

**SPECIAL DISTRICTS
INSURANCE SERVICES**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED
JUNE 30, 2022 AND 2021**

SPECIAL DISTRICTS INSURANCE SERVICES

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James Marta & Company LLP

Certified Public Accountants

Accounting, Auditing, Consulting, and Tax

INDEPENDENT AUDITOR'S REPORT

Board of Directors and Trustees
Special Districts Insurance Services
Salem, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying Statement of Net Position of Special Districts Insurance Services (SDIS) as of and for the fiscal years ended June 30, 2022 and 2021, and the related Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows for the fiscal years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the Special Districts Insurance Services, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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, and the State Controller's *Minimum Audit Requirements for California Special Districts*. 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 Special Districts Insurance Services 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 opinions.

Responsibilities of Management for the Financial Statements

Special Districts Insurance Services' management is responsible for the preparation and fair presentation of the 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 Special Districts Insurance Services' 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 opinions. 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 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.

In performing an audit in accordance with GAAS, we:

- 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 Special Districts Insurance Services' 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 Special Districts Insurance Services' ability to continue as a going concern for a reasonable period of time.

We are required to 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

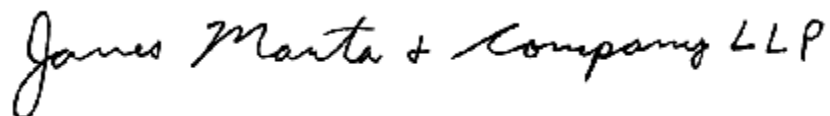
Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Reconciliation of Claims Liabilities by Type of Contract, and the Claims Development Information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) 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 principally 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

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise the Special Districts Insurance Services' basic financial statements. The Combining Statement of Net Position, Combining Statement of Revenues, Expenses and Changes in Net Position, and Graphical Summary of Claims are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Statement of Net Position, Combining Statement of Revenues, Expenses and Changes in Net Position, and Graphical Summary of Claims are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2022 on our consideration of Special Districts Insurance Services' 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 solely 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 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 Special Districts Insurance Services' internal control over financial reporting and compliance.



James Marta & Company LLP
Certified Public Accountants
Sacramento, California
November 3, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

SPECIAL DISTRICTS INSURANCE SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

Background

In July 1985, the Special Districts Insurance Services Trust (SDIS) was formed by Special Districts Association of Oregon (SDAO.) SDIS is under the direction of a Board of Trustees separate from that of SDAO. The general objective of SDIS is to formulate, develop, and administer, on behalf of its members, a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The group-purchase insurance program (health, property, crime, boiler & machinery, and bond) and the self-insured liability programs were started in 1985. The self-insured workers' compensation program began on July 1, 1988. On January 1, 1993, SDIS began self-insuring the property program and on June 1, 2014 the health program became self-insured. On July 1, 2017, added the Oregon Fire Chief's Association (OFCA) to the Health Program.

Since SDIS has only municipal government members, is organized to provide various services to those government members, and SDIS serves as a public entity risk pool, these general purpose financial statements are presented in a governmental entity format utilizing governmental accounting standards, including Governmental Accounting Standards Board Opinion No. 10 (GASB No. 10). SDIS is reported as a separate entity following criteria utilized in determining the financial reporting entity include financial interdependency, authority to appoint governing authority and management, ability to influence operations, and accountability for fiscal matters.

Reporting Authorities

SDIS is made up of a 7-member board referred to as the Trust. The SDIS nominating committee is a group of current Trust members. A mailing to the membership is done whenever there is a vacancy on the Trust Board. Members are given time to respond and then the nominating process begins.

Membership

In order to participate in the SDIS programs, participants must be a member in good standing with SDAO. SDAO has been ruled a governmental entity by the IRS (115 IRS exemption).

Overview of the Financial Statements

The *Statement of Net Position* and the *Statement of Revenues, Expenses, and Changes in Net Position* report information about SDIS as a whole and about its activities. These statements include all assets and liabilities using the accrual basis of accounting. Accrual of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The difference between assets, what SDIS owns, and liabilities, what SDIS owes, is the net position which is one way to measure the SDIS's financial health, or financial position.

The *Statement of Cash Flows* presents information about the cash receipts and cash payments during the year. The *Notes to the Financial Statements* provides additional information that is essential to the full understanding of the data provided in the financial statements.

Combined statements are provided with the supplementary information and reflect financial information separated by the specific program to which it relates. The accounting processes are organized so that each program can be accounted for and evaluated independently.

SPECIAL DISTRICTS INSURANCE SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2022

Financial Highlights

Member contributions from the SDIS pooled property casualty and workers' compensation programs increased 8.0% mostly due to reinsurance increases within the property casualty program. Total contributions were \$27 million. The self-insured health and dental program had an increase of 3.9% in total contribution. The smaller increase was due to large claims settling down and reinsurance costs stabilizing. The OFCA medical and dental program had self-insured pool contributions of \$12.3 million with its second flat rate renewal in a row.

The liability losses were higher than budgeted at 192%. Property losses were mild at 75%. Workers compensation losses experience its worst year to date with claims exceeding 220% of budget. The health program losses for the core SDIS program ended the fiscal year well under budget at 86% while the OFCA program was at 98%.

The property and liability program had a net operating loss of (\$3.2) million due to the previously mentioned high claims with the workers compensation program experiencing a loss of (\$2.2) million. The core SDIS health program had net operating income of \$3.3 million with the OFCA health program having another successful year with \$1.8 million. With the turmoil in the equity markets as well as the fixed income markets, the portfolios had a net loss of (\$10.3) million. Historically, the Trust portfolios have performed very well and this loss only backs out the large gains from the 2020-21 year of \$11.3 million. Through the longevity credit program the Trust was again able to issue checks in the amount of \$1.2 million to participating members who qualified for the credit.

Total assets decreased by (\$6.6) million, or 6%, while liabilities increased substantially by \$12.3 million, or 35%. Net position decreased by (\$18.9) million to \$53.8 million.

Analysis of Overall Financial Position & Results of Operations

Condensed Combined Statement of Net Position accounts are as follows:

	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>Change From 2022 to 2021</u>	<u>6/30/2020</u>	<u>Change From 2021 to 2020</u>
Cash and Cash Equivalents	\$ 14,952,312	\$ 5,334,958	\$ 9,617,354	\$ 4,941,119	\$ 393,839
Other Current Assets	42,341,486	55,829,939	(13,488,453)	36,771,627	19,058,312
Noncurrent Investments	39,846,833	42,555,890	(2,709,057)	45,985,963	(3,430,073)
Noncurrent Capital Assets	3,137,062	3,252,316	(115,254)	3,399,422	(147,106)
Total Assets	<u>\$ 100,277,693</u>	<u>\$ 106,973,103</u>	<u>\$ (6,695,410)</u>	<u>\$ 91,098,131</u>	<u>\$ 15,874,972</u>
Accounts Payable	\$ 2,614,514	\$ 1,734,811	\$ 879,703	\$ 2,836,142	\$ (1,101,331)
Unearned Revenue	12,424,361	10,830,652	1,593,709	9,774,530	1,056,122
Claims Payable	11,600,991	8,078,486	3,522,505	8,925,269	(846,783)
Noncurrent Liabilities	19,833,067	13,578,954	6,254,113	11,647,254	1,931,700
Total Liabilities	<u>46,472,933</u>	<u>34,222,903</u>	<u>12,250,030</u>	<u>33,183,195</u>	<u>1,039,708</u>
Invested in Capital Assets, net of Related Debt	3,137,062	3,252,316	(115,254)	3,399,422	(147,106)
Restricted	4,965,000	4,976,004	(11,004)	4,905,468	70,536
Unrestricted	45,702,698	64,521,880	(18,819,182)	49,610,046	14,911,834
Total Net Position	<u>\$ 53,804,760</u>	<u>\$ 72,750,200</u>	<u>\$ (18,945,440)</u>	<u>\$ 57,914,936</u>	<u>\$ 14,835,264</u>

SPECIAL DISTRICTS INSURANCE SERVICES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Condensed Combined Income Statement accounts are as follows:

	<u>6/30/2022</u>	<u>6/30/2021</u>	<u>Change From 2022 to 2021</u>	<u>6/30/2020</u>	<u>Change From 2021 to 2020</u>
Member Contributions	\$ 70,924,809	\$ 67,169,850	\$ 3,754,959	\$ 60,355,420	\$ 6,814,430
Other Income	352,092	343,558	8,534	359,332	(15,774)
Investment Income (Loss)	(10,275,049)	11,345,790	(21,620,839)	4,319,746	7,026,044
Total Income	<u>61,001,852</u>	<u>78,859,198</u>	<u>(17,857,346)</u>	<u>65,034,498</u>	<u>13,824,700</u>
Loss and Loss Adjustment	54,066,802	42,007,846	12,058,956	38,369,620	3,638,226
Other Insurance Costs	15,356,900	13,717,365	1,639,535	11,550,232	2,167,133
Other Expenses	7,743,092	7,900,463	(157,371)	7,845,924	54,539
Dividend Expense	2,389,823	28,860	2,360,963	1,818,228	(1,789,368)
SDAO Sponsorship	390,675	369,400	21,275	330,000	39,400
Total Expenses	<u>79,947,292</u>	<u>64,023,934</u>	<u>15,923,358</u>	<u>59,914,004</u>	<u>4,109,930</u>
Changes in Net Position	<u>\$ (18,945,440)</u>	<u>\$ 14,835,264</u>	<u>\$ (33,780,704)</u>	<u>\$ 5,120,494</u>	<u>\$ 9,714,770</u>

Currently known facts and conditions that may have a significant effect on financial position

There are no currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.

FINANCIAL SECTION

SPECIAL DISTRICTS INSURANCE SERVICES

STATEMENT OF NET POSITION

AS OF JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 14,952,312	\$ 5,334,958
Accrued interest	80,627	161,934
Investments - current portion	34,676,041	48,534,380
Accounts receivable	2,655,882	2,654,211
Prepaid expenses	4,928,936	4,479,414
Total Current Assets	<u>57,293,798</u>	<u>61,164,897</u>
Noncurrent Assets		
Restricted investments	4,965,000	4,976,004
Investments	34,881,833	37,579,886
Capital assets (net)	<u>3,137,062</u>	<u>3,252,316</u>
Total Noncurrent Assets	<u>42,983,895</u>	<u>45,808,206</u>
Total Assets	<u>100,277,693</u>	<u>106,973,103</u>
LIABILITIES		
Current Liabilities		
Accounts payable	2,611,212	1,732,733
Due to SDAO	3,302	2,078
Unearned revenue	12,424,361	10,830,652
Claims payable - current portion	<u>11,600,991</u>	<u>8,078,486</u>
Total Current Liabilities	<u>26,639,866</u>	<u>20,643,949</u>
Noncurrent Liabilities		
Claims payable	<u>19,833,067</u>	<u>13,578,954</u>
Total Noncurrent Liabilities	<u>19,833,067</u>	<u>13,578,954</u>
Total Liabilities	<u>46,472,933</u>	<u>34,222,903</u>
NET POSITION		
Net Invested in capital assets	3,137,062	3,252,316
Restricted in accordance with		
Workers Compensation Laws	4,965,000	4,976,004
Unrestricted	<u>45,702,698</u>	<u>64,521,880</u>
Total Net Position	<u>\$ 53,804,760</u>	<u>\$ 72,750,200</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL DISTRICTS INSURANCE SERVICES

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Operating Revenues		
Member contributions	\$ 70,924,809	\$ 67,169,850
Miscellaneous income	13,858	4,755
Total Operating Revenues	70,938,667	67,174,605
Operating Expenses		
Underwriting Expenses:		
Loss and loss adjustment expenses	54,066,802	42,007,846
Insurance premiums	11,165,305	9,889,534
Broker fees	461,000	390,502
Local agent commissions	3,270,989	3,089,984
Workers' compensation taxes	459,606	347,345
Other Operating Expenses:		
Conference and training	271,766	322,292
Claims service fee	2,915,863	3,352,854
Dividends	2,389,823	28,860
SDAO Sponership	390,675	369,400
Other expenses	4,232,424	3,888,414
Total Operating Expenses	79,624,253	63,687,031
Operating Income (Loss)	(8,685,586)	3,487,574
Nonoperating Revenues (Expenses)		
Investment income	(10,275,049)	11,345,790
Rental revenues	338,234	338,803
Rental expenses	(323,039)	(336,903)
Total Nonoperating Income(Loss)	(10,259,854)	11,347,690
Change in Net Postion	(18,945,440)	14,835,264
Net Position, Beginning	72,750,200	57,914,936
Net Position, Ending	\$ 53,804,760	\$ 72,750,200

The accompanying notes are an integral part of these financial statements.

SPECIAL DISTRICTS INSURANCE SERVICES

STATEMENT OF CASH FLOWS

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Cash Flows From Operating Activities:		
Cash received from members	\$ 72,507,676	\$ 68,401,797
Other operating receipts	13,858	4,755
Cash paid for claims	(44,290,184)	(40,922,929)
Cash paid for insurance premiums	(11,614,827)	(10,922,261)
Cash paid for other underwriting expenses	(7,098,287)	(7,221,458)
Cash paid for operating expenses	(3,884,997)	(5,518,931)
Cash paid for dividends	<u>(2,389,823)</u>	<u>(28,860)</u>
Net Cash Flows Provided (Used) by Operating Activities	<u>3,243,416</u>	<u>3,792,113</u>
Cash Flows From Capital and Related Financing Activities		
Purchase of capital assets	<u>(14,915)</u>	<u>(15,475)</u>
Net Cash Flows Provided (Used) by Capital and Related Financing Activities	<u>(14,915)</u>	<u>(15,475)</u>
Cash Flows Provided by Investing Activities:		
Investment income received	2,120,154	1,962,512
Proceeds from sales/maturities of investments	80,905,730	71,147,373
Payments for purchases of investments	(76,652,226)	(76,494,584)
Rental and other receipts	338,234	338,803
Cash paid for rental expenses	<u>(323,039)</u>	<u>(336,903)</u>
Net Cash Provided by (Used for) Investing Activities	<u>6,388,853</u>	<u>(3,382,799)</u>
Net Increase (Decrease) in Cash	9,617,354	393,839
Beginning Cash and Equivalents	<u>5,334,958</u>	<u>4,941,119</u>
Ending Cash and Equivalents	<u>\$ 14,952,312</u>	<u>\$ 5,334,958</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$ (8,685,586)	\$ 3,487,574
Adjustments to Reconcile Net Income to Net Cash Provided by Operations:		
Depreciation	130,169	162,581
(Increase) Decrease in:		
Member Receivable	(10,842)	175,825
Prepaid Expenses	(449,526)	(1,032,731)
Increase (Decrease) in:		
Payables	888,874	(1,142,175)
Unearned Revenue	1,593,709	1,056,122
Claims Liabilities	<u>9,776,618</u>	<u>1,084,917</u>
Net Cash Provided by Operating Activities	<u>\$ 3,243,416</u>	<u>\$ 3,792,113</u>
Noncash Investing and Financing Activities		
Unrealized (gains)/loss on investments	<u>\$ (12,864,614)</u>	<u>\$ 609,107</u>

The accompanying notes are an integral part of these financial statements.

SPECIAL DISTRICTS INSURANCE SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

1. ORGANIZATION AND OPERATIONS

A. Nature of Association

In July 1985, the Special Districts Insurance Services Trust (SDIS) was formed by SDAO. The general objectives of SDIS are to formulate, develop, and administer, on behalf of its members, a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. The group-purchase insurance program (health, property, crime, boiler and machinery, and bond) and the self-insured liability programs were started in 1985. The self-insured workers' compensation program began on July 1, 1988. On January 1, 1993, the SDIS began self-insuring the property program. On June 1, 2014 the SDIS began self-insuring the health and dental program. On July 1, 2017, the SDIS began covering the Oregon Fire Chief's Association (OFCA) under the health program.

B. Financial Reporting Entity

Since SDIS has only municipal government members, are organized to provide various services to those government members, and serves as a public entity risk pool, these general purpose financial statements are presented in a governmental entity format utilizing governmental accounting standards, including Governmental Accounting Standards Board Opinion No. 10 (GASB No. 10). SDIS is reported as a separate entity following criteria utilized in determining the financial reporting entity include financial interdependency, authority to appoint governing authority and management, ability to influence operations, and accountability for fiscal matters.

C. Membership

Any special district can become a regular member by applying to SDIS, and by paying the membership fee to SDAO for the current fiscal year in advance. Regular membership may be terminated by payment of all unpaid fees and notification to the office of the Association. The Association may terminate membership for non-payment of fees. For the fiscal year ended June 30, 2022, there were over 925 members of SDIS.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues from contributions and interest are recognized when earned and expenses are recognized when goods or services have been rendered. Liabilities for reserves for open claims and claims incurred but not reported have been recorded in SDIS' financial statements.

B. Cash

For financial reporting purposes, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash.

SPECIAL DISTRICTS INSURANCE SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

C. Receivables

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. As of June 30, 2022 and 2021, the total accounts receivable portfolio was considered collectible. Interest on investments is recorded in the year the interest is earned.

D. Investments

SDIS records its investments at fair market value. Changes in fair market value are reported as revenue in the Statement of Revenues, Expenses, and Changes in Net Position. The effect of recording investments and LAIF at fair market value is reflected as a net increase in the fair value of investments on the Statement of Revenues, Expenses, and Changes in Net Position and on the Statement of Net Position. Fair market values of investments have been determined based on quoted market prices.

E. Capital Assets

Land is carried at cost and is not depreciable. Other capital assets with costs exceeding \$500 are capitalized and stated at cost net of accumulated depreciation. Depreciation is determined using the straight-line method, over the estimated useful life of the related assets. The useful lives of the building and office equipment are forty years and three to five years, respectively. Maintenance and repairs of a routine nature are charged to expense as incurred.

F. Provision for Losses and Loss Adjustment Expenses

SDIS establishes claims liabilities based on estimates of the ultimate cost of claims 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, subrogation, reinsurance, or excess insurance 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. These claims liabilities are reported at their present value using an expected future investment yield assumption of 2.5%. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

G. Unallocated Loss Adjustment Expenses

A reserve for unallocated loss adjustment expenses for all coverage years of \$2,008,071 and \$1,433,947 was established as of June 30, 2022 and 2021, respectively. This reserve recognizes the future unallocated cost of claims administration.

SPECIAL DISTRICTS INSURANCE SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

H. Unearned Revenues

Member contributions are recognized as revenue when earned, based upon the coverage period of the related insurance.

I. Operating Revenues

Operating revenues result from exchange transactions associated with the principal activity of the organization. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Operating revenues is comprised of premium contributions, administration income, membership dues, and related fees and assessments which are an integral part of the operations. All other revenues, including investment income, are classified as nonoperating.

J. Premium Contributions

As discussed in Note 1 B. SDIS' accounting is in accordance with Governmental Accounting Standards since it is a quasi governmental entity. SDIS is a proprietary fund type. Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Contribution income consists of payments from members that are planned to match the expense of insurance premiums for coverage in excess of self-insured amounts, estimated payments resulting from self-insurance programs, and operating expenses. Contributions are recognized as revenues in the period for which insurance protection is provided. Anticipated investment income is considered in this determination of sufficiency of premiums.

K. Excess Insurance Coverage

SDIS enters into various excess insurance contracts to limit large losses. At June 30, 2022, SDIS retained the first \$1,000,000 of liability, \$500,000 of property and auto physical damage and \$1,000,000 of workers' compensation risk per occurrence. The excess insurer provides coverage to specified upper limits with a maximum of \$10,000,000 for liability, \$300,000,000 for property and to the statutory limits of the State of Oregon for workers' compensation. The health program has a \$250,000 individual claims stop-loss policy as well as an aggregate policy of 120% of expected claims. The OFCA medical program carried a \$100,000 individual claim stop-loss policy with an aggregate as well. SDIS provides group-purchase insurance for crime, bond, boiler and machinery, life, and short-term and long-term disability.

L. Allocation of Indirect Expenses

Indirect expenses are allocated among insurance programs in the percentage management estimates each program bears on administration costs.

SPECIAL DISTRICTS INSURANCE SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

M. Income Tax Status

SDIS has received a favorable ruling from the IRS stating that all activities of SDIS that assist in essential governmental functions are exempt under Section 115.

N. Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

O. Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform to the presentation in the current year financial statements.

3. CASH AND CASH EQUIVALENTS

Cash consisted of the following as of June 30, 2022 and 2021:

	<u>2022</u>	<u>2021</u>
Cash on Hand	\$ 50	\$ 50
Cash in Bank	370,921	1,308,214
Cash Equivalents	<u>14,581,341</u>	<u>4,026,694</u>
Total	<u>\$ 14,952,312</u>	<u>\$ 5,334,958</u>

At June 30, 2022, cash in bank was federally insured against loss up to \$250,000 for each FDIC insured bank that the funds are deposited with. Cash in bank not covered by FDIC amounts to \$799,201 and \$1,381,308 as of June 30, 2022 and 2021, respectively.

4. INVESTMENTS

Under provisions of the Special District Insurance Services Trust investment policy, SDIS may invest in the following types of investments:

- Demand deposits
- Direct obligations of the U.S. Treasury, repurchase agreements, and obligations guaranteed by the U.S.
- Certificates of deposits with Oregon banks
- Commercial paper
- Commercial bonds
- Corporate Securities
- Convertible Bonds
- Equities
- Other investments not addressed but subject to Board and Trust approval

SPECIAL DISTRICTS INSURANCE SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from changes in interest rates, SDIS' investment policy limits maturities at the time of purchase of any investment to ten years, except U.S. Agency mortgage-backed securities where maximum average life will not exceed ten years. As of June 30, 2022, SDIS had the following investments held in a managed portfolio:

Investment Type	Fair Value	Investment Maturities		
		<1 yr	1-3 yrs	>3 yrs
Fixed Income	\$ 15,763,576	\$ 1,269,965	\$ 2,286,989	\$ 12,206,622
Mutual Fund - Bond	25,353,223	-	-	25,353,223
Mutual Fund - Equity	33,406,075	33,406,076	-	-
Total	\$ 74,522,874	\$ 34,676,041	\$ 2,286,989	\$ 37,559,845

Credit Risk. It is SDIS' general investment policy to apply the prudent person standard, which states "Investments shall be made with judgment and care under circumstances then prevailing which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived." SDIS limits purchase of commercial paper to those rated P-1 or better by Moody's Investors Services, A-1 or better by Standard & Poor's corporation or has an equivalent credit rating. Commercial bonds at the time of purchase must be rated A or higher by either Moody's Investors Service or Standard & Poor's Corporation, or have an equivalent credit quality rating. US Treasuries contain the explicit guarantee of the U.S. Government.

Credit Rating (S&P)	Mutual Fund Bond	Mutual Fund Equity	Fixed Income	Totals
A	\$ -	\$ -	\$ 882,942	\$ 882,942
A-	-	-	1,792,580	1,792,580
A+	-	-	347,724	347,724
AA	-	-	170,414	170,414
AA-	-	-	336,683	336,683
AA+	-	-	1,106,671	1,106,671
AAA	-	-	8,358,656	8,358,656
BBB	-	-	803,718	803,718
BBB-	-	-	88,993	88,993
BBB+	-	-	1,640,776	1,640,776
N/A	25,353,222	33,406,075	234,419	58,993,716
Total	\$ 25,353,222	\$ 33,406,075	\$ 15,763,576	\$ 74,522,874

Concentration of Credit Risk: SDIS' s investment policy places investment limits on certain securities as follows:

	Limit	
	Per Institution	Per Type of Investment
Equities	5%	25-35%
Fixed Income	--	65-75%

SPECIAL DISTRICTS INSURANCE SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Investments in securities of any one issuer consisting of 5% or more of total investments are as follows:

Asset Description	Market Value	% of Portfolio
VANGUARD TOTAL STOCK MARKET ETF	\$ 11,854,013	15.95%
BAIRD CORE BOND FUND - CLASS I #71	\$ 5,547,626	7.47%
US TREASUREY NOTES	\$ 5,427,890	7.30%
DOUBLELINE CORE FIXED INCOME FUND CLASS I	\$ 4,000,620	5.38%

Foreign Currency Risk: SDIS does not have a formal policy to limit foreign currency. Risk of loss arises from changes in currency exchange rates. SDIS has invested in foreign bonds denominated in Euros and Canadian dollars with a market value of \$0 as of June 30, 2022 and 2021, respectively.

Restricted Investments: The State of Oregon Workers' Compensation Division requires that SDIS provide security deposits for assurance that assets are available for payment of workers' compensation claims run-out should SDIS Workers' Compensation fund discontinue operations or otherwise is unable to pay claims due. The required security deposit amount is determined annually by the State of Oregon. SDIS fulfills the current security deposit requirement by providing an irrevocable letter of credit of \$6,508,500 (which is collateralized by restricted investments) with the named beneficiary being "State of Oregon acting by and thru the Oregon Department of Consumer and Business Services". At June 30, 2022 and 2021 the pledged investments were rated AA+ by S&P and had a fair value of \$4,650,000 and \$4,976,004 respectively.

Fair values of assets measured on a recurring basis at June 30, 2022:

	Fair Value	<u>Fair Value Measurements at Reporting Date</u>		
		In Active Markets for Identical Assets (Level 1)	Using Quoted Prices Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>June 30, 2022</u>				
United States Treasury Notes	\$ 5,427,890	\$ 5,427,890	\$ -	\$ -
Federal Agency Notes	2,214,881	2,214,881	-	-
Corporate Notes	8,120,805	8,120,805	-	-
Mutual Fund - Bond	25,353,222	25,353,222	-	-
Mutual Fund - Equity	33,406,075	33,406,075	-	-
Total Investments	<u>\$ 74,522,874</u>	<u>\$ 74,522,874</u>	<u>\$ -</u>	<u>\$ -</u>

All assets have been valued using a market approach. Financial assets valued using level 1 inputs are based on unadjusted quoted market prices within active markets. There were no changes in the valuation techniques and related inputs.

SPECIAL DISTRICTS INSURANCE SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

5. CAPITAL ASSETS

Capital assets consist of the following:

	<u>2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>2022</u>
Capital assets not subject to depreciation				
Land	\$ 197,792	\$ -	\$ -	\$ 197,792
Total capital assets not subject to depreciation	<u>197,792</u>	<u>-</u>	<u>-</u>	<u>197,792</u>
Capital assets being depreciated				
Parking lot	211,223	-	-	211,223
Office equipment	599	-	-	599
Building	4,736,169	14,915	-	4,751,084
Total capital assets being depreciated	<u>4,947,991</u>	<u>14,915</u>	<u>-</u>	<u>4,962,906</u>
Accumulated depreciation	<u>(1,893,467)</u>	<u>(130,169)</u>	<u>-</u>	<u>(2,023,636)</u>
Total Capital Assets (net)	<u>\$ 3,252,316</u>	<u>\$ (115,254)</u>	<u>\$ -</u>	<u>\$ 3,137,062</u>

Depreciation expense totaled \$130,169 and \$162,581 for the fiscal years ended June 30, 2022 and 2021, respectively.

SPECIAL DISTRICTS INSURANCE SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

6. CLAIMS LIABILITIES

As discussed in Note 1, SDIS establishes a liability for both reported and unreported insured events. The following represents changes in the aggregate liabilities during the years ended June 30:

	2022	2021
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$ 21,657,440	\$ 20,572,523
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current fiscal year	49,454,917	44,214,451
Changes in provision for insured events of prior fiscal years	4,611,885	(2,206,605)
Total incurred claims and claim adjustment expenses	54,066,802	42,007,846
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	35,160,876	35,311,948
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	9,129,308	5,610,981
Total payments	44,290,184	40,922,929
Total unpaid claims and claim adjustment expenses at end of the fiscal year	\$ 31,434,058	\$ 21,657,440
<u>Component of Claims Liabilities</u>		
Claims Reserves	\$ 10,576,229	\$ 8,749,294
Incurred but not reported (IBNR)	18,849,758	11,474,199
Unallocated loss adjustment expense (ULAE)	2,008,071	1,433,947
Total Claims Liabilities	\$ 31,434,058	\$ 21,657,440
Current portion	\$ 11,600,991	\$ 8,078,486
Noncurrent portion*	19,833,067	13,578,954
	\$ 31,434,058	\$ 21,657,440

As of June 30, 2022 and 2021, \$32,583,644 and \$22,522,658 of unpaid claims and claim adjustment expenses were presented at their net present value of \$31,434,058 and \$21,657,440 using an interest rate of 2.5%.

SPECIAL DISTRICTS INSURANCE SERVICES

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

7. ACCOUNTS RECEIVABLE

The combined accounts receivable consists of the following as of June 30,:

	<u>2022</u>	<u>2021</u>
Contributions Receivable	\$ 631,944	\$ 595,715
Reinsurance Receivable	1,021,825	1,230,714
Other Receivables	<u>1,002,113</u>	<u>827,782</u>
Total	<u>\$ 2,655,882</u>	<u>\$ 2,654,211</u>

The total accounts receivable balance is expected to be collectible.

8. POOL LIABILITY/ADMINISTRATION

SDIS, in cooperation with Oregon School Board Association (OSBA), established a school property and casualty pool referred to as Property and Casualty Coverage for Education (PACE). PACE is owned by OSBA. SDIS has maintained the liabilities from the school program it operated for three years and PACE has accepted the liabilities for the previous PACT program. SDAO and OSBA have separate contracts with PACE to administer the pool. SDAO is responsible for all accounting, underwriting, claims, and loss control services. OSBA is responsible for marketing, pre-loss legal, portions of claims litigation and general administrative oversight.

9. LINE OF CREDIT

SDIS holds a line of credit with Key Bank as required by the State of Oregon's Workers' Compensation Division. As of June 30, 2022 and 2021, the approved line was \$6,100,000; however SDAO had not accessed the line of credit during these years.

10. SUBSEQUENT EVENT

SDIS's management evaluated its FY 2021-22 financial statements for subsequent events through November 3, 2022, the date the financial statements were available to be issued. Management is not aware of any subsequent events that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

SPECIAL DISTRICTS INSURANCE SERVICES

RECONCILIATION OF CLAIMS LIABILITIES BY TYPE OF CONTRACT

FOR THE FISCAL YEARS ENDED JUNE 30, 2022 AND 2021

	Liability		Property		Workers' Compensation		Health		Health - OFCA		Totals	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	\$ 9,776,334	\$ 8,167,987	\$ 2,348,951	\$ 661,596	\$ 7,403,155	\$ 8,767,157	\$ 1,694,000	\$ 2,125,000	\$ 435,000	\$ 850,783	\$ 21,657,440	\$ 20,572,523
Incurred claims and claim adjustment expenses:												
Provision for insured events of the current fiscal year	7,220,957	5,149,794	1,012,132	4,387,770	9,604,235	4,165,910	22,674,440	23,254,970	8,943,153	7,256,007	49,454,917	44,214,451
Changes in provision for insured events of prior fiscal years	2,273,846	(163,612)	491,066	38,771	1,502,653	(1,962,216)	354,366	131,886	(10,046)	(251,434)	4,611,885	(2,206,605)
Total incurred claims and claim adjustment expenses	9,494,803	4,986,182	1,503,198	4,426,541	11,106,888	2,203,694	23,028,806	23,386,856	8,933,107	7,004,573	54,066,802	42,007,846
Payments:												
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	2,544,914	1,722,016	1,311,198	2,386,418	2,827,171	1,748,428	20,272,440	22,334,138	8,205,153	7,120,948	35,160,876	35,311,948
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	3,068,843	1,655,819	723,575	352,768	2,837,611	1,819,268	2,049,366	1,483,718	449,913	299,408	9,129,308	5,610,981
Total payments	5,613,757	3,377,835	2,034,773	2,739,186	5,664,782	3,567,696	22,321,806	23,817,856	8,655,066	7,420,356	44,290,184	40,922,929
Total unpaid claims and claim adjustment expenses at end of the fiscal year	\$ 13,657,380	\$ 9,776,334	\$ 1,817,376	\$ 2,348,951	\$ 12,845,261	\$ 7,403,155	\$ 2,401,000	\$ 1,694,000	\$ 713,041	\$ 435,000	\$ 31,434,058	\$ 21,657,440

SPECIAL DISTRICTS INSURANCE SERVICES

CLAIMS DEVELOPMENT INFORMATION

JUNE 30, 2022

The tables on the following pages illustrate each program's earned revenues and investment income compared to related costs of loss and other expenses assumed by the program as of the end of the year. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's a) gross earned contributions revenue and investment revenue, b) the amount of contributions revenue ceded to reinsurers, and c) the amount of net earned contributions revenue and investment revenue.
2. This line shows each fiscal year's other operating costs including overhead and claims expense not allocable to individual claims.
3. This line shows the total of each policy year's a) gross incurred claims and allocated claim adjustment expense (both paid and accrued); b) the loss assumed by excess insurers or reinsurers, and c) the net amount of incurred claims and allocated claim adjustment expenses as originally reported at the end of the year.
4. This section shows the cumulative amounts paid by policy year as of the end of each fiscal year.
5. This line discloses the reestimated amount for losses assumed by excess insurers or reinsurers based on the information available as of the end of the current year.
6. This annual reestimation 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 reestimated net 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 the data for individual policy years matures, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years.

SPECIAL DISTRICTS INSURANCE SERVICES

CLAIMS DEVELOPMENT INFORMATION

LIABILITY PROGRAM

	Policy Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1. Required contribution and investment revenue:										
Gross Contribution	\$7,195,979	\$7,398,603	\$7,528,379	\$7,934,103	\$8,109,141	\$8,285,075	\$8,667,904	\$9,575,591	\$10,370,140	\$5,729,275
Misc Income	1,638,139	971,856	265,407	348,213	342,468	340,311	349,772	351,445	171,779	171,779
Investment Earnings During Policy Period	31,628	93,580	46,479	111,634	282,144	(83,934)	415,402	377,603	273,461	(355,169)
Investment Earnings Subsequent to Policy Ceded	222,319	302,140	298,638	253,282	223,366	406,305	184,333	(135,951)	(339,599)	0
Net earned	<u>658,379</u>	<u>692,684</u>	<u>744,257</u>	<u>849,439</u>	<u>920,248</u>	<u>971,825</u>	<u>1,001,953</u>	<u>1,103,167</u>	<u>1,335,166</u>	<u>801,805</u>
2. Unallocated expenses	3,798,589	3,713,677	3,732,834	3,977,059	3,757,893	3,910,591	4,357,703	4,415,865	4,464,322	2,294,822
3. Estimated incurred claims and expense, end of policy year:										
Incurred	2,740,740	2,289,839	3,089,031	4,055,594	4,637,093	3,643,593	4,219,272	4,745,031	6,337,692	3,157,872
Ceded	59,961	47,712	47,172	119,454	167,733	198,105	159,846	(1,366,831)	233,684	129,026
Net incurred	<u>2,680,779</u>	<u>2,242,127</u>	<u>3,041,859</u>	<u>3,936,140</u>	<u>4,469,360</u>	<u>3,445,488</u>	<u>4,059,426</u>	<u>6,111,862</u>	<u>6,104,008</u>	<u>3,028,846</u>
4. Paid (cumulative) as of:										
End of policy year	244,570	295,192	141,127	308,774	313,200	421,491	459,600	267,663	572,777	545,685
One year later	866,678	887,259	1,041,747	1,216,253	1,761,383	1,217,316	1,393,990	1,546,202	2,517,043	
Two years later	2,133,265	2,060,290	2,243,724	1,946,795	2,373,074	1,510,158	1,651,246	2,030,357		
Three years later	3,392,392	2,198,039	3,368,742	3,087,004	2,756,766	1,785,512	2,935,472			
Four years later	3,580,019	2,321,605	4,765,777	3,776,095	3,484,840	2,002,344				
Five years later	3,677,063	2,321,752	4,772,840	3,926,949	4,311,226					
Six years later	4,316,328	2,322,035	4,772,840	4,084,607						
Seven years later	4,316,328	2,322,035	4,772,840							
Eight years later	4,316,328	2,322,035								
Nine years later	4,316,328									
5. Reestimated ceded claims and expenses:	0	0	597	1,407	1,944	4,883	22,899	90,922	233,685	182,719
6. Reestimated net incurred claims and expenses:										
End of policy year	2,740,740	2,289,839	3,089,031	4,055,594	4,637,093	3,643,593	2,236,197	2,195,022	2,432,063	3,028,847
One year later	2,680,777	2,242,127	3,041,859	3,936,141	4,469,360	3,445,489	3,988,912	4,591,904	6,104,006	
Two years later	3,367,939	2,764,806	3,842,332	3,379,890	3,733,310	2,564,377	3,701,766	6,112,857		
Three years later	3,760,853	2,447,046	5,239,606	4,037,161	3,730,497	2,458,832	4,162,006			
Four years later	3,866,782	2,405,825	4,985,951	4,511,540	4,284,452	2,646,717				
Five years later	3,897,018	2,381,739	4,841,533	4,371,295	4,567,096					
Six years later	4,329,372	2,360,511	4,793,383	4,267,938						
Seven years later	4,329,426	2,331,393	4,784,655							
Eight years later	4,319,604	2,322,034								
Nine years later	4,316,328									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	<u>\$1,635,551</u>	<u>\$79,908</u>	<u>\$1,742,796</u>	<u>\$331,798</u>	<u>\$97,736</u>	<u>(\$798,771)</u>	<u>\$102,580</u>	<u>\$996</u>	<u>(\$2)</u>	<u>\$0</u>

The above information reflects policy years for this program which is also a calendar year. The effective date of the information is June 30, 2022. Thus, the 2022 column reflects half of policy year 2022.

SPECIAL DISTRICTS INSURANCE SERVICES

CLAIMS DEVELOPMENT INFORMATION

PROPERTY PROGRAM

	Policy Year									
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1. Required contribution and investment revenue:										
Earned	\$4,522,613	\$4,850,896	\$4,991,559	\$5,326,319	\$5,463,972	\$5,943,528	\$6,264,644	\$7,064,382	\$7,691,297	\$4,376,347
Investment Earnings During Policy Period	9,051	40,104	17,752	54,343	55,940	(51,924)	255,491	99,674	90,317	(116,408)
Investment Earnings Subsequent to Policy Ceded	58,031	93,756	140,773	273,217	0	258,653	(37,028)	0	(91,571)	0
Net earned	<u>2,007,913</u>	<u>2,055,420</u>	<u>2,124,714</u>	<u>2,006,859</u>	<u>1,993,296</u>	<u>2,177,574</u>	<u>2,540,021</u>	<u>3,243,570</u>	<u>4,212,043</u>	<u>2,284,028</u>
2. Unallocated expenses	1,366,692	1,411,407	1,442,535	1,613,383	1,654,206	1,630,858	1,717,506	1,829,560	1,911,392	1,011,596
3. Estimated incurred claims and expense, end of policy year:										
Incurred	878,630	960,945	878,846	514,945	3,744,652	1,314,750	1,699,432	3,755,358	1,582,558	926,976
Ceded	<u>739</u>	<u>493</u>	<u>21,516</u>	<u>1,231</u>	<u>175,192</u>	<u>474,289</u>	<u>75,053</u>	<u>(140,757)</u>	<u>(1)</u>	<u>170,660</u>
Net incurred	877,891	960,452	857,330	513,714	3,569,460	840,461	1,624,379	3,896,115	1,582,559	756,316
4. Paid (cumulative) as of:										
End of policy year	63,557	97,131	271,583	233,304	1,000,131	136,600	113,004	150,122	164,094	201,665
One year later	851,708	661,704	803,239	443,472	2,699,130	492,807	1,335,992	2,372,447	1,273,627	
Two years later	875,953	660,518	768,410	474,876	2,601,653	748,140	1,590,126	3,067,446		
Three years later	753,590	702,562	844,580	471,704	2,274,214	748,140	1,480,948			
Four years later	753,534	718,520	844,580	470,039	2,256,451	748,140				
Five years later	753,534	723,520	854,798	468,740	2,261,275					
Six years later	753,534	661,120	854,798	449,803						
Seven years later	753,534	661,120	854,798							
Eight years later	753,534	806,372								
Nine years later	753,534									
5. Reestimated ceded claims and expenses:	0	0	0	0	235,472	0	4,991,418	451,230	609,758	170,660
6. Reestimated net incurred claims and expenses:										
End of policy year	878,630	960,945	878,846	514,945	3,744,652	1,314,750	401,981	452,146	1,302,732	756,316
One year later	877,891	960,453	857,329	513,715	3,569,459	840,461	1,499,644	3,389,866	1,582,559	
Two years later	884,809	761,856	788,465	475,841	2,762,846	770,391	1,597,118	3,884,251		
Three years later	753,590	741,935	851,913	475,719	2,274,214	748,140	1,482,657			
Four years later	753,534	719,623	852,016	470,402	2,256,451	748,140				
Five years later	753,534	724,539	859,456	470,007	2,261,275					
Six years later	753,534	661,120	854,798	449,803						
Seven years later	753,534	661,120	854,798							
Eight years later	753,534	806,372								
Nine years later	753,534									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	<u>(\$124,357)</u>	<u>(\$154,080)</u>	<u>(\$2,531)</u>	<u>(\$63,911)</u>	<u>(\$1,308,185)</u>	<u>(\$92,321)</u>	<u>(\$141,722)</u>	<u>(\$11,865)</u>	<u>(\$0)</u>	<u>\$0</u>

The above information reflects policy years for this program which is also a calendar year. The effective date of the information is June 30, 2022. Thus, the 2022 column reflects half of policy year 2022.

SPECIAL DISTRICTS INSURANCE SERVICES

CLAIMS DEVELOPMENT INFORMATION

WORKERS' COMPENSATION PROGRAM

	Policy Year									
	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
1. Required contribution and investment revenue:										
Gross Contribution	\$8,940,005	\$7,700,592	\$7,421,935	\$7,279,088	\$7,596,301	\$6,857,916	\$6,504,829	\$6,553,190	\$6,181,148	\$6,343,051
Investment Earnings During Policy Period	72,709	154,645	22,254	145,861	169,423	157,871	134,389	178,887	350,023	(139,854)
Investment Earnings Subsequent to Policy	386,136	7,184	51,200	218,725	235,026	120,530	126,307	157,069	(77,419)	0
Ceded	768,204	776,957	822,550	452,309	479,458	408,051	400,179	437,496	432,953	436,949
Net earned	8,630,646	7,085,465	6,672,839	7,191,365	7,521,293	6,728,266	6,365,346	6,451,650	6,020,798	5,766,248
2. Unallocated expenses	2,661,169	2,654,848	2,464,574	2,614,229	2,454,741	2,292,596	2,342,466	2,454,240	2,439,694	2,580,600
3. Estimated incurred claims and expense, end of policy year:										
Incurred	5,537,810	6,674,019	6,146,384	5,205,894	5,441,347	4,301,824	4,225,766	4,670,582	4,489,373	11,190,263
Ceded	194,432	163,709	395,139	82,511	85,023	335,444	91,928	114,398	54,710	2,066,646
Net incurred	5,343,378	6,510,310	5,751,245	5,123,383	5,356,324	3,966,380	4,133,838	4,556,184	4,434,663	9,123,617
4. Paid (cumulative) as of:										
End of policy year	1,936,088	2,141,150	1,898,278	1,707,447	2,037,978	1,772,403	1,573,990	1,490,138	1,689,991	2,827,171
One year later	3,910,151	4,433,742	3,484,645	3,074,933	3,275,182	2,980,288	3,016,670	2,520,786	3,080,721	
Two years later	4,466,495	4,929,149	4,943,648	3,657,452	3,563,419	3,797,701	3,348,474	3,400,451		
Three years later	4,662,184	5,160,468	5,102,225	3,801,539	3,621,666	4,024,829	3,522,739			
Four years later	4,757,843	5,214,762	5,266,212	3,857,298	3,632,553	4,093,013				
Five years later	4,876,241	5,268,622	5,376,242	3,882,482	3,693,196					
Six years later	4,916,776	5,301,466	5,420,254	3,937,286						
Seven years later	4,963,261	5,315,901	5,465,043							
Eight years later	4,972,760	5,324,118								
Nine years later	4,974,671									
5. Reestimated ceded claims and expenses:	3,189	283,390	182,908	6,481	10,215	34,720	19,619	34,966	49,795	2,069,027
6. Reestimated net incurred claims and expenses:										
End of policy year	5,343,378	6,510,310	5,751,245	5,123,383	5,356,324	3,966,379	4,133,838	4,556,183	3,930,510	9,123,616
One year later	5,489,671	5,702,484	5,491,093	4,298,208	4,242,768	4,334,491	4,453,584	3,684,485	4,433,586	
Two years later	5,134,750	5,693,990	5,409,704	4,328,731	4,188,843	4,613,294	4,199,933	4,945,038		
Three years later	5,151,738	5,532,740	5,490,413	4,259,710	3,962,261	4,600,976	4,088,524			
Four years later	5,216,722	5,755,812	5,503,455	4,264,281	3,814,556	4,337,271				
Five years later	5,374,775	5,624,246	5,612,580	4,157,977	3,882,607					
Six years later	5,288,544	5,625,499	5,536,647	4,116,089						
Seven years later	5,624,227	5,571,884	5,592,513							
Eight years later	5,476,967	5,572,474								
Nine years later	5,400,230									
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	\$56,852	(\$937,835)	(\$158,731)	(\$1,007,294)	(\$1,473,717)	\$370,892	(\$45,313)	\$388,855	(\$1,077)	\$0

The above information reflects policy years for this program which is July 1 through June 30. The effective date of the information is June 30, 2022. Thus, all years reflect the entire policy year.

SPECIAL DISTRICTS INSURANCE SERVICES

CLAIMS DEVELOPMENT INFORMATION

HEALTH PROGRAM

	Policy Year								
	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22
1. Required contribution and investment revenue:									
Earned	\$1,624,818	\$14,783,998	\$15,818,481	\$17,306,356	\$20,606,698	\$22,823,570	\$25,701,800	\$30,267,880	\$31,557,719
Investment Earnings During Policy Period		19,432	73,252	119,289	79,216	91,007	76,232	332,600	(487,356)
Investment Earnings Subsequent to Policy	(48)	371,048	216,519	464,726	84,731	28,907	69,671	(135,823)	0
Ceded	153,953	1,739,043	1,476,751	1,271,295	1,571,192	1,364,390	2,212,401	3,064,781	3,165,613
Net earned	1,470,817	13,435,435	14,631,501	16,619,075	19,199,453	21,579,094	23,635,302	27,399,876	27,904,750
2. Unallocated expenses	130,410	1,514,123	1,537,347	1,656,851	1,946,611	2,255,509	2,269,708	2,396,999	0
3. Estimated incurred claims and expense, end of policy year:									
Incurred	1,350,000	10,472,190	12,032,233	11,725,940	16,842,321	19,911,784	23,729,461	23,903,236	23,388,062
Ceded	0	0	355,995	32,584	1,120,199	1,210,307	2,678,052	648,266	713,622
Net incurred	1,350,000	10,472,190	11,676,238	11,693,356	15,722,122	18,701,477	21,051,409	23,254,970	22,674,440
4. Paid (cumulative) as of:									
End of policy year	403,359	9,254,661	10,915,251	11,104,215	14,568,314	17,439,609	19,481,279	22,334,137	20,272,440
One year later	1,481,338	10,113,674	11,843,853	12,113,842	16,431,618	19,278,871	20,902,441	23,815,551	
Two years later	1,481,338	10,015,826	11,633,058	12,084,950	16,433,943	19,280,602	21,228,508		
Three years later	1,481,338	10,217,606	11,985,281	12,084,950	16,428,427	19,275,636			
Four years later	1,481,338	10,217,606	11,985,281	12,053,812	16,426,865				
Five years later	1,481,338	10,217,606	11,985,475	12,053,711					
Six years later	1,481,338	10,217,606	11,985,475						
5. Reestimated ceded claims and expenses:	0	0	355,995	32,614	1,169,385	1,322,307	3,210,540	842,503	713,622
6. Reestimated net incurred claims and expenses:									
End of policy year	1,350,000	10,469,000	11,779,988	12,252,215	15,722,122	18,701,477	21,051,409	23,254,970	22,674,440
One year later	1,481,000	10,113,674	11,843,852	12,113,842	16,431,618	19,278,871	21,188,379	23,815,551	
Two years later	1,481,338	10,015,826	11,633,058	12,084,950	16,433,943	19,280,660	21,228,508		
Three years later	1,481,338	10,217,606	11,985,281	12,084,950	16,428,429	19,275,636			
Four years later	1,481,338	10,217,606	11,985,281	12,083,396	16,426,865				
Five years later	1,481,338	10,217,606	11,985,475	12,053,711					
Six years later	1,481,338	10,217,616	11,985,475						
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	\$131,338	(\$254,574)	\$309,237	\$360,355	\$704,743	\$574,159	\$177,099	\$560,581	\$0

The above information reflects policy years for this program which is July 1 through June 30.. The effective date of the information is June 30, 2022. Thus, all years reflect the entire policy year.

SPECIAL DISTRICTS INSURANCE SERVICES

CLAIMS DEVELOPMENT INFORMATION

HEALTH PROGRAM - OFCA

	<u>Policy Year</u>				
	<u>2017-18</u>	<u>2018-19</u>	<u>2019-20</u>	<u>2020-21</u>	<u>2021-22</u>
1. Required contribution and investment revenue:					
Earned	\$9,572,831	\$10,788,947	\$11,062,622	\$11,816,831	\$12,347,478
Investment Earnings During Policy Period	33,195	66,226	67,557	359,473	(292,650)
Investment Earnings Subsequent to Policy	80,468	26,260	70,372	(292,650)	0
Ceded	<u>812,413</u>	<u>649,618</u>	<u>697,862</u>	<u>664,666</u>	<u>831,176</u>
Net earned	8,874,081	10,231,814	10,502,690	11,218,987	11,223,652
2. Unallocated expenses	809,098	876,277	799,875	848,933	0
3. Estimated incurred claims and expense, end of policy year:					
Incurred	8,263,085	11,079,763	7,454,189	7,569,405	9,041,211
Ceded	<u>81,468</u>	<u>1,557,191</u>	<u>154,372</u>	<u>4,486</u>	<u>98,058</u>
Net incurred	8,181,617	9,522,572	7,299,817	7,564,919	8,943,153
4. Paid (cumulative) as of:					
End of policy year	8,263,085	8,098,103	6,680,629	7,125,433	8,205,153
One year later	7,392,374	9,130,913	7,048,381	7,534,468	
Two years later	7,392,374	8,918,863	7,048,786		
Three years later	7,392,374	8,938,863			
Four years later	7,392,374				
5. Reestimated ceded claims and expenses:	1,132,558	1,749,240	155,970	2,936	98,058
6. Reestimated net incurred claims and expenses:					
End of policy year	8,181,617	9,522,572	7,299,817	7,564,919	8,943,153
One year later	7,392,374	9,130,913	7,048,381	7,534,468	
Two years later	7,392,374	8,918,863	7,048,786		
Three years later	7,392,374	8,938,863			
Four years later	7,392,374				
7. Increase (decrease) in estimated incurred claims and expense from end of policy year	<u>(\$789,243)</u>	<u>(\$583,709)</u>	<u>(\$251,031)</u>	<u>(\$30,451)</u>	<u>\$0</u>

The above information reflects policy years for this program which is July 1 through June 30. The effective date of the information is June 30, 2022. Thus, all years reflect the entire policy year.

SUPPLEMENTARY INFORMATION

SPECIAL DISTRICTS INSURANCE SERVICES
COMBINING STATEMENT OF NET POSITION
AS OF JUNE 30, 2022

ASSETS	Liability	Property	Workers' Compensation	Health	School Fund	Total
Current Assets:						
Cash	\$ 7,547,734	\$ 577,500	\$ 4,894,818	\$ 1,830,832	\$ 101,428	\$ 14,952,312
Accrued interest	80,627	-	-	-	-	80,627
Investments - current portion	13,902,805	4,385,684	2,603,024	12,914,478	870,050	34,676,041
Accounts receivable	951,414	793,650	722,142	188,676	-	2,655,882
Prepaid expenses	1,879,657	2,712,181	-	337,098	-	4,928,936
Total Current Assets	24,362,237	8,469,015	8,219,984	15,271,084	971,478	57,293,798
Noncurrent Assets:						
Restricted investments	-	-	4,965,000	-	-	4,965,000
Investments	14,870,069	4,114,316	4,431,976	11,085,522	379,950	34,881,833
Capital assets (net)	3,137,062	-	-	-	-	3,137,062
Total Noncurrent Assets	18,007,131	4,114,316	9,396,976	11,085,522	379,950	42,983,895
Total Assets	42,369,368	12,583,331	17,616,960	26,356,606	1,351,428	100,277,693
LIABILITIES						
Current Liabilities:						
Accounts payable	1,247,548	-	406,932	956,732	-	2,611,212
Due to SDAO	3,302	-	-	-	-	3,302
Unearned revenue	5,895,781	3,963,553	332,745	2,232,282	-	12,424,361
Claims payable - current portion	3,593,175	1,342,836	3,550,939	3,114,041	-	11,600,991
Total Current Liabilities	10,739,806	5,306,389	4,290,616	6,303,055	-	26,639,866
Noncurrent Liabilities:						
Claims payable	10,064,205	474,540	9,294,322	-	-	19,833,067
Total Noncurrent Liabilities	10,064,205	474,540	9,294,322	-	-	19,833,067
Total Liabilities	20,804,011	5,780,929	13,584,938	6,303,055	-	46,472,933
NET POSITION						
Net Invested in Capital Assets Restricted in accordance Workers Compensation Laws	3,137,062	-	-	-	-	3,137,062
Unrestricted	18,428,295	6,802,402	(932,978)	20,053,551	1,351,428	45,702,698
Total Net Position	\$ 21,565,357	\$ 6,802,402	\$ 4,032,022	\$ 20,053,551	\$ 1,351,428	\$ 53,804,760

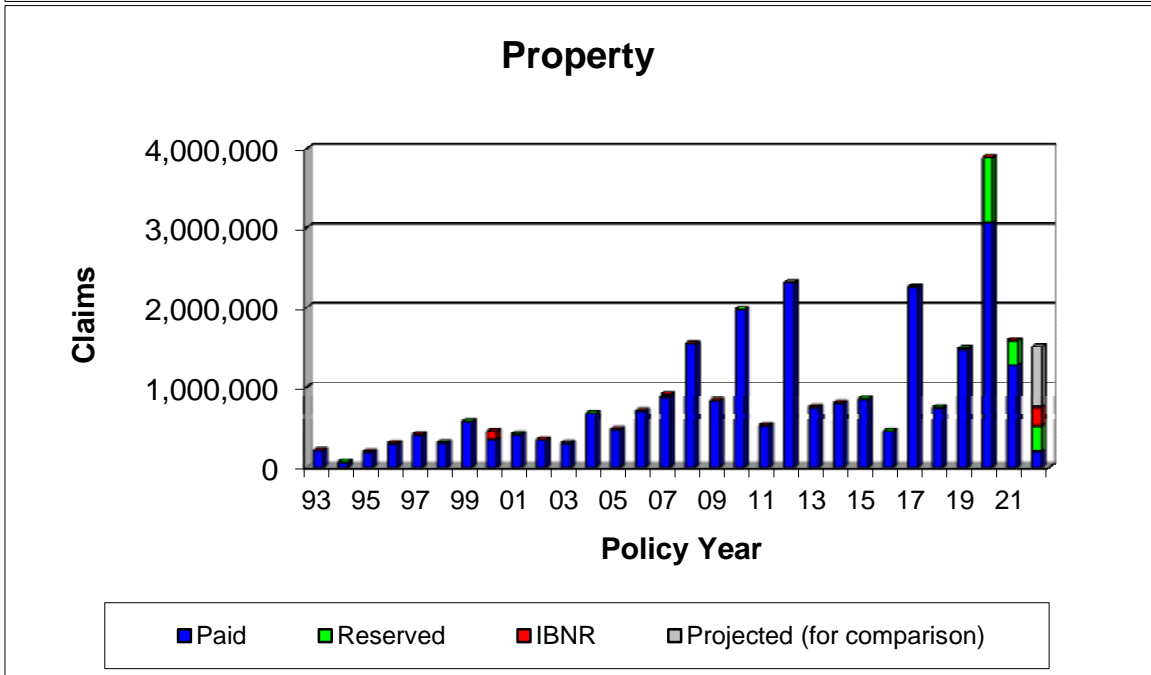
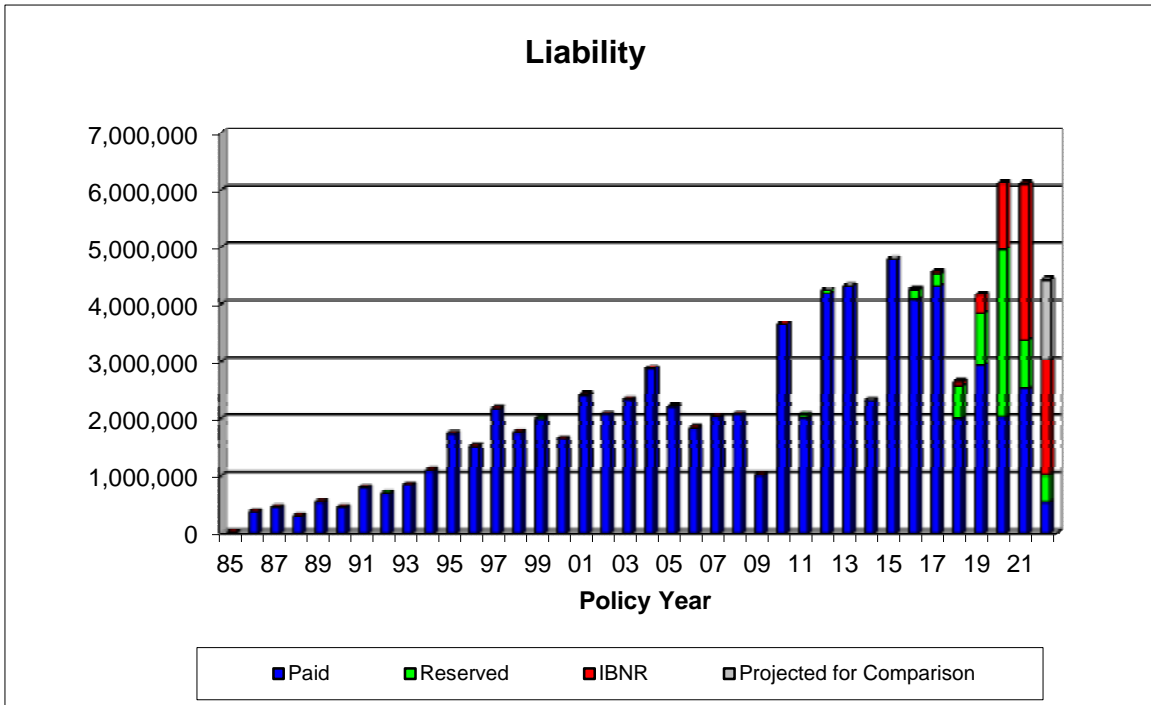
SPECIAL DISTRICTS INSURANCE SERVICES
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION BY INSURANCE PROGRAM
FOR THE FISCAL YEAR ENDED JUNE 30, 2022

	<u>Liability</u>	<u>Property</u>	<u>Workers'</u> <u>Compensation</u>	<u>Health</u>	<u>School</u> <u>Fund</u>	<u>Total</u>
Operating Revenues						
Member contributions	\$ 12,417,793	\$ 8,258,767	\$ 6,343,051	\$ 43,905,198	\$ -	\$ 70,924,809
Miscellaneous income	13,858	-	-	-	-	13,858
Total Operating Revenues	<u>12,431,651</u>	<u>8,258,767</u>	<u>6,343,051</u>	<u>43,905,198</u>	<u>-</u>	<u>70,938,667</u>
Operating Expenses						
Underwriting Expenses:						
Loss and loss adjustment expense	9,494,803	1,503,198	11,106,888	31,961,913	-	54,066,802
Insurance premiums	2,341,517	4,390,050	436,949	3,996,789	-	11,165,305
Broker fees	90,643	103,004	66,953	200,400	-	461,000
Local agent commissions	1,282,788	904,541	291,561	792,099	-	3,270,989
Workers' comp. taxes	-	-	459,606	-	-	459,606
Other Operating Expenses:						
Conference and training	271,766	-	-	-	-	271,766
Claims service fees	498,122	168,059	986,186	1,263,496	-	2,915,863
Dividends	2,389,823	-	-	-	-	2,389,823
SDAO sponsorship	82,819	55,081	42,304	210,471	-	390,675
Other expenses	2,198,369	761,727	727,406	544,922	-	4,232,424
Total Operating Expenses	<u>18,650,650</u>	<u>7,885,660</u>	<u>14,117,853</u>	<u>38,970,090</u>	<u>-</u>	<u>79,624,253</u>
Operating Income (Loss)	<u>(6,218,999)</u>	<u>373,107</u>	<u>(7,774,802)</u>	<u>4,935,108</u>	<u>-</u>	<u>(8,685,586)</u>
Nonoperating Revenues (Expenses)						
Investment income	(5,252,585)	(1,232,623)	(2,257,321)	(1,336,695)	(195,825)	(10,275,049)
Rental revenues	338,234	-	-	-	-	338,234
Rental expenses	(323,039)	-	-	-	-	(323,039)
Total Nonoperating Income(Loss)	<u>(5,237,390)</u>	<u>(1,232,623)</u>	<u>(2,257,321)</u>	<u>(1,336,695)</u>	<u>(195,825)</u>	<u>(10,259,854)</u>
Change in Net Position	(11,456,389)	(859,516)	(10,032,123)	3,598,413	(195,825)	(18,945,440)
Net Position, Beginning	33,021,746	7,661,918	14,064,145	16,455,138	1,547,253	72,750,200
Net Position, Ending	<u>\$ 21,565,357</u>	<u>\$ 6,802,402</u>	<u>\$ 4,032,022</u>	<u>\$ 20,053,551</u>	<u>\$ 1,351,428</u>	<u>\$ 53,804,760</u>

SPECIAL DISTRICTS INSURANCE SERVICES

GRAPHICAL SUMMARY OF CLAIMS

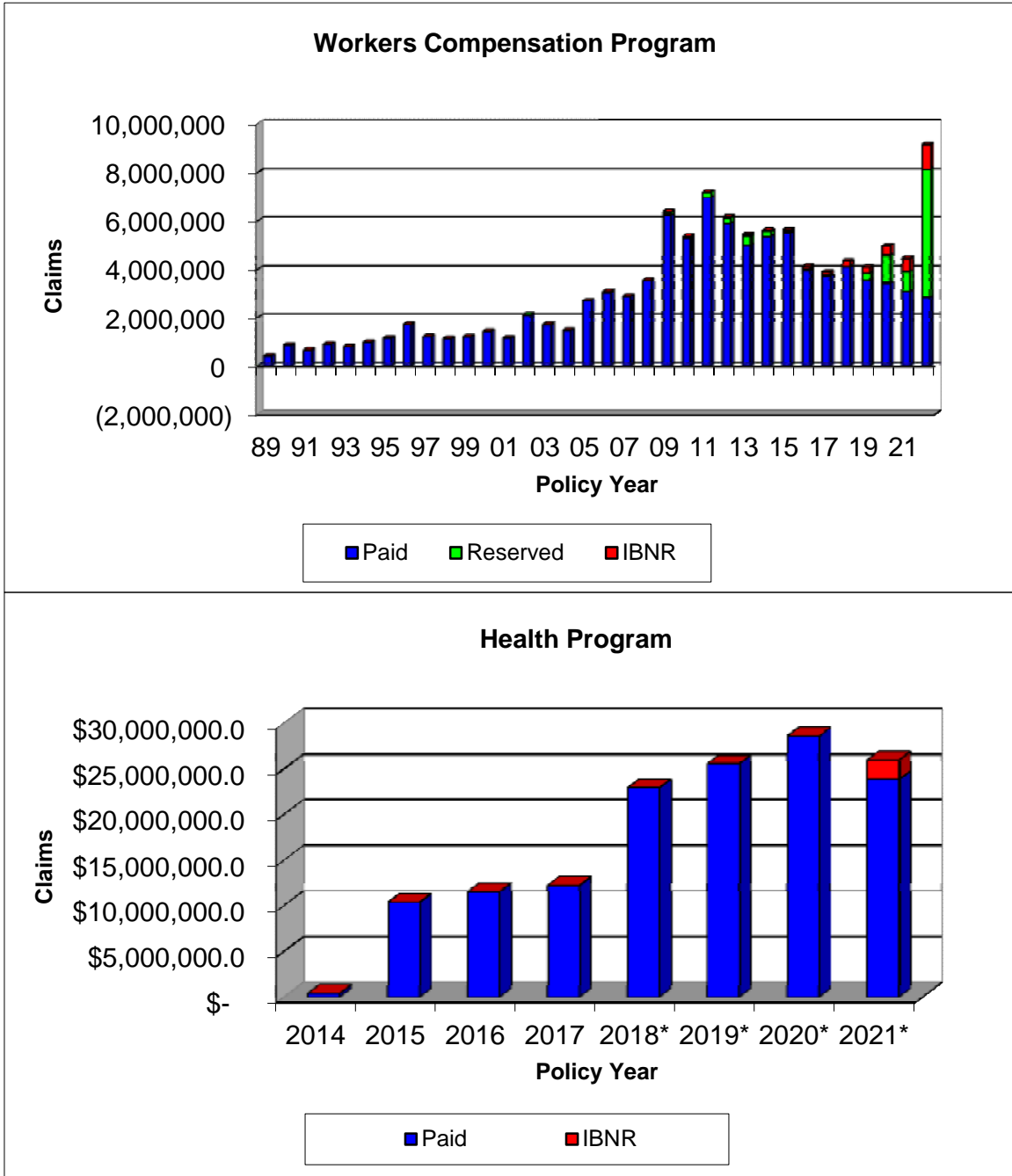
FOR THE FISCAL YEAR ENDED JUNE 30, 2022



SPECIAL DISTRICTS INSURANCE SERVICES

GRAPHICAL SUMMARY OF CLAIMS

FOR THE FISCAL YEAR ENDED JUNE 30, 2022



*Includes Oregon Fire Chief Association, new for FY 2017/2018