



Office of the Washington State Auditor  
Pat McCarthy

# Financial Statements Audit Report

## Enduris Washington

For the period September 1, 2018 through August 31, 2020

*Published May 6, 2021*

Report No. 1028230



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

May 6, 2021

Board of Directors  
Enduris Washington  
Spokane, Washington

**Report on Financial Statements**

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

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

Sincerely,

Pat McCarthy  
State Auditor  
Olympia, WA

***Americans with Disabilities***

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## INDEPENDENT AUDITOR'S REPORT

### 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, 2018 through August 31, 2020**

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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements, and have issued our report thereon dated April 22, 2021.

As discussed in Note 1 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Pool is unknown. Management's plans in response to this matter are also described in Note 1.

### **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

April 22, 2021

# INDEPENDENT AUDITOR'S REPORT

## Report on the Financial Statements

### **Enduris Washington September 1, 2018 through August 31, 2020**

Board of Directors  
Enduris Washington  
Spokane, Washington

## **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of Enduris Washington, as of and for the years ended August 31, 2020 and 2019, 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.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Enduris Washington, as of August 31, 2020 and 2019, 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.

## **Matters of Emphasis**

As discussed in Note 1 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Pool is unknown. Management's plans in response to this matter are also described in Note 1. Our opinion is not modified with respect to this matter.

## **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 taken as a whole. The Department of Enterprise Services (DES) Schedule of Expenses and the List of Participating Members are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance of it.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 22, 2021 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

April 22, 2021

## **FINANCIAL SECTION**

### **Enduris Washington September 1, 2018 through August 31, 2020**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2020 and 2019

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2020 and 2019

Statement of Revenues, Expenses and Changes in Net Position – 2020 and 2019

Statement of Cash Flows – 2020 and 2019

Notes to the Financial Statements – 2020 and 2019

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Ten-Year Claim Development Information – 2020 and 2019

Comparative Schedule of Claim Development, Earned Contributions and Unallocated Expenses – 2020 and 2019

Reconciliation of Claim Liabilities by Type of Contract – 2020 and 2019

Schedule of Proportionate Share of Net Pension Liability – PERS 1, PERS 2 – 2020 and 2019

Schedule of Employer Contributions – PERS 1, PERS 2 – 2020 and 2019

Notes to Pension Required Supplementary Information – 2020 and 2019

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Department of Enterprise Services (DES) Schedule of Expenses – 2020 and 2019

List of Participating Member – 2020



## Management's Discussion and Analysis

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Enduris is a risk pool in the state of Washington for local government and special purpose districts, with 547 members in fiscal 2020 representing 17 entity types and operating in each of the 38 counties in the state. The mission of Enduris is to provide financial protection, broad coverage, and risk management services responsive to members' needs. Members "pool" resources to share risk and reduce cost. By blending the risk exposures of a diverse membership and combining member total insured values, Enduris secures excess/reinsurance above the Pool's self-insured retentions from the commercial market on a more cost-effective basis. As the risk management arm of its members, the Pool manages claims and provides a broad array of in-depth loss control services, training, and risk consultation.

This discussion and analysis provide an overview of financial activities of Enduris (Enduris or the Pool) for the fiscal years ended August 31, 2020 and 2019. Please read it in conjunction with the financial statements, notes to financial statements, and required supplementary information included in this report.

The prior period fiscal 2018 and 2019 financial statement information has been retroactively restated to correct an error related to the misapplication of accounting standards for the Pool's investment in Government Entities Mutual, Inc., PCC (GEM). Enduris previously accounted for the Pool's investment in GEM using the cost method of accounting. Because of new guidance provided by the State Auditor's Office (SAO) in the BARS GAAP Manual during 2020, Enduris identified this error and corrected the financial statements to reflect the equity method of accounting for GEM. For more information, see Note 1 - Prior Period Adjustments and Note 6 - Investment in GEM.

### Financial Highlights

- Enduris' overall financial position improved during both years; the net position increased by \$4.2 million in fiscal 2020 and \$3.3 million in fiscal 2019.
- The Pool's increase in member contributions was \$2.2 million and \$2.0 million in 2020 and 2019, respectively. Enduris' membership is stable. The increase was driven by the significant organic growth in member exposures and coverage rate increases of 8%.
- Operating expenses increased by \$1.7 million in 2020 after declining by \$0.7 million in 2019. The volatility is primarily related to claims expense, reflecting adjustments to the actuarial estimates of ultimate losses.
- Reinsurance costs are increasing, and we are experiencing a hard commercial insurance market for the first time in over 20 years.
- Claim Reserves of \$13.7 million at year end 2020 reflects an increase of \$1.6 million over 2019 which was relatively flat to 2018. This is the actuarial estimate of the Pool's outstanding losses. The cost of member claims continues to rise compared to historical averages.
- With a net position of \$18.5 million at year-end 2020 and \$14.3 million at year end 2019, Enduris is funded in excess of a 97% confidence level as it relates to claim reserves. WAC 200-100-03001 requires a minimum of 80% confidence level.
- Enduris met the solvency standards established by Washington Administrative Code (WAC) 200-100-03001 for both 2020 and 2019. Financial solvency is measured by both Enduris' liquid assets and total assets compared to the Pool's financial obligations.

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered and certain measures were still in place on August 31, 2020. These measures include closing schools, colleges, and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The precautionary measures did not have a significant negative financial or operational impact on Enduris. Management reacted swiftly to address the situation by converting to a remote work environment for all employees. The transition was relatively seamless due to technological enhancements in claims and financial systems in the last few years. The length of time these measures will be in place, and the full extent of the financial impact on Enduris is unknown at this time.

## Management's Discussion and Analysis (continued)

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### **Overview of the Financial Statements**

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. Enduris' financial statements consist of the following components: basic financial statements, notes to the financial statements, required supplementary information and required supporting schedules.

### **Basic Financial Statements**

The three basic financial statements required for proprietary funds include a "Statement of Net Position," a "Statement of Revenues, Expenses, and Changes in Net Position," and a "Statement of Cash Flows".

The "Statement of Net Position" presents information on the Pool's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the two reported as net position. 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 showing how the Pool's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future years.

The "Statement of Cash Flows" presents information on cash flow provided by and used in activities. The activities are classified into one of three categories: operating activities, capital and related financing activities, and investing activities.

### **Notes to the Financial Statements**

The notes are an integral part of the financial statements and provide additional information that is essential to a full understanding of the financial statement data.

### **Required Supplementary Information**

The Required Supplementary Information (RSI) contains other information the Government Accounting Standards Board (GASB) deems necessary. This includes pension trend data and revenue and claims development trend data.

### **Supplementary and Other Information**

Supplementary and Other Information contains other information the State Auditor's Office deems necessary for risk pools. It includes the DES Schedule of Expenses and the List of Participating Members.

## Management's Discussion and Analysis (continued)

### Financial Analysis of Enduris

The table below provides a three-year comparative summary of components of the Pool's Statement of Net Position at fiscal year-end August 31<sup>st</sup>.

Analysis of Statement of Net Position - Three-Year Comparative Summary Financial Data							
As of August 31 <sup>st</sup> – Dollars in Millions							
	2020	Increase (Decrease)	Increase (Decrease) Percentage	Restated <sup>(1)</sup> 2019	Increase (Decrease)	Increase (Decrease) Percentage	Restated <sup>(1)</sup> 2018
<b>Assets:</b>							
Cash and Cash Equivalents	\$ 35.6	\$ 13.9	64%	\$ 21.7	\$ 3.7	21%	\$ 18.0
Capital Assets, net	5.1	(0.2)	-4%	5.3	(0.1)	-2%	5.4
Other Current Assets	4.1	-	0%	4.1	0.5	14%	3.6
Investment in GEM <sup>(1)</sup>	2.6	0.6	30%	2.0	0.2	11%	1.8
<b>Total Assets <sup>(1)</sup></b>	<b>\$ 47.4</b>	<b>\$ 14.3</b>	<b>43%</b>	<b>\$ 33.1</b>	<b>\$ 4.3</b>	<b>15%</b>	<b>\$ 28.8</b>
<b>Deferred Outflow related to Pensions</b>	<b>0.2</b>	<b>-</b>	<b>0%</b>	<b>0.2</b>	<b>0.1</b>	<b>100%</b>	<b>0.1</b>
<b>Liabilities:</b>							
Unearned Member Contributions	\$ 14.0	\$ 8.3	146%	\$ 5.7	\$ 1.6	39%	\$ 4.1
Claims Reserves	13.7	1.6	13%	12.1	(0.3)	-2%	12.4
Other Current Liabilities	0.4	0.2	100%	0.2	(0.2)	-50%	0.4
Other Non-Current Liabilities	0.8	0.2	33%	0.6	(0.1)	-14%	0.7
<b>Total Liabilities</b>	<b>\$ 28.9</b>	<b>\$ 10.3</b>	<b>55%</b>	<b>\$ 18.6</b>	<b>\$ 1.0</b>	<b>6%</b>	<b>\$ 17.6</b>
<b>Deferred Inflow related to Pensions</b>	<b>0.2</b>	<b>(0.2)</b>	<b>-50%</b>	<b>0.4</b>	<b>0.1</b>	<b>33%</b>	<b>0.3</b>
<b>Named Position:</b>							
Investment in Capital Assets	\$ 5.1	(0.2)	-4%	\$ 5.3	(0.1)	-2%	\$ 5.4
Unrestricted Net Position <sup>(1)</sup>	13.4	4.4	49%	9.0	3.4	61%	5.6
<b>Total Net Position <sup>(1)</sup></b>	<b>\$ 18.5</b>	<b>\$ 4.2</b>	<b>29%</b>	<b>\$ 14.3</b>	<b>\$ 3.3</b>	<b>30%</b>	<b>\$ 11.0</b>

(1) The prior period fiscal 2018 and 2019 financial statement information has been retroactively restated to correct an error related to the misapplication of accounting standards for the Pool's investment in Government Entities Mutual, Inc., PCC (GEM). For more information, see Note 1 - Prior Period Adjustments and Note 6 – Investment in GEM.

Enduris' **Net Position** increased by \$4.2 million, to \$18.5 million at fiscal year-end 2020 after increasing by \$3.3 million, to \$14.3 million at fiscal year-end 2019. The positive results were primarily attributable to higher member contributions and the impact of changes in the actuarial estimates for unpaid claims liabilities. Part of the Enduris mission is ensuring long-term financial protection and stability of the Pool and to do that the Board has made it a priority to continue to build the net position. A strong fund balance is not only necessary to meet the solvency requirements of the WAC, but also to allow for rate stability while managing the volatility in member claims costs and the higher excess/reinsurance premiums due to the hardening commercial market.

The \$47.4 million in **Total Assets** on August 31, 2020 reflects an increase of \$14.3 million (43%) compared to 2019 fiscal year-end and \$4.3 million (15%) compared to 2018 fiscal year-end. The increases in the last two years are principally growth in cash and cash equivalents. Positive operating and non-operating income directly impacted the cash balance. For fiscal 2020, the \$13.9 million increase in cash is also a result of the receipt of \$8.3 million more in unearned member contributions for the upcoming September 1st policy year renewal in August 2020.

The majority of the Pool's assets consist of liquid cash and cash equivalents invested in the Spokane County Investment Pool (SCIP). As of August 31, 2020 the balance was \$35.6 million and as of August 31, 2019 the balance was \$21.7 million.

As of August 31, 2020 and 2019 total net book value of Capital Assets was \$5.1 million and \$5.3 million, respectively. The Pool's investment in capital assets consist of land and an office building built in 2012 at a cost of \$5.1 million as well as furnishings, equipment, vehicles, building improvements, and construction in process related to work on the second half of the building in order to lease it. Additional information can be found in Note 1 and Note 5 to the financial statements.

Other Current Assets consist primarily of prepaid excess/reinsurance. Enduris procures property insurance in July and liability insurance in August each year. The premiums are capitalized and amortized over the policy period.

## Management's Discussion and Analysis (continued)

Government Entities Mutual, Inc., PCC, (GEM) is a captive insurance company owned by Member public entity risk pools. Enduris invested approximately \$1.0 million in GEM in 2003. The remaining balance (\$1.6 million, \$1.0 million, and \$0.8 million as of August 31, 2020, 2019 and 2018, respectively) reflects the Pool's proportionate share of GEM's cumulative net earnings. Additional information can be found in Note 1 (Prior Period Adjustments) and in Note 6 to the financial statements.

For fiscal 2020, **Total Liabilities** increased \$10.3 million (55%), to \$28.9 million. For fiscal 2019, total liabilities increased \$1.0 million (6%), to \$18.6 million. The Pool's principal liabilities are unearned member contributions and claim reserves.

Unearned member contributions increased \$8.3 million and \$1.6 million for fiscal year-end 2020 and 2019, respectively. Member contributions are due on September 1<sup>st</sup>, the beginning of the new policy year. The Pool successfully implemented new processes which facilitate the earlier invoicing and collection of member payments.

Coverage with Enduris is on an occurrence-based form. This means that claims incurred in prior years may be reported and paid in future years. Accounting principles require the Pool to work with our actuary, Aon Risk Consultants, Inc. (Aon), to establish estimates for the components of the Pool's liability for claim reserves. The actuarial assessment includes a review of the adequacy of the Pool's reserves for unpaid liabilities for open claims (Open Claims), liabilities for incurred but not reported claims (IBNR) including allocated loss adjustment expenses (ALAE), and unallocated loss adjustment expenses (ULAE). The estimate is based on several complex factors, and as such, may vary from year to year. Membership growth, changes in member exposures, loss history, the timing of settlements for significant claims, and the Pool's SIR can affect the claim reserves established by Aon.

Claim reserves increased by \$1.6 million, to \$13.7 million at fiscal year-end 2020 compared to the \$12.1 million balance at fiscal year-end 2019 driven by changes in Aon's estimated unpaid losses and reduced claims payments in 2020. The Pool paid member claims of \$4.9 million in 2020 and received excess/reinsurance and other recoveries of \$0.3 million for a net cash outflow of \$4.6 million. Fewer claim payments were made in 2020 partly due to the impact of Covid-19 on the court system.

The fiscal year-end 2019 claim reserves declined by \$0.3 million, to \$12.1 million from \$12.4 million at fiscal year-end 2018 primarily due to the settlement of a few significant member claims and Aon's resulting reductions in estimated unpaid losses. In 2019 the Pool paid \$9.4 million for claims and received excess/reinsurance and other recoveries of \$4.0 million for a net cash outflow of \$5.4 million.

The table below provides a three-year comparative summary of components of the Pool's **Statement of Revenues, Expenses and Changes in Net Position**.

**Analysis of Statement of Revenues, Expenses and Changes in Net Position - Three-Year Comparative Summary Financial Data**  
**For the Fiscal Years ended August 31<sup>st</sup> – Dollars in Millions**

	Increase			Increase			Increase		
	2020	Increase (Decrease)	(Decrease) Percentage	Restated (1) 2019	Increase (Decrease)	(Decrease) Percentage	Restated (1) 2018	Increase (Decrease)	(Decrease) Percentage
<b>Operating Revenues</b>	\$ 17.4	\$ 2.2	15%	\$ 15.2	\$ 2.0	15%	\$ 13.2		
Operating Expenses:									
Claims Expense	\$ 6.2	\$ 1.0	19%	\$ 5.2	\$ (1.1)	-18%	\$ 6.3		
Excess/Reinsurance	4.7	0.7	18%	4.0	0.4	11%	3.6		
General & Administrative	3.3	-	0%	3.3	-	0%	3.3		
<b>Total Operating Expenses</b>	<b>\$ 14.2</b>	<b>\$ 1.7</b>	<b>14%</b>	<b>\$ 12.5</b>	<b>\$ (0.7)</b>	<b>-5%</b>	<b>\$ 13.2</b>		
<b>Operating Income (Loss)</b>	<b>\$ 3.2</b>	<b>\$ 0.5</b>	<b>19%</b>	<b>\$ 2.7</b>	<b>\$ 2.7</b>	<b>0%</b>	<b>\$ -</b>		
Non Operating Income (Loss):									
Interest Income (Expense)	\$ 0.5	\$ 0.1	25%	\$ 0.4	\$ 0.2	100%	\$ 0.2		
Change in Equity In GEM <sup>(1)</sup>	\$ 0.6	\$ 0.4	200%	\$ 0.2	\$ (0.2)	-50%	\$ 0.4		
Other Non-Operating Income (Loss)	(0.1)	(0.1)	0%	-	-	0%	-		
<b>Non Operating Income <sup>(1)</sup></b>	<b>\$ 1.0</b>	<b>\$ 0.4</b>	<b>67%</b>	<b>\$ 0.6</b>	<b>\$ -</b>	<b>0%</b>	<b>\$ 0.6</b>		
<b>Change in Net Position <sup>(1)</sup></b>	<b>\$ 4.2</b>	<b>\$ 0.9</b>	<b>27%</b>	<b>\$ 3.3</b>	<b>\$ 2.7</b>	<b>450%</b>	<b>\$ 0.6</b>		
Net Position beginning of year <sup>(1)</sup>	14.3	3.3		11.0	0.6		10.4		
<b>Net Position end of year <sup>(1)</sup></b>	<b>\$ 18.5</b>	<b>\$ 4.2</b>		<b>\$ 14.3</b>	<b>\$ 3.3</b>		<b>\$ 11.0</b>		

- (1) The prior period fiscal 2018 and 2019 financial statement information has been retroactively restated to correct an error related to the misapplication of accounting standards for the Pool's investment in Government Entities Mutual, Inc., PCC (GEM). For more information, see Note 1 - Prior Period Adjustments and Note 6 – Investment in GEM.

## Management's Discussion and Analysis (continued)

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For fiscal year 2020 Enduris' change in net position equaled \$4.2 million. The Pool had operating income of \$3.2 million. Operating revenues increased by \$2.2 million, claims expense increased by \$1.0 million, reinsurance costs increased by \$0.7 million, and general & administrative costs were flat. Non-operating income was \$1.0 million, up \$0.4 million compared to fiscal 2019.

For fiscal year 2019 Enduris' change in net position equaled \$3.3 million. The Pool's operating income was \$2.7 million. Operating revenues increased by \$2.0 million, claims expense decreased by \$1.1 million and reinsurance costs increased by \$0.4 million. Non-operating income was \$0.6 million, flat to fiscal 2018.

Enduris' **operating revenues** from member contributions equaled \$17.4 million in fiscal 2020 and \$15.2 million in fiscal 2019. The membership of the Pool has been stable over the past few years. The growth in member contributions is the result of significant organic growth in member exposures and coverage rate increases.

Growing member claims costs and the increased cost of excess/reinsurance drove fiscal year 2020 and 2019 liability and property program average base contribution rate increases of 8% and 10%. Base rates are adjusted on an individual member basis to factor in specific risks and loss experience and are applied to member exposures to calculate individual member contributions each policy year.

Liability exposures for all members except fire districts 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). L&I hours/EMS runs exposure equaled 7.0 million in 2020 and 6.6 million for policy year 2019. Liability exposures increased by 4% in 2020 and 2% in 2019 compared to 2018.

Property exposures are derived from members' total insured value (TIV). Auto physical damage coverage exposure is based on either heavy vehicle value or vehicle count. The Pool's property reinsurance carrier requires an inflationary adjustment to property values each year based on the Marshall & Swift index. Property total insured values (TIV), including heavy vehicles, equaled \$4.3 billion in policy year 2020 and \$4.1 billion in 2019. This reflects an increase of \$255 million (6%) in 2020 and \$250 million (6%) in 2019 compared to 2018.

**Enduris' Operating Expenses** can be broken down into three general categories: claim expenses, excess/reinsurance costs, and general and administrative expenses (which includes contracted services and depreciation). In 2020 total operating expenses of \$14.2 million increased by \$1.7 million (14%) compared to 2019. In 2019 total operating expenses of \$12.5 million decreased by \$0.7 million (5%) compared to 2018.

**Claim expenses** reported in the financial statements represent member claims paid, net of recoveries, and the actuarial estimate of the cost of claims incurred but not paid during the year, plus or minus any adjustments to claim reserves for claim costs related to prior years. Fluctuations in claims paid and unpaid claim reserves have the greatest financial impact on the Pool. Claim costs represented 36% and 34% of total operating revenues in 2020 and 2019. The actuarially projected frequency of claims is slightly lower for 2019 and 2020 than for 2018 but the retained severity has increased significantly. The Pool's claims expense grew by \$1.0 million (19%) in 2020 and declined by \$1.1 million (-18%) in 2019.

Enduris maintains a self-insured retention (SIR) of \$250,000 per occurrence for property claims and \$1.0 million per occurrence for liability claims. The Pool purchases excess/reinsurance above the SIR to reduce the risk to the Pool in the event of large claims. **Excess/reinsurance costs** have trended upward in the past few years driven both by growing member exposures and significant commercial rate increases. Excess/reinsurance premiums represented 27% of total operating revenues in 2020 and 26% in 2019. The Pool's costs grew by \$0.7 million (18%) in 2020 and \$0.4 million (11%) in 2019. Although liability reinsurance rates were relatively flat year-over-year, rates charged by our property reinsurer increased by 17% in 2020 and 9% in 2019.

We are experiencing a hard insurance market in the U.S. for the first time in over 20 years and the cost of reinsurance procured for the Pool is expected to continue to rise. A hard market is an underwriting-driven marketplace where capital (and consequently capacity) is reduced, and pricing/rates typically go up. There are several compounding factors which impacted the commercial reinsurance marketplace during the last few years. First, there has been a substantial increase in the number of large weather related loss events. Second, interest rates are at historical lows, and third, the industry is dealing with a rapidly increasing loss trend in liability lines. Each of these factors helped drive up prices and reduced coverage availability in the market beginning in 2019. Add to these factors the 2020 global pandemic and the related economic fallout, and the commercial market is experiencing a high sense of uncertainty. Market indications point to a continuation of premium increases for 2021. Enduris continues to work diligently to limit the impact of the hard commercial reinsurance market on the Pool and to keep member rates as stable as possible.

## Management's Discussion and Analysis (continued)

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**General and administrative expenses** equaled \$3.3 million in each of the last three years and represented 19% and 22% of total operating revenues in 2020 and 2019.

**Non-Operating Income (loss)** primarily consists of interest income and the change in equity in GEM. In 2020 total non-operating income of \$1.0 million increased by \$0.4 million (67%) compared to 2019. In 2019 total non-operating revenues of \$0.6 million was flat to 2018.

### Financial Contact

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

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

**Enduris Washington**  
**Statement of Net Position**  
**As of August 31, 2020 and 2019**

	2020	2019
<b>Assets:</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 35,570,072	\$ 21,771,141
Receivables:		
Member Contributions	1,163	8,701
Accrued Recoverables	238,863	920,572
Prepaid Excess/Reinsurance	3,704,928	3,032,191
Other Current Assets	170,546	145,298
<b>Total Current Assets</b>	<b>\$ 39,685,572</b>	<b>\$ 25,877,903</b>
<b>Non-Current Assets:</b>		
Non-depreciable Capital Assets	\$ 1,417,375	\$ 1,408,807
Capital Assets (net of accumulated depreciation)	3,647,356	3,909,164
Investment in GEM	2,651,264	2,008,416
<b>Total Non-Current Assets</b>	<b>\$ 7,715,995</b>	<b>\$ 7,326,387</b>
<b>Total Assets</b>	<b>\$ 47,401,567</b>	<b>\$ 33,204,290</b>
<b>Deferred Outflows of Resources:</b>		
<b>Deferred Outflow related to Pensions</b>	<b>\$ 224,113</b>	<b>\$ 152,994</b>
<b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 61,629	\$ 72,846
Accrued Liabilities	61,782	49,430
Compensated Absences	73,502	62,175
Unearned Member Contributions	14,009,811	5,652,285
Claim Reserves:		
Incurred But Not Reported (IBNR)	3,692,004	3,597,651
Open Claims	1,395,871	995,119
Unallocated Loss Adjustment Expenses (ULAE)	344,254	311,626
Claim Reserves	\$ 5,432,129	\$ 4,904,396
Lease Obligations	2,495	2,270
Other Current Liabilities	75,038	22,162
<b>Total Current Liabilities</b>	<b>\$ 19,716,386</b>	<b>\$ 10,765,564</b>
<b>Non-Current Liabilities:</b>		
Compensated Absences	\$ 103,816	\$ 37,843
Claim Reserves:		
Incurred But Not Reported (IBNR)	5,650,111	5,302,337
Open Claims	2,137,206	1,466,640
Unallocated Loss Adjustment Expenses (ULAE)	526,834	459,284
Claim Reserves	\$ 8,314,151	\$ 7,228,261
Net Pension Liability	682,356	585,870
Lease Obligations	7,264	9,761
<b>Total Non-Current Liabilities</b>	<b>\$ 9,107,587</b>	<b>\$ 7,861,735</b>
<b>Total Liabilities</b>	<b>\$ 28,823,973</b>	<b>\$ 18,627,299</b>
<b>Deferred Inflows of Resources:</b>		
<b>Deferred Inflow related to Pensions</b>	<b>\$ 231,963</b>	<b>\$ 381,883</b>
<b>Net Position:</b>		
Investment in Capital Assets	\$ 5,064,731	\$ 5,317,971
Unrestricted Net Position	13,505,013	9,030,131
<b>Total Net Position</b>	<b>\$ 18,569,744</b>	<b>\$ 14,348,102</b>

The accompanying notes are an integral part of this statement.

**Enduris Washington**  
**Statement Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Years Ended August 31, 2020 and 2019**

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	<u>2020</u>	<u>2019</u>
<b>Operating Revenues:</b>		
Member Contributions:		
Liability	7,736,191	7,009,891
Property	7,578,770	6,432,508
Auto Physical Damage	1,828,724	1,530,869
Crime	193,094	179,944
Named Position	19,379	16,828
Member Contributions	\$ 17,356,158	\$ 15,170,040
Other	4,600	7,800
<b>Total Operating Revenues</b>	<b>\$ 17,360,758</b>	<b>\$ 15,177,840</b>
<b>Operating Expenses:</b>		
Incurring Loss and Allocated Loss Adjustment Expenses:		
Claims Paid, net of recoveries	\$ 4,610,598	\$ 5,416,978
Change in Liabilities for Unpaid Claims	1,513,445	(144,536)
Unallocated Loss Adjustment Expenses:		
Change in ULAE Reserve	100,178	(88,359)
Claims Expense, net	\$ 6,224,221	\$ 5,184,083
Excess/Reinsurance Costs	4,685,357	3,981,211
Contracted Services	318,870	461,633
General and Administrative Expense	2,737,089	2,724,410
Depreciation	261,808	74,544
<b>Total Operating Expenses</b>	<b>\$ 14,227,345</b>	<b>\$ 12,425,881</b>
<b>Operating Income</b>	<b>\$ 3,133,413</b>	<b>\$ 2,751,959</b>
<b>Non-Operating Revenues (Expenses):</b>		
Interest and Investment Income	\$ 531,744	\$ 431,367
Interest Expense	(1,074)	-
Other Non-Operating Expense	(85,289)	-
Change in Equity in GEM	642,848	210,935
<b>Total Non-Operating Revenues (Expenses):</b>	<b>\$ 1,088,229</b>	<b>\$ 642,302</b>
<b>Change in Net Position</b>	<b>\$ 4,221,642</b>	<b>\$ 3,394,261</b>
<b>Net Position, beginning of year September 1</b>	<b>\$ 14,348,102</b>	<b>\$ 10,953,841</b>
<b>Net Position, end of year August 31</b>	<b>\$ 18,569,744</b>	<b>\$ 14,348,102</b>

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The accompanying notes are an integral part of this statement.

# Enduris Washington

## Statement of Cash Flows

### For the Fiscal Years Ended August 31, 2020 and 2019

	2020	2019
<b>Cash Flows From Operating Activities:</b>		
Cash received from members and others	\$ 25,725,822	\$ 16,724,076
Cash paid for claims, net of recoveries	(3,928,889)	(5,228,734)
Cash paid for excess/reinsurance costs	(5,358,094)	(4,609,085)
Cash paid for contract services	(318,870)	(461,633)
Cash paid for general and administrative expenses	(2,755,579)	(3,072,441)
Cash paid for other	(86,363)	-
<b>Net Cash Flows Provided (Used) by Operating Activities</b>	<b>\$ 13,278,027</b>	<b>\$ 3,352,183</b>
<b>Cash Flows From Capital and Related Financing Activities:</b>		
Disposal (Acquisition) of capital assets	\$ (8,568)	\$ -
Principal payments under capital lease obligations	(2,272)	(1,120)
<b>Net Cash Flows Provided (Used) by Capital &amp; Related Activities</b>	<b>\$ (10,840)</b>	<b>\$ (1,120)</b>
<b>Cash Flows From Investing Activities:</b>		
Investment income received	\$ 531,744	\$ 431,367
<b>Net Cash Flows Provided (Used) by Investing Activities</b>	<b>\$ 531,744</b>	<b>\$ 431,367</b>
<b>Net Increase (Decrease) in Cash</b>	<b>\$ 13,798,931</b>	<b>\$ 3,782,430</b>
Cash and Equivalents at beginning of year	21,771,141	17,988,711
<b>Cash and Equivalents at end of year</b>	<b>\$ 35,570,072</b>	<b>\$ 21,771,141</b>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>		
<b>Cash Flows from Operating Activities:</b>		
<b>Operating Income (Loss)</b>	<b>\$ 3,133,413</b>	<b>\$ 2,751,959</b>
<b>Adjustments to Reconcile Net Income to Cash Provided by Operations:</b>		
Depreciation	261,808	74,544
Other Non-Operating Income (Expense)	(86,363)	-
<b>(Increase) Decrease in:</b>		
Member Contributions Receivable	7,538	(8,701)
Accrued Recoverables	681,709	188,244
Prepaid Excess/Reinsurance	(672,737)	(627,874)
Other Current Assets	(25,248)	(38,039)
Deferred outflows of resources - pension	(71,119)	(75,049)
<b>Increase (Decrease) in:</b>		
Accounts Payable	(11,217)	(24,255)
Accrued Liabilities	12,352	(14,906)
Compensated Absences	77,300	(121,734)
Unearned Member Contributions	8,357,526	1,512,838
Incurred But Not Reported (IBNR)	442,127	1,311,383
Open Claims	1,071,318	(1,455,919)
Unallocated Loss Adjustment Expenses (ULAE)	100,178	(88,359)
Net pension liability	96,486	(81,286)
Other Current Liabilities	52,876	(19,937)
Deferred inflows of resources - pension	(149,920)	69,274
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 13,278,027</b>	<b>\$ 3,352,183</b>
<b>Supplementary Information</b>		
<b>Noncash Financing and Investing Activities:</b>		
Change in Equity in GEM	\$ 642,848	\$ 210,935

The accompanying notes are an integral part of this statement.

## Notes to the Financial Statements

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### **Note 1 – Summary of Significant Accounting Policies**

The financial statements of Enduris (or “the Pool”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to proprietary funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described in this Note.

#### **A. Reporting Entity and Nature of Operations**

Enduris is an unincorporated, not-for-profit, operating under the laws of the state of Washington applicable to local government risk sharing pools. The Pool 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 an interlocal government agreement (Master Agreement), approved by the Enduris Board of Directors and the governing bodies of the Enduris members. The Pool’s members are various governmental entities throughout the state of Washington.

As a public entity risk pool, Enduris provides risk financing to its members for general liability, auto liability, property damage, inland marine, fidelity, and other such liability and property coverage common to public entities. The Pool’s 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/reinsurance over a self-insured retention.

Enduris had 547 members during each of the fiscal years ended August 31, 2020 and 2019. 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.

Membership in the Pool requires a commitment of at least one full policy year. Membership is automatically renewed unless the member provides a notification of withdrawal at least 60 days prior to the September 1<sup>st</sup> renewal date. Member contributions are adjusted on an annual basis to incorporate actuarial projections and operational needs, and then approved by the Board of Directors. Since Enduris is a cooperative program, there is joint liability among the participating members. In the event of withdrawal or termination, a member is still liable pro-rata for any contributions and assessments to the Pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Master Agreement. If the Pool’s net assets were depleted, members would be responsible for outstanding liabilities of Enduris.

A Board of Directors consisting of seven members governs Enduris. The Pool’s members elect the Board, and the positions are filled on a rotating basis. The Pool’s Executive Director is a nonvoting member of the Board. The Board meets at least four times a year and is responsible for conducting the business affairs of the Pool.

Through the Executive Director, the Pool’s staff carries out the mission and directives of the Board of Directors. The Operations and Finance departments handle day-to-day operations and administration of the Pool, the Claims department manages all member claims, and the Member Relations department provides various training, consulting and other risk management and risk reducing resources to participating members.

#### **B. Basis of Presentation**

As a risk pool, Enduris is required to report using the enterprise fund model.

There are three required fund financial statements for proprietary funds:

- Statement of Net Position,
- Statement of Revenues, Expenses and Changes in Fund Net position, and
- Statement of Cash flows.

Statements, schedules, statistical data, and other information the GASB deem necessary is reported as Required Supplementary Information (RSI). Except for MD&A, required RSI is presented immediately following the notes to the financial statements. Enduris’ RSI includes pension trend data, and revenue and claims development trend data.

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## Notes to the Financial Statements (cont.)

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### C. Measurement Focus, Basis of Accounting

The Pool's financial statements are reported using the economic resources measurement focus and full-accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when liability is incurred regardless of the timing of the cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Operating revenues relate to the primary operations of the Pool and include all member program contributions and related fees and assessments which are integral to the financing of the insurance and risk management programs. Member contributions are recognized as operating revenue in the relevant policy period. Enduris' policy period is from September 1<sup>st</sup> to August 31<sup>st</sup>. Policy year renewal and endorsement contributions for the expiring policy period are included in operating revenue and unpaid amounts are reflected as a receivable.

Operating expenses for the Pool include claims expense, excess/reinsurance costs, contracted services, general and administrative expense, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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**.

### D. 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). In addition, **RCW 48.62** exempts Enduris from state insurance premium taxes and business and occupation taxes imposed pursuant to **RCW 82.04**.

### E. 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 the reported amounts of assets and liabilities at the date of the financial statements, the reported amounts of revenues and expenses during the reporting period, and certain disclosures. Actual results could differ from the estimated amounts.

### F. Assets, Liabilities, Fund Balance, Net Position

#### 1. 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**. On August 31, 2020 and 2019, Enduris has invested 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. There are no external restrictions on cash and cash equivalents.

#### 2. Receivables

Receivables include earned member contributions as well as accrued claim expenditures recoverable for member deductibles and from excess/reinsurance carriers. As such, amounts are deemed collectible. No allowance has been established for uncollectible accounts. If necessary, management would determine if an account were uncollectible and the account would be charged to expense in that period. Only the amounts collected in advance are included in unearned revenue and only earned billings were included in accounts receivable.

Enduris recognizes receivables for member contributions/assessments only when they have been formally assessed or a legally enforceable claim exists.

## Notes to the Financial Statements (cont.)

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### 3. Prepaid Excess/Reinsurance

Enduris purchases excess/reinsurance insurance to reduce its exposure to large losses on all types of insured events. Premiums are expensed over the period that coverage is provided for. Prepaid excess/reinsurance premiums are calculated on a pro-rata basis for the unexpired term of the policy in force.

Excess/reinsurance coverage permits recovery of a portion of member losses from excess/reinsurance carriers, although it does not discharge Enduris' primary responsibility for the reinsured risk. Enduris does not report reinsured risks as claim liabilities unless it is probable that the excess/reinsurance carrier will not be able to perform its contractual obligations. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsurance contracts. As these estimates change, the adjustment is recorded in the current period.

### 4. Capital Assets (See Note 5)

Capital assets, which include both depreciable assets (building and improvements, equipment, land improvements, vehicles) and non-depreciable assets (land, construction in progress) are reported in the accompanying financial statements. Capital assets are defined by the Pool as assets with an initial, individual cost (including ancillary costs) of more than \$5,000 and an estimated useful life more than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Capital leases with a net present value or fair market value, whichever is less, of \$5,000 or more are capitalized and are also included in these financial statements.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the assets. The costs for normal maintenance and repairs are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation is calculated using the straight-line method with estimated useful lives of the assets of five to seventy-five years for buildings and improvements and three to twenty years for equipment, land improvements, vehicles, and other miscellaneous capital assets.

For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any related net gain or loss is credited or charged to income.

### 5. Investment in GEM (See Note 1 and Note 6)

Enduris is a founding member of Government Entity Mutual (GEM), a captive insurance company. The Pool made a \$975,708 initial investment in 2003. Enduris accounts for GEM using the equity method of accounting.

### 6. Deferred Outflows/Inflows of Resources

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 regarding 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 after the measurement date are deferred outflows of resources and reduce net pension liability in the subsequent year.

### 7. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. Vacation is accrued when incurred and sick pay is accrued over 10 years when an employee reaches age 55. Vacation pay, which may be accumulated up to a maximum of 240 hours, is payable upon resignation, retirement, or death. For employees hired after September 1, 2018, sick leave may be accumulated up to a maximum of 750 hours. For employees hired prior to that date the maximum sick leave accumulation is 1,500 hours. Upon resignation, any sick leave is lost. If an employee dies or retires 50% of the accumulated sick leave balance will be paid.

## Notes to the Financial Statements (cont.)

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### 8. Unearned Member Contributions

This liability account includes payments for future periods which are not yet recognized as revenue because the revenue recognition criteria has not been met. Revenue is recognized over the period of insurance coverage.

Members' annual contributions for the upcoming policy year are typically invoiced and collectible on or shortly before the Pool's September 1<sup>st</sup> policy renewal date. Cash collected prior to August 31<sup>st</sup> for the upcoming policy year is reported as a liability, in unearned member contributions.

### 9. Claim Reserves (IBNR, Unpaid Claims, and ULAE)

As required by GASB Statement No. 10, the Enduris fiscal year end claim reserve is calculated using actuarial methods by our actuary, Aon Global Risk Consulting (Aon). Claim reserves are computed 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 historical experience. The length of time for which such costs must be estimated varies depending on the coverage involved. 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.

Enduris' claim reserves reflect the estimated ultimate cost of claims, including future claim expenses for claims that have been reported but not settled and claims that have been incurred but not reported. Estimated amounts of claim recoveries such as salvage, subrogation, deductible, and excess/reinsurance on unpaid claims are deducted from the estimated ultimate cost. Major claim reserve components include:

- Incurred But Not Reported (IBNR) includes the actuary's assessment of the development of open claim costs and claims that have occurred, but not yet been reported to the Pool
- Open Unpaid Claims represent the Pool's estimate of the unpaid cost of claims that have occurred but have not yet been settled. This includes Allocated Loss Adjustment Expenses (ALAE), which are the direct expenses (such as legal costs) to settle specific open claims
- 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

Claims paid and changes in estimated unpaid claims liabilities and costs, i.e. changes in claim reserves, are charged, or credited to expense in the periods in which they are incurred.

### 10. 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.

## G. Accounting and Reporting Changes

### 1. Reclassification of Prior Year Presentation

Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on reported results of operations.

### 2. Prior Period Adjustments

We have restated our Financial Statements for the fiscal year ended August 31, 2019 because of additional guidance provided by the Washington State Auditor's Office (SAO) in the BARS GAAP Manual under "BARS Reporting Requirements for Risk Pools-Statement of Net Position - Additional Reporting Requirements." It was determined that certain accounting practices and the application thereof misapplied GASB for the Pool's

## Notes to the Financial Statements (cont.)

investment in Government Entities Mutual, Inc., PCC (GEM). The SAO now specifically identifies GEM as a joint venture for which pools should follow equity interest accounting.

Enduris previously accounted for the Pool's investment in GEM using the cost method of accounting. Management had concluded that the equity method of accounting was not appropriate because Enduris did not have "significant influence" over GEM. Because of the new SAO guidance, Enduris identified this accounting error and has corrected it in the Pool's Financial Statements. The correction of the error has been accounted for retroactively by restating the financial statements for all prior periods presented. The following table presents the effects of the adjustments:

For the Fiscal Year Ended August 31st		
	2019	2018
	31-Dec-18	31-Dec-17
<b>Statement of Net Position:</b>		
<b>Investment in GEM as Reported</b>	<b>\$ 975,708</b>	<b>\$ 975,708</b>
<b>Initial Investment in GEM</b>	<b>\$ 975,708</b>	<b>\$ 975,708</b>
Allocated Cumulative Net Income @ Beg of Year	\$ 821,773	\$ 436,919
Allocated Cumulative Net Income	210,935	384,854
<b>Allocated Cumulative Net Income @ End of Year</b>	<b>\$ 1,032,708</b>	<b>\$ 821,773</b>
<b>Investment in GEM - Corrected</b>	<b>\$ 2,008,416</b>	<b>\$ 1,797,481</b>

For the Fiscal Year Ended August 31st		
	2019	2018
<b>Statement of Net Position:</b>		
<b>Net Postion, beginning of Year as Reported</b>	<b>\$ 10,132,068</b>	<b>\$ 8,949,076</b>
Change in Net Position Originally Reported	3,183,326	1,182,992
<b>Net Position, End of Year Originally Reported</b>	<b>\$ 13,315,394</b>	<b>\$ 10,132,068</b>
<b>Net Postion, beginning of Year - Corrected</b>	<b>\$ 10,953,841</b>	<b>\$ 10,361,703</b>
Change in Net Position Originally Reported	3,183,326	1,182,992
Correction of Accounting Error	210,935	(590,854)
<b>Change in Net Position - Corrected</b>	<b>3,394,261</b>	<b>592,138</b>
<b>Net Position, End of Year - Corrected</b>	<b>\$ 14,348,102</b>	<b>\$ 10,953,841</b>

The adjustments resulted in the cumulative net increase in Net Position of \$821,773 as of August 31, 2018. The August 31, 2018 Unrestricted Net Position was retroactively restated, by \$821,773, from \$ 4,752,705 to \$5,574,478 to account for the effect of the adjustments on years prior to fiscal 2018. The following tables present the impact of the adjustment and restatements on a condensed basis:

Statement of Net Position						
	As of August 31, 2019			As of August 31, 2018		
	As Adjusted	As Originally Reported	Effect of Change	As Adjusted	As Originally Reported	Effect of Change
Total Current Assets	\$ 25,877,903	\$ 25,877,903	\$ -	\$ 21,609,103	\$ 21,609,103	\$ -
Non Current Assets:						
Non-depreciable Capital Assets	1,408,807	1,408,807	-	1,408,807	1,408,807	-
Capital Assets (net of depreciation)	3,909,164	3,909,164	-	3,970,556	3,970,556	-
Investment in GEM	2,008,416	975,708	1,032,708	1,797,481	975,708	821,773
Total Non-Current Assets	\$ 7,326,387	\$ 6,293,679	\$ 1,032,708	\$ 7,176,844	\$ 6,355,071	\$ 821,773
<b>Total Assets</b>	<b>\$ 33,204,290</b>	<b>\$ 32,171,582</b>	<b>\$ 1,032,708</b>	<b>\$ 28,785,947</b>	<b>\$ 27,964,174</b>	<b>\$ 821,773</b>
Deferred Outflow Related to Pensions	\$ 152,994	\$ 152,994	\$ -	\$ 77,945	\$ 77,945	\$ -
<b>Total Liabilities</b>	<b>\$ 18,627,299</b>	<b>\$ 18,627,299</b>	<b>\$ -</b>	<b>\$ 17,597,442</b>	<b>\$ 17,597,442</b>	<b>\$ -</b>
Deferred Inflows of Resources	\$ 381,883	\$ 381,883	\$ -	\$ 312,609	\$ 312,609	\$ -
Net Position:						
Investment in Capital Assets	\$ 5,317,971	\$ 5,317,971	\$ -	\$ 5,379,363	\$ 5,379,363	\$ -
Unrestricted Net Postion	\$ 9,030,131	\$ 7,997,423	\$ 1,032,708	\$ 5,574,478	\$ 4,752,705	\$ 821,773
<b>Total Net Position</b>	<b>\$ 14,348,102</b>	<b>\$ 13,315,394</b>	<b>\$ 1,032,708</b>	<b>\$ 10,953,841</b>	<b>\$ 10,132,068</b>	<b>\$ 821,773</b>

## Notes to the Financial Statements (cont.)

Statement of Revenues, Expenses and Changes in Net Position						
	For the Fiscal Year ended August 31, 2019			For the Fiscal Year ended August 31, 2018		
	As Adjusted	As Originally Reported	Effect of Change	As Adjusted	As Originally Reported	Effect of Change
Operating Income (Loss)	\$ 2,751,959	\$ 2,751,959	\$ -	\$ (23,236)	\$ (23,236)	\$ -
Non-Operating Income (Expense):			-			-
Interest and Investment Income	431,367	431,367	-	230,520	230,520	-
Change in Equity in GEM	210,935	-	210,935	1,797,481	975,708	821,773
Total Non-Operating Income (Expense)	\$ 642,302	\$ 431,367	\$ 210,935	\$ 2,028,001	\$ 1,206,228	\$ 821,773
Change in Net Position	\$ 3,394,261	\$ 3,183,326	\$ 210,935	\$ 2,004,765	\$ 1,182,992	\$ 821,773
Net Position, Beginning	10,953,841	10,132,068	821,773	8,949,076	8,949,076	-
<b>Net Position, Ending</b>	<b>\$ 14,348,102</b>	<b>\$ 13,315,394</b>	<b>\$ 1,032,708</b>	<b>\$ 10,953,841</b>	<b>\$ 10,132,068</b>	<b>\$ 821,773</b>

Statement of Cash Flows						
	For the Fiscal Year ended August 31, 2019			For the Fiscal Year ended August 31, 2018		
	As Adjusted	As Originally Reported	Effect of Change	As Adjusted	As Originally Reported	Effect of Change
Supplementary Information:						
Noncash Financing and Investing activities:						
Change in Equity in GEM	\$ 210,935	\$ -	\$ 210,935	\$ 1,797,481	\$ 975,708	\$ 821,773

### 3. Changes in Estimate

Enduris reviews the residual value and the useful life of capital assets at each financial year end. The Pool revised the estimated useful life of land improvements with effect from 9/1/2019. As required by GASB Statement 62, the revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges of the Pool for the current fiscal year have been increased by approximately \$154,000.

### H. Commitments

On August 6, 2020, Enduris entered into a twenty year Lease Agreement with Spokane Regional Clean Air Agency (SRCAA) to lease part of the building owned by the Pool. Under the contract the Pool is obligated to complete certain landlord and tenant improvements prior to the May 1, 2021 lease commencement date. Enduris is responsible for the management, design, and completion of the improvements. The Pool is responsible to pay for the cost of the preliminary "shell" work for the space and for a tenant improvement allowance, currently estimated at approximately \$570,000. SRCAA is responsible for costs in excess of these items.

### I. COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered and certain measures were still in place on August 31, 2020. These measures include closing schools, colleges, and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The precautionary measures did not have a significant negative financial or operational impact on Enduris. Management reacted swiftly to address the situation by converting to a remote work environment for all employees. The transition was relatively seamless due to technological enhancements in claims and financial systems in the last few years. The length of time these measures will be in place, and the full extent of the financial impact on Enduris is unknown at this time.

## Notes to the Financial Statements (cont.)

### Note 2 – Risk Financing Limits

The following table reflects the risk financing limits on coverage policies issued and retained by Enduris for the fiscal and policy years ended August 31, 2020 and August 31, 2019. Claim coverage is provided on an occurrence basis.

<b>Risk Financing Limits August 31, 2020 and 2019</b>			
<b>Type of Coverage</b>	<b>Member <sup>(7)</sup> Deductibles</b>	<b>Self-Insured Retention</b>	<b>Excess Limits</b>
Property Loss: <sup>(1)</sup>			
Buildings and Contents <sup>(2)</sup>	\$1,000	\$250,000	\$1 billion
Flood	\$1,000	\$250,000	\$50 million (shared)
Earthquake	\$1,000	\$250,000	\$10 million (shared)
Terrorism	\$1,000	\$250,000	\$500 million (shared)
Comprehensive General Liability including Professional Liability	\$1,000	\$1 million	\$20 million
Terrorism Liability <sup>(3)</sup>	\$1,000	\$1 million <sup>(9)</sup>	
Auto Liability	\$1,000	\$1 million	\$20 million
Public Officials Errors and Omissions <sup>(4)</sup>	\$1,000	\$1 million	\$20 million
Employment Practices Liability <sup>(5)</sup>	20% Copay	\$1 million	\$20 million
Crime, Named Position <sup>(6)</sup>	\$1,000	\$50,000	\$1 million
Boiler and Machinery	\$1,000	Varies <sup>(8)</sup>	\$100 million
		\$25,000	
		\$100,000 for Emergency	
Auto Physical Damage	Varies	Vehicles	\$1 billion
Cyber	20% Copay	\$100,000	\$2 million

- (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/reinsurance 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 may 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 million.

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.

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.

## Notes to the Financial Statements (cont.)

### Note 3 – Excess/Reinsurance Contracts

Enduris maintains excess/reinsurance contracts with several insurance carriers, which provide various limits of coverage over the Pool's self-insured retention limits. The limits provided by these excess/reinsurance contracts for the fiscal years ended August 31, 2020 and 2019 are shown in the following tables:

<b>Excess/Reinsurance Contracts For the Fiscal Year Ended August 31, 2020</b>				
<b>Coverage</b>	<b>Excess/Reinsurance Carrier</b>	<b>Per Occurrence</b>	<b>Member Aggregate</b>	<b>Pool Aggregate</b>
<b>General Liability</b>	GEM	\$10 million	None	None
	Great American Ins Co <sup>(1)</sup>	\$10 million	None	None
<b>Public E &amp; O</b>	GEM	\$10 million	\$10 million	None
	Great American Ins Co <sup>(1)</sup>	\$10 million	None	None
<b>Employment Practices</b>	GEM	\$10 million	\$10 million	None
	Great American <sup>(1)</sup>	\$10 million	None	None
<b>Property</b>	Alliant Property Insurance Program (APIP)	100% replacement cost per location	100% replacement cost per location	100% replacement cost per location \$50 million (shared) \$10 million (shared) \$500 million (shared)
Flood Earthquake Terrorism (Property)				
<b>Crime</b>	National Union Fire Insurance Co	\$1 million	None	None

(1) For FY 2020 Great American Insurance Company (Great American) provided \$10 million in excess of the \$10 million provided by Government Entities Mutual Inc. (GEM).

<b>Excess/Reinsurance Contracts For the Fiscal Year Ended August 31, 2019</b>				
<b>Coverage</b>	<b>Excess/Reinsurance Carrier</b>	<b>Per Occurrence</b>	<b>Member Aggregate</b>	<b>Pool Aggregate</b>
<b>General Liability</b>	GEM and Munich RE	\$10 million	None	None
	Great American Ins Co <sup>(2)</sup>	\$10 million	None	None
<b>Public E &amp; O</b>	GEM and Munich RE	\$10 million	\$10 million	None
	Great American Ins Co <sup>(2)</sup>	\$10 million	None	None
<b>Employment Practices</b>	GEM and Munich RE	\$10 million	\$10 million	None
	Great American <sup>(2)</sup>	\$10 million	None	None
<b>Property</b>	Alliant Property Insurance Program (APIP)	100% replacement cost per location	100% replacement cost per location	100% replacement cost per location \$50 million (shared) \$10 million (shared) \$500 million (shared)
Flood Earthquake Terrorism (Property)				
<b>Crime</b>	National Union Fire Insurance Co	\$1 million	None	None

(2) For FY 2019 Great American Insurance Company (Great American) provided \$10 million in excess of the \$10 million provided by Government Entities Mutual Inc. (GEM) and Munich Reinsurance America Inc. (Munich RE).

The policy year for Enduris membership is September 1 through August 31. Liability excess/reinsurance policies are effective for the same period. Property excess/reinsurance policies are effective July 1 through June 30. At the renewal of the policies limits are subject to change. When a change occurs in the limits, Enduris may be responsible for differences between the coverage provided to the membership at the beginning of the policy year and limits purchased at renewal.

## Notes to the Financial Statements (cont.)

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As of August 31, 2020 and 2019, Enduris management opines that there were no open claims against Enduris members that would result in an additional liability to the Pool above the self-insured retention. In addition, during 2020 and 2019 there were no claim settlements, per occurrence or in aggregate, that exceeded the coverage provided by excess/reinsurance contracts.

The cost of excess/reinsurance was \$4.7 million in FY 2020 and \$4.0 million in FY 2019. Excess/reinsurance recoveries (ceded losses) equaled \$0.1 million and \$3.9 million during FY 2020 and FY 2019, respectively. The following table summarizes the actuarially estimated amount recoverable from excess/reinsurance carriers that reduced claim reserves on the balance sheet on August 31, 2020 and 2019:

<b>Actuarial Estimates for Excess/Reinsurance Recoveries</b>		
<b>As of August 31<sup>st</sup> – Dollars in Thousands</b>		
	<b>2020</b>	<b>2019</b>
Open Claim Reserves	\$ 359	\$ 873
IBNR	2,145	2,153
<b>Total</b>	<b>\$ 2,504</b>	<b>\$ 3,026</b>

### **Note 4 – Deposits and Investments**

Enduris' bank deposits 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).

Enduris invests cash in the Spokane County Investment Pool (SCIP) and the Pool's policy is to maximize yield, in a safe and prudent manner, without jeopardizing principal. At fiscal year-end 2020 and 2019 SCIP interest rates were 1.67% and 2.24%, respectively. 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 separately address these risks in policy. Fiscal year-end deposits and investments were as follows:

<b>Cash Deposits and Investments</b>		
<b>As of August 31<sup>st</sup> – Dollars in Thousands</b>		
	<b>2020</b>	<b>2019</b>
Funds held by Spokane County Treasurer:		
Spokane County Investment Pool (SCIP)	\$ 31,344	\$ 20,870
Cash in Bank	4,226	901
<b>Total</b>	<b>\$ 35,570</b>	<b>\$ 21,771</b>

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. As of August 31, 2020 and 2019, the SCIP investment duration is 369 and 396 days, respectively. 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](http://www.spokanecounty.org).

### **Note 5 – Capital Assets**

On August 6, 2020, Enduris entered into a twenty year Lease Agreement with Spokane Regional Clean Air Agency (SRCAA) to lease part of the building owned by the Pool. Under the contract Enduris is obligated to complete certain landlord and tenant improvements prior to the May 1, 2021 lease commencement date. Enduris is responsible for the management, design, and completion of the improvements. The Pool is responsible to pay for the cost of the preliminary

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## Notes to the Financial Statements (cont.)

“shell” work for the space and for a tenant improvement allowance, currently estimated at approximately \$570,000. SRCAA is responsible for costs in excess of these items. Approximately \$9,000 was capitalized as construction in progress as of August 31, 2020.

In FY 2019 the Pool entered two leases for office equipment which were determined to be capital leases and are included as depreciable assets. No other capital assets were purchased in either year.

Enduris reviews the residual value and the useful life of capital assets at each financial year end. The Pool revised the estimated useful life of land improvements with effect from 9/1/2019. As required by GASB Statement 62, the revisions were accounted for prospectively as a change in accounting estimates and as a result, the depreciation charges of the Pool for the current fiscal year have been increased by approximately \$154,000.

The following is a summary of changes in capital assets for fiscal year 2020 and 2019:

<b>Capital Assets</b>							
<b>As of August 31<sup>st</sup> – Dollars in Thousands</b>							
	<b>Balance August 31, 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance August 31, 2019</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance August 31, 2020</b>
<b>Non-depreciable assets:</b>							
Land	\$ 1,374	\$ -	\$ -	\$ 1,374	\$ -	\$ -	\$ 1,374
Other Assets	35	-	-	35	-	-	35
Construction in progress	-	-	-	-	9	-	9
<b>Non-depreciable assets</b>	<b>\$ 1,409</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,409</b>	<b>\$ 9</b>	<b>\$ -</b>	<b>\$ 1,418</b>
<b>Depreciable assets:</b>							
Buildings and Improvements	\$ 3,697	\$ -	\$ -	\$ 3,697	\$ -	\$ -	\$ 3,697
Equipment	235	-	(57)	178	-	-	178
Land Improvements	521	-	-	521	-	-	521
Vehicles	94	-	-	94	-	-	94
Leased Assets	-	13	-	13	-	-	13
<b>Depreciable assets, at cost</b>	<b>\$ 4,547</b>	<b>\$ 13</b>	<b>\$ (57)</b>	<b>\$ 4,503</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,503</b>
<b>Accumulated depreciation</b>	<b>(577)</b>	<b>(75)</b>	<b>57</b>	<b>(594)</b>	<b>(262)</b>	<b>-</b>	<b>(856)</b>
<b>Depreciable assets, net</b>	<b>\$ 3,970</b>	<b>\$ (62)</b>	<b>\$ -</b>	<b>\$ 3,909</b>	<b>\$ (262)</b>	<b>\$ -</b>	<b>\$ 3,647</b>
<b>Capital assets, net</b>	<b>\$ 5,379</b>	<b>\$ (62)</b>	<b>\$ -</b>	<b>\$ 5,318</b>	<b>\$ (253)</b>	<b>\$ -</b>	<b>\$ 5,065</b>

### Note 6 – Investment in GEM

Enduris is a founding member of Government Entities Mutual, Inc., PCC (GEM) and made a \$975,708 Initial Surplus Contribution in fiscal 2003. As a member of GEM, the Pool accounts for the investment in GEM using the equity method of accounting.

GEM is domiciled in the District of Columbia and is capitalized by Member public entity risk pools. The company commenced operations on January 1, 2003.

GEM was originally formed as an association sponsored reinsurance captive on behalf of a group of public entity risk pools. Effective in January 2010 the company's articles of incorporation were amended to convert the company to protected cell captive insurer under captive insurance laws of the District of Columbia.

A protected cell captive insurer in the District of Columbia can establish separate protected cells within the company whereby the assets and liabilities of any one cell are financially and legally protected from the assets and liabilities of the other cells. Should any individual cell become insolvent, the creditors of that cell will only have access to the assets of that specific cell and will not have recourse against the assets of other cells within the company. As of the company's latest audited financial statements on December 31, 2019, GEM had not created any protected cells.

## Notes to the Financial Statements (cont.)

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GEM is managed by a CEO and has an elected Board from the membership. GEM operates independently from Enduris and the Pool does not have substantial influence over the management of GEM. GEM's management works to ensure the availability, cost, and quality of excess or reinsurance layers necessary for its Member pools during difficult phases of insurance market cycles. It performs traditional functions such as marketing, underwriting, financial and regulatory administration, claims, and litigation management and risk management through staff or vendors.

On an annual basis GEM is provided with underwriting information from each of its members and independently determines the reinsurance coverage available, terms and conditions of the policy, and the price of the quote. Each member can accept the quote or chose to purchase a reinsurance policy from another commercial insurance company. GEM is a non-assessable mutual insurance company which means that the liability of each policyholder is limited to the amount of the premium owned on the policy. GEM procures reinsurance coverage from the commercial market to limit its net exposure, and the amount of GEM's retention is determined based on the specific insurance limits written for each individual member. Enduris has purchased various limits of liability reinsurance coverage from GEM for both policy year 2020 and 2019. See Note 3 – Excess/Reinsurance Contracts for more information.

As of August 31, 2020 GEM's membership included 17 public entity risk pools. There are three classifications of membership with GEM: Founding, Premier, and Associate Members. Enduris is a Founding Member.

Each GEM Member's "Contributed Surplus" and "Allocated Surplus" account balance and their member type provide certain rights and obligations. Some of the most important are outlined below:

- The GEM Board may request additional surplus contributions, in such amounts and at such times as may be deemed necessary and appropriate by the Board, to maintain adequate surplus to premium ratios.
- Each GEM Member has one vote for each \$100,000 of the Member's allocated surplus account balance.
- If a Member ceases to obtain insurance from GEM, they can either withdraw their Surplus Contributions or maintain an account. GEM's current policies regarding withdrawals are:
  - Founding and Premier Members withdrawing from GEM within the first five years of joining forfeit both their Surplus Contribution and any Allocated Surplus.
  - Founding and Premier Members who have been with GEM more than five years can withdraw only their Initial and Additional Surplus Contributions, but any Allocated Surplus is forfeited. If the Member elects to withdraw the account and no longer be a Member of GEM, the withdrawal must be approved by GEM's Board of Directors and is subject to the approval of the Department of Insurance, Securities and Banking of Washington D.C. It can take up to five years from the date of notice of withdrawal for the withdrawal to be completed.
  - Associate Members who withdraw forfeit both their Surplus Contribution and any Allocated Surplus.

Enduris has not made any additional contributions to GEM since the initial \$975,708 investment in 2003. Based on GEM's audited financial statements dated December 31, 2019 and 2018, this represented an 8% interest.

Enduris previously accounted for the Pool's investment in GEM using the cost method of accounting. Under this method only the \$975,708 initial investment was reflected in the financial statements. In fiscal 2020 it was determined that the equity method of accounting should be used. The correction of this error has been accounted for on a retroactive basis by restating the financial statements for all prior periods presented. For more information see Note 1 – Prior Period Adjustments.

Under the equity method of accounting, the Enduris Investment in GEM includes the Pool's initial investment and the proportionate share of cumulative earnings. The Enduris Statement of Net Position reflects the Pools total investment of \$2.6 million on August 31, 2020 and \$2.0 million on August 31, 2019.

Each year the Pool's change in the proportionate share of cumulative earnings is recorded as non-operating income by Enduris. The change in equity in GEM equaled \$0.6 million for fiscal 2020, and \$0.2 million for fiscal 2019.

For more information, including GEM's annual report please visit their website at <http://www.gemre.com>.

## Notes to the Financial Statements (cont.)

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### **Note 7 – Pension Plans**

The following table represents the Pool's aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, Accounting and Financial Reporting for Pensions for the fiscal years ended August 31, 2020 and 2019:

<b>Aggregate Pension Amounts - All Plans</b>		
<b>Fiscal Years Ended August 31st – Dollars in Thousands</b>		
	<b>2020</b>	<b>2019</b>
Pension liabilities	\$ 682	\$ 586
Pension assets	\$ -	\$ -
Deferred outflows of resources	\$ 224	\$ 153
Deferred inflows of resources	\$ 232	\$ 382
Pension expense/expenditures	\$ 125	\$ 125

### **General Description of the State Sponsored Retirement Systems**

Substantially all Enduris full-time and qualifying part-time employees participate in one of the 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 their website at [www.drs.wa.gov](http://www.drs.wa.gov) or obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98540-8380.

### **Public Employees' Retirement System (PERS) System and Plan Descriptions**

PERS was established in 1947, and its retirement benefit provisions are contained in Chapters 41.34 and 41.40 RCW. 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 of and reported as three separate plans for membership purposes: PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

#### **PERS Plan 1**

**Participating Employers and Non-employer Contributing Entities:** As of the DRS fiscal year end, June 30, 2020, 269 employers and 831 non-employer contributing entities were contributing in PERS Plan 1. As of June 30, 2019, there were 309 employers and 840 non-employer entities.

**Plan Membership:** The Plan was closed to new entrants on September 30, 1977. As of June 30, 2020 and 2019, the total membership equaled 45,850 and 47,728, respectively. No Enduris employees are covered by PERS Plan 1; however, a portion of the PERS Plan 2 and Plan 3 contribution is allocated by DRS to the PERS Plan 1 UAAL.

**Benefits Provided:** PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest-paid consecutive 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 five 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.

## Notes to the Financial Statements (cont.)

**Vesting:** PERS Plan 1 members became vested after the completion of five years of eligible service.

**Funding/Contribution Requirements:** The PERS Plan 1 member contribution rate is established in State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary (OSA) and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) during the Enduris fiscal years ended August 31, 2020 and 2019 were as follows:

PERS Plan 1 - Required Contribution Rates - State Agencies, Local Government Units						
Fiscal Years Ended August 31st						
	2020		2019			
	9/1/2019-8/31/2020		7/1/2019-8/31/2019		9/1/2018-6/30/2019	
<b>Actual</b>						
<b>Contribution Rates:</b>	Employer	Employee	Employer	Employee	Employer	Employee
PERS Plan 1	7.92%	6.00%	7.92%	6.00%	7.52%	6.00%
Pers Plan 1 UAAL	4.76%		4.76%		5.13%	
Administrative Fee	0.18%		0.18%		0.18%	
<b>Total</b>	<b>12.86%</b>	<b>6.00%</b>	<b>12.86%</b>	<b>6.00%</b>	<b>12.83%</b>	<b>6.00%</b>

Although no Enduris employees are covered by PERS Plan 1, 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 \$92,001 and \$83,764 for the Pool's fiscal year ending August 31, 2020 and 2019. For the DRS fiscal year end June 30, 2020 and 2019, the amounts were \$95,019 and \$82,386, respectively.

### PERS Plan 2/3

**Participating Employers and Non-employer Contributing Entities:** As of June 30, 2020, the DRS fiscal year end, Enduris was one of 858 employers participating in PERS Plan 2 and 578 employers participating in PERS Plan 3. As of June 30, 2019 there were 835 employers participating in PERS Plan 2 and 575 employers participating in PERS Plan 3.

**Plan Membership:** As of June 30, 2020, there were 212,226 members participating in Plan 2 and 51,863 members participating in Plan 3. As of June 30, 2019, there were 206,268 members participating in Plan 2 and 49,635 members participating in Plan 3. Enduris has employees in both PERS Plan 2 and Plan 3.

**Benefits Provided:** PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the monthly average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit.

Members are eligible for retirement with a full benefit at age 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions: (1) With a benefit that is reduced by 3% for each year before age 65; or (2) 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 survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on CPI), capped at 3% annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions.

## Notes to the Financial Statements (cont.)

**Vesting:** 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 ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 members are immediately vested in the defined contribution portion of their plan. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity.

**Funding/Contribution Requirements:** 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. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates.

PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan 2/3 required defined benefit contribution rates (expressed as a percentage of covered payroll) during the Enduris fiscal years ended August 31, 2020 and 2019 were as follows:

<b>PERS Plan 2/3 - Required Contribution Rates - State Agencies, Local Government Units</b>									
<b>Fiscal Years Ended August 31st</b>									
<b>Actual</b>	<b>2020</b>			<b>2019</b>					
	<b>9/1/2019-8/31/2020</b>			<b>7/1/2019-8/31/2019</b>			<b>9/1/2018-6/30/2019</b>		
	Employer	Employee Plan 2	Employee Plan 3	Employer	Employee Plan 2	Employee Plan 3	Employer	Employee Plan 2	Employee Plan 3
<b>Contribution Rates:</b>									
PERS Plan 1	7.92%	7.90%	Varies <sup>(1)</sup>	7.92%	7.90%	Varies <sup>(1)</sup>	7.52%	7.41%	Varies <sup>(1)</sup>
Pers Plan 1 UAAL	4.76%			4.76%			5.13%		
Administrative Fee	0.18%			0.18%			0.18%		
<b>Total</b>	<b>12.86%</b>	<b>7.90%</b>	<b>Varies <sup>(1)</sup></b>	<b>12.86%</b>	<b>7.90%</b>	<b>Varies <sup>(1)</sup></b>	<b>12.83%</b>	<b>7.41%</b>	<b>Varies <sup>(1)</sup></b>

(1) Variable from 5% to 15% based on rate selected by member.

The portion of Enduris' total actual contributions, calculated using the above rates, allocated to PERS Plan 2/3 and the administrative fee was \$153,766 and \$127,932 for the Pool's fiscal year ended August 31, 2020 and 2019. For the DRS fiscal year end June 30, 2020 and 2019, the amounts were \$158,083 and \$121,110.

One employee who retired at the beginning of fiscal 2019 was ineligible to participate in PERS and contributions in lieu of PERS were made to a deferred compensation plan. These contributions utilized the same withholding and employer contribution percentages as PERS Plan 2. The amounts contributed in lieu of PERS was \$9,469 for the year ended August 31, 2019.

### Actuarial Assumptions

The total pension liability (TPL) for each of the plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) 2013-2018 Demographic Experience Study Report and the 2019 Economic Experience Study.

Additional assumptions for subsequent events and law changes are current as of the 2019 Actuarial Valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

## Notes to the Financial Statements (cont.)

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### **PERS Plan 1 and Plan 2/3 - Actuarial Assumptions**

#### **DRS Fiscal Years Ended June 30, 2020 and 2019**

Inflation	2.75% total economic inflation, 3.50% salary inflation
Salary Increases	In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity
Investment Rate of Return	7.40%

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Mortality rates were developed using the Society of Actuaries' Pub. H-2010 Mortality rates, which vary by member status (that is...active, retiree, or survivor), as the base table. OSA applied age offsets for each system as appropriate to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

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

#### Assumption Changes:

- OSA updated their demographic assumptions based on the results of their latest demographic experience study. This study is completed every six years and includes updates to a wide range of behavioral and demographic assumptions.
- OSA updated the Early Retirement Factors and Joint-and-Survivor Factors used in their model. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement. These factors match the ones that DRS implemented on October 1, 2020.

#### Method Changes:

- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA changed their method to updating certain data items that change annually. Examples include the public safety duty-related death lump sum and Washington state average wage. OSA has set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025.

See the OSA website for more information on assumption and method changes, [leg.wa.gov/osa](http://leg.wa.gov/osa).

#### Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.40% in both FY 2020 and FY 2019. To determine that rate, an asset sufficiency test included an assumed 7.50% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. Consistent with the long-term expected rate of return, a 7.40% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3), whose rates include a component for the PERS 1 plan liabilities. Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.40% was used to determine the total liability.

#### Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.40% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

#### 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, 2020 and 2019, are summarized in the table below. The inflation component used to create the table is 2.20% and represents WSIB's most recent long-term estimate of broad economic inflation.

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## Notes to the Financial Statements (cont.)

<b>Estimated Rates of Return by Asset Class</b>				
<b>DRS Fiscal Years Ended June 30th</b>				
	<b>2020</b>		<b>2019</b>	
<b>Asset Class:</b>	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20.0%	2.2%	20.0%	2.2%
Tangible Assets	7.0%	5.1%	7.0%	5.1%
Real Estate	18.0%	5.8%	18.0%	5.8%
Global Equity	32.0%	6.3%	32.0%	6.3%
Private Equity	23.0%	9.3%	23.0%	9.3%

### Sensitivity of Net Pension Liability/(Asset)

The following table presents Enduris' proportionate share of the net pension liability, as of the DRS fiscal years ended June 30, 2020 and June 30, 2019, calculated using the discount rate of 7.40%, as well as what the Pool's 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.

<b>Discount Rate Sensitivity - Enduris' Proportionate Share of the Net Pension Liability</b>						
<b>As of DRS Fiscal Years Ended June 30th - Dollars in Thousands</b>						
	<b>2020</b>			<b>2019</b>		
	1% Decrease (6.4%)	Current Rate (7.4%)	1% Increase (8.4%)	1% Decrease (6.4%)	Current Rate (7.4%)	1% Increase (8.4%)
PERS Plan 1	\$ 656	\$ 524	\$ 408	\$ 553	\$ 442	\$ 345
PERS Plan 2/3	\$ 1,314	\$ 219	\$ (724)	\$ 1,105	\$ 144	\$ (644)

### Pension Plan Fiduciary Net Position

The components of the calculation of the net pension liability of all participating employers and non-employer contributing entities as of June 30, 2020 and 2019, calculated in accordance with GASB Statement No. 67, were as follows:

<b>PERS Plan 1 - All Participating Employers</b>		
<b>Net Pension Liabilities</b>		
<b>As of DRS Fiscal Years Ended June 30th - Dollars in Millions</b>		
	<b>2020</b>	<b>2019</b>
Total Pension Liability	\$ 11,257	\$ 11,697
Plan Fiduciary Net Position	(7,726)	(7,851)
<b>Net Pension Liability (Asset)</b>	<b>\$ 3,531</b>	<b>\$ 3,845</b>
<b>Plan Fiduciary Net Position as a % of Total Pension Liability</b>	<b>68.64%</b>	<b>67.12%</b>

<b>PERS Plan 2/3 - All Participating Employers</b>		
<b>Net Pension Liabilities</b>		
<b>As of DRS Fiscal Years Ended June 30th - Dollars in Millions</b>		
	<b>2020</b>	<b>2019</b>
Total Pension Liability	\$ 46,031	\$ 43,503
Plan Fiduciary Net Position	(44,752)	(42,532)
<b>Net Pension Liability (Asset)</b>	<b>\$ 1,279</b>	<b>\$ 972</b>
<b>Plan Fiduciary Net Position as a % of Total Pension Liability</b>	<b>97.22%</b>	<b>97.77%</b>

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

## Notes to the Financial Statements (cont.)

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

#### **Pension Liabilities (Assets)**

Enduris reported a pension liability of \$682,356 as of August 31, 2020, and \$585,870 as of August 31, 2019 for its proportionate share of the net pension liabilities as follows:

<b>PERS Plan 1 and Plan 2/3 Enduris Proportionate Share of Net Pension Liabilities For the Fiscal Years Ended August 31st - Dollars in Thousands</b>		
	<b>2020</b>	<b>2019</b>
PERS Plan 1	\$ 462.9	\$ 441.8
PERS Plan 2/3	\$ 219.5	\$ 144.1
<b>Total</b>	<b>\$ 682.4</b>	<b>\$ 585.9</b>

On June 30, 2020 and June 30, 2019, the Enduris' proportionate share of the collective net pension liabilities (assets) was as follows:

<b>PERS Plan 1 and Plan 2/3 Enduris Proportionate Share of Net Pension Liabilities For the DRS Fiscal Years Ended June 30th</b>			
	<b>2020</b>	<b>2019</b>	<b>Change</b>
PERS Plan 1	0.013111%	0.011490%	0.001621%
PERS Plan 2/3	0.017160%	0.014829%	0.002331%

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 Non-Employer Allocations* for all plans.

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with updates procedures used to roll forward the total pension liability to the measurement date.

#### **Pension Expense**

For the years ended August 31, 2020 and 2019, the components of the pension expense recognized by Enduris is as follows:

<b>Enduris Pension Expense - All Plans Fiscal Years Ended August 31st - Dollars in Thousands</b>		
	<b>2020</b>	<b>2019</b>
PERS Plan 1 UAAL	\$ 89.1	\$ 87.6
PERS Plan 2/3	32.1	33.9
Administration Fee	3.5	3.0
<b>Total</b>	<b>\$ 124.7</b>	<b>\$ 124.5</b>

## Notes to the Financial Statements (cont.)

### Deferred Outflows of Resources and Deferred Inflows of Resources

At August 31, 2020 and 2019, Enduris reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Deferred Outflows of Resources and Deferred Inflows of Resources As of August 31st - Dollars in Thousands				
	PERS Plan 1			
	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	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	-	3	-	30
Changes of assumptions	-	-	-	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	-	-	-
Contributions subsequent to the measurement date	11	-	14	-
<b>Total</b>	<b>\$ 11</b>	<b>\$ 3</b>	<b>\$ 14</b>	<b>\$ 30</b>

Deferred Outflows of Resources and Deferred Inflows of Resources As of August 31st - Dollars in Thousands				
	PERS Plan 2/3			
	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 79	\$ 28	\$ 41	\$ 31
Net difference between projected and actual investment earnings on pension plan investments	3	11	-	210
Changes of assumptions	112	150	4	60
Changes in proportion and differences between contributions and proportionate share of contributions	19	41	71	51
Contributions subsequent to the measurement date	-	-	23	-
<b>Total</b>	<b>\$ 213</b>	<b>\$ 230</b>	<b>\$ 139</b>	<b>\$ 352</b>

Deferred Outflows of Resources and Deferred Inflows of Resources As of August 31st - Dollars in Thousands				
	Combined			
	2020		2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 79	\$ 28	\$ 41	\$ 31
Net difference between projected and actual investment earnings on pension plan investments	3	14	-	240
Changes of assumptions	112	150	4	60
Changes in proportion and differences between contributions and proportionate share of contributions	19	41	71	51
Contributions subsequent to the measurement date	11	-	37	-
<b>Total</b>	<b>\$ 224</b>	<b>\$ 233</b>	<b>\$ 153</b>	<b>\$ 382</b>

## Notes to the Financial Statements (cont.)

Deferred outflows of resources related to pensions resulting from Enduris' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2021.

Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Deferred Outflows and Deferred Inflows - Pension Expense Recognition</b>						
<b>As of August 31st - Dollars in Thousands</b>						
Year	<b>2020</b>			<b>2019</b>		
	PERS Plan 1	PERS Plan 2	Total	PERS Plan 1	PERS Plan 2	Total
2021	\$ (12)	\$ (80)	\$ (92)	\$ (7)	\$ (63)	\$ (70)
2022	-	(10)	(10)	(15)	(105)	(120)
2023	4	15	19	(6)	(45)	(51)
2024	6	29	35	(2)	(23)	(25)
2025	-	8	8	-	(11)	(11)
Thereafter	-	2	2	-	10	10
<b>Totals</b>	<b>\$ (2)</b>	<b>\$ (36)</b>	<b>\$ (38)</b>	<b>\$ (30)</b>	<b>\$ (237)</b>	<b>\$ (267)</b>

Under GASB Statement 68, local governments that participate in one or more of the State's plan must present required supplementary information (RSI). These schedules are included in this report after the Notes to the Financial Statements. RSI include a Schedule of Proportionate Share of the Net Pension Liability and a Schedule of Employer Contributions.

### Note 8 – Capital Leases

The Pool has entered into various lease agreements, primarily for office equipment. These lease agreements qualify as capital leases for accounting purposes, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. The assets acquired through capital leases are included in Capital Assets (see Note 5).

On August 31, 2020, the total liability associated with the capital leases was \$9,759, with \$2,495 of the liability classified as current and \$7,264 classified as non-current. The total obligation for future minimum payments was \$11,517, with \$1,757 attributed to interest.

On August 31, 2019, the total liability associated with the capital leases was \$12,031, with \$2,270 of the liability classified as current and \$9,761 classified as non-current. The total obligation for future minimum payments was \$14,839, with \$2,808 attributed to interest.

On August 31, 2020 and 2019, the annual future maturities of capital lease commitments, including interest, were:

<b>Future Minimum Payments for Capital Leases</b>		
<b>As of August 31<sup>st</sup> – Dollars in Thousands</b>		
Twelve-month period ending August 31st:	<b>2020</b>	<b>2019</b>
2020	\$ -	\$ 3.3
2021	3.3	3.3
2022	3.3	3.3
2023	3.3	3.3
2024	1.6	1.6
Thereafter	-	-
<b>Total Future Minimum Lease Payments</b>	<b>\$ 11.5</b>	<b>\$ 14.8</b>
Less: Imputed Interest	(1.7)	(2.8)
<b>Net Capital Lease Obligation</b>	<b>\$ 9.8</b>	<b>\$ 12.0</b>
Current Portion of capital leases	\$ 2.5	\$ 2.2
Long-term capital leases	\$ 7.3	\$ 9.8
<b>Total</b>	<b>\$ 9.8</b>	<b>\$ 12.0</b>

## Notes to the Financial Statements (cont.)

### Note 9 – Claim Reserves

Enduris establishes claim reserves for reported and unreported insured events, which include estimates of the undiscounted future cash payments of losses and related claim allocated loss adjustment expenses (ALAE), 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, 2020 and 2019:

<b>Claim Reserves</b>		
<b>As of August 31st - Dollars in Thousands</b>		
	<b>2020</b>	<b>2019</b>
Unpaid claim and claim adjustment expenses at beginning of the fiscal year	\$ 12,132	\$ 12,365
Incurring claim and claim adjustment expenses:		
Provision for insured events of the current fiscal year	6,449	5,797
Changes in provision for insured events in prior fiscal years	(325)	(524)
Changes in ULAE	100	(89)
Total incurred claim and claim adjustment expenses	\$ 6,224	\$ 5,184
Payments:		
Claim and claim adjustment expense attributable to insured events in the current fiscal year	\$ (1,275)	\$ (1,017)
Claim and claim adjustment expense attributable to insured events in prior fiscal years	(3,335)	(4,400)
Total Payments	\$ (4,610)	\$ (5,417)
<b>Total unpaid claim and claim adjustment expenses at the end of the fiscal year</b>	<b>\$ 13,746</b>	<b>\$ 12,132</b>
Components of Claim Reserve:		
Claim Reserves	\$ 3,533	\$ 2,462
Claim IBNR	9,342	8,900
ULAE - Administrative Run Off	871	770
<b>Unpaid claim and claim adjustment expense</b>	<b>\$ 13,746</b>	<b>\$ 12,132</b>

### Note 9 – Benefit Allowance

Regular employees of Enduris receive a monthly taxable medical benefit allowance. The monthly allowance was \$1,900 in fiscal 2020 and 2019. The allowance may be used to purchase medical coverage for the employee and eligible dependents or directed to a 457(b) deferred compensation plan or a 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.

### 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 approximately \$113,000 for FY 2020 and \$109,000 for FY 2019.

## Notes to the Financial Statements (cont.)

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### **Note 10 – Compensated Absences**

The liability for compensated absences totaled \$177,318 and \$100,017 on August 31, 2020 and 2019, respectively. The estimated compensated balance payable within one year was \$73,502 for FY 2020 and \$62,175 for FY 2019.

### **Note 11 – Regulatory Solvency**

Revised Washington Administrative Code (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 independent actuary's unpaid claims estimate at the 80% confidence level. 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.

The table below reflects the results of the primary and secondary asset test as of August 31, 2020 and 2019. The prior period adjustment for the Pool's investment in GEM is reflected in the calculation for fiscal 2019. The change increased Secondary Assets, and therefore the Test 2 Result, by \$1.0 million.

<b>Primary and Secondary Asset Test As of August 31st - Dollars in Millions</b>		
	<b>2020</b>	<b>2019</b>
<b>Primary Asset Test (Test 1):</b>		
Primary Assets	\$ 20.5	\$ 15.3
Unpaid Claims - Expected Level	13.8	12.1
Margin	\$ 6.7	\$ 3.2
<b>Test 1 Result</b>	<b>PASS</b>	<b>PASS</b>
<b>Primary and Secondary Test (Test 2):</b>		
Primary Assets	\$ 20.5	\$ 15.3
Secondary Assets	11.8	11.4
Primary and Secondary Assets	\$ 32.3	\$ 26.7
Unpaid Claims - 80% Confidence Level	17.1	15.1
Margin	\$ 15.2	\$ 11.6
<b>Test 2 Result</b>	<b>PASS</b>	<b>PASS</b>

**Enduris Washington**  
**Required Supplementary Information**  
**For the Fiscal Years Ended August 31, 2020 and 2019**  
**Schedule 1**  
**Ten-Year Claim Development Information**

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The table on the following page (Schedule 1) illustrates how Enduris' earned revenues (net of reinsurance) and interest income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Pool as of the end of each of the last ten years. The rows of the table are defined as follows:

- 1) This section shows the total of each fiscal year's gross earned contribution revenue and interest income, the amount of that contribution revenue ceded to reinsurers (excess/reinsurance premiums), and the difference, or the net earned contribution revenue and interest income.
- 2) This line shows each fiscal year's unallocated operating expenses which include other operating costs of the Pool such as overhead and claims expense not allocable to individual claims.
- 3) This section shows the Pool's gross incurred claims and allocated adjustment expenses, claims assumed by reinsurers (ceded losses), and 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 successive years for each policy year.
- 5) This line shows the latest re-estimated amount of claims assumed by excess/reinsurance 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 successive years. This annual actuarial 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 net incurred claims amount to the amount originally established (Section 3, net incurred) 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 successive policy years.

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This required supplementary information is an integral part of the accompanying financial statements.

Required Supplementary Information - Schedule 1 (a) (continued)  
Comparative Schedule of Claim Development, Earned Contributions and Unallocated Expenses

As of August 31, 2020

For the Years Ended August 31, 2011 through August 31, 2020

Fiscal and Policy Year Ended: Dollars in thousands	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Gross Earned Member Contributions and Investment Revenue										
Ceded	\$ 17,892	\$ 15,609	\$ 13,392	\$ 12,194	\$ 10,764	\$ 9,852	\$ 9,141	\$ 8,935	\$ 8,565	\$ 8,212
Net Earned	4,685	3,981	3,422	3,411	3,025	2,573	2,379	2,069	1,844	1,707
	13,207	11,628	9,970	8,783	7,739	7,279	6,762	6,866	6,721	6,505
Unallocated Operating Expenses	3,319	3,172	3,597	3,069	3,018	2,834	2,742	2,751	2,546	2,307
Estimated Losses and Expenses end of accident year:										
Incurred	7,478	6,985	8,859	8,263	4,764	5,579	3,299	5,682	4,535	4,879
Ceded*	1,524	1,188	1,605	1,201	526	1,288	595	1,985	947	1,413
Net Incurred	5,954	5,797	7,254	7,062	4,238	4,291	2,704	3,698	3,588	3,466
Cumulative paid as of:										
End of policy year	1,548	1,017	1,723	2,268	1,300	1,475	795	976	968	1,169
One year later		1,827	2,936	2,999	2,341	3,234	1,475	2,585	1,862	1,565
Two years later			3,403	3,371	3,138	4,199	1,848	2,870	2,548	1,902
Three years later				3,585	3,456	3,711	1,963	3,455	3,013	1,976
Four years later					3,924	3,892	1,866	4,060	3,209	2,111
Five years later						3,901	1,955	3,845	3,230	2,111
Six years later							1,952	3,748	2,811	2,136
Seven years later								3,750	2,909	1,980
Eight years later									2,918	1,980
Nine years later										1,980
Re-estimated Ceded Losses and Expenses:	847	1,325	1,719	1,314	4,101	2,495	754	3,668	546	640
Re-estimated Incurred Claims:										
End of policy year	6,449	5,797	7,254	7,062	4,238	4,291	2,704	3,698	3,588	3,468
One year later		6,455	6,672	6,185	5,165	5,149	2,585	4,088	2,314	3,054
Two years later			5,897	5,742	5,332	5,488	2,578	4,060	3,441	2,819
Three years later				5,470	5,633	6,977	2,633	4,173	3,657	2,693
Four years later					5,554	7,024	2,330	4,606	3,641	2,473
Five years later						6,575	2,283	4,489	3,502	2,316
Six years later							2,273	4,464	3,493	2,266
Seven years later								4,330	3,575	2,136
Eight years later									3,630	2,136
Nine years later										2,136
Increase (decrease) in Estimated Net Incurred Claims and Expenses From End of Policy Year:	495	658	(1,357)	(1,592)	1,316	2,284	(431)	632	42	(1,350)

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

This required supplementary information is an integral part of the accompanying financial statements.

Required Supplementary Information - Schedule 1 (b) (continued)  
Comparative Schedule of Claim Development, Earned Contributions and Unallocated Expenses  
As of August 31, 2019

For the Years Ended August 31, 2010 through August 31, 2019

Fiscal and Policy Year Ended:	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
1) Gross Earned Member Contributions and Investment Revenue	\$ 15,609	\$ 13,392	\$ 12,194	\$ 10,764	\$ 9,852	\$ 9,141	\$ 8,935	\$ 8,565	\$ 8,212	\$ 8,091
Ceded	3,981	3,422	3,411	3,025	2,573	2,379	2,069	1,844	1,707	1,851
Net Earned	11,628	9,970	8,783	7,739	7,279	6,762	6,866	6,721	6,505	6,240
2) Unallocated Operating Expenses	3,172	3,597	3,069	3,018	2,834	2,742	2,751	2,546	2,307	2,052
3) Estimated Losses and Expenses end of accident year:										
Incurred	6,985	8,859	8,262	4,764	5,579	3,299	5,682	4,535	4,879	4,189
Ceded*	1,188	1,605	1,200	526	1,288	595	1,985	947	1,413	1,109
Net Incurred	5,797	7,254	7,062	4,238	4,291	2,704	3,698	3,588	3,466	3,080
4) Cumulative paid as of:										
End of policy year	1,017	1,723	2,268	1,300	1,475	795	976	968	1,169	675
One year later		2,936	2,999	2,341	3,234	1,475	2,585	1,862	1,565	1,657
Two years later			3,371	3,138	4,199	1,848	2,870	2,548	1,902	2,009
Three years later				3,456	3,711	1,963	3,455	3,013	1,976	2,059
Four years later					3,892	1,866	4,060	3,209	2,111	2,100
Five years later						1,955	3,845	3,230	2,111	2,283
Six years later							3,748	2,811	2,136	2,308
Seven years later								2,909	1,980	2,342
Eight years later									1,980	2,169
Nine years later										2,165
5) Re-estimated Ceded Losses and Expenses:	1,188	1,693	1,494	4,263	2,607	764	3,706	578	639	509
6) Re-estimated Incurred Claims:										
End of policy year	5,797	7,254	7,062	4,238	4,291	2,704	3,698	3,588	3,468	3,080
One year later		6,672	6,185	5,165	5,149	2,585	4,088	2,314	3,054	3,278
Two years later			5,742	5,332	5,488	2,578	4,060	3,441	2,819	3,122
Three years later				5,633	6,977	2,633	4,173	3,657	2,693	2,672
Four years later					7,024	2,330	4,606	3,641	2,473	2,585
Five years later						2,283	4,489	3,502	2,316	2,712
Six years later							4,464	3,493	2,266	2,593
Seven years later								3,575	2,136	2,557
Eight years later									2,136	2,355
Nine years later										2,350
7 Increase (decrease) in Estimated Net Incurred Claims and Expenses From End of Policy Year:	-	(582)	(1,320)	1,395	2,733	(421)	766	(13)	(1,330)	(730)
*At policy year end 2010 our actuary started calculating estimated ceded ultimate loss.										

This required supplementary information is an integral part of the accompanying financial statements.

Enduris Washington  
Required Supplementary Information  
Schedule 2  
Reconciliation of Claim Liabilities by Type of Contract  
As of August 31, 2020 and 2019

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The schedule below presents the changes in claim liabilities for the past two years for Enduris' liability and property coverage programs.

<b>Claim Reserves</b>				
<b>As of August 31st - Dollars in Thousands</b>				
	<b>Liability Program</b>		<b>Property Program</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Unpaid claim and claim adjustment expenses at beginning of the fiscal year	\$ 10,609	\$ 11,145	\$ 1,523	\$ 1,220
Incurred claim and claim adjustment expenses:				
Provision for insured events of the current fiscal year	3,960	3,905	2,489	1,892
Changes in provision for insured events in prior fiscal years	(921)	(447)	596	(77)
Changes in ULAE	55	(116)	45	27
Total incurred claim and claim adjustment expenses	\$ 3,094	\$ 3,342	\$ 3,130	\$ 1,842
Payments:				
Claim and claim adjustment expense attributable to insured events in the current fiscal year	\$ (627)	\$ (369)	\$ (648)	\$ (648)
Claim and claim adjustment expense attributable to insured events in prior fiscal years	(1,529)	(3,509)	(1,806)	(891)
Total Payments	\$ (2,156)	\$ (3,878)	\$ (2,454)	\$ (1,539)
<b>Total unpaid claim and claim adjustment expenses at the end of the fiscal year</b>	<b>\$ 11,547</b>	<b>\$ 10,609</b>	<b>\$ 2,199</b>	<b>\$ 1,523</b>
Components of Claim Reserve:				
Claim Reserves	\$ 2,772	\$ 2,165	\$ 761	\$ 297
Claim IBNR	8,054	7,778	1,288	1,122
ULAE - Administrative Run Off	721	666	150	104
<b>Unpaid claim and claim adjustment expense</b>	<b>\$ 11,547</b>	<b>\$ 10,609</b>	<b>\$ 2,199</b>	<b>\$ 1,523</b>

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This required supplementary information is an integral part of the accompanying financial statements

Enduris Washington  
Required Supplementary Information  
Schedule 3  
Schedule of Proportionate Share of the Net Pension Liability (Last 10 Fiscal Years\*)  
As of June 30<sup>th</sup>

<b>PERS Plan 1</b>		<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>As of June 30</b>									
Employer's proportion of the net pension liability (asset)		0.013111%	0.011490%	0.010038%	0.011284%	0.010931%	0.011230%	0.011413%	0.011149%
Employer's proportionate share of the net pension liability		\$ 462,889	\$ 441,830	\$ 448,300	\$ 535,435	\$ 587,046	\$ 581,836	\$ 574,925	\$ 651,464
Employer's covered payroll		\$1,996,171	\$1,612,479	\$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		23.19%	27.40%	33.46%	41.92%	44.56%	45.63%	45.34%	53.06%
Plan fiduciary net position as a percentage of the total pension liability		68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%	*
<b>PERS Plan 2</b>		<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>As of June 30</b>									
Employer's proportion of the net pension liability (asset)		0.017160%	0.014829%	0.012818%	0.014514%	0.013987%	0.014373%	0.014694%	0.014847%
Employer's proportionate share of the net pension liability		\$ 219,467	\$ 144,039	\$ 218,856	\$ 504,292	\$ 704,234	\$ 513,555	\$ 297,019	\$ 633,969
Employer's covered payroll		\$1,996,171	\$1,612,479	\$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		10.99%	8.93%	16.33%	39.48%	53.45%	40.27%	23.42%	51.63%
Plan fiduciary net position as a percentage of the total pension liability		70.55%	97.77%	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.

This required supplementary information is an integral part of the accompanying financial statements

Enduris Washington  
Required Supplementary Information  
Schedule 4  
Schedule of Employer Contributions (Last 10 Fiscal Years\*)  
As of August 31st

<b>PERS Plan 1 **</b>		<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
<b>As of August 31</b>									
Statutorily or contractually required contributions (for UAAL portion only)		\$ 92,001	\$ 83,764	\$ 68,111	\$ 71,941	\$ 65,476	\$ 52,490	\$ 50,571	\$ 32,151
Contributions in relation to the statutorily or contractually required contributions		(92,001)	(83,764)	(68,111)	(71,941)	(65,476)	(52,490)	(50,571)	(32,151)
Contribution deficiency (excess)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employer payroll (for UAAL only)		\$1,938,210	\$1,650,511	\$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		4.7%	5.1%	5.0%	5.7%	4.7%	4.1%	4.0%	2.6%
<b>PERS Plan 2</b>									
<b>As of August 31</b>		<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Statutorily or contractually required contributions (for UAAL portion only)		\$ 153,766	\$ 124,961	\$ 100,822	\$ 67,874	\$ 85,364	\$ 66,176	\$ 62,266	\$ 58,632
Contributions in relation to the statutorily or contractually required contributions		(153,766)	(124,961)	(100,822)	(67,874)	(85,364)	(66,176)	(62,266)	(58,632)
Contribution deficiency (excess)		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employer payroll (for UAAL only)		\$1,938,210	\$1,650,511	\$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		7.9%	7.6%	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 for 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.

This required supplementary information is an integral part of the accompanying financial statements

## Enduris Washington

### Notes to Schedule 3 and Schedule 4 – Pension Required Supplementary Information

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**Methods and Assumptions Used in Calculations of Actuarially Determined Contributions for PERS:**

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 1.45 RCW.

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. The actuarial valuation with a June 30, 2017 valuation date, completed in the Fall of 2018, plus any supplemental contribution rates from the preceding legislative session, determines the ADC for the period beginning July 1, 2019 and ending June 30, 2021.

**Additional Considerations on ADC for All Plans:** OSA calculates the ADC consistent with the methods described above. Adopted contribution rates could be different pending the actions of the governing bodies.

**CRC for All Cost-Sharing Plans:** For cost-sharing plans, OSA calculates the contractually required contributions (CRC) using the same assumptions and methods as the ADC, except the CRC reflect the adopted contribution rates for the time period shown, which might differ from the contribution rates produced for the ADC.

Additional plan-specific actuarial method and assumption information is in Note 6 of the Financial Section.

Supplementary and Other Information  
For the Fiscal Years Ended August 31, 2020 and 2019  
Schedule 6  
Department of Enterprise Services (DES) Schedule of Expenses

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	<u>2020</u>	<u>2019</u>
<b>Claims Expense:</b>		
Incurred Loss and Allocated Loss Adjustment Expenses:		
Claims Paid, net of recoveries	\$ 4,610,598	\$ 5,416,978
Change in Liabilities for Unpaid Claims	1,513,445	(144,536)
Unallocated Loss Adjustment Expenses:		
Change in ULAE Reserve	100,178	(88,359)
<b>Claims Expense, net</b>	<b>\$ 6,224,221</b>	<b>\$ 5,184,083</b>
<b>Excess/Reinsurance Costs:</b>		
Liability	1,094,593	1,087,986
Property	3,455,764	2,758,225
Broker Fees	135,000	135,000
<b>Excess/Reinsurance Costs</b>	<b>\$ 4,685,357</b>	<b>\$ 3,981,211</b>
<b>Contracted Services:</b>		
Legal Services	69,081	131,664
Pre-Defense Legal & Investigation	79,753	100,703
Municipal Research & Services Center	85,405	70,633
Actuarial Services	30,000	26,750
Audit Expenses	24,167	25,244
State Risk Management Fees	11,720	17,581
Other Consultant Fees	18,744	89,058
<b>Contracted Services</b>	<b>\$ 318,870</b>	<b>\$ 461,633</b>
<b>General and Administrative Expenses:</b>		
Staff Wages, Taxes and Benefits	2,268,673	2,178,527
Technology and Claims System	151,546	158,175
Member Services and Training	108,305	121,436
Building and Occupancy	85,189	107,862
Dues and Conferences	61,012	69,704
Communications	26,820	44,526
Supplies	13,144	15,259
Board Expenses	13,954	18,902
Miscellaneous	8,446	10,019
<b>General and Administrative Expense</b>	<b>\$ 2,737,089</b>	<b>\$ 2,724,410</b>
<b>Depreciation</b>	<b>\$ 261,808</b>	<b>\$ 74,544</b>
<b>Total Operating Expenses</b>	<b>\$ 14,227,345</b>	<b>\$ 12,425,881</b>

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This required supplementary information is an integral part of the accompanying financial statements

Supplementary and Other Information  
For the Fiscal and Policy Year Ended August 31, 2020

Schedule 7  
List of Participating Members

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4 Culture	Chelan Douglas Health District	Ferry County EMS District #1
Adams Conservation District	Chelan Douglas Transportation Council	Fidalgo Pool & Fitness Center
Adams County FPD #1	Chelan Douglas Regional Port Authority and	Fort Worden Public Development Authority
Adams County FPD #6	POCC and PODC and PMA	Foss Waterway Development Authority
Adams County Mosquito Control District	Chelan Falls Irrigation District	Foster Creek Conservation District
Adams County Noxious Weed Board	Chelan Falls Water District	Four Lakes Water District
Adams County Park & Recreation Board #2	Chelan River Irrigation District	Franklin Conservation District
Adams County Parks & Recreation District #3	Chinook Water District	Franklin County Emergency Management
Adams County Park & Recreation District #4	City of Kent Special Events Center Public Facilities	Franklin County FPD #3
Adams County Park District #1	District	Franklin County Irrigation District #1
Adams County Weed District #1	Clallam Conservation District	Franklin County Mosquito Control
Admiral's Cove Water District	Clallam County FPD #1	Freeland Water District
Aging & Adult Care of Central Washington	Clallam County FPD #3	Graham Fire & Rescue
Aging & Long-Term Care of Eastern Washington	Clallam County FPD #4	Grant County Conservation District
Agnew Irrigation District	Clallam County FPD #5	Grant County FPD #3
Ahtanum Irrigation District	Clallam County FPD #6	Grant County FPD #7
Alta Vista Irrigation District	Clallam County Park & Recreation District #1	Grant County FPD #8
Anderson Island Fire & Rescue	Clark Conservation District	Grant County FPD #10
Anderson Island Park & Recreation District	Clark County Cemetery District #4	Grant County FPD #12
Ashford Water District	Clark County Cemetery District #5	Grant County Health District
Asotin County Conservation District	Clark County Cemetery District #6	Grant County Hospital District #7
Asotin County FPD #1	Clark County Diking District #14	Grant County Mosquito Control District #1
Asotin County Health District	Clark County FPD #3	Grant County Mosquito Control District #2
Asotin County Library	Clark County FPD #13	Grant County Port District #4
Badger Mountain Irrigation District	Clark County Mosquito Control District	Grant County Port District #5
Bainbridge Island Fire Department	Clark County Public Facilities District	Grant County Port District #6
Bainbridge Island Metro Park & Recreation District	Clear Lake Water District	Grant County Port District #7
Bayview Beach Water District	Cline Irrigation District	Grays Harbor Conservation District
Benton Clean Air Agency	Colfax Cemetery District #6	Grays Harbor County FPD #1
Benton Conservation District	Columbia Conservation District	Grays Harbor County FPD #2
Benton County FPD #1	Columbia County Rural Library District	Grays Harbor County FPD #10
Benton County FPD #2	Columbia Irrigation District	Grays Harbor County FPD #12
Benton County FPD #4	Columbia Mosquito Control District	Grays Harbor County FPD #17
Benton County FPD #5	Community Connectivity Consortium	Grays Harbor County Public Facilities District
Benton County FPD #6	Coulee Area Park & Recreation District	Grays Harbor Historical Seaport Authority
Benton County Mosquito Control District #1	Cowlitz Conservation District	Grays Harbor/Pacific County FPD #15
Benton County Noxious Weed Control Board	Cowlitz County Cemetery District #2	Great Rivers Behavioral Health Organization
Benton County Weed District #1	Cowlitz County-Lewis County FPD #20	Greater Columbia Behavioral Health
Benton-Franklin Council of Governments	Cowlitz County Mosquito Control District	Greater Wenatchee Irrigation District
Benton Franklin Health District	Cowlitz County Public Facilities District	Greater Wenatchee Regional Events Center PFD
Benton Irrigation District	Cowlitz Skamania County FPD #7	Hangman Hills Water District #15
Bertrand Watershed Improvement District	Crystal Mountain Sewer District	Helensdale Irrigation District
Black Diamond Water District	Darrington Fire District #24	Highland Irrigation District
Blaine-Birch Bay Park & Recreation District #2	Diamond Lake Water & Sewer District	Highland Water District
Blalock Orchards Water District #12	Douglas County Cemetery District #2	Highline Water District
Brewster Flat Irrigation District	Douglas County FPD #3	Hutchinson Irrigation District #16
Bridgeport Irrigation District #1	Douglas County FPD #4	Hydro Irrigation District #9
Burbank Irrigation District #4	Douglas County Sewer District #1	Icicle Irrigation District
Camano Island Mosquito Control District #1	Douglas Okanogan County FPD #15	Inchelium Water District
Capital Area Regional Public Facilities District	Drayton Watershed Improvement District	Isenhart Irrigation District
Carnhope Irrigation District #7	Dungeness Irrigation District	Island County Diking District #1
Cascade Valley Water District	East County Park & Recreation District	Island County Diking District #2
Cascadia Conservation District	East Lewis County Public Development Authority	Island County Emergency Services Comm Center
Cattle Point Water District	East Wenatchee Water District	Jefferson County Conservation District
Central Kitsap Fire and Rescue	Eastern Klickitat Conservation District	Jefferson County Park & Rec District #2
Central Klickitat Conservation District	Eastmont Metropolitan Park District	Key Peninsula Metropolitan Park District
Central Klickitat County Park & Recreation District	Eastside/Westside Irrigation District	King Conservation District
Central Mason Fire & EMS	Eastsound Sewer & Water District	King County Cemetery District #1
Central Skagit Rural Library District	Edmonds Public Facilities District	King County Drainage District #1
Chelan County Cemetery District #1	Entiat Irrigation District	King County Drainage District #7
Chelan County Cemetery District #4	Everett Public Facilities District	King County Flood Control District
Chelan County FPD #6	Fall City Metropolitan Park District	King County FPD #45
Chelan County FPD #8	Ferry Conservation District	King County Public Hospital District #5
Chelan County FPD #10	Ferry County #3/Stevens County #8 Joint FPD	King County Water District #1

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This required supplementary information is an integral part of the accompanying financial statements

Supplementary and Other Information  
For the Fiscal and Policy Year Ended August 31, 2020  
Schedule 7  
List of Participating Members (continued)

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King County Water District #20	Mason County FPD #6	Port District of South Whidbey Island
King County Water District #49	Mason County FPD #11	Port Ludlow Drainage District
King County Water District #119	Mason County FPD #17	Port of Allyn
Kiona Irrigation District	McKenna Water District	Port of Benton
Kitsap Conservation District	Methow-Okanogan Reclamation District	Port of Brownsville
Kitsap Public Facilities District	Methow Valley Irrigation District	Port of Camas-Washougal
Kitsap Public Health District	Midway Sewer District	Port of Centralia
Kitsap Readiness Center Joint Management Group	Model Irrigation District #18	Port of Chehalis
Kittcom	Mukilteo Water and Wastewater District	Port of Chinook
Kittitas County Conservation District	Naches Park & Recreation District	Port of Clarkston
Kittitas County FPD #7	North Beach Water District	Port of Columbia
Kittitas County Water District #4	North City Water District	Port of Coupeville
Kittitas County Water District #6	North Country Emergency Medical Service	Port of Dewatto
Kittitas County Weed District #5	North Lynden Watershed Improvement District	Port of Edmonds
Kittitas Park & Rec District #1	North Olympic Library System	Port of Eglon
Klickitat County EMS District #1	North Sound Behavioral Health Organization	Port of Friday Harbor
Klickitat County FPD #1	North Yakima Conservation District	Port of Garfield
Klickitat County FPD #3	Northeast Tri County Health District	Port of Grandview
Klickitat County FPD #4	Northeast Public Development Authority	Port of Grapeview
Klickitat County FPD #11	Northwest Clean Air Agency	Port of Grays Harbor
Klickitat County FPD #13	Oakesdale Park & Recreation District #4	Port of Hoodspart
Klickitat County FPD #14	Odessa Public Development Authority	Port of Illahee
Klickitat County Port District	Okanogan Conservation District	Port of Ilwaco
La Conner Regional Library	Okanogan County FPD #2	Port of Indianola
Lagoon Point Water District	Okanogan County FPD #7	Port of Kahlottus
Lake Chelan Reclamation District	Okanogan County FPD #8	Port of Keyport
Lake Chelan Sewer District	Okanogan County FPD #10	Port of Kingston
Lake Forest Park Water District	Okanogan County FPD #11	Port of Lopez
Lake Stevens Fire	Okanogan County FPD #12	Port of Manchester
Lake Wenatchee Fire & Rescue	Okanogan County Public Health	Port of Mattawa
Laurel Watershed Improvement District	Okanogan County Rural FPD #6	Port of Olympia
Leavenworth Mosquito Control District	Okanogan Irrigation District	Port of Orcas
Ledgewood Beach Water District	Olympic Region Clean Air Agency	Port of Pasco
Lewis County Cemetery District #1	Orcas Island Health Care District	Port of Pend Oreille
Lewis County Cemetery District #2	Orcas Island Library District	Port of Peninsula
Lewis County Conservation District	Orcas Island Park & Recreation District	Port of Port Townsend
Lewis County Flood District #1	Oroville Tonasket Irrigation District	Port of Poulsbo
Lewis County FPD #2	Pacific Conservation District	Port of Ridgefield
Lewis County FPD #5	Pacific County Drainage District #1	Port of Royal Slope
Lewis County FPD #8	Pacific County FPD #1	Port of Shelton
Lewis County FPD #13	Pacific County FPD #2	Port of Silverdale
Lewis County Public Facilities District	Pacific County FPD #4	Port of Skagit
Lewis County Water Sewer District #6	Pacific County FPD #6	Port of Skamania County
Lewis-Mason-Thurston Area Agency on Aging	Palouse Conservation District	Port of Tracyton
Liberty Lake Sewer and Water District	Palouse-Rock Lake Conservation District	Port of Walla Walla
Lincoln-Adams County FPD #3	Pend Oreille Cemetery District #1	Port of Waterman
Lincoln County Conservation District	Pend Oreille Conservation District	Port of Whitman County
Lincoln County FPD #6	Pend Oreille County FPD #2	Port of Willapa Harbor
Lincoln County FPD #9	Pend Oreille County FPD #4	Port of Woodland
Lincoln County Noxious Weed Control Board	Pend Oreille County FPD #5	Poulsbo Fire Department
Lincoln County Park & Recreation District #2	Pend Oreille County FPD #8	Public Law Library of King County
Lincoln County Park & Recreation District #3	Pend Oreille County Hospital District #2	Public Utility District #1 of Skagit County
Loon Lake Sewer District #4	Pend Oreille County Library District	Puget Sound Clean Air Agency
Lopez Island Library District	Peninsula Metropolitan Park District	Quillayute Valley Park & Recreation District
Lopez Solid Waste Disposal District	Penn Cove Water & Sewer District	Renton Regional Fire Authority
Lower Columbia Fish Recovery Board	Peshastin Irrigation District	Republic Public Development Authority
Lower Squilchuck Irrigation District	Petrichor Broadband, LLC	Richland Public Facilities District
Lynnwood Public Facilities District	Pierce Conservation District	Rosalia Park & Recreation District #5
Main Street Sewer District	Pierce County Drainage District #10	Sacheen Lake Sewer & Water District
Manchester Water District	Pierce County Drainage District #21	Salish Behavioral Health Organization
Manson Park & Recreation District	Pierce County FPD #18	Samish Water District
Marshland Flood Control District	Pierce County FPD #23	San Juan County Cemetery District #1
Mason Conservation District	Pine Creek Conservation District	San Juan County Cemetery District #3
Mason County FPD #1	Pomeroy Conservation District	San Juan County FPD #4

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This required supplementary information is an integral part of the accompanying financial statements

Supplementary and Other Information  
For the Fiscal and Policy Year Ended August 31, 2020  
Schedule 7  
List of Participating Members (continued)

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San Juan Island Library District	Spokane County FPD #13	Wenatchee Heights Reclamation District
San Juan Island Park & Recreation District	Spokane County Noxious Weed Board	Wenatchee Reclamation District
San Juan Islands Conservation District	Spokane County Water District #3	West Benton Fire Rescue
Scatchet Head Water District	Spokane Public Facilities District	West Plains/Airport Area Public Development Authority
Seaview Sewer District	Spokane Regional Clean Air Agency	Whatcom Council of Governments
Selah and Moxee Irrigation District	Spokane Regional Health District	Whatcom Conservation District
Silver Lake Flood Control District	Spokane Regional Transportation Council	Whatcom County Flood Control Zone District
Silverdale Water District #16	Spokane Valley Fire Department	Whatcom County Cemetery District #2
Skagit Conservation District	Stevens County Conservation District	Whatcom County Cemetery District #6
Skagit County Cemetery District #1	Stevens County FPD #1	Whatcom County Cemetery District #10
Skagit County Consolidated Diking District #22	Stevens County FPD #2	Whatcom County FPD #11
Skagit County Dike & Drainage District #5	Stevens County FPD #5	Whatcom County FPD #17
Skagit County Dike District #17	Stevens County FPD #7	Whatcom County Water District #13
Skagit County Dike, Drainage & Irrigation District #25	Stevens County FPD #9	Whidbey Island Conservation District
Skagit County Drainage & Irrigation District #15	Stevens County FPD #10	White Salmon Valley Pool Metropolitan Park District
Skagit County Drainage & Irrigation District #17	Stevens County FPD #11	Whitestone Reclamation District
Skagit County Drainage District #19	Stevens County FPD #12	Whitman Conservation District
Skagit County FPD #4	Stevens County FPD #13	Whitman County FPD #5
Skagit County FPD #5	Stevens County Rural Library District	Whitman County FPD #6
Skagit County FPD #7	Stevens Pass Sewer District	Whitman County FPD #7
Skagit County FPD #9	Stillaguamish Flood Control District	Whitman County FPD #8
Skagit County FPD #12	Strathview Water District #16	Whitman County FPD #10
Skagit County FPD #13	Sumas Watershed Improvement District	Whitman County FPD #12
Skagit County FPD #15	SunLand Water District	Whitman County FPD #13
Skagit County FPD #16	SW WA Council of Governments on Aging	Whitman County FPD #14
Skagit County FPD #17	Swantown Water District	Whitman County Rural Library District
Skagit County Regional Public Facilities District	Tekoa Park & Recreation District #6	Willapa Valley Water District
SkagitNet, LLC	Terrace Heights Irrigation District	Wolf Creek Reclamation District
Skamania County Cemetery District #1	Thurston Conservation District	Yakima County Drainage Improvement District #7
Skamania County FPD #5	Thurston County Cemetery District #2	Yakima County Drainage Improvement District #11
Skamania County FPD #6	Thurston County Chambers Ditch District #3	Yakima County Drainage Improvement District #12
Skamania County Mosquito Control District	Thurston County FPD #9	Yakima County Drainage Improvement District #16A
Snohomish Conservation District	Thurston Mason Behavioral Health Organization	Yakima County Drainage Improvement District #28
Snohomish County Diking District #1	Tonasket Park & Recreation District	Yakima County FPD #7
Snohomish County Drainage & Improvement District #13	Touchet-Lowden Mosquito Control District	Yakima County FPD #9
Snohomish County FPD #25	Tri-City Estates Water District #45	Yakima County FPD #14
Snohomish County Public Facilities District	Underwood Conservation District	Yakima County Mosquito Control District #1
Snohomish Health District	Underwood Park & Recreation District	Yakima Health District
Snoqualmie Valley Watershed Improvement District	Union Gap Irrigation District	Yakima Regional Clean Air Agency
Soos Creek Water & Sewer District	Upper Skagit Library District	Yakima Reservation Irrigation District
South Bay Fire Department	Upper Valley Park & Recreation Service Area	Zillah Irrigation District
South Douglas Conservation District	Valley View Sewer District	
South King Fire & Rescue	Vashon Island Fire & Rescue	
South Kitsap Fire and Rescue	Vashon-Maury Island Park & Recreation District	
South Lynden Watershed Improvement District	Vel View Water District #13	
South Pend Oreille Fire & Rescue	Vera Water and Power	
South Pierce Fire & Rescue District #17	Village Green Metropolitan Park District	
South Whidbey Fire/EMS	WA Fire Commissioners Association	
South Whidbey Park & Recreation District	Wahkiakum County Conservation District	
South Yakima Conservation District	Wahkiakum County Diking/Drainage District #1	
Southeast WA ALTC Council of Governments	Wahkiakum County FPD #2	
Southwest Clean Air Agency	Wahkiakum County Port District #1	
Southwest Suburban Sewer District	Wahkiakum County Port District #2	
Spokane Aquifer Joint Board	Walla Walla County Conservation	
Spokane Conservation District	Walla Walla County FPD #5	
Spokane County FPD #2	Walla Walla County Rural Library District	
Spokane County FPD #3	Walla Walla Watershed Management Partnership	
Spokane County FPD #5	Warden Port District #8	
Spokane County FPD #10	Weed District #1 of Grant County	
Spokane County FPD #12	Weed District #3 of Grant County	
	Wells Ranch Irrigation District	
	Wenas Irrigation District	
	Wenatchee-Chiawawa Irrigation District	

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This required supplementary information is an integral part of the accompanying financial statements

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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