



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Water and Sewer Insurance Pool

(Water and Sewer Risk Management Pool)

For the period November 1, 2018 through October 31, 2020

Published June 21, 2021

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

June 21, 2021

Board of Directors
Water and Sewer Risk Management Pool
Bellevue, Washington

Report on Financial Statements

Please find attached our report on Water and Sewer Risk Management Pool'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

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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*

Water and Sewer Risk Management Pool November 1, 2019 through October 31, 2020

Board of Directors
Water and Sewer Risk Management Pool
Bellevue, 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 Water and Sewer Risk Management Pool, as of and for the years ended October 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 June 14, 2021.

As discussed in Note 14 to the 2020 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 14.

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

June 14, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Water and Sewer Risk Management Pool November 1, 2019 through October 31, 2020

Board of Directors
Water and Sewer Risk Management Pool
Bellevue, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Water and Sewer Risk Management Pool, as of and for the years ended October 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 Water and Sewer Risk Management Pool, as of October 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 14 to the 2020 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 14. 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 audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pool's basic financial statements as a whole. The List of Participating Members and DES Schedule of Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

June 14, 2021

FINANCIAL SECTION

Water and Sewer Risk Management Pool November 1, 2019 through October 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 Fund Net Position – 2020 and 2019

Statement of Cash Flows – 2020 and 2019

Notes to Financial Statements – 2020 and 2019

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2020

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2020

Schedule of Changes in Total OPEB Liability and Related Ratios and Notes to Schedule –
2020

Notes to Schedule of Claims Development Information – 2020

Schedule of Claims Development Information – 2020

Notes to Schedule of Claims Development Information – 2019

Schedule of Claims Development Information – 2019

Reconciliation of Claims Liabilities by Type of Contract – 2020

Reconciliation of Claims Liabilities by Type of Contract – 2019

SUPPLEMENTARY AND OTHER INFORMATION

List of Participating Members – 2020

DES Schedule of Expenses – 2020 and 2019

**Water and Sewer Insurance Pool
DBA Water and Sewer Risk Management Pool**

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Water and Sewer Risk Management Pool's (WSRMP or the Pool) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of WSRMP's financial activity, identify changes in WSRMP's financial position, and identify any material deviations from the financial plan (the approved budget).

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with WSRMP's financial statements.

HIGHLIGHTS

Fiscal Year Ending October 31, 2020:

WSRMP's net position decreased by \$185,946 compared to FY2019 increase of \$178,787. The Pool had a \$418,744 increase in member assessments in FY2020 (including allocations for two new members), which was offset by a \$244,015 increase in property insurance expense, and a \$150,200 increase in consultant fees (increase due to property appraisals completed during FY2020).

For the second consecutive year, we experienced higher claim frequency and severity. Our members reported 170 claims and incidents in FY 2020. Claim payments were \$229K above budget. Due to the hardening reinsurance marketplace, our insurance expense was \$103K above budget. We mitigated the increase in property reinsurance expense by reducing limits to \$275M which is still sufficient to protect our membership properly. Our actuary recommended increasing claim reserves by \$288K which directly impacts net income for 2020. Claims reserves are nearly double reported unpaid incurred losses currently. Total expenses were \$704K above budget. Fortunately, we were able to lock in a favorable rate of return on our cash balances resulting in interest income being \$40K above budget. Our reported net income for 2020 was (\$185K).

Fiscal Year Ending October 31, 2019:

WSRMP's net position increased by \$178,787 compared to FY2018 increase of \$722,446. The Pool had a \$116,862 increase in member assessments in FY2019, which was offset by a \$156,259 increase in property insurance expense as well as a \$556,791 increase in claims payments/reserve.

We experienced higher claim frequency and severity in FY2019. There were 110 claims and 20 incidents reported during the 2019 policy year. Despite this activity, our claim payments were \$13K below budget and total expenses were 5% (\$136K) below budget. Interest income earned exceeded our expectations by \$45K. We have increased claim reserves by \$346K based upon our recent actuarial recommendation.

OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis is intended to serve as an introduction to WSRMP's basic financial statements. The Pool's financial statements comprise of two components: 1) basic financial statements (which are on and the same for the entity-wide and individual statements), and 2) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements themselves.

Financial Statements

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

The *Statements of Revenues, Expenses and Changes in Fund Net Position* presents information showing how the Pool's net position changed during the most recent fiscal year. All changes in the net position are reported as soon as the underlying event giving rise to change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g., loss reserves is an example).

The Pool's function is to provide property and casualty insurance to participating members. The Pool's primary source of revenue is assessments to members and its major expenses include payments on claims and payments for insurance coverage. The Pool reports as a business-type activity.

The Pool-wide financial statements include only WSRMP itself. The Pool has no other *component units* for which it is financially accountable.

**Water and Sewer Insurance Pool
DBA Water and Sewer Risk Management Pool**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Financial Highlights (continued)

- Three-year comparative summary financial data:

DESCRIPTION	Fiscal Year 2020	Fiscal Year 2019	Fiscal Year 2018
Total Assets – Capital	\$797	\$1,872	\$3,733
Total Assets – Other	\$8,742,934	\$7,809,522	\$6,954,620
Total Assets	\$8,743,731	\$7,811,394	\$6,958,353
Total Deferred Outflows of Resources	\$47,393	\$39,157	\$33,907
Total Current Liabilities	\$5,027,884	\$4,141,045	\$3,565,706
Noncurrent Liabilities	\$1,140,203	\$867,441	\$776,434
Total Liabilities	\$6,168,087	\$5,011,818	\$4,342,140
Total Deferred Inflows of Resources	\$33,648	\$63,398	\$53,572
Total Net Position-Invested in Capital Assets	\$797	\$1,872	\$3,733
Total Net Position-Unrestricted	\$2,588,592	\$2,773,463	\$2,592,815
Total Net Position	\$2,589,389	\$2,775,335	\$2,596,548
OPERATING REVENUES			
Member Assessments	\$3,384,538	\$2,965,794	\$2,848,932
Other Revenues	\$67,908	\$65,076	\$78,795
TOTAL OPERATING REVENUES	\$3,452,446	\$3,030,870	\$2,927,727
NON-OPERATING REVENUES			
Investment Income	\$94,748	\$111,518	\$62,275
TOTAL REVENUES	\$3,547,194	\$3,142,388	\$2,990,002
OPERATING EXPENSES			
Insurance expense	\$1,464,181	\$1,220,166	\$1,063,907
Claims paid	\$871,261	\$573,742	\$324,951
Wages and benefits	\$620,470	\$391,894	\$384,227
Establish claims reserve	\$288,000	\$346,000	\$38,000
Other expense	\$489,228	\$431,799	\$456,471
TOTAL OPERATING EXPENSES	\$3,733,140	\$2,963,601	\$2,267,556
NON-OPERATING EXPENSE			
Interest Expense	-	-	-
TOTAL EXPENSES	\$3,733,140	\$2,963,601	\$2,267,556
NET INCOME (LOSS)	(\$185,946)	\$178,787	\$722,446
BEGINNING NET POSITION	\$2,775,335	\$2,596,548	\$1,874,102
ENDING NET POSITION	\$2,589,389	\$2,775,335	\$2,596,548

- The Pool has not entered into any financial contracts or agreements during fiscal year 2020 that would restrict its future use of financial resources as reported on the Statement of Net Position as of October 31, 2020.

**Water and Sewer Insurance Pool
DBA Water and Sewer Risk Management Pool**

MANAGEMENT’S DISCUSSION AND ANALYSIS (CONTINUED)

Operations Highlights

The Pool is continuing to provide its members with comprehensive property and casualty insurance coverage while maintaining a solid foundation. WSRMP is funded well over the 95% confidence level in regard to claim reserves. We added two districts to our pool in FY2020.

SUMMARY

WSRMP has created a strategic plan focused on protecting our strong financial position, expanding risk management services, strengthening member relationships, improving coverage and broadening our membership base. We remain “laser-focused” on providing superior insurance protection to our members at a competitive rate coupled with exemplary customer service. The future remains bright for WSRMP and our members.

FINANCIAL CONTACT

The Pool’s financial statements are designed to present users (members and or the general public) with a general overview of the Pool’s finances and to demonstrate the Pool’s accountability. If you have questions about the report or need additional information, contact Cary Ecker, the Pool’s Executive Director, at 40 Lake Bellevue Drive, Suite 220, Bellevue, WA 98005.

WATER AND SEWER INSURANCE POOL
DBA WATER AND SEWER RISK MANAGEMENT POOL
Statement of Net Position
As of October 31, 2020 and 2019

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2020	2019
Current Assets:		
Cash and Cash Equivalents	\$ 3,686,968	\$ 3,975,603
Member receivables	4,176,255	3,182,652
Other receivables, net of allowance	530	650
Prepaid expenses	879,181	650,617
TOTAL CURRENT ASSETS	8,742,934	7,809,522
Capital assets, net	797	1,872
TOTAL ASSETS	\$ 8,743,731	\$ 7,811,394
Deferred Outflows of Resources - Pension	\$ 43,833	\$ 35,825
Deferred Outflows of Resources - OPEB	\$ 3,560	\$ 3,332
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 8,791,124	\$ 7,850,551
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities:		
Accounts payable and other current liabilities	\$ 53,368	\$ 70,757
Compensated Absences	31,250	21,358
Other Post Employment Benefits Payable	3,560	3,332
Claim Reserves:		
IBNR	290,000	229,000
Open Claims (Case Reserves)	445,000	334,000
Unallocated Loss Adjustment Expenses	75,000	76,000
Unearned member assessments	4,129,706	3,409,930
TOTAL CURRENT LIABILITIES	5,027,884	4,144,377
Noncurrent Liabilities:		
Other Post Employment Benefits Payable	441,411	296,122
Claim Reserves:		
IBNR	204,000	163,000
Open Claims (Case Reserves)	315,000	240,000
Unallocated Loss Adjustment Expenses	56,000	55,000
Compensated Absences	5,093	2,446
Net Pension Liability	118,699	110,873
TOTAL NONCURRENT LIABILITIES	1,140,203	867,441
TOTAL LIABILITIES	\$ 6,168,087	\$ 5,011,818
Deferred Inflows of Resources - Pension	\$ 33,648	\$ 63,398
Net Position:		
Net Investment in Capital Assets	797	1,872
Unrestricted	2,588,592	2,773,463
TOTAL NET POSITION	\$ 2,589,389	\$ 2,775,335
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 8,791,124	\$ 7,850,551

WATER AND SEWER INSURANCE POOL
DBA WATER AND SEWER RISK MANAGEMENT POOL
Statement of Revenues, Expenses
And Changes in Fund Net Position
For the Fiscal Years Ended October 31, 2020 and 2019

	2020	2019
OPERATING REVENUES		
Member assessments	\$ 3,384,538	\$ 2,965,794
Other	67,908	65,076
TOTAL OPERATING REVENUES	\$ 3,452,446	\$ 3,030,870
OPERATING EXPENSES		
Insurance expense	1,464,181	1,220,166
Establish claims reserve	288,000	346,000
Claims paid on current losses	871,261	573,742
Wages, employee benefits and payroll taxes	620,470	391,894
Legal	114,839	95,648
Office supplies and expense	26,744	32,432
Travel	7,474	10,122
Accounting and Auditing	37,665	36,959
Rent	45,118	43,089
Claims adjusting expense	23,179	122,976
Seminars	16,232	32,407
Actuarial Study	10,550	12,300
Telephone	5,911	6,847
Depreciation	1,075	1,861
Dues, subscriptions and meetings	6,416	4,877
Promotion	14,951	6,662
Executive Committee Compensation	573	1,145
Postage	1,322	1,861
State Risk Manager Assessment	11,720	11,720
Consultants	160,750	10,550
Miscellaneous	4,709	343
TOTAL OPERATING EXPENSES	3,733,140	2,963,601
OPERATING INCOME (LOSS)	(280,694)	67,269
NONOPERATING REVENUES (EXPENSES)		
Interest Income	94,748	111,518
CHANGE IN NET POSITION	(185,946)	178,787
NET POSITION, beginning of fiscal year	2,775,335	2,596,548
NET POSITION, end of fiscal year	<u>\$ 2,589,389</u>	<u>\$ 2,775,335</u>

The accompanying notes are an integral part of these financial statements

WATER AND SEWER INSURANCE POOL
DBA WATER AND SEWER RISK MANAGEMENT POOL
Statement of Cash Flows
For the Fiscal Years Ended October 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from members	\$ 3,178,739	\$ 3,175,862
Cash paid to suppliers and employees	(3,562,122)	(2,790,786)
Net Cash Flows Provided (Used) by Operating Activities	<u>(383,383)</u>	<u>385,076</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition of equipment	-	-
Net Cash Provided (Used) by capital and related financing activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	<u>94,748</u>	<u>111,518</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(288,635)	496,594
CASH AND CASH EQUIVALENTS,		
Beginning of year	<u>3,975,603</u>	<u>3,479,009</u>
End of year	<u>\$ 3,686,968</u>	<u>\$ 3,975,603</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	<u>\$ (280,694)</u>	<u>\$ 67,269</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense	1,075	1,861
Changes in assets and liabilities		
Receivables	(993,484)	(243,999)
Prepaid expenses	(228,564)	(114,310)
Accounts payable	(17,389)	(3,994)
Accrued liabilities	2,647	1,253
Compensated absences	9,893	2,344
Unearned member assessments	719,776	388,990
Increase (Decrease) in Other Post Employment Benefits Payable	145,517	(37,000)
Claims reserves	288,000	346,000
Decrease (Increase) in deferred outflows of resources	(8,236)	(5,250)
Increase (Decrease) in deferred inflows of resources	(29,750)	9,826
Increase (Decrease) in net pension payable	7,826	(27,914)
	<u>(102,689)</u>	<u>317,807</u>
Net Cash Provided (Used) by Operating Activities	<u>(383,383)</u>	<u>385,076</u>

The accompanying notes are an integral part of these financial statements

**WATER AND SEWER INSURANCE POOL
DBA WATER AND SEWER RISK MANAGEMENT POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED OCTOBER 31, 2020 AND 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the pool conform to generally accepted accounting principles as applicable to proprietary funds of governmental units. The following is a summary of the more significant policies:

Reporting Entity

The Water and Sewer Risk Management Pool (“the Pool”) was established in November, 1987, pursuant to RCW 48.62.031, 36.16.138 and 39.34, as a pool of member water and sewer districts (political subdivisions of the State of Washington) organized to provide a modified self-insurance program to the participants. The purpose of the Pool is to provide insurance protection, to seek the prevention or reduction of property and casualty losses, and to reduce injuries to persons or employees, which might result in claims being brought against the members.

The Pool is funded by its participants. In turn, the Pool acquires a \$15,000,000 per occurrence liability insurance policy, with a one-time \$150,000 corridor deductible in place. The policy is subject to a \$200,000 per occurrence self-insured retention. The Pool settles most liability claims internally before utilizing its insurers. The Pool also acquires property coverage for its members with “All Risk” limits of \$275.0 million (\$1.0 billion through June 30, 2020).

Basis of Accounting

The accounting records of the Pool are maintained in accordance with the methods prescribed by the State Auditor’s Office under the authority of Chapter 43.09 RCW. The Pool also follows the accounting standards established by the Governmental Accounting Standards Board (GASB) Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by the GASB Statement 30, *Risk Financing Omnibus*, the GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Funds*.

The Pool uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Pool considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Funds invested with the Washington State Local Government Investment Pool are considered cash equivalents as they are readily accessible by the Pool.

Capital Assets

See Note 5

Member Receivables

Member receivables are comprised of invoices for fiscal year 2021 insurance premiums.

Other Receivables

Other receivables consist of subrogated claims recovery of \$530 and \$650 at October 31, 2020 and 2019, net of allowance for doubtful accounts of \$0, respectively.

**WATER AND SEWER INSURANCE POOL
DBA WATER AND SEWER RISK MANAGEMENT POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED OCTOBER 31, 2020 AND 2019**

Prepaid expenses

In fiscal year 2020 and 2019, prepaid expenses were \$879,181 and \$650,617, respectively. Included in the prepaid expenses were prepaid insurance premiums of \$870,287 and \$643,632 respectively, which are amortized over the insurance coverage period. The remaining \$8,894 and \$6,985 of prepaid expenses, for fiscal year 2020 and 2019, respectively, relate to vendor services and deposits.

Investments and Interest Income

Investments are recorded at cost, which approximates market. All investment funds are held by the State of Washington's Local Government Investment Pool. The Pool's investments are covered by the Federal Depository Insurance Corporation and the State Public Deposit Protection Commission. Interest income is recorded as earned.

Compensated Absences

The Pool records a liability for sick leave based on a specific buy-back policy subject to a maximum of one hundred forty days. The Pool also records a liability for vacation time earned.

Unpaid Claims Liabilities

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

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

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

Member Assessments and Unearned Member Assessments

Member assessments are collected in advance and recognized as revenue in the period for which insurance protection is provided. The assessment is calculated based on a district's payroll, employee total hours, property values, number of vehicles, and loss experience.

Unpaid Claims

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

**WATER AND SEWER INSURANCE POOL
DBA WATER AND SEWER RISK MANAGEMENT POOL
NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED OCTOBER 31, 2020 AND 2019**

Reserve for Unallocated Loss Adjustment Expenses

The reserve for unallocated loss adjustment expenses represents a liability for the estimated cost to be incurred with respect to settlement of claims in process and claims incurred but not reported. The actuary estimates this liability each year and any change in the liability is reflected in current earnings.

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.

Deferred Outflows/Inflows of Resources-Pensions

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

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

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

Exemption from Federal and State Taxes

Pursuant to revenue ruling number 90-74, the Pool's income is excluded from gross income under IRC Section 115(1).

Chapter 48.62 RCW exempts the Pool from insurance premium taxes, and business and occupation taxes imposed pursuant to Chapter 82.04 RCW.

NOTE 2 – DEPOSITS AND INVESTMENTS

As required by state law, all deposits and investments of the Pool's funds are in obligations of the U.S. Government, U.S. agency issues, obligations of the state of Washington, general obligations of Washington State municipalities, the State Treasurer's Investment Pool, banker acceptances, certificate of deposit with Washington State banks, savings and loan institutions, or other investments allowed by Chapter 39.59 RCW.

The Pool's deposits and certificates of deposit are entirely 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).

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The WSRMP's investments and cash accounts are not subject to custodial credit risk (the risk that the WSRMP would not be able to recover the value of the investment or cash balance from the counterparty to the investment or cash account). The Pool has a cash of \$466,807 and \$657,876 at October 31, 2020 and 2019, respectively. The Pool also has short-term cash positions of \$3,220,161, held with First Financial NW Bank, and \$3,317,727, held with LGIP at October 31, 2020 and 2019, respectively.

NOTE 3 – RISK FINANCING LIMITS

The following table reflects the risk financing limits on coverage policies issued and retained by the Pool for fiscal year 2020.

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF INSURED RETENTION	EXCESS LIMITS
Property:			
Buildings and Contents	\$1,000 - \$25,000 and See C below	\$25,000	\$275,000,000
Flood	See A below	See A below	\$50,000,000
Earthquake	See B below	See B below	\$110,000,000 (\$75,000,000 shared by all members and \$25,000,000 dedicated to Alderwood, \$10,000,000 dedicated to Sammamish Plateau
Terrorism	\$1,000 - \$25,000	\$25,000 Primary Layer	\$700,000,000 Primary Layer
Boiler and Machinery	\$1,000 - \$350,000 depending on object	\$25,000 - \$350,000 depending on object	\$100,000,000
Auto Physical Damage - Included	\$1,000 - \$25,000	\$25,000	\$275,000,000
Liability:			
Commercial General Liability	\$1,000 - \$25,000	\$200,000, subject to \$150,000 Corridor Deductible	\$15,000,000
Auto Liability	\$1,000 - \$25,000	\$200,000, subject to \$150,000 Corridor Deductible	\$15,000,000
Public Officials Errors & Omissions	\$1,000 - \$25,000	\$200,000, subject to \$150,000 Corridor Deductible	\$15,000,000
Employment Practices Liability	\$1,000 - \$25,000	\$200,000, subject to \$150,000 Corridor Deductible	\$15,000,000

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TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF INSURED RETENTION	EXCESS LIMITS
Other:			
Cyber Liability	\$50,000	N/A	\$2,000,000
Deadly Weapon/Active Shooter	\$10,000	N/A	\$500,000
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 - \$25,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$0	\$25,000

- A) \$100,000 member deductibles, per occurrence, in Flood Zones except Zones A&V; \$250,000 member deductible, per occurrence, in Flood Zones A&V.
- B) Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. The deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.
- C) Member deductible for Cyber liability is \$50,000 and where applicable the dollar amount of the business interruption loss during the policy's required 8 hour waiting period.

NOTE 4 – EXCESS/REINSURANCE INSURANCE CONTRACTS

The Pool maintains excess/reinsurance insurance contracts with several insurance carriers that provide various limits of coverage over the Pool's self-insured retention limits. The limits provided by these excess insurance contracts are as follows:

Excess/Reinsurance Insurance Contracts

General Liability (GL, AL and POL)	\$15,000,000
Property (includes B&M, EDP, & Contractor Equip.)	\$275,000,000
Employee Dishonesty, Forgery, or Alteration	\$2,000,000
Computer Fraud, Theft, Disappearance & Destruction	\$250,000
Cyber Liability	\$2,000,000

NOTE 5 – CAPITAL ASSETS

Equipment is recorded at cost. Expenditures for maintenance and repairs are charged against current earnings as incurred. Upon sale or retirement of an asset, its cost and related accumulated depreciation are removed from the account balances and any gains or losses are charged to current earnings. Equipment purchases of \$500 or more are capitalized and depreciated over their estimated useful lives.

Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets.

Capital assets (equipment) consisted of the following at October 31, 2020:

	Beginning Balance	Additions	Deletions	Ending Balance
Office furnishings and equipment, at cost	\$85,579	-	(-)	\$85,579
Less accumulated depreciation	<u>(83,707)</u>	<u>(1,075)</u>	<u>(-)</u>	<u>(84,782)</u>
CAPITAL ASSETS, NET	<u><u>\$ 1,872</u></u>	<u><u>\$(1,075)</u></u>	<u><u>-</u></u>	<u><u>\$ 797</u></u>

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Capital assets (equipment) consisted of the following at October 31, 2019:

	Beginning Balance	Additions	Deletions	Ending Balance
Office furnishings and equipment, at cost	\$85,579	-	(-)	\$85,579
Less accumulated depreciation	<u>(81,846)</u>	<u>(1,861)</u>	<u>(-)</u>	<u>(83,707)</u>
CAPITAL ASSETS, NET	<u>\$3,733</u>	<u>\$(1,861)</u>	<u>-</u>	<u>\$ 1,872</u>

NOTE 6 – CLAIMS RESERVES (UNPAID CLAIMS LIABILITIES)

As discussed in Note 1, the Pool establishes a liability for reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. The following represents changes in those aggregate liabilities for the Pool during the current and previous year:

	2020	2019
Unpaid claims and claim adjustment expenses at the beginning of the year	\$1,097,000	\$751,000
Incurring claims and claim adjustment expenses:		
Provision for insured events of the current year	1,032,000	1,068,000
Changes in provision for insured events of prior years	<u>226,000</u>	<u>99,000</u>
	<u>1,258,000</u>	<u>1,167,000</u>
Payment, net of recoveries:		
Claims and claim adjustment expenses attributed to insured events of the current year	457,000	481,000
Claims and claim adjustment expenses attributed to insured events of prior years	<u>513,000</u>	<u>340,000</u>
	<u>970,000</u>	<u>821,000</u>
Total unpaid claims and claim adjustment expenses at the end of the year	<u><u>\$1,385,000</u></u>	<u><u>\$1,097,000</u></u>

The unpaid claims at the beginning of each year represent the carry-forward effects of various unsettled claims.

NOTE 7 – LEASE COMMITMENT

The Pool has an agreement to lease office space. The lease for this space expires on July 31, 2024. The current monthly lease payment is **\$3,363**. Future minimum lease payments under this lease are as follows:

FY 2021	\$40,659
FY 2022	\$41,880
FY 2023	\$43,137
FY 2024	\$33,075

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NOTE 8 – LONG-TERM LIABILITIES

During fiscal year ending October 31, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance 11/1/2019	Additions	Reductions	Ending Balance 10/31/2020	Due Within One Year
Claims Reserves:					
IBNR	\$ 392,000	\$ 102,000	\$ -	\$ 494,000	\$ 290,000
Open Claims (Case Reserves)	574,000	186,000	-	760,000	445,000
Unallocated Loss Adjustment Exp	131,000	-	-	131,000	75,000
Total Claims Reserves	1,097,000	288,000	-	1,385,000	639,000
Compensated Absences	23,804	12,539	-	36,343	31,250
Pension Obligation	110,873	7,826	-	118,699	-
Other Post Employment Benefits	299,454	154,719	9,202	444,971	3,560
Total Long-Term Liabilities	\$ 1,531,131	\$ 463,084	\$ 9,202	\$ 1,985,013	\$ 673,810

During fiscal year ending October 31, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance 11/1/2018	Additions	Reductions	Ending Balance 10/31/2019	Due Within One Year
Claims Reserves:					
IBNR	\$ 288,000	\$ 104,000	\$ -	\$ 392,000	\$ 229,000
Open Claims (Case Reserves)	413,000	161,000	-	574,000	334,000
Unallocated Loss Adjustment Exp	50,000	81,000	-	131,000	76,000
Total Claims Reserves	751,000	346,000	-	1,097,000	639,000
Compensated Absences	20,208	3,596	-	23,804	21,358
Pension Obligation	138,787	-	27,914	110,873	-
Other Post Employment Benefits	336,454	-	37,000	299,454	3,332
Total Long-Term Liabilities	\$ 1,246,449	\$ 349,596	\$ 64,914	\$ 1,531,131	\$ 663,690

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NOTE 9 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB 68, *Accounting and Financial Reporting for Pensions* for WSRMP for fiscal year 2020 and 2019:

Aggregate Pension Amounts – All Plans		
	<u>2020</u>	<u>2019</u>
Pension liabilities	\$118,699	\$110,873
Deferred outflows of resources	\$43,833	\$35,825
Deferred inflows of resources	\$33,648	\$63,398
Pension expense/expenditures(benefit)	\$15,438	\$19,463

Pension Plans

The Pool established a 403(b) Plan on January 1, 2013, known as the Water and Sewer Insurance Pool 403(b) Retirement Plan. The Plan covers all Pool employees. The Plan is administered by Hunnex and Shoemaker, Inc. This is a defined contribution plan with a discretionary employer contribution. The Pool has been contributing an employer contribution percentage of 6.2% for each participant eligible to share in allocations as well as an employee elective deferral contribution provision. The Plan can be amended by the Pool at any time, pursuant to the Plan document.

Total Plan contributions (employee and employer) during the fiscal year ended October 31, 2020 were \$74,062 and \$22,126, respectively. Employee and employer contributions during the fiscal year ended October 31, 2019 were \$57,225 and \$20,137, respectively.

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments; and higher education employees not participating in higher education retirement programs. PERS

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is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

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

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6%. The employer rate is developed by the Office of the State Actuary (OSA) and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates	Employer	Employee*
January – August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%
September – December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	6.00%

No current WSRMP employees are covered by PERS Plan 1.

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

- With a benefit that is reduced by 3 percent for each year before age 65; or

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- 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 percent 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. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor benefit option. Other PERS 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 Department of Labor and Industries. PERS 2 members vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after 5 years of service if 12 months of that service are earned after age 44.

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

Contributions

The PERS Plan 2/3 employer and employee contribution rates are developed by the OSA to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	Employer 2/3	Employee 2*
January – August 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.86%	7.41%
September – December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%

Both WSRMP and the employees made the required contributions. WSRMP's required contributions for the fiscal years ending October 31, were as follows:

PERS Plan 1	PERS Plan 2	PERS Plan 3	Total PERS
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2020	\$ -0-	\$13,425	\$32,535	\$45,960
2019	\$ -0-	\$9,726	\$31,978	\$41,704
2018	\$ -0-	\$12,106	\$24,539	\$36,645

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS 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 Experience Study* 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.

- **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:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The 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 Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

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To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's 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 7.4 percent 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 7.4 percent 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 (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

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

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents WSRMP's proportionate share of the net pension liability, as of June 30, 2020, calculated using the discount rate of 7.4%, as well as what WSRMP'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%) that the current rate.

June 30, 2020	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$101,180	\$80,778	\$62,987
PERS 2/3	\$235,953	\$37,921	(\$125,159)
June 30, 2019			
PERS 1	\$104,691	\$83,598	\$65,297
PERS 2/3	\$209,190	\$27,275	(\$121,998)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2020, WSRMP reported a total pension liability of \$118,699 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	\$80,778
PERS 2/3	\$37,921

At June 30, 2019, WSRMP reported a total pension liability of \$110,873 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	\$83,598
PERS 2/3	\$27,275

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

	Proportionate Share 6/30/2019	Proportionate Share 6/30/20	Change In Proportion
PERS 1	.002174%	.002288%	.000114%
PERS 2/3	.002808%	.002965%	.000157%

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

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

Pension Expense

For fiscal year ending October 31, 2020, WSRMP recognized pension expense was as follows:

	Pension Expense (Benefit)
PERS 1	\$8,630
PERS 2/3	\$6,808
TOTAL	\$15,438

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Deferred Outflows of Resources and Deferred Inflows of Resources

At October 31, 2020, WSRMP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Net difference between projected and actual investment earnings on pension plan investments	\$	\$450
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$5,991	\$
TOTAL	\$5,991	\$450

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$13,575	\$4,752
Net difference between projected and actual investment earnings on pension plan investments	\$	\$1,926
Changes of assumptions	\$540	\$25,903
Changes in proportion and differences between contributions and proportionate share of contributions	\$13,811	\$617
Contributions subsequent to the measurement date	\$9,916	\$
TOTAL	\$37,842	\$33,198

Deferred outflows of resources related to pensions resulting from WSRMP's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	PERS 1	PERS 2/3
2021	(\$2,041)	(\$13,051)
2022	(\$64)	(\$1,077)

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2023	\$623	\$3,358
2024	\$1,033	\$6,226
2025		\$200
Thereafter		(\$927)

Deferred Outflows of Resources and Deferred Inflows of Resources

At October 31, 2019, WSRMP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Net difference between projected and actual investment earnings on pension plan investments	\$	\$5,585
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$5,524	\$
TOTAL	\$5,524	\$5,585

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$7,815	\$5,863
Net difference between projected and actual investment earnings on pension plan investments	\$	\$39,702
Changes of assumptions	\$698	\$11,444
Changes in proportion and differences between contributions and proportionate share of contributions	\$12,879	\$804
Contributions subsequent to the measurement date	\$8,909	\$
TOTAL	\$30,301	\$57,813

Deferred outflows of resources related to pensions resulting from WSRMP's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	PERS 1	PERS 2/3
2020	(\$1,233)	(\$9,652)
2021	(\$2,920)	(\$18,286)

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2022	(\$1,042)	(\$6,946)
2023	(\$389)	(\$2,746)
2024		(\$23)
Thereafter		\$1,231

NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLANS

The Pool provides other post-employment benefits (OPEB) in addition to pension benefits described in Note 9.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASBS 75 for the Fiscal Year Ending October 31, 2020:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$444,971
OPEB assets	\$ -0-
Deferred outflows of resources	\$ 3,560
Deferred inflows of resources	\$ -0-
OPEB expense/expenditures	\$151,159

OPEB

WSRMP provides to its retirees employer provided subsidies for post-employment medical and life insurance benefits provided through the Public Employee Benefits Board (PEBB).

1. Plan Description

The PEBB was created within the Washington State Health Care Authority to administer medical, dental, and life insurance plans for public employees and retirees and their dependents. The plan is a single-employer defined benefit plan. The subsidies provided by PEBB to the Pool include the following:

- Explicit Medical Subsidy for Post-65 retirees
- Implicit Medical Subsidy for Pre-65 retirees

The explicit subsidies are monthly amounts per retiree. The implicit medical subsidy is the difference between the total cost of pre-65 medical benefits and the pre-65 contributions paid by retirees.

2. Eligibility

WSRMP employees are eligible for PEBB after becoming eligible for retirement under the Public Employees' Retirement System (PERS) 1, 2, or 3. A summary of eligibility for each plan is as follows (eligibility full eligibility requirements are listed at www.drs.wa.gov):

PERS 1

- Age 60 with five years of service
- Age 55 with twenty-five years of service
- Any age with thirty years of service

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PERS 2

- Age 55 with twenty years of service
- Age 65 with five years of service

PERS 3

- Age 55 with ten years of service
- Age 65 with five years of service
- In addition, PERS 3 members who terminate and are at least age 55 with twenty or more years of service gain pre-retirement access to PEBB

Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical benefits after pension benefit commencement.

3. Medical Benefits

Upon retirement, members are permitted to receive medical benefits. Explicit Medicare subsidies are capped at \$150 per month for 2020.

4. Funding Policy

The funding policy is based upon pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

5. Employees Covered by Benefit Terms

The Pool has 3 active employees and 2 inactive employees or beneficiaries entitled to but not yet receiving benefits as of October 31, 2020.

6. Assumptions and Other Inputs

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

a) Methodology

- | | |
|-------------------------------|------------------------|
| 1. Actuarial Valuation Date | June 30, 2020 |
| 2. Actuarial Measurement Date | June 30, 2020 |
| 3. Actuary Cost Method | Entry Age |
| 4. Amortization Method | Recognized Immediately |
| 5. Asset Valuation Method | N/A (No Assets) |

b) Assumptions

1. Discount Rate – Beginning and End of Measurement Year, 3.50% and 2.21%, respectively (Source: Bond Buyer General Obligation 20-Bond Municipal Index)
2. Projected Salary Changes – 3.50% + Service-Based Increases
3. Healthcare Trend Rates – Initial rate is approximately 7% trends down to about 5% in 2020

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(Trend rate assumptions vary slightly by medical plan. For additional information on the healthcare trend rates, please see OSA's 2018 PEBB OPEB Actuarial Valuation Report)

4. Mortality Rates

- Base Mortality Table – Healthy RP-2000
- Age Setback – 1 year
- Mortality Improvements – 100% Scale BB
- Projection Period – Generational

5. Inflation Rate – 2.75%

6. Post-Retirement Participation Percentage – 65%

7. Percentage with Spouse Coverage – 45%

The following presents the total OPEB liability, of the Pool, calculated using the current healthcare cost trend rate of 6.8 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.8 percent) or 1-percentage point higher (7.8 percent) that the current rate.

	1% Decrease (5.8%)	Current Healthcare Cost Trend Rate (6.8%)	1% Increase (7.8%)
OPEB Liability	\$360,535	\$444,971	\$555,407

The following presents the total OPEB liability, of the Pool, calculated using the current Bond Buyer General Obligation 20-Bond Municipal Index rate of 2.21 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.21 percent) or 1-percentage point higher (3.21 percent) that the current rate.

	1% Decrease (1.21%)	Current Healthcare Cost Trend Rate (2.21%)	1% Increase (3.21%)
OPEB Liability	\$545,952	\$444,971	\$366,656

Changes in the Net OPEB Liability

Plan Name	Total OPEB Liability (a)
Balances at June 30, 2019	\$299,454
Changes for the year:	
Service cost	\$5,744
Interest	\$10,522
Changes of benefit terms	\$-0-
Differences between expected and actual experience	\$138,453
Changes of assumptions	\$-0-
Contributions – employer	\$-0-
Contributions – employees	\$-0-
Net investment income	\$-0-

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Benefit payments, including refunds of contributions	(\$9,202)
Administrative expense	\$-0-
Other changes	\$-0-
Net changes	\$145,517
Balances at June 30, 2020	\$444,971

The Pool recognized \$151,159 of OPEB expense (credit) for the fiscal year Ending October, 31, 2020. The Pool paid OPEB Plan benefits of \$51,914 to Washington State Health Care Authority for the fiscal year ending October 31, 2020.

At October 31, 2020 the Pool reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions	\$	\$
Payments subsequent to the measurement date	\$3,560	\$
TOTAL	\$3,560	\$

NOTE 11 – MEMBERS’ SUPPLEMENTAL ASSESSMENTS AND CREDITS

The interlocal governmental agreement for WSRMP provides for supplemental assessments to members based on actual claim experience. During Fiscal Year 2020 and 2019, the Pool did not make a supplemental assessment.

NOTE 12 – SOLVENCY

Washington Administrative Code (WAC) 200-100 requires the Pool 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 unpaid claims estimate at the expected level as determined by the actuary. Additionally, total primary and secondary assets must be at least equal to the unpaid claims estimate at 80 percent confidence level as determined by the actuary. Secondary assets are defined as insurance receivables, real estate or other assets (less any non-claim liabilities) the value of which can be independently verified by the state risk manager.

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NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED OCTOBER 31, 2020 AND 2019

Solvency test for program, fiscal years ending October 31,					
				2020	2019
Primary Asset Test					
Cash and cash equivalents				\$ 3,686,968	\$ 3,975,603
Less: Non-Claim liabilities					
Accounts payable & compensated absenc				(89,711)	(94,561)
(Less)Plus: Difference in Unearned member assessments vs. member receivables				(46,549)	227,278
Total Primary Assets				\$ 3,550,708	\$ 4,108,320
Compared to:					
Claims liabilities at expected level per actuary				1,385,000	1,097,000
Difference				\$ 2,165,708	\$ 3,011,320
				TEST MET	TEST MET
Secondary Asset Test					
Cash and cash equivalents				\$ 3,686,968	\$ 3,975,603
Receivables, member contributions				4,176,255	3,182,652
Prepaid Expenses				879,181	650,617
Less: Non-Claim liabilities					
Accounts payable & compensated absenc				(89,711)	(94,561)
Less: Unearned member contributions				(4,129,706)	(3,409,930)
Total Secondary Assets				\$ 4,522,987	\$ 4,304,381
Compared to:					
Claims liabilities at 80 percent confidence level per actuary (from actuarial study)				1,838,000	1,470,000
Difference				\$ 2,684,987	\$ 2,834,381
				TEST MET	TEST MET

**WATER AND SEWER INSURANCE POOL
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There have been no other material violations of finance-related legal or contractual provisions.

NOTE 13 – CONTINGENT LIABILITIES

The Pool is not party to any pending legal actions. Certain member districts are involved in lawsuits; however, it is the opinion of the Pool's legal counsel that these cases would not affect the financial position or operation of the Pool.

NOTE 14 – SUBSEQUENT EVENTS

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 have been ordered. 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.

In response to the Governor's stay at home order, the Pool has continued all essential operations in managing the risks of the membership through remote work arrangements. The impact of virus-related claims is yet to be determined. Currently no known claims exist against the members and overall claim activity is down due to reduced member operations. The Pool has educated the membership regarding potential exposures and risk controls regarding their response to the virus and the issued orders. It is anticipated that liability re-insurance and property coverage renewals will see increased costs and there may be impacts to investments depending upon the extent of the overall economic downturn. The Pool will be monitoring all potential exposures, reviewing operational spending and monitoring investments throughout the year.

The length of time the Governor's measures will be in place, and the full extent of the financial impact on the Pool is unknown at this time.

WATER AND SEWER INSURANCE POOL
DBA WATER AND SEWER RISK MANAGEMENT POOL
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Proportionate Share of the Net Pension Liability
As of June 30, 2020
Last 10 Years

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
PERS 1										
Employer's proportion of the net pension liability (asset)	0.001699%	0.001888%	0.001853%	0.002088%	0.002174%	0.002288%				
Employer's proportionate share of the net pension liability	88,874	101,394	87,926	93,251	83,598	80,778				
TOTAL	88,874	101,394	87,926	93,251	83,598	80,778	-	-	-	-
Employer's covered employee payroll	-	-	-	-	-	-	-	-	-	-
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-	-	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	-	-	-	-	-	-	-	-	-	-
PERS 2/3										
Employer's proportion of the net pension liability (asset)	0.002196%	0.002416%	0.002384%	0.002667%	0.002808%	0.002965%				
Employer's proportionate share of the net pension liability	78,464	121,644	82,833	45,537	27,275	37,921				
TOTAL	78,464	121,644	82,833	45,537	27,275	37,921	-	-	-	-
Employer's covered employee payroll	209,443	240,940	281,097	288,038	328,363	356,866				
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	37.46%	50.49%	29.47%	15.81%	8.31%	10.63%				
Plan fiduciary net position as a percentage of the total pension liability	62.54%	49.51%	70.53%	84.19%	91.69%	89.37%				

**WATER AND SEWER INSURANCE POOL
DBA WATER AND SEWER RISK MANAGEMENT POOL
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Employer Contributions
As of October 31, 2020
Last 10 Years**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
PERS 1										
Statutorily or contractually required contributions	3,422	3,631	4,544	5,065	5,524	5,991				
Contributions in relation to the statutorily or contractually required contributions	3,422	3,631	4,544	5,065	5,524	5,991				
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Employer's covered employee payroll	-	-	-	-	-	-				
Contribution as a percentage of covered employee payroll	-	-	-	-	-	-				
PERS 2/3										
Statutorily or contractually required contributions	4,469	4,742	6,767	7,483	8,909	9,916				
Contributions in relation to the statutorily or contractually required contributions	4,469	4,742	6,767	7,483	8,909	9,916				
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Employer's covered employee payroll	209,443	240,940	281,097	288,038	328,363	356,866				
Contribution as a percentage of covered employee payroll	2.13%	1.97%	2.41%	2.60%	2.71%	2.78%				

**WATER AND SEWER INSURANCE POOL
DBA WATER AND SEWER RISK MANAGEMENT POOL
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Changes in Total OPEB Liability and Related Ratios
For the Fiscal Year Ended October 31, 2020
Last 10 Fiscal Years**

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Total OPEB liability - beginning	\$	\$	\$							
Service cost	340,699	336,454	299,454							
Interest	7,811	7,030	5,744							
Changes in benefit terms	12,419	13,062	10,522							
Differences between expected and actual experience	-	-	-							
Changes of assumptions	(21,226)	(45,045)	138,453							
Benefit payments	-	-	-							
Other changes	(3,249)	(12,047)	(9,202)							
Total OPEB liability - ending	336,454	299,454	444,971							
Covered-employee payroll**	298,229	328,363	350,852							
Total OPEB liability as a % of covered payroll	112.82%	91.20%	126.83%							

Notes to Schedule:

Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.
New discount rate was used for June 30, 2020 resulting in an increase in the OPEB liability.
The discount rate went from 3.5% at June 30, 2019 to 2.21% at June 30, 2020.

WATER AND SEWER INSURANCE POOL
DBA WATER AND SEWER RISK MANAGEMENT POOL
Required Supplementary Information
November 1, 2019 Through October 31, 2020

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

1. Ten-Year Claims Development Information

The table below illustrates how the Pool's earned revenues and investment income compare to related costs of loss and other expenses assumed by WSRMP of the end of each of the last ten (10) fiscal years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's earned contribution revenues and investment revenues.
2. This line shows each year's other operating cost of WSRMP including overhead and claims expense not allocable to individual claims.
3. This line shows WSRMP's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first fiscal year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of ten (10) rows shows the cumulative amounts paid as of the end of successive fiscal years for each policy year.
5. This section of ten (10) rows shows how each policy year's incurred claims increased or decreased as of the end of successive fiscal years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
6. This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy fiscal years.

WATER AND SEWER INSURANCE POOL
DBA WATER AND SEWER RISK MANAGEMENT POOL
Schedule of Claims Development Information (In thousands of dollars)
For The Ten Fiscal Years Ended October 31, 2020

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1. Net earned required contribution and investment revenues	\$1,830	\$2,184	\$2,394	\$2,659	\$2,646	\$2,924	\$2,971	\$2,911	\$3,077	\$3,479
Ceded	\$865	\$918	\$1,072	\$1,096	\$1,197	\$1,233	\$1,165	\$1,064	\$1,220	\$1,464
Net Earned	\$965	\$1,266	\$1,322	\$1,563	\$1,449	\$1,691	\$1,806	\$1,847	\$1,857	\$2,015
2. Unallocated expenses	701	631	710	644	687	823	832	845	824	1,110
3. Estimated incurred claims and expense, end of policy year (paid claims and open claims)	1,069	418	913	642	548	558	293	282	481	485
4. Paid (cumulative) as of:										
End of policy year	707	106	406	254	176	1,092	707	734	1,074	1,067
One year later	1,025	237	593	412	495	1,066	538	841	1,197	
Two years later	1,090	252	628	478	397	1,068	441	963		
Three years later	1,102	256	688	583	352	1,073	406			
Four years later	1,110	256	673	565	353	1,085				
Five years later	1,108	255	673	565	352					
Six years later	1,088	255	673	565						
Seven years later	1,088	255	673							
Eight years later	1,088	255								
Nine years later	1,088									
5. Re-estimated incurred claims and expense:										
End of policy year	1,069	418	913	642	548	558	293	282	481	485
One year later	1,142	327	719	519	324	870	358	515	842	
Two years later	1,125	285	685	440	349	985	406	639		
Three years later	1,111	257	672	563	352	1,045	406			
Four years later	1,111	256	673	565	352	1,068				
Five years later	1,108	255	673	565	352					
Six years later	1,088	255	673	565						
Seven years later	1,088	255	673							
Eight years later	1,088	255								
Nine years later	1,088									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	19	(163)	(240)	(77)	(196)	510	113	357	361	-

The schedule above illustrates how the Fund's earned revenues and investment income compare to related costs of loss and other expenses assumed by the Fund as of the end of each of the last ten years. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

WATER AND SEWER INSURANCE POOL
DBA WATER AND SEWER RISK MANAGEMENT POOL
Required Supplementary Information
November 1, 2018 Through October 31, 2019

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

1. Ten-Year Claims Development Information

The table below illustrates how the Pool's earned revenues and investment income compare to related costs of loss and other expenses assumed by WSRMP of the end of each of the last ten (10) fiscal years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's earned contribution revenues and investment revenues.
2. This line shows each year's other operating cost of WSRMP including overhead and claims expense not allocable to individual claims.
3. This line shows WSRMP's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first fiscal year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of ten (10) rows shows the cumulative amounts paid as of the end of successive fiscal years for each policy year.
5. This section of ten (10) rows shows how each policy year's incurred claims increased or decreased as of the end of successive fiscal years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
6. This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy fiscal years.

WATER AND SEWER INSURANCE POOL
DBA WATER AND SEWER RISK MANAGEMENT POOL
Schedule of Claims Development Information (In thousands of dollars)
For The Ten Fiscal Years Ended October 31, 2019

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Net earned required contribution and investment revenues	\$1,880	\$1,830	\$2,184	\$2,394	\$2,659	\$2,646	\$2,924	\$2,971	\$2,911	\$3,077
Ceded	\$851	\$865	\$918	\$1,072	\$1,096	\$1,197	\$1,233	\$1,165	\$1,064	\$1,220
Net Earned	\$1,029	\$965	\$1,266	\$1,322	\$1,563	\$1,449	\$1,691	\$1,806	\$1,847	\$1,857
2. Unallocated expenses	710	701	631	710	644	687	823	832	845	824
3. Estimated incurred claims and expense, end of policy year (paid claims and open claims)	585	1,069	418	913	642	548	558	293	282	481
4. Paid (cumulative) as of:										
End of policy year	390	707	106	406	254	176	1,092	707	734	1,074
One year later	419	1,025	237	593	412	495	1,066	538	841	
Two years later	423	1,090	252	628	478	397	1,068	441		
Three years later	423	1,102	256	688	583	352	1,073			
Four years later	424	1,110	256	673	565	353				
Five years later	424	1,108	255	673	565					
Six years later	424	1,088	255	673						
Seven years later	424	1,088	255							
Eight years later	424	1,088								
Nine years later	424									
5. Re-estimated incurred claims and expense:										
End of policy year	585	1,069	418	913	642	548	558	293	282	481
One year later	520	1,142	327	719	519	324	870	358	515	
Two years later	471	1,125	285	685	440	349	985	406		
Three years later	432	1,111	257	672	563	352	1,045			
Four years later	424	1,111	256	673	565	352				
Five years later	424	1,108	255	673	565					
Six years later	424	1,088	255	673						
Seven years later	424	1,088	255							
Eight years later	424	1,088								
Nine years later	424									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	(161)	19	(163)	(240)	(77)	(196)	487	113	233	-

The schedule above illustrates how the Fund's earned revenues and investment income compare to related costs of loss and other expenses assumed by the Fund as of the end of each of the last ten years. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

WATER AND SEWER INSURANCE POOL
DBA WATER AND SEWER RISK MANAGEMENT POOL
REQUIRED SUPPLEMENTAL INFORMATION
Reconciliation of Claims Liabilities by Type of Contract
For the Fiscal Year Ended October 31, 2020

	Property	Liability
Unpaid claims and claim adjustment expenses at the beginning of the year	\$ 106,000	\$ 991,000
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	91,000	941,000
Changes in provision for insured events of prior years	<u>(34,000)</u>	<u>260,000</u>
	<u>57,000</u>	<u>1,201,000</u>
Payment, net of recoveries:		
Claims and claim adjustment expenses attributed to insured events of the current year	10,000	447,000
Claims and claim adjustment expenses attributed to insured events of prior years	<u>51,000</u>	<u>462,000</u>
	<u>61,000</u>	<u>909,000</u>
Total unpaid claims and claim adjustment expenses at the end of the year	<u>\$ 102,000</u>	<u>\$ 1,283,000</u>

WATER AND SEWER INSURANCE POOL
DBA WATER AND SEWER RISK MANAGEMENT POOL
REQUIRED SUPPLEMENTAL INFORMATION
Reconciliation of Claims Liabilities by Type of Contract
For the Fiscal Year Ended October 31, 2019

	Property	Liability
Unpaid claims and claim adjustment expenses at the beginning of the year	\$ 105,000	\$ 646,000
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	97,000	971,000
Changes in provision for insured events of prior years	<u>2,000</u>	<u>97,000</u>
	<u>99,000</u>	<u>1,068,000</u>
Payment, net of recoveries:		
Claims and claim adjustment expenses attributed to insured events of the current year	41,000	440,000
Claims and claim adjustment expenses attributed to insured events of prior years	<u>57,000</u>	<u>283,000</u>
	<u>98,000</u>	<u>723,000</u>
Total unpaid claims and claim adjustment expenses at the end of the year	<u>\$ 106,000</u>	<u>\$ 991,000</u>

**WATER AND SEWER INSURANCE POOL
DBA WATER AND SEWER RISK MANAGEMENT POOL
SUPPLEMENTARY AND OTHER SCHEDULES
LIST OF PARTICIPATING MEMBERS
November 1, 2019 – October 31, 2020**

The board of directors is the governing body of the pool. Each district that is a signatory to the interlocal agreement is entitled to one representative to the board of directors. The member districts at October 31, 2020, were:

Acme Water District No. 18	Mukilteo Water & Sewer District
Alderwood Water & Wastewater District	NE Sammamish Sewer & Water District
Beacon Hill Water and Sewer District	North Perry Avenue Water District
Belfair Water District No. 1	Point Roberts Water District No. 4
Birch Bay Water and Sewer District	Regional Water Supply System
Camano Vista Water District	Ronald Wastewater District
Cape San Juan Water District	Sammamish Plateau Water and Sewer District
Cascade Water Alliance	Saratoga Water District
Cedar River Water and Sewer District	Skagit County Sewer District No. 1
Chippewa Water and Sewer District	Skyway Water and Sewer District
Clark Regional Wastewater District	Snoqualmie Pass Utility District
Clearview Water Supply Agency	Steptoe Sewer and Water District
Clinton Water District	Sunnyslope Water District
Coal Creek Utility District	Terrace Heights Sewer District
Covington Water District	Trails End Water District
Cowiche Sewer District	Valley Water District
Crockett Lake Water District	Vashon Sewer District
Cross Valley Water District	Walla Walla Housing Authority
Discovery Clean Water Alliance	Water & Sewer Risk Management Pool
East Gig Harbor Water District	Water District No. 19
Fall City Water District	West Sound Utility District
Fisherman Bay Sewer District	Whatcom County Water District No. 2
Glacier Water District	Whatcom County Water District No. 7
Grays Harbor County Water District No. 1	Williams Lake Sewer District No. 2
Grays Harbor County Water District No. 2	Wollochet Harbor Sewer District
Greater Bar Water District	Woodinville Water District
Hartstene Pointe Water and Sewer District	
Highland Water District	
Highlands Sewer District	
Holmes Harbor Sewer District	
Kapowsin Water District	
King County Water District No. 54	
King County Water District No. 90	
King County Water District No. 125	
Kitsap County Sewer District No. 7	
Kittitas County Water District No. 5	
Lake Meridian Water District	
Lake Wenatchee Water District	
Lake Whatcom Water & Sewer District	
Lenora Water & Sewer District	
Lewis County Water District No. 2	
Lewis County Water-Sewer District No. 1	
MacKaye Harbor Water District	
Maggie Lake Water District	

WATER AND SEWER INSURANCE POOL
DBA WATER AND SEWER RISK MANAGEMENT POOL
SUPPLEMENTARY AND OTHER SCHEDULES
DES Schedule of Expenses
For the Fiscal Years Ended October 31, 2020 and 2019

	2020	2019
Insurance	\$ 1,464,181	\$ 1,220,166
Contracted Services:		
Third Party Administrator Fees	23,179	122,976
Actuarial	10,550	12,300
Audit Expenses	37,665	36,959
Legal Fees	114,839	95,648
Other Consultant Fees	172,470	22,270
General Administrative Expenses:		
Communication	5,911	6,847
Supplies	26,744	32,432
Dues and Conferences	6,416	4,877
Retreat/Board Meetings	573	1,145
Training	16,232	32,407
Depreciation	1,075	1,861
Miscellaneous	4,709	343
Other	<u>1,848,596</u>	<u>1,373,370</u>
 Total Operating Expenses	 <u>\$ 3,733,140</u>	 <u>\$ 2,963,601</u>

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. 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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