



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

**Financial Statements Audit Report**  
**Water Sewer Insurance Pool**  
**(Water and Sewer Risk Management**  
**Pool)**

**King County**

**For the period November 1, 2015 through October 31, 2017**

**Published June 21, 2018**

**Report No. 1021581**





## Office of the Washington State Auditor

**Pat McCarthy**

June 21, 2018

Board of Directors  
Water and Sewer Risk Management Pool  
Bellevue, Washington

### **Report on Financial Statements**

Please find attached our report on the Water and Sewer Risk Management Pool's financial statements.

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

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

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**

**Water and Sewer Risk Management Pool  
King County  
November 1, 2015 through October 31, 2017**

Board of Directors  
Water and Sewer Risk Management Pool  
Bellevue, 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 Water and Sewer Risk Management Pool, King County, Washington, as of and for the years ended October 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements, and have issued our report thereon dated June 15, 2018.

**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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy

State Auditor

Olympia, WA

June 15, 2018

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Water and Sewer Risk Management Pool King County November 1, 2015 through October 31, 2017**

Board of Directors  
Water and Sewer Risk Management Pool  
Bellevue, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Water and Sewer Risk Management Pool, King County, Washington, as of and for the years ended October 31, 2017 and 2016, 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 Water and Sewer Risk Management Pool, as of October 31, 2017 and 2016, 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 and required supplementary information listed on page 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary and Other Information*

Our audits were conducted for the purpose of forming and opinion on the financial statements that collectively comprise the Pool's basic financial statements as a whole. The List of Participating Members and DES Schedule of Expenses are presented for the purposes of additional analysis and 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 June 15, 2018 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

June 15, 2018

## **FINANCIAL SECTION**

### **Water and Sewer Risk Management Pool King County November 1, 2015 through October 31, 2017**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2017 and 2016

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2017 and 2016

Statement of Revenues, Expenses and Changes in Fund Net Position – 2017 and 2016

Statement of Cash Flows – 2017 and 2016

Notes to Financial Statements – 2017 and 2016

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Notes to Schedule of Claims Development Information – 2017

Schedule of Claims Development Information – 2017

Notes to Schedule of Claims Development Information – 2016

Schedule of Claims Development Information – 2016

Reconciliation of Claims Liabilities by Type of Contract – 2017

Reconciliation of Claims Liabilities by Type of Contract – 2016

Schedule of Funding Progress – Retiree Medical Benefits – 2017

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2017

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2017

#### **SUPPLEMENTARY AND OTHER INFORMATION**

List of Participating Members – 2017

DES Schedule of Expenses – 2017 and 2016

**Water and Sewer Insurance Pool  
DBA Water and Sewer Risk Management Pool**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Water and Sewer Risk Management Pool's (WSRMP or the Pool) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of WSRMP's financial activity, identify changes in WSRMP's financial position, and identify any material deviations from the financial plan (the approved budget).

Since the Management's Discussion and Analysis (MD&A) is designed to focus on the current years activities, resulting changes and currently known facts, please read it in conjunction with WSRMP's financial statements.

**HIGHLIGHTS**

**Financial Highlights**

**Fiscal Year Ending October 31, 2017:**

WSRMP's net position increased by \$616,899 to \$2,103,506 compared to FY2016 increase of \$189,344. In FY2017 the Pool's current year and prior year claims reserves (including ULAE) decreased by \$80,000 along with a reduction of \$65,855 in claims paid on current losses. FY2017 total expenses declined by 14.93% or \$425,990. Pool staff continued to be fully focused on expense controls.

**Fiscal Year Ending October 31, 2016:**

WSRMP's net position increased by \$189,344 compared to FY2015 increase of \$650,449. The Pool raised member assessments by \$270,891 in FY2016. In FY2016 the Pool increased claims reserves (including ULAE) by \$221,000. Claims paid on current losses increased \$252,683 and legal expenses were \$75,337 higher compared to FY2015.

The Pool implemented GASB 68, *Accounting and Financial Reporting for Pensions*, during fiscal year 2016. The Pool restated fiscal year 2015 statements to reflect GASB 68 and reported a change in accounting principle of \$214,755 for GASB 68 expense related to fiscal year 2014 and earlier years pension accruals.

## OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis is intended to serve as an introduction to WSRMP's basic financial statements. The Pool's financial statements comprise of two components: 1) basic financial statements (which are on and the same for the entity-wide and individual 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 Pool'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 Pool is improving or deteriorating.

The *Statements of Revenues, Expenses and Changes in Fund 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 cashflows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g., loss reserves is an example).

The Pool's function is to provide property and casualty insurance to participating members. The Pool's primary source of revenue 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-wide financial statements include only WSRMP itself. The Pool has no other *component units* for which it is financially accountable.

**Water and Sewer Insurance Pool  
DBA Water and Sewer Risk Management Pool**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Financial Highlights (continued)**

- Three-year comparative summary financial data:

DESCRIPTION	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Total Assets – Capital	\$6,468	\$6,968	\$9,915
Total Assets – Other	\$6,041,345	\$5,521,662	\$5,092,725
Total Assets	\$6,047,813	\$5,528,630	\$5,102,640
Total Deferred Outflows of Resources	\$30,337	\$40,488	\$16,358
Total Current Liabilities	\$3,362,326	\$3,517,761	\$3,379,495
Noncurrent Liabilities	\$583,054	\$552,194	\$404,333
Total Liabilities	\$3,945,380	\$4,069,955	\$3,783,828
Total Deferred Inflows of Resources	\$29,264	\$12,556	\$37,907
Total Net Position-Invested in Capital Assets	\$6,468	\$6,968	\$9,915
Total Net Position-Unrestricted	\$2,097,038	\$1,479,639	\$1,287,348
Total Net Position	\$2,103,506	\$1,486,607	\$1,297,263
<b>OPERATING REVENUES</b>			
Member Assessments	\$2,948,502	\$2,914,376	\$2,643,485
Other Revenues	\$72,925	\$117,749	\$194,081
<b>TOTAL OPERATING REVENUES</b>	<b>\$3,021,427</b>	<b>\$3,032,125</b>	<b>\$2,837,566</b>
<b>NON-OPERATING REVENUES</b>			
Investment Income	\$22,016	\$9,753	\$2,697
<b>TOTAL REVENUES</b>	<b>\$3,043,443</b>	<b>\$3,041,878</b>	<b>\$2,840,263</b>
<b>OPERATING EXPENSES</b>			
Insurance expense	\$1,165,107	\$1,232,510	\$1,197,107
Claims paid	\$509,915	\$575,770	\$323,087
Wages and benefits	\$457,263	\$328,283	\$261,153
Establish claims reserve	(\$80,000)	\$221,000	(\$17,000)
Other expense	\$374,259	\$494,971	\$425,467
<b>TOTAL OPERATING EXPENSES</b>	<b>\$2,426,544</b>	<b>\$2,852,534</b>	<b>\$2,189,814</b>
<b>NON-OPERATING EXPENSE</b>			
Interest Expense	-	-	-
<b>TOTAL EXPENSES</b>	<b>\$2,426,544</b>	<b>\$2,852,534</b>	<b>\$2,189,467</b>
<b>NET INCOME (LOSS)</b>	<b>\$616,899</b>	<b>\$189,344</b>	<b>\$650,449</b>
<b>BEGINNING NET POSITION</b>	<b>\$1,486,607</b>	<b>\$1,297,263</b>	<b>\$861,569</b>
<b>CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE</b>	<b>-</b>	<b>-</b>	<b>(\$214,755)</b>
<b>ENDING NET POSITION</b>	<b>\$2,103,506</b>	<b>\$1,486,607</b>	<b>\$1,297,263</b>

- The Pool has not entered into any financial contracts or agreements during fiscal year 2017 that would restrict its future use of financial resources as reported on the Statement of Net Position as of October 31, 2017.

**Water and Sewer Insurance Pool  
DBA Water and Sewer Risk Management Pool**

**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

**Operations Highlights**

The Pool is continuing to provide its members with comprehensive property and casualty insurance coverage while maintaining a solid foundation. WSRMP is funded well over the 95% confidence level in regard to claim reserves. We retained 100% of our members at the end of FY2017. Our loss ratio continued to be in the low 30's which indicates a lower level of loss experience for water and sewer districts compared to many other industries.

**SUMMARY**

The insurance industry has experienced a long period of "soft" rates in an extremely competitive environment. Our insurance expense has been stable or even declined from FY 2015. Our better than expected claim activity coupled with diligent expense control resulted in another financially sound year for the Pool.

**FINANCIAL CONTACT**

The Pool's financial statements are designed to present users (members and or the general public) with a general overview of the Pool's finances and to demonstrate the Pool's accountability. If you have questions about the report or need additional information, contact Cary Ecker, the Pool's Executive Director, at 1750 112<sup>th</sup> Avenue NE, Suite B215, Bellevue, WA 98004.

**WATER AND SEWER INSURANCE POOL  
DBA WATER AND SEWER RISK MANAGEMENT POOL  
Statement of Net Position  
As of October 31, 2017 and 2016**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2017</b>	<b>2016</b>
Current Assets:		
Cash and Cash Equivalents	\$ 2,665,142	\$ 2,034,016
Member receivables	2,891,939	3,009,331
Other receivables, net of allowance	890	1,010
Prepaid expenses	483,374	477,305
<b>TOTAL CURRENT ASSETS</b>	<b>6,041,345</b>	<b>5,521,662</b>
Capital assets, net	6,468	6,968
<b>TOTAL ASSETS</b>	<b>\$ 6,047,813</b>	<b>\$ 5,528,630</b>
Deferred Outflows of Resources - Pension	\$ 30,337	\$ 40,488
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 6,078,150</b>	<b>\$ 5,569,118</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>		
Current Liabilities:		
Accounts payable and other current liabilities	\$ 39,098	\$ 23,173
Compensated Absences	12,712	13,421
Claim Reserves:		
IBNR	235,000	169,000
Open Claims (Case Reserves)	157,000	279,000
Unallocated Loss Adjustment Expenses	23,000	25,000
Unearned member assessments	2,895,516	3,008,167
<b>TOTAL CURRENT LIABILITIES</b>	<b>3,362,326</b>	<b>3,517,761</b>
Noncurrent Liabilities:		
Other Post Employment Benefits Payable	111,295	-
Claim Reserves:		
IBNR	169,000	115,000
Open Claims (Case Reserves)	115,000	191,000
Unallocated Loss Adjustment Expenses	14,000	14,000
Compensated Absences	3,000	9,156
Net Pension Liability	170,759	223,038
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>583,054</b>	<b>552,194</b>
<b>TOTAL LIABILITIES</b>	<b>\$ 3,945,380</b>	<b>\$ 4,069,955</b>
Deferred Inflows of Resources - Pension	\$ 29,264	\$ 12,556
Net Position:		
Net Investment in Capital Assets	6,468	6,968
Unrestricted	2,097,038	1,479,639
<b>TOTAL NET POSITION</b>	<b>\$ 2,103,506</b>	<b>\$ 1,486,607</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</b>	<b>\$ 6,078,150</b>	<b>\$ 5,569,118</b>

The accompanying notes are an integral part of these financial statements

**WATER AND SEWER INSURANCE POOL  
DBA WATER AND SEWER RISK MANAGEMENT POOL  
Statement of Revenues, Expenses  
And Changes in Fund Net Position  
For the Fiscal Years Ended October 31, 2017 and 2016**

	2017	2016
OPERATING REVENUES		
Member assessments	\$ 2,948,502	\$ 2,914,376
Other	72,925	117,749
TOTAL OPERATING REVENUES	<u>\$ 3,021,427</u>	<u>\$ 3,032,125</u>
OPERATING EXPENSES		
Insurance expense	1,165,107	1,232,510
Establish claims reserve	(80,000)	221,000
Claims paid on current losses	509,915	575,770
Wages, employee benefits and payroll taxes	457,263	328,283
Legal	115,695	207,677
Office supplies and expense	22,625	25,884
Travel	16,995	16,154
Accounting and Auditing	35,428	21,400
Rent	37,891	36,328
Claims adjusting expense	52,291	67,905
Seminars	15,914	30,918
Actuarial Study	5,800	13,050
Telephone	7,913	8,028
Depreciation	3,158	2,947
Dues, subscriptions and meetings	8,362	8,504
Promotion	3,023	4,137
Executive Committee Compensation	4,535	3,995
Postage	1,906	2,239
State Risk Manager Assessment	11,720	11,734
Consultants	30,877	33,047
Miscellaneous	126	1,024
TOTAL OPERATING EXPENSES	<u>2,426,544</u>	<u>2,852,534</u>
OPERATING INCOME (LOSS)	594,883	179,591
NONOPERATING REVENUES (EXPENSES)		
Interest Income	<u>22,016</u>	<u>9,753</u>
CHANGE IN NET POSITION	616,899	189,344
NET POSITION, beginning of fiscal year	<u>1,486,607</u>	<u>1,297,263</u>
NET POSITION, end of fiscal year	<u>\$ 2,103,506</u>	<u>\$ 1,486,607</u>

The accompanying notes are an integral part of these financial statements

**WATER AND SEWER INSURANCE POOL**  
**DBA WATER AND SEWER RISK MANAGEMENT POOL**  
**Statement of Cash Flows**  
**For the Fiscal Years Ended October 31, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from members	\$3,026,288	\$3,041,591
Cash paid to suppliers and employees	(2,414,520)	(2,632,567)
Net Cash Flows Provided (Used) by Operating Activities	<u>611,768</u>	<u>409,024</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of equipment	(2,658)	-
Net Cash Provided (Used) by capital and related financing activities	<u>(2,658)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	<u>22,016</u>	<u>9,753</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>631,126</u>	<u>418,777</u>
<b>CASH AND CASH EQUIVALENTS,</b>		
Beginning of year	<u>2,034,016</u>	<u>1,615,239</u>
End of year	<u>\$2,665,142</u>	<u>\$2,034,016</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating income (loss)	<u>\$ 594,883</u>	<u>\$ 179,591</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities		
Depreciation expense	3,158	2,947
Changes in assets and liabilities		
Receivables	117,512	(5,991)
Prepaid expenses	(6,069)	(4,169)
Accounts payable	15,925	(10,028)
Accrued liabilities	(6,156)	2,161
Compensated absences	(709)	1,837
Unearned member assessments	(112,651)	15,457
Other Post Employment Benefits Payable	111,295	-
Claims reserves	(80,000)	221,000
Decrease (Increase) in deferred outflows of resources	10,151	(24,130)
Increase (Decrease) in deferred inflows of resources	16,708	(25,351)
Increase (Decrease) in net pension payable	(52,279)	55,700
	<u>16,885</u>	<u>229,433</u>
Net Cash Provided (Used) by Operating Activities	<u>611,768</u>	<u>409,024</u>

The accompanying notes are an integral part of these financial statements

**WATER AND SEWER INSURANCE POOL  
DBA WATER AND SEWER RISK MANAGEMENT POOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED OCTOBER 31, 2017 AND 2016**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

The Water and Sewer Risk Management Pool (“the Pool”) was established in November, 1987, pursuant to RCW 48.62.031, 36.16.138 and 39.34, as a pool of member water and sewer districts (political subdivisions of the State of Washington) organized to provide a modified self-insurance program to the participants. The purpose of the Pool is to provide insurance protection, to seek the prevention or reduction of property and casualty losses, and to reduce injuries to persons or employees, which might result in claims being brought against the members.

The Pool is funded by its participants. In turn, the Pool acquires a \$10,000,000 per occurrence liability insurance policy. The policy is subject to a \$200,000 per occurrence self-insured retention. The Pool settles most liability claims internally before utilizing its insurers. The Pool also acquires property coverage for its members with “All Risk” limits of \$1.0 billion.

**Basis of Accounting**

The accounting records of the Pool are maintained in accordance with the methods prescribed by the State Auditor’s Office under the authority of Chapter 43.09 RCW. The Pool also follows the accounting standards established by the Governmental Accounting Standards Board (GASB) Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as amended by 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.

**Cash and Cash Equivalents**

For purposes of the statement of cash flows, the Pool considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Funds invested with the Washington State Local Government Investment Pool are considered cash equivalents as they are readily accessible by the Pool.

**Capital Assets**

See Note 5

**Member Receivables**

Member receivables are comprised of invoices for fiscal year 2018 insurance premiums.

**Other Receivables**

Other receivables consist of subrogated claims recovery of \$890 and \$1,010 at October 31, 2017 and 2016, net of allowance for doubtful accounts of \$0, respectively.

**WATER AND SEWER INSURANCE POOL  
DBA WATER AND SEWER RISK MANAGEMENT POOL  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED OCTOBER 31, 2017 AND 2016**

**Prepaid expenses**

In fiscal year 2017 and 2016, prepaid expenses were \$483,374 and \$477,305, respectively. Included in the prepaid expenses were prepaid insurance premiums of \$477,674 and \$471,605 respectively, which are amortized over the insurance coverage period. The remaining \$5,700 and \$5,700 of prepaid expenses, for fiscal year 2017 and 2016, respectively, relate to vendor services and deposits.

**Investments and Interest Income**

Investments are recorded at cost, which approximates market. All investment funds are held by the State of Washington's Local Government Investment Pool. The Pool's investments are covered by the Federal Depository Insurance Corporation and the State Public Deposit Protection Commission. Interest income is recorded as earned.

**Compensated Absences**

The Pool records a liability for sick leave based on a specific buy-back policy subject to a maximum of one hundred forty days. The Pool also records a liability for vacation time earned.

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

**Member Assessments And Unearned 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 a district's payroll, employee total hours, property values, number of vehicles, and loss experience.

**Unpaid Claims**

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

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**Reserve for Unallocated Loss Adjustment Expenses**

The reserve for unallocated loss adjustment expenses represents a liability for the estimated cost to be incurred with respect to settlement of claims in process and claims incurred but not reported. The actuary estimates this liability each year and any change in the liability is reflected in current earnings.

**Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Deferred Outflows/Inflows of Resources-Pensions**

Deferred outflows of resources for pensions are recorded when actual earnings on pension plan investments exceed projected earnings. Deferred inflows of resources for pensions are recorded when projected earnings on pension plan investments exceed actual earnings. These are amortized to pension expense using a systematic and rational method over a closed five-year period.

Deferred outflows and deferred inflows of resources for pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the Pool's proportionate share of net pension liability. These deferred outflows and deferred inflows are amortized over the average expected remaining service lives of all employees that are provided with pensions through the pension plan.

Pool contributions to pension plans made subsequent to the measurement date are deferred outflows of resources and reduce net pension liability in the subsequent year.

**Exemption From Federal And State Taxes**

Pursuant to revenue ruling number 90-74, the Pool's income is excluded from gross income under IRC Section 115(1).

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

**NOTE 2 – DEPOSITS AND INVESTMENTS**

As required by state law, all deposits and investments of the Pool's funds are in obligations of the U.S. Government, U.S. agency issues, obligations of the state of Washington, general obligations of Washington State municipalities, the State Treasurer's Investment Pool, banker acceptances, certificate of deposit with Washington State banks, savings and loan institutions, or other investments allowed by Chapter 39.59 RCW.

The Pool's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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The WSRMP's investments and cash accounts are not subject to custodial credit risk (the risk that the WSRMP would not be able to recover the value of the investment or cash balance from the counterparty to the investment or cash account).

**NOTE 3 – RISK FINANCING LIMITS**

The following table reflects the risk financing limits on coverage policies issued and retained by the Pool for fiscal year 2017.

TYPE OF COVERAGE	MEMBER DEDUCTIBLE	SELF INSURED RETENTION	EXCESS LIMITS
<b>Property:</b>			
Buildings and Contents	\$1,000 - \$25,000 and See C below	\$25,000	\$1,000,000,000
Flood	See A below	See A below	\$50,000,000
Earthquake	See B below	See B below	\$110,000,000 (\$75,000,000 shared by all members and \$25,000,000 dedicated to Alderwood, \$5,000,000 dedicated to Sammamish Plateau, and \$5,000,000 dedicated to Cascade Water Alliance)
Terrorism	\$1,000 - \$25,000	\$25,000 Primary Layer	\$100,000,000 Primary Layer
Boiler and Machinery	\$1,000 - \$350,000 depending on object	\$25,000 - \$350,000 depending on object	\$100,000,000
Auto Physical Damage - Included	\$1,000 - \$25,000	\$25,000	\$10,000,000
<b>Liability:</b>			
Commercial General Liability	\$1,000 - \$25,000	\$200,000	\$10,000,000
Auto Liability	\$1,000 - \$25,000	\$200,000	\$10,000,000
Public Officials Errors & Omissions	\$1,000 - \$25,000	\$200,000	\$10,000,000
Employment Practices Liability	\$1,000 - \$25,000	\$200,000	\$10,000,000
<b>Other:</b>			
Public Officials Bonds	Various	N/A	Various
Crime	\$1,000 - \$25,000	\$25,000	\$2,000,000
Identity Fraud	\$0	\$25,000	\$25,000

- A) \$100,000 member deductibles, per occurrence, in Flood Zones except Zones A&V; \$250,000 member deductible, per occurrence, in Flood Zones A&V.  
 B) Member deductible for earthquakes is 5% subject to \$100,000 minimum Earthquake Shock. The deductible will apply per occurrence on a per unit basis, as defined in the policy form, subject to the stated minimum.  
 C) Member deductible for Cyber liability is \$100,000 and where applicable the dollar amount of the business interruption loss during the policy's required 8 hour waiting period.

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**NOTE 4 – EXCESS/REINSURANCE INSURANCE CONTRACTS**

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

**Excess/Reinsurance Insurance Contracts**

General Liability (GL, AL and POL)	\$10,000,000
Property (includes B&M, EDP, & Contractor Equip.)	\$1,000,000,000
Employee Dishonesty, Forgery, or Alteration	\$2,000,000
Computer Fraud, Theft, Disappearance & Destruction	\$250,000
Cyber Liability	\$2,000,000

The Pool's settlements have not exceeded its insurance coverage in each of the last three years.

**NOTE 5 – CAPITAL ASSETS**

Equipment is recorded at cost. Expenditures for maintenance and repairs are charged against current earnings as incurred. Upon sale or retirement of an asset, its cost and related accumulated depreciation are removed from the account balances and any gains or losses are charged to current earnings. Equipment purchases of \$500 or more are capitalized and depreciated over their estimated useful lives.

Depreciation is computed using the straight-line method over the estimated useful lives of the individual assets.

Capital assets (equipment) consisted of the following at October 31, 2017:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Office furnishings and equipment, at cost	\$82,921	2,658	( - )	\$85,579
Less accumulated depreciation	(75,953)	(3,158)	( - )	(79,111)
<b>CAPITAL ASSETS, NET</b>	<b><u>\$ 6,968</u></b>	<b><u>\$(500)</u></b>	<b><u>-</u></b>	<b><u>\$ 6,468</u></b>

Capital assets (equipment) consisted of the following at October 31, 2016:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Office furnishings and equipment, at cost	\$82,921	-	( - )	\$82,921
Less accumulated depreciation	(73,006)	(2,947)	( - )	(75,953)
<b>CAPITAL ASSETS, NET</b>	<b><u>\$9,915</u></b>	<b><u>\$(2,947)</u></b>	<b><u>-</u></b>	<b><u>\$ 6,968</u></b>

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**NOTE 6 – CLAIMS RESERVES (UNPAID CLAIMS LIABILITIES)**

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

	2017	2016
Unpaid claims and claim adjustment expenses at the beginning of the year	\$793,000	\$572,000
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	707,000	1,092,000
Changes in provision for insured events of prior years	(8,000)	(93,000)
	<u>699,000</u>	<u>999,000</u>
Payment, net of recoveries:		
Claims and claim adjustment expenses attributed to insured events of the current year	293,000	558,000
Claims and claim adjustment expenses attributed to insured events of prior years	486,000	220,000
	<u>779,000</u>	<u>778,000</u>
Total unpaid claims and claim adjustment expenses at the end of the year	<u>\$713,000</u>	<u>\$793,000</u>

The unpaid claims at the beginning of each year represent the carry-forward effects of various unsettled claims.

**NOTE 7 – LEASE COMMITMENT**

The Pool has an agreement to lease office space. The lease for this space expires on July 31, 2019. The current monthly lease payment is \$2,803. Future minimum lease payments under this lease are as follows:

FY 2018	\$33,883
FY 2019	\$25,980

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**NOTE 8 – LONG-TERM LIABILITIES**

During fiscal year ending October 31, 2017, the following changes occurred in long-term liabilities:

	<b>Beginning Balance 11/1/2016</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 10/31/2017</b>	<b>Due Within One Year</b>
<b>Claims Reserves:</b>					
IBNR	\$ 284,000	\$ 120,000	\$ -	\$ 404,000	\$ 235,000
Open Claims (Case Reserves)	470,000	-	198,000	272,000	157,000
Unallocated Loss Adjustment Exp	39,000	-	2,000	37,000	23,000
<b>Total Claims Reserves</b>	<b>793,000</b>	<b>120,000</b>	<b>200,000</b>	<b>713,000</b>	<b>415,000</b>
Compensated Absences	22,577	-	6,865	15,712	12,712
<b>Total Long-Term Liabilities</b>	<b>\$ 815,577</b>	<b>\$ 120,000</b>	<b>\$ 206,865</b>	<b>\$ 728,712</b>	<b>\$ 427,712</b>

During fiscal year ending October 31, 2016, the following changes occurred in long-term liabilities:

	<b>Beginning Balance 11/1/2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 10/31/2016</b>	<b>Due Within One Year</b>
<b>Claims Reserves:</b>					
IBNR	\$ 277,000	\$ 7,000	\$ -	\$ 284,000	\$ 169,000
Open Claims (Case Reserves)	257,000	213,000	-	470,000	279,000
Unallocated Loss Adjustment Exp	38,000	1,000	-	39,000	25,000
<b>Total Claims Reserves</b>	<b>572,000</b>	<b>221,000</b>	<b>-</b>	<b>793,000</b>	<b>473,000</b>
Compensated Absences	18,579	3,998	-	22,577	13,421
<b>Total Long-Term Liabilities</b>	<b>\$ 590,579</b>	<b>\$ 224,998</b>	<b>\$ -</b>	<b>\$ 815,577</b>	<b>\$ 486,421</b>

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**NOTE 9 – PENSION PLANS**

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB 68, *Accounting and Financial Reporting for Pensions* for WSRMP for fiscal year 2017 and 2016:

Aggregate Pension Amounts – All Plans		
	2017	2016
Pension liabilities	\$170,759	\$223,038
Pension assets		
Deferred outflows of resources	\$40,488	\$40,488
Deferred inflows of resources	\$29,264	\$12,556
Pension expense/expenditures(benefit)	\$20,173	\$14,612

**Pension Plans**

The Pool established a 403(b) Plan on January 1, 2013, known as the Water and Sewer Insurance Pool 403(b) Retirement Plan. The Plan covers all Pool employees. The Plan is administered by Hunnex and Shoemaker, Inc. This is a defined contribution plan with a discretionary employer contribution. The Pool has been contributing an employer contribution percentage of 6.2% for each participant eligible to share in allocations as well as an employee elective deferral contribution provision. The Plan can be amended by the Pool at any time, pursuant to the Plan document.

Total Plan contributions (employee and employer) during the fiscal year ended October 31, 2017 were \$27,679 and \$15,800, respectively. Employee and employer contributions during the fiscal year ended October 31, 2016 were \$17,224 and \$14,631, respectively.

Substantially all of WSRMP's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

**Public Employees' Retirement System (PERS) Plans 1, 2, and 3**

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

**PERS Plan 1** provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include

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duty and non-duty disability payments, an optional cost-of-living (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The PERS Plan 1 member contribution rate is established by State statute at 6%. The employer rate is developed by the Office of the State Actuary (OSA) and includes an administrative expense component that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee</b>
January through June 2017	11.18%	6.00%
July through December 2017	12.70%	6.00%

No current WSRMP employees are covered by PERS Plan 1.

**PERS Plan 2/3** provides retirement, disability, and death benefits. Retirement benefits are determined as 2 percent of the member's average final compensation (AFC) times the member's years of services for Plan 2 and 1 percent of AFC for Plan 3. The AFC is average of the member's 60 highest paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least 5 years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under 1 or 2 provisions:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor benefit option. Other PERS 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on CPI), capped at 3% annually and a one-time duty related death benefit, if found eligible by Department of Labor and Industries. PERS 2 members vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after 10 years of service; or after 5 years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5% and escalate to 15% with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

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Contributions

The PERS Plan 2/3 employer and employee contribution rates are developed by the OSA to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18%. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2017 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
January through June 2017	11.18%	6.12%
July through December 2017	12.70%	7.38%
Employee PERS Plan 3		varies

Both WSRMP and the employees made the required contributions. WSRMP's required contributions for the fiscal years ending October 31, were as follows:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>	<b>Total PERS</b>
2017	\$ -0-	\$7,844	\$21,908	\$29,752
2016	\$ -0-	\$7,494	\$16,624	\$24,118
2015	\$ -0-	\$5,402	\$15,006	\$20,408

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, reflecting each plan's normal cost (using the entry-age cost method), assumed interest, and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the based table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were minor changes in methods and assumptions since the last valuation.

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- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basis Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry ages normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

**Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.5%.

To determine the rate, an assets sufficiency test included an assumed 7.7% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7% except LEOFF 2, which has assumed 7.5%). Consistent with the long-term expected rate of return, a 7.5% future investment rate of return on invested assets was assumed for the test. Contributions from the plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS2, SER 2/3, and TRS 2/3 employers, whose rates include a component for the PRS 1 and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5% was used to determine total liability.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on DRS pension plan investments of 7.5% was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

**Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2017, are summarized in the table below. The inflation component used to create the table is 2.2% and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.90%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	100%	

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**Sensitivity of the Net Pension Liability/(Asset)**

The table below presents WSRMP's proportionate share of the net pension liability, as of June 30, 2017, calculated using the discount rate of 7.5%, as well as what WSRMP's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate.

June 30, 2017	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$107,111	\$87,926	\$71,308
PERS 2/3	\$223,160	\$82,833	(\$32,145)
June 30, 2016			
PERS 1	\$122,272	\$101,394	\$83,428
PERS 2/3	\$223,968	\$121,644	(\$63,323)

**Pension Plan Fiduciary Net Position**

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

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

At June 30, 2017, WSRMP reported a total pension liability of \$170,759 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	\$87,926
PERS 2/3	\$82,833

At June 30, 2016, WSRMP reported a total pension liability of \$223,038 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	\$101,394
PERS 2/3	\$121,644

At June 30, WSRMP's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/2016	Proportionate Share 6/30/17	Change In Proportion
PERS 1	.001888%	.001853%	(.000035%)
PERS 2/3	.002416%	.002384%	(.000032%)

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

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The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

**Pension Expense**

For fiscal year ending October 31, 2017, WSRMP recognized pension expense was as follows:

	Pension Expense (Benefit)
PERS 1	\$3,548
PERS 2/3	\$16,625
TOTAL	\$20,173

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At October 31, 2017, WSRMP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Net difference between projected and actual investment earnings on pension plan investments	\$	\$3,281
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$4,544	\$
TOTAL	\$4,544	\$3,281

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$8,393	\$2,724
Net difference between projected and actual investment earnings on pension plan investments	\$	\$22,081
Changes of assumptions	\$880	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$9,753	\$1,178
Contributions subsequent to the measurement date	\$6,767	\$
TOTAL	\$25,793	\$25,983

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Deferred outflows of resources related to pensions resulting from WSRMP's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	PERS 1	PERS 2/3
2018	(\$2,218)	(\$3,258)
2019	\$701	\$5,755
2020	(\$163)	(\$1,673)
2021	(\$1,601)	(\$9,068)
2022		\$599
Thereafter		\$727

**NOTE 10 – OTHER POST-EMPLOYMENT BENEFITS**

The Pool provides other post-employment benefits (OPEB) in addition to pension benefits described in Note 9.

**PEBB**

WSRMP provides to its retirees employer provided subsidies for post-employment medical and life insurance benefits provided through the Public Employee Benefits Board (PEBB). A liability for the accumulated unfunded actuarially required contribution is not reported in the Statement of Net Position. The actual medical costs are paid through annual fees and premiums to the PEBB.

**1. Plan Description**

The PEBB was created within the Washington State Health Care Authority to administer medical, dental, and life insurance plans for public employees and retirees and their dependents. The subsidies provided by PEBB to the Pool include the following:

- Explicit Medical Subsidy for Post-65 retirees
- Implicit Medical Subsidy for Pre-65 retirees

The explicit subsidies are monthly amounts per retiree. The implicit medical subsidy is the difference between the total cost of pre-65 medical benefits and the pre-65 contributions paid by retirees.

**2. Eligibility**

WSRMP employees are eligible for PEBB after becoming eligible for retirement under the Public Employees' Retirement System (PERS) 1, 2, or 3. The eligibility for each plan is as follows:

**PERS 1**

- Age 60 with five years of service
- Age 55 with twenty-five years of service
- Any age with thirty years of service

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**PERS2**

- Age 55 with twenty years of service
- Age 65 with five years of service

**PERS3**

- Age 55 with ten years of service
- Age 65 with five years of service
- In addition, PERS 3 members who terminate and are at least age 55 with twenty or more years of service gain pre-retirement access to PEBB

Former members who are entitled to a deferred vested pension benefit are not eligible to receive medical benefits after pension benefit commencement.

**3. Medical Benefits**

Upon retirement, members are permitted to receive medical benefits. Explicit Medicare subsidies are capped at \$150 per month for 2017.

**4. Funding Policy** - The funding policy is based upon pay-as-you-go financing requirements.

**5. Annual OPEB Cost and Net OPEB Obligation**

The Pool's annual other post-employment benefit (OPEB) cost is calculated based upon the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities. The Pool uses a 25-year amortization period. The following table shows the components of the Pool's annual OPEB cost for the fiscal year, the amount actually contributed to the plan, and changes in the Pool's net obligation.

	<b>Fiscal Year Ending 10/31/2017</b>

***Determination of Annual Required Contribution:***

Normal Cost at Fiscal Year End	\$8,482
Amortization of UAAL	12,873
Annual Required Contribution	\$21,355

***Determination of Net OPEB Obligation:***

Annual Required Contribution	\$21,355
Interest on Prior Year Net OPEB	10,000
Amortization of Net OPEB Obligation	(14,458)
Annual OPEB Cost	\$16,897
Contributions Made	(3,220)
Increase in Net OPEB Obligation	\$13,677

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***Net OPEB Obligation - End Of Fiscal Year:***

Net OPEB Obligation - Beginning of Year	\$97,618
Increase in Net OPEB Obligation	13,677
Net OPEB Obligation-end of year	\$111,295

The Pool's annual OPEB cost, the percentage of OPEB cost contributed to the plan and the net OPEB obligation for fiscal year 2017 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Contribution	Percentage of OPEB Cost Contributed	Net OPEB Obligation	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/31/2017	\$16,897	\$3,220	19.06%	\$ 111,295	\$281,097	39.59%

The Net OPEB Obligation of \$18,721 is reported as a non-current liability on the statement of net position for fiscal year ending October 31, 2017.

**6. Funded Status and Funding Progress**

As of July 2017, the most recent actuarial valuation date, the plan was 0% funded. The accrued liability for benefits was \$111,295 and the actuarial value of assets was \$0, resulting in a UAAL of \$111,295.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**7. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

All demographic assumptions, healthcare assumptions, and methods used match those disclosed in the July 2017 PEBB OPEB Report published by the Office of the State Actuary. Specifically, the Projected Unit Credit actuarial cost method was used. The actuarial assumptions include a 3.75 percent discount rate, which is based upon the long-term investment yield on the investments that are expected to be used to finance the payment of benefits. The healthcare cost inflation trends, which vary by medical plan and age, start at approximately 7 percent in 2017 and gradually decrease to 5 percent in 2070 and beyond. The inflation rate assumption used in the calculation is 3 percent. The data used for this valuation was

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WSRMP selected the 25-year rolling average amortization period for the UAAL.

**NOTE 11 –MEMBERS’ SUPPLEMENTAL ASSESSMENTS AND CREDITS**

The interlocal governmental agreement for WSRMP provides for supplemental assessments to members based on actual claim experience. During Fiscal Year 2017 and 2016, the Pool did not make a supplemental assessment.

**NOTE12–SOLVENCY**

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 unpaid claims estimate at the expected level as determined by the actuary. Additionally, total primary and secondary assets must be at least equal to the unpaid claims estimate at 80 percent confidence level as determined by the actuary. Secondary assets are defined as insurance receivables, real estate or other assets (less any non-claim liabilities) the value of which can be independently verified by the state risk manager.

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Cash and cash equivalents	\$	2,665,142	\$	2,034,016
Less: Non-Claim liabilities				
Accounts payable & compensated absences		(54,810)		(45,750)
(Less)Plus: Difference in Unearned member assessments vs. member receivables		3,577		(1,164)
<b>Total Primary Assets</b>	<b>\$</b>	<b>2,613,909</b>	<b>\$</b>	<b>1,987,102</b>
Compared to:				
Claims liabilities at expected level per actuary		713,000		793,000
<b>Difference</b>	<b>\$</b>	<b>1,900,909</b>	<b>\$</b>	<b>1,194,102</b>
		<b>TEST MET</b>		<b>TEST MET</b>
<b>Secondary Asset Test</b>				
Cash and cash equivalents	\$	2,665,142	\$	2,034,016
Receivables, member contributions		2,891,939		3,009,331
Prepaid Expenses		483,374		477,305
Less: Non-Claim liabilities				
Accounts payable & compensated absences		(54,810)		(45,750)
Less: Unearned member contributions		(2,895,516)		(3,008,167)
<b>Total Secondary Assets</b>	<b>\$</b>	<b>3,090,129</b>	<b>\$</b>	<b>2,466,735</b>
Compared to:				
Claims liabilities at 80 percent confidence level per actuary (from actuarial study)		1,012,000		1,056,000
<b>Difference</b>	<b>\$</b>	<b>2,078,129</b>	<b>\$</b>	<b>1,410,735</b>
		<b>TEST MET</b>		<b>TESTMET</b>

There have been no other material violations of finance-related legal or contractual provisions.

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NOTES TO FINANCIAL STATEMENTS  
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**NOTE 13 – CONTINGENT LIABILITIES**

The Pool is not party to any pending legal actions. Certain member districts are involved in lawsuits; however, it is the opinion of the Pool's legal counsel that these cases would not affect the financial position or operation of the Pool.

**WATER AND SEWER INSURANCE POOL**  
**DBA WATER AND SEWER RISK MANAGEMENT POOL**  
**Required Supplementary Information**  
**November 1, 2016 Through October 31, 2017**

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

1. Ten-Year Claims Development Information

The table below illustrates how the Pool's earned revenues and investment income compare to related costs of loss and other expenses assumed by WSRMP of the end of each of the last ten (10) fiscal years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's earned contribution revenues and investment revenues.
2. This line shows each year's other operating cost of WSRMP including overhead and claims expense not allocable to individual claims.
3. This line shows WSRMP's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first fiscal year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of ten (10) rows shows the cumulative amounts paid as of the end of successive fiscal years for each policy year.
5. This section of ten (10) rows shows how each policy year's incurred claims increased or decreased as of the end of successive fiscal years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
6. This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy fiscal years.

**WATER AND SEWER INSURANCE POOL**  
**ABA WATER AND SEWER RISK MANAGEMENT POOL**  
**Schedule of Claims Development Information (In thousands of dollars)**  
**For The Ten Fiscal Years Ended October 31, 2017**

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1. Net earned required contribution and investment revenues	\$1,927	\$1,916	\$1,880	\$1,830	\$2,184	\$2,394	\$2,659	\$2,646	\$2,924	\$2,971
Ceded	\$755	\$764	\$851	\$865	\$918	\$1,072	\$1,096	\$1,197	\$1,233	\$1,165
Net Earned	\$1,172	\$1,152	\$1,029	\$965	\$1,266	\$1,322	\$1,563	\$1,449	\$1,691	\$1,806
2. Unallocated expenses	576	557	710	701	631	710	644	687	823	720
3. Estimated incurred claims and expense, end of policy year (paid claims and open claims)	639	621	585	1,069	418	913	642	548	558	510
4. Paid (cumulative) as of:										
End of policy year	221	300	390	707	106	406	254	176	1,092	707
One year later	501	370	419	1,025	237	593	412	495	1,066	
Two years later	714	442	423	1,090	252	628	478	397		
Three years later	723	442	423	1,102	256	688	583			
Four years later	723	442	424	1,110	256	673				
Five years later	742	442	424	1,108	255					
Six years later	741	442	424	1,088						
Seven years later	741	445	424							
Eight years later	742	445								
Nine years later	756									
5. Re-estimated incurred claims and expense:										
End of policy year	639	621	585	1,069	418	913	642	548	558	293
One year later	730	447	520	1,142	327	719	519	324	870	
Two years later	773	502	471	1,125	285	685	440	349		
Three years later	739	454	432	1,111	257	672	563			
Four years later	723	442	424	1,111	256	673				
Five years later	742	442	424	1,108	255					
Six years later	741	442	424	1,088						
Seven years later	741	445	424							
Eight years later	742	445								
Nine years later	756									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	117	(176)	(161)	19	(163)	(240)	(79)	(199)	312	(217)

The schedule above illustrates how the Fund's earned revenues and investment income compare to related costs of loss and other expenses assumed by the Fund as of the end of each of the last ten years. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

*Supplemental Information Required By The Governmental Accounting Standards Board.*

**WATER AND SEWER INSURANCE POOL**  
**DBA WATER AND SEWER RISK MANAGEMENT POOL**  
**Required Supplementary Information**  
**November 1, 2015 Through October 31, 2016**

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

1. Ten-Year Claims Development Information

The table below illustrates how the Pool's earned revenues and investment income compare to related costs of loss and other expenses assumed by WSRMP of the end of each of the last ten (10) fiscal years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year's earned contribution revenues and investment revenues.
2. This line shows each year's other operating cost of WSRMP including overhead and claims expense not allocable to individual claims.
3. This line shows WSRMP's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first fiscal year in which the event that triggered coverage under the contract occurred (called policy year).
4. This section of ten (10) rows shows the cumulative amounts paid as of the end of successive fiscal years for each policy year.
5. This section of ten (10) rows shows how each policy year's incurred claims increased or decreased as of the end of successive fiscal years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
6. This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy fiscal years.

**WATER AND SEWER INSURANCE POOL**  
**DBA WATER AND SEWER RISK MANAGEMENT POOL**  
**Schedule of Claims Development Information (In thousands of dollars)**  
**For The Ten Fiscal Years Ended October 31, 2016**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
1. Net earned required contribution and investment revenues	\$1,811	\$1,927	\$1,916	\$1,880	\$1,830	\$2,184	\$2,394	\$2,659	\$2,646	\$2,924
Ceded	\$883	\$755	\$764	\$851	\$865	\$918	\$1,072	\$1,096	\$1,197	\$1,233
Net Earned	\$928	\$1,172	\$1,152	\$1,029	\$965	\$1,266	\$1,322	\$1,563	\$1,449	\$1,691
2. Unallocated expenses	513	576	557	710	701	631	710	644	682	810
3. Estimated incurred claims and expense, end of policy year (paid claims and open claims)	509	639	621	585	1,069	418	913	642	548	558
4. Paid (cumulative) as of:										
End of policy year	196	221	300	390	707	106	406	254	176	1,092
One year later	378	501	370	419	1,025	237	593	412	495	
Two years later	411	714	442	423	1,090	252	628	478		
Three years later	411	723	442	423	1,102	256	688			
Four years later	411	723	442	424	1,110	256				
Five years later	411	742	442	424	1,108					
Six years later	411	741	442	424						
Seven years later	411	741	445							
Eight years later	411	742								
Nine years later	411									
5. Re-estimated incurred claims and expense:										
End of policy year	509	639	621	585	1,069	418	913	642	548	558
One year later	457	730	447	520	1,142	327	719	519	324	
Two years later	440	773	502	471	1,125	285	685	440		
Three years later	412	739	454	432	1,111	257	672			
Four years later	416	723	442	424	1,111	256				
Five years later	411	742	442	424	1,108					
Six years later	411	741	442	424						
Seven years later	411	741	445							
Eight years later	411	742								
Nine years later	411									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	(98)	103	(176)	(161)	39	(162)	(241)	(202)	(224)	

The schedule above illustrates how the Fund's earned revenues and investment income compare to related costs of loss and other expenses assumed by the Fund as of the end of each of the last ten years. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

*Supplemental Information Required By The Governmental Accounting Standards Board.*

**WATER AND SEWER INSURANCE POOL  
DBA WATER AND SEWER RISK MANAGEMENT POOL  
REQUIRED SUPPLEMENTAL INFORMATION  
Reconciliation of Claims Liabilities by Type of Contract  
For the Fiscal Year Ended October 31, 2017**

	<b>Property</b>	<b>Liability</b>
Unpaid claims and claim adjustment expenses at the beginning of the year	\$ 61,000	\$ 732,000
Incurring claims and claim adjustment expenses:		
Provision for insured events of the current year	119,000	588,000
Changes in provision for insured events of prior years	(171,000)	163,000
	<u>(52,000)</u>	<u>751,000</u>
Payment, net of recoveries:		
Claims and claim adjustment expenses attributed to insured events of the current year	38,000	255,000
Claims and claim adjustment expenses attributed to insured events of prior years	(138,000)	624,000
	<u>(100,000)</u>	<u>879,000</u>
Total unpaid claims and claim adjustment expenses at the end of the year	<u>\$ 109,000</u>	<u>\$ 640,000</u>

**WATER AND SEWER INSURANCE POOL  
DBA WATER AND SEWER RISK MANAGEMENT POOL  
REQUIRED SUPPLEMENTAL INFORMATION  
Reconciliation of Claims Liabilities by Type of Contract  
For the Fiscal Year Ended October 31, 2016**

	<b>Property</b>	<b>Liability</b>
Unpaid claims and claim adjustment expenses at the beginning of the year	\$ 102,000	\$ 470,000
Inurred claims and claim adjustment expenses:		
Provision for insured events of the current year	126,000	966,000
Changes in provision for insured events of prior years	<u>(18,000)</u>	<u>(75,000)</u>
	<u>108,000</u>	<u>891,000</u>
Payment, net of recoveries:		
Claims and claim adjustment expenses attributed to insured events of the current year	77,000	481,000
Claims and claim adjustment expenses attributed to insured events of prior years	<u>72,000</u>	<u>148,000</u>
	<u>149,000</u>	<u>629,000</u>
Total unpaid claims and claim adjustment expenses at the end of the year	<u>\$ 61,000</u>	<u>\$ 220,000</u>

**WATER AND SEWER INSURANCE POOL  
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REQUIRED SUPPLEMENTAL INFORMATION  
Retiree Medical Benefits - Schedule of Funding Progress  
As of October 31, 2017**

PEBB Retiree Medical Benefits						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	UAALas Percentage of Covered Payroll
10/31/2017	-	\$ 111,295	\$ 111,295	-	\$ 281,097	39.59%

**WATER AND SEWER INSURANCE POOL  
DBA WATER AND SEWER RISK MANAGEMENT POOL  
SUPPLEMENTARY AND OTHER SCHEDULES  
LIST OF PARTICIPATING MEMBERS  
November 1, 2016 – October 31, 2017**

The board of directors is the governing body of the pool. Each district that is a signatory to the interlocal agreement is entitled to one representative to the board of directors. The member districts at October 31, 2017, were:

Acme Water District No. 18	Saratoga Water District
Alderwood Water & Wastewater District	Skagit County Sewer District No. 1
Beacon Hill Water and Sewer District	Skyway Water and Sewer District
Belfair Water District No. 1	Snoqualmie Pass Utility District
Birch Bay Water and Sewer District	Steptoe Sewer and Water District
Camano Vista Water District	Sunnyslope Water District
Cape San Juan Water District	Terrace Heights Sewer District
Cascade Water Alliance	Trails End Water District
Cedar River Water and Sewer District	Valley Water District
Chippewa Water and Sewer District	Vashon Sewer District
Clark Regional Wastewater District	Walla Walla Housing Authority
Clearview Water Supply Agency	Water District No. 19
Clinton Water District	West Sound Utility District
Coal Creek Utility District	Whatcom County Water District No. 2
Covington Water District	Whatcom County Water District No. 7
Cowiche Sewer District	Williams Lake Sewer District No. 2
Cross Valley Water District	Wollochet Harbor Sewer District
Discovery Clean Water Alliance	Woodinville Water District
East Gig Harbor Water District	
Fall City Water District	
Fisherman Bay Sewer District	
Grays Harbor County Water District No. 2	
Hartstene Pointe Water and Sewer District	
Highlands Water District	
Holmes Harbor Sewer District	
King County Water District No. 45	
King County Water District No. 54	
King County Water District No. 90	
King County Water District No. 125	
Kitsap County Sewer District No. 7	
Kittitas County Water District No. 5	
Lake Whatcom Water & Sewer District	
Lewis County Water District No. 2	
Lewis County Water-Sewer District No. 4	
Maggie Lake Water District	
NE Sammamish Sewer & Water District	
North Perry Avenue Water District	
Olympic View Water and Sewer District	
Point Roberts Water District No. 4	
Regional Water Supply System	
Rocky Point Water District No. 12	
Ronald Wastewater District	
Sammamish Plateau Water and Sewer District	

**WATER AND SEWER INSURANCE POOL  
DBA WATER AND SEWER RISK MANAGEMENT POOL  
SUPPLEMENTARY AND OTHER SCHEDULES  
DES Schedule of Expenses  
For the Fiscal Years Ended October 31, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
Insurance	\$ 1,165,107	\$ 1,232,510
Contracted Services:		
Third Party Administrator Fees	52,291	67,905
Actuarial	5,800	13,050
Audit Expenses	35,428	21,400
Legal Fees	115,695	207,677
Other Consultant Fees	42,597	44,781
General Administrative Expenses:		
Communication	7,913	8,028
Supplies	22,625	25,884
Dues and Conferences	8,362	8,504
Retreat/Board Meetings	4,535	3,995
Training	15,914	30,918
Depreciation	3,158	2,947
Miscellaneous	126	1,024
Other	946,993	1,183,911
	<u>946,993</u>	<u>1,183,911</u>
<b>Total Operating Expenses</b>	<b>\$ 2,426,544</b>	<b>\$ 2,852,534</b>

**WATER AND SEWER INSURANCE POOL  
DBA WATER AND SEWER RISK MANAGEMENT  
REQUIRED SUPPLEMENTAL INFORMATION**  
Schedule of Proportionate Share of the Net Pension Liability  
As of October 31, 2017  
Last 10 Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>PERS 1</b>										
Employer's proportion of the net pension liability (asset)	0.001699%	0.001888%	0.001853%							
Employer's proportionate share of the net pension liability	88,874	101,394	87,926							
<b>TOTAL</b>	88,874	101,394	87,926							
Employer's covered employee payroll	-	-	-							
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	-	-	-							
Plan fiduciary net position as a percentage of the total pension liability	-	-	-							
<b>PERS 2/3</b>										
Employer's proportion of the net pension liability (asset)	0.002196%	0.002416%	0.002384%							
Employer's proportionate share of the net pension liability	78,464	121,644	82,833							
<b>TOTAL</b>	78,464	121,644	82,833							
Employer's covered employee payroll	209,443	240,940	281,097							
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	37.46%	50.49%	29.47%							
Plan fiduciary net position as a percentage of the total pension liability	62.54%	49.51%	70.53%							

WATER AND SEWER INSURANCE POOL  
 DBA WATER AND SEWER RISK MANAGEMENT POOL  
 REQUIRED SUPPLEMENTAL INFORMATION  
 Schedule of Employer Contributions  
 As of October 31, 2017  
 Last 10 Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
<b>PERS 1</b>										
Statutory or contractually required contributions	3,422	3,631	4,544							
Contributions in relation to the statutory or contractually required contributions	3,422	3,631	4,544							
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Employer's covered employee payroll	-	-	-	-	-	-	-	-	-	-
Contribution as a percentage of covered employee payroll	-	-	-	-	-	-	-	-	-	-
<b>PERS 2/3</b>										
Statutory or contractually required contributions	4,469	4,742	6,767							
Contributions in relation to the statutory or contractually required contributions	4,469	4,742	6,767							
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Employer's covered employee payroll	209,443	240,940	281,097							
Contribution as a percentage of covered employee payroll	2.13%	1.97%	2.41%							

## 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	
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Website	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>