Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Washington Cities Insurance Authority

For the period January 1, 2021 through December 31, 2022

Published October 12, 2023

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Office of the Washington State Auditor
Pat McCarthy

October 12, 2023

Board of Directors
Washington Cities Insurance Authority
Tukwila, Washington

Report on Financial Statements

Please find attached our report on the Washington Cities Insurance Authority's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

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SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Washington Cities Insurance Authority
January 1, 2022 through December 31, 2022

2022-001 The Washington Cities Insurance Authority did not comply with solvency requirements, increasing the risk it will be unable to pay its outstanding claims.

Background

Formed in 1981, the Washington Cities Insurance Authority (Pool) is a joint self-insurance program for cities, towns, and interlocal entities in Washington. More than 160 local governments in Washington are members of the Pool, which provides services like underwriting, claims administration and risk management.

State regulations hold property and liability programs, such as those administered by the state's 15 risk pools, to standards of solvency that are defined in Washington Administrative Code (WAC). To be considered solvent, the Pool's assets must be at least equal to its actuarial estimate of unpaid claims at fiscal year-end. Specifically, WAC requires that the Pool establish and maintain an amount of primary assets, including cash and investments, that is at least equal to the actuary's expected unpaid claims estimate. WAC also requires that the Pool's total assets, including primary assets and secondary assets such as real estate and insurance receivables, to be at least equal to the unpaid claim estimate at the 80 percent confidence level.

Pools that do not meet either of these requirements must notify the state risk manager, and they risk receiving a cease-and-desist order or other required corrective action.

Description of Condition

The Pool did not meet the primary asset and total asset solvency tests, as defined in WAC, at fiscal year-end 2022.

The Pool's management notified our Office in May 2023 and the state risk manager in June 2023 that it did not meet the primary and total asset requirements.

Cause of Condition

The Pool has met its regulatory solvency requirements in prior years. However, it has recently experienced increased claims costs due to inflation, large settlements and higher insurance premiums. In addition, the Pool has experienced decreases in its investments due to unrealized losses related to interest rate increases.

Effect of Condition

The Pool did not have sufficient cash and investments at year-end to cover its unpaid claims liabilities. The audit found the Pool's primary assets were $138 million and its total assets were $162 million. As of December 31, 2022, the Pool was about $23.5 million short of meeting its regulatory solvency requirements for the primary asset test, and it was about $44.1 million short for the total asset test. These shortages increase the possibility that the Pool would not be able to cover its members' unpaid claims.

Recommendation

We recommend the Pool establish and follow procedures, including increased monitoring, to ensure it meets regulatory solvency requirements.

We further recommend the Pool work with the state risk manager regarding its compliance with solvency requirements at year-end and cooperate to resolve any ongoing concerns.

Pool's Response

The State Auditor's Office conducted the annual audit in August 2023 and found the Pool did not have sufficient assets to pass the solvency tests as of December 31, 2022. The reasons this occurred were large unrealized losses in the investment portfolio and claim value inflation which resulted in significant increases of claim reserves.

Prior to the audit, in compliance with WAC 200-100-03001, staff alerted the State Risk Manager and the Executive Committee about the solvency test not being met. Staff presented a Corrective Action Financial Plan that included four targeted strategies: Revenue Generation, Improve Membership Loss Experience, Monitor and Review Investment Performance, and Limit Self-Insured Retention Loss. The plan was adopted by resolution of the Executive Committee and approved by the State Risk Manager. Assessment rate increases to the membership, favorable loss resolutions, and investments being held to maturity rather than realizing loss will improve the pool's financial position towards meeting future solvency tests.

Auditor's Remarks

We appreciate the Pool's commitment to resolving the issue. We will review the condition during our next audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

WAC 200-100-020 Definitions, states in part:

> (18) "Primary assets" means cash, short-term investments, and long-term investments.
>
> (21) "Secondary assets" means insurance and member receivables, real estate or other assets the value of which can be independently verified by the state risk manager.

WAC 200-100-03001 Standards for solvency – Actuarially determined liabilities, program funding and liquidity requirements states:

> (1) All joint self-insurance programs shall obtain an annual actuarial review as of fiscal year end which provides written estimates of the liability for unpaid claims measured at the expected level and the seventy, eighty, and ninety percent confidence level.
>
> (2) The governing body of the joint self-insurance program shall establish and maintain primary assets in an amount at least equal to the unpaid claims estimate at the expected level as determined by the program's actuary as of fiscal year end. All joint self-insurance programs meeting this requirement shall be considered in compliance with the primary asset test. All joint self-insurance programs that do not meet the requirements of the primary asset test shall notify the state risk manager in writing of the condition. The state risk manager shall take corrective action, which may include the service of a cease-and-desist order upon the program, to require that the program increase primary assets in an amount equal to the unpaid claims

estimate at the expected level as determined by the program's actuary as of fiscal year end.

(3) The governing body of every joint self-insurance program operating under this chapter shall establish and maintain total primary and secondary assets in an amount equal to or greater than the unpaid claim estimate at the eighty percent confidence level as determined by the program's actuary as of fiscal year end.

(4) All joint self-insurance programs authorized by chapter 48.62 RCW shall meet the requirements of both the primary asset test and the total asset test. The governing body of all joint self-insurance programs that do not meet requirements of the total asset test shall notify the state risk manager in writing of the condition. The state risk manager shall require that the program submit a written corrective action plan to the state risk manager within sixty days of notification. Such plan shall include a proposal for improving the financial condition of the self-insurance program and a time frame for completion. The state risk manager shall approve or deny the proposed plan in writing within thirty days of receipt of the final plan submission.

Joint self-insurance programs operating under an approved plan and making satisfactory progress according to the terms of the plan shall remain under supervisory watch by the state risk manager until the terms of the approved plan have been met. Programs under supervisory watch but not making satisfactory progress may be subject to the following requirements:

(a) Increase in frequency of examinations, the cost of which shall be the responsibility of the program;

(b) Submission of quarterly reports;

(c) On-site monitoring by the state risk manager; or

(d) Service of a cease-and-desist order upon the program.

(5) Failure by the joint self-insurance program to respond or submit a plan to improve the financial condition of the program shall cause the state risk manager to take corrective action, which may include written notification to every member of the joint self-insurance program, the service of a cease-and-desist order upon the program, and other available remedies necessary to ensure the program operates in a financially sound manner.

(6) All joint self-insurance programs that do not maintain total primary and secondary assets in an amount equal to or greater than unpaid claim estimate

at the seventy percent confidence level, as determined by the program's actuary, as of fiscal year end shall be issued a cease-and-desist order by the state risk manager. Such programs will be considered under a supervisory cease and desist order.

(7) The state risk manager shall evaluate the operational safety and soundness of the program by monitoring changes in liquidity, claims reserves and liabilities, member equity, self-insured retention, and other financial trends over time. Programs experiencing adverse trends may cause the state risk manager to increase frequency of on-site program review and monitoring, including increased communication with the governing body and requirements for corrective plans.

(8) When the state risk manager determines it necessary to analyze the program's soundness and financial safety, the state risk manager may obtain an independent actuarial evaluation to determine the accuracy of the estimate for unpaid claims liabilities, including the estimate of unallocated loss adjustment expenses. Costs of these services shall be the responsibility of the joint self-insurance program.

INDEPENDENT AUDITOR'S REPORT

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*

Washington Cities Insurance Authority
January 1, 2021 through December 31, 2022

Board of Directors
Washington Cities Insurance Authority
Tukwila, 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 Washington Cities Insurance Authority, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements, and have issued our report thereon dated October 12, 2023.

REPORT ON 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Audit Findings and Responses as Finding 2022-001.

POOL'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the Pool's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The Pool's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

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

Pat McCarthy, State Auditor

Olympia, WA

October 12, 2023

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Washington Cities Insurance Authority
January 1, 2021 through December 31, 2022

Board of Directors
Washington Cities Insurance Authority
Tukwila, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the Washington Cities Insurance Authority, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Washington Cities Insurance Authority, as of December 31, 2022 and 2021, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pool and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Matters of Emphasis

As discussed in Note 7 to the financial statements, in 2022, the Pool adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

As discussed in Note 15 to the financial statements, the 2021 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control. Accordingly, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pool's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the financial section of our report be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Other Information

The other information comprises the Pool's DES Schedule of Expenses and List of Participating Members but does not include the basic financial statements and our auditor's report thereon. Management is responsible for the other information included with the financial statements. Our opinions on the basic financial statements do not cover this other information, and we do not express an opinion or provide any assurance thereon. In connection with the audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2023 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 the effectiveness of the Pool's 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

Pat McCarthy, State Auditor

Olympia, WA

October 12, 2023

FINANCIAL SECTION

Washington Cities Insurance Authority
January 1, 2021 through December 31, 2022

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTARY AND OTHER INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Washington Cities Insurance Authority's (WCIA or the Pool) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of WCIA's financial activity, identify changes in WCIA'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 WCIA's financial statements.

HIGHLIGHTS

Financial Highlights

For the Year Ending December 31, 2022

- WCIA's net position decreased by $40,088,999 for 2022 compared to a net decrease of $19,017,660 for 2021. The Pool's overall financial position decreased from 2021 to 2022, due primarily to the following: The Pool's claim payments/reserves increased by $12,990,987 from 2021 to 2022, due to unfavorable loss trends, along with an increase in insurance expense of $6,966,108. The Pool's investments reported a $20,379,894 net decrease in fair market value which also reduced net position in 2022. The decreases were offset by a $10,192,695 increase in member assessments from 2021 to 2022.

For the Year Ending December 31, 2021

- WCIA's net position decreased by $21,322,989 for 2021 compared to a net decrease of $7,516,851 for 2020. The Pool's overall financial position decreased from 2020 to 2021, due primarily to the following: The Pool's combined claim payments/reserves increased by $7,139,609 from 2020 to 2021, along with an increase in insurance expense of $4,647,567. The Pool's investments reported a $9,259,443 net decrease in fair market value which also reduce net position in 2021 but was offset some by a $5,684,025 increase in member assessments from 2020 to 2021.

The Pool does not carry any short or long-term debt. The Pool's primary liabilities are for claims reserves. The combined claims reserves for the years ending December 31, 2022, 2021, and 2020, are $161,871,715, $133,275,545, and $119,887,282, respectively.

The Pool implemented GASB 68, *Accounting and Financial Reporting for Pensions,* for the year ending December 31, 2015, which resulted in a cumulative effect of change in accounting principle of $2,041,388 for the expense related to 2014 and earlier years pension accruals. The Pool had a net pension expense (benefit) for the years ending December 31, 2022, 2021, and 2020, of ($66,477), ($502,398), and $31,696, respectively.

WCIA did not meet the solvency standards established by Washington Administrative Code (WAC) 200-100-03001 for the year ending December 31, 2022, but did meet them in 2021.

WCIA is not legally required to formally adopt a budget; however, it does so in order to monitor revenues and expense and for rate setting purposes. The Pool's actual financial results were comparable to its budgeted amounts.

OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis is intended to serve as an introduction to WCIA's basic financial statements. The Pool's financial statements which are comprised of two components: 1) the financial statements and 2) notes to the financial statements. This report contains other required supplementary information in addition to the basic financial statements themselves.

Financial Statements

WCIA reports its activities as an enterprise fund. An enterprise fund is a proprietary fund, and as such uses full accrual accounting for its activities.

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

The Pool's function is to provide property and liability 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 activities of the Pool consist solely of risk management programs and claims management activities related to the coverages described above. The reporting entity does not include any other component units with the criterion prescribed by Generally Accepted Accounting Principles (GAAP).

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- Three year comparative summary financial data:

DESCRIPTION	Year 2022	Year 2021	Year 2020
Total Assets – Capital	$4,136,787	$4,314,658	$4,417,547
Total Assets – Other	$161,750,633	$190,017,019	$176,779,738
Total Assets	$165,887,420	$194,331,677	$181,197,285
Total Deferred Outflows of Resources	$772,226	$244,505	$247,684
Total Current Liabilities	$50,280,723	$54,810,201	$36,713,463
Noncurrent Liabilities	$112,745,145	$95,197,992	$84,696,041
Total Liabilities	$163,025,868	$150,008,193	$121,409,504
Total Deferred Inflows of Resources	$805,056	$2,177,989	$263,437
Total Net Position-Invested in Capital Assets	$4,136,787	$4,314,658	$4,417,547
Total Net Position-Unrestricted	($2,080,291)	$37,830,837	$55,106,797
Total Net Position	$2,056,496	$42,145,495	$59,524,344
OPERATING REVENUES			
Member Assessments	$67,729,488	$57,536,793	$51,852,768
Building Revenue	$129,304	$260,454	$368,702
Seminar Revenue	$6,085	$5,845	$3,562
TOTAL OPERATING REVENUES	$67,864,877	$57,803,092	$52,225,032
NON-OPERATING REVENUES			
Investment Earnings (Loss)	($14,338,987)	($4,017,839)	$4,145,278
TOTAL NON-OPERATING REVENUES	($14,338,987)	($4,017,839)	$4,145,278
TOTAL REVENUES	$53,525,890	$53,785,253	$56,370,310
OPERATING EXPENSES			
Loss & Loss Adjustment Expense	$60,842,935	$47,851,948	$43,017,668
Insurance Expense	$26,501,779	$19,535,671	$14,888,104
Wages & Benefits	$3,275,332	$2,718,017	$3,258,931
Professional Services	$1,239,472	$1,092,149	$1,182,736
Seminars & Training	$854,147	$685,317	$510,901
Building Expenses	$260,536	$204,069	$227,028
Other Expenses	$640,688	$715,742	$801,793
TOTAL OPERATING EXPENSES	$93,614,889	$72,802,913	$63,887,161
NET INCOME (LOSS)	($40,088,999)	($19,017,660)	($7,516,851)
PRIOR PERIOD ADJUSTMENT GASB87		11,705	
PRIOR PERIOD ADJUSTMENT CHANGE IN ACCOUNTING METHOD CLAIMS RESERVES		1,627,106	26,475,000
BEGINNING NET POSITION	$42,145,495	$59,524,344	$40,566,195
ENDING NET POSITION	$2,056,496	$42,145,495	$59,524,344

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operations Highlights

Protecting and maintaining the Authority's stability to ensure longevity is a long-standing operational goal. Over the last several years, WCIA has experienced an unexpected increase in reinsurance costs, loss payments, and loss reserves. WCIA has made the strategic decision to carry larger loss and expense reserves earlier in the life of potential and actual claims based on recent trends. Additionally, WCIA has experienced annual decreases in the fair market value of fixed income investments due to a prolonged period of low interest rates followed by a sudden raising of interest rates within the last two years. It is not anticipated that these losses will be realized as WCIA's practice is to hold investments to maturity.

Members saw the continuation of WCIA's commitment to assist them in reducing and mitigating municipal exposures through a variety of programs and offerings. The memberships' COMPACT to be attentive members, adhere to risk management reviews and audits along with mandatory trainings celebrated its 27th year in 2022. WCIA's robust training program continued through regional, exclusive, co-sponsored and reimbursed instruction. All of this was in addition to our pre-defense review, risk management consultation, and risk reduction grant programs.

The coverage provided by liability reinsurers continued to strengthen the Authority's ability to respond to significant exposures while maintaining a $4 million per occurrence self-insurance layer. The WCIA property program insured approximately $13 billion in member assets with a self-insured layer of $750,000 per loss. Additionally, WCIA purchased Cyber Insurance and Pollution Premises Liability Insurance for all members while also offering a joint purchase Crime Insurance policy.

Capital Assets & Long-Term Debt

The Authority has $7,144,580 of capital assets at cost, of which $6,647,468 is for the building and land it purchased and uses for its office space as well as rental to third parties. The remaining capital assets are for office equipment and furnishings (refer to Note 6 of the Financial Statements).

SUMMARY

The Authority continues to provide professional risk management and stable risk financing programs that respond to members' needs.

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 Ann Bennett, the Pool's Executive Director, at P.O. Box 88030, Tukwila, WA 98138 (206)575-6046.

WASHINGTON CITIES INSURANCE AUTHORITY
Statement of Net Position
As of December 31, 2022 and 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**2022**	**2021**
Current Assets:		
Cash and Cash Equivalents	$2,996,584	$29,837,748
Accrued Interest	606,081	452,435
Investments	135,907,300	138,602,107
Accounts Receivable	22,834	1,640,378
Leases Receivable	150,921	77,465
Prepaid Expenses	17,674,903	14,006,525
TOTAL CURRENT ASSETS	$157,358,623	$184,616,658
Noncurrent Assets:		
Investment in GEM	$2,810,619	$2,810,619
Leases Receivable	$477,116	$444,779
Net Pension Asset	$332,049	$1,900,458
Capital Assets	7,144,580	7,144,580
Accumulated Depreciation	(3,007,793)	(2,829,922)
TOTAL NONCURRENT ASSETS	$7,756,571	$9,470,514
TOTAL ASSETS	$165,115,194	$194,087,172
Deferred Outflows of Resources - Pension	$772,226	$244,505
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$165,887,420	$194,331,677
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
Current Liabilities:		
Accounts Payable & Accrued Expenses	$89,982	$15,347,716
Payroll Liabilities	41,187	44,451
Compensated Absences	186,293	219,606
Deposits Payable	173,890	545,830
Property & Vehicle Claims Reserve	8,118,961	3,501,778
Claim Reserves:		
IBNR	7,427,583	14,731,081
Open Claims (Case Reserves)	33,140,661	19,364,507
Unallocated Loss Adjustment Expenses	945,000	943,329
TOTAL CURRENT LIABILITIES	$50,123,557	$54,698,298
Noncurrent Liabilities:		
Compensated Absences	$69,961	$73,986
Claim Reserves:		
IBNR	20,081,983	39,828,477
Open Claims (Case Reserves)	89,602,527	52,355,890
Unallocated Loss Adjustment Expenses	2,555,000	2,550,483
TOTAL NONCURRENT LIABILITIES	$112,309,471	$94,808,836
TOTAL LIABILITIES	$162,433,028	$149,507,134
Deferred Inflows of Resources - Pension	$805,056	$2,177,989
Deferred Inflows of Resources - Leases	592,840	501,059
TOTAL DEFERRED INFLOWS OF RESOURCES	$1,397,896	$2,679,048
NET POSITION		
Investment in Capital Assets	$4,136,787	$4,314,658
Unrestricted	(2,080,291)	37,830,837
TOTAL NET POSITION	$2,056,496	$42,145,495
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	$165,887,420	$194,331,677

See Accompanying Notes To The Financial Statements

WASHINGTON CITIES INSURANCE AUTHORITY
Statement of Revenues, Expenses
And Changes In Fund Net Position
For The Years Ended December 31, 2022 and 2021

	2022	2021
Operating Revenues		
Member Assessments - Liability	$45,920,050	$39,787,141
Member Assessments - Property	21,680,917	17,628,192
Member Assessments - Fidelity	128,521	121,460
Building Revenue(Loss)	129,304	260,454
Seminar Revenues	6,085	5,845
Total Operating Revenues	$67,864,877	$57,803,092
Operating Expenses		
Loss & Loss Adjustment Expenses	$60,842,935	$47,851,948
Insurance - Members	26,501,779	19,535,671
Salaries and Wages	2,687,197	2,659,797
Personnel Benefits	588,135	58,220
Professional Services		
Claims Adjusting	327,861	222,711
Pre-Defense Review	593,197	591,125
Consultants	97,647	135,279
Legal	51,347	39,011
Actuarial	117,000	49,600
Audit	16,440	19,487
Financial Services	33,050	27,611
Risk Management Audit	2,930	7,325
Transportation	59,039	11,131
Printing	4,103	3,506
Communications	27,384	25,395
Supplies	42,021	47,407
Dues and Conferences	40,196	36,366
Retreat/Board Meetings	20,918	15,428
Depreciation	177,871	199,139
Miscellaneous	13,342	17,350
Risk Grant Reduction	167,573	108,609
Building Expenses	260,536	204,069
Software License Fees	88,241	251,411
Seminars and Training	854,147	685,317
Total Operating Expenses	$93,614,889	$72,802,913

See Accompanying Notes To The Financial Statements

WASHINGTON CITIES INSURANCE AUTHORITY
Statement of Revenues, Expenses
And Changes In Fund Net Position
For The Years Ended December 31, 2022 and 2021

	2022	2021
Operating Income (Loss)	($25,750,012)	($14,999,821)
Non-Operating Revenue (Loss)		
Interest Income	6,040,907	4,934,615
Net Increase (Decrease) in the Fair Value of Investments	(20,379,894)	(9,259,443)
Income (Loss) from Investment in GEM	-	306,989
Total Non-Operating Revenue	($14,338,987)	($4,017,839)
Change in Net Position	($40,088,999)	($19,017,660)
Prior Period Adjustments (Note 15)	-	33,862,811
Net Position - January 1,	$42,145,495	$27,300,344
Net Position - December 31	$2,056,496	$42,145,495

See Accompanying Notes To The Financial Statements

WASHINGTON CITIES INSURANCE AUTHORITY
Statement of Cash Flows
For the Years Ended December 31, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members	$67,735,573	$57,910,524
Cash payments for claims	(31,373,101)	(34,386,181)
Cash payments for property & fidelity insurance	(44,140,712)	(7,943,863)
Cash payments for employee services	(3,644,915)	(3,510,731)
Payments for operating expenses	(3,474,939)	(1,143,864)
Proceeds from rental of office building	(131,232)	65,464
Net cash provided (used) by operating activities	($15,029,326)	$10,991,349
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	-	(96,250)
Leases receivable	(105,793)	51,690
Deferred inflows - leases	91,781	(87,802)
Net cash provided (used) by capital and related financing activities	$ (14,012)	$ (132,362)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale or return of investment securities	91,875,846	158,400,384
Purchase of investment securities	(109,560,933)	(173,321,685)
Interest on investments	5,887,261	4,813,689
Net cash provided (used) by investing activities	(11,797,826)	(10,107,612)
Net increase in cash and cash equivalents	($26,841,164)	$751,375
Cash and cash equivalents beginning of year	29,837,748	29,086,373
Cash and cash equivalents end of year	$2,996,584	$29,837,748
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Net Income (Loss)	($40,088,999)	($19,017,660)
Adjustments to reconcile income to net cash provided by operating activities:		
Depreciation	177,871	199,139
Interest reserve reported as investing	(5,887,261)	(4,813,689)
(Income) Loss from investment in GEM	-	(306,989)
Net (Increase) Decrease in the Fair Value of Investments	20,379,894	9,259,443
Changes in assets and liabilities:		
Decrease (Increase) in accrued interest	(153,646)	(133,075)
Decrease (Increase) in accounts receivable	1,617,544	(1,559,082)
Decrease (Increase) in prepaid expenses	(3,668,378)	(2,378,747)
Increase (Decrease) in payables	(15,257,734)	15,260,638
Increase (Decrease) in payroll liabilities	(3,264)	(109,170)
Increase (Decrease) in accrued compensated absences	(37,338)	12,706
Increase (Decrease) in deposits payable	(371,940)	367,886
Increase (Decrease) in property & vehicle claims reserve	4,617,183	2,337,762
Increase (Decrease) in claims reserves	23,978,987	14,982,936
Decrease (Increase) in deferred outflows of resources	(527,721)	3,179
Increase (Decrease) in deferred inflows of resources	(1,372,933)	1,914,552
Increase (Decrease) in net pension payable	1,568,409	(2,723,151)
Net Cash Provided by Operating Activities	($15,029,326)	$13,296,678

See Accompanying Notes To The Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of WCIA conform to generally accepted accounting principles as applicable to proprietary funds of governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following summary of the significant accounting policies is presented to assist the reader in interpreting the financial statements. The more significant policies are described below.

A. Reporting Entity

The Washington Cities Insurance Authority (WCIA) is a municipal organization of cities, towns, and interlocal entities in Washington State that join together for the purpose of providing liability protection to its member entities. WCIA was created by interlocal agreement on January 1, 1981, pursuant to RCW Chapters 48.62 and 39.34. WCIA was organized to provide members with comprehensive and economical liability coverage, such as auto, general, police, public officials & errors & omissions, and property coverages, to reduce the amount and frequency of member losses and to decrease the cost incurred by members in the handling and litigation of claims.

Lines of coverage are provided by the Authority to members for auto & general liability, police liability, public officials liability, stop-gap coverage, employment practices liability, errors and omissions liability, and employee benefit liability.

An auto physical damage and property insurance program was established by WCIA on behalf of participating members. Cyber Insurance for the entire membership was purchased through AIG Specialty Insurance Company offering $1,000,000 in cyber liability limits per member along with regulatory action coverage, privacy event services, and event management and $100,000 in ransomware coverage. Pollution Premises Liability Coverage is purchased for the entire membership through Chubb offering $2,000,000 in limits.

B. Basis Of Accounting And Presentation

The accounting records of WCIA are maintained in accordance with methods prescribed by the State Auditor's Office under the authority of Chapter 43.09 RCW. WCIA 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* and GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Funds.*

WCIA uses the full-accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized and long-term liabilities are accounted for in the appropriate fund.

The principal operating revenues of the Pool are member assessments for insurance coverage.

Operating expenses include claims expense, salaries and wages, personnel benefits, professional fees, insurance expense, office expenses, and other general and administrative expenses.

C. **Assets, Liabilities, and Equities**

1. **Cash and Cash Equivalents**

It is WCIA's policy to invest all temporary cash surpluses. At December 31, 2022 and 2021, WCIA was holding $2,996,584 and $29,837,748 in short-term residual investments of surplus cash, respectively. These amounts are classified on the balance sheet as cash and cash equivalents.

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

2. **Reinsurance Receivable**

Amounts that are recoverable from reinsurers or excess insurers and that relate to paid claims and claim adjustment expenses should be classified as assets (with an allowance for estimated uncollectible amounts) and as reductions of expenses. Net reinsurance receivables were $-0- as of December 31, 2022 and 2021, respectively.

3. **Accounts Receivable**

Accounts receivable were $22,834 and $1,640,378 for 2022 and 2021 respectively. Included in accounts receivable were rebates on insurance services from Marsh USA Inc of $-0- and $1,564,474 for 2022 and 2021, respectively.

4. **Prepaid Expenses**

Prepaid expenses were $17,674,903 and $14,006,525 for 2022 and 2021, respectively. Prepaid insurance premiums were $17,608,116 and $13,970,555 for 2022 and 2021, respectively.

5. **Investments** - See Note 2.

6. **Capital Assets and Depreciation** - See Note 6.

7. **Restricted Funds**

In accordance with state statutes, separate restricted/designated funds are required to be established. The assets held in these funds are restricted for specific uses. WCIA has no funds that are restricted.

8. **Compensated Absences**

Compensated absences are absences for which employees will be paid, such as vacation leave. WCIA records compensated absences as an expense and liability when earned.
As of December 31, 2022, and 2021, Compensated absences were estimated at $256,254 and $293,592, respectively. Vacation pay, which may be accumulated up to two hundred and forty (240) hours, is payable upon resignation, retirement or death. Sick leave, upon termination, is paid out at 30% of accrued sick leave hours, as a contribution to the VEBA Trust, for employees with more than 5 years of service.

9. **Unpaid Claims Liabilities**

WCIA 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 purchased excess coverages involved are considered in determining 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.

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.

10. **Member Assessments**

Member assessments are collected and recognized as revenue in the period for which insurance protection is provided. The assessment is calculated based on the development of the estimated discounted premium by member, based on an experience rating program which considers both loss experience and exposure to loss of the individual member entity.

11. **Unpaid Claims**

Claims are charged to expense as incurred. Claim reserves represent the accumulation of estimates for 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.

12. **Reserve For Unallocated Loss Adjustment Expenses**

The reserve for unallocated loss adjustment expenses represents the estimated cost to be incurred with respect to the settlement of claims in process and claims incurred but not reported. The actuary estimates this liability at the end of each year based upon estimated costs provided by WCIA. The change in the liability each year is reflected in current earnings.

13. **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.

14. **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.

15. **Reclassifications**

Certain items in the December 31, 2021 financial statements have been reclassified to conform with the current year's presentation.

D. **Exemption From Federal And State Taxes**

Pursuant to revenue ruling number 90-74, income of Municipal Risk Pools is excluded from taxation under Internal Revenue Code 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 WCIA's funds are obligations of the U.S. Government, the State Treasurer's Investment Pool (deemed a cash equivalent), deposits with Washington State banks and savings and loan institutions, or other investments allowed by Chapter 39.59 RCW, such as, municipal bonds, mortgaged backed securities, and collateralized mortgage obligations. WCIA has recorded all its investments at fair value, as required by GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Funds*. The difference between fair value at the end of the year compared to the beginning of the year is reflected in Investment Income in the Statement of Revenues, Expenses And Changes In Net Position.

It is WCIA's policy and part of the investment process to use asset allocation. Asset allocation is a decision regarding the best use of financial resources at any given moment. This decision typically takes the form of whether to invest for a short term, intermediate term, or long term. WCIA takes into consideration the opportunities, risks and assumptions made regarding the market and WCIA's business. WCIA balances all considerations with a goal of achieving good returns while at the same time maintaining the necessary liquidity to pay claims.

The investments described in this footnote are recorded in the financial statements and valued consistently within the overall investment portfolio.

All investments made by WCIA are in accordance with the investment laws of the State of Washington and WCIA's internal investment policies.

DEPOSITS

Cash on hand at December 31, 2022 and 2021, was $2,996,584 and $29,837,748, respectively. The December 31, 2022 and 2021, carrying amount of WCIA's deposits, including short-term residual investments of surplus cash, were $1,541,569 and $25,873,775, respectively. The bank balance at December 31, 2022 and 2021 was $1,455,015 and $3,963,973, respectively.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, WCIA would not be able to recover deposits or will not be able to recover collateral securities that are in possession of an outside party. WCIA'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).

INVESTMENTS

The investment portfolio of WCIA is designed to provide primarily a high level of security and secondarily, investment returns while meeting the daily cash flow needs of WCIA and conforming to all state and local statues governing the investment of public funds, as outlined in the Investment Policy. Investments are subject to the following risks:

Interest Rate Risk

Interest rate risk is the risk WCIA may face should interest rate variances affect the fair value of investments. WCIA does not have a formal policy that addresses interest rate risks, but regularly reviews its holdings with its brokers/dealers and annually with the investment committee.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Collateralized Mortgage Obligations (CMOs) in WCIA's portfolio, 100% have underlying government agency collateral, and therefore carry an agency rating. In addition, Standard and Poor's and Moody's have recognized the mortgage-backed securities that underlie the CMOs as triple A quality. Investments in Ginnie Mae's and Govt. Bonds & Medium-Term Notes are rated as double A to triple A quality and are insured.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, WCIA will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Pool's investments are registered and held by reputable SEC registered brokers/dealers in WCIA's name and therefore are not exposed to custodial risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of an investment in a single issuer. The Pool does not have investments in any one issuer representing 5% or more of total investments except investments held in the US government or investments guaranteed by the US government.

Investments in Local Government Investment Pool (LGIP)

WCIA is a participant in the Local Government Investment Pool was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP Advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for financial reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.
The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at http://www.tre.wa.gov.

Derivatives and Similar Transactions

WCIA's investments include certain derivative instruments which derive their value from securities. Such investments are governed by WCIA's policy. CMO's are used by WCIA in order to take advantage of pricing inefficiencies or to enhance returns.

CMO's may carry credit risk, which varies according to the nature of the underlying collateral and the credit rating. Of the CMO's in WCIA's portfolio, 100% have underlying government agency collateral, and therefore carry an agency rating. In addition, Standard and Poor's and Moody's have recognized the mortgage-backed securities that underlie the CMOs as triple A quality.

The CMOs are obligations of US sponsored agencies which play key roles in regulating or assisting the economy. Given such roles and the importance of these public bodies, it is unlikely that the federal government would ever permit them to default on outstanding securities.

CMOs may also carry prepayment risk, which varies according to the nature of the CMO. Of the CMOs in WCIA's portfolio at December 31, 2022 and 2021, all are designed to have very stable average lives and yields over a wider range of prepayment rates on the underlying mortgages.

Investments Measured at Fair Value

WCIA measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: There are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an assets or liability.

The following is a summary of the investment holdings, all considered to be Level 1 type investments of WCIA at December 31:

Investment	12/31/2022 Fair Value	Percentage	12/31/2021 Fair Value	Percentage
U.S. Treasuries	$41,432,243	30.59%	$47,411,273	34.21%
Agency Securities	67,924,927	50.15%	68,813,034	49.65%
G.O. Bonds	26,085,442	19.26%	22,377,800	16.14%
Total	$ 135,442,612	100.00%	$ 138,602,107	100.00%

Gains and Losses on Investments

During 2022 and 2021 the Pool realized gains (losses) on sales of investments of ($3,129,156) and

($7,385,846) respectively. The calculation of realized gains is independent of the calculation of the net increase in fair value of investments. Realized gains and losses on investments that had been held in more than one year and sold in the current year may have been recognized as an increase or decrease in fair value of investments reported in the prior year. The net increase (decrease) in the fair value of investments during 2022 and 2021 were ($20,532,859) and ($10,332,686), respectively. These amounts take into account changes in the fair value (including purchases and sales) that occurred during the year.

NOTE 3 – RISK FINANCING LIMITS

The following table reflects the risk financing limits on coverage policies issued and retained by WCIA at December 31, 2022:

TYPE OF COVERAGE	MEMBER DEDUCTIBLES	WCIA SELF-INSURED RETENTIONS	LIMITS
Property			
All Perils except flood, earthquake, builders risk, boiler & machinery, and automobile physical damage	$1,000, $5,000, $25,000, or $50,000	$ 1,000,000 per occurrence	$400,000,000 per occurrence
Flood	$250,000 except 3% per unit of insurance suffering loss or damage from flood in FEMA Zones A & V, subject to a minimum of $500,000	WCIA does not retain risk	$100,000,000 per occurrence and annual aggregate except $50,000,000 per occurrence and annual aggregate in FEMA Zones A & V
Earthquake	2% per unit of insurance suffering loss or damage from earthquake subject to a minimum of $250,000	WCIA does not retain risk	$ 162,500,000per occurrence and annual aggregate
Builder Risk	$500,000	WCIA does not retain risk	$25,000,000 per project
Terrorism	$1,000, $5,000, $25,000, or $50,000	$ 1,000,000 per occurrence	$100,000,000
Boiler & Machinery	$10,000 minimum, higher deductibles may apply depending on type of equipment	WCIA does not retain risk	$100,000,000
Automobile Physical Damage	$250, $500, $1,000, $5,000 or $25,000	$250,000 per occurrence	$100,000,000

TYPE OF COVERAGE	MEMBER DEDUCTIBLES	WCIA SELF-INSURED RETENTIONS	LIMITS
Liability			
General Liability, Automobile Liability, Stop-Gap Coverage, Employment Practices Liability, Errors or Omissions Liability and Employee Benefits Liability.	None, $25,000, $50,000, $100,000	$4,000,000 per occurrence. 10% of $5,000,000 above the $6,000,000 and $1,000,000 annual aggregate deductible at $11,000,000.	$16,000,000 above $4,000,000 SIR subject to various annual aggregate limits and WCIA quota share and annual aggregate deductibles.
Cyber Insurance	Liability - $ 100,000 each claim and ransomware event.	WCIA does not retain any risk	$1,000,000 per member and $ 5,000,000 aggregate subject to various sub-limits and $100,000 for ransomware event
Crime and Fidelity			
Employee Theft, Forgery or Alteration, Inside the Premises-Theft of Money and Securities, Inside the Premises-Robbery or Safe Burglary of Other Property, Outside the Premises, Computer Fraud, Funds Transfer Fraud, and Money Orders and Counterfeit Money	$10,000 per occurrence	N/A, WCIA member joint purchase program	$2,500,000 per occurrence for each coverage listed
Premises Pollution Liability Coverage	$100,000 per pollution condition: 5 days per condition	WCIA does not retain any risk	$2,000,000 per occurrence and $10,000,000 policy and program aggregate limit

WCIA is fully self-insured for unemployment benefits for its employees. No provision is made for estimated future unemployment claims, which are not considered significant to the financial position of WCIA.

NOTE 4 – EXCESS INSURANCE CONTRACTS/REINSURANCE

The pool maintains insurance and reinsurance with several carriers which provide various limits of coverage and participation over the pool's or its members self-insured retentions or deductibles.

Liability Limits:
Including Automobile Liability, General Liability, Public Officials Liability, Law Enforcement Liability, Employment Practices Liability, Employee Benefit Liability, and Stop Gap Liability.

Governmental Entities Mutual, Inc. $ 2,000,000 per occurrence above pool's $4,000,000 retained limit and 90% of $5,000,000 above the $6,000,000 layer. WCIA retains 10% of the losses for the $5,000,000 limits above the $6,000,000 layer.

$4,000,000 per occurrence in excess of $ 11,000,000 retention, subject to a $1,000,000 annual aggregate deductible and $4,000,000 aggregate limit per member.

Allied World Assurance Company, Inc. $5,000,000 per occurrence in excess of $15,000,000 retention each occurrence, per member, subject to a $5,000,000 aggregate limit per member.

Total limits $20,000,000 per occurrence subject to reinsurance aggregates above and $4,000,000 per occurrence and aggregate limit per member applying to terrorism $5,000,000 per occurrence and aggregate limit per member for Errors or Omissions Coverage arising out of the operations, ownership, maintenance or use of any airport, and $5,000,000 per occurrence and aggregate limit per member arising out of land use planning and land use regulation, zoning, and any other land use and permitting process.

Cyber insurance is written by AIG Specialty Insurance Company with per member sub-limits of $1,000,000 security privacy, regulatory action, event management, and $100,000 cyber extortion.

Pollution Premises Liability coverage is written by Allied World Assurance Company with per member limits of $2,000,000 per pollution condition or indoor environmental condition, subject to a $10,000,000 total policy and program aggregate limit.

Property Limits:
$400,000,000 per occurrence all risk limits except flood, earthquake, boiler & machinery and certain sub-limits.
$100,000,000 per accident boiler & machinery limit
$150,000,000 per occurrence and annual aggregate earthquake limit
$100,000,000 per occurrence and annual aggregate flood except in flood zones A and V
$50,000,000 per occurrence and annual aggregate flood in flood zones A and V

Property carriers include National Fire & Marine Insurance Company, Lloyd's of London, Landmark American Insurance Company, RSUI Indemnity Company, Hannover Re, Chubb Bermuda, Homeland, Fedelis, Liberty, and Pertner Re. Boiler & Machinery carrier is Hartford Steam Boiler Inspection and Insurance Company. The terrorism policy is written by Lloyd's of London Beazley and Talbot syndicates.

Each above has varying limits, coverage and varying percentages of participation.

Crime and Fidelity Limits:
$2,500,000 employee theft
$2,500,000 inside the premises theft of money and securities
$2,500,000 inside the premises robbery or safe burglary
$2,500,000 outside the premises
$2,500,000 computer fraud
$2,500,000 funds transfer fraud
$2,500,000 money orders and counterfeit money

Crime and fidelity insurance written by National Union Fire Insurance Company of Pittsburgh, PA with a $10,000 deductible.

NOTE 5 - MEMBERS' SUPPLEMENTAL ASSESSMENTS AND CREDITS

The Interlocal Agreement provides for supplemental assessments to members based on actual claim experience. During fiscal years 2022 and 2021, WCIA did not make supplemental assessments.

NOTE 6 – CAPITAL ASSETS

Capital assets are recorded at historical cost net of accumulated depreciation.

Depreciation is computed using the straight-line method over the estimated useful life of the asset (5 to 10 years for office equipment and furnishings and 39 years for the office building). Initial depreciation on capital assets is recorded on a prorated basis in the year of purchase. Maintenance and repairs are expended as incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation is removed from the accounts, and any resulting gain or loss on disposal is reflected as other income. WCIA capitalizes capital asset purchases greater than $5,000 with a useful life greater than one year.

Capital assets consisted of the following as of December 31, 2022:

	Beginning Balance	Additions	Deletions	Ending Balance
Property, Office Furnishings and Equipment	$7,144,580	-	-	$7,144,580
Less Accumulated Depreciation	(2,829,922)	(177,871)	-	(3,007,793)
CAPITAL ASSETS, NET	$4,314,658	($177,871)	-	$4,136,787

Capital assets consisted of the following as of December 31, 2021:

	Beginning Balance	Additions	Deletions	Ending Balance
Property, Office Furnishings and Equipment	$7,064,014	96,250	(15,684)	$7,144,580
Less Accumulated Depreciation	(2,646,467)	(199,139)	15,684	(2,829,922)
CAPITAL ASSETS, NET	$4,417,547	($102,889)	$ -	$4,314,658

NOTE 7 – LEASES (GASB 87)

The Pool implemented GASB 87, accounting for leases. The Pool leases office space to unrelated third parties. The leases expire at various times and some have options to renew at stated rates or at the current market rent at time of renewal. The Pool expects one of the leases to be renewed and therefore under GASB 87 the additional (renewal) lease period has been factored into computing the Lease Receivable and Deferred Inflows – Leases, listed on the balance sheet as follows:

	1/1/2022 Beg Balance	Increases	Decreases	12/31/2022 End Balance
Leases Receivable	$ 522,244	237,631	(131,838)	$ 628,037
Deferred Inflows-Leases	$ 501,059	237,631	(145,850)	$ 592,840

	1/1/2021 Beg Balance	Increases	Decreases	12/31/2021 End Balance
Leases Receivable	$ 599,709	-	(77,465)	$ 522,244
Deferred Inflows-Leases	$ 204,871	383,134	(86,946)	$ 501,059

The lease receivables and deferred inflows are computed using the present value of the lease payments using a discount rate of 5.5%, assumed to be the Pool's borrowing rate from third parties.

The lease receivables are amortized over the life of the lease using simple interest amortization method

As of December 31, 2022 and 2021, the lease receviable amoritzation requirements to maturity are as follows:

Year Ended December 31	Principal	Interest	Total
2021	77,465	18,559	96,024
2022	131,838	34,328	166,166
2023	150,921	30,800	181,721
2024	128,065	22,581	150,646
2025	102,138	16,665	118,803
2026	95,896	11,099	106,995
2027	70,496	6,176	76,672
2028	47,026	3,264	50,290
2029	33,496	695	34,191

NOTE 8 – LONG-TERM LIABILITIES

During the year ended December 31, 2022, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2022	Additions	Reductions	Ending Balance 12/31/2022	Due Within One Year
Claims Reserves:					
IBNR	$54,559,558	-	$27,049,992	$27,509,566	$7,427,583
Open Claims (Case Reserves)	71,720,397	51,022,791	-	122,743,188	33,140,661
Unallocated Loss Adjustment Exp.	3,493,812	6,188	-	3,500,000	945,000
Total Claims Reserves	129,773,767	51,028,979	27,049,992	153,752,754	41,513,244
Compensated Absences	293,592	-	37,338	256,254	186,293
Total Long-Term Liabilities	$130,067,359	51,028,979	27,087,330	$154,009,008	$41,699,537

During the year ended December 31, 2021, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2021	Additions	Reductions	Ending Balance 12/31/2021	Due Within One Year
Claims Reserves:					
IBNR	$48,423,041	$6,136,517	-	$54,559,558	$14,731,081
Open Claims (Case Reserves)	62,933,693	8,786,704	-	71,720,397	19,364,507
Unallocated Loss Adjustment Exp.	3,434,097	59,715	-	3,493,812	943,329
Total Claims Reserves	114,790,831	14,982,936	-	129,773,767	35,038,917
Compensated Absences	280,886	12,706	-	293,592	219,606
Total Long-Term Liabilities	$115,071,717	14,995,642	-	$130,067,359	$35,258,523

NOTE 9 - PENSION PLANS

The Authority participates in the Washington State Public Employees Retirement System (PERS) plan and in two defined contribution plans sponsored by the International City/County Management Association Retirement Corporation (ICMA-RC). ICMA-RC also administers WCIA's 457 plan.

(1) 401(a) Plans

The 401(a) plans are social security replacement plans that defer federal income tax on employee contributions and allow employees to choose from a number of investment options for both their contributions and the employer's contributions. The 401(a) plans are defined contribution plans. The Executive Committee established the plans in 1988.

WCIA maintains two 401(a) plans: (1) Management employees - The employer contributes 7.0% of earnings on behalf of participants and the participants are required to contribute 7.0% of earnings , and (2) Non-management employees -The employer contributes 7.0% of earnings on behalf of participants and the participants are not required to contribute.

Upon separation of service prior to retirement, all employee contributions may be withdrawn without regard to age. Employer contributions will be distributed to the employee based upon the vesting schedule. Employees are fully vested after 5 years. The contract has identified the normal retirement age is 59.5 years.

The vesting schedule is the same for both plans:

Period of Service Completed	Percent Vested
0	0%
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 years	100%

Pension expense for the Management Plan was $80,465 and $76,502 for 2022 and 2021, respectively. Pension expense for the Non-management Plan was $105,101 and $102,581 for 2022 and 2021, respectively.

As of December 31, 2022, and 2021, there was no outstanding liability for the two plans.

(2) PERS 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 WCIA for the year 2021 and 2022:

Aggregate Pension Amounts – All Plans		
	2022	2021
Pension liabilities	$453,434	$200,246
Pension assets	$785,483	$2,100,704
Deferred outflows of resources	$772,226	$244,505
Deferred inflows of resources	($805,056)	($2,177,,989)
Pension expense/expenditures(benefit)	($66,477)	($502,398)

State Sponsored Pension Plans

Substantially all of WCIA'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 and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

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.

Public Employees' Retirement System (PERS)

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 two percent 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 at least 25 years of service, or at age 60 with at least five 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 duty and non-duty disability payments, an optional cost-of-living adjustment (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 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. 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 2022 were as follows:

PERS Plan 1		
Actual Contribution Rates	**Employer**	**Employee***
January – August 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Total	**10.25%**	**6.00%**
September – December 2022		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	**10.39%**	**6.00%**

No current WCIA employees are covered by PERS Plan 1.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the 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 five 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 one of two provisions:

- With a benefit that is reduced by three 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 five 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 credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five 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 percent and escalate to 15 percent 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.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary 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 percent. 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 2021 were as follows:

PERS Plan 2/3		
Actual Contribution Rates	**Employer 2/3**	**Employee 2***
January – August 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.71%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**10.25%**	**6.36%**
September – December 2022		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	**10.39%**	**6.36%**

Both WCIA and the employees made the required contributions. WCIA's required contributions for the years ended December 31 were as follows:

	PERS Plan 1	**PERS Plan 2**	**PERS Plan 3**	**Total PERS**
2022	$ -0-	$230,498	$42,437	$272,935
2021	$ -0-	$250,286	$52,735	$303,021
2020	$ -0-	$264,725	$55,120	$319,845

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2022 with a valuation date of June 30, 2021. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2021 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2022. Plan liabilities were rolled forward from June 30, 2021, to June 30, 2022, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases**: In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. 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.

Methods did not change from the prior contribution rate setting June 30, 2019 Actuarial Valuation Report (AVR), however OSA introduced a temporary method change to produce asset and liability measures for the June 30, 2020 AVR. There were also the following assumption changes:

- OSA Updated the Joint-and-Survivor Factors and Early Retirement Factors in the model. Those factors are used to value the benefits for early retirement and survivors of members that are deceased prior to retirement. These factors match the administrative factors provided to DRS for future implementation that reflect current demographic and economic assumptions.
- OSA updated the economic assumptions based on the 2021 action of the PFC and the LEOFF Plan 2 Retirement Board. The investment return assumption was reduced from 7.5% to 7.0%, and the salary growth assumptions lowered from 3.5% to 3.25%. This action is a result of recommendations from OSA's biennial economic experience study.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.0 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's 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 7.0 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0 percent 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 (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

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, 2022, are summarized in the table below. The inflation component used to create the table is 2.2 percent 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%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	100%	

Sensitivity NPL

The table below presents WCIA's proportionate share of the net pension liability, as of June 30, 2022, calculated using the discount rate of 7.0%, as well as what WCIA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

June 30, 2022	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
PERS 1	$605,782	$453,434	$320,470
PERS 2/3	$925,009	($785,483)	($2,190,760)
June 30, 2021	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	$341,130	$200,246	$77,380
PERS 2/3	($598,450)	(2,100,704)	($3,337,811)

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, 2022, WCIA reported a total net pension asset (liability) of $332,049 for its proportionate share of the net pension assets (liabilities) as follows:

	Asset (Liability)
PERS 1	($453,434)
PERS 2/3	$785,483

At June 30, 2021, WCIA reported a total net pension asset (liability) of $1,900,458 for its proportionate share of the net pension assets (liabilities) as follows:

	Asset (Liability)
PERS 1	($200,246)
PERS 2/3	$2,100,704

At June 30, WCIA's proportionate share of the collective net pension assets (liabilities) was as follows:

	Proportionate Share 6/30/2021	Proportionate Share 6/30/2022	Change In Proportion
PERS 1	.016397%	.016285%	(.000112%)
PERS 2/3	.021088%	.021179%	.000091%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2022, 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 Non-employer Allocations* for all plans except LEOFF 1.

Pension Expense

For 2022, WCIA recognized pension expense was as follows:

	Pension Expense (Benefit)
PERS 1	$106,130
PERS 2/3	($172,607)
TOTAL	($66,477)

For 2021, WCIA recognized pension expense was as follows:

	Pension Expense (Benefit)
PERS 1	($140,574)
PERS 2/3	($361,824)
TOTAL	($502,398)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022, WCIA 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	$	($75,147)
Changes of assumptions	$	$
Changes in proportion and differences between contributions and proportionate share of contributions	$	$
Contributions subsequent to the measurement date	$	$
TOTAL	$	($75,147)

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$194,624	($17,782)
Net difference between projected and actual investment earnings on pension plan investments	$	($580,713)
Changes of assumptions	$437,798	($114,631)
Changes in proportion and differences between contributions and proportionate share of contributions	$4,947	($16,783)
Contributions subsequent to the measurement date	$134,857	$
TOTAL	$772,226	($729,909)

Deferred outflows of resources related to pensions resulting from WCIA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. 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
2023	($31,801)	($191,152)
2024	($28,883)	($165,895)
2025	($36,233)	($188,159)
2026	$21,770	$266,836
2027		$94,070
Thereafter		$91,761

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2021, WCIA 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	$	($222,206)
Changes of assumptions	$	$
Changes in proportion and differences between contributions and proportionate share of contributions	$	$
Contributions subsequent to the measurement date	$	$
TOTAL	$	($222,206)

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$102,028	($25,753)
Net difference between projected and actual		

investment earnings on pension plan investments	$	($1,755,695)
Changes of assumptions	$3,070	($149,185)
Changes in proportion and differences between contributions and proportionate share of contributions	$2,281	($25,150)
Contributions subsequent to the measurement date	$137,126	$
TOTAL	$244,505	($1,955,783)

Deferred outflows of resources related to pensions resulting from WCIA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. 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
2022	($58,862)	($492,238)
2023	($53,939)	($460,694)
2024	($51,002)	($435,520)
2025	($58,403)	($457,638)
2026		($4,617)
Thereafter		$2,303

NOTE 10 – INVESTMENT IN GEM

Governmental Entities Mutual, Inc. (GEM)

Governmental Entities Mutual, Inc. (GEM) is a captive insurance company, formed by eleven municipal risk pools across the nation. Its sole purpose is to ensure the availability, cost and quality of excess or reinsurance layers necessary for pool operation during difficult phases of insurance market cycles.

GEM is licensed to provide liability, property and workers' compensation reinsurance for public entity pools and self-insured local governments. It performs traditional functions such as marketing, underwriting, financial and regulatory administration, claims and litigation management and risk management through staff or vendors. GEM is managed by a CEO proficient in standard insurance principles, captive operation and pooling administration, directed by an elected Board from the membership.

GEM is domiciled in Washington D.C. pursuant to their Nonprofit Corporation Laws and the Captive Insurance Company Act. It has met and exceeded the capitalization and administrative requirements to act as an authorized, admitted, reinsurer. WCIA is one of eleven founding members providing the initial capitalization and enjoys benefits of that unique status.

GEM bylaws address financial responsibility of each member in the event of adverse financial developments. Pre-established scenarios of financial contribution formally determine the extent of each member and the group as a whole in concert with the Washington D.C. Insurance Commissioner office's directives. This ranges from re-establishment of operating revenues and capital to Commissioner directed run-off of the company, consistent with Washington D.C. laws.
The WCIA Executive Committee and Full Board, its Corporate Counsel, State Risk Manager and State Auditor have approved WCIA ability to enter into membership of this private nonprofit corporation.

WCIA contributed an initial, minimum, surplus contribution of $500,000. $50,000 of the $500,000 surplus contribution was made in December 2002 and the remaining $450,000 surplus contribution was made in January 2003. These contributions are reported on the balance sheet in the "Investment in GEM" account. WCIA has not made any additional contributions to GEM since 2003.

The minimum contribution for membership is $500,000 or 70% of Net Written Premium whichever is higher. GEM annually provides each member with a "Member Accounting Statement" which represents the allocation of GEM's total net income (or loss). The allocation does not represent a financial interest in GEM's net income, until such time that GEM's Board of Directors declares a distribution of some or all of such income. There are extensive rules and conditions that determine the allocation of premiums, losses, expenses and investment income.

In 2017, GEM adopted changes to the structure of its members' surplus contributions. Members desired the option of receiving a return of any excess contributions made above the minimum required with interest. Members additionally expressed that the Member Accounting was complex, lacked transparency and had produced disproportionate allocations of net income/loss among the members.

As a result, the GEM Board adopted a policy of returning paid-in surplus contributions, to the extent that no member has paid-in surplus contributions exceeding $1,000,000. Interest, equivalent to GEM's actual investment return, is payable on the returnable contributions. Return of contributions is subject to GEM satisfying defined financial conditions and requires Board approval. In addition, the GEM Board established a more straight-forward method of allocating GEM's net income for the purpose of Member Accounting. GEM's net income is allocated according to the value of "equity units" assigned to each member based on the amount of their contribution and the amount of GEM's total equity.

Washington Cities Insurance Authority surplus account balance at December 31, 2022 and 2021 was $2,810,619 and $2,810,619, respectively.

NOTE 11 – 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.

Solvency test for program, fiscal years ending December 31:

	2022	2021
Primary Asset Test		
Cash and cash equivalents	$ 2,996,584	$ 29,837,748
Investments	$ 135,907,300	$ 138,602,107
Total	$ 138,903,884	$ 168,439,855
Less: Non-Claim liabilities		
Accounts payable & compensated absences	561,313	16,231,589
Total Primary Assets	$ 138,342,571	$ 152,208,266
Compared to:		
Claims liabilities at expected level per actuary	161,871,715	133,275,545
Difference	$ (23,529,144)	$ 18,932,721
	TEST NOT MET	**TEST MET**
Secondary Asset Test		
Cash and cash equivalents	$ 2,996,584	$ 29,837,748
Investments	135,907,300	138,602,107
Receivables and prepaid expenses	18,454,739	16,176,803
Building at fair market value	5,000,000	5,000,000
Less: Non-Claim liabilities		
Accounts payable & compensated absences	561,313	16,231,589
Total Secondary Assets	$ 161,797,310	$ 173,385,069
Compared to:		
Claims liabilities at 80 percent confidence level per actuary (from actuarial study)	205,900,800	165,661,500
Difference	$ (44,103,490)	$ 7,723,569
	TEST NOT MET	**TEST MET**

WCIA did not pass either of the solvency standards as of December 31, 2022, but did pass both of the solvency standards as of December 31, 2021.

NOTE 12 – CONTINGENT LIABILITIES

The Pool's financial statements include all material liabilities. There are no material contingent liabilities to record.

NOTE 13 – HEALTH & WELFARE

WCIA is a member of the Association of Washington Cities Employee Benefit Trust Health Care Program (AWC Trust HCP). Chapter 48.62 RCW provides that two or more local government entities may, by Interlocal agreement under Chapter 39.34 RCW, form together or join a pool or organization for the joint purchasing of insurance, and/or joint self-insurance, to the same extent that they may individually purchase insurance, or self-insure.

An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC Trust HCP was formed on January 1, 2014 when participating cities, towns, and non-city entities of the AWC Employee Benefit Trust in the State of Washington joined together by signing an Interlocal Governmental Agreement to jointly self-insure certain health benefit plans and programs for participating employees, their covered dependents and other beneficiaries through a designated account within the Trust.

As of December 31, 2022, 262 cities/towns/non-city entities participate and have enrollment in the AWC Trust HCP.

The AWC Trust HCP allows members to establish a program of joint insurance and provides health and welfare services to all participating members.

In April 2020, the Board of Trustees adopted a large employer policy, requiring newly enrolling groups with 600 or more employees to submit medical claims experience data in order to receive a quote for medical coverage. Outside of this, the AWC Trust HCP pools claims without regard to individual member experience. The pool is actuarially rated each year with the assumption of projected claims run-out for all current members.

The AWC Trust HCP includes medical, dental and vision insurance through the following carriers: Kaiser Foundation Health Plan of Washington, Kaiser Foundation Health Plan of Washington Options, Inc., Regence BlueShield, Asuris Northwest Health, Delta Dental of Washington, Willamette Dental Group, and Vision Service Plan. Eligible members are cities and towns within the state of Washington. Non-city entities (public agency, public corporation, intergovernmental agency, or political subdivision within the state of Washington) are eligible to apply for coverage into the AWC Trust HCP, submitting application to the Board of Trustees for review as required in the Trust Agreement.

Participating employers pay monthly premiums to the AWC Trust HCP. The AWC Trust HCP is responsible for payment of all covered claims. In 2022, the AWC Trust HCP purchased medical stop loss insurance for Regence/Asuris and Kaiser plans at an Individual Stop Loss (ISL) of $1.5 million through United States Fire Insurance Company. The aggregate policy is for 200% of expected medical claims.

Participating employers contract to remain in the AWC Trust HCP for a minimum of three years. Participating employers with over 250 employees must provide written notice of termination of all coverage a minimum of 12 months in advance of the termination date, and participating employers with under 250 employees must provide written notice of termination of all coverage a minimum of 6 months in advance of termination date. When all coverage is being terminated, termination will only occur on December 31. Participating employers terminating a group or line of coverage must notify the AWC Trust HCP a minimum of 60 days prior to termination. A participating employer's termination will not obligate that member to past debts, or further contributions to the AWC Trust HCP. Similarly, the terminating member forfeits all rights and interest to the AWC Trust HCP Account.

The operations of the Health Care Program are managed by the Board of Trustees or its delegates. The Board of Trustees is comprised of four regionally elected officials from Trust member cities or towns, the Employee Benefit Advisory Committee Chair and Vice Chair, and two appointed individuals from the AWC Board of Directors, who are from Trust member cities or towns. The Trustees or its appointed delegates review and analyze Health Care Program related matters and make operational decisions regarding premium contributions, reserves, plan options and benefits in compliance with Chapter 48.62 RCW. The Board of Trustees has decision authority consistent with the Trust Agreement, Health Care Program policies, Chapter 48.62 RCW and Chapter 200-110-WAC.

The accounting records of the AWC Trust HCP are maintained in accordance with methods prescribed by the State Auditor's office under the authority of Chapter 43.09 RCW. The AWC Trust HCP also follows applicable accounting standards established by the Governmental Accounting Standards Board

("GASB"). In 2018, the retiree medical plan subsidy was eliminated, and is noted as such in the report for the fiscal year ending December 31, 2018. Year-end financial reporting is done on an accrual basis and submitted to the Office of the State Auditor as required by Chapter 200-110 WAC. The audit report for the AWC Trust HCP is available from the Washington State Auditor's office.

NOTE 14 – COVID-19

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures included closing schools, colleges and universities, cancelling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

In response to the Governor's stay at home order, WCIA continued all essential operations in managing the risks of the membership through remote work arrangements. The impact of virus-related claims is yet to be determined. WCIA has educated the membership regarding potential exposures and risk controls regarding their response to the virus and the issued orders. It is anticipated that liability re-insurance and property coverage renewals will see increased costs and there may be impacts to investments depending upon the extent of the overall economic downturn. WCIA will be monitoring all potential exposures, reviewing operational spending and monitoring investments throughout the year.

The length of time these measures will be in place, and the full extent of the financial impact on the Pool is unknown at this time.

NOTE 15 – PRIOR PERIOD ADJUSTMENTS/RESTATEMENT OF PRIOR YEAR AMOUNTS

The Pool implemented GASB 87 Accounting for Leases. The 2021 amounts have been restated to conform to the 2022 amounts related to the change in accounting for leases under GASB 87. The cumulative effect of the accounting change prior to 2021 is $11,705 and is included in the $33,862,811 Prior Period Adjustments listed on the Statement of Revenues, Expenses and Changes in Fund Net Position.

The Pool changed its accounting method for claims reserve during 2022 and is no longer recording a reserve for confidence level. The Pool made this change to conform with industry standards and thereby making its financial statement presentation comparable with other insurance pools. The cumulative effect of the accounting change prior to 2021 is $32,224,000 and is included in the $33,862,811 Prior Period Adjustments listed on the Statement of Revenues, Expenses and Changes in Fund Net Position.

The Pool corrected an error identified in computing the Property and Auto Reserves which reduced the reserves in 2021 by $1,627,106 and is included in the prior period adjustment amount of $33,862,811 Prior Period Adjustment listed on the Statement of Revenues, Expenses and Changes in Fund Net Position.

WASHINGTON CITIES INSURANCE AUTHORITY
Required Supplementary Information
January 1, 2022 Through December 31, 2022

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

   1. This line shows the number of member cities at the end of the year.

   2. This line shows the total of each year's earned contribution revenues and investment revenues.

   3. This line shows each year's other operating cost of WCIA including overhead and claims expense not allocable to individual claims.

   4. This line shows WCIA'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).

   5. This section of ten (10) rows shows the cumulative amounts paid as of the end of successive years for each policy year.

   6. This section of ten (10) rows shows how each policy year's incurred claims increased or decreased as of the end of successive 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.

   7. 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 years.

WASHINGTON CITIES INSURANCE AUTHORITY
Claims Development Information
For The Ten Years Ended December 31, 2022

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
1. Member Cities	153	162	177	180	168	156	163	162	163	166	166
2. Required contribution and investment revenue:											
Earned	$38,593,964	$28,808,746	$40,963,854	$34,936,347	$38,321,361	$41,498,924	$39,244,101	$48,720,412	$55,538,426	$53,193,406	$53,390,501
Ceded	7,026,955	7,500,229	6,952,043	7,047,497	8,335,904	8,363,372	9,453,520	10,859,119	14,888,104	19,535,671	26,286,279
Net Earned	31,567,009	21,308,517	34,011,811	27,888,850	29,985,457	33,135,552	29,790,581	37,861,293	40,650,322	33,657,735	27,104,222
3. Unallocated Expenses	5,368,121	5,924,459	5,897,503	5,751,185	6,045,093	5,971,163	6,225,509	6,508,471	5,981,389	5,415,294	6,270,175
4. Estimated incurred claims and expense end of year	19,500,000	23,300,000	22,500,000	25,000,000	23,500,000	25,000,000	26,000,000	31,500,000	32,000,000	35,000,000	42,370,559
5. Paid (cumulative) as of:											
End of year	1,998,341	2,118,628	2,385,482	2,049,697	2,390,962	2,245,771	2,782,491	2,742,485	1,821,066	2,474,356	2,952,966
One year later	4,631,546	5,065,779	5,294,063	4,756,914	5,840,138	4,644,596	6,896,980	6,641,352	8,357,350	4,901,450	
Two years later	7,576,542	7,517,494	8,378,704	9,534,156	8,694,454	9,974,487	9,441,678	17,682,434	12,430,891		
Three years later	11,369,808	18,737,485	13,397,465	15,262,562	11,414,431	13,932,948	13,888,066	22,622,723			
Four years later	15,487,009	22,610,422	15,444,204	17,504,444	13,147,951	21,462,510	20,974,580				
Five years later	16,045,129	24,999,516	17,470,003	18,300,859	14,494,289	24,945,694					
Six years later	16,231,333	25,169,464	18,055,721	18,722,101	15,830,123						
Seven years later	16,241,034	27,217,729	18,589,793	22,196,378							
Eight years later	16,242,344	27,336,142	18,930,982								
Nine years later	16,238,065	27,293,722									
Ten years later	16,242,097										
6. Reestimated incurred claims and expense:											
End of policy year	19,500,000	23,300,000	22,500,000	25,000,000	23,500,000	25,000,000	26,000,000	31,500,000	32,000,000	35,000,000	42,370,559
One year later	19,500,000	22,000,000	23,000,000	24,000,000	23,500,000	23,000,000	25,000,000	34,000,000	34,000,000	31,000,000	
Two years later	18,000,000	29,000,000	20,500,000	25,000,000	21,500,000	24,000,000	27,500,000	38,000,000	40,446,453		
Three years later	19,000,000	26,500,000	22,500,000	24,500,000	21,000,000	27,500,000	34,000,000	43,643,408			
Four years later	19,000,000	27,600,000	22,000,000	22,100,000	20,500,000	30,000,000	37,725,496				
Five years later	18,500,000	28,000,000	24,400,000	21,300,000	19,500,000	31,263,132					
Six years later	18,200,000	29,200,000	24,500,000	25,000,000	19,623,160						
Seven years later	17,400,000	29,300,000	23,000,000	25,094,501							
Eight years later	17,100,000	28,700,000	23,265,149								
Nine years later	17,000,000	28,332,984									
Ten years later	16,735,491										
7. Increase (decrease) in estimated incurred claims from end of policy year	(2,764,509)	5,032,984	765,149	94,501	(3,876,840)	6,263,132	11,725,496	12,143,408	8,446,453	(4,000,000)	-

This Information Is Required By The Governmental Accounting Standards Board.

WASHINGTON CITIES INSURANCE AUTHORITY
Required Supplementary Information
January 1, 2021 Through December 31, 2021

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

1. This line shows the number of member cities at the end of the year.

2. This line shows the total of each year's earned contribution revenues and investment revenues.

3. This line shows each year's other operating cost of WCIA including overhead and claims expense not allocable to individual claims.

4. This line shows WCIA'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).

5. This section of ten (10) rows shows the cumulative amounts paid as of the end of successive years for each policy year.

6. This section of ten (10) rows shows how each policy year's incurred claims increased or decreased as of the end of successive 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.

7. 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 years.

WASHINGTON CITIES INSURANCE AUTHORITY

Claims Development Information

For The Ten Years Ended December 31, 2021

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
1. Member Cities	152	153	162	177	180	168	156	163	162	163	166
2. Required contribution and investment revenue:											
Earned	$44,789,668	$38,593,964	$28,808,746	$40,963,854	$34,936,347	$38,321,361	$41,498,924	$39,244,101	$48,720,412	$55,538,426	$53,193,406
Ceded	6,556,008	7,026,955	7,500,229	6,952,043	7,047,497	8,335,904	8,363,372	9,453,520	10,859,119	14,888,104	19,535,671
Net Earned	38,233,660	31,567,009	21,308,517	34,011,811	27,888,850	29,985,457	33,135,552	29,790,581	37,861,293	40,650,322	33,657,735
3. Unallocated Expenses	4,887,579	5,368,121	5,924,459	5,897,503	5,751,185	6,045,093	5,971,163	6,225,509	6,508,471	5,981,389	5,415,294
4. Estimated incurred claims and expense end of year	18,500,000	19,500,000	23,300,000	22,500,000	25,000,000	23,500,000	25,000,000	26,000,000	31,500,000	32,000,000	35,000,000
5. Paid (cumulative) as of:											
End of year	1,592,113	1,998,341	2,118,628	2,385,482	2,049,697	2,390,962	2,245,771	2,782,491	2,742,485	1,821,066	2,474,356
One year later	4,595,070	4,631,546	5,065,779	5,294,063	4,756,914	5,840,138	4,644,596	6,896,980	6,641,352	8,357,350	
Two years later	9,254,313	7,576,542	7,517,494	8,378,704	9,534,156	8,694,454	9,974,487	9,441,678	17,682,434		
Three years later	13,877,332	11,369,808	18,737,485	13,397,465	15,262,562	11,414,431	13,932,948	13,888,066			
Four years later	20,256,197	15,487,009	22,610,422	15,444,204	17,504,444	13,147,951	21,462,510				
Five years later	21,170,037	16,045,129	24,999,516	17,470,003	18,300,859	14,494,289					
Six years later	21,368,332	16,231,333	25,169,464	18,055,721	18,722,101						
Seven years later	21,437,084	16,241,034	27,217,729	18,589,793							
Eight years later	21,452,213	16,242,344	27,336,142								
Nine years later	21,453,590	16,238,065									
Ten years later	21,453,728										
6. Reestimated incurred claims and expense:											
End of policy year	18,500,000	19,500,000	23,300,000	22,500,000	25,000,000	23,500,000	25,000,000	26,000,000	31,500,000	32,000,000	35,000,000
One year later	19,000,000	19,500,000	22,000,000	23,000,000	24,000,000	23,500,000	23,000,000	25,000,000	34,000,000	34,000,000	
Two years later	24,000,000	18,000,000	29,000,000	20,500,000	25,000,000	21,500,000	24,000,000	27,500,000	38,000,000		
Three years later	23,000,000	19,000,000	26,500,000	22,500,000	24,500,000	21,000,000	27,500,000	34,000,000			
Four years later	25,000,000	19,000,000	27,600,000	22,000,000	22,100,000	20,500,000	30,000,000				
Five years later	24,000,000	18,500,000	28,000,000	24,400,000	21,300,000	19,500,000					
Six years later	23,400,000	18,200,000	29,200,000	24,500,000	25,000,000						
Seven years later	23,000,000	17,400,000	29,300,000	23,000,000							
Eight years later	22,600,000	17,100,000	28,700,000								
Nine years later	22,300,000	17,000,000									
Ten years later	22,200,000										
7. Increase (decrease) in estimated incurred claims from end of policy year	3,700,000.00	(2,500,000.00)	5,400,000.00	500,000.00	-	(4,000,000.00)	5,000,000.00	8,000,000.00	6,500,000.00	2,000,000.00	-

This Information Is Required By The Governmental Accounting Standards Board.

WASHINGTON CITIES INSURANCE AUTHORITY

REQUIRED SUPPLEMENTAL INFORMATION

Reconciliation of Claims Liabilities by Type of Contract

For the Years Ended December 31, 2022 and 2021

	Liability		Property		Auto Physical Damage	
	2022	**2021**	**2022**	**2021**	**2022**	**2021**
Unpaid claims and claim adjustment expenses at the beginning of the year	$129,773,767	$114,790,831	$ 2,566,394	$ 2,592,715	$ 935,384	$ 876,630
Incurred claims and claim adjustment expenses:						
Provision for insured events of the current year	41,629,226	34,307,529	4,177,119	2,406,606	3,086,746	2,061,934
Changes in provision for insured events of prior years	11,811,217	14,807,349	1,208,014	1,208,015	1,941,005	941,030
	53,440,443	49,114,878	5,385,133	3,614,621	5,027,751	3,002,964
Payment, net of recoveries:						
Claims and claim adjustment expenses attributed to insured events of the current year	2,765,624	2,362,692	1,305,626	639,776	1,233,480	1,267,456
Claims and claim adjustment expenses attributed to insured events of prior years	26,695,832	31,769,250	747,960	3,001,166	2,508,635	1,676,754
	29,461,456	34,131,942	2,053,586	3,640,942	3,742,115	2,944,210
Total unpaid claims and claim adjustment expenses at the end of the year	$153,752,754	$129,773,767	$ 5,897,941	$ 2,566,394	$ 2,221,020	$ 935,384

WASHINGTON CITIES INSURANCE AUTHORITY

REQUIRED SUPPLEMENTAL INFORMATION

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

As of June 30, 2022

Last 10 Years

	2015	2016	2017	2018	2019	2020	2021	2022
PERS 1								
Employer's proportion of the net pension liability (asset)	0.017668%	0.017689%	0.016559%	0.014912%	0.016158%	0.015859%	0.016397%	0.016285%
Employer's porportionate share of the net pension liability	924,201	949,983	785,737	665,975	621,332	559,908	200,246	453,434
TOTAL	924,201	949,983	785,737	665,975	621,332	559,908	200,246	453,434
Employer's covered employee payroll	2,013,048	2,102,990	2,088,152	1,981,678	2,269,500	2,399,689	2,522,176	2,614,999
Employer's porportionate share of the net pension liability as a percentage of covered employee payroll	45.91%	45.17%	37.63%	33.61%	27.38%	23.33%	7.94%	17.34%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%	63.22%	67.12%	68.64%	88.74%	76.56%
PERS 2/3								
Employer's proportion of the net pension liability (asset)	0.022579%	0.022659%	0.021299%	0.019236%	0.020875%	0.020547%	0.021088%	0.021179%
Employer's porportionate share of the net pension liability (asset)	806,760	1,142,675	740,038	328,438	202,768	262,784	(2,100,704)	(785,483)
TOTAL	806,760	1,142,675	740,038	328,438	202,768	262,784	(2,100,704)	(785,483)
Employer's covered employee payroll	2,013,048	2,102,990	2,088,152	1,981,678	2,269,500	2,399,689	2,522,176	2,614,999
Employer's porportionate share of the net pension liability (asset) as a percentage of covered employee payroll	40.08%	54.34%	35.44%	16.57%	8.93%	10.95%	-83.29%	-30.04%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%	95.77%	97.77%	97.22%	120.29%	106.73%

WASHINGTON CITIES INSURANCE AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Employer Contributions
For the Years Ended December 31, 2022
Last 10 Years

	2015	2016	2017	2018	2019	2020	2021	2022
PERS 1								
Statutorily or contractually required contributions	82,761	107,618	103,645	103,769	115,019	118,814	112,314	99,564
Contributions in relation to the statutorily or contractually required contributions	(82,761)	(107,618)	(103,645)	(103,769)	(115,019)	(118,814)	(112,314)	(99,564)
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Employer's covered employee payroll	1,902,014	2,256,140	2,115,713	2,051,934	2,311,894	2,481,863	2,557,817	2,650,933
Contribution as a percentage of covered employee payroll	4.35%	4.77%	4.90%	5.06%	4.98%	4.79%	4.39%	3.76%
PERS 2/3								
Statutorily or contractually required contributions	192,267	252,236	252,471	261,319	296,906	319,845	303,021	272,935
Contributions in relation to the statutorily or contractually required contributions	192,267	252,236	252,471	261,319	296,906	319,845	303,021	272,935
Contribution deficiency (excess)	-	-	-	-	-	-	-	-
Employer's covered employee payroll	1,902,014	2,256,140	2,115,713	2,051,934	2,311,894	2,481,863	2,557,817	2,650,933
Contribution as a percentage of covered employee payroll	10.11%	11.18%	11.93%	12.74%	12.84%	12.89%	11.85%	10.30%

WASHINGTON CITIES INSURANCE AUTHORITY
SUPPLEMENTARY AND OTHER SCHEDULES
DES Schedule of Expenses
For the Years Ended December 31, 2022 and 2021

	2022	2021
Insurance	$ 26,501,779	$ 19,535,671
Professional Services:		
Claims Adjusting	327,861	222,711
Actuarial	117,000	49,600
Audit Expenses	16,440	19,487
Pre-Defense Review	593,197	591,125
Consultants	97,647	135,279
Legal Fees	51,347	39,011
Other Consultant Fees	35,980	34,936
General Administrative Expenses:		
Communications	27,384	25,395
Supplies	42,021	47,407
Dues and Conferences	40,196	36,366
Retreat/Board Meetings	20,918	15,428
Training	854,147	685,317
Depreciation	177,871	199,139
Software License Fees	88,241	251,411
Miscellaneous	13,342	17,350
Building Expenses	260,536	204,069
Risk Grant Reduction	167,573	108,609
Other	64,181,409	50,584,602
Total Operating Expenses	$ 93,614,889	$ 72,802,913

WASHINGTON CITIES INSURANCE AUTHORITY
SUPPLEMENTARY AND OTHER SCHEDULES
LIST OF PARTICIPATING MEMBERS
January 1, 2022 – December 31, 2022

The board of directors is the governing body of the pool. Each member that is a signatory to the interlocal agreement is entitled to one representative to the board of directors. The 166 members at December 31, 2022, were:

Aberdeen
Anacortes
Arlington
Auburn
Bainbridge Island
Battle Ground
Benton City
Bonney Lake
Bothell
Bremerton
Brewster
Brier
Burien
Burlington
Camas
Cashmere
Centralia
Chehalis
Chelan
Cheney
Clark Regional Emergency Services Agency
Clarkston
Cle Elum
Clyde Hill
College Place
Coupeville
Covington
Cowlitz 911
Cowlitz-Wahkiakum Council of Governments
Des Moines
Des Moines Pool Metro Park District
Duvall
Eastside Public Safety Communications Agency
eCity Gov Alliance
Edgewood
Edmonds
Ellensburg
Elma
Enumclaw
Everson
Federal Way
Ferndale
Fife
George
Goldendale
Grandview
Granite Falls
Grays Harbor Communications Center
Hoquiam
Issaquah
Jefferson County 911
Kelso
Kenmore
Kennewick
Kirkland
Kitsap 911
La Conner
Lacey
Lake Forest Park
Lake Stevens
Lake Stevens Sewer District
Lakewood
Leavenworth
Long Beach
Longview
LOTT Clean Water Alliance
Lynden
Lynnwood
Mabton
Maple Valley
Marysville Fire District
Mason County Emergency Communications
Mattawa
McCleary

WASHINGTON CITIES INSURANCE AUTHORITY
SUPPLEMENTARY AND OTHER SCHEDULES
LIST OF PARTICIPATING MEMBERS
January 1, 2022 – December 31, 2022

Medical Lake
Medina
Mercer Island
Metropolitan Park District of Tacoma
Mill Creek
Millwood
Milton
Monroe
Monroe Transportation Benefit District
Moses Lake
Mount Vernon
Mountlake Terrace
Mukilteo
Multi Agency Communications Center
Newcastle
NORCOM
Normandy Park
Normandy Park Metropolitan Park District
North Bonneville
Northshore Park and Recreation Service Area
Northshore Utility District
Northwest Incident Management Team
Oak Harbor
Ocean Shores
Olympia
Olympia Metropolitan Park District
Olympic View Water and Sewer District
Orting
Othello
Pasco
Port Angeles
Port Townsend
Poulsbo
Pullman
Pullman Metropolitan Park District
Pullman-Moscow Regional Airport Board
Puyallup
Richland
Ridgefield
Sammamish
Seattle Southside Regional Tourism Authority
Selah
Sequim
Shelton
Shelton Metropolitan Park District
Shoreline
Silver Lake Water & Sewer District
Skagit 911
Skagit Council of Governments
Snohomish
Snohomish County 911
Snohomish Regional Fire and Rescue
Snoqualmie
Soap Lake
South Correctional Entity
South Sound 911
Spokane Regional Emergency Communications
Spokane Valley
Stanwood
Steilacoom
Stevenson
Sumas
Sumner
Sunnyside
Three Rivers Regional Wastewater Authority
Thurston 911 Communications
Thurston Public Utility District
Thurston Regional Planning Council
Toppenish
Tukwila
Tukwila Pool Metropolitan Park District
Tumwater
Tumwater Metropolitan Park District
Union Gap
University Place
Valley Communications Center
Valley Regional Fire Authority
Walla Walla
Walla Walla Metropolitan Planning Organization
Warden

WASHINGTON CITIES INSURANCE AUTHORITY
SUPPLEMENTARY AND OTHER SCHEDULES
LIST OF PARTICIPATING MEMBERS
January 1, 2022 – December 31, 2022

Washington Multi-City Business License & Tax
Portal Agency

Washougal

Water Operating Board

West Richland

Westport

WHITCOM 911

William Shore Memorial Pool District

Woodinville

Woodway

Yakima Valley Conference of Governments

Yarrow Point

Zillah

ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

Our audits look at financial information and compliance with federal, state and local laws for all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits and cybersecurity audits of state agencies and local governments, as well as state whistleblower, fraud and citizen hotline investigations.

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

Stay connected at sao.wa.gov

- Find your audit team
- Request public records
- Search BARS Manuals (GAAP and cash), and find reporting templates
- Learn about our training workshops and on-demand videos
- Discover which governments serve you — enter an address on our map
- Explore public financial data with the Financial Intelligence Tool

Other ways to stay in touch

- Main telephone: (564) 999-0950
- Toll-free Citizen Hotline: (866) 902-3900
- Email: webmaster@sao.wa.gov