



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

United Schools Insurance Program

For the period September 1, 2023 through August 31, 2024

Published April 28, 2025

Report No. 1037019



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

April 28, 2025

Board of Directors
United Schools Insurance Program
Ephrata, Washington

Report on Financial Statements

Please find attached our report on the United Schools Insurance Program's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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INDEPENDENT AUDITOR'S REPORT

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

United Schools Insurance Program September 1, 2023 through August 31, 2024

Board of Directors
United Schools Insurance Program
Ephrata, 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 United Schools Insurance Program, as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated April 14, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Program's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program'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 Program'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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or

significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 Program'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 Program'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.

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

Pat McCarthy, State Auditor

Olympia, WA

April 14, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

United Schools Insurance Program September 1, 2023 through August 31, 2024

Board of Directors
United Schools Insurance Program
Ephrata, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the United Schools Insurance Program, as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the United Schools Insurance Program, as of August 31, 2024, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Program and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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 Program's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Other Information

The other information comprises the Program's List of Participating Members and DES Schedule of Expenses but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included with the financial statements. Our opinion on the basic financial statements does not cover this other information, and we do not express an opinion or provide any assurance thereon.

In connection with the audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we include that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated April 14, 2025 on our consideration of the Program'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 the effectiveness of the Program's 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 Program's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style with a large initial "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

April 14, 2025

FINANCIAL SECTION

United Schools Insurance Program September 1, 2023 through August 31, 2024

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2024

BASIC FINANCIAL STATEMENTS

Balance Sheet – 2024

Statement of Revenues, Expenses, and Changes in Net Position – 2024

Statement of Cash Flows – 2024

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REQUIRED SUPPLEMENTARY INFORMATION

Ten Year Claims Development Information – 2024

Notes to Ten Year Claims Development Information – 2024

SUPPLEMENTARY AND OTHER INFORMATION

List of Participating Members – 2024

DES Schedule of Expenses – 2024

UNITED SCHOOLS INSURANCE PROGRAM
Management's Discussion and Analysis
September 1, 2023 to August 31, 2024

The management of the United Schools Insurance Program (USIP) offers readers of the program's financial statements this narrative overview and analysis of the financial activities of the USIP for the fiscal year ending August 31, 2024. Readers of this analysis are encouraged to consider the information presented here in conjunction with the attached financial statements and related notes.

Overview of the Financial Statements

The Balance Sheet presents information on the USIP's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the program is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Fund Net Position shows both operating and nonoperating revenues and expenses that occurred during the year. The difference between revenues and expenses is reported as a change to net position. Items are reported as the event occurs, regardless of the timing of the related cash flow.

The Statement of Cash Flows provides information on how various activities of the program affect cash and cash equivalents during the fiscal year.

The Notes to the Financial Statements present additional information that is essential for a full understanding of the data provided in the accompanying financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the program's development of claims over the last ten years.

USIP - Condensed Financial Information

	<u>2024</u>	<u>2023</u>
Current Assets	22,149,953	14,707,046
Noncurrent Assets	<u>0</u>	<u>0</u>
Total Assets	22,149,953	14,707,046
Deferred Outflows	<u>0</u>	<u>0</u>
Total Deferred Outflows	0	0
Current Liabilities	7,593,227	5,621,752
Noncurrent Liabilities	<u>8,180,459</u>	<u>6,568,355</u>
Total Liabilities	15,773,687	12,190,108
Deferred Inflows	<u>0</u>	<u>0</u>
Total Deferred Inflows	0	0
Unrestricted	<u>6,376,266</u>	<u>2,516,938</u>
Total Net Position	6,376,266	2,516,938
Operating Revenues		
Member Contributions	39,413,789	26,813,703
Non-Operating Revenues		
Interest Income	644.996	352,562
Unrealized Gain/Loss	<u>188,599</u>	<u>(527,754)</u>
Total Revenues	40,247,383	26,638,511
Operating Expenses	<u>36,388,055</u>	<u>30,135,142</u>
Total Expenses	36,388.055	30,135,142
Change in Net Position	3,859,328	(3,496,631)
Beginning Net Position	2,516,938	6,013,569
Prior Period Adjustment	0	0
Ending Net Position	6,376,266	2,516,938

The United Schools Insurance Program (USIP) was originally founded in 1985 under the name Eastern Washington School District Insurance Group (EWSDIG) with 34 founding members. The USIP is a property and liability risk and insurance pooling program for schools with enrollments less than 3,000 students. A board of directors, elected by the membership, governs the program. The Board of Directors contracts with Clear Risk Solutions, a third-party administrator, to carry out the day-to-day administrative, claims, and risk management services.

Financial Statement Analysis

The United Schools Insurance Program's experience an income of \$3.8M, which was far better than the loss of (\$93,497) which the pool budgeted. Operating expenses were largely at or below budget, while claims expenses were on budget. Excess insurance costs were \$2.4M under budget which largely contributed to the net income for the year. The pool's investments with the Grant County Investment Pool allow short term liquidity with favorable interest rates. Other assets include cash and receivables from both member's and the USIP's excess/reinsurance carrier. Current liabilities are comprised of unearned member premiums, advances on claims reimbursement and reserves set aside for unpaid claims liabilities. USIP has increased their SIR, which we expect to result in larger claims related liabilities and continue to monitor. The pool also utilizes the services of an actuary to determine that adequate reserves have been set aside to cover any potential future claims. In addition, the USIP purchases a stop loss policy as another layer of protection to its membership.

The USIP does not have any restrictions or commitments that affect the availability of pool resources for future use.

Requests for Information

This financial report is designed to provide a general overview of the United Schools Insurance Program's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the USIP's third-party administrator, Clear Risk Solutions, 159 Basin Street SW, PMB #206, Ephrata, WA 98823.

United Schools Insurance Program

Balance Sheet

As of August 31, 2024

<u>ASSETS</u>	<u>2024</u>
<u>Current Assets:</u>	
Cash and Equivalents	7,731,697
Investments	13,792,315
Receivables:	
Member Contributions & Deductibles	33,935
Other Receivables	568,465
Pre Paid Expenses	23,542
TOTAL CURRENT ASSETS	<u>22,149,953</u>
Deferred Outflows	0
TOTAL DEFERRED OUTFLOWS	<u>0</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u><u>22,149,953</u></u>
<u>LIABILITIES</u>	
<u>Current Liabilities:</u>	
Accounts Payable	23,417
Reinsurance Settlement Advance	894,720
Unearned Member Assessments	3,321,120
Claims Reserves:	
IBNR	1,476,147
Open Claims (Case Reserves)	1,877,823
TOTAL CURRENT LIABILITIES	<u>7,593,227</u>
<u>Noncurrent Liabilities:</u>	
Claims Reserves:	
IBNR	3,600,377
Open Claims (Case Reserves)	4,580,082
TOTAL NONCURRENT LIABILITIES	<u>8,180,459</u>
Deferred Inflows	0
TOTAL DEFERRED INFLOWS	<u>0</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u><u>15,773,687</u></u>
<u>NET POSITION</u>	
Unrestricted	<u>6,376,266</u>
TOTAL NET POSITION	<u><u>6,376,266</u></u>
TOTAL NET POSITION, LIABILITIES & DEFERRED INFLOWS	<u><u>22,149,953</u></u>

See Accompanying Notes to Financial Statements

United Schools Insurance Program
Statement of Revenues, Expenses, and Changes in Fund Net Position
For The Fiscal Year Ended August 31, 2024

	<u>2024</u>
OPERATING REVENUES:	
Member Contributions	39,413,789
Miscellaneous Income	0
Total Operating Revenues	<u>39,413,789</u>
OPERATING EXPENSES:	
Incurred Loss/Loss Adjustment Expenses:	
Paid on Current Losses	1,822,546
Change in Loss Reserves	6,863,300
Unallocated Loss Adjustment Expenses:	
Paid Unallocated Loss Adjustment Expenses	1,148,275
Excess/Reinsurance Premiums	21,922,484
General and Administrative Expenses	4,631,450
Total Operating Expenses	<u>36,388,055</u>
OPERATING INCOME (LOSS)	<u>3,025,734</u>
NONOPERATING REVENUES(EXPENSES):	
Interest Income	644,996
Unrealized Gain/(Loss)	<u>188,599</u>
Total Nonoperating Revenues (Expenses)	<u>833,594</u>
CHANGE IN NET POSITION	3,859,328
TOTAL NET POSITION, September 1	<u><u>2,516,938</u></u>
Change in Accounting Principle	
TOTAL NET POSITION, August 31	<u><u>6,376,266</u></u>

See Accompanying Notes to Financial Statements

United Schools Insurance Program

STATEMENT OF CASH FLOWS

For The Fiscal Year Ended August 31, 2024

2024

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash received from members	40,539,429
Cash payments to suppliers for goods and services	(21,920,421)
Cash payments for claims	(6,114,315)
Cash payments to third parties	(5,779,725)

Net Cash Provided (Used) for Operating Activities	6,724,969
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CASH FLOWS FROM INVESTING ACTIVITIES:

Interest Income	644,996
Unrealized Gain/(Loss)	188,599

Net Cash Provided (Used) for Investing Activities	833,594
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Increase (Decrease) in Cash and Cash Equivalents	7,558,563
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Cash and Equivalents, September 1	13,965,449
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Prior Period Adjustment for Change in Accounting Principle

Cash and Equivalents, August 31	21,524,012
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RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES

2024

OPERATING INCOME	3,025,734
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(Increase) Decrease in Accounts Receivable	116,988
Increase (Decrease) in Prepaid Expenses	(1,332)
Increase (Decrease) in Unpaid Claims Liability	2,064,909
Increase (Decrease) in Unearned Member Assessments	1,008,651
Increase (Decrease) in Reinsurance Settlement Advance	506,623
Increase (Decrease) for Payables	3,396

NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	6,724,969
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See Accompanying Notes to Financial Statements

NOTES TO FINANCIAL STATEMENTS

UNITED SCHOOLS INSURANCE PROGRAM

For the Period

September 1, 2023 through August 31, 2024

The following notes are an integral part of the financial statements accompanying the annual report.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. Reporting Entity

The United Schools Insurance Program (USIP) was formed under RCW Chapter 48.62 in conjunction with provisions as outlined in RCW Chapter 39.34. The USIP was formed on September 1, 1985 for purposes of the joint purchase of insurance and/or joint self-insuring and/or joint hiring or contracting for risk management purposes, claims administration and all other functions necessary to carry out provisions of the Interlocal Agreement. There were 157 member districts as of August 31, 2024.

The pool provides the following forms of joint self-insurance and reinsurance coverage for its members: property; including automobile comprehensive and collision, equipment breakdown and crime protection, and liability; including general, automobile and wrongful acts.

Members contract to remain in the pool for a minimum of one year, and must give notice before August 31 terminating participation the following September 1. The Interlocal Agreement is renewed automatically each year. Even after termination, a member is responsible for contributions to the pool for any unresolved, unreported, and in-process claims for the period they were a signatory to the Interlocal Agreement.

The pool is governed by a nine-member Board of Directors elected by the members. Six Board members are elected from six geographic regions of Washington with three members elected “at large”. All Board member terms are staggered three-year terms to ensure continuity and are responsible for conducting the business affairs of the group. The pool has no employees, but has contracted with a third-party administrator, Clear Risk Solutions, to perform the daily administration of the pool, including account education, risk management and loss control, and claims administration.

b. Basis of Accounting

The accounting records of the USIP are maintained in accordance with methods prescribed by the State Auditor's Office under the authority of RCW Chapters 39.34 and 43.09. The USIP also follows the accounting standards established by the Governmental Accounting Standards Board (GASB) Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues* as amended by the GASB Statement 30, *Risk Financing Omnibus* and the GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Funds*.

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

Operating revenues are items that are directly related to the primary operations of the USIP. Non-operating revenues are recurring items that are not directly related to operation, such as interest income. The principal operating revenues of the pool are generated from annual billings for insurance to the members. Operating expenses include payment of claims, general and administrative costs, and reinsurance costs.

c. Cash and Cash Equivalents

For purposes of the statement of cash flows, the USIP considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

d. Receivables

All receivables are from member districts or insurance carriers and are, therefore, deemed collectible. All uncollectable accounts receivable under \$500 can be written off without Board permission, but are reported to the fiscal officer monthly. All uncollectable accounts receivable over \$500 may only be written off with Board approval.

e. Investments - See Note 2.

f. Unpaid Claims Liabilities

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

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

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

g. Reinsurance

The pool uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the pool as direct insurer of the risk reinsured. The USIP does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

h. Member Premium and Unearned Premiums

Member assessments are collected at the beginning of the fiscal year and recognized as revenue in the period for which insurance protection is provided. The program premium is calculated based on a percentage of the member's apportioned excess insurance cost. Unearned member premiums are premiums that are collected prior to the effective date of the policy.

i. Unpaid Claims

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

j. Reserve for Unallocated Loss Adjustment Expenses

Pursuant to the contract in place between USIP and its third-party administrator, the third-party administrator will administer in all matters related to the processing, supervision and resolution of all program and program membership claims or losses incurred during the term of the agreement. Due to this agreement, it is not necessary for the USIP to carry a reserve for such expenses.

k. Exemption from Federal and State Taxes

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

Pursuant to revenue ruling number 90-74, income of Municipal Risk Pools is excluded from gross income under IRC Section 115(1).

NOTE 2 – DEPOSITS AND INVESTMENTS

a. Deposits

Cash on hand on August 31, 2024 was \$0. The unadjusted bank balance was \$8,395,103 and the unadjusted investment pool balance was \$14,131,471.

The USIP deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

b. Investments

The USIP is a participant in the Grant County Investment Pool, an external investment pool. The responsibility for managing the pool resides with the County Treasurer. The pool is established from the RCW 36.29, which authorizes the County Treasurer to invest the funds of participants. The Grant County investment policy is established by the County Finance Committee, consisting of the County Treasurer, County Auditor, Chair of the Board of Commissioners and the Chief Accountant. The county external investing pool does not have a credit rating and had an average maturity of 410 days.

As of August 31, 2024, the USIP had the following investments:

Entity	Statement Balance	Fair Value (.976)
Grant County Investment Pool	\$14,131,471	\$13,792,315
Total Investments	\$14,131,471	\$13,792,315

GASB 72 & 79 was fully adopted in 2023, which resulted in changes to the presentation of the financial statements. In previous years, the financial statements did not present fair market value. As a result the 2023 financial statements report less investments when compared to previous years. The USIP has always received 100% of its funds requested upon withdrawal. Currently there are no limitations or restrictions on withdrawals.

NOTE 3 – RISK FINANCING LIMITS

The following tables reflect the risk financing standard limits on coverage policies issued and retained by USIP for the 2023-24 policy year:

Type of Coverage	Member Deductibles*	Self-Insured Retention	Excess Limits
Property Loss:			
Buildings and content	\$5,000	\$500,000	\$100,000,000
Flood	\$25,000 per Occurrence; \$500,000 per Occurrence for Flood Zones prefixed A or V	\$500,000	\$25,000,000 Occurrence and Group Annual Aggregate; \$1,000,000 Occurrence Annual Aggregate and \$15,000,000 Group Annual Aggregate for Flood Zones prefixed A or V
Earthquake	Greater 2% of the total value or \$50,000 per Occurrence	\$500,000	\$25,000,000 Annual Aggregate
Equipment Breakdown	\$2,500	\$7,500	\$100,000,000 per Occurrence and Group Aggregate
Employee Dishonesty	\$5,000	\$500,000	\$1,000,000 per Occurrence and \$5,000,000 Group Aggregate
Auto Comp and Collision	\$1,000	\$500,000	\$100,000,000 per Occurrence
Liability Loss:			
Auto Liability including Bodily Injury, Property Damage and Underinsured Motorist	\$5,000	\$500,000	\$25,000,000 per Occurrence (\$1,000,000 per UIM Occurrence)
General liability including Bodily Injury, Property Damage, and Personal Injury	\$5,000	\$500,000	\$25,000,000 per Occurrence; \$100,000,000 Group Annual Aggregate
Sexual Abuse Liability	\$5,000	\$500,000	\$20,000,000 per Occurrence; \$40,000,000 Group Annual Aggregate
Wrongful Acts Liability	\$5,000	\$500,000	\$25,000,000 per Claim; \$30,000,000 Group Annual Aggregate
Cyber Coverage:			
Privacy, Security and Technology Coverage	\$10,000	\$240,000	\$1,000,000 per Occurrence and Member Aggregate; \$5,000,000 Group Aggregate

NOTE 4 – REINSURANCE AND EXCESS INSURANCE CONTRACTS

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

Excess Insurance Contracts 2023-24				
Type of Coverage	2023-24 Pool Limit	Carrier	Carrier Rating	Occurrence of Claims Made
General Liability	\$25,000,000 per Occurrence; \$45,000,000 Annual Aggregate; \$100,000,000 Group Annual Aggregate	Munich Reinsurance America, Inc, Great American Insurance Company, Everest Reinsurance Company, Gemini Insurance Company	A+ XV, A+ XV, A+ XV, A+ XV	Occurrence
Automobile Liability	\$25,000,000 (no aggregate)	Munich Reinsurance America, Inc, Great American Insurance Company, Everest Reinsurance Company, Gemini Insurance Company	A+ XV, A+ XV, A+ XV, A+ XV	Occurrence
Sexual Abuse Liability	\$20,000,000 per Occurrence; \$20,000,000 Annual Aggregate; \$40,000,000 Group Aggregate	Munich Reinsurance America, Inc, Great American Insurance Company, Everest Reinsurance Company	A+ XV, A+ XV, A+ XV,	Occurrence
Wrongful Acts	\$25,000,000 per Occurrence; \$25,000,000 Annual Aggregate; \$30,000,000 Group Annual Aggregate	Munich Reinsurance America, Inc, Great American Insurance Company, Everest Reinsurance Company, Gemini Insurance Company	A+ XV, A+ XV, A+ XV, A+ XV	Claims Made
Property	\$100,000,000 Each Occurrence and Group Aggregate	Munich Reinsurance Company, Inc, Arch Specialty Insurance Company, Starr Surplus Lines Insurance Company, RSUI Indemnity Company, Endurance American Insurance Company, Lloyds of London (CIN), Mitsui Sumitomo Insurance Company, Evanston Insurance Company, Fireman's Fund Indemnity Company, Aspen Specialty Insurance Company, Lloyds – Beazley, StarStone Specialty Insurance Company, Starr Surplus Lines Insurance Company, London (HCC), Lexington Insurance Company, Canopious US Insurance, Inc., Travelers Indemnity Company	A+ XV, A+ XV, A XV, A++ XV, A+ XV, A XV, A+ XV, A+ XV, A XV, A XV, A+ XV, A- XII, A XV, A XV, A XV, A- XII, A++ XV	Occurrence
Equipment Breakdown	\$100,000,000 per Occurrence and Group Aggregate	Hartford Steam Boiler Inspection & Insurance Company of Connecticut	A++ XV	Occurrence
Employee Dishonesty	\$1,000,000 Each Occurrence and \$5,000,000 Group Aggregate	Munich Reinsurance Company, Inc.	A+ XV	Occurrence
Privacy, Security and Technology	\$1,000,000 per Occurrence and \$5,000,000 Combined Policy Aggregate	Indian Harbor Insurance Company, Great American Fidelity Insurance Company	A+ XV, A+ XV	Occurrence

There have been no settlements that have exceeded coverage in any of the last three years.

Reinsurance transactions related to the pool were:

Reinsurance premiums ceded during the year were \$21,922,484. The estimated recoverable from excess and reinsurers that reduced the liabilities on the balance sheet were \$931,405.

NOTE 5 – MEMBERS’ SUPPLEMENTAL ASSESSMENTS AND CREDITS

The Interlocal Agreement provides for supplemental assessments to members in the event the pool lacks resources to pay claims. The USIP has never made a supplemental assessment.

NOTE 6 – RELATED PARTY TRANSACTIONS

The USIP’s third-party administrator and insurance broker is Clear Risk Solutions. Clear Risk Solutions uses Apex and Peachtree Special Risk to place insurance coverage for the pool. Clear Risk Solutions, Apex and Peachtree Special Risk are owned by the same parent company, Brown and Brown, Inc. Clear Risk Solutions runs its operations from Ephrata, Washington, Apex Insurance is located in Glen Allen, Virginia and Peachtree Special Risk is located in Atlanta, Georgia.

NOTE 7 – UNPAID CLAIMS LIABILITY

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

	<u>2024</u>	<u>2023</u>
Unpaid Claims and Claim Adjustment Expenses at the Beginning of the Year	<u>\$9,469,520</u>	<u>\$7,716,203</u>
INCURRED CLAIMS AND CLAIM ADJUSTMENT EXPENSES:		
Provision for Insured Events of Current Year	\$7,567,272	\$6,717,908
Increases (Decreases) in Provision for Insured Events of Prior Years	<u>\$566,935</u>	<u>\$706,919</u>
Total Incurred Claims and Claim Adjustment Expenses	<u>\$8,134,207</u>	<u>\$7,424,827</u>
PAYMENTS:		
Claims and Claim Adjustment Expenses		
Attributable to Insured Events of Current Year	\$1,822,546	\$2,218,088
Claims and Claim Adjustment Expenses		
Attributable to Insured Events of Prior Years	\$4,246,752	\$3,453,422
Total Payments	<u>\$6,069,298</u>	<u>\$5,671,510</u>
Total Unpaid Claims and Claim Adjustment Expenses at End of Year	<u>\$11,534,429</u>	<u>\$9,469,520</u>

NOTE 8 - FINANCIAL SOLVENCY/REQUIRED ASSETS (WAC) 200-100

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

		08/31/2024	08/31/2023
Primary Asset Test			
Primary Assets		\$ 17,284,755	\$11,244,862
Estimated Claims Liabilities at Expected Level		\$11,534,430	\$9,469,520
	Results	Pass	Pass
Secondary Asset Test			
Primary & Secondary Assets		\$17,910,696	\$11,986,459
Estimated Claims at 80% Confidence Level		\$12,800,524	\$11,812,950
	Results	Pass	Pass

NOTE 9 – SUBSEQUENT EVENTS

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function. The USIP has had no claims linked to COVID-19 presented as of January 2025. However, any claims that may be presented in the future would be addressed through the Incurred But Not Reported portion of the Pool's financial report. The USIP has a stop-loss policy in place to protect the pool from future losses that may occur in the pool's insurance layer, if the Aggregate Stop Loss is breached during any fiscal year. The full extent of the financial impact on the Program is unknown at this time.

United Schools Insurance Program
TEN YEAR CLAIMS DEVELOPMENT INFORMATION
Fiscal and Policy Year Ended August 31, 2024

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
1 Net earned required contribution and investment revenues										
Earned	13,344,324	14,480,431	15,102,716	15,548,538	17,288,654	19,110,834	20,802,152	23,828,540	26,638,511	40,247,384
Ceded	6,921,115	8,037,829	8,267,907	8,314,845	9,529,724	10,855,018	11,672,593	13,656,797	17,015,439	21,922,484
Net Earned	6,423,209	6,442,602	6,834,809	7,233,693	7,758,930	8,255,816	9,129,559	10,171,742	9,623,072	18,324,899
2. Unallocated expenses	3,597,494	3,744,441	3,837,949	3,938,896	4,115,077	4,271,561	4,409,341	4,649,434	5,084,847	5,779,725
3 Estimated incurred claims and expense, end of policy year										
Incurred	2,990,361	2,577,027	5,356,330	3,931,056	4,330,250	4,065,536	4,264,651	16,609,509	15,150,358	12,455,658
Ceded	491,075	157,027	2,206,330	1,005,000	1,098,750	594,726	0	9,650,000	8,432,450	4,888,386
Net incurred	2,499,286	2,420,000	3,150,000	2,926,056	3,231,500	3,470,810	4,264,651	6,959,509	6,717,908	7,567,272
4. Net paid (cumulative) as of:										
End of Policy Year	1,206,118	1,213,933	1,596,793	1,516,613	1,729,645	1,639,596	2,036,179	2,621,206	2,218,088	1,822,546
One year later	2,003,182	1,785,378	2,453,683	2,120,239	2,632,762	2,652,048	2,925,999	5,173,687	4,864,641	
Two years later	2,169,156	2,008,455	2,738,285	2,363,927	2,779,467	2,546,553	3,334,604	6,002,639		
Three years later	2,334,374	2,093,080	2,709,193	2,523,354	2,878,532	2,689,057	3,780,752			
Four years later	2,375,182	2,244,094	2,794,564	2,587,795	3,081,241	2,791,107				
Five years later	2,412,045	2,348,229	2,801,207	2,608,396	3,268,299					
Six years later	2,487,807	2,349,129	2,894,059	2,608,396						
Seven years later	2,487,807	2,382,798	2,915,249							
Eight years later	2,487,807	2,387,600								
Nine years later	2,487,807									
5. Re-estimated ceded claims and expenses:	2,701,089	3,222,506	3,163,728	6,037,887	2,051,197	520,417	3,711,635	26,675,300	9,075,235	4,888,386
6 Re-estimated net incurred claims and expense:										
End of Policy Year	2,499,286	2,420,000	3,150,000	2,926,056	3,231,500	3,470,810	4,264,651	6,959,509	6,717,908	7,567,272

One year later	2,470,000	2,390,000	3,200,000	2,851,056	3,443,595	3,319,430	4,879,205	7,747,651	7,928,936
Two years later	2,361,500	2,302,000	3,174,223	2,766,723	3,102,852	2,943,640	4,782,080	7,319,102	
Three years later	2,496,786	2,308,943	3,143,852	2,698,630	3,313,687	2,874,176	4,663,413		
Four years later	2,494,286	2,363,841	2,972,746	2,642,578	3,481,372	2,871,441			
Five years later	2,487,807	2,362,941	3,009,839	2,622,613	3,479,050				
Six years later	2,487,807	2,357,753	2,955,199	2,613,044					
Seven years later	2,487,807	2,387,600	2,921,422						
Eight years later	2,487,807	2,387,600							
Nine years later	2,487,807								
7 Increase (decrease) in estimated incurred claims and expense from end of policy year:	(11,479)	(32,400)	(228,578)	(313,012)	247,550	(599,369)	398,762	359,593	1,211,028
									0

UNITED SCHOOLS INSURANCE PROGRAM
REQUIRED SUPPLEMENTAL INFORMATION
September 1, 2023 through August 31, 2024

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

1. Ten-Year Claims Development Information

This table illustrates how the program's 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 pool as of the end of each of the last ten years. The rows of the table are defined as follows:

1. This section shows the total of each fiscal year's gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the pool including overhead and claims expenses not allocable to individual claims.
3. This section shows the pool's gross incurred claims and allocated claim 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).
4. This section shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each policy year.
6. This section shows how each policy year's net incurred claims increased or decreased as of the end of successive years. The 2024 re-estimations are based on actuary liability and property ultimate losses of the net layer, net of the stop loss. Re-estimations in prior years used a variety of methods including actuary liability estimates and management property estimates and aggregate stop losses. (This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)
7. This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

LIST OF PARTICIPATING MEMBERS
UNITED SCHOOLS INSURANCE PROGRAM
2023-24

- | | |
|--|---|
| 1. Aberdeen School District | 53. Hoquiam School District #28 |
| 2. Adna School District #226 | 54. Inchelium School District #70 |
| 3. Almira School District #17 | 55. Kahlottus School District #56 |
| 4. Asotin-Anatone School District #420 | 56. Keller School District #3 |
| 5. Benge School District #122 | 57. Kettle Falls School District #212 |
| 6. Boistfort School District #234 | 58. Kiona-Benton School District #52 |
| 7. Brewster School District #111 | 59. Kittitas School District #403 |
| 8. Bridgeport School District #75 | 60. LaCrosse School District #126 |
| 9. Cascade School District #228 | 61. Lake Chelan School District #129 |
| 10. Cashmere School District #222 | 62. Lake Quinault School District #97 |
| 11. Cheney School District #360 | 63. Lamont School District #264 |
| 12. Chewelah School District #36 | 64. Liberty Consolidated School District #362 |
| 13. Clarkston School District #J250-185 | 65. Lind School District #158 |
| 14. Colfax School District #300 | 66. Loon Lake School District #183 |
| 15. College Place School District #250 | 67. Mansfield School District #207 |
| 16. Colton Consolidated School District #306 | 68. Manson School District #19 |
| 17. Columbia (Burbank) School District #400 | 69. Mary M. Knight School District #311 |
| 18. Columbia (Hunters) School District #206 | 70. Mary Walker School District #207 |
| 19. Colville School District #115 | 71. McCleary School District #65 |
| 20. Cosmopolis School District #99 | 72. Medical Lake School District #326 |
| 21. Coulee-Hartline School District #151 | 73. Methow Valley School District #350 |
| 22. Creston School District #73 | 74. Montesano School District #66 |
| 23. Curlew School District #50 | 75. Morton School District #214 |
| 24. Cusick School District #59 | 76. Mossyrock School District #206 |
| 25. Damman School District #7 | 77. Mount Adams School District #209 |
| 26. Davenport School District #207 | 78. Naches Valley School District #JT3 |
| 27. Dayton School District #2 | 79. Napavine School District #14 |
| 28. Deer Park School District #414 | 80. Nespelem School District #14 |
| 29. Dixie School District #101 | 81. Newport Consolidated SD #56-415 |
| 30. Easton School District #28 | 82. Nine Mile Falls School District #325-179 |
| 31. East Valley School District #361 | 83. North Beach School District #64 |
| 32. Elma School District | 84. North Central ESD #171 |
| 33. Endicott School District #308 | 85. North Franklin School District #51-162 |
| 34. Entiat School District #127 | 86. North Mason School District #403 |
| 35. Ephrata School District #165 | 87. North River School District #200 |
| 36. ESD #113 | 88. Northport School District #211 |
| 37. Evaline School District #36 | 89. Oakesdale School District #324 |
| 38. Evergreen School District #205 | 90. Oakville School District #400 |
| 39. Finley School District #53 | 91. Ocosta School District #172 |
| 40. Freeman School District #358 | 92. Odessa School District #105 |
| 41. Garfield School District #302 | 93. Okanogan School District #105 |
| 42. Goldendale School District #404 | 94. Omak School District #19 |
| 43. Grand Coulee Dam School District #301J | 95. Onalaska School District #300 |
| 44. Grandview School District #JT 116/200 | 96. Onion Creek School District #30 |
| 45. Granger School District #204 | 97. Orchard Prairie School District #123 |
| 46. Grapeview School District #54 | 98. Orient School District #65 |
| 47. Great Northern School District #312 | 99. Orondo School District #13100. |
| 48. Griffin School District #324 | 100. Oroville School District #410 |
| 49. Harrington School District #204 | 101. Othello School District #147 |
| 50. Highland School District #203 | 102. Palisades School District #102 |
| 51. Hockinson School District #98 | 103. Palouse School District #301 |
| 52. Hood Canal School District #404 | 104. Pateros School District #122 |

105. Paterson School District #50
106. Pe Ell School District #301
107. Pioneer School District #402
108. Pomeroy School District #110
109. Prescott School District #402-37
110. Prosser School District #116
111. Pullman School District #267
112. Quileute Tribal School
113. Quincy School District #144-101
114. Rainier School District #307
115. Raymond School District #116
116. Reardan-Edwall School District #9
117. Republic School District #309
118. Ridgefield School District #121
119. Ritzville School District #160-67
120. Riverside School District #416
121. Rochester School District #401
122. Rosalia School District #320
123. Royal School District #160
124. Saint John School District #322
125. Satsop School District #104
126. Selkirk School District #70
127. Soap Lake School District #156
128. South Bend School District #118
129. Southside School District #42
130. Sprague School District #8
131. Star School District #54
132. Starbuck School District #35
133. Stehekin School District #69
134. Steptoe School District #304
135. Summit Valley School District #202
136. Taholah School District #77
137. Tekoa School District #265
138. Tenino School District #402
139. Toledo School District #237
140. Tonasket School District #404
141. Touchet School District #300
142. Union Gap School District #2
143. Valley School District #070
144. Wahluke School District #73
145. Waitsburg School District #401-100
146. Warden School District #146-161
147. Washtucna School District #109-43
148. Waterville School District #209
149. Wellpinit School District #49
150. West Valley School District #363
151. White Pass School District #303
152. Wilbur School District #200
153. Willapa School District #160
154. Wilson Creek School District #167-202
155. Winlock School District #232
156. Wishkah School District #117
157. Zillah School District #20

T2 DES SCHEDULE OF EXPENSES

United Schools Insurance Program For the Fiscal Year Ended August 31, 2024

Contracted Services:

Third Party Administrator Fees	196,365
Risk Management	352,025
Actuary	36,100
Audit Expenses	38,164
Other Consultant Fees	11,445
Underwriting Fees	2,759,825

General Administrative Expenses:

Legal Fees	621
Miscellaneous & Supplies	832
Retreat/Board Meetings	10,333
Prelitigation Program	645,300
Account Application & Review	245,000
Educational Services	5,685
Marketing	25,189
Licenses/Dues/Subscriptions	23,308

Other:

Grants	217,125
Medicare Reporting	11,065
Director's E&O	53,068

Total Operating Expenses	<u><u>4,631,450</u></u>
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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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