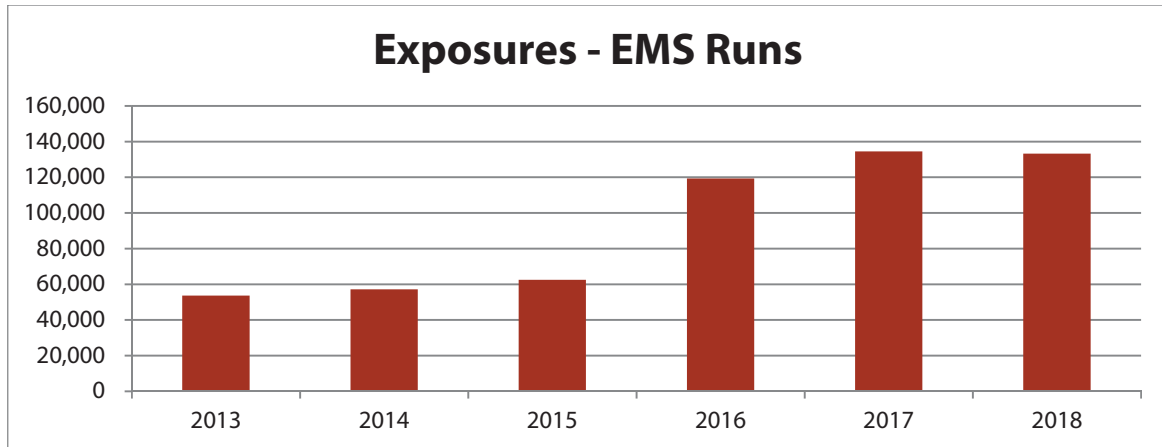
Fiscal year 2018, 2017 and 2016 Liability Program base rates increased 2.9%, 1.9% and 2.9% on average.

Member Liability Program exposures increased by 7.0%, 5.0% and 7.1% in FY 2018, FY 2017 and FY 2016, respectively. The L&I hours exposure grew from 5.9 million hours in FY 2016 to 6.2 million hours in FY 2017 and to 6.6 million hours in FY 2018.



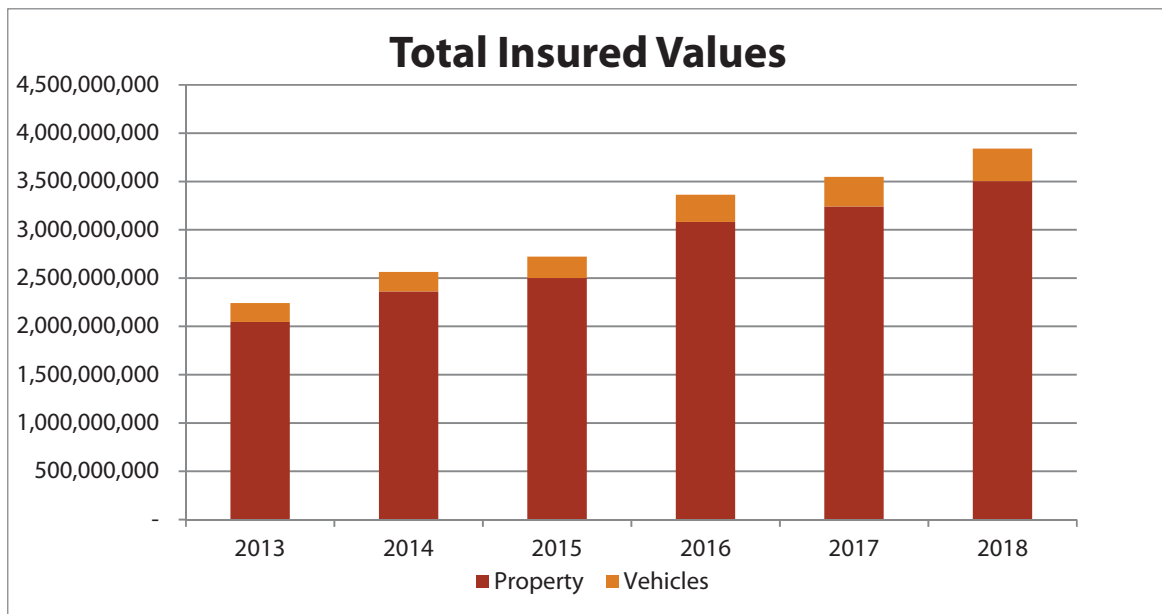
Fire District EMS run exposures grew from approximately 119,000 runs in FY 2016 to 134,000 runs in FY 2017 and decreased slightly, to 133,000 runs in FY 2018.

Management's Discussion and Analysis (cont.)



For fiscal year 2018, 2017 and 2016 Property Program base rates increased 2.9%, 1.9% and 1.9%, respectively. There was also an inflationary adjustment each year based on the Marsh & Swift index.

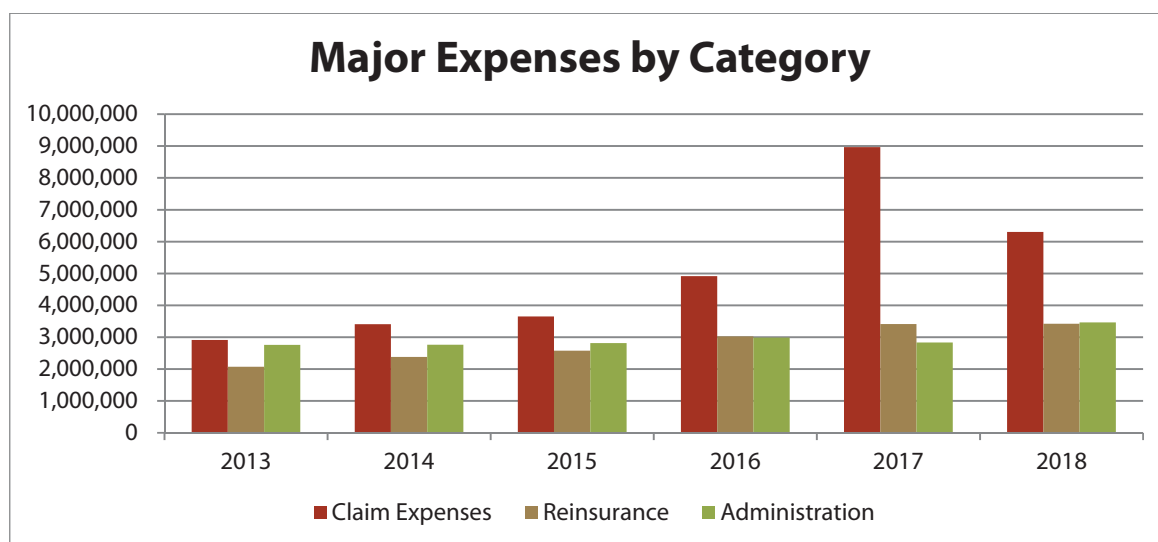
Member total insured value (TIV) for the Property Program increased by \$641 million in FY 2016, \$185 million in FY 2017 and an additional \$292 million in FY 2018. The total TIV for property equaled \$3.5 billion and \$337 million for vehicles in FY 2018.



Management's Discussion and Analysis (cont.)

Expenses –

Pool expenses can be broken down into three general categories: claim expenses, reinsurance premiums, and administration expenses. Claims expenses have grown dramatically in the last three years compared to historical averages as shown in the graph below.



Claims expense reported in the financial statements represent the total estimate for cost of claims incurred during the year, plus or minus any adjustments to claim reserves for claims costs related to prior years. The estimate for claim reserves is evaluated annually by the actuary, Aon Global Risk Consulting. Fluctuations in claims expense have the greatest financial impact on the Pool. In the past three years both claim frequency and severity have increased compared to historical averages. Claims expense was \$6.3 million in FY 2018, \$8.9 million in FY 2017 and \$4.9 million in FY 2016. During FY 2018, the Pool paid \$5.5 million in member claims costs and 358 new claims were opened.

Enduris purchases reinsurance to reduce the risk to the Pool in the event of large claims. Enduris maintains a self-insured retention (SIR) on both property and casualty programs. The Pool pays claim costs up to \$250,000 on property claims and \$1,000,000 on liability claims. **Reinsurance premiums** have trended upward for the past three years as a result of increasing rates and member exposures. 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 both liability and property coverage. Reinsurance premiums were \$3.4 million in FY 2018 and FY 2017 and \$3.0 million in FY 2016.

Administration expenses include insurance services, general and administrative expenses, contracted services, payroll and depreciation. Administration expenses were \$3.5 million in FY 2018, \$2.8 million in FY 2017 and \$3.0 million in FY 2016. The FY 2017 \$0.2 million decrease was due to lower Pre-defense costs. The most significant increases in FY 2018 were for insurance services and contracted services. **Insurance services** increased \$0.28 million (167%) in FY 2018 over FY 2017 as a result of the implementation of the Origami claims software and services contract. **Contracted services** increased \$0.23 (92%) in FY 2018. Pre-defense legal costs will fluctuate annually based on member needs. 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.

Management's Discussion and Analysis (cont.)

Non-Operating Income –

Interest income on excess cash invested with the Spokane County Investment Pool (SCIP) was \$0.23 million in FY2018, \$0.16 million in FY 2017 and \$0.12 million in FY 2016. At fiscal year-end 2018, 2017, and 2016, interest rates were 1.77%, 1.00%, and 0.77%, respectively. Both volatility in the Cash and cash equivalents balance during each year and the increasing interest rate have impacted interest income in the last few years.

Change in Equity in the Government Entities Mutual (GEM) is positive \$0.98 million for FY 2018 and is related to the reinstatement of the Pool's initial surplus investment in GEM which was written down in FY 2016. See further discussion in Note 9 – Equity Investment in GEM.

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
Kimberly Millikan, Director of Finance
1610 S. Technology Blvd., Suite 100
Spokane, WA 99224
509-838-0910 or
800-462-8418

Statement of Net Position August 31, 2018 and 2017

	2018	2017
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Current Assets		
Cash and Cash Equivalents	\$ 17,988,711	\$ 15,047,607
Receivables:		
Member Contributions	-	26,557
Accrued Copays/Deductible	115,372	109,247
Accrued Recoverables	993,444	1,015,140
Prepaid Insurance	2,404,317	1,830,889
Other Current Assets	107,259	-
Total Current Assets	21,609,103	18,029,440
Non-Current Assets		
Nondepreciable Capital Assets	1,408,807	1,625,193
Capital Assets (net of depreciation)	3,970,556	4,048,117
Investment in GEM	975,708	-
Total Non-Current Assets	6,355,071	5,673,310
Total Assets	\$ 27,964,174	\$ 23,702,750
Deferred Outflow of Resources		
Deferred Outflow on Pensions	\$ 77,945	\$ 242,745
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 28,042,119	\$ 23,945,495
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Current Liabilities		
Accounts Payable	\$ 97,101	\$ 1,749,407
Payroll/Payroll Taxes Payable	64,336	1,042
Accrued Vacation Payable	174,657	-
Unearned Member Contributions	4,139,447	339,111
Claim Reserves:		
IBNR	3,016,450	1,620,000
Open Claims	1,582,400	1,110,000
Unallocated Loss Adjustment Expense	346,150	270,000
Other Current Liabilities	42,099	-
Total Current Liabilities	9,462,640	5,089,560
Non-Current Liabilities		
Accrued Vacation Payable	47,094	166,532
Claim Reserves:		
IBNR	4,572,155	4,615,855
Open Claims	2,335,278	3,194,804
Unallocated Loss Adjustment Expense	513,119	725,000
Net Pension Liability	667,156	1,039,727
Total Non-Current Liabilities	8,134,802	9,741,918
Total Liabilities	\$ 17,597,442	\$ 14,831,478
Deferred Inflow of Resources		
Deferred Inflow of Pensions	\$ 312,609	\$ 164,941
Net Position		
Investment in Capital Assets	5,379,363	5,673,310
Unrestricted	4,752,705	3,275,766
Total Net Position	\$ 10,132,068	\$ 8,949,076
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 28,042,119	\$ 23,945,495

The accompanying notes are an integral part of this statement.

Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended
August 31, 2018 and 2017

	2018	2017
OPERATING REVENUES:		
Member Contributions	\$ 13,150,970	\$ 12,021,541
Others	10,850	7,110
TOTAL OPERATING REVENUES	13,161,820	12,028,651
OPERATING EXPENSES:		
Incurred Loss and Allocated Loss Adjustment Expenses:		
Claims Paid, net of recoveries	5,470,919	5,274,815
Change in Liabilities for Unpaid Claims	695,624	3,453,879
Unallocated Loss Adjustment Expenses:		
Change in ULAE Reserve	134,269	235,000
Excess/Reinsurance Premiums	3,421,615	3,410,914
Insurance Services and Systems	445,873	167,090
General and Administrative	465,103	467,497
Contracted Services	477,173	248,567
Payroll Expense	1,996,919	1,873,205
Depreciation	77,561	78,000
TOTAL OPERATING EXPENSES	13,185,056	15,208,967
OPERATING INCOME	\$ (23,236)	\$ (3,180,316)
NON-OPERATING REVENUE (EXPENSE):		
Interest and Investment Income	230,520	165,754
Change in Equity in GEM	975,708	-
TOTAL NON-OPERATING REVENUES AND EXPENSES	\$ 1,206,228	165,754
CHANGE IN NET POSITION	1,182,992	(3,014,562)
NET POSITION, beginning of year September 1	8,949,076	11,963,638
NET POSITION, end of year August 31	\$ 10,132,068	\$ 8,949,076

The accompanying notes are an integral part of this statement.

Statement of Cash Flows

For the Fiscal Years Ended August 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Cash received from members and others	\$ 17,030,812	\$ 6,334,117
Cash paid for salaries and benefits	(1,938,509)	(1,873,205)
Cash paid for claims	(5,455,348)	(4,975,015)
Cash paid for excess coverage insurance	(3,995,043)	(3,410,914)
Cash paid for insurance services and systems	(553,132)	(167,090)
Cash paid for contract services	(477,173)	(248,567)
Cash paid for general and administrative expenses	(2,117,409)	(467,496)
Net Cash Flows Provided (Used) by Operating Activities	2,494,198	(4,808,170)
Cash Flows from Capital and Related Financing Activities		
Disposal (Acquisition) of capital assets	216,386	(208,053)
Net Cash Flows Provided (Used) by Capital and Related Activities	216,386	(208,053)
Cash Flows from Investing Activities		
Investment income received	230,520	165,754
Net Cash Flows Provided (Used) by Investing Activities	230,520	165,754
Net Increase (Decrease) in Cash	2,941,104	(4,850,469)
Beginning Cash and Equivalents	15,047,607	19,898,076
Ending Cash and Equivalents	<u>\$ 17,988,711</u>	<u>\$ 15,047,607</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Cash Flows from Operating Activities		
Operating Income (Loss)	\$ (23,236)	\$ (3,180,315)
Adjustments to Reconcile Net Income to Cash		
Provided by Operations:		
Depreciation	77,561	78,000
(Increase) Decrease in:		
Accounts Receivable	26,557	4,119,086
Accrued Recoverables	15,571	333,898
Prepaid Expenses	(573,428)	207,578
Other Current Assets	(107,259)	-
Deferred outflows of resources – pension	164,800	(69,286)
Increase (Decrease) in:		
Accounts Payable	(1,652,306)	1,606,995
Accrued Vacation	55,219	20,002
Unearned Member Contributions	3,800,336	(11,481,438)
Reserve for IBNR	(27,250)	1,988,524
Reserve for Open Claims	722,874	1,465,355
Reserve ULAE	134,269	235,000
Other Current Liabilities	42,099	-
Payroll/Payroll Taxes Payable	63,294	(61)
Net Pension Liability	(372,571)	(251,554)
Deferred inflows of resources – pension	147,668	120,046
Net Cash Provided by Operating Activities	<u>\$ 2,494,198</u>	<u>\$ (4,808,170)</u>
Supplementary Information		
Noncash Financing and Investing Activities		
Change in Equity in GEM	\$ 975,708	\$ -

The accompanying notes are an integral part of this statement.

Notes to the Financial Statements

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, behavioral health organizations, conservation/soil/reclamation districts, cemetery districts, seaport authorities, public facility districts, diking/drainage districts, water conservancy boards, hospital districts, and various consortiums. Enduris had 541 members during the fiscal year ended August 31, 2018.

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 conformity 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 membership claims, and general and administrative expenses. Administrative expenses include: payroll, board and staff expense, broker fees, contracted services, marketing, and general office expenses.

Notes to the Financial Statements (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. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from the estimated amounts.

E. 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, 2018 and 2017, 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).

F. 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. Only the amounts collected in advance are included in unearned revenue and only earned billings were included in accounts receivable.

G. Capital Assets

See Note 5.

H. 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.

Notes to the Financial Statements (continued)

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 appropriate modifiers of past experience. Adjustments to claim liabilities are charged or credited to expense in the periods in which they are made.

I. 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. Only the amounts collected in advance are included in unearned revenue and only earned billings were included in accounts receivable.

J. 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).

K. 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.

L. 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, Aon Global Risk Consulting (Aon). Two methods are used to develop a range from which Aon 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.

M. 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 of service	15 days
3 – 5 years of service	17 days
6 – 9 years of service	20 days
10 and over years of service	25 days

Notes to the Financial Statements (continued)

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.

N. 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.

O. 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.

Notes to the Financial Statements (continued)

Note 2 – Risk Financing Limits

The following table reflects the risk financing limits on coverage policies issued and retained by Enduris on August 31, 2018. 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	25,000 100,000 Emergency Vehicles	1,000,000,000
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.

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, 2018, Enduris had the following coverages:

Notes to the Financial Statements (continued)

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

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, 2018 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 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	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

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

Notes to the Financial Statements (continued)

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, 2018, 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 2018 were \$3,421,615, and during FY 2017 were \$3,410,914. The following amounts were the estimated amounts recoverable from reinsurers that reduced the claim liabilities on the balance sheet at August 31, 2018 and 2017 (FY 2017 reflects corrected amounts compared to those previously reported):

		2018	2017
Open Claim Reserves	\$	1,161,357	1,187,221
IBNR	\$	1,901,402	2,263,584

In FY 2018 and FY 2017 there were no claim settlements, per occurrence or in aggregate, that have exceeded the coverage provided by excess/reinsurance contracts.

Note 4 – Deposits and Investments

Enduris' maintains three bank accounts, all of which are covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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:

		2018	2017
Funds held by Spokane County Treasurer:			
Spokane County Investment Pool (SCIP)	\$	16,345,270	\$ 12,144,975
Deposits in Transit to SPIC		1,500,000	-
Cash in Bank		143,441	2,902,432
Petty Cash		-	200
Total	\$	<u>17,988,711</u>	<u>\$ 15,047,607</u>

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 are 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. The SCIP investment policy in its entirety is available at www.spokanecounty.org.

Notes to the Financial Statements (continued)

Note 5 – Capital Assets

Capital assets activity for the year ended August 31, 2018 was as follows:

	Balance August 31, 2017	Additions and Transfers In	Deletions and Transfers Out	Balance August 31, 2018
Non-depreciable assets:				
Land	\$ 1,374,244	\$ -	\$ -	\$ 1,374,244
Other Assets	34,563	-	-	34,563
R MIS - WIP	216,386	-	216,386	-
	<u>1,625,193</u>	<u>-</u>	<u>216,386</u>	<u>1,408,807</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>6,171,985</u>	<u>-</u>	<u>-</u>	<u>5,955,599</u>
Accumulated depreciation:				
Accumulated depreciation	<u>498,675</u>	<u>77,561</u>	<u>-</u>	<u>576,236</u>
Depreciable assets, net	<u>4,048,117</u>	<u>(77,561)</u>	<u>-</u>	<u>3,970,556</u>
Capital assets, net	<u>\$ 5,673,310</u>	<u>\$ -</u>	<u>\$ 216,386</u>	<u>\$ 5,379,363</u>

Capital asset 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
R MIS - 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>

Notes to the Financial Statements (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 for the building was purchased in February 2010 at a cost of \$802,252. Costs incurred for permanent improvements to the land are included in land costs in the capital assets table. Land Improvements include improvements to land such as parking lots and landscape that do not have indefinite lives.

There were no capital assets purchased in FY 2018. Capital asset purchases during FY 2017 consisted of Risk Management Information System (RMIS) consulting. The Pool entered into a contract for a cloud-based system subscription and it was determined that the costs of implementation as well as on-going costs should be expensed as incurred rather than capitalized. Previous capitalized items are reported as transfers out in FY 2018.

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 ended August 31, 2018 and 2017:

Aggregate Pension Amounts – All Plans			
	2018		2017
Pension liabilities	\$	667,156	\$ 1,039,727
Pension assets		-	-
Deferred outflows of resources	\$	77,945	\$ 242,745
Deferred inflows of resources	\$	312,609	\$ 164,941
Pension expense/expenditures	\$	123,147	\$ 13,307

State Sponsored Pension Plans

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 downloaded from the DRS website at www.drs.wa.gov or obtained by writing to:

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

Notes to the Financial Statements (continued)

Public Employees' Retirement System (PERS)

PERS was established in 1947, and its retirement benefit provisions are contained in Chapters 41.34 and 41.40 PCW. PERS is a cost-sharing, multiple-employer retirement system comprised of three separate pension plans for membership purposes. PERS Plan 1 and PERS Plan 2 are defined benefit plans, and PERS Plan 3 is a defined benefit plan with a defined contribution component.

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 composed and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members.

Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries. Therefore, Plan 2/3 is considered a single plan for accounting purposes.

PERS Plan 1

Plan Membership and Vesting: The plan was closed to new entrants on September 30, 1977. PERS Plan 1 members became vested after the completion of five years of eligible service.

Benefits Provided: PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are calculated as 2% times the member's Average Final Compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 consecutive highest-paid service credit 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.

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), adopted by the Pension Funding Council, and is subject to change by the Legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for fiscal year 2018 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	12.70%	6.00%

Notes to the Financial Statements (continued)

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 Unfunded Actuarial Accrued Liability (UAAL) were \$67,099 for the fiscal year ending August 31, 2018 and \$60,703 for the fiscal year ending August 31, 2017.

PERS Plan 2/3

Plan Membership and Vesting: See PERS members outlined above. PERS Plan 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 five years of service if 12 months of that service was earned after age 44.

Benefits Provided: PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits for Plan 2 are calculated as 2% times the member's Average Final Compensation (AFC) times the member's years of service. Defined benefits for Plan 3 are calculated using 1% times the member's AFC times the member's years of service. AFC is the monthly average of the member's 60 consecutive highest-paid 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 reduced benefit. The benefit 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.

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 Office of the State Actuary (OSA) to fully fund Plan 2 and the defined benefit portion of Plan 3. Each biennium, the state Pension Funding Council adopts the contribution rates, subject to change by the State legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL) and an administrative expense that is currently set at 0.18%.

Notes to the Financial Statements (continued)

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for fiscal year 2018 were as follows:

PERS Plan 2/3			
Actual Contribution Rates	Employer 2/3	Employee 2	Employee 3
PERS Plan 2/3	7.49%	7.38%	Varies
PERS Plan UAAL	5.03%		
Administrative Fee	0.18%		
Total	12.70%	7.38%	Varies

The portion of Enduris' total actual contributions, calculated using the above rates, allocated to PERS Plan 2 and the administrative fee was \$98,902 for the year ended August 31, 2018; \$93,960 for the year ended August 31, 2017. 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 \$21,697 and \$26,807 for the years ended August 31, 2018 and 2017, respectively.

Actuarial Assumptions for PERS Plan 1 and PERS Plan 2/3

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2018, with a valuation date of June 30, 2017. The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the *2017 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2017 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2018. Plan liabilities were rolled forward from June 30, 2017, to June 30, 2018, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

PERS Plan 2/3	
Inflation	2.75% total economic inflation, 3.5% salary inflation
Salary Increases	In addition to the base 3.5% salary inflation assumption, salaries are also expected to grow by promotions and longevity
Investment Rate of Return	7.4%

Mortality rates were based on the *RP-2000 report's Combined Healthy Table and Combined Disabled Table*, which is 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% 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 changes in methods and assumptions since the last valuation for the relevant Plans:

- Lowered the valuation interest rate from 7.7% to 7.5%
- Lowered the assumed general salary growth from 3.75% to 3.5%
- Lowered assumed inflation from 3.0% to 2.75%

Notes to the Financial Statements (continued)

Discount Rate: The discount rate used to measure the total pension liability was 7.4%. To determine that rate, an asset sufficiency test was completed to test whether the pension plan's fiduciary net position was sufficient to make all projected future benefit payments of current plan members. Consistent with current law, the completed asset sufficiency test included an assumed 7.5% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.4% future investment rate of return on invested assets was assumed for the test.

Contributions from plan members and employers were assumed to continue being made at contractually required rates. Based on these assumptions, the pension plan's 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 7.4% on pension plan investments was applied to determine the total pension liability.

Long-Term Expected Rate of Return: The OSA selected a 7.4% long-term expected rate of return on the DRS pension plan investments using a building-block-method. In selecting this assumption, the OSA reviewed historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMAs) and simulated expected investment returns provided by the Washington State Investment Board (WSIB).

The CMAs contain three pieces of information for each class of assets the WSIB currently invests in:

- Expected annual return
- Standard deviation of the annual return
- Correlations between the annual returns of each asset class with every other asset class

The WSIB uses the CMAs and their target asset allocation to simulate future investment returns over various time horizons. The expected future rates of return (expected returns, net of pension plan investment expense, including inflation) are developed by the WSIB for each major asset class.

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, 2018, are summarized in the table below. The inflation component used to create the table was 2.20% 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	7%	4.90%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
Total	100%	

Notes to the Financial Statements (continued)

Sensitivity of Net Pension Liability (NPL) to Changes in the Discount Rate: The following table presents Enduris' proportionate share of the net pension liability, as of June 30, 2018, calculated using the discount rate of 7.4%, 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 (6.4%) or 1-percentage point higher (8.4%) than the current rate.

Sensitivity of NPL				
		1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS Plan 1	\$	550,993	\$	448,300
PERS Plan 2/3	\$	1,001,052	\$	218,856
				359,400
				(422,458)

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:

Enduris reported a total pension liability of \$667,156 as of August 31, 2018 and \$1,039,727 as of August 31, 2017 for its proportionate share of the net pension liabilities as follows:

Net Pension Liabilities	2018		2017	
PERS Plan 1	\$	448,300	\$	535,435
PERS Plan 2/3	\$	218,856	\$	504,292
Total	\$	667,156	\$	1,039,727

As of June 30, 2018, Enduris' proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/18	Proportionate Share 6/30/17	Change in Proportion
PERS Plan 1	.010038%	.011284%	(.001246)%
PERS Plan 2/3	.012818%	.014514%	(.001696)%

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.

The collective net pension liability (asset) was measured as of June 30, 2018, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2017, with update procedures used to roll forward the total pension liability to the measurement date.

Notes to the Financial Statements (continued)

Pension Expense

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

Pension Expense		2018	2017
PERS Plan 1	\$	39,765	\$ 33,422
PERS Plan 2/3	\$	58,996	\$ 70,121
Administration Fee	\$	2,689	\$ 2,661
In Lieu of PERS	\$	21,697	\$ 26,807
Total	\$	123,147	\$ 133,011

Deferred Outflows of Resources and Deferred Inflows of Resources:

At August 31, 2018, 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	\$	\$ 17,815
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$ 12,953	\$
Total	\$ 12,953	\$ 17,815

PERS Plan 2	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,826	\$ 38,318
Net difference between projected and actual investment earnings on pension plan investments	\$	\$ 134,300
Changes of assumptions	\$ 2,560	\$ 56,135
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 16,319	\$ 66,041
Contributions subsequent to the measurement date	\$ 19,287	\$
Total	\$ 64,992	\$ 294,794

PERS Plans 1 and 2 Combined	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 26,826	\$ 38,318
Net difference between projected and actual investment earnings on pension plan investments	\$	\$ 152,115
Changes of assumptions	\$ 2,560	\$ 56,135
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 16,319	\$ 66,041
Contributions subsequent to the measurement date	\$ 32,240	\$
Total	\$ 77,945	\$ 312,609

Notes to the Financial Statements (continued)

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	\$	186,261	\$
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	\$	186,261	\$
Total	\$	242,745	\$ 164,941

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, 2019. 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, 2018					
		PERS Plan 1		PERS Plan 2	Total
2019	\$	779	\$	(33,138)	\$ (32,359)
2020	\$	(3,895)	\$	(51,834)	\$ (55,729)
2021	\$	(11,686)	\$	(88,502)	\$ (100,188)
2022		(3,014)	\$	(36,739)	\$ (39,753)
2023		-	\$	(17,565)	\$ (17,565)
Thereafter		-	\$	(27,460)	\$ (27,460)
Total	\$	17,815	\$	(255,238)	\$ (273,054)

Notes to the Financial Statements (continued)

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. The monthly allowance was \$1,900 in FY 2018 and \$1600 in FY 2017.

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, 2018 and 2017.

	2018	2017
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$ 11,535,659	\$ 7,846,780
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	7,254,000	7,062,145
Changes in provision for insured events of prior fiscal years	(1,087,457)	1,666,549
Changes in ULAE	134,269	235,000
Total incurred claims and claim adjustment expenses	6,300,812	8,963,694
Payments:		
Claims and claim adjustment expense attributable to insured events of the current fiscal year	2,194,984	2,267,463
Claims and claim adjustment expense attributable to insured events of the prior fiscal years	3,275,935	3,007,353
Total payments	5,470,919	5,274,816
Total unpaid claims and claim adjustment expenses at the end of the fiscal year	\$ 12,365,552	\$ 11,535,659
Claims Reserves	\$ 3,917,678	\$ 3,194,804
Claims IBNR	7,588,605	7,615,855
ULAE – Administrative Run Off	859,269	725,000
Unpaid claim and claim adjustment expense	\$ 12,365,552	\$ 11,535,659

Note 9 – Equity Investment in 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 \$975,708 Initial Surplus Contribution and committed to a minimum 5-year membership. As a member of GEM, Enduris participates in the profits and/or losses of GEM via an Additional Surplus account and has certain voting privileges. GEM's annual report can be reviewed on their website www.gemre.com.

In fiscal year 2016, Enduris management concluded that the possibility of the return of the balance of the Pool's equity in GEM was remote so the equity in GEM was written down to zero. In fiscal year 2018 this decision was reviewed. It was determined that the Initial Surplus Contribution should be reported as a Non-Current Asset by the Pool as the probability of successfully withdrawing the investment has changed from low to highly probable. Since 2016 GEM has updated its "Member Surplus Contribution and Withdrawal Policy" to allow for any founding member the right to choose to withdraw its Initial Surplus Contribution and any required Additional Contributions

Notes to the Financial Statements (continued)

from GEM after the minimum initial five-year membership period. Any withdrawal must be approved by GEMS's Board of Directors and is subject to the approval of the Department of Insurance, Securities and Banking of Washington D.C. and must occur no later than five years from the date of notice of withdrawal. Since 2016 two members have requested and are in the process of receiving a return of their Surplus Contributions.

In addition, GEM's financial position has stabilized, and the Company is no longer procuring reinsurance on a facultative basis. In late 2015 the Company entered into a treaty reinsurance agreement, which provides protection to the Company for all assumed general and auto liability coverage.

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 have the option to contribute in excess of 6.2% on an after-tax basis. 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 \$126,891 for FY 2018 and \$106,928 for FY 2017.

Note 11 – Compensated Absences

Comensated absences payable totaled \$221,751 and \$166,532 at August 31, 2018 and 2017, respectively. For FY 2018 the estimated compensated balance payable within 1 year is \$174,657.

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	8/31/2018	8/31/2017
Primary Asset Test:		
Primary Assets	\$ 12,756,820	\$ 11,830,000
Unpaid Claims – Expected Level	12,365,552	11,536,000
Margin [(1) – (2)]	\$ 391,268	\$ 294,000
Test 1 Result	PASS	PASS
Test 2		
Primary and Secondary Test:		
Secondary Assets	\$ 9,975,464	\$ 8,655,000
Primary and Secondary Assets	22,732,284	20,485,000
Unpaid Claims – 80%/70% Confidence Level	15,931,746	16,894,000
Margin [(6) – (7)]	\$ 6,800,538	\$ 3,591,000
Test 2 Result	PASS	PASS

Ten Year Claim Development Information

The Schedule of Claim Development, Earned Contributions and Unallocated Expenses 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 re-estimated 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 re-estimation 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 re-estimated 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 re-estimated 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 Contributions and Unallocated Expenses for the Years Ended August 31, 2008 through August 31, 2018

(in thousands of dollars \$'000)

Fiscal and Policy Year Ended:	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
1 Gross Earned Member Contributions and Investment Revenue										
Ceded	\$ 13,392	\$ 12,194	\$ 10,764	\$ 9,852	\$ 9,141	\$ 8,935	\$ 8,565	\$ 8,212	\$ 8,091	\$ 7,618
Net Earned	3,422	3,411	3,025	2,573	2,379	2,069	1,844	1,707	1,851	1,794
	9,971	8,783	7,740	7,279	6,761	6,866	6,721	6,505	6,241	5,824
2 Unallocated Operating Expenses	3,597	3,069	3,018	2,833	2,742	2,750	2,545	2,307	2,052	2,266
3 Estimated Losses and Expenses end of accident year:										
Incurred	8,859	8,262	4,764	5,579	3,299	5,682	4,535	4,879	4,189	2,678
Ceded*	1,605	1,200	526	1,288	595	1,985	947	1,413	1,109	-
Net Incurred	7,254	7,062	4,238	4,291	2,704	3,698	3,588	3,466	3,080	2,678
4 Cumulative paid as of:										
End of policy year	1,723	2,268	1,300	1,475	795	976	968	1,169	675	603
One year later		2,999	2,341	3,234	1,475	2,585	1,862	1,565	1,657	901
Two years later			3,138	4,199	1,848	2,870	2,548	1,902	2,009	1,215
Three years later				3,711	1,963	3,455	3,013	1,976	2,059	1,341
Four years later					1,866	4,060	3,209	2,111	2,100	1,523
Five years later						3,845	3,230	2,111	2,283	1,630
Six years later							2,811	2,136	2,308	1,630
Seven years later								1,980	2,342	1,629
Eight years later									2,169	1,726
Nine years later										1,723
5 Re-estimated Ceded Losses and Expenses:	1,605	1,495	1,032	2,702	815	3,725	596	640	504	1,439
6 Re-estimated Incurred Claims:										
End of policy year	7,254	7,062	4,238	4,291	2,704	3,698	3,588	3,468	3,080	2,678
One year later		6,185	5,165	5,149	2,585	4,088	2,314	3,054	3,278	2,419
Two years later			5,332	5,488	2,578	4,060	3,441	2,819	3,122	2,015
Three years later				6,977	2,633	4,173	3,657	2,693	2,672	1,949
Four years later					2,330	4,606	3,641	2,473	2,585	1,801
Five years later						4,489	3,502	2,316	2,712	1,783
Six years later							3,493	2,266	2,593	1,737
Seven years later								2,136	2,557	1,685
Eight years later									2,355	1,759
Nine years later										1,725
7 Increase (decrease) in Estimated Net Incurred Claims and Expenses From End of Policy Year:	-	(877)	1,094	2,686	(374)	791	(95)	(1,330)	(725)	(953)

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

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	
	2018	2017	2018	2017
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$ 9,126,182	\$ 6,882,935	\$ 2,409,477	\$ 963,845
Incurred claims and claim adjustment expenses:				
Provision for insured events of the current fiscal year	4,397,000	4,117,161	2,857,000	2,944,984
Changes in provision for insured events of prior fiscal years	(1,754,596)	1,276,545	667,139	390,004
Changes in ULAE	419,488	235,000	(285,219)	-
Total incurred claims and claim adjustment expenses	3,061,892	5,628,706	3,238,920	3,334,988
Payments:				
Claims and claim adjustment expense attributable to insured events of the current fiscal year	428,128	694,763	1,766,856	1,572,700
Claims and claim adjustment expense attributable to insured events of the prior fiscal years	618,334	2,328,197	2,657,601	679,156
Total payments	1,046,462	3,022,959	4,424,457	2,251,856
Total unpaid claims and claim adjustment expenses at the end of the fiscal year	\$ 11,141,612	\$ 9,488,682	\$ 1,223,940	\$ 2,046,977
Claims Reserves	3,671,832	2,112,090	245,846	\$ 1,082,714
Claims IBNR	6,691,360	6,651,592	897,245	964,263
ULAE – Administrative Run Off	781,988	725,000	77,281	-
Unpaid claim and claim adjustment expense	\$ 11,145,180	\$ 9,488,682	\$ 1,220,372	\$ 2,046,977

Schedule of Proportionate Share of the Net Pension Liability (Last 10 Fiscal Years*)

PERS Plan 1 As of June 30	2018	2017	2016	2015	2014	2013
Employer's proportion of the net pension liability (asset)	0.010038%	0.011284%	0.010931%	0.011230%	0.011413%	0.011149%
Employer's proportionate share of the net pension liability	\$ 448,300	\$ 535,435	\$ 587,046	\$ 581,836	\$ 574,925	\$ 651,464
Employer's covered payroll	\$ 1,339,990	\$ 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	33.46%	41.92%	44.56%	45.63%	45.34%	53.06%
Plan fiduciary net position as a percentage of the total pension liability	63.22%	61.24%	57.03%	59.10%	61.19%	*

PERS Plan 2 As of June 30	2018	2017	2016	2015	2014	2013
Employer's proportion of the net pension liability (asset)	0.012818%	0.014514%	0.013987%	0.014373%	0.014694%	0.014847%
Employer's proportionate share of the net pension liability	\$ 218,856	\$ 504,292	\$ 704,234	\$ 513,555	\$ 297,019	\$ 633,969
Employer's covered payroll	\$ 1,339,990	\$ 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	16.33%	39.48%	53.45%	40.27%	23.42%	51.63%
Plan fiduciary net position as a percentage of the total pension liability	95.77%	90.97%	85.82%	89.20%	93.29%	*

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

See Notes to Required Supplementary Information

Schedule of Employer Contributions (Last 10 Fiscal Years*)

PERS Plan 1 ** As of August 31		2018	2017	2016	2015	2014	2013
Statutorily or contractually required contributions (for UAAL portion only)		\$ 68,111	\$ 71,941	\$ 65,476	\$ 52,490	\$ 50,571	\$ 32,151
Contributions in relation to the statutorily or contractually required contributions		(68,111)	(71,941)	(65,476)	(52,490)	(50,571)	(32,151)
Contribution deficiency (excess)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employer payroll (for UAAL only)		\$ 1,357,671	\$ 1,272,609	\$ 1,385,369	\$ 1,280,988	\$ 1,265,764	\$ 1,243,482
Contributions as a percentage of covered employee payroll		5.0%	5.7%	4.7%	4.1%	4.0%	2.6%
PERS Plan 2 As of August 31		2018	2017	2016	2015	2014	2013
Statutorily or contractually required contributions (for UAAL portion only)		\$ 100,822	\$ 67,874	\$ 85,364	\$ 66,176	\$ 62,266	\$ 58,632
Contributions in relation to the statutorily or contractually required contributions		(100,822)	(67,874)	(85,364)	(66,176)	(62,266)	(58,632)
Contribution deficiency (excess)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employer payroll (for UAAL only)		\$ 1,357,671	\$ 1,272,609	\$ 1,385,369	\$ 1,280,988	\$ 1,265,764	\$ 1,243,482
Contributions as a percentage of covered employee payroll		7.4%	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 which information is available.

** 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.

See Notes to Required Supplementary Information

Notes to Required Supplementary Pension Information

5. Notes to Required Supplementary Pension 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, 2018 valuation date, completed in the fall of 2018, determines the ADC for the period beginning July 1, 2018, 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, 2018, and ending July 30, 2017, 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 in Note 6 – Pension Plans in the Notes to the Financial Statements.

Department of Enterprise Services (DES) Schedule of Expenses For the Year Ended August 31, 2018 and 2017

	2018	2017
CLAIMS:		
Claims Paid	\$ 5,470,919	\$ 5,274,815
Increase (Decrease) in reserves for IBNR	(27,250)	1,988,524
Increase (Decrease) in reserves for Open Claims	722,874	1,465,355
Increase (Decrease) in reserves for ULAE	134,269	235,000
TOTAL CLAIMS	\$ 6,300,812	\$ 8,963,694
EXCESS/REINSURANCE:		
Excess Liability	\$ 1,141,478	\$ 1,180,152
Property	2,280,137	2,230,762
TOTAL EXCESS/REINSURANCE	\$ 3,421,615	\$ 3,410,914
GENERAL AND ADMINISTRATIVE:		
Member services and education	\$ 79,997	\$ 116,345
Marketing, retention and risk management	46,697	61,166
Staff travel, conferences and education	78,768	96,277
Board expenses, travel and education	34,090	10,155
Consultant travel	8,042	3,925
Office supplies and printing	15,232	15,234
Telephone	17,380	15,608
Postage and delivery	12,949	10,348
Dues and subscriptions	20,846	16,108
Office and building equipment	2,091	4,778
Maintenance and repairs	82,281	54,655
Utilities	51,189	41,230
Vehicle	1,869	3,242
Interest	6,893	8,425
Bank charges	5,223	5,337
Miscellaneous	1,556	4,664
TOTAL GENERAL AND ADMINISTRATIVE	\$ 465,103	\$ 467,497
DEPRECIATION:		
Depreciation	\$ 77,561	\$ 78,000
TOTAL DEPRECIATION	\$ 77,561	\$ 78,000
INSURANCE SERVICES:		
Actuarial study	\$ 12,332	\$ 33,190
Broker fees	133,899	133,900
Claims system	299,642	-
TOTAL INSURANCE SERVICES	\$ 445,873	\$ 167,090
PAYROLL:		
Salaries and wages	\$ 1,451,799	\$ 1,484,434
Payroll taxes	33,273	28,813
Pension	123,147	(13,337)
Employee benefits	388,700	373,295
TOTAL PAYROLL	\$ 1,996,919	\$ 1,873,205
CONTRACTED SERVICES:		
Legal		
Services	\$ 115,919	\$ 99,441
Municipal research and services center	115,031	56,870
Pre-defense/Pre-defense investigation	68,244	30,577
Financial audit	12,792	12,441
Claims audit	10,750	10,750
State risk management fees	5,860	11,720
Administration and support services	113,424	300
Information technology services	19,103	17,176
Consulting and other	16,050	9,291
TOTAL CONTRACTED SERVICES	\$ 477,173	\$ 248,567
TOTAL OPERATING EXPENSES	\$ 13,185,056	\$ 15,208,967

Enduris Membership

4 Culture	Black Diamond Water District	Columbia Conservation District
Adams Conservation District	Blalock Orchards Water District #12	Columbia Irrigation District
Adams County FPD #6	Brewster Flat Irrigation District	Columbia Mosquito Control District
Adams County Mosquito Control District	Bridgeport Irrigation District #1	Community Connectivity Consortium
Adams County Noxious Weed Board	Burbank Irrigation District #4	Coulee Area Park & Rec Dist
Adams County Park & Recreation Board #2	Camano Island Mosquito Control District #1	Cowlitz Conservation District
Adams County Park & Recreation District #4	Capital Area Regional Public Facilities District	Cowlitz County Cemetery District #2
Adams County Park District #1	Carnhope Irrigation District #7	Cowlitz County -Lewis County FPD #20
Adams County Parks & Recreation District #3	Cascade Irrigation District	Cowlitz County Mosquito Control District
Adams County Weed District #1	Cascade Valley Water District	Cowlitz County Public Facilities District
Admiral's Cove Water District	Cascadia Conservation District	Cowlitz Skamania County FPD #7
Aging & Adult Care of Central Washington	Cattle Point Water District	Crockett Lake Water District
Aging & Long-Term Care of Eastern Washington	Cemetery District #6 of Clark County	Crystal Mountain Sewer District
Agnew Irrigation District	Central Kitsap Fire and Rescue	Darrington Fire Department District #24
Ahtanum Irrigation District	Central Klickitat Conservation District	Diamond Lake Water & Sewer District
Alta Vista Irrigation District	Central Klickitat County Park & Recreation District	Douglas Co Cemetery District #2
Anderson Island Fire & Rescue	Central Mason Fire & EMS	Douglas Co Sewer District #1
Anderson Island Park & Recreation District	Central Skagit Rural Library District	Douglas County Fire District #4
Ashford Water District	Chelan Co Fire District #10	Douglas County FPD #3
Asotin County Conservation District	Chelan County Cemetery District #1	Douglas Okanogan County FPD #15
Asotin County FPD #1	Chelan County Cemetery District #4	Drayton Watershed Impr Dist
Asotin County Health District	Chelan County Fire District #8	Dungeness Irrigation District
Asotin County Library	Chelan County FPD #6	Duvall - King County FPD #45
Badger Mountain Irrigation District	Chelan Falls Irrigation District	East County Park & Recreation District
Bainbridge Island Fire Department	Chelan Falls Water District	East Lewis County Public Development Authority
Bainbridge Island Park & Recreation District	Chelan River Irrigation District	East Wenatchee Water District
Bayview Beach Water District	Chelan-Douglas Health District	Eastern Klickitat Conservation District
Benton Clean Air Authority	Chinook Water District	Eastmont Metropolitan Park District
Benton Co FPD #1	City of Kent Special Events Center PFD	Eastside/Westside Irrigation District
Benton Co FPD #2	Clallam Conservation District	Eastsound Sewer & Water District
Benton Co FPD #4	Clallam County FPD #1	Edmonds Public Facilities District
Benton Co Noxious Weed Control Bd	Clallam County FPD #3	Entiat Irrigation District
Benton Co Weed District #1	Clallam County FPD #4	Everett Public Facilities District
Benton Conservation District	Clallam County FPD #5	Fall City Metropolitan Park District
Benton County FPD #5	Clallam County FPD #6	Ferry Co #3/Stevens Co #8 Joint Fire Protection District
Benton County FPD #6	Clallam County Park & Recreation District #1	Ferry Conservation District
Benton County Mosquito Control District #1	Clark Co Cemetery Dist #4	Ferry County EMS District #1
Benton Franklin Health District	Clark Co Cemetery Dist #5	Fidalgo Pool & Fitness Center District
Benton Irrigation District	Clark Co Diking District #14	Fort Worden PDA
Benton-Franklin Council of Governments	Clark Conservation District	Foss Waterway Development Authority
Bertrand Watershed Improvement District	Clark County Fire District #3	Foster Creek Conservation District
	Clark County FPD #13	Four Lakes Water District
	Clark County Mosquito Control District	Franklin Co Irrigation District
	Clark County Public Facilities District	Franklin Conservation District
	Clear Lake Water District	Franklin County Emergency Management
	Cline Irrigation District	Franklin County FPD #3
	Colfax Cemetery District #6	Franklin County Mosquito Control
	Columbia Co Rural Library	Freeland Water District

Enduris Membership

Grant County Conservation District	King County Cemetery District #1	Lincoln County Conservation District
Grant County FPD #10	King County Drainage District #7	Lincoln County FPD #6
Grant County FPD #11	King County Law Library	Lincoln County FPD #9
Grant County FPD #12	King County Water District #1	Lincoln County Noxious Weed Control Board
Grant County FPD #7	King County Water District #111	Lincoln County Park & Recreation District #2
Grant County FPD #8	Kiona Irrigation District	Lincoln County Park & Recreation District #3
Grant County Health District	Kitsap Conservation District	Lincoln-Adams County FPD #3
Grant County Hospital District #7	Kitsap County Health District	Loon Lake Sewer District #4
Grant County Mosquito Control District #1	Kitsap County Health District - sub-entity	Lopez Island Library District
Grant County Mosquito Control District #2	Kitsap Public Facilities District	Lopez Island Solid Waste District
Grant County Port District #4	Kitsap Readiness Center Joint Management Group	Lower Columbia Fish Recovery Board
Grant County Port District #5	Kittcom	Lynnwood Public Facilities District
Grant County Port District #6	Kittitas County Conservation District	Main Street Sewer District
Grant County Port District #7	Kittitas County FPD #7	Manchester Water District
Grays Harbor Conservation District	Kittitas County FPD #8	Manson Park & Recreation District
Grays Harbor County FPD #1	Kittitas County Water District #4	Marshland Flood Control District
Grays Harbor County FPD #10	Kittitas County Water District #6	Mason Conservation District
Grays Harbor County FPD #12	Kittitas County Weed District #5	Mason County FPD #1
Grays Harbor County FPD #15	Kittitas Park & Rec District #1	Mason County FPD #11
Grays Harbor County FPD #2	Klickitat County FPD #1	Mason County FPD #17
Grays Harbor County Public Facilities District	Klickitat County FPD #11	Mason County FPD #6
Grays Harbor County Water District #1	Klickitat County FPD #13	McKenna Water District
Grays Harbor FPD #17	Klickitat County FPD #14	Methow Valley Irrigation District
Grays Harbor Historical Seaport Authority	Klickitat County FPD #3	Methow-Okanogan Reclamation District
Great Rivers BHO	Klickitat County FPD #4	Midway Sewer District
Greater Bar Water District	Klickitat County Port District	Model Irrigation District #18
Greater Columbia Behavioral Health	Klickitat EMS	Mukilteo Water District
Greater Wenatchee Irrigation District	La Conner Regional Library	Naches Park & Recreation District #1
Greater Wenatchee Regional Events Center PFD	Lagoon Point Water District	North Beach Public Water
Hangman Hills Water District #15	Lake Chelan Reclamation District	North City Water District
Helensdale Irrigation District	Lake Chelan Sewer District	North Country Emergency Medical Service
Highland Irrigation District	Lake Forest Park Water District	North Lynden Watershed Improvement District
Highland Water District	Lake Stevens Fire Dist	North Olympic Library System
Highline Water District	Lake Wenatchee Fire & Rescue	North Sound Regional Support Network
Hutchinson Irrigation District #16	Laurel Watershed Impr Dist	North Yakima Conservation District
Hydro Irrigation District #9	Leavenworth Mosquito Control District	Northeast Tri County Health District
Icicle Irrigation District	Ledgewood Beach Water District	Northwest Clean Air Agency
Inchelium Water District	Lenora Water & Sewer	Northwest Park & Recreation District #2
Intercounty Weed District #51	Lewis Co Cemetery Dist #2	Oakesdale Park & Recreation District #4
Intercounty Weed District #52	Lewis Co Flood District #1	Odessa Public Development Authority
Isenhart Irrigation District	Lewis Co FPD #8	Okanogan Conservation District
Island Co Diking District #2	Lewis County Cemetery District #1	Okanogan County FPD #10
Island Co Emergency Services Comm Center	Lewis County Conservation District	Okanogan County FPD #11
Island County Diking District #1	Lewis County FPD #13	Okanogan County FPD #12
Jefferson County Conservation District	Lewis County FPD #2	Okanogan County FPD #2
Key Peninsula Metropolitan Park District	Lewis County FPD #5	
King Co Drainage District #1	Lewis County Public Facilities District	
King Co Water District #119	Lewis County Water & Sewer District #6	
King Conservation District	Lewis-Mason-Thurston Area Agency on Aging	
	Liberty Lake Sewer District	

Enduris Membership

Okanogan County FPD #7	Port of Dewatto	San Juan Conservation District
Okanogan County FPD #8	Port of Douglas County	San Juan County Fire District #4
Okanogan County Public Health	Port of Edmonds	San Juan Island Library District
Okanogan County Rural FPD #6	Port of Eglon	San Juan Island Park & Recreation District
Okanogan Irrigation District	Port of Friday Harbor	Scatchet Head Water District
Olympic Region Clean Air Agency	Port of Garfield	SE WA ALTC Council of Governments
Orcas Island Library District	Port of Grandview	Seaview Sewer District
Orcas Island Park & Rec District	Port of Grapeview	Selah and Moxee Irrigation District
Oroville Tonasket Irrigation District	Port of Grays Harbor	Silver Lake Flood Control District
Pacific Co FPD #1	Port of Hoodspport	Silverdale Water District #16
Pacific Conservation District	Port of Illahee	Skagit Co Cemetery District #1
Pacific County Drainage District #1	Port of Ilwaco	Skagit Co Dike & Drainage Dist #5
Pacific County Fire District #6	Port of Indianola	Skagit Co Drainage & Irrigation Dist #17
Pacific County FPD #2	Port of Kahlotus	Skagit Co FPD #15
Pacific County FPD #4	Port of Keyport	Skagit Co FPD #7
Palouse Conservation District	Port of Kingston	Skagit Conservation District
Palouse-Rock Lake Conservation District	Port of Lopez	Skagit County Consolidated Diking District #22
Pangborn Memorial Airport	Port of Manchester	Skagit County Dike District #17
Pend Oreille Cemetery District #1	Port of Mattawa	Skagit County Drainage and Irrigation District #15
Pend Oreille Co FPD #8	Port of Olympia	Skagit County Drainage District #19
Pend Oreille Co Hospital Dist	Port of Orcas	Skagit County FPD #12
Pend Oreille Co Library	Port of Othello	Skagit County FPD #13
Pend Oreille Conservation District	Port of Pasco	Skagit County FPD #16
Pend Oreille County FPD #2	Port of Pend Oreille	Skagit County FPD #17
Pend Oreille County FPD #4	Port of Peninsula	Skagit County FPD #4
Pend Oreille County FPD #6	Port of Port Townsend	Skagit County FPD #5
Pend Oreille FPD #5	Port of Poulsbo	Skagit County FPD #9
Peninsula Metropolitan Park District	Port of Ridgefield	Skagit County PUD #1
Penn Cove Water & Sewer District	Port of Royal Slope	Skagit County Regional Public Facilities District
Peshastin Irrigation District	Port of Shelton	Skamania County Cemetery District #1
Pierce Co Drainage Dist #10	Port of Silverdale	Skamania County FPD #5
Pierce Co FPD #18	Port of Skagit County	Skamania County FPD #6
Pierce Co FPD #21/Graham Fire	Port of Skamania County	Skamania County Mosquito Control District
Pierce Co FPD #23	Port of Tracyton	Snohomish Co Drainage & Improvement District #13
Pierce Conservation District	Port of Walla Walla	Snohomish Co Hospital District #2
Pine Creek Conservation District	Port of Waterman	Snohomish Conservation District
Pomeroy Conservation District	Port of Whitman County	Snohomish County Diking District #1
Port of Benton	Port of Willapa Harbor	Snohomish County FPD #25
Port District of South Whidbey Island	Port of Woodland	Snohomish County Public Facilities District
Port Ludlow Drainage District	Poulsbo Fire Department	Snohomish Health District
Port of Allyn	Puget Sound Clean Air Agency	Snoqualmie Valley Watershed Improvement District
Port of Benton	Quillayute Valley Park & Recreation District	Soos Creek Water & Sewer
Port of Brownsville	Renton Regional Fire Authority	South Bay Fire Dept
Port of Camas-Washougal	Republic Public Development Authority	South Douglas Conservation District
Port of Centralia	Richland Public Facilities District	
Port of Chehalis	Sacheen Lake Sewer & Water District	
Port of Chelan County	Salish BHO	
Port of Chinook	Samish Water District	
Port of Clarkston	San Juan Cemetery District #3	
Port of Columbia	San Juan Cemtry District #1	
Port of Coupeville		

Enduris Membership

South King Fire & Rescue
South Kitsap Fire and Rescue
South Lynden Watershed Impr Dist
South Pen Oreille Fire & Rescue
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 County Waster Distract #3
Spokane Aquifer Joint Board
King County Water District #49
West Benton Fire Rescue
Grant County FPD#3
Underwood Park & Recreation District
King County Water District #20
Skagit Co Dike, Drainage & Irrig District #25
Wahkiakum Co Diking/Drainage District #1
Orcas Island Health Care District
West Plains/Airport Area PDA
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 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
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 Conservation District
Whitman County FPD #5
Whitman County FPD #6
Whitman County FPD #8
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 program.

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