



Washington State Auditor's Office

Independence • Respect • Integrity

Financial Statements Audit Report

Public Utility Risk Management Services Joint Self-Insurance Fund

King County

For the period January 1, 2012 through December 31, 2013

Published September 14, 2015

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Washington State Auditor's Office

September 14, 2015

Board of Commissioners
Public Utility Risk Management Services Joint Self-Insurance Fund
Seattle, Washington

Report on Financial Statements

Please find attached our report on the Public Utility Risk Management Services Joint Self-Insurance Fund's financial statements.

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

Sincerely,

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

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**Public Utility Risk Management Services Joint Self-Insurance Fund
King County
January 1, 2012 through December 31, 2013**

Board of Commissioners
Public Utility Risk Management Services Joint Self-Insurance Fund
Seattle, 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 Public Utility Risk Management Services Joint Self-Insurance Fund, King County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements, and have issued our report thereon dated August 25, 2015.

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.



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

August 25, 2015

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Public Utility Risk Management Services Joint Self-Insurance Fund King County January 1, 2012 through December 31, 2013

Board of Commissioners
Public Utility Risk Management Services Joint Self-Insurance Fund
Seattle, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Public Utility Risk Management Services Joint Self-Insurance Fund, King County, Washington, as of and for the years ended December 31, 2013 and 2012, 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

considers internal control relevant to the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Public Utility Risk Management Services Joint Self-Insurance Fund, as of December 31, 2013 and 2012, 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 11, and risk pools information on pages 25 through 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Pool's basic financial statements as a whole. The Schedule T-1 - List of Participating Members and Schedules T-2 - Department of Enterprise Services Schedule of Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 25, 2015 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.



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

August 25, 2015

FINANCIAL SECTION

Public Utility Risk Management Services Joint Self-Insurance Fund King County January 1, 2012 through December 31, 2013

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013 and 2012

BASIC FINANCIAL STATEMENTS

Comparative Statement of Net Position – 2013 and 2012

Comparative Statement of Revenues, Expenses and Changes in Net Position – 2013 and 2012

Comparative Statement of Cash Flows – 2013 and 2012

Notes to Financial Statements – 2013 and 2012

REQUIRED SUPPLEMENTARY INFORMATION

Risk Pools Information – 2013 and 2012

SUPPLEMENTARY AND OTHER INFORMATION

Schedule T-1 – List of Participating Members – 2013

Schedule T-2 – Department of Enterprise Services Schedule of Expenses – 2013

Schedule T-2 – Department of Enterprise Services Schedule of Expenses – 2012

PUBLIC UTILITY RISK MANAGEMENT SERVICES JOINT SELF-INSURANCE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis is designed to provide an overview of Public Utility Risk Management Services (PURMS) Joint Self-Insurance Fund's financial activities for the years ended December 31, 2013 and 2012. This supplementary information should be read in conjunction with PURMS's financial statements.

PURMS is a public entity risk pool organized on December 30, 1976 in the State of Washington under RCW 54.16.200. It currently operates under RCW 48.62. Its members include 18 public utility districts and NoaNet, a governmental entity consisting of local governments. The objectives of PURMS are to formulate, develop and administer a program of self-insurance in order to obtain lower costs for the various coverages provided to its members. Liability and property coverages are available to its members and health & welfare coverage for its member's employees.

FINANCIAL SUMMARY AND ANALYSIS

The Statement of Net Position shows information on all of the Fund's assets and liabilities. The difference between the two is reported as net position. The Statement of Revenues, Expenses and Changes in Fund Net Position shows how the net position changed during the year. All assets are classified as unrestricted because there are no externally enforceable constraints that limit any asset for use in operations of the Fund. PURMS does comply with the legal requirements outlined in WAC 200-100-03001 and WAC 200-110-040 regarding the program funding and liquidity requirements. [See Note 5]

Current Assets are comprised of cash in checking accounts and investments, accounts receivable owed by members and accrued interest. Noncurrent Assets are listed as an account called Future Assessments Receivable. PURMS does not set premiums but uses an assessment mechanism described in more detail in the financial notes [See Note 1i]. The Future Assessment Receivable account represents the amount that, as PURMS pays Known and IBNR claims, the members will be required to pay. Current Liabilities reflect the total of Known and IBNR Claims Reserve and fees payable as of December 31, 2013, 2012, and 2011 respectively. PURMS has no non-current liabilities.

Operating Revenues include assessments from members. Nonoperating Revenue is from interest on investments. Operating Expenses include claims and claims adjustment expenses, excess and stop loss insurance premiums and administrative expenses. There are no nonoperating expenses at this time. Member Deposits refer to amounts held by PURMS, on behalf of its members, to pay health & welfare claims before a member is assessed for those claims.

Condensed Comparative Financial Information:

PURMS Net Position

	2013	2012	2011
Current Assets	6,056,692	6,043,573	6,046,912
Noncurrent Assets	3,628,195	3,416,123	3,501,071
Total Assets	\$9,684,887	\$9,459,696	\$9,547,983
Current Liabilities	3,749,054	3,523,903	3,612,243
Net Position (Unrestricted)	5,935,833	5,935,793	5,935,740

PURMS Changes in Net Position

	2013	2012	2011
Operating Revenues	16,858,792	16,403,791	16,152,000
Nonoperating Revenues	2,535	2,121	1,381
Total Revenues	16,861,327	16,405,912	16,153,381
Operating Expenses	16,861,287	16,405,859	15,211,593
Total Expenses	16,861,287	16,405,859	15,211,593
Changes in Net Position	40	53	941,788
Beginning Net Position (January 1)	\$5,935,793	\$5,935,740	\$4,993,952
Ending Net Position (December 31)	\$5,935,833	\$5,935,793	\$5,935,740

During 2013, 2012 and 2011 the overall financial position of PURMS has remained relatively unchanged. In 2011 the Health & Welfare Pool Member Deposit was recalculated and increased by \$599,779. Members were given the option to pay this increase over 12 months. The amount of the outstanding Member Deposit as of 12/31/2011 was \$252,650 and was reflected as an account receivable. All members had paid this in full by 12/31/2012. Also, at the June 2008 Board meeting, resolution #6-19-08-1 was passed increasing the Designated Liability Pool Balance effective January 1, 2009. This increase was funded over three years by two additional assessments per year in the years of 2009, 2010 and 2011, gradually changing the Designated Balance from \$2.0 million to \$3.0 million. In 2011, \$340,000 was billed and collected for this increase. The Designated Liability Pool Balance is \$3,000,000 effective 12/31/2011.

PURMS has no commitments or other limitations that would specifically affect the availability of pool resources for future use for its intended purpose as stated in its interlocal agreement and RCW 48.62.

PUBLIC UTILITY RISK MANAGEMENT SERVICES

JOINT SELF-INSURANCE FUND MCAG #0356

COMPARATIVE STATEMENT OF NET POSITION

ASSETS	YEAR ENDED DECEMBER 31,	
	2013	2012
<u>Current Assets:</u>		
Cash and Cash Equivalents:		
Checking Accounts	\$ 1,551,151	\$ 2,814,782
Certificates of Deposit	2,350,000	1,850,000
Receivables:		
Assessments Billed	2,142,019	1,378,471
Excess/Stop Loss Ins.	13,163	-
Accrued Interest	359	320
Total Current Assets	<u>\$ 6,056,692</u>	<u>\$ 6,043,573</u>
<u>Noncurrent Assets:</u>		
Future Assessments Receivable	3,628,195	3,416,123
Total Noncurrent Assets	<u>\$ 3,628,195</u>	<u>\$ 3,416,123</u>
TOTAL ASSETS	<u>\$ 9,684,887</u>	<u>\$ 9,459,696</u>
 LIABILITIES		
<u>Current Liabilities:</u>		
Claim Reserves:		
Claims Reserve Known (Unpaid)	\$ 584,852	\$ 479,312
Claims Reserve (IBNR)	2,957,972	2,936,811
Claims Reserve (ULAE)	85,371	-
Accounts Payable:		
Administrator's Fee	56,911	49,612
Stop Loss Premiums	57,035	51,205
PPO Networks	6,913	6,963
TOTAL LIABILITIES	<u>\$ 3,749,054</u>	<u>\$ 3,523,903</u>
Net Position - Unrestricted	5,935,833	5,935,793
TOTAL NET POSITION	<u>\$ 5,935,833</u>	<u>\$ 5,935,793</u>

The accompanying notes are an integral part of this financial statement.

PUBLIC UTILITY RISK MANAGEMENT SERVICES
JOINT SELF-INSURANCE FUND MCAG #0356

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

	YEAR ENDED DECEMBER 31,	
	2013	2012
OPERATING REVENUES:		
Premium Assessments	\$ 2,409,790	\$ 2,357,214
General Assessments	14,449,002	14,046,577
Total Operating Revenues	<u>\$ 16,858,792</u>	<u>\$ 16,403,791</u>
OPERATING EXPENSES:		
Incurred Loss/Loss Adjustment Expenses:		
Claims Paid on Current Losses	\$ 11,790,022	\$ 11,409,922
Claims Paid on Prior Losses	235,920	664,752
Claims Paid, Excess of Retention/Stop Loss	(31,684)	-
Claims Adjustment on Current Losses	15,424	21,635
Claims Adjustment on Prior Losses	295,174	175,930
Change in Unpaid Claims Liabilities:		
Established Claims Reserve (Current Year)	183,984	280,122
Adjustment to Prior Years Claims Reserve	(57,283)	(365,070)
Adjustment to ULAE Claims Reserve	85,371	-
Excess/Stop Loss Insurance Purchased	3,087,271	2,975,015
PPO Network Fee	84,104	82,909
Administrator's Fee	690,339	691,228
Brokers Fee	153,600	150,600
Fund Legal Fees	182,850	191,050
General Expense	17,352	11,734
Professional Fees	128,843	116,032
Total Operating Expenses	<u>\$ 16,861,287</u>	<u>\$ 16,405,859</u>
OPERATING INCOME (LOSS)	<u>\$ (2,495)</u>	<u>\$ (2,068)</u>
NONOPERATING REVENUES (EXPENSES):		
Interest and Investment Income	2,535	2,121
Total Nonoperating Revenues (Expenses)	<u>\$ 2,535</u>	<u>\$ 2,121</u>
CHANGE IN NET POSITION	\$ 40	\$ 53
TOTAL NET POSITION, January 01	<u>\$ 5,935,793</u>	<u>\$ 5,935,740</u>
TOTAL NET POSITION, December 31	<u><u>\$ 5,935,833</u></u>	<u><u>\$ 5,935,793</u></u>

The accompanying notes are an integral part of this financial statement.

PUBLIC UTILITY RISK MANAGEMENT SERVICES
JOINT SELF-INSURANCE FUND MCAG #0356
COMPARATIVE STATEMENT OF CASH FLOWS

	YEAR ENDED DECEMBER 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received From Members	\$ 15,870,010	\$ 16,886,905
Cash Payments To Vendors	(16,636,135)	(16,494,200)
Net Cash Provided (Used) for Operating Activities	(766,125)	392,705
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(7,900,000)	(7,200,000)
Sale of Investments	7,400,000	7,600,000
Interest Received	2,496	2,069
Net Cash Provided (Used) for Investing Activities	(497,504)	402,069
INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS	(1,263,629)	794,774
CASH & CASH EQUIVALENTS, January 1	2,814,780	2,020,006
CASH & CASH EQUIVALENTS, December 31	\$ 1,551,151	\$ 2,814,780

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED (USED) BY OPERATING ACTIVITIES**

OPERATING INCOME:	\$ (2,495)	\$ (2,068)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
(Increase)/Decrease in A/R Assessments	(975,618)	211,449
(Increase)/Decrease in A/R Member Deposit Assessments	-	252,650
(Increase)/Decrease in A/R Excess/Stop Loss Ins	(13,163)	19,016
Increase/(Decrease) in Claims Payable - Known	105,540	10,748
Increase/(Decrease) in Claims Payable - IBNR	21,161	(95,696)
Increase/(Decrease) in Claims Payable -ULAE	85,371	-
Increase/(Decrease) in Administrative Fee Payable	7,299	(4,465)
Increase/(Decrease) in Stop Loss Premium Payable	5,830	805
Increase/(Decrease) in PPO Network Fees Payable	(50)	266
Net Cash Provided (Used) for Operating Activities	\$ (766,125)	\$ 392,705

The accompanying notes are an integral part of this financial statement.

PUBLIC UTILITY RISK MANAGEMENT SERVICES JOINT SELF-INSURANCE FUND

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEARS ENDED DECEMBER 31, 2013 AND 2012

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Public Utility Risk Managements Services Joint Self-Insurance Fund conform to generally accepted accounting principles as applicable to proprietary funds of governmental units (in most respects). The following is a summary of the more significant policies:

a. Reporting Entity

The Public Utility Risk Management Services Joint Self-Insurance Fund (PURMS), known formerly as Washington Public Utility Districts' Utilities System Joint Self-Insurance Fund, was organized as of December 30, 1976, pursuant to the provisions of the Revised Code of Washington, Chapter 54.16.200, and interlocal governmental agreements. PURMS is currently operating under RCW 48.62. The program's general objectives are to formulate, develop, and administer, on behalf of the member public utilities, a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Admission of a new member requires a supermajority vote (85%) of the current members of the Fund or the particular risk pool. Members may withdraw from the Fund on December 31st of any year by giving 90 days prior notice.

Liability and Property Pools - The members, through the Fund, provide liability self-insurance for the first \$1,000,000 of individual loss claims. Effective April 1, 1997 the Fund established a self-insured program for member's property. The property program provides property self-insurance for the first \$250,000 of individual loss claims. The risks shared by the members are defined in the member's Self-Insurance Agreement. Both pools (liability and property) operate independently of one another. The Fund maintains assets from which liability claims against the member districts and property losses of member districts are paid and, through assessments of the members to replenish these assets, the members share joint liability among themselves for losses incurred. The Fund also purchases excess insurance for losses above \$1,000,000 for liability and above \$250,000 for property. [See Note 3]

Members that withdraw continue to receive coverage from the Fund for occurrences that happened while they were a member. Withdrawn members continue to be responsible for their share of assessments for occurrences that happen to all members while they were a member.

Health and Welfare Pool - On April 1, 2000 Public Utility Risk Management Services implemented a health & welfare pool. A Member Deposit is required upon initial participation in the pool and the amount of that deposit is recalculated for all members approximately every three years. The last recalculation of the Member Deposit was done in 2011 and the total was increased and assessed in the amount of \$599,779. As of December 31, 2013 & 2012 the amount of the Member Deposit was \$2,185,473. The pool provides a cooperative program to fund health and medical claims for the employees of the members of PURMS. As a result, there are lowered costs associated with the administration of claims and the procurement of excess or stop loss insurance. Stop Loss insurance is purchased for this pool. [See Note 3]

Member Changes and Participation – Fund members currently include 18 utilities, and NoaNet, a governmental entity consisting of local governments. There were no changes in membership in 2013 or 2012.

Jefferson County PUD began participating in the Property Program on April 1, 2013. As of December 31, 2013 the member participation was as follows:

		Liability	Property	Health & Welfare
		Program	Program	Program
1	Asotin County PUD	Yes	Yes	Yes
2	Benton County PUD	Yes	Yes	No
3	Clallam County PUD	Yes	Yes	Yes
4	Grays Harbor County PUD	Yes	Yes	No
5	Jefferson County PUD	Yes	Yes	Yes
6	Kitsap County PUD	Yes	Yes	No
7	Klickitat County PUD	Yes	Yes	Yes
8	Lewis County PUD	Yes	Yes	No
9	Mason County PUD #3	Yes	Yes	Yes
10	NoaNet	Yes	Yes	Yes
11	Okanogan County PUD	Yes	Yes	No
12	Pacific County PUD	Yes	Yes	Yes
13	Pend Oreille County PUD	Yes	Yes	No
14	Skagit County PUD	Yes	Yes	Yes
15	Skamania County PUD	Yes	Yes	Yes
16	Stevens County PUD	Yes	Yes	Yes
17	Thurston County PUD	No	No	Yes
18	Wahkiakum County PUD	Yes	Yes	Yes
19	Whatcom County PUD	Yes	Yes	No

b. Basis Of Accounting And Presentation

The accounting records of the Pool are maintained in accordance with 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 Fund prepares its financial statements on the full accrual basis. Under the full accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

The principal operating revenues of the Fund are member assessments. Operating expenses include claims and claims adjustment expenses, excess and stop loss insurance premiums and administrative expenses. Nonoperating revenues are interest on investments. There are no nonoperating expenses at this time. Unbilled receivables are recorded at year end.

In accordance with the ongoing application of GASB Statement No. 10, the Fund's Statement of Net Position reflects both "Known" and "Incurred But Not Reported" Claims Reserve liability. PURMS uses the noncurrent asset account "Future Assessments Receivable" to reflect the amount that members will be required to pay as those liabilities are expensed. PURMS does not set premiums but uses an assessment mechanism (described in Note 1i) according to the Self Insurance Agreement.

"Member Deposits" refer to amounts held by PURMS, on behalf of its members, in order to pay their employee health & welfare claims before a member is assessed for those claims. The Member Deposit is currently based on three times a member's average monthly health & welfare claims.

c. Cash And Cash Equivalents

For purposes of the Statement of Cash Flows, PURMS considers all highly liquid investments with a maturity of six months or less when purchased to be cash equivalents.

d. Capital Assets

PURMS owns no capital assets.

e. Restricted Assets & Program Funding Requirements

All assets are classified as unrestricted because there are no externally enforceable constraints that limit any asset for use in operations of the Fund. PURMS does comply with the legal requirements outlined in WAC 200-100-03001 and WAC 200-110-040 regarding the program funding and liquidity requirements. [See Note 5] Under WAC 200-100-03001 the liability and property pools are funded at no less than the 70% actuarially determined confidence level. The health and welfare pool is funded at no less than the actuarially determined program liability plus 8 weeks of program expenses for prescription drug, dental and vision per WAC 200-110-040.

f. Receivables

Management decides if any accounts are deemed uncollectible. Uncollectible accounts are charged to expense in the period they are deemed uncollectible.

g. Investments

See Note 2

h. Unpaid Claims Liabilities

The Fund establishes claims liabilities based on estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and of claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. 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 result in an exact amount, particularly for coverages such as general liability.

Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made. [See Note 6 and RSI]

i. Member Assessments

Member assessments for the liability pool are recognized as revenue at the time they are calculated. These assessments are based upon a formula whose elements include; basic fees, historic claims experience and workers hours. The assessments include amounts for excess insurance premiums, claims experience, and operating costs. Member districts are obligated to replenish the liability program to the Designated Liability Pool Balance through an annual assessment calculated on December 31st. In addition to the annual assessment, interim assessments are levied whenever the level of the liability program is reduced by \$500,000 from the current Designated Liability Pool Balance or falls below the 70% actuarially determined funding level (per WAC 200-100-03001) whichever comes first. At the June 19, 2008 Board meeting, it was decided to increase the Designated Liability Pool Balance from \$2,000,000 to \$3,000,000 beginning January 1, 2009. This would be funded over three years by means of two additional assessments in 2009, 2010 and 2011 resulting in a Designated Liability Pool Balance of \$3,000,000 as of 12/31/2011.

Member assessments for the property pool are recognized as revenue at the time they are calculated. These assessments are based upon a formula whose elements include; basic fees, property values and risk based rates. The assessments include amounts for excess insurance premiums, claims experience, and operating costs. For the property program, member districts are obligated to replenish to a level of \$750,000 (the Designated Property Pool Balance) through an annual assessment calculated on December 31st. In addition, interim assessments are levied whenever the level of the property program is reduced by \$250,000 from the Designated Property Pool Balance.

Member assessments for the health & welfare pool are recognized as revenue in the period for which the insurance protection is provided. Assessments for the health and welfare pool are based upon a formula whose elements include claims and census. The assessments include amounts for stop loss insurance premiums, claims paid, and operating costs. The members are assessed at the beginning of each month for all the expenses of the prior month.

j. Claims Reserves (Unpaid Claims & Loss Adjustment Expenses)

Claims are charged to income as incurred. Claim Reserves represent the accumulation of estimates for reported, unpaid claims (Known), plus a provision for claims incurred, but not reported (IBNR) including the loss adjustment expenses of these claims. These estimates are continually reviewed and updated, and any resulting adjustments are reflected in current earnings. For the liability and property pool, all known claims have a reserve set when the claim is reported. Health and welfare known claims are generally not reserved. The IBNR for all pools is set based on an actuarial report.

k. Reserve for Unallocated Loss Adjustment Expenses

The reserve for unallocated loss adjustment expenses (ULAE) represents a liability for the estimated cost to be incurred with respect to the settlement of claims in process and claims incurred but not reported. Management estimates this liability at the end of each year based upon an actuarial study. The change in the liability each year is reflected in current earnings.

l. Exemption From Federal And State Taxes

Pursuant to Revenue Ruling 90-74, income of Municipal Risk Funds is excluded from gross income under IRC Section 115(1).

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

m. Inter-pool Loans

Effective April 1, 2000 the Self-Insurance Agreement was amended to allow inter-pool loans. As of December 31, 2013 and 2012 there were no outstanding inter-pool loans.

n. Self-Insured Retention

The Fund retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its excess or stop loss insurance contracts [See Note 3]. If a claim exceeds the self-insured retention the Fund will pay the claim and is reimbursed by the excess or stop loss insurance carrier. Amounts paid in excess of the retention are reflected on the statement of net position as an account receivable.

NOTE 2 - DEPOSITS AND INVESTMENTS

PURMS 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). Interest is credited to the statement of net position as accrued. Certificates of deposit are stated at cost.

PURMS had the following investments as of:

	<u>Investment</u>	<u>Maturities</u>	<u>Cost</u>
12/31/2013	5 Certificates of Deposit	24 – 80 days	\$2,350,000.
12/31/2012	4 Certificates of Deposit	18 – 87 days	\$1,850,000.

Credit Risk. As required by State Law, all deposits and investments are obligations of the U.S. Government, deposits with Washington State banks and savings and loan institutions, or other investments allowed by Chapter 39.59 RCW.

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction PURMS would not be able to recover the value of the investment or collateral securities. All of PURMS investments were exposed to custodial credit risk because the investments were held by a Washington State bank, which is also the counterparty in those securities. PURMS investment policy does not address custodial credit risk for its investments or deposits.

Concentration of Credit Risk. The investment policy of PURMS places no limit on the amount that may be invested in any one issuer. On December 31, 2013 & 2012, 100% of the investments were in certificates of deposit.

Interest Rate Risk. PURMS does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In general, investments mature in less than six months.

NOTE 3 - EXCESS INSURANCE CONTRACTS

The Fund maintains excess insurance contracts with several insurance carriers which provide various limits of coverage over the Fund's self-insured retention (SIR) limits. No reinsurance is purchased. Not all members participate in all coverages available. The limits provided by these excess insurance contracts are as follows (2013 and 2012 are the same unless noted otherwise):

Liability Pool

	Per Occurrence/Aggregate
AEGIS: General Liability (1 st Layer)	\$35,000,000/\$70,000,000 over \$1,000,000 SIR
EIM: General Liability (2 nd Layer)	\$25,000,000/\$25,000,000 over \$35,000,000
AEGIS: D&O Public Officials Liability	\$35,000,000/\$35,000,000 over \$500,000 SIR

Property Pool

National Union Fire Insurance (Participation; 45%)
 Zurich American Insurance Co (Participation; 30%)
 Liberty Mutual (Participation; 15%)
 AEGIS (Participation; 10%):

Property Including Boiler & Machinery	Replacement cost, \$200,000,000 policy limits (sublimits apply) over \$250,000 SIR
NFIP: Flood Policy	\$500,000/\$500,000 over \$1,000 SIR

Health & Welfare Pool

Symetra:

Stop Loss on Medical, Dental, Prescription	Individual Stop Loss \$225,000 (2012) Aggregate Stop Loss \$14,059,584 (12/31/2012)
Stop Loss on Medical, Dental, Prescription	Individual Stop Loss \$225,000 (2013) Aggregate Stop Loss \$15,643,814 (12/31/2013)

All Pools

Berkley Region Insurance	Crime Bond	\$1,000,000 occurrence over \$10,000 SIR
--------------------------	------------	------------------------------------------

NOTE 4 – CONTINGENT LIABILITIES AND LITIGATIONS

PURMS has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that PURMS will have to make payment. In the opinion of management, PURMS claims reserves and excess policies are adequate to pay all known or pending claims.

NOTE 5 – SOLVENCY (This is a new note requirement starting in 2013 therefore there is no comparative information for 2012 presented in this financial statement.)

a. Financial Solvency Property and Liability Pools

Washington Administrative Code (WAC) 200-100 requires PURMS to maintain certain levels of primary and secondary assets to meet solvency standards. As defined in WAC 200-100-03001 total primary assets, cash and cash equivalents less non-claim liabilities, must be at least equal to the unpaid claims estimate at the expected level as determined by the actuary. Additionally, total primary and secondary assets must be at least equal to the unpaid claims estimate at the 70 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.

Solvency test for PURMS Liability Pool

Primary Asset Test		Secondary Asset Test	
Cash & cash equivalents	223,874	Cash & cash equivalents	223,874
Investments	2,100,000	Investments	2,100,000
		Assessments Receivable	698,139
		Interest Receivable	357
Total	2,323,874	Total	3,022,370
Less: Non-claims liabilities		Less: Non-claims liabilities	
Accounts payable	(22,013)	Accounts payable	(22,013)
Total Primary Assets	2,301,861	Total Secondary Assets	3,000,357
<i>compared to:</i>		<i>compared to:</i>	
Claim liabilities at expected level per actuary (from actuarial study)	1,853,003	Claim liabilities at 70 percent confidence level per actuary (from actuarial study)	2,056,835
Test #1 - Primary Asset Test	MET	Test #2 - Secondary Asset Test	MET

Solvency test for PURMS Property Pool

Primary Asset Test	
Cash & cash equivalents	350,567
Investments	250,000
Total	600,567
Less: Non-claims liabilities	
Accounts payable	(11,489)
Total Primary Assets	589,078
<i>compared to:</i>	
Claim liabilities at expected level per actuary (from actuarial study)	513,091
Test #1 - Primary Asset Test	MET

Secondary Asset Test	
Cash & cash equivalents	350,567
Investments	250,000
Assessments Receivable	160,922
Interest Receivable	2
Total	761,491
Less: Non-claims liabilities	
Accounts payable	(11,489)
Total Secondary Assets	750,002
<i>compared to:</i>	
Claim liabilities at 70 percent confidence level per actuary (from actuarial study)	587,866
Test #2 - Secondary Asset Test	MET

b. Financial Solvency Health & Welfare Pool

Washington Administrative Code 200-110-040 requires all joint health and welfare programs self-insuring medical, vision, dental or prescription drug benefit programs or any combination of programs to establish program reserves. PURMS has chosen to use an independent actuarial study and fund to the actuarially determined program liability as the method to comply with the code in accordance with WAC 100-110-040(2). Also, as required, PURMS maintains no less than eight weeks of program expenses for dental, vision and prescription benefits.

Solvency test for PURMS Health & Welfare Pool

H&W Program Funding Test	
<u>Program expenses</u>	
Medical claims paid	8,210,437
Dental claims paid	1,076,251
Vision claims paid	206,714
Prescription claims paid	1,988,985
Other operating expenses (total)	1,202,594
Total program expenses	12,684,981
 <u>Minimum funding requirements</u>	
Actuarial study- determined liability (medical)	882,384
8 weeks of dental, vision & prescription expenses	688,391
Total program funding requirements	1,570,775
 <u>Actual program funding</u>	
Net Position	2,185,474
Actuarial study- determined liability (medical) (Already reported on Statement of Revenue)	882,384
Actual program funding	3,067,858
H&W Program Funding Test	MET

The additional contingency reserve test is not required because PURMS obtains and uses an actuarial study. WAC 200-110-040 (2) & (3)

NOTE 6 – UNPAID CLAIMS LIABILITIES

As discussed in Note 1h, the Fund establishes a liability for both 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 Fund during the past two years:

	<u>2013</u>	<u>2012</u>
Unpaid claims and claim adjustment expenses/claims reserves at beginning of year	3,416,123	3,501,071
Incurred claims and claim adjustment expenses:		
Provision for insured events of current year	11,957,746	11,711,679
Increases in provision for insured events of prior years	473,811	475,612
Total incurred claims and claim adjustment expenses	<u>12,431,557</u>	<u>12,187,291</u>
Payments:		
Claims and claim adjustment expenses attributable to insured events of current year	11,773,762	11,431,557
Claims and claim adjustment expenses attributable to insured events of prior years	531,094	840,682
Total payments	<u>12,304,856</u>	<u>12,272,239</u>
Total unpaid claims and claim adjustment expenses/claims reserve at end of year	3,542,824	3,416,123
Unallocated loss adjustment expense/claims reserve at end of year	85,371	-
Total claims reserves at end of year	<u>3,628,195</u>	<u>3,416,123</u>

PUBLIC UTILITY RISK MANAGEMENT SERVICES JOINT SELF-INSURANCE FUND

REQUIRED SUPPLEMENTARY INFORMATION

1. Ten-Year Claims Development Information

The tables on the following pages illustrate how the Fund's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the last ten 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 fiscal year's other operating costs of the Fund including overhead and claims expenses not allocable to individual claims.
- (3) This line shows the Fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) This section of ten rows shows the cumulative amounts paid as of the end of successive years for each policy year.
- (5) This section of ten rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (6) This line compares the latest reestimated 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 reestimated 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.

Liability Program - Policy Year Ended December 31, 2013

(In Thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1. Net earned required contribution and investment revenues	874	701	1,035	662	749	1,311	1,730	1,290	1,110	1,225
2. Unallocated expenses	319	284	339	345	335	421	476	553	526	532
3. Estimated incurred claims and expense, end of policy year	246	87	236	367	316	206	249	120	186	345
4. Paid (cumulative) as of:										
End of Policy Year	128	57	105	150	148	105	165	89	141	304
One year later	220	99	176	423	422	175	408	211	281	
Two years later	236	230	291	441	445	233	690	335		
Three years later	246	274	343	513	451	233	789			
Four years later	349	379	454	513	490	233				
Five years later	355	379	454	513	515					
Six years later	355	379	454	513						
Seven years later	355	379	454							
Eight years later	355	379								
Nine years later	355									
5. Reestimated incurred claims and expense:										
End of Policy Year	246	87	236	367	316	206	249	120	186	345
One year later	298	137	285	542	526	210	478	241	381	
Two years later	309	306	510	515	467	233	700	362		
Three years later	319	494	476	513	502	233	819			
Four years later	387	379	459	513	546	233				
Five years later	355	379	454	513	515					
Six years later	355	379	454	513						
Seven years later	355	379	454							
Eight years later	355	379								
Nine years later	355									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	109	292	218	146	199	27	570	242	195	0

Property Program - Policy Year Ended December 31, 2013

(In Thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1. Net earned required contribution and investment revenues	914	560	683	416	450	1,030	691	484	700	423
2. Unallocated expenses	387	416	643	360	421	275	250	335	294	294
3. Estimated incurred claims and expense, end of policy year	188	100	111	85	359	275	96	156	367	67
4. Paid (cumulative) as of:										
End of Policy Year	68	37	70	57	65	230	90	38	96	46
One year later	113	214	106	163	106	316	101	212	157	
Two years later	113	214	138	176	219	316	233	234		
Three years later	113	214	418	175	219	319	233			
Four years later	113	214	418	274	220	319				
Five years later	113	214	418	274	220					
Six years later	113	214	418	274						
Seven years later	113	214	418							
Eight years later	113	214								
Nine years later	113									
5. Reestimated incurred claims and expense:										
End of Policy Year	188	100	111	85	359	275	96	156	367	67
One year later	169	267	146	181	238	361	211	218	417	
Two years later	169	217	146	176	219	316	233	237		
Three years later	169	216	418	177	219	319	233			
Four years later	113	214	418	274	220	319				
Five years later	113	214	418	274	220					
Six years later	113	214	418	274						
Seven years later	113	214	418							
Eight years later	113	214								
Nine years later	113									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	-75	114	307	189	-139	44	137	81	50	0

Health & Welfare Program - Policy Year Ended December 31, 2013

(In Thousands)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1. Required contribution and investment revenue										
Earned	5,164	6,553	6,612	6,849	8,877	9,469	10,160	11,750	12,324	12,592
Premiums	332	322	395	415	463	526	514	601	617	677
Net	4,832	6,231	6,217	6,434	8,414	8,943	9,646	11,149	11,707	11,915
2. Unallocated expenses	683	606	707	769	800	915	922	1,035	1,041	1,109
3. Estimated claims and expenses end of policy year										
Incurred	4178	5560	5763	5660	7069	7614	8809	9617	10249	10729
Excess Reimb	0	45	326	8	202	6	140	239	0	32
Net Incurred	4178	5515	5437	5652	6867	7608	8669	9378	10249	10697
4. Paid (cumulative) as of:										
End of Policy Year	4178	5515	5437	5652	6867	7608	8669	9378	10249	10697
One year later	4475	5936	5864	6160	7802	8187	9411	10411	11043	
Two years later	4477	5936	5866	6161	7814	8189	9413	10413		
Three years later	4477	5936	5866	6161	7814	8189	9413			
Four years later	4477	5936	5866	6161	7814	8189				
Five years later	4477	5936	5866	6161	7814					
Six years later	4477	5936	5866	6161						
Seven years later	4477	5936	5866							
Eight years later	4477	5936								
Nine years later	4477									
5. Reestimated incurred claims and expense:										
End of Policy Year	4178	5515	5437	5652	6867	7608	8669	9378	10249	10697
One year later	4475	5936	5864	6160	7802	8187	9411	10411	11043	
Two years later	4477	5936	5866	6161	7814	8189	9413	10413		
Three years later	4477	5936	5866	6161	7814	8189	9413			
Four years later	4477	5936	5866	6161	7814	8189				
Five years later	4477	5936	5866	6161	7814					
Six years later	4477	5936	5866	6161						
Seven years later	4477	5936	5866							
Eight years later	4477	5936								
Nine years later	4477									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	299	421	429	509	947	581	744	1035	794	0

Liability Program - Policy Year Ended December 31, 2012

(In Thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Net earned required contribution and investment revenues	797	874	701	1,035	662	749	1,311	1,730	1,290	1,110
2. Unallocated expenses	379	319	284	339	345	335	421	476	553	526
3. Estimated incurred claims and expense, end of policy year	280	246	87	236	367	316	206	249	120	186
4. Paid (cumulative) as of:										
End of Policy Year	78	128	57	105	150	148	105	165	89	141
One year later	108	220	99	176	423	422	175	408	211	
Two years later	446	236	230	291	441	445	233	690		
Three years later	558	246	274	343	513	451	233			
Four years later	559	349	379	454	513	490				
Five years later	559	355	379	454	513					
Six years later	559	355	379	454						
Seven years later	559	355	379							
Eight years later	559	355								
Nine years later	559									
5. Reestimated incurred claims and expense:										
End of Policy Year	280	246	87	236	367	316	206	249	120	186
One year later	286	298	137	285	542	526	210	478	241	
Two years later	537	309	306	510	515	467	233	700		
Three years later	603	319	494	476	513	502	233			
Four years later	594	387	379	459	513	546				
Five years later	559	355	379	454	513					
Six years later	559	355	379	454						
Seven years later	559	355	379							
Eight years later	559	355								
Nine years later	559									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	279	109	292	218	146	230	27	451	121	0

Property Program - Policy Year Ended December 31, 2012

(In Thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Net earned required contribution and investment revenues	646	914	560	683	416	450	1,030	691	484	700
2. Unallocated expenses	244	387	416	643	360	421	275	250	335	294
3. Estimated incurred claims and expense, end of policy year	305	188	100	111	85	359	275	96	156	367
4. Paid (cumulative) as of:										
End of Policy Year	81	68	37	70	57	65	230	90	38	96
One year later	373	113	214	106	163	106	316	101	212	
Two years later	381	113	214	138	176	219	316	233		
Three years later	548	113	214	418	175	219	319			
Four years later	548	113	214	418	274	220				
Five years later	548	113	214	418	274					
Six years later	548	113	214	418						
Seven years later	548	113	214							
Eight years later	548	113								
Nine years later	548									
5. Reestimated incurred claims and expense:										
End of Policy Year	305	188	100	111	85	359	275	96	156	367
One year later	537	169	267	146	181	238	361	211	218	
Two years later	571	169	217	146	176	219	316	233		
Three years later	549	169	216	418	177	219	319			
Four years later	549	113	214	418	274	220				
Five years later	548	113	214	418	274					
Six years later	548	113	214	418						
Seven years later	548	113	214							
Eight years later	548	113								
Nine years later	548									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	243	-75	114	307	189	-139	44	137	62	0

Health & Welfare Program - Policy Year Ended December 31, 2012

(In Thousands)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Required contribution and investment revenue										
Earned	5,194	5,164	6,553	6,612	6,849	8,877	9,469	10,160	11,750	12,324
Premiums	285	332	322	395	415	463	526	514	601	617
Net	4,909	4,832	6,231	6,217	6,434	8,414	8,943	9,646	11,149	11,707
2. Unallocated expenses	573	683	606	707	769	800	915	922	1,035	1,041
3. Estimated claims and expenses end of policy year										
Incurred	4412	4178	5560	5763	5660	7069	7614	8809	9617	10249
Excess Reimb	0	0	45	326	8	202	6	140	239	0
Net Incurred	4412	4178	5515	5437	5652	6867	7608	8669	9378	10249
4. Paid (cumulative) as of:										
End of Policy Year	4412	4178	5515	5437	5652	6867	7608	8669	9378	10249
One year later	4653	4475	5936	5864	6160	7802	8187	9411	10411	
Two years later	4657	4477	5936	5866	6161	7814	8189	9413		
Three years later	4657	4477	5936	5866	6161	7814	8189			
Four years later	4657	4477	5936	5866	6161	7814				
Five years later	4657	4477	5936	5866	6161					
Six years later	4657	4477	5936	5866						
Seven years later	4657	4477	5936							
Eight years later	4657	4477								
Nine years later	4657									
5. Reestimated incurred claims and expense:										
End of Policy Year	4412	4178	5515	5437	5652	6867	7608	8669	9378	10249
One year later	4653	4475	5936	5864	6160	7802	8187	9411	10411	
Two years later	4657	4477	5936	5866	6161	7814	8189	9413		
Three years later	4657	4477	5936	5866	6161	7814	8189			
Four years later	4657	4477	5936	5866	6161	7814				
Five years later	4657	4477	5936	5866	6161					
Six years later	4657	4477	5936	5866						
Seven years later	4657	4477	5936							
Eight years later	4657	4477								
Nine years later	4657									
6. Increase (decrease) in estimated incurred claims and expense from end of policy year	245	299	421	429	509	947	581	744	1033	0

Reconciliation of Claims Liabilities by Type of Contract

The schedule below presents the changes in claims liabilities for the past two years for the Fund's three pools: liability, property and health & welfare.

	2013			2012		
	Liability	Property	Health & Welfare	Liability	Property	Health & Welfare
Unpaid claims and claim adjustment expenses at beginning of the fiscal year	2,008,991	516,974	890,158	2,129,490	487,103	884,478
Incurred claims and claim adjustment expenses:						
Provision for insured events of the current fiscal year	272,683	109,340	11,575,723	75,011	347,979	11,288,689
Increases in provision for insured events of prior fiscal years	403,754	70,057	-	388,354	87,258	-
Total incurred claims and claim adjustment expenses	<u>676,437</u>	<u>179,397</u>	<u>11,575,723</u>	<u>463,365</u>	<u>435,237</u>	<u>11,288,689</u>
Payments:						
Claims and claim adjustment expenses attributable to insured events of the current fiscal year	304,504	46,791	11,422,467	141,004	96,077	11,194,476
Claims and claim adjustment expenses attributable to insured events of prior fiscal years	388,456	82,718	59,920	442,860	309,289	88,533
Total payments	<u>692,960</u>	<u>129,509</u>	<u>11,482,387</u>	<u>583,864</u>	<u>405,366</u>	<u>11,283,009</u>
Total unpaid claims and claim adjustment expenses at end of the fiscal year	<u>1,992,468</u>	<u>566,862</u>	<u>983,494</u>	<u>2,008,991</u>	<u>516,974</u>	<u>890,158</u>

**PUBLIC UTILITY RISK MANAGEMENT SERVICES
JOINT SELF-INSURANCE FUND**

MEMBER DISTRICTS

ASOTIN COUNTY PUD NO. 1
P.O. Box 605
Clarkston, WA 99403

BENTON COUNTY PUD
P.O. Box 6270
Kennewick, WA 99336

CLALLAM COUNTY PUD
P.O. Box 1090
Port Angeles, WA 98362

GRAYS HARBOR COUNTY PUD
P.O. Box 480
Aberdeen, WA 98520

JEFFERSON COUNTY PUD
230 Chimacum Road
Port Hadlock, WA 98339

KITSAP COUNTY PUD
P.O. Box 1989
Poulsbo, WA 98370

KLICKITAT COUNTY PUD
1313 South Columbus
Goldendale, WA 98620

LEWIS COUNTY PUD
P.O. Box 330
Chehalis, WA 98532

MASON COUNTY PUD NO. 3
P.O. Box 2148
Shelton, WA 98584

NOANET
5802 Overlook Avenue
Tacoma, WA 98422

OKANOGAN COUNTY PUD
P.O. Box 912
Okanogan, WA 98840

PACIFIC COUNTY PUD NO. 2
P.O. Box 472
Raymond, WA 98577

PEND OREILLE COUNTY PUD
P.O. Box 190
Newport, WA 99156

SKAGIT COUNTY PUD
P.O. Box 1436
Mount Vernon, WA 98273

SKAMANIA COUNTY PUD
P.O. Box 500
Carson, WA 98610

STEVENS COUNTY PUD
P.O. Box 592
Loon Lake, WA 99148

THURSTON COUNTY PUD
921 Lakeridge Way, Suite 201
Olympia, WA 98502

WAHKIAKUM COUNTY PUD
P.O. Box 248
Cathlamet, WA 98612

WHATCOM COUNTY PUD
1705 Trigg Road
Ferndale, WA 98248

PUBLIC UTILITY RISK MANAGEMENT SERVICES JOINT SELF-INSURANCE FUND

DEPARTMENT OF ENTERPRISE SERVICES SCHEDULE OF EXPENSES

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2013

OPERATING EXPENSES:	Liability Pool	Property Pool	H&W Pool	All Combined
Claims & Claim Adjustment Expenses				
Claims Paid on Current Losses	\$ 289,080	46,791	11,454,151	\$ 11,790,022
Claims Paid on Prior Losses	93,282	82,718	59,920	235,920
Claims Paid, Excess of Retention/Stop Loss	-	-	(31,684)	(31,684)
Claims Adjustment on Current Losses	15,424	-	-	15,424
Claims Adjustment on Prior Losses	295,174	-	-	295,174
Established Claims Reserve	(31,821)	62,549	153,256	183,984
Adjustment to Prior Years Claims Reserve	15,298	(12,661)	(59,920)	(57,283)
Adjustment to ULAE Claims Reserve	64,367	21,004	-	85,371
Insurance Purchased - Excess/Stop Loss	1,305,192	1,104,598	677,481	3,087,271
Insurance Purchased - Fidelity Bond	2,284	1,260	394	3,938
Contracted Services:				
PPO Network Fee	-	-	84,104	84,104
Administrator's Fee	267,176	133,561	289,602	690,339
Brokers Fee	76,100	42,100	15,000	133,200
Actuarial Fee	9,360	5,040	6,000	20,400
Fund Legal Fees	140,383	29,632	12,835	182,850
Audit/Program Assessment Fees	15,502	9,505	8,219	33,226
Property Appraisal Fees	-	47,000	-	47,000
H&W Case Management Fees	-	-	7,127	7,127
Lobbyist	13,920	7,680	2,400	24,000
Disaster Recovery Services	-	17,490	-	17,490
General Administrative Expenses:				
Bank Fees	-	-	5,997	5,997
Dues and Conferences	6,839	316	99	7,254
Flood Zone Mapping	-	163	-	163
Total Operating Expense	<u>\$ 2,577,560</u>	<u>1,598,746</u>	<u>12,684,981</u>	<u>\$ 16,861,287</u>

**PUBLIC UTILITY RISK MANAGEMENT SERVICES
JOINT SELF-INSURANCE FUND**

DEPARTMENT OF ENTERPRISE SERVICES SCHEDULE OF EXPENSES

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2012

OPERATING EXPENSES:	Liability Pool	Property Pool	H&W Pool	All Combined
Claims & Claim Adjustment Expenses				
Claims Paid on Current Losses	\$ 119,369	96,077	11,194,476	\$ 11,409,922
Claims Paid on Prior Losses	266,930	309,289	88,533	664,752
Claims Adjustment on Current Losses	21,635	-	-	21,635
Claims Adjustment on Prior Losses	175,930	-	-	175,930
Established Claims Reserve	(65,993)	251,902	94,213	280,122
Adjustment to Prior Years Claims Reserve	(54,506)	(222,031)	(88,533)	(365,070)
Insurance Purchased - Excess/Stop Loss	1,286,310	1,071,305	617,400	2,975,015
Insurance Purchased - Fidelity Bond	2,284	1,260	394	3,938
Contracted Services:				
PPO Network Fee	-	-	82,909	82,909
Administrator's Fee	271,373	135,784	284,071	691,228
Brokers Fee	74,100	41,000	15,000	130,100
Actuarial Fee	10,075	5,425	5,000	20,500
Fund Legal Fees	138,286	41,612	11,152	191,050
Audit/Program Assessment Fees	13,887	8,461	7,308	29,656
Property Appraisal Fees	-	40,000	-	40,000
H&W Case Management Fees	-	-	9,974	9,974
Lobbyist	13,920	7,680	2,400	24,000
Disaster Recovery Services	-	12,402	-	12,402
General Administrative Expenses:				
Bank Fees	463	173	5,136	5,772
Dues and Conferences	1,618	309	97	2,024
Total Operating Expense	<u>\$ 2,275,681</u>	<u>1,800,648</u>	<u>12,329,530</u>	<u>\$ 16,405,859</u>

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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