



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements Audit Report

Association of Washington Cities Risk Management Service Agency

Thurston County

For the period January 1, 2013 through December 31, 2014

Published May 26, 2015

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Washington State Auditor

May 26, 2015

Board of Directors
Association of Washington Cities Risk Management Service Agency
Olympia, Washington

Report on Financial Statements

Please find attached our report on the Association of Washington Cities Risk Management Service Agency's financial statements.

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

Sincerely,

JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

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**INDEPENDENT AUDITOR'S 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**

**Association of Washington Cities Risk Management Service Agency
Thurston County
January 1, 2013 through December 31, 2014**

Board of Directors

Association of Washington Cities Risk Management Service Agency
Olympia, 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 Association of Washington Cities Risk Management Service Agency, Thurston County, Washington, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements, and have issued our report thereon dated May 20, 2015. Our report includes information about the Association's pending litigations. This information is more fully described in Note L to the financial statements.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we do not express an opinion on the effectiveness of the Association'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 Association's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency,

or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Association's financial statements are free from material misstatement, we performed tests of the Association's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Association'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 Association'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.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

May 20, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Association of Washington Cities Risk Management Service Agency Thurston County January 1, 2013 through December 31, 2014

Board of Directors
Association of Washington Cities Risk Management Service Agency
Olympia, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Association of Washington Cities Risk Management Service Agency, Thurston County, Washington, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Association's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the Association's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Association of Washington Cities Risk Management Service Agency, as of December 31, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis Regarding Pending Litigation

As discussed in Note L to the financial statements, the Pool is the plaintiff in a lawsuit relating to insurance coverage and a denial of payment from an excess insurer. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 13 and risk pools information on pages 27 through 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the

basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Association's basic financial statements as a whole. The Members List and OFM Schedule of Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 20, 2015 on our consideration of the Association's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



JAN M. JUTTE, CPA, CGFM
ACTING STATE AUDITOR
OLYMPIA, WA

May 20, 2015

FINANCIAL SECTION

**Association of Washington Cities Risk Management Service Agency
Thurston County
December 1, 2013 through December 31, 2014**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2014 and 2013

BASIC FINANCIAL STATEMENTS

Comparative Statement of Net Position – 2014 and 2013

Comparative Statement of Revenues, Expenses and Changes in Net Position – 2014 and 2013

Comparative Statement of Cash Flows – 2014 and 2013

Notes to Financial Statements – 2014 and 2013

REQUIRED SUPPLEMENTARY INFORMATION

Claims Development Information – 2014

Reconciliation of Claims Liabilities by Type of Contract – 2014

OTHER INFORMATION

Members List – 2014

OFM Schedule of Expenses – 2014 and 2013

**ASSOCIATION OF WASHINGTON CITIES
RISK MANAGEMENT SERVICE AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

As management of the Association of Washington Cities Risk Management Service Agency (the Pool), we offer readers of the Risk Management Service Agency's financial statements this narrative overview and analysis of the financial activities of the Risk Management Service Agency for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished within the basic financial statements including the financial statement notes.

FINANCIAL HIGHLIGHTS:

1. The assets of the Risk Management Service Agency exceeded its liabilities at the close of the most recent fiscal year by \$8,023,678 (*net position*). The total amount of \$8,023,678 (*unrestricted net position*) may be used to meet the Pool's ongoing obligations to creditors.
2. The Risk Management Service Agency's total net position decreased by (\$1,126,133).
3. The Risk Management Service Agency's total liabilities increased minimally by \$12,337 in 2014. Funds that were previously received from the property reinsurer for a 2012 fire claim were paid to the member as construction of a new building was completed which reduced liabilities by \$1,210,060. This reduction in liabilities was offset by an increase in claim Reserves (IBNR and Unpaid Claims) in the amount of \$1,151,500 from \$6,095,273 in 2013 to \$7,246,773 in 2014.
4. The Risk Management Service Agency continues to meet the solvency standards established by Washington Administrative Code (WAC) 200-100-03001.

OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis is intended to serve as an introduction to the Association of Washington Cities Risk Management Service Agency's basic financial statements. The Pool's financial statements are comprised of two components: 1) basic financial statements and 2) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements themselves.

Financial Statements

The *Comparative Statement of Net Position* presents information on all of the Risk Management Service Agency's assets and liabilities, with the difference between the two

reported as *Net Position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Risk Management Service Agency is improving or deteriorating.

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

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

The Pool financial statements include only the Association of Washington Cities Risk Management Service Agency itself. The Pool has no other *component units* for which it is financially accountable.

Notes to the Financial Statements

The *Notes to the Financial Statements* provide additional information that is essential to the full understanding of the data provided in the Pool financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Association of Washington Cities Risk Management Service Agency's operations.

POOL FINANCIAL ANALYSIS:

Net Position

As noted earlier, net position may serve over time as a useful indicator of a pool's financial position. In the case of the Risk Management Service Agency, assets exceeded liabilities by \$8,023,678 at the close of the most recent fiscal year.

By far, the largest portion of the Pool's assets reflects cash and investments (74% - \$11,750,473, of \$15,787,985). The Pool uses these assets to fund the claim reserves arising from claims, which were estimated at \$7,506,773 at December 31, 2014.

RISK MANAGEMENT SERVICE AGENCY – NET POSITION

	12-31-14	12-31-13	12-31-12
Current Assets	\$13,062,466	\$14,302,981	\$12,561,868
Noncurrent Assets	\$2,725,519	\$2,598,800	\$2,472,509
Total Assets	\$15,787,985	\$16,901,781	\$15,034,377
Current Liabilities	\$2,636,534	\$3,330,397	\$2,169,363
Noncurrent Liabilities	\$5,127,773	\$4,421,273	\$5,123,043
	12-31-14	12-31-13	12-31-12
Total Liabilities	\$7,764,307	\$7,751,970	\$7,292,406
Unrestricted	\$8,023,678	\$9,149,811	\$7,741,971
Net Position	\$8,023,678	\$9,149,811	\$7,741,971
Total Net Position and Liabilities	\$15,787,985	\$16,901,781	\$15,034,377

The unrestricted net position, totaling \$8,023,678 may be used to meet the Agency's ongoing obligations to creditors.

Changes in Net Position

The Risk Management Service Agency net position decreased \$1,126,133 during 2014. The key element of this decrease may be attributed to an increase in claim activity on existing claims, or the identification of new claims reported during fiscal year 2014.

RISK MANAGEMENT SERVICE AGENCY – CHANGES IN NET POSITION

	2014 ACTIVITIES	2013 ACTIVITIES	2012 ACTIVITIES
Revenues			
Member Assessments	\$6,186,014	\$6,632,447	\$7,200,477
Other Income	\$83,641	\$63,712	\$44,914
Interest Income	\$13,487	\$21,738	\$23,915
Increase/<Decrease> in Equity in NLC MIC	\$129,219	\$128,791	\$95,930
Total Revenues	\$6,412,361	\$6,846,688	\$7,365,236
Expenses			
Claims Loss Expense -- Current Year	\$3,225,000	\$2,425,000	\$2,640,000
Claims Loss Expense -- Prior Years	\$630,540	(\$640,165)	(\$1,127,595)
Unallocated Loss Adjustment Expenses	\$25,000	(\$50,000)	(\$5,000)
Insurance Premiums	\$1,843,792	\$1,971,829	\$2,249,899
Claims Administration and Loss Control Services	\$516,226	\$599,939	\$354,311
General and Administrative Expenses	\$1,297,936	\$1,132,245	\$1,253,118
Total Expenses	\$7,538,494	\$5,438,848	\$5,364,733
Income (Loss)	(\$1,126,133)	\$1,407,840	\$2,000,503
Change in Net Position	(\$1,126,133)	\$1,407,840	\$2,000,503

ECONOMIC FACTORS IMPACTING THE POOL:

Interest rates available for investing are at the lowest levels experienced by the Risk Management Service Agency. Rates are expected to remain low in 2015. In spite of the low interest rate environment, the Risk Management Service Agency maintains unrestricted net position sufficient to withstand the decline in interest earnings.

REQUESTS FOR INFORMATION:

This financial report is designed to provide a general overview of the Association of Washington Cities Risk Management Service Agency's finances for all those with an interest in the Pool's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Association of Washington Cities
Risk Management Service Agency
Luann Hopkins
Chief Operating Officer
1076 Franklin Street SE
Olympia, Washington 98501-1346

**ASSOCIATION OF WASHINGTON CITIES
RISK MANAGEMENT SERVICE AGENCY
COMPARATIVE STATEMENT OF NET POSITION
December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
ASSETS:		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 11,750,473	\$ 12,103,503
Receivables:		
Assessments Receivable	750	-
Excess/Reinsurance Recoverable	1,304,373	992,280
Member Deductibles	6,870	33,228
Prepaid Expense	-	1,173,970
Total Current Assets:	<u>\$ 13,062,466</u>	<u>\$ 14,302,981</u>
<u>Noncurrent Assets:</u>		
Contract Receivable	37,500	40,000
Reinsurance Deposit	239,149	239,149
Equity In NLC MIC	2,448,870	2,319,651
Total Noncurrent Assets:	<u>\$ 2,725,519</u>	<u>\$ 2,598,800</u>
TOTAL ASSETS:	<u><u>\$ 15,787,985</u></u>	<u><u>\$ 16,901,781</u></u>
LIABILITIES:		
<u>Current Liabilities:</u>		
Claim Reserves:		
Incurred but Not Reported (IBNR)	\$ 1,271,400	\$ 1,004,400
Unpaid Claims	847,600	669,600
Unallocated Loss Adjustment Expenses	260,000	235,000
Accounts Payable	257,534	211,637
Payable - Forks Claim	-	1,210,060
Total Current Liabilities:	<u>\$ 2,636,534</u>	<u>\$ 3,330,697</u>
<u>Noncurrent Liabilities:</u>		
Claim Reserves:		
Incurred but Not Reported (IBNR)	\$ 2,679,662	\$ 3,050,824
Unpaid Claims	2,448,111	1,370,449
Total Noncurrent Liabilities:	<u>\$ 5,127,773</u>	<u>\$ 4,421,273</u>
TOTAL LIABILITIES	<u><u>\$ 7,764,307</u></u>	<u><u>\$ 7,751,970</u></u>
NET POSITION:		
Unrestricted	8,023,678	9,149,811
TOTAL NET POSITION	<u><u>\$ 8,023,678</u></u>	<u><u>\$ 9,149,811</u></u>
TOTAL NET POSITION AND LIABILITIES	<u><u>\$ 15,787,985</u></u>	<u><u>\$ 16,901,781</u></u>

The Accompanying Notes Are An Integral part of This Statement.

**ASSOCIATION OF WASHINGTON CITIES
RISK MANAGEMENT SERVICE AGENCY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2014 and 2013**

	2014	2013
OPERATING REVENUES:		
Member Assessments	\$6,186,014	\$6,632,447
Other Income	83,641	63,712
Total Operating Revenues	<u>\$6,269,655</u>	<u>\$6,696,159</u>
OPERATING EXPENSES:		
Claims Loss Expense -- Current Year	\$3,225,000	\$2,425,000
Claims Loss Expense -- Prior Years	630,540	(640,165)
Unallocated Loss Adjustment Expenses	25,000	(50,000)
Insurance Premiums	1,843,792	1,971,829
Claims Administration and Loss Control Services	516,226	599,939
General and Administrative Expenses	1,297,936	1,132,245
Total Operating Expenses	<u>\$7,538,494</u>	<u>\$5,438,848</u>
OPERATING INCOME (LOSS):	<u>(\$1,268,839)</u>	<u>\$1,257,311</u>
NONOPERATING REVENUES/EXPENSES:		
Interest Income	\$13,487	\$21,738
Increase/<Decrease> in Equity in NLC MIC	129,219	128,791
Total Non-Operating Revenues and Expenses	<u>\$142,706</u>	<u>\$150,529</u>
INCOME (LOSS) BEFORE EQUITY DISTRIBUTION:	<u>(\$1,126,133)</u>	<u>\$1,407,840</u>
CHANGE IN NET POSITION:	(\$1,126,133)	\$1,407,840
TOTAL NET POSITION - JANUARY 1	9,149,811	7,741,971
TOTAL NET POSITION - DECEMBER 31	<u>\$8,023,678</u>	<u>\$9,149,811</u>

The Accompanying Notes Are An Integral part of This Statement.

**ASSOCIATION OF WASHINGTON CITIES
RISK MANAGEMENT SERVICE AGENCY
COMPARATIVE STATEMENT OF CASH FLOWS
For The Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From Members	\$ 6,187,764	\$ 6,576,803
Other Operating Cash Receipts	83,641	63,712
Cash Payments for Claims	(2,703,839)	(2,512,879)
Cash Payments for Insurance Premiums	(781,000)	(2,644,814)
Cash Payments for Operating Expenses	(3,153,083)	(1,435,423)
Net Cash Provided (Used) By Operating Activities:	<u>\$ (366,517)</u>	<u>\$ 47,399</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	13,487	21,738
Net Cash Provided By Investing Activities:	<u>\$ 13,487</u>	<u>\$ 21,738</u>
INCREASE/<DECREASE> IN CASH AND CASH EQUIVALENTS	\$ (353,030)	\$ 69,137
CASH AND CASH EQUIVALENTS, JANUARY 1	12,103,503	12,034,366
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 11,750,473</u></u>	<u><u>\$ 12,103,503</u></u>

The Accompanying Notes Are An Integral Part of This Statement

**ASSOCIATION OF WASHINGTON CITIES
RISK MANAGEMENT SERVICE AGENCY
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED)
BY OPERATING AND OTHER ACTIVITIES
For The Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
OPERATING INCOME:		
Adjustments to Reconcile Operating Income to Net		
Income Provided By Operating Activities	(\$1,268,839)	\$ 1,257,311
(Increase) decrease in Other Receivables From Reinsurer	(286,485)	(998,992)
(Increase) decrease in Prepaid Expenses	1,173,970	(672,985)
(Increase) decrease in Contract Receivable	2,500	2,500
Increase (decrease) in Loss Reserves	1,151,500	(728,046)
Increase (decrease) in ULAE	25,000	(50,000)
Increase (decrease) in Payables	45,897	85,695
Increase (decrease) in Forks Payable	(1,210,060)	1,210,060
Increase (decrease) in Unearned Member Assessments	-	(58,144)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	<u>\$ (366,517)</u>	<u>\$ 47,399</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Increase in Equity In NLC MIC	\$ 129,219	\$ 128,791

The Accompanying Notes Are An Integral Part of This Statement

**ASSOCIATION OF WASHINGTON CITIES
RISK MANAGEMENT SERVICE AGENCY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization – The Association of Washington Cities Risk Management Service Agency (the Pool) is a local government risk sharing pool formed to provide property and casualty insurance coverage to participating members of the Association of Washington Cities (AWC). The members are made up of cities, towns and other local governmental entities throughout the State of Washington. The pool was originally organized January 1, 1989, pursuant to RCW 48.62.031, 36.16.138 and 39.34.

The Pool's general objectives are to provide its members with a comprehensive risk management program, stabilize insurance costs, and minimize the loss exposure of its member cities through a program of risk-sharing, joint indemnification of losses, and proactive management intervention. A member is entitled to withdraw from the Pool at the end of any fiscal year by providing 12 months written notice of its intent to withdraw. Members are subject to supplemental premium assessments in the event of deficiencies. As of December 31, 2014 and 2013, 94 and 92 members, respectively, participated in the pool.

The Pool provides property coverage up to the maximum limit of \$250 million per loss. Property other than vehicles, equipment, and dilapidated buildings are paid at replacement cost of the damaged or destroyed property at the time of loss. Vehicles, equipment, and dilapidated buildings are paid at actual cash value at the time of loss. The Pool also provides general liability coverage including law enforcement liability, automobile liability, and public officials' errors and omissions liability with coverage up to \$10 million per occurrence with a \$16.9 million annual aggregate. Other types of coverage include boiler and machinery coverage up to \$100 million per occurrence, money and securities up to \$1 million per occurrence, and loss deposits, forgery and counterfeit currency and money orders up to \$1 million per occurrence, and employee fidelity and faithful performance up to \$1 million for each loss. Optional airport coverage is available to the members, under a group purchase, with coverage amount determined by the city.

The Pool financial statements include only the Association of Washington Cities Risk Management Service Agency itself. The Pool has no other *component units* for which it is responsible.

Basis of Accounting –The accounting records of the Pool are maintained in accordance with methods prescribed by the State Auditor's Office under the authority of RCW Chapter 43.09. The Pool also follows the accounting standards established by Statement No 10 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting For Risk Financing and Related Insurance Issues*, as amended by

the GASB Statement 30, *Risk Financing Omnibus*, the GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Funds*.

The Pool uses the full accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Long-term liabilities are accounted for within the financial statements.

Cash and Cash Equivalents – For the purposes of reporting cash flows, the Pool considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The Pool’s investments with the Washington State Local Government Investment Pool are considered to be cash equivalents and are reported as such in the financial statements.

Investments – See Note B

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

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

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 risks reinsured. The Pool does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. Losses recoverable from reinsurance carriers as of December 31, 2014 and 2013 are \$1,304,373 and \$992,280, respectively. Amounts recovered from reinsurance carriers and deducted from claims liabilities during the years ended December 31, 2014 and 2013 are \$1,948,385 and \$1,189,106, respectively. Premiums paid to reinsurance carriers during 2014 and 2013 were \$1,843,792 and \$1,971,829, respectively.

Member Assessments – Member assessments are collected in advance and recognized as revenue in the period for which insurance protection is provided. The assessment is calculated based on the worker hours, population and losses. Assessments provide members with all coverage and services. Both member assessments and loss reserves are calculated by an outside actuarial firm to ensure adequate resources are provided to fund operations and claims and maintain the financial stability of the Pool.

Unpaid Claims – Claims are charged to income as incurred. Claim 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.

Reserve For Unallocated Loss Adjustment Expenses – The reserve for unallocated loss adjustment expenses represents the estimated cost to be incurred with respect to the settlement of claims in process and claims incurred but not yet reported. Management estimates this liability at the end of the year based upon estimated costs provided in the year end actuarial report. The change in the liability each year is charged or credited to unallocated loss adjustment expenses in the current year.

Operating Revenues/Expenses – The Pool includes assessments and payments derived from members for optional insurance coverage as operating revenues. Operating expenses are defined as those expenses necessary for performing the Pool’s mission and include claims loss expense, insurance premiums, claims administration and general administrative costs.

Non-operating Revenues – Non-operating revenues include revenues derived from investment decisions and include interest income along with the gain or loss in equity in NLC MIC.

Retirement/Pension Disclosure – There are no employees of the Pool. Individuals that perform services for the Pool are employees of the Association of Washington Cities. For this reason, no disclosure for retirement or pension obligation is made in these statements.

Exemption from Federal and State Taxes – Pursuant to Revenue Ruling 90-74, income of municipal risk pools is excluded from gross income under IRC SEC 1 15(1). Accordingly, no federal income taxes are provided for in the financial statements.

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

NOTE B – DEPOSITS AND INVESTMENTS

As permitted by state law, deposits and investments of the Pool’s funds are with Washington State banks and the State Treasurer’s Local Government Investment Pool as

allowed by Chapter 39.59 RCW. All deposits are insured and registered or held by the Pool or its agent in the Pool's name.

As of December 31, 2014, the Pool deposits and investments were as follows:

	Book Value	Market Value
Bank Accounts	\$ 413,894	\$ 413,894
Local Government Investment Pool	<u>11,336,579</u>	<u>11,336,579</u>
Total Deposits and Investments	<u>\$11,750,473</u>	<u>\$11,750,473</u>

As of December 31, 2013, the Pool deposits and investments were as follows:

	Book Value	Market Value
Bank Accounts	\$ 1,280,411	\$ 1,280,411
Local Government Investment Pool	<u>10,823,092</u>	<u>10,823,092</u>
Total Deposits and Investments	<u>\$12,103,503</u>	<u>\$12,103,503</u>

Book value and market value are the same as of December 31, 2014 and 2013. 100% of the investments are invested with the Washington State Local Government Investment Pool (LGIP). Due to the liquidity of the LGIP, these investments are shown as cash equivalents on the financial statements. Although heavily concentrated with the LGIP, due to the nature of the Pool, management does not believe there is any significant custodial, credit, interest rate, or concentration risk associated with their investments.

NOTE C – EXCESS INSURANCE CONTRACTS/REINSURANCE

The Pool maintains excess/reinsurance contracts with several insurance carriers, which provide various limits of coverage over the Pool's self-insured retention limits. The limit provided by these excess/reinsurance contracts as of December 31, 2014 and December 31, 2013 are:

<u>Excess Insurance Contracts</u>	<u>Carrier</u>	<u>Retention</u>	<u>2014</u>	<u>2013</u>
General Liability	Berkley/CV Starr	\$ 250,000.00	\$ 10,000,000.00	\$ 10,000,000.00
Automobile Liability	Berkley/CV Starr	\$ 250,000.00	\$ 10,000,000.00	\$ 10,000,000.00
Public Officials E&O	Berkley/CV Starr	\$ 250,000.00	\$ 10,000,000.00	\$ 10,000,000.00
Police Professional Liability	Berkley/CV Starr	\$ 250,000.00	\$ 10,000,000.00	\$ 10,000,000.00
Property	Lexington	\$ 50,000.00	\$ 250,000,000.00	\$ 250,000,000.00
Crime	F&D Companies	\$ 1,000.00	\$ 1,000,000.00	\$ 1,000,000.00
All Lines Aggregate	Berkley/CV Starr	\$ 250,000.00	\$ 16,900,000.00	\$ 16,900,000.00
Excess Liability Aggregate	Berkley/CV Starr	\$ 250,000.00	\$ 16,900,000.00	\$ 16,900,000.00

Per-occurrence coverage limits provided by the Pool, including the excess insurance limits combined with the Pool's self-insured retention limits are as follows:

<u>Excess Insurance Contracts</u>	<u>Carrier</u>	<u>2014</u>	<u>2013</u>
General Liability	Berkley/CV Starr	\$ 10,000,000.00	\$ 10,000,000.00
Automobile Liability	Berkley/CV Starr	\$ 10,000,000.00	\$ 10,000,000.00
Public Officials E&O	Berkley/CV Starr	\$ 10,000,000.00	\$ 10,000,000.00
Police Professional Liability	Berkley/CV Starr	\$ 10,000,000.00	\$ 10,000,000.00
Property	Lexington	\$ 250,000,000.00	\$ 250,000,000.00
Crime	F&D Companies	\$ 1,000,000.00	\$ 1,000,000.00

In the past three years (2012, 2013, and 2014), there have been no claim settlements, per occurrence or in aggregate, that have exceeded the coverage provided by excess/reinsurance contracts.

Reinsurance transactions related to the pool were:

Reinsurance premiums ceded during 2014 and 2013 were \$1,843,792 and \$1,971,829, respectively. The estimated amounts that are recoverable from excess and reinsurers that reduced the liabilities on the balance sheet as of December 31, 2014 and 2013 were \$1,304,373 and \$992,280, respectively.

NOTE D – RISK FINANCING LIMITS

The following table reflects the risk financing limits on coverage policies issued and retained by the Pool at December 31, 2014. Claim coverage is provided on an occurrence basis.

TYPE OF COVERAGE				MEMBER DEDUCTIBLES	SELF INSURED RETENTION	EXCESS LIMITS
Property Loss:						
Buildings and Content				\$ -	\$ 50,000.00	\$ 250,000,000.00
Flood	Zones	High		\$ 500,000.00	\$ -	\$ 10,000,000.00
		Low		\$ 100,000.00	\$ -	\$ 50,000,000.00
Earthquake				3% (min \$250,000)	\$ -	\$ 50,000,000.00
Terrorism				\$ -	\$ 50,000.00	\$ 250,000,000.00
Comprehensive General Liability, including						
Professional Liability				\$ -	\$ 250,000.00	\$ 10,000,000.00
Terrorism Liability				\$ -	\$ -	\$ -
Auto Liability				\$ -	\$ 250,000.00	\$ 10,000,000.00
Public Officials Errors and Omissions				\$ -	\$ 250,000.00	\$ 10,000,000.00
Employment Practices Liability				\$ -	\$ 250,000.00	\$ 10,000,000.00
Blanket Employee Dishonesty, Named Position				\$ -	\$ 1,000.00	\$ 1,000,000.00
Boiler and Machinery				\$ 5,000.00	\$ 50,000.00	\$ 100,000,000.00
Auto Physical Damage				\$ -	\$ 50,000.00	\$ 250,000,000.00

NOTE E – MEMBERS’ SUPPLEMENTAL ASSESSMENTS

The interlocal governmental agreement provides for supplemental assessments to members based on actual claim experience. During the year 2014 and 2013, the Pool did not make a supplemental assessment.

NOTE F – CONTRACT RECEIVABLE

The Pool has entered into a contract settlement with a former member of the Pool. The terms of the contract require that the former member pay \$2,500 per year for twenty years to satisfy their obligation to the Pool related to their 2010 assessment. The balance of the contract receivable at December 31, 2014 and December 31, 2013 is \$37,500 and \$40,000, respectively.

NOTE G – REINSURANCE DEPOSIT AND EQUITY IN NLC MIC

The Pool is an inactive member of the National League of Cities Mutual Insurance Company (NLC MIC), a captive mutual insurance company, consisting of 27 state and city insurance agencies or funds throughout the United States. The Pool has two separate general liability reinsurance accounts with NLC MIC. The accounts represent the Pool’s reinsurance deposit balance and member equity in NLC MIC. The amount in the reinsurance deposit account is \$239,149 as of both December 31, 2014 and 2013. At the

discretion of the Pool, an election can be made to withdraw the reinsurance deposit by giving written notice. The withdrawal of reinsurance deposit would be paid to the Pool 120 days following the fourth anniversary of the fiscal year in which the notice is received by NLC MIC. The Pool has not given any such notice.

The Pool's equity interest in NLC MIC as of December 31, 2014 and 2013 totaled \$2,448,870 and \$2,319,651, respectively, for the twenty-fifth and twenty-fourth years that the Pool was a member.

NOTE H – ADEQUACY OF LIABILITY FOR LOSS AND LOSS ADJUSTMENT EXPENSE

Management has established the liability for loss and loss adjustment expense based on an actuarial review, its own loss data and, for the purpose of incurred but not reported losses, the experience of other entities providing similar insurance coverage as it applies to the Pool's data. Management believes the estimate of this liability is reasonable.

NOTE I – RELATED-PARTY TRANSACTIONS

An affiliated organization, the Association of Washington Cities (AWC), owns the offices occupied by the Pool, employs the Pool's personnel, and performs various administrative, claims management, and loss control services for the Pool. The Pool is billed monthly for the costs of these services and has reimbursed the Association of Washington Cities for the following expenses:

	Year Ended 12/31/14	Year Ended 12/31/13
Personnel Costs	\$506,419	\$418,577
Staff Travel	36,897	31,825
Administrative	666,032	633,474
Annual Meeting Expense	12,497	1,971
Member Education/Training	8,787	8,123
Communications/Marketing	16,253	1,967
Board Expense	20,515	10,378
Other	<u>1,036</u>	<u>3,171</u>
Total	<u>\$1,268,436</u>	<u>\$1,109,486</u>

Services payable to AWC were \$235,148 and \$189,156 at December 31, 2014 and December 31, 2013, respectively.

During 2014 and 2013, there were no loans to or from the RMSA to any Board member or member entity nor were there any other transactions with related parties not previously disclosed.

NOTE J – UNPAID CLAIMS LIABILITIES

As described in Note A, the Pool establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claims adjustment expenses, both allocated and unallocated. The following represents changes in those liabilities for the Pool for the past two years:

	Year Ended 12/31/14	Year Ended 12/31/13
Unpaid claims and claim adjustment expenses/claims reserves at beginning of the fiscal year	\$6,095,273	\$6,823,317
Incurred claims and claim adjustment expenses:		
Provisions for insured events of the current year	3,225,000	2,425,000
Increase/Decrease in provision for insured events of prior years	630,340	(640,165)
Total incurred claims and claim adjustment expenses	<u>\$ 3,855,340</u>	<u>\$ 1,784,835</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	\$ 563,681	\$ 423,978
Claims and claim adjustment expenses attributable to insured events of the prior years	<u>2,140,159</u>	<u>2,088,901</u>
Total Payments	<u>\$ 2,703,840</u>	<u>\$ 2,512,879</u>
Total unpaid claims and claim adjustment Expense/claims reserves at end of the fiscal year	\$ 7,246,773	\$ 6,095,273
Unallocated loss adjustment expense/claims reserves at end of year	\$ 260,000	\$ 235,000
Total claims reserves at end of year	<u>\$ 7,506,773</u>	<u>\$ 6,330,273</u>

NOTE K – WASHINGTON ADMINISTRATIVE CODE (WAC) 200-100

The revised Washington Administrative Code (WAC) 200-100 requires the Pool to maintain certain levels of primary and secondary assets to meet solvency standards. As defined in WAC 200-100-03001, total primary assets, cash and cash equivalents less non-claim liabilities, must be at least equal to the unpaid claims estimate at the expected level as determined by an independent 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 an actuary. Secondary assets are defined as insurance receivable, real estate or other assets (less any non-claim liabilities) the value of which can be independently verified by the state risk manager. The table below presents the results of the defined solvency tests for the Pool as of the years ending December 31, 2014 and December 31, 2013.

	12/31/2014	12/31/2013
Primary Asset Test:		
Primary Assets	11,492,939	10,681,806
Unpaid Claims - Expected Level	7,506,773	6,330,273
Results	Pass	Pass
Primary and Secondary Test:		
Secondary Assets	4,037,512	4,798,278
Primary and Secondary	15,530,451	15,480,084
Unpaid Claims - 80%/70% Confidence Level	9,807,000	8,426,000
Results	Pass	Pass

NOTE L – LEGAL COMPLIANCE AND SUBSEQUENT EVENTS

The Pool has recorded as a receivable from both excess and reinsurance companies an amount of \$1,156,552 representing funds paid on a claim occurring in 2007 which exceeded the Pool's self-insured retention. The recovery efforts were met with opposition from the second layer excess insurer, Everest National Insurance Company (Everest). Everest declined payment and the Pool has since entered into litigation with Everest in furtherance of the Pool's position relative to this recovery.

This pending declaratory judgment case is currently in the discovery stage. A trial has been scheduled for May 2016 and a settlement conference has been scheduled for July 2015. The matter has been referred to external legal counsel and both the Pool and the Pool's legal counsel are confident in seeing this case resolve favorably.

**Association of Washington Cities
Risk Management Service Agency
Required Supplementary Information
January 1, 2014 through December 31, 2014**

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

1. Ten-Year Claims Development Information

The following table illustrates how the Pool'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 the last ten years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.
2. This line shows each year's other operating costs of the Pool including overhead and claims expense not allocable to individual claims.
3. This line 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 of ten rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest reestimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
6. This section of ten rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual reestimation results from new information received on known claims, re-evaluation 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 data for individual policy years matures, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

ASSOCIATION OF WASHINGTON CITIES
RISK MANAGEMENT SERVICE AGENCY
CLAIMS DEVELOPMENT INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1 Required contribution and investment revenue:										
Earned	\$ 5,211,534	\$ 5,138,213	\$ 5,297,499	\$ 5,346,953	\$ 6,233,753	\$ 6,692,575	\$ 7,239,580	\$ 7,200,477	\$ 6,632,447	\$ 6,186,014
Ceded	1,742,288	1,588,899	1,737,853	2,141,903	2,145,156	2,434,543	2,369,407	2,249,899	1,971,829	1,843,792
Net earned	\$ 3,469,246	\$ 3,549,314	\$ 3,559,646	\$ 3,205,050	\$ 4,088,597	\$ 4,258,032	\$ 4,870,173	\$ 4,950,578	\$ 4,660,618	\$ 4,342,222
2 Unallocated Expenses	\$ 826,984	\$ 914,681	\$ 987,423	\$ 1,244,660	\$ 1,094,492	\$ 1,257,240	\$ 1,560,188	\$ 1,602,429	\$ 1,682,183	\$ 1,839,162
3 Estimated claims and expenses end of policy year:										
Incurred	\$ 1,415,000	\$ 1,812,000	\$ 2,348,000	\$ 3,085,000	\$ 2,879,000	\$ 2,740,000	\$ 2,685,000	\$ 2,640,000	\$ 2,425,000	\$ 3,225,000
Ceded						1,982,018	1,518,286	5,437,864	1,028,329	1,336,908
Net incurred						\$ 757,982	\$ 1,166,714	\$ (2,797,864)	\$ 1,396,671	\$ 1,888,092
4 Net Paid (cumulative as of):										
End of Year	\$ 177,833	\$ 343,799	\$ 430,306	\$ 791,195	\$ 498,482	\$ 238,848	\$ 459,013	\$ 308,518	\$ 423,978	\$ 563,681
One year later	481,991	599,800	1,243,521	1,379,155	741,801	803,382	717,327	728,150	951,795	
Two years later	765,316	1,208,909	1,724,559	1,848,450	863,187	1,134,019	925,211	933,090		
Three years later	1,113,850	1,908,948	2,368,027	2,379,621	941,901	1,582,367	1,063,674			
Four years later	1,538,872	2,425,479	2,887,777	2,777,428	1,033,788	1,967,281				
Five years later	1,607,721	2,448,092	3,061,382	3,610,923	1,222,182					
Six years later	1,669,814	2,473,207	3,096,780	3,775,950						
Seven years later	1,669,814	2,472,845	3,538,929							
Eight years later	1,669,814	2,416,612								
Nine years later										
5 Restimated ceded claims and expenses	\$ 226,691	\$ 3,627,184	\$ 4,355,672	\$ 1,850,612	\$ 427,681	\$ 957,458	\$ 785,173	\$ 4,323,131	\$ 1,120,813	\$ 1,336,908
6 Re-estimated incurred claims and expense										
End of Year	\$ 1,415,000	\$ 1,812,000	\$ 2,348,000	\$ 3,085,000	\$ 2,879,000	\$ 2,740,000	\$ 2,685,000	\$ 2,640,000	\$ 2,425,000	\$ 3,225,000
One year later	1,538,074	2,177,270	3,037,463	3,326,895	2,704,487	2,524,593	2,306,667	2,238,206	2,908,446	
Two years later	1,606,983	2,549,560	3,143,717	3,419,841	2,199,957	2,302,237	1,951,741	2,259,013		
Three years later	1,744,968	2,843,311	3,391,662	3,289,185	1,675,855	2,347,237	1,774,399			
Four years later	1,841,808	2,876,481	3,316,412	3,239,148	1,400,475	2,207,237				
Five years later	1,764,826	2,570,737	3,382,832	3,768,368	1,385,204					
Six years later	1,719,826	2,544,853	3,272,832	3,865,355						
Seven years later	1,704,826	2,518,774	3,626,832							
Eight years later	1,669,814									
Nine years later	1,669,814									
7 Increase (Decrease) in estimated incurred claims from end of policy year.	\$ 254,814	\$ 604,612	\$ 1,278,832	\$ 780,355	\$ (1,493,796)	\$ (532,763)	\$ (910,601)	\$ (380,957)	\$ 483,446	\$ -

**Association of Washington Cities
Risk Management Service Agency
Required Supplementary Information
January 1, 2013 through December 31, 2014**

2. Reconciliation of Claims Liabilities by Type of Contract

The schedule below presents the changes in claims liabilities for the past two years for the Pool's two types of contracts: liability and property.

	Liability		Property	
	2014	2013	2014	2013
Unpaid Claims and Claim Adjustment Expenses at Beginning of the Fiscal Year	\$5,876,505	\$6,416,792	\$218,768	\$406,525
Incurred Claims and Claim Adjustment Expenses:				
Provision for the Current Year:	2,500,000	2,000,000	725,000	425,000
Change in Provision for Prior Years:	659,030	(581,206)	(28,690)	(58,959)
Total Incurred Claims and Claim Adjustment Expenses	3,159,030	1,418,794	696,310	366,041
Payments:				
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	240,608	167,746	323,073	256,232
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Prior Fiscal Years	1,984,389	1,791,335	155,770	297,566
Total Payments:	2,224,997	1,959,081	478,843	553,798
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year	\$6,810,538	\$5,876,505	\$436,235	\$218,768

2014 RMSA members

Airway Heights	Hatton	Rainier
Algona	Hunts Point	Raymond
Almira	Index	RiverCom 911
Beaux Arts Village	Kalama	Rockford
Bridgeport	Kettle Falls	Rosalia
Bucoda	La Center	Roslyn
Carbonado	Lamont	Roy
Carnation	Langley	Ruston
Castle Rock	Latah	Sequim
Cathlamet	Lincoln County Fire Protection District #8	Sequim Transportation Benefit District
Conconully	Mesa	Si View Metropolitan Park District
Concrete	Metaline	
Coulee City	Morton	Skykomish
Cusick	Mossyrock	South Prairie
Darrington	Naches	Spangle
Dayton	North Bend	Springdale
Deer Park		Tekoa
DuPont	North Bend Transportation Benefit District #1	Tenino
Eatonville	Northport	Tieton
Fairfield	Oakesdale	Toledo
Farmington	Odessa	Twisp
Forks	Orting	Twisp Public Development Authority
Friday Harbor	Orting Transportation Benefit District	Vader
Friday Harbor Transportation Benefit District	Pacific	Wapato

Garfield	Pateros	Waverly
Gig Harbor	Pe Ell	Wenatchee
Gold Bar	Pomeroy	Wenatchee Transportation Benefit District
Granger	Port Orchard	Whitman County Fire Protection District #3
Grant County Fire District #6	Poulsbo	
Hamilton	Prescott	Wilson Creek
Harrah	Prescott Park & Recreation District	Winlock
Harrington		Winthrop
		Yacolt
		Yelm

OFM Schedule of Expenses
AWC-Risk Management Service Agency
For the Fiscal Year Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
EXPENSES		
Contracted Services:		
Administration (AWC)	1,172,451	1,052,051
Consultant Services-Actuarial	52,750	78,550
Temporary Help	-	14,567
Investment Services	3,041	11,958
Claims/Financial Audit	9,489	9,990
General Legal Counsel	18,775	32,561
Coverage Counsel	68,123	48,466
Pre-Litigation Expense	163,504	265,067
Loss Control	105,862	67,978
Information Technology	21,530	17,061
General Administrative Expenses:		
Communications and Marketing	20,319	1,328
Printing and Publications	8,877	3,066
Postage	407	555
Publication and Dues	11,063	6,907
Board & Officer Expense/Training	22,105	19,126
Operating Committee	15,050	10,041
Annual Meeting	13,805	12,652
Member Education/Training	47,613	29,355
Travel and Training	42,715	36,521
Board E&O Insurance	3,000	2,650
Cyber Liability Insurance	1,949	-
State Risk Manager Fee	11,734	11,734
Claims Loss Expenses:		
Current Claims Loss Expenses	3,225,000	2,425,000
Prior Year Actuarial Adjustments	630,540	(640,165)
Unallocated Loss Adjustment Expenses	25,000	(50,000)
Insurance Premiums:		
Excess Liability Insurance	506,050	541,256
Second Excess Liability Insurance	231,123	242,400
Property Excess Insurance	1,060,983	1,146,652
Fidelity Insurance	34,860	30,999
Special Events/Airport Liability	10,776	10,522
Total Operating Expenses	<u>7,538,494</u>	<u>5,438,848</u>

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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