Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Washington Counties Risk Pool

For the period October 1, 2018 through September 30, 2020

Published July 22, 2021

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Office of the Washington State Auditor
Pat McCarthy

July 22, 2021

Board of Directors
Washington Counties Risk Pool
Tumwater, Washington

Report on Financial Statements

Please find attached our report on the Washington Counties Risk 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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Washington Counties Risk Pool
October 1, 2018 through September 30, 2020

Board of Directors
Washington Counties Risk Pool
Tumwater, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Washington Counties Risk Pool, as of and for the years ended September 30, 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 July 8, 2021.

As discussed in Note 13 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Pool is unknown.

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

Pat McCarthy, State Auditor

Olympia, WA

July 8, 2021

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Washington Counties Risk Pool
October 1, 2018 through September 30, 2020

Board of Directors
Washington Counties Risk Pool
Tumwater, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Washington Counties Risk Pool, as of and for the years ended September 30, 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 the Washington Counties Risk Pool, as of September 30, 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 13 to the financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Pool is unknown. 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 July 8, 2021 on our consideration of the Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control over financial reporting and compliance.

Pat McCarthy, State Auditor

Olympia, WA

July 8, 2021

FINANCIAL SECTION

Washington Counties Risk Pool
October 1, 2018 through September 30, 2020

REQUIRED SUPPLEMENTARY INFORMATION

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REQUIRED SUPPLEMENTARY INFORMATION

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SUPPLEMENTARY AND OTHER INFORMATION

List of Participating Members – 2020 and 2019
DES Schedule of Expenses – 2020 and 2019

WASHINGTON COUNTIES RISK POOL
2558 R.W. Johnson Road SW, Suite 106
Tumwater, WA 98512-6103
Created *by* Counties *for* Counties

Management's Discussion &Analysis

The Washington Counties Risk Pool (WCRP) management provides this discussion and analysis for the Pool's financial activities following the conclusion of its 30th Fiscal Year (FY), ending September 30, 2020. The information in this discussion and analysis should be considered in conjunction with that in the financial statements and accompanying notes to understand WCRP's financial position.

WCRP has no other component units for which it is financially accountable. It operates as an enterprise fund and uses the accrual accounting basis in accordance with the *U.S. generally accepted accounting principles*. This fund type is used for 'business type activities' that are intended to recover all or a significant portion of their costs through user fees and charges. Revenues are recognized when earned and expenses are recognized when incurred.

WCRP's operating revenues consist mostly of assessments paid by its member counties. Its operating expenses consist primarily of payments made to resolve claims, including allocated loss adjustment expenses, and for premiums for reinsurances and excess liability, property and cyber risk/security insurance policies acquired from superior-rated commercial carriers.

Discussion of the Financial Statements: The basic financial statements are comprised of two components: the financial statements and the notes to those financial statements. WCRP's three financial statements in a condensed format are presented hereafter with three-year comparative data.

The *Statement of Net Position* presents information on an entity's assets, liabilities, deferred outflows, and deferred inflows at fiscal year-end with the difference between them reported as *Net Position*.

COMPARATIVE STATEMENT OF NET POSITION	**Fiscal Years Ending**		
	09/30/2018	**09/30/2019**	**09/30/2020**
Current Assets	$50,608,380	$59,790,227	$60,170,143
Capital Assets (Net)	888,983	830,805	806,790
Total Assets	**$51,497,362**	**$60,621,032**	**$60,976,933**
Total Deferred Outflows of Resources	**$73,362**	**$62,516**	**$79,983**
Current Liabilities	$21,734,298	$27,234,025	$19,739,420
Non-Current Liabilities	9,813,450	13,427,677	16,470,931
Total Liabilities	**$31,547,748**	**$40,661,702**	**$36,210,351**
Total Deferred Inflows of Resources	**$172,796**	**$190,465**	**$116,425**
Investment in Capital Assets	$888,983	$830,805	$806,790
Unrestricted Net Position	18,961,197	19,000,532	23,923,351
Total Net Position	**$19,850,179**	**$19,831,381**	**$24,730,141**

Analysis:

The WCRP's ending Net Position saw a significant year-over-year increase of $4,898,758 between year-end 2019 and year-end 2020. While the Pool's assets increased by a modest $355,904, the increase in net position was largely due to a reduction in the Pool's current and non-current liabilities. This reduction was the result of actuarial adjustments to current and prior year loss projections, meaning the projections have been reduced in both prior and current years, based on favorable loss trends and claim resolutions.

The *Statement of Revenues, Expenses and Changes in Net Position* presents details of an entity's revenues and expenses during a fiscal year that resulted in the reported *Change in Net Position* — an increase in net position is the result of revenues exceeding expenses, while a decrease in net position results when revenues are less than expenses.

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	**FY-2018**	**FY-2019**	**FY-2020**
Operating Revenues			
Member MLC Assessments	$12,480,319	$16,062,464	$18,107,737
Member Cyber Assessments	102,264	138,060	187,980
Member WCPP Assessments	2,658,361	2,809,340	4,206,701
Operating Revenues – Miscellaneous	225,770	991	25,000
Total Operating Revenues	***$15,466,714***	***$19,010,855***	***$22,527,418***
Non-Operating Revenues			
Interest Income	$374,604	$615,889	$661,954
Rental Income	46,263	43,824	21,056
Gain on Capital Asset Disposition	8,813		5,300
Fair Value Adjustment of Investments		399,134	468,335
Total Non-Operating Revenues	***$429,580***	***$1,058,847***	***$1,156,645***
Total Revenues	**$15,896,294**	**$20,069,702**	**$23,684,063**
Operating Expenses			
Adjustments to (MLC) Claims/ULAE Reserves	$4,682,976	$9,636,960	$7,929,680
Premiums for MLC Insuring Policies	4,570,539	5,180,310	4,490,650
Premium for Cyber Insurance Policy	102,264	163,060	177,083
Premiums for Property Insurance Policies	2,508,363	2,669,207	3,664,924
Depreciation, Bad Debt & Administrative Expenses	2,135,710	2,433,336	2,542,880
Total Operating Expenses	***$13,999,852***	***$20,082,873***	***$18,783,205***
Non-Operating Expenses			
Rental Expense	$5,940	$5,627	$2,100
Fair Value Adjustment on Investments	188,646	0	
Total Non-Operating Expenses	***$194,586***	***$5,627***	***$2,100***
Total Expenses	**$14,194,438**	**$20,088,500**	**$18,781,105**
Changes in Net Position	**$1,701,857**	**$(18,798)**	**$4,898,758**
Beginning Net Position (October 1st)	**$18,148,322**	**$19,850,179**	**$19,831,383**
Prior Period Adjustment			
Ending Net Position (September 30th)	**$19,850,179**	**$19,831,381**	**$24,730,141**

Analysis: Between year-end 2019 and year-end 2020, member WCPP (Property) Assessments increased by $1,397,361 due to an increase in premiums paid to insurers, while the MLC Assessments increased by $2,045,273, due to an increase in overall costs, reinsurance and excess premium increases, as well as the Board's decision to budget an additional $1,000,000 in an effort to further improve the Pool's Net Position. These increases in revenue were offset by expenses that saw a year-over-year decrease of $1,286,475, with the result being a significant improvement in the Pool's already strong Net Position.

Overall Analysis of Financial Position and Result of Operations:

The WCRP increased its Self-Insured Retention (SIR) to $2M, up from the $1M SIR carried in the 2018-19 Fiscal Year. This increased SIR increases the Pool's exposure and uncertainty, requiring a continued thoughtful and targeted funding approach. In last year's Management Discussion it was noted that *"The Pool believes the timing of increasing our self-insured retention, with the funds for losses being retained rather than paid out in reinsurance and excess premiums, coupled with our concerted efforts to drive down liabilities, is ideal."* In only a single year's passing with this philosophy and strategy, the WCRP's leadership and governing body feels confident that this approach was the correct one. We continue to feel the need to increase our Net Position in order to sustain the WCRP's large Self-Insured Retention for the long-term.

The Pool continues to remain confident in its financial position, financial practices, claim handling, and in its investment strategy and performance. Appropriate reserve estimates were included within the Pool's FY2020 financials for any such matter stemming from liability claim against a member county. The WCRP anticipates continued success and favorable outcomes of cases currently pending.

Similar to the immediately preceding years, member assessments increased in the 2019-20 Fiscal Year, due to the market fluctuation and both general and WCRP-specific loss trends. However, the WCRP continues to focus on its ongoing goal of stable rates and maintaining an unrestricted Net Position that continues to meet the solvency requirements established by the State under Washington Administrative Code (WAC) 200-100, and continues to fall within the funding target established by the WCRP Board of Directors.

Request for Information:

This MD&A is provided for those interested in a general overview of the financial operations of the Washington Counties Risk Pool. Questions concerning the information provided and WCRP's financial report, or requests for additional information, should be addressed to: WASHINGTON COUNTIES RISK POOL, Attn: Executive Director, 2558 R W Johnson Rd SW, Suite 106, Tumwater, WA, 98512-6103; or by telephone at (360) 292-4500.

WASHINGTON COUNTIES RISK POOL
STATEMENT OF NET POSITION

ASSETS:		**As of 9/30/2020**		**As of 9/30/2019**
CURRENT ASSETS:				
Cash and Cash Equivalents	$	14,834,602	$	6,265,147
Investments		44,146,130		46,034,399
Members' MLC Deductible Receivable		502,122		460,948
Excess/Reinsurance Recoverable		551,557		743,516
Members' MLC Assessments Receivable		-		4,174,411
Members' WCPP Assessments Receivable		-		1,946,956
Members' Cyber Assessments Receivable		-		36,150
Accrued Interest		112,271		96,279
Prepaid Expenses		22,250		30,231
Other Accounts Receivables		1,211		2,190
TOTAL CURRENT ASSETS	$	60,170,143	$	59,790,227
NONCURRENT ASSETS:				
Capital Assets (Net of Accumulated Depreciation)	$	806,790	$	830,805
TOTAL ASSETS	**$**	**60,976,933**	**$**	**60,621,032**
TOTAL DEFFERED OUTFLOWS RELATED TO PENSIONS		**79,983**		**62,516**
LIABILITIES:				
CURRENT LIABILITIES:				
Claims Reserves :				
"SIR" Reserves				
Open Claims - SIR Reserves		$2,622,266	$	1,143,330
Open Claims - Corridor Reserves		3,225,166		3,232,620
Property Reserves		183,012		-
Compensated Absences		14,560		9,575
Accounts Payable		211,419		122,672
Unearned Revenue - Members Assessments		13,482,998		22,725,827
TOTAL CURRENT LIABILITIES	**$**	**19,739,420**	**$**	**27,234,024**
NON CURRENT LIABILITIES				
CLAIMS Reserves:				
"SIR" Reserves				
Open Claims - SIR Reserves		$1,063,227	$	321,942
IBNR Reserve - IBNR		10,651,662		7,054,724
Open Claims - Corridor Reserves		3,382,368		-
IBNR Reserves -IBNR		168,025		4,807,037
Reserve for ULAE		883,622		955,274
Compensated Absences		58,236		43,590
Net Pension Liability -- GASB 68		263,791		245,110
TOTAL NON CURRENT LIABILITIES	**$**	**16,470,931**	**$**	**13,427,677**
TOTAL LIABILITIES	**$**	**36,210,351**	**$**	**40,661,701**
TOTAL DEFERRED INFLOWS RELATED TO PENSIONS	**$**	**116,425**	**$**	**190,465**
NET POSITION:				
Unrestricted Net Position	$	23,923,351	$	19,000,576
Net Investment in Capital Assets		806,790		830,805
TOTAL NET POSITION	**$**	**24,730,141**	**$**	**19,831,381**

The accompanying notes are an integral part of these financial statements

WASHINGTON COUNTIES RISK POOL
STATEMENT OF REVENUES AND EXPENSES
AND CHANGES IN NET POSITION

OPERATING REVENUES:	**As of 9/30/2020**	**As of 9/30/2019**
Members' Assessments -- MLC	$ 18,107,737	$ 16,062,464
Members' Assessments -- WCPP	4,206,701	2,809,340
Cyber/Terrorism Coverage	187,980	138,060
Other Operating Income	25,000	991
Total Operating Revenues	$ 22,527,418	$ 19,010,855
OPERATING EXPENSES:		
Current Year's "SIR" Expense - MLC	$ 9,804,000	$ 7,269,000
Current Year's "1st/2nd Layers Corridor" Expense	-	1,739,000
Current Year's "SIR" Expense - Property	725,000	-
Claims Expense Prior Years' SIR	(1,967,593)	(230,518)
Claims Expense Prior Years' 1st/2nd Layers Corridor	(235,075)	940,802
Claims Expense Current Years' Property SIR	(325,000)	
Adjustment in Reserve for ULAE	(71,652)	(21,324)
Adjustment of Prior Year's 8X2 10% Quota Share"	-	(60,000)
MLC Reinsurance Premiums/Excess	4,490,655	5,180,310
WCPP Insurance Premiums	3,664,924	2,669,207
Cyber/Terrorism Liability Premiums	177,083	163,060
Depreciation Expense	75,102	73,244
Operating Expenditures	2,445,762	2,360,092
Total Operating Expenses	$ 18,783,205	$ 20,082,873
OPERATING INCOME	$ 3,744,213	$ (1,072,018)
NON OPERATING REVENUES (EXPENSES)		
Interest Income	$ 661,954	$ 615,889
Rental Income	21,056	43,824
Rental Expense	(2,100)	(5,627)
Gain (Losses) on Capital Assets Disposition	5,300	-
Adjustment to Investments	468,335	399,134
Total Nonoperating Revenues (Expenses)	$ 1,154,545	$ 1,053,220
CHANGES IN NET ASSETS	$ 4,898,758	$ (18,798)
TOTAL NET POSITION, Beginning of Year	$ 19,831,383	$ 19,850,178
TOTAL NET POSTION, as of September 30th	**$ 24,730,141**	**$ 19,831,383**

The accompanying notes are an integral part of these financial statements

WASHINGTON COUNTIES RISK POOL
STATEMENT OF CASH FLOWS

For the Fiscal Years Ended September 30, 2020 and 2019

		Year Ended 9/30/2020		Year Ended 9/30/2019
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from Members & Insurers	$	19,593,869	$	29,627,851
Cash payments for goods and services		(12,964,142)		(11,199,944)
Cash payments to employees for services		(1,054,694)		(902,799)
Net Cash Provided (Used) by Operating Activities	$	5,575,037	$	17,525,108
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Purchase of Equipment & Building	$	(51,086)	$	(15,067)
Gain on the Sale of Surplus		5,300		
Cash from Rental of Office (net)		18,956		38,197
Net Cash Provided (Used) from Capital and Related Financing Activities	$	(26,830)	$	23,130
CASH FLOW FROM INVESTING ACTIVITIES:				
Proceeds from Sale and Maturities of Investments		468,335		399,134
Interest/Accrued Income	$	645,962	$	569,971
Net Cash Provided (Used) by Investing Activities	$	1,114,297	$	969,105
Increase (Decrease) in Cash and Cash Equivalents	$	6,662,504	$	18,517,343
Cash and Cash Equivalents - Beginning of the Year	$	52,299,545	$	33,782,202
Cash and Cash Equivalents (including restricted) - End of the Year	**$**	**58,962,049**	**$**	**52,299,545**

		Year Ended 9/30/2020		Year Ended 9/30/2019
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
OPERATING INCOME	$	3,744,213	$	(1,072,018)
Adjustments to Reconcile Net Operating Income to Net Cash provided (used) by Operating Activities:				
Depreciation Expense		75,102		73,244
Decrease (Increase) in Accounts Receivable		6,309,281		6,901,033
Increase (Decrease) in "SIR" Reserves		6,000,170		6,082,618
Increase (Decrease) in "8x2 10% Quota Share" Reserve		0		(60,000)
Increase (Decrease) in "1st/2nd Layers' Corridor" Reserves		(1,264,099)		(534,797)
Increase (Decrease) in Reserve for ULAE		(71,652)		(21,324)
Increase (Decrease) in Unearned Revenue		(9,242,829)		3,715,963
Increase (Decrease) in Accounts Payable		88,746		76,315
Increase in Pension Liability (Net)		(91,507)		(90,844)
Increase (Decrease) in Accrued Liabilities		19,631		(25,462)
Increase (Decrease) in Prepaid Expenses		7,981		2,480,382
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$**	**5,575,037**	**$**	**17,525,108**

The accompanying notes are an integral part of these financial statements

These notes are an integral part of the accompanying financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Washington Counties Risk Pool (WCRP) have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial principles. The significant accounting policies are described below.

A. Reporting Entity

The WCRP was formed by Interlocal Agreement in August 1988 pursuant to Chapters 48.62 and 39.94 Revised Code of Washington ("RCW").

The WCRP is governed by its 26-member Board of Directors with a President, Vice-President, and Secretary/Treasurer serving as its annually elected officers. The WCRP Board meets three times each year at its Spring Conference & Board Meeting, Fall Conference & Board Meeting, and its Summer Annual Conference & Board Meeting. The WCRP's Executive Committee, consisting of 11 members of the Board of Directors, meet four to six times each year for general Pool administration and oversight.

Through the Executive Director, the Pool's 12-member staff carries out of the mission and directives of the Board of Directors. The Finance & Operations Department handles day-to-day operations and administration of the Pool, the Risk & Claims Department provides risk management support to the Pool and to its member counties, and manages all liability claims brought against member counties, while the Member Services Department provide the various training, scholarships, conference and event planning, and other educational resources to participating members.

Annual deposit assessments are adjusted to incorporate actuarial projections and operational needs, and then approved by the (WCRP) Board of Directors at their Annual Meeting. If the Pool's assets were depleted, members would be responsible for outstanding liabilities of the WCRP.

B. Basis of Accounting and Presentation

The accounting records of the WCRP are maintained in accordance with methods prescribed by the State Auditor's Office under the authority of Chapter 43.09, RCW. The WCRP 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 GASB Statement 30, *Risk Financing Omnibus*, and GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Funds.*

The WCRP uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized, and long-term liabilities are accounted for within the financial statements.

The principal operating revenues of the WCRP are member assessments, while its operating expenses include both claims paid from current year's allowances and adjustments to prior year's reserves, premiums for reinsurances and excess, property, terrorism and cyber risk insurances, and the Pool's administrative expenses.

C. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the WCRP considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalent.

2. Capital Assets and Depreciation

See Note 6, Capital Assets

3. Receivables

Amount owing from members and reinsurers for deductibles are identified on the Statement of Net Position.

Accrued Interest Receivable is the amount earned on investment at the end of the fiscal year.

The WCRP Board of Directors, acting through its Executive Committee, decides if any accounts are deemed uncollectible. Uncollectible accounts are charged to expense in the period they are deemed uncollectible.

4. Investments

See Note 2, Deposits and Investments.

5. Compensated Absences

Compensated absences are absences for which the employees will be paid such as annual and sick leave. The WCRP records accrued leave for compensated absences as an expense and liability when incurred.

Annual Leave may be accumulated up to 30 days and is payable upon resignation, retirement, or death. An employee with more than sixty days sick leave accrued may convert the days earned in the previous year (less any sick leave days used in that year) to annual leave days at the rate of four days of sick leave for one day of annual leave. Sick leave may accumulate up to 130 days. Sick leave does not vest until death or retirement, and the accrued liability is booked at one-half of the amount earned.

6. Unpaid Claim Liabilities

The WCRP establishes claims liabilities based upon independent actuarial estimates of the ultimate losses (costs of claims), including future claims adjustment expenses for claims/lawsuits that have been reported but are not settled, and for claims that have been incurred but are not yet reported. The length of time for which such costs must be estimated varies depending on the coverage type 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 and changes in doctrines of legal liability and in damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly general liability coverage.

Claims liabilities are actuarially recomputed and incorporate the current case reserves on files, which incorporates the Jury Verdict Value processes. The actuary uses a variety of techniques and formulas that reflect recent settlements, claims frequencies, and other economic and social factors to produce current estimates. 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 reflects past inflation and on other factors that are appropriate modifiers of experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

7. Reinsurance

The WCRP acquires reinsurance (agreements) to directly reduce its exposure to large third-party liability losses and to indirectly reduce its (present and past) member counties' exposures to contingent liabilities. Reinsurance permits recovery of substantial portions of the losses from commercial reinsurers, although it does not discharge the primary liability of the WCRP (and its member counties by contingent liabilities) as the direct insurer of the risks reinsured. The WCRP does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

The cumulative to-date incurred loss amount deducted from claims liabilities as of September 30, 2020, and 2019 as being reinsured were $144,653,489 and $135,228,443, respectively. Premiums paid to reinsurers during 2020 and 2019 were $4,490,655 and $5,180,310 respectively. The independent actuary's estimate for the ceded reinsured amount of gross loss reserves as of September 30, 2020, was $24,692,361.

8. Member Assessments and Unearned Member Assessments

Member assessments are collected in advance and recognized as revenue in the period for which the coverage is to be provided. On the balance sheet, member assessments receivables were billed on or about September 1st with up to the amount equivalent to 100% of the prior year's assessment being due by September 30th, and any remaining assessments balance(s) due by the following May 1st. The assessments calculated for liability coverage were based in substantial part upon the members' prior year's worker hours.

The assessments for property coverage were calculated based upon the values of the real and personal properties scheduled by the participating counties. For FY 2019-20 and following a significant increase in property premiums paid to insurers, along with a revision to flood zoning exposures, the WCRP Board of Directors approved capping the total property assessments at 100% of the prior Fiscal Year's assessment.

Both the cyber and terrorism coverage assessments are divided evenly among the members. Investment income is not presently considered for the determination of member assessments.

9. Unpaid Claims

Liability claims/lawsuits are charged to expenses as incurred. Claims reserves represent the accumulation of estimates for reported, unpaid liability claims plus a provision for liability claims incurred but not reported (IBNR). These estimates are continually reviewed using the Jury Verdict Value process and updated by WCRP's consulting actuary. Any resulting adjustments are reflected in current earnings.

10. Reserve for Unallocated Loss Adjustment Expense

The reserve for unallocated loss adjustment expenses (ULAE) represents the estimated cost to be incurred with respect to the settlement of both liability claims in process and those liability claims recognized as incurred but not reported (IBNR). WCRP's independent actuary estimates these liabilities at the end of each fiscal year. The changes in these liabilities each year are reflected in current earnings.

11. Exemption from Federal and State Taxes

Pursuant to revenue ruling number 90-74, income of Municipal Risk Pools is excluded from gross income under IRC Section 115(1). RCW 48.62.151 exempts the WCRP from state insurance premium taxes and from business and occupation taxes imposed pursuant to Chapter 82.04 RCW.

12. Pensions

For purposes of measuring the net pension liability or asset, 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.

13. Lease Commitments Operating Leases

The Pool is committed under operating leases for office machines. These leases are considered operating leases for accounting purposes. Total costs for operating leases was $7,371 for the year ended September 30, 2020. The future minimum lease payments for these leases are as follows:

Fiscal Year Ending September 30th:

2021	$8,120
2022	$8,120
2023	$6,225
2024	$4,331
2025	$1,805
Total	**$28,601**

NOTE 2 – DEPOSITS AND INVESTMENTS

A Deposits

In accordance with RCW 39.58, WCRP deposits its funds into a public depository with collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). Funds are transferred between the WCRP's public depository (depositories) and either the State Treasurer's Local Government Investment Pool (LGIP); a US Bank custodial account; or the Spokane County Treasurer's Spokane County Investment Pool (SCIP). There are no credit ratings for positions in external investment pools.

WCRP funds on deposit as of September 30, 2020 and September 30, 2019 were as follows:

	9/30/2020	9/30/2019
Wells Fargo (checking)	$14,834,602	$6,265,147
Washington State Investment Pool (LGIP)	$11,924,580	$14,788,235
Spokane County Investment Pool (SCIP)	$5,627,084	$8,518,338
US Bank Custodial Account	$26,594,495	$22,727,826
Total deposits and investments	**$58,980,761**	**$ 52,266,549**

B. Investments:

2020 Concentration of Credit:

Issuer:	Cost	Market Value	Average Duration	Average Maturity	Rating Moody/Sp	Percent of Portfolio
Government of the United States	**$ 14,429,207**	**$ 14,739,510**	**1.58**	**1.61**	**Aaa AA+**	**55.42%**
Federal National Mortgage Assoc.	**$ 3,848,957**	**$ 3,924,113**	**1.78**	**1.82**	**Aaa AA+**	**14.76%**
Federal Home Loan Bank	**$ 4,310,280**	**$ 4,448,034**	**1.76**	**1.81**	**Aaa AA+**	**16.73%**
Federal Home Loan Mortgage Corp	**$ 2,733,756**	**$ 2,756,284**	**2.32**	**2.36**	**Aaa AA+**	**10.36%**
First American Govt Oblig Fund	**$ 726,524**	**$ 726,524**	**0.00**	**0.00**	**Aaa AAA**	**2.73%**

2019 Concentration of Credit:

Issuer:	Cost	Market Value	Average Duratio n	Average Maturity	Rating Moody/SP/Fitch	Percent of Portfolio
Government of the United States	$12,402,174	$12,489,391	1.67	1.72	Aaa/ AA+/ AAA	54.95%
Federal National Mortgage Assoc.	$ 4,008,350	$ 4,069,499	2.52	2.63	Aaa/ AA+/ AAA	17.91%
Federal Home Loan Bank	$ 3,790,235	$ 3,798,619	1.67	1.72	Aaa/ AA+/ AAA	16.71%
Federal Home Loan Mortgage Corp	$ 2,285,402	$ 2,292,372	1.08	1.11	Aaa/ AA+/ AAA	10.09%
First American Govt Oblig Fund	$ 77,945	$ 77,945	0.00	0.00	Aaa/ AA+/ AAA	0.34%

Investments Measured at Fair Value

WCRP's measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

At September 30, 2020 and 2019 WCRP had the following investments measured at fair value:

October 1, 2018 Thru September 30, 2020

Investments by Fair Value Level	09/30/2020	Level 1	Level 2	Level 3
Spokane County Investment Pool	$5,627,085		$5,627,085	
U.S. Agencies	$11,128,431		$11,128,431	
U.S. Treasuries	$14,739,510		$14,739,510	
Total Investments measured at Fair Value	**$31,495,026**		**$31,495,026**	
Investments at Amortized Cost				
LGIP	$11,924,850			
Money Market Fund	$726,524			
Total Investments at Amortized Cost	**$12,651,374**			
Total Investments in Statement of Net Position	**$44,146,400**			

Investments by Fair Value Level	09/30/2019	Level 1	Level 2	Level 3
Spokane County Investment Pool	$ 8,518,338		$ 8,518,338	
U.S. Agencies	$10,160,490		$10,160,490	
U.S. Treasuries	$12,489,391		$12,489,391	
Total Investments measured at Fair Value	**$31,168,219**		**$31,168,219**	
Investments at Amortized Cost				
LGIP	$14,788,235			
Money Market Fund	$ 77,945			
Total Investments measured at Amortized Cost	**$ 14,866,180**			
Total Investments in Statement of Net Position	**$ 46,034,399**			

Disclosure of Custodial Credit Risk

WCRP's investment policy states that all security transactions shall be conducted on a delivery-versus-payment (DVP) basis. Securities purchased by the Pool will be delivered against payment and held in a custodial safekeeping account with the trust department of a bank. A third-party custodian will be designated by the Executive Director and all transactions will be evidenced by safekeeping receipts.

Concentration of Credit Risk

Concentration Risk disclosure is required for all investments in any one issuer that represents 5% or more of the Pool's total investments, excluding investment pools and investments issued by the U.S. government. No disclosure of concentration risk currently meets this requirement.

Interest Rate Risk

Interest rate risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The Pool recognizes that, over time, longer-term portfolios have higher volatility of return. The Pool mitigates interest rate risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. The Pool has deposits of $8,518,338 with the Spokane County Investment Pool and $14,788,235 with the Washington State Investment Pool that are available immediately. The Pool further recognizes that certain types of securities will affect the interest rate risk profile of the portfolio differently in different interest rate environments. The Pool restricts callable securities to a maximum of 20% of the portfolio, restricts maximum maturity to 5 years, and constrains duration to plus or minus 20% of a market benchmark index selected by the Investment Committee based on the Pool's investment objectives, constrains and risk tolerances.

Investment in Local Government Investment Pool (LGIP)

The Washington Counties Risk Pool is a participant in the Local Government Investment Pool (LGIP). The LGIP was authorized by Chapter 294, Laws of 1986 and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statue that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policies annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool's portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by the GASBS 79 for external investment pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fess or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, WA 98504-0200, online at http://www.tre.wa.gov.

NOTE 3 – JOINT SELF-INSURED RETENTION

WCRP retains complete responsibility for the payment of covered liability claims, both within its specified self-insured retention limits and that provided under its reinsurance contracts. The coverage provided under applicable excess insurance contracts is separately administered with assistance only from the WCRP. During the past three fiscal years, the Pool has not approved a settlement that exceeded the insurance coverage noted herein that is more specifically outlined in Note 5.

For 2019, the Pool's SIR was $1,000,000 and included a corridor deductible which increased the SIR to $2,000,000, however, with losses between $1,000,000 and $2,000,000 having an annual aggregated stop loss of $2.5 million. For 2020 the Pool's SIR increased to $2,000,000. The reinsurance agreements respond up to the applicable policy limits and the agreements contain aggregate limits for the maximum annual reimbursements to the Pool of $30 million (lowest reinsured layer), and $50 million. As respects ultimate net loss subject to the $8 million excess of $2 million reinsurance layer for Fiscal Year (FY) 2013, the Pool agreed to accept a 10% quota-share.

Through pre-funded member assessments (deposit assessments) collected immediately prior to or at the beginning of each pool fiscal year, WCRP committed assets for the years ended September 30, 2020, of $9,804,000, and 2019 of $7,269,000. For 2019, additional member assessments were collected and are/were committed in support of the Pool's "corridor deductible" in the $1 million excess of $1 million layer) exposures totaling $1,739,000. For FY 2021, the WCRP committed $9,804,000 specifically for funding its self-insured retentions. The increase of $793,000 in FY 2019 is due to the Pool's election to move from a $1 million retention to a $2 million retention.

NOTE 4 – REINSURANCE/EXCESS INSURANCE CONTRACTS

Through Gallagher Risk Management Services, Inc., the Producer (Broker-of Record) retained by the Pool's Board of Directors, WCRP partners with multiple superior-rated commercial insurers by acquiring reinsurance agreements and "following form" excess, property, and cyber risk insurances. The limits provided by these insuring agreements, contracts, and policies for FY-2020 follow:

A. Memorandum of Liability Coverage ("MLC"): Since October 1, 1988, the Pool has provided its member counties with risk-shared (jointly purchased and/or self-insured), occurrence-based coverage under a MLC Coverage Form for 3rd-party liability claims against members due to bodily injury, personal injury, property damage, errors and omissions, and advertising injury.

The total "occurrence" coverage grew over time to the $20 million limit that has existed since October 1, 2003. An additional "occurrence" limit of $5 million was available for member counties to acquire as an individual (county-by-county) option during many of the MLC years including FYs 2020 and 2019. Each member annually selected a deductible amount of $10,000, $25,000, $50,000, $100,000, $250,000, or $500,000, which is applied to each of the member's occurrences from that year. There were/are no aggregate limits for the payments the Pool makes for any individual member county's losses.

For the first $10,000,000 of coverage, the Pool acquires reinsurance from reinsurers that follow the WCRP's MLC coverage form. The reinsurance agreements are written with self-insured retentions ("SIRs") equal to the amount of the layer of coverage below. The reinsurance is acquired from multiple higher-rated carriers as protection for the Pool from unexpected losses and for the membership from contingent liabilities that might result otherwise.

The Pool purchases excess coverage for the additional $10,000,000 with an aggregate limit of $100,000,000. Since the Pool is a cooperative program, there is a joint liability among the participating members. Sixteen of the Pool's 26 member counties group purchase an additional $5,000,000 policy, excess of the pooled $20,000,000.

The excess coverage, including the initial $10,000,000 as well as the optional $5,000,000, is acquired from higher-rated commercial carriers as jointly-purchased "following form" excess insurance.

Reinsurance and excess premiums ceded during the year totaled $4,490,655, while the independent actuary's estimate of the amounts recoverable from reinsurers (and excess insurers) which reduced the liabilities of gross loss reserves on the balance sheet (as of September 30, 2020), totaled $24,692,361.

B. **Washington Counties Property Program ("WCPP")**: For FY 2020, WCRP offered jointly-purchased (1st-party) property coverage as an individual (county-by-county) option. This coverage was acquired from a consortium of higher-rated commercial carriers. For FY 2020, the WCRP selected a $100,000 Pool deductible and, in addition to the premiums paid to insurers, also collected $725,000 for the losses actuarially projected to fall within that deductible. All 26 WCRP counties participated in the FY2020 WCPP, with covered properties (in composite) exceeding $3.2 billion.

The WCPP limits include $500 million for typical (All Other Perils or AOP) losses, $200 million for catastrophe (earthquake or flood), and many sub-limited coverages including Equipment Breakdown / Boiler & Machinery ($100 million) and Special Flood Hazard Areas ($25 million). Other coverages included Green Construction Upgrades, and Reproduction for Historic Structures,

All Other Perils (AOP) occurrence deductibles between $5,000 and $50,000 were/are selected by the participating counties which they are solely responsible for paying. Higher deductibles apply to catastrophe losses.

C. Cyber Risk and Other Coverage: for FY2020, the Pool jointly purchased cyber risk and security coverage which includes (1st party) business interruption, data recovery, cyber extortion, breach response and management (regulatory compliance) protections associated with date breaches. Also, for FY2019-20, the WCRP group purchased first and third-party terrorism coverage, with the liability coverage having per occurrence limits of $25 million, no WCRP retentions and no member deductibles, and the property coverage having a per occurrence limit of $100 million, with a $10,000 WCRP retention and no member deductibles.

NOTE 5 – MEMBER'S SUPPLEMENTAL ASSESSMENTS AND CREDITS

RCW 48.62.141 and the WCRP Interlocal Agreement provide for the contingent liability of participants in the program if assets of the program are insufficient to cover the program's liabilities. Deficits of the WCRP are financed through supplemental (retroactive) assessments against those counties that were WCRP members for the deficient period(s). During fiscal year 2020, there was no deficiency, and no additional retroactive assessments were levied or collected.

NOTE 6 – CAPITAL ASSETS

Capital assets are defined by WCRP policy as having an initial, individual cost of at least $2,500 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost.

Capital assets activities for the fiscal year ended September 30, 2020 were as follows:

	Beginning Balance 10/01/2019	Increase	(Decrease)	Ending Balance 09/30/2020
Capital Assets being Depreciated				
Building	$1,320,950	$9,408		$1,330,358
Furniture & Equipment	208,445	$41,677	(31,452)	218,670
Total Capital Assets being depreciated	**$1,529,395**	**$51,085**	**$ (31,452)**	**$1,549,028**
Less Accumulated Depreciation:				
Building	$535,584	$48,102		$583,686
Furniture & Equipment	163,306	27,000	$(31,452)	158,854
Total Accumulated Depreciation	***$698,589***	***$75,102***	***$(31,452)***	***$742,239***
TOTAL CAPITAL ASSET NET	**$830,806**	**$75,102**		**$806,790**

Capital assets activities for the fiscal year ended September 30, 2019 were as follows:

	Beginning Balance 10/01/2018	Increase	(Decrease)	Ending Balance 09/30/2019
Capital Assets being Depreciated				
Building	$1,320,950			$1,320,950
Furniture & Equipment	195,914	15,067	(2,536)	208,445
Total Capital Assets being depreciated	**$1,516,864**	**$15,067**	**$(2,536)**	**$1,529,395**
Less Accumulated Depreciation:				
Building	$487,735	$47,549		$535,584
Furniture & Equipment	140,146	25,695	(2,536)	163,306
Total Accumulated Depreciation	***$627,881***	***$73,244***	***$(2,536)***	***$698,589***
TOTAL CAPITAL ASSET NET	**$888,983**	**$73,244**		**$830,805**

When equipment is retired or otherwise disposed of, the original cost is removed from WCRP's capital assets accounts, and the net gain or loss on disposition is credited to or charged against income.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Building	30
Building Improvements	30
Vehicles	5
Equipment	5

NOTE 7 – SOLVENCY

Washington Administrative Code (WAC) 200-100 requires the Washington Counties Risk Pool to maintain certain levels of primary and secondary assets to meet solvency standards. As defined in WAC 200-100-03001 total primary assets, i.e. cash and cash equivalents less non-claims liabilities, must at least equal the independent actuary's *expected* estimate of unpaid claims. Furthermore, a pool's total primary and secondary assets must at least equal the independent actuary's *80% confidence level* estimate of unpaid claims (70% before 2015). Secondary assets include insurance receivables, real estate or other assets less any non-claim liabilities, the values for which can be independently verified by the state risk manager

Primary Asset Test 1	**2020**	**2019**
Cash and cash equivalents	$14,834,602	$6,265,147
Investments	$44,146,130	$46,034,399
Total	**$58,980,733**	**$52,299,546**
Non-claims Liabilities	$548,006	$420,947
Unearned Revenues	$13,482,998	$22,725,892
Total Primary Assets	**$34,603,000**	**$29,152,707**
Claims Liability – Expected Level	**$22,179,348**	**$17,514,927**
Test 1 Result – Primary Asset Test	**PASS**	**PASS**

Secondary Asset Test

Cash and cash equivalents	$14,834,602	$6,265,147
Investments	$44,146,130	$46,034,399
Receivables	$1,053,679	$7,364,171
Prepaid Expenses	$22,250	$30,231
Accrued Interest	$112,271	$96,279
Capital Assets	$806,790	$830,805
Less:		
Non-Claims Liabilities	$548,006	$420,947
Unearned Revenues	$13,482,998	$22,725,827
Total Secondary Assets	***$8,321,486***	***$8,321,486***
Total Primary plus Secondary Assets	***$46,944,718***	***$37,474,193***
Claims Liabilities at 80%	***$22,179,000***	***$18,847,000***
Test 2 Results – Secondary Asset Test	**PASS**	**PASS**

NOTE 8 – PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2020 and 2019:

Aggregate Pension Amounts – All Plans		
	2020	2019
Pension liabilities	$ 263,790	$ 245,109
Pension assets		
Deferred outflows of resources	$ 79,986	$ 62,520
Deferred inflows of resources	$ 116,426	$ 190,465
Pension expense/expenditures	$ 22,853	$ (5,623)

State Sponsored Pension Plans

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

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

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

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

Public Employees' Retirement System (PERS)

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

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment

(COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. 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 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. 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%**

The *WCRP*'s actual contributions to the plan for fiscal years ended September 30, 2020 and 2019 were $35,961 and $33,845 respectively.

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

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five 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 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary 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 percent. 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%**

The *WCRP*'s actual contributions to the plan for years ended September 30, 2020 and 2019 were $59,717 and $51,376 respectively.

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.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

Discount Rate

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

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 2.2 percent 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 Washington Counties Risk Pool's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what Washington Counties Risk Pool 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 percent) or 1-percentage point higher (8.4 percent) than the current rate.

2020	1% Decrease (6.4%)	Current Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 224,427	$ 179,175	$ 139,711
PERS 2/3	526,496	84,615	(279.275)
2019	1% Decrease (6.4%)	Current Rate (7.4%)	1% Increase (8.4%)
PERS 1	$ 231,438	$ 184,808	$ 144,350
PERS 2/3	462,483	60,301	(269,716)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2020 and 2019, the *Washington Counties Risk Pool* reported a total pension liability of $263,790 and $245,110 respectively for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)	Liability (or Asset)
	2020	**2019**
PERS 1	$179,175	$184,808
PERS 2/3	$ 84,615	$60,301

At June 30, the Washington Counties Risk Pool proportionate share of the collective net pension liabilities was as follows.

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	.004806%	.005075%	(.000269) %
PERS 2/3	.006208%	.006616%	(.000408) %

	Proportionate Share 6/30/18	Proportionate Share 6/30/19	Change in Proportion
PERS 1	. 005474%	. 004806%	(.000668) %
PERS 2/3	. 007028%	. 006208%	(.000820) %

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 the year ended September 30, 2020 and 2019, the *Washington Counties Risk Pool* recognized pension expense as follows:

	Pension Expense	Pension Expense
	2020	**2019**
PERS 1	$ 18,493	$ (22,873)
PERS 2/3	$4,360	$17,249
TOTAL	$ 22,853	$ (5,623)

Deferred Outflows of Resources and Deferred Inflows of Resources

At September 30, 2020, the *Washington Counties Risk Pool* reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 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	$	$(998)
Changes of assumptions	$	$
Changes in proportion and differences between contributions and proportionate share of contributions		$
Contributions subsequent to the measurement date	$9,390	
TOTAL	**$9,390**	**$(998)**
PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$4,360	$(10,604)
Net difference between projected and actual investment earnings on pension plan investments		$(4,297)
Changes of assumptions	$1,544	$(57,799)
Changes in proportion and differences between contributions and proportionate share of contributions	$25,594	$(42,728)
Contributions subsequent to the measurement date	$15,505	
Total	**$70,593**	**$(115,429)**

At September 30, 2019, the *Washington Counties Risk Pool* reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 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	$	$(12,347)
Changes of assumptions	$	$
Changes in proportion and differences between contributions		$

and proportionate share of contributions		
Contributions subsequent to the measurement date	$8,904	
TOTAL	**$8,904**	**$(12,347)**
PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$17,276	$(12,964)
Net difference between projected and actual investment earnings on pension plan investments		$(87,773)
Changes of assumptions	$1,544	$(25,300)
Changes in proportion and differences between contributions and proportionate share of contributions	$19,979	$(52,080)
Contributions subsequent to the measurement date	$14,816	
TOTAL	**$53,615**	**$(178,118)**

Deferred outflows of resources related to pensions resulting from the *Washington Counties Risk Pool*'s contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2020. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September:	*PERS 1*	*PERS 2/3*
2021	$ (4,527)	$ (27,950)
2022	$ (142)	$ (1,232)
2023	$ 1,381	$ 8,664
2024	$ 2,291	$ 16,221
2025		
Thereafter		
TOTAL	**$ (998)**	**$ (4,297)**

Deferred outflows of resources related to pensions resulting from the *Washington Counties Risk Pool*'s contributions after the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September:	*PERS 1*	*PERS 2/3*
2020	$ (2.726)	$ (30,414)
2021	$ (6,456)	$ (50,130)
2022	$ (2,304)	$ (25,060)
2023	$ (861)	$ (15,773)
2024		$ (13,037)

Thereafter		$ (4,906)
TOTAL	**$ (12,347)**	**$ (139,319)**

NOTE 9 – QUALIFIED PENSION PLAN

The WCRP also participates in a defined contribution pension plan created in accordance with Internal Revenue Code Section 401(a). This plan is with the International City/County Management Association (ICMA). Employer contributions to the Qualified Pension Plan for the years ended September 30, 2020 and 2019 were $48,820 and $43,572, respectively. There are no employee contributions to this plan.

NOTE 10 – DEFERRED COMPENSATION PLANS

The WCRP offers its employees a choice of two deferred compensation plans created in accordance with Section 457 of the Internal Revenue Code. The plans are with the International City/County Management Association (ICMA) and the Washington State Department of Retirement. The plans, available to all eligible employees, permit them to defer a portion of their wages until future years. The deferred compensation is not available to contributing employees until their termination, retirement, death, or unforeseeable emergency.

In 1998, the ICMA Deferred Compensation Program plans' assets were placed into trust for the exclusive benefit of participants and their beneficiaries. Pursuant to Governmental Accounting Standards Board

(GASB) Statement 32, and since the WCRP is not the owner of these assets, these plans' assets and liabilities are not reported in the WCRP financial statements.

NOTE 11 – LONG TERM LIABILITIES

During the year ended September 30, 2020, the following changes occurred in long-term liabilities:

Changes in Long -Term Liabilities	***Beginning Balance 9/30/2019***	***Additions***	***Reductions***	***Ending Balance 9/30/2020***	***Due Within One Year***
Claims Reserves	$8,519,996	$5,817,158		$14,337,154	$2,622,266
Corridor Reserves	$8,039,657		(1,264,098)	6,775,559	3,225,166
Property		183,012		183,012	183,012
Quota Share	$0				
ULAE Reserve	*$955,274*		*(71,652)*	*883,622*	
Compensated Absences	$53,165	19,631		72,796	14,560
Net Pension Liability – GASB 68	$245,110	18,681		263,791	
Total Long-Term Liabilities	**$17,813,202**	**$6,038,485**	**$(1,335,750)**	**$22,515,935**	**$6,045,004**

During the year ended September 30, 2019, the following changes occurred in long-term liabilities:

Changes in Long -Term Liabilities	***Beginning Balance 9/30/2018***	***Additions***	***Reductions***	***Ending Balance 9/30/2019***	***Due Within One Year***
Claims Reserves	$2,437,378	$6,082,618		$8,519,996	$1,143,330
Corridor Reserves	$8,574,454		(534,797)	8,039,657	$3,232,620,
Quota Share	$60,000		(60,000)	$0.00	

ULAE Reserve	*$976,598*		*(21,324)*	*$955,274*	
Compensated Absences	$78,627		(25,462)	$53,165	$9,575
Net Pension Liability – GASB 68	$364,469		(119,359)	$245,110	
Total Long-Term Liabilities	**$12,491,526**	**$6,082,618**	**$(760,942)**	**$17,813,202**	**$4,385,707**

NOTE 12 – UNPAID CLAIMS LIABILITIES

As discussed somewhat in Notes C.6 and C.9, WCRP establishes a liability for both reported and unreported insured events that include estimates of both future payments of losses and related claims adjustment expenses. The following represents comparative changes in those aggregate liabilities for WCRP's SIR Reserves, reinsurance' Corridor Deductibles, and Quota Share during the past two years:

	2020	**2019**
SIR - Unpaid claims and claim adjustment expense/claims reserve at beginning of the year	$8,519,996	$2,437,379
SIR - Incurred Claims & Claims Adjustment Expenses:		
Provisions for Insured Events of the Current Year	$9,804,000	$7,269,000
Increase (Decrease) in Provision for Insured Events Prior Years	(1,967,593)	(230,518)
SIR - Total Incurred Claims & Claims Adjustment Expense	***$16,356,403***	***$9,475,861***
SIR - Payments:		
Claims & Claims Adjustment Expenses Attributable to Insured Events of the Current Year	$32,005	$144,533
Claims & Claims Adjustment Expenses Attributable to Insured Events of Prior Years	$1,987,245	$811,330
SIR -Total Payments	***$2,019,250***	***$955,863***
SIR - Total Unpaid Claims & Claims Expense Reserves at End of Year	**$14,337,153**	**$8,519,996**
Corridor - Unpaid claims and claim adjustment expense/claims reserve at beginning of the year	$8,039,657	$8,574,454
Corridor – Incurred Claims & Claims Adjustment Expenses:		
Provisions for Insured Events of the Current Year		$1,739,000
Increase (Decrease) in Provision for Insured Events Prior Years	$(235,075)	$940,802
Corridor - Total Incurred Claims & Claims Adjustment Expense	*$7,804,582*	*$11,254,256*
Corridor – Payments:		
Claims & Claims Adjustment Expenses Attributable to Insured Events of the Current Year		
Claims & Claims Adjustment Expenses Attributable to Insured Events of Prior Years	$1,029,024	$3,214,599
Corridor – Payments	*$1,029,024*	*$3,214,599*
Corridor - Total Unpaid Claims & Claims Expense Reserves at End of Year	***$6,775,558***	***$8,039,657***
Quota Share 10% – Unpaid claims and claim adjustment expense/claims reserve at beginning of the year		$60,000
Quota Share 10% – Incurred Claims & Claims Adjustment Expenses:		
Provisions for Insured Events of the Current Year		
Increase (Decrease) in Provision for Insured Events Prior Years		$(60,000)
Quota Share - Total Incurred Claims & Claims Adjustment Expense		*$(60.000)*
Quota Share - Payments:		
Quota Share - Total Unpaid Claims & Claims Expense Reserves at End of Year	***$0.00***	***$0.00***
Property Program Balance at beginning of year	***$0***	
Provisions for Insured Events of the Current Year	*$725,000*	
Increase (Decrease) in provision for Property Program	*$(325,000)*	
Claims & Claims Adjustment Expenses Attributable to Insured Events of the Current Year	*216,988*	

October 1, 2018 Thru September 30, 2020

Property - Total Unpaid Claims & Claims Expense Reserves at End of Year	***$183,012***	
Grand Total all Coverages (SIR, Corridor, Quota Share 10%) at year end	***$21,295,725***	***$16,559,653***
Unallocated Loss Adjustment expense (ULAE) at year end	*$883,622*	*$955,274*
Total Claims Reserve at Year End	**$22,179,347**	**$17,514,927**

The actuary estimated the current portion of total net reserves at the end of FY20 and FY19 to be $5,848,612 and $4,376,000, respectively.

NOTE 13 – Covid-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included closing schools, cancelling public events, limiting public and private gatherings, and restricting business operations, travel and non-essential activities.

Washington Counties Risk Pool immediately moved staff from the in-office setting to a remote work with only essential staff in office on a limited basis. In addition, these orders required all Board and Committee meetings that the pool had scheduled for in person to be moved to a virtual format. The last in-person WCRP Conference and Board of Directors' Meeting took place in November of 2019. Because of the size of the WCRP's Board of Directors and the number of attendees at conferences, three in-person conferences were cancelled and two of the three Board Meetings were cancelled, with the third meeting occurring virtually in July of 2020. The last in-person WCRP Executive Committee meeting occurred on February 28, 2020, while the Executive Committee meeting of July 10 and September 24, both occurred virtually.

The length of time these measures will continue to be in place, and the full extent of the financial impact on Washington Counties Risk Pool is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

Washington Counties Risk Pool
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30
Last 5 Fiscal Years

	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability (asset)	0.008828%	0.006216%	0.005474%	0.004806%	0.005075%
Employer's proportionate share of the net pension liability	$474,105	$294,954	$244,471	$184,808	$179,175
TOTAL	$474,105	$294,954	$244,471	$184,808	$179,175
Covered Payroll	$807,402	$760,179	$762,046	$668,344	$745,304
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	58.72%	38.80%	32.08%	27.65%	24.04%
Plan fiduciary net position as a percentage of the total pension liability	57.03%	61.24%	63.22%	67.12%	68.67%

Washington Counties Risk Pool
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30
Last 5 Fiscal Years

	2016	2017	2018	2019	2020
Employer's proportion of the net pension liability (asset)	0.007261%	0.007993%	0.007028%	0.006208%	0.006616%
Employer's proportionate share of the net pension liability	$365,586	$277,719	$119,997	$60,301	$84,615
TOTAL	$365,586	$277,719	$119,997	$60,301	$84,615
Covered Payroll	$644,146	$760,179	$762,046	$668,344	$745,304
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	56.76%	36.53%	15.75%	9.02%	11.35%
Plan fiduciary net position as a percentage of the total pension liability	85.82%	90.97%	95.77%	97.77%	97.22%

REQUIRED SUPPLEMENTARY INFORMATION

Washington Counties Risk Pool
Schedule of Employer Contributions
PERS 1
As of September 30
Last 4 Fiscal Years

	2017	**2018**	**2019**	**2020**
Statutorily or contractually required contributions	38,082	38,083	33,845	35,961
Contributions in relation to the statutorily or contractually required contributions	38,082	38,083	33,845	35,961
Contribution deficiency (excess)	0	0	0	0
Covered Payroll	775,769	756,032	673,242	745,304
Contributions as a percentage of covered employee payroll	4.91%	5.04%	5.03%	4.83%

Washington Counties Risk Pool
Schedule of Employer Contributions
PERS 2/3
As of September 30
Last 4 Fiscal Years

	2017	**2018**	**2019**	**2020**
Statutorily or contractually required contributions	51,177	56,644	51,376	59,717
Contributions in relation to the statutorily or contractually required contributions	51,177	56,644	51,376	59,717
Contribution deficiency (excess)	0	0	0	0
Covered Payroll	775,766	756,033	673,242	745,304
Contributions as a percentage of covered employee payroll	6.60%	7.49%	7.63%	8.01%

Washington Counties Risk Pool
MLC Claims Development
September 2010-2019

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
1. Required Contribution and investment revenue:										
Earned	$14,122,973	$14,602,491	$14,715,659	$15,169,538	$13,559,583	$13,967,121	$14,736,656	$15,841,319	$19,626,744	$23,189,372
Ceded	$5,480,000	$5,602,250	$3,199,125	$3,593,317	$3,320,056	$3,399,350	$3,791,751	$4,468,439	$5,078,210	$4,376,746
Net earned	$8,642,973	$9,000,241	$11,516,534	$11,576,221	$10,239,527	$10,567,771	$10,944,905	$11,372,880	$14,548,534	$18,812,626
2. Unallocated expenses	$4,728,089	$5,113,060	$6,036,859	$5,490,125	$5,518,065	$6,956,643	$5,602,688	$5,265,357	$5,321,379	$6,637,337
3. Estimated claims and expenses end of policy year:										
Incurred	$13,000,000	$10,200,000	$8,000,000	$7,300,000	$10,900,000	$9,100,000	$10,800,000	$11,900,000	$12,400,000	$19,400,000
Ceded	$8,950,000	$6,375,000	$3,125,000	$2,875,000	$6,415,000	$4,700,000	$5,350,000	$6,550,000	$2,800,000	$11,200,000
Net incurred	$4,050,000	$3,825,000	$4,875,000	$4,425,000	$4,485,000	$4,400,000	$5,450,000	$5,350,000	$9,600,000	$8,200,000
4. Net paid (cumulative) as of:										
End of policy year:	$42,951	$193,680	$19,510	$0	$198,365	$0	$66,775	$83,517	$144,533	$32,005
One year later	$648,326	$380,131	$929,023	$394,618	$2,562,875	$392,459	$922,425	$1,607,591	$1,491,395	
Two years later	$959,084	$1,133,512	$1,676,522	$2,545,482	$4,097,226	$3,813,452	$2,795,598	$2,078,598		
Three years later	$1,664,193	$1,348,078	$3,783,540	$3,941,293	$4,325,173	$4,084,660	$3,217,233			
Four years later	$2,912,031	$1,851,657	$4,756,152	$4,088,512	$4,469,351	$4,242,134				
Five years later	$2,922,055	$2,401,286	$4,837,018	$4,105,248	$4,516,850					
Six years later	$2,933,889	$2,543,534	$4,837,017	$4,173,251						
Seven years later	$2,933,964	$2,715,166	$4,837,017							
Eight years later	$2,933,964	$2,718,970								
Nine years later	$2,933,964									
5. Estimated ceded claims and expenses	$20,497,524	$1,023,638	$4,038,322	$4,933,262	$13,050,000	$5,250,000	$4,450,000	$5,750,000	$2,800,000	$8,200,000
6. Estimated net incurred claims and expenses:										
End of policy year:	$4,050,000	$3,825,000	$4,875,000	$4,425,000	$4,485,000	$4,400,000	$5,450,000	$5,350,000	$9,600,000	$8,200,000
One year later	$3,575,000	$3,500,000	$4,670,000	$4,232,500	$4,640,000	$4,250,000	$5,450,000	$4,950,000	$8,900,000	
Two years later	$3,235,000	$3,175,000	$4,860,000	$4,472,500	$4,550,000	$4,250,000	$5,250,000	$5,000,000		
Three years later	$3,015,000	$3,284,800	$4,930,765	$4,197,500	$4,550,000	$4,250,000	$4,056,822			
Four years later	$2,967,514	$3,224,864	$4,950,000	$4,147,500	$4,550,000	$4,253,415				
Five years later	$2,953,805	$3,011,977	$4,910,000	$4,151,842	$4,601,966					
Six years later	$2,933,889	$2,850,200	$4,837,017	$4,173,252						
Seven years later	$2,933,964	$3,574,229	$4,837,017							
Eight years later	$2,933,864	$3,218,183								
Nine years later	$2,933,964									
7. Increase (decrease) in estimated net incurred claims and expenses from end of policy year	($1,116,136)	($250,771)	($37,983)	($273,158)	$65,000	($150,000)	($200,000)	($400,000)	$0	$0

REQUIRED SUPPLEMENTARY INFORMATION

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 WCRP earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the WCRP as of the end of each of the last ten years. The rows of the table are defined as follows:

a. This line shows the total of each fiscal year gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

b. This line shows each fiscal year's other operating costs of the WCRP including overhead and claims expense not allocable to individual claims.

c. This line shows the WCRP gross incurred claims and allocated claims adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

d. This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each policy year.

e. This line shows the latest estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.

f. This section of ten rows show how each year's net incurred claims increased or decreased as of the end of successive years. (This annual 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.)

g. This line compares the latest estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and estimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

2. Reconciliation of Claims Liabilities by Type of Contract

The schedule presented in Note 12 presents the changes in claims liabilities for the past two years for the WCRP's one type of contract, liability insurance.

LIST OF PARTICIPATING MEMBERS

The following is a list of WCRP membership during the fiscal year 2019-2020

Adams County	**Lewis County**
Benton County	**Mason County**
Chelan County	**Okanogan County**
Clallam County	**Pacific County**
Columbia County	**Pend Oreille County**
Cowlitz County	**San Juan County**
Douglas County	**Skagit County**
Franklin County	**Skamania County**
Garfield County	**Spokane County**
Grays Harbor County	**Thurston County**
Island County	**Walla Walla County**
Jefferson County	**Whatcom County**
Kittitas County	**Yakima County**

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Schedule T-2

WASHINGTON COUNTIES RISK POOL

DES Schedule of Expenses

For Fiscal Years Ended September 30, 2020 and September 30, 2019

	09/30/2020	**09/30/2019**
Insurance Premiums/Reserve Expense	$18,536,661	$17,020,577
ULAE Expense	(71,652)	(21,324)
Adjustment to Prior Years' "1st/2nd Layers' Corridor" Reserves	(235,075)	940,802
Adjustment to Prior Years' "SIR" Reserves	(1,967,593)	(230,518)
Adjustment to Prior Year' "10% (8x2 Layer) Quota Share	0	(60,000)
Contracted Services:		
Actuarial	80,200	227,400
State Audit Expense	15,820	14,210
State Risk Manager Expenses	11,720	17,581
Legal Fees	514,517	253,520
IT Consultants	30,780	28,392
Property Appraiser	68,875	72,355
Temporary Staffing Agency	61,014	74,077
Independent Adjusting Expense	5,884	9,481
Investment Advisor	20,804	12,282
Other Consulting Fees	19,845	8,352
General Administrative Expenses		
Employee Salaries and Benefits	1,031,441	847,909
Communication	18,601	18,347
Supplies	19,289	29,801
Dues and Memberships	7,178	5,541
Travel - Employee	23,250	54,890
Committee and Board Meetings	56,507	124,603
Depreciation	75,102	73,244
Building and Auto Insurance	26,493	22,540
Operating Leases	7,371	
Utilities/Building	44,259	40,886
Member Services - Training	268,405	293,652
Member Services - Scholarships	13,734	29,781
Miscellaneous Expenses	99,773	174,492
Total Operating Expenses	$18,783,206	$20,082,872

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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