



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Association of Washington Cities Risk Management Service Agency

Thurston County

For the period January 1, 2015 through December 31, 2016

Published May 22, 2017

Report No. 1019174





Office of the Washington State Auditor
Pat McCarthy

May 22, 2017

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 Pool's financial condition.

Sincerely,

Pat McCarthy
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, 2015 through December 31, 2016**

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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements, and have issued our report thereon dated May 16, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Pool's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Pool's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

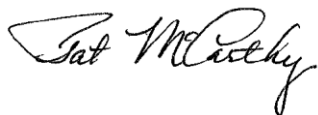
COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Pool's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy

State Auditor

Olympia, WA

May 16, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Association of Washington Cities Risk Management Service Agency Thurston County January 1, 2015 through December 31, 2016

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, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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, 2016 and 2015, 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.

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 26 through 27 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 opinions on the financial statements that collectively comprise the Pool's basic financial statements as a whole. The DES Schedule of Expenditures and List of Members 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 16, 2017 on our consideration of the Pool's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pool's internal control over financial reporting and compliance.



Pat McCarthy
State Auditor
Olympia, WA

May 16, 2017

FINANCIAL SECTION

**Association of Washington Cities Risk Management Service Agency
Thurston County
January 1, 2015 through December 31, 2016**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2016 and 2015

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2016 and 2015

Statement of Revenues, Expenses and Changes in Net Position – 2016 and 2015

Statement of Cash Flows – 2016 and 2015

Notes to Financial Statements – 2016 and 2015

REQUIRED SUPPLEMENTARY INFORMATION

Ten-Year Claims Development Information – 2016

Reconciliation of Claims Liabilities by Type of Contract – 2016

SUPPLEMENTARY AND OTHER INFORMATION

DES Schedule of Expenditures – 2016 and 2015

2016 AWCRRMSA Members – 2016

**ASSOCIATION OF WASHINGTON CITIES
RISK MANAGEMENT SERVICE AGENCY
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**

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, 2016. 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 \$10,995,066 (*net position*). The total amount of \$10,995,066 (*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 increased by \$1,152,081.
3. The Risk Management Service Agency's total liabilities decreased by \$501,612 in 2016 due primarily to a decrease in Claim Reserves (IBNR and Unpaid Claims) in the amount of \$381,575 from \$5,799,495 in 2015 to \$5,417,920 in 2016.
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 *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 *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 \$10,995,066 at the close of the most recent fiscal year.

By far, the largest portion of the Pool's assets reflects cash and investments (81% - \$13,561,419, of \$16,787,957). The Pool uses these assets to fund the claim reserves arising from claims, which were estimated at \$5,417,920 at December 31, 2016.

RISK MANAGEMENT SERVICE AGENCY – NET POSITION

	12-31-16	12-31-15	12-31-14
Current Assets	\$13,889,878	\$13,327,108	\$13,062,466
Noncurrent Assets	\$2,898,079	\$2,810,380	\$2,725,519
Total Assets	\$16,787,957	\$16,137,488	\$15,787,985
Current Liabilities	\$2,156,471	\$2,305,308	\$2,636,534
Noncurrent Liabilities	\$3,636,420	\$3,989,195	\$5,127,773
Total Liabilities	\$5,792,891	\$6,294,503	\$7,764,307
Unrestricted	\$10,995,066	\$9,842,985	\$8,023,678
Net Position	\$10,995,066	\$9,842,985	\$8,023,678
Total Liabilities and Net Position	\$16,787,957	\$16,137,488	\$15,787,985

The unrestricted net position, totaling \$10,995,066 may be used to meet the Pool's ongoing obligations to creditors.

Changes in Net Position

The Risk Management Service Agency net position increased \$1,152,081 during 2016. The key elements of this increase are attributed to an improvement in claim activity and a decrease in claim severity of new claims reported during fiscal year 2016.

RISK MANAGEMENT SERVICE AGENCY – CHANGES IN NET POSITION

	2016 ACTIVITIES	2015 ACTIVITIES	2014 ACTIVITIES
Revenues			
Member Assessments	\$7,245,654	\$6,457,518	\$6,186,014
Other Income	\$78,981	\$78,762	\$83,641
Interest Income	\$61,760	\$18,564	\$13,487
Increase/<Decrease> in Equity in NLC MIC	\$90,199	\$87,361	\$129,219
Total Revenues	\$7,476,594	\$6,642,205	\$6,412,361
Expenses			
Claims Loss Expense -- Current Year	\$2,355,000	\$2,495,000	\$3,225,000
Claims Loss Expense -- Prior Years	(\$502,335)	(\$1,673,291)	\$630,540
Unallocated Loss Adjustment Expenses	(\$20,000)	(\$40,000)	\$25,000
Insurance Premiums	\$2,391,513	\$2,101,290	\$1,843,792
Claims Administration and Loss Control Services	\$637,495	\$564,201	\$516,226
General and Administrative Expenses	\$1,462,840	\$1,375,698	\$1,297,936
Total Expenses	\$6,324,513	\$4,822,898	\$7,538,494
Income (Loss)	\$1,152,081	\$1,819,307	(\$1,126,133)
Change in Net Position	\$1,152,081	\$1,819,307	(\$1,126,133)

ECONOMIC FACTORS IMPACTING THE POOL:

Over the past few years, interest rates available for investing have been at the lowest levels experienced by the Risk Management Service Agency and rates are expected to remain low in 2017. 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
Carol Wilmes
Director, Member Pooling Programs
1076 Franklin Street SE
Olympia, Washington 98501-1346

**ASSOCIATION OF WASHINGTON CITIES
RISK MANAGEMENT SERVICE AGENCY
STATEMENT OF NET POSITION
December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
ASSETS:		
<u>Current Assets:</u>		
Cash and Cash Equivalents	\$ 13,561,419	\$ 10,146,976
Receivables:		
Assessments Receivable	6,076	-
Excess/Reinsurance Recoverable	287,842	2,097,392
Member Deductibles	34,541	22,571
Prepaid Expense	-	1,060,169
Total Current Assets:	<u>\$ 13,889,878</u>	<u>\$ 13,327,108</u>
<u>Noncurrent Assets:</u>		
Contract Receivable	32,500	35,000
Reinsurance Deposit	239,149	239,149
Equity In NLC MIC	2,626,430	2,536,231
Total Noncurrent Assets:	<u>\$ 2,898,079</u>	<u>\$ 2,810,380</u>
TOTAL ASSETS:	<u><u>\$ 16,787,957</u></u>	<u><u>\$ 16,137,488</u></u>
LIABILITIES:		
<u>Current Liabilities:</u>		
Claim Reserves:		
Incurred but Not Reported (IBNR)	\$ 1,068,900	\$ 1,086,200
Unpaid Claims	712,600	724,100
Unallocated Loss Adjustment Expenses	200,000	220,000
Accounts Payable	174,471	275,008
Unearned Member Assessments	500	-
Total Current Liabilities:	<u>\$ 2,156,471</u>	<u>\$ 2,305,308</u>
<u>Noncurrent Liabilities:</u>		
Claim Reserves:		
Incurred but Not Reported (IBNR)	\$ 2,824,478	\$ 2,853,664
Unpaid Claims	811,942	1,135,531
Total Noncurrent Liabilities:	<u>\$ 3,636,420</u>	<u>\$ 3,989,195</u>
TOTAL LIABILITIES	<u><u>\$ 5,792,891</u></u>	<u><u>\$ 6,294,503</u></u>
NET POSITION:		
Unrestricted	10,995,066	9,842,985
TOTAL NET POSITION	<u><u>\$ 10,995,066</u></u>	<u><u>\$ 9,842,985</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 16,787,957</u></u>	<u><u>\$ 16,137,488</u></u>

The Accompanying Notes Are An Integral part of This Statement.

**ASSOCIATION OF WASHINGTON CITIES
RISK MANAGEMENT SERVICE AGENCY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Years Ended December 31, 2016 and 2015**

	2016	2015
OPERATING REVENUES:		
Member Assessments	\$7,245,654	\$6,457,518
Other Income	78,981	78,762
Total Operating Revenues	<u>\$7,324,635</u>	<u>\$6,536,280</u>
OPERATING EXPENSES:		
Claims Loss Expense -- Current Year	\$2,355,000	\$2,495,000
Claims Loss Expense -- Prior Years	(502,335)	(1,673,291)
Unallocated Loss Adjustment Expenses	(20,000)	(40,000)
Insurance Premiums	2,391,513	2,101,290
Claims Administration and Loss Prevention Services	637,495	564,201
General and Administrative Expenses	1,462,840	1,375,698
Total Operating Expenses	<u>\$6,324,513</u>	<u>\$4,822,898</u>
OPERATING INCOME:	<u>\$1,000,122</u>	<u>\$1,713,382</u>
NONOPERATING REVENUES/EXPENSES:		
Interest Income	\$61,760	\$18,564
Increase/<Decrease> in Equity in NLC MIC	90,199	87,361
Total Non-Operating Revenues and Expenses	<u>\$151,959</u>	<u>\$105,925</u>
CHANGE IN NET POSITION:	\$1,152,081	\$1,819,307
TOTAL NET POSITION - JANUARY 1	9,842,985	8,023,678
TOTAL NET POSITION - DECEMBER 31	<u>\$10,995,066</u>	<u>\$9,842,985</u>

The Accompanying Notes Are An Integral part of This Statement.

**ASSOCIATION OF WASHINGTON CITIES
RISK MANAGEMENT SERVICE AGENCY
STATEMENT OF CASH FLOWS
For The Years Ended December 31, 2016 and 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From Members	\$ 7,242,578	\$ 6,460,768
Other Operating Cash Receipts	78,981	78,762
Cash Payments for Claims	(2,234,240)	(2,268,987)
Cash Payments for Insurance Premiums	(1,331,344)	(3,161,459)
Cash Payments for Operating Expenses	(403,292)	(2,731,145)
Net Cash Provided (Used) By Operating Activities:	<u>\$ 3,352,683</u>	<u>\$ (1,622,061)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Income	61,760	18,564
Net Cash Provided By Investing Activities:	<u>\$ 61,760</u>	<u>\$ 18,564</u>
INCREASE/<DECREASE> IN CASH AND CASH EQUIVALENTS	\$ 3,414,443	\$ (1,603,497)
CASH AND CASH EQUIVALENTS, JANUARY 1	10,146,976	11,750,473
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 13,561,419</u></u>	<u><u>\$ 10,146,976</u></u>
RECONCILIATION OF OPERATING INCOME:		
Adjustments to Reconcile Operating Income to Net Income Provided By Operating Activities		
Operating income	\$1,000,122	\$1,713,382
(Increase) decrease in Assessments Receivable	(6,076)	750
(Increase) decrease in Other Receivables From Reinsurer	1,797,580	(808,720)
(Increase) decrease in Prepaid Expenses	1,060,169	(1,060,169)
(Increase) decrease in Contract Receivable	2,500	2,500
Increase (decrease) in Loss Reserves	(381,575)	(1,447,278)
Increase (decrease) in ULAE	(20,000)	(40,000)
Increase (decrease) in Payables	(100,537)	17,474
Increase (decrease) in Unearned Member Assessments	500	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:	<u>\$ 3,352,683</u>	<u>\$ (1,622,061)</u>

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, 2016 AND 2015**

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 members 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 a 12 month written notice of its intent to withdraw. Members are subject to supplemental premium assessments in the event of deficiencies. As of December 31, 2016 and 2015, 98 and 102 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 \$15 million per occurrence with a \$39.0 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.

Prepaid Expenses – Prepaid expenses were \$0 and \$1,060,169 for 2016 and 2015. 100% of prepaid expenses were prepaid insurance premiums.

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, 2016 and 2015 are \$287,842 and \$2,097,392, respectively. Amounts recovered from reinsurance carriers and deducted from claims liabilities during the years ended December 31, 2016 and 2015 are \$2,703,646 and

\$751,882, respectively. Premiums paid to reinsurance carriers during 2016 and 2015 were \$2,391,513 and \$2,101,290, 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, property values 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.

Claim Reserves – 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 member 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 115(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, 2016, the Pool deposits and investments were as follows:

	Book Value	Market Value
Bank Accounts	\$ 896,540	\$ 896,540
Local Government Investment Pool	<u>12,664,879</u>	<u>12,664,879</u>
Total Deposits and Investments	<u>\$13,561,419</u>	<u>\$13,561,419</u>

As of December 31, 2015, the Pool deposits and investments were as follows:

	Book Value	Market Value
Bank Accounts	\$ 1,042,810	\$ 1,042,810
Local Government Investment Pool	<u>9,104,166</u>	<u>9,104,166</u>
Total Deposits and Investments	<u>\$10,146,976</u>	<u>\$10,146,976</u>

Book value and market value are the same as of December 31, 2016 and 2015. 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/REINSURANCE CONTRACTS

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, 2016 and December 31, 2015 are:

<u>Excess Insurance Contracts</u>	<u>Carrier (1)</u>	<u>Retention</u>	<u>2016</u>	<u>2015</u>
General Liability	Berkley, Argonaut, Allied World	\$ 250,000.00	\$ 15,000,000.00	\$ 10,000,000.00
Automobile Liability	Berkley, Argonaut, Allied World	\$ 250,000.00	\$ 15,000,000.00	\$ 10,000,000.00
Public Officials E&O	Berkley, Argonaut, Allied World	\$ 250,000.00	\$ 15,000,000.00	\$ 10,000,000.00
Police Professional Liability	Berkley, Argonaut, Allied World	\$ 250,000.00	\$ 15,000,000.00	\$ 10,000,000.00
Property	Lexington	\$ 100,000.00	\$ 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, Argonaut, Allied World	\$ 250,000.00	\$ 53,000,000.00	\$ 39,000,000.00
Excess Liability Aggregate	Argonaut, Allied World	\$ 250,000.00	\$ 23,000,000.00	\$ 9,000,000.00

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 (1)</u>	<u>2016</u>	<u>2015</u>
General Liability	Berkley, Argonaut, Allied World	\$ 15,000,000.00	\$ 10,000,000.00
Automobile Liability	Berkley, Argonaut, Allied World	\$ 15,000,000.00	\$ 10,000,000.00
Public Officials E&O	Berkley, Argonaut, Allied World	\$ 15,000,000.00	\$ 10,000,000.00
Police Professional Liability	Berkley, Argonaut, Allied World	\$ 15,000,000.00	\$ 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

(1) In 2015, Berkley Public Entity Managers provided liability coverage up to \$1,000,000 excess of the \$250,000 SIR. Starr Indemnity & Liability Company provided liability coverage up to \$9,000,000 excess of \$1,000,000.

In 2016, Berkley Public Entity Managers provided liability coverage up to \$1,000,000 excess of the \$250,000 SIR. Argonaut Insurance Company provided liability coverage up to \$9,000,000 excess of \$1,000,000. Allied World National Assurance Company provided liability coverage up to \$5,000,000 excess of \$10,000,000.

In the past three years (2014, 2015, and 2016, 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 2016 and 2015 were \$2,391,513 and \$2,101,290, respectively. The estimated amounts that are recoverable from excess and reinsurers that reduced the liabilities on the balance sheet as of December 31, 2016 and 2015 were \$287,842 and \$2,097,392, 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, 2016. Claim coverage is provided on an occurrence basis.

TYPE OF COVERAGE			MEMBER DEDUCTIBLES	SELF INSURED RETENTION	EXCESS LIMITS
Property Loss:					
Buildings and Content			\$ -	\$ 100,000.00	\$ 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			\$ -	\$ 100,000.00	\$ 250,000,000.00
Comprehensive General Liability, including					
Professional Liability			\$ -	\$ 250,000.00	\$ 15,000,000.00
Terrorism Liability			\$ -	\$ -	\$ -
Auto Liability			\$ -	\$ 250,000.00	\$ 15,000,000.00
Public Officials Errors and Omissions			\$ -	\$ 250,000.00	\$ 15,000,000.00
Employment Practices Liability			\$ -	\$ 250,000.00	\$ 15,000,000.00
Blanket Employee Dishonesty, Named Position			\$ -	\$ 1,000.00	\$ 1,000,000.00
Boiler and Machinery			\$ 5,000.00	\$ 100,000.00	\$ 100,000,000.00
Auto Physical Damage			\$ -	\$ 100,000.00	\$ 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 2016 and 2015, 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, 2016 and December 31, 2015 is \$32,500 and \$35,000, respectively.

NOTE G – REINSURANCE DEPOSIT AND EQUITY IN NLC MIC

The Pool is an active but non-purchasing member of the National League of Cities Mutual Insurance Company (NLC MIC, a captive mutual insurance company, consisting of 30 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, 2016 and 2015. At the discretion of the Pool, an election can be made to withdraw the reinsurance deposit by giving written notice. The Pool would be entitled to a withdrawal of the reinsurance deposit based upon the distribution rules in effect at the time of notice. The Pool has not given any such notice.

The Pool's equity interest in NLC MIC as of December 31, 2016 and 2015 totaled \$2,626,430 and \$2,536,231, respectively, for the twenty-seventh and twenty-sixth 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 prevention 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 12/31/16	Year Ended 12/31/15
Personnel Costs	\$644,819	\$663,538
Administrative	683,718	590,981
Staff Travel	37,936	32,256
Board Expense	20,742	16,602
Communications/Marketing	11,986	12,836
Publication & Dues	10,906	11,045
Member Education/Training	9,406	19,510
Temporary Services	8,521	0
Annual Meeting Expense	8,410	10,601
State Risk Manager Fee	5,867	0
Loss Prevention	0	14,597
Other	1,266	2,214
Total	<u>\$1,443,577</u>	<u>\$1,374,180</u>

Services payable to AWC were \$122,301 and \$235,946 at December 31, 2016 and December 31, 2015, respectively.

During 2016 and 2015, 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 12/31/16	Year Ended 12/31/15
Unpaid claims and claim adjustment expenses/claim reserves at beginning of the fiscal year	\$ 5,799,495	\$ 7,246,773
Incurred claims and claim adjustment expenses:		
Provisions for insured events of the current year	2,355,000	2,495,000
Increase/Decrease in provision for insured events of prior years	(502,335)	(1,673,291)
Total incurred claims and claim adjustment expenses	<u>\$ 1,852,665</u>	<u>\$ 821,709</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	\$ 470,167	\$ 470,075
Claims and claim adjustment expenses attributable to insured events of the prior years	<u>1,764,073</u>	<u>1,798,912</u>
Total payments	\$ 2,234,240	\$ 2,268,987
Total unpaid claims and claim adjustment expense/claim reserves at end of the fiscal year	\$ 5,417,920	\$ 5,799,495
Unallocated loss adjustment expense/claims reserves at end of year	\$ 200,000	\$ 220,000
Total claim reserves at end of year	<u>\$ 5,617,920</u>	<u>\$ 6,019,495</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, 2016 and December 31, 2015.

	12/31/2016	12/31/2015
Primary Asset Test:		
Primary Assets	13,386,948	9,871,968
Unpaid Claims - Expected Level	5,617,920	6,019,495
Results	Pass	Pass
Primary and Secondary Test:		
Secondary Assets	3,226,538	5,990,512
Primary and Secondary	16,613,486	15,862,480
Unpaid Claims - 80% Confidence Level	6,442,000	6,883,000
Results	Pass	Pass

NOTE L – LEGAL COMPLIANCE AND SUBSEQUENT EVENTS

The Pool is in compliance with all contractual provisions and there were no material events occurring after the date of the Statements which would require disclosure.

ASSOCIATION OF WASHINGTON CITIES
RISK MANAGEMENT SERVICE AGENCY
CLAIMS DEVELOPMENT INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1 Required contribution and investment revenue:										
Earned	\$ 5,297,499	\$ 5,346,953	\$ 6,233,753	\$ 6,692,575	\$ 7,239,580	\$ 7,200,477	\$ 6,632,447	\$ 6,186,014	\$ 6,457,518	\$ 7,245,654
Ceded	1,737,853	2,141,903	2,145,156	2,434,543	2,369,407	2,249,899	1,971,829	1,843,792	2,101,290	2,391,513
Net earned	<u>\$ 3,559,646</u>	<u>\$ 3,205,050</u>	<u>\$ 4,088,597</u>	<u>\$ 4,258,032</u>	<u>\$ 4,870,173</u>	<u>\$ 4,950,578</u>	<u>\$ 4,660,618</u>	<u>\$ 4,342,222</u>	<u>\$ 4,356,228</u>	<u>\$ 4,854,141</u>
2 Unallocated Expenses	\$ 987,423	\$ 1,244,660	\$ 1,094,492	\$ 1,257,240	\$ 1,560,188	\$ 1,602,429	\$ 1,682,183	\$ 1,839,162	\$ 1,899,899	\$ 2,095,758
3 Estimated claims and expenses end of policy year:										
Incurred	\$ 2,348,000	\$ 3,085,000	\$ 2,879,000	\$ 2,740,000	\$ 2,685,000	\$ 2,640,000	\$ 2,425,000	\$ 3,225,000	\$ 2,495,000	\$ 2,355,000
Ceded				1,982,018	1,518,286	5,437,864	1,028,329	1,336,908	1,045,566	1,122,245
Net incurred				<u>\$ 757,982</u>	<u>\$ 1,166,714</u>	<u>\$ (2,797,864)</u>	<u>\$ 1,396,671</u>	<u>\$ 1,888,092</u>	<u>\$ 1,449,434</u>	<u>\$ 1,232,755</u>
4 Net Paid (cumulative as of):										
End of Year	\$ 430,306	\$ 791,195	\$ 498,482	\$ 238,848	\$ 459,013	\$ 308,518	\$ 423,978	\$ 563,681	\$ 474,055	\$ 470,167
One year later	1,243,521	1,379,155	741,801	803,382	717,327	728,150	951,786	1,269,113	954,454	
Two years later	1,724,569	1,848,450	863,187	1,134,019	925,211	933,090	1,233,903	1,713,746		
Three years later	2,368,027	2,379,621	941,901	1,582,367	1,063,674	1,212,855	\$ 1,526,233			
Four years later	2,887,777	2,777,428	1,033,788	1,967,281	1,167,160	\$ 1,349,752				
Five years later	3,061,382	3,610,923	1,222,182	1,992,616	\$ 1,405,402					
Six years later	3,098,780	3,775,950	1,258,817	\$ 1,968,716						
Seven years later	3,538,929	3,836,079	\$ 1,277,241							
Eight years later	3,548,564	\$ 3,925,198								
Nine years later	\$ 3,924,357									
5 Restimated coded claims and expenses	\$ 4,065,447	\$ 1,772,810	\$ 401,619	\$ 960,933	\$ 475,325	\$ 3,270,997	\$ 594,477	\$ 1,914,506	\$ 1,348,372	\$ 1,122,245
6 Re-estimated incurred claims and expense										
End of Year	\$ 2,348,000	\$ 3,085,000	\$ 2,879,000	\$ 2,740,000	\$ 2,685,000	\$ 2,640,000	\$ 2,425,000	\$ 3,225,000	\$ 2,495,000	\$ 2,355,000
One year later	3,037,463	3,326,895	2,704,487	2,524,593	2,306,667	2,238,206	2,908,446	2,563,863	2,511,872	
Two years later	3,143,717	3,419,841	2,199,957	2,302,237	1,951,741	2,259,013	2,240,831	\$ 2,473,287		
Three years later	3,391,662	3,269,185	1,675,855	2,347,237	1,774,399	1,809,013	\$ 2,000,252			
Four years later	3,316,412	3,239,148	1,400,475	2,207,237	1,519,399	\$ 1,728,337				
Five years later	3,382,832	3,768,368	1,385,204	2,147,237	\$ 1,527,987					
Six years later	3,272,832	3,685,355	1,408,319	2,048,012						
Seven years later	3,626,832	4,005,355								
Eight years later	3,573,929	3,925,198								
Nine years later	3,925,634									
7 Increase (Decrease) in estimated incurred claims from end of policy year.	\$ 1,577,634	\$ 840,198	\$ (1,444,681)	\$ (690,988)	\$ (1,157,013)	\$ (911,663)	\$ (424,748)	\$ (751,713)	\$ 16,872	\$ -

**Association of Washington Cities
Risk Management Service Agency
Required Supplementary Information
January 1, 2016 through December 31, 2016**

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	
	2016	2015	2016	2015
Unpaid Claims and Claim Adjustment Expenses at Beginning of the Fiscal Year	\$ 5,424,681	\$ 6,810,538	\$ 374,814	\$ 436,235
Incurred Claims and Claim Adjustment Expenses:				
Provision for the Current Year:	1,950,000	1,850,000	405,000	645,000
Change in Provision for Prior Years:	<u>(365,739)</u>	<u>(1,967,919)</u>	<u>(136,596)</u>	<u>(19,637)</u>
Total Incurred Claims and Claim Adjustment Expenses	1,584,261	(117,919)	268,404	625,363
Payments:				
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Fiscal Year	223,620	189,069	246,547	281,006
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Prior Fiscal Years	<u>1,636,817</u>	<u>1,078,869</u>	<u>127,256</u>	<u>405,778</u>
Total Payments:	1,860,437	1,267,938	373,803	686,784
Total Unpaid Claims and Claim Adjustment Expenses at End of the Fiscal Year	<u>\$ 5,148,505</u>	<u>\$ 5,424,681</u>	<u>\$ 269,415</u>	<u>\$ 374,814</u>

DES Schedule of Expenses
AWC-Risk Management Service Agency
For the Fiscal Year Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
EXPENSES		
Contracted Services:		
Administration (AWC)	\$1,328,537	\$1,254,519
Pre-Litigation Expense	172,595	149,282
Consultant Services-Actuarial	52,950	101,450
General Legal Counsel	29,820	26,557
Coverage Counsel	27,542	23,189
Information Technology	36,404	21,530
Temporary Services	17,158	0
Investment Services	16,667	0
Claims/Financial Audit	11,172	19,722
Claims Adjuster Fees	8,415	0
General Administrative Expenses:		
Loss Prevention	180,702	128,978
Member Education/Training	56,447	69,975
Travel and Training	48,655	41,025
Communications and Marketing	20,763	19,857
Board & Officer Expense/Training	19,865	17,417
Operating Committee	18,950	15,550
Publication and Dues	13,000	13,685
Annual Meeting	15,888	11,786
State Risk Manager Fee	11,734	11,734
Printing and Publications	7,738	8,336
Board E&O Insurance	3,000	3,000
Postage	1,570	1,452
Cyber Liability Insurance	763	855
Claims Loss Expenses:		
Current Claims Loss Expenses	2,355,000	2,495,000
Prior Year Actuarial Adjustments	(502,335)	(1,673,291)
Unallocated Loss Adjustment Expenses	(20,000)	(40,000)
Insurance Premiums:		
Property Excess Insurance	1,334,399	1,232,428
Excess Liability Insurance	560,510	556,484
Second Excess Liability Insurance	359,151	263,000
Third Excess Liability Insurance	82,886	0
Fidelity Insurance	42,676	38,602
Special Events/Airport Liability	11,891	10,776
Total Operating Expenses	<u>\$6,324,513</u>	<u>\$4,822,898</u>

**Association of Washington Cities
Risk Management Services Agency
2016 Membership**

2016 RMSA Members

**Airway Heights
Algona
Almira
Beaux Arts
Bingen
Black Diamond
Bridgeport
Bucoda
Carbonado
Carnation
Castle Rock
Castle Rock Transportation Benefit District
Cathlamet
Conconully
Concrete
Coulee City
Creston
Cusick
Darrington
Dayton
Deer Park
Dupont
Dupont Transportation Benefit District
Eatonville
Fairfield
Farmington
Forks
Friday Harbor
Garfield
Gig Harbor
Gold Bar
Granger
Grant County Fire Protection District #6
Hamilton
Harrah
Harrington
Hatton
Hunts Point
Index
Kalama
Kettle Falls
La Center
Lamont
Langley
Latah**

Lincoln County Fire Protection District #8
Mesa
Metaline
Metaline Falls
Morton
Mossyrock
Naches
North Bend
North Bend Transportation Benefit District #1
Northport
Oakesdale
Odessa
Orting
Pacific
Pateros
Pe Ell
Pomeroy
Port Orchard
Prescott
Prescott Joint Parks and Recreation District
Rainier
Raymond
RiverCom
Riverside
Rockford
Rosalia
Roslyn
Roy
Ruston
Sequim
Sequim Transportation Benefit District
Si View Metropolitan Park District
Skykomish
South Bend
South Prairie
Spangle
Springdale
Tekoa
Tieton
Tenino
Toledo
Tonasket
Twisp
Vader
Wapato
Waverly
Wenatchee
White Salmon
Whitman County Fire Protection District #3
Wilson Creek
Winthrop

Yacolt
Yelm

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.

Contact information for the State Auditor's Office	
Public Records requests	PublicRecords@sao.wa.gov
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov