Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Washington Counties Risk Pool

Thurston County

For the period October 1, 2015 through September 30, 2017

Published May 7, 2018

Report No. 1021231

Office of the Washington State Auditor

Pat McCarthy

May 7, 2018

Board of Directors
Washington Counties Risk Pool
Tumwater, Washington

Report on Financial Statements

Please find attached our report on the Washington Counties Risk Pool's financial statements.

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

Sincerely,

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

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Washington Counties Risk Pool
Thurston County
October 1, 2015 through September 30, 2017

Board of Directors
Washington Counties Risk Pool
Tumwater, 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 Counties Risk Pool, Thurston County, Washington, as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated May 2, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Program's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program'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 Program's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Program'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 Program's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

May 2, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Washington Counties Risk Pool
Thurston County
October 1, 2015 through September 30, 2017

Board of Directors
Washington Counties Risk Pool
Tumwater, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Washington Counties Risk Pool, Thurston County, Washington, as of and for the years ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed on page 10.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Program's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington Counties Risk Pool, as of September 30, 2017 and 2016, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

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

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 2, 2018 on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

Pat McCarthy

State Auditor

Olympia, WA

May 2, 2018

FINANCIAL SECTION

Washington Counties Risk Pool
Thurston County
October 1, 2015 through September 30, 2017

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Management's Discussion &Analysis

The Washington Counties Risk Pool (WCRP) management provides this discussion and analysis for the Pool's financial activities following the conclusion of its 29th Fiscal Year (FY), ending September 30, 2017. The information in this discussion and analysis should be considered in conjunction with that in the financial statements and accompanying notes to understand WCRP's financial position.

WCRP has no other component units for which it is financially accountable. It operates as an enterprise fund and uses the accrual accounting basis in accordance with the *U.S. generally accepted accounting principles*. This fund type is used for 'business type activities' that are intended to recover all or a significant portion of their costs through user fees and charges. Revenues are recognized when earned and expenses are recognized when incurred.

WCRP's operating revenues consist mostly of assessments paid by its member counties. Its operating expenses consist primarily of payments made to resolve liability claims, including allocated loss adjustment expenses, and for premiums for reinsurances and excess liability, property and cyber risk/security insurance policies acquired from superior-rated commercial carriers.

Discussion of the Financial Statements:

The basic financial statements are comprised of two components: the financial statements and the notes to those financial statements. WCRP's three financial statements in a condensed format are presented hereafter with three-year comparative data.

The *Statement of Net Position* presents information on an entity's assets, liabilities, deferred outflows and deferred inflows at fiscal year-end with the difference between them reported as *Net Position*.

COMPARATIVE STATEMENT OF NET POSITION	**Fiscal Years Ending**		
	09/30/2015	**09/30/2016**	**09/30/2017**
Current Assets	$47,703,622	$45,838,799	$45,808,233
Capital Assets (Net)	1,089,480	1,011,091	959,485
Total Assets	**$48,793,102**	**$46,849,889**	**$46,767,717**
Total Deferred Outflows of Resources	**$63,610**	**$134,538**	**$102,393**
Current Liabilities	$17,455,251	$19,682,994	$18,184,510
Non-Current Liabilities	12,401,409	9,315,965	10,450,667
Total Liabilities	**$29,856,660**	**$28,998,959**	**$28,635,177**
Total Deferred Inflows of Resources	**$83,946**	**$12,069**	**$94,174**
Investment in Capital Assets	$1,089,480	$1,011,091	$959,485
Unrestricted Net Position	17,826,626	16,692,308	17,181,274
Total Net Position	**$18,916,106**	**$17,973,399**	**$18,140,759**

Analysis: The WCRP's Net Position saw a year-over-year increase of $167,360 between year-end 2016 and year-end 2017.

The *Statement of Revenues, Expenses and Changes in Net Position* presents details of an entity's revenues and expenses during a fiscal year that resulted in the reported *Change in Net Position* — an increase in net position is the result of revenues exceeding expenses, while a decrease in net position results when revenues are less than expenses.

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION	**FY-2015**	**FY-2016**	**FY-2017**
Operating Revenues			
Member MLC Assessments	$10,276,349	$10,654,325	$11,301,412
Member Cyber Assessments	93,697	126,005	113,662
Member WCPP Assessments	2,782,175	2,696,205	2,729,335
Operating Revenues – Miscellaneous	150,000	150,000	306,308
Total Operating Revenues	***$13,302,221***	***$13,626,535***	***$14,450,717***
Non-Operating Revenues (and Expenses)			
Interest Income	$257,362	$340,586	$285,939
Other (Net) Non-Operating Revenues	26,857	(21,252)	(77,004)
Total Non-Operating Revenues	***$284,219***	***$319,334***	***$208,935***
Total Revenues	**$13,586,440**	**$13,945,869**	**$14,659,652**
Operating Expenses			
Adjustments to (MLC) Claims/ULAE Reserves	$4,539,223	$4,536,127	$5,205,180
Premiums for MLC Insuring Policies	3,821,325	3,906,713	4,405,630
Premium for Cyber Insurance Policy	93,697	126,005	113,662
Premiums for Property Insurance Policies	2,681,290	2,485,368	2,614,484
Depreciation, Bad Debt & Administrative Expenses	2,252,141	3,834,364	2,153,335
,			
Total Operating Expenses	**$13,387,676**	**$14,888,577**	**$14,492,291**
Changes in Net Position	**$198,765**	**$(942,707)**	**$167,360**
Beginning Net Position (October 1st)	**$19,369,171**	**$18,916,105**	**$17,973,398**
Prior Period Adjustment	**(651,830)**		
Ending Net Position (September 30th)	**$18,916,106**	**$17,973,398**	**$18,140,758**

Analysis: An increase in revenues, including an increase in miscellaneous operating revenues, coupled with a decrease in total operating expenses, contributed toward the overall increase in net position.

Budget Discussion:

The WCRP Board of Directors approves the upcoming Fiscal Year budget at their Annual Meeting in July of each year. Budgeted revenues and expenses are identified based on information known at the time of budget approval, with the understanding that final premiums from reinsurers and excess insurers will be confirmed prior to the beginning of the upcoming Fiscal Year. Budget amendments are generally not required, and no amendments were requested during FY2017.

Fiscal 2017 Budget	**2016 Actual**	**2017 Budget**	**2017 Actual**
Operating Revenues:			
Member C/A – Liability Coverage	$10,654,325	$11,301,412	$11,301,412
Member C/A – Property Insurance	2,696,205	2,729,335	2,729,335
Member C/A – Cyber Insurance	126,005	113,662	113,662
Other Operating Income	150,000	150,000	306,308
Total Operating Revenues	**$13,626,535**	**$14,294,409**	**$14,450,717**
Operating Expenses:			
Current Year "SIR" Claims Reserves	$1,008,468	$1,083,493	$1,083,493
Current Year's "Corridor" Claims Reserves	3,450,000	4,350,000	4,350,000
Premiums for Reinsurances Purchased	3,399,350	3,791,751	3,791,751
Premiums for Excess Insurances Purchased	507,363	613,879	613,879
Premiums for Property Insurance Purchased	2,485,368	2,614,484	2,614,484
Premiums for Cyber Insurance Purchased	126,005	113,662	113,662
Depreciation (of Capital Assets) Expense	78,389	76,593	76,593
Administrative (OH) (with contingency)	3,755,978	2,706,981	2,076,742
Total Operating Expenses	**$14,810,921**	**$15,350,843**	**$14,720,604**
Operating Income / (Loss)	**$(1,184,386)**	**$(1,056,434)**	**$(269,887)**
Non-Operating Revenues / (Expenses):			
Interest Income	$340,586	$300,000	$285,939
Rental Income (Net)	38,137	35,000	34,767
Total Non-Operating Revenues / (Expenses)	**$378,723**	**$335,000**	**$320,706**
Changes in Net Position	**$(805,663)**	**$(721,434)**	**$50,819**
Net Position, Beginning of Fiscal Period	$18,916,105	$17,973,398	$17,973,398
NET POSITION, End of Fiscal Period	**$18,110,442**	**$17,251,965**	**$18,024,217**

Analysis: The actual amount expended for the 2017 Total Operating Expenses was lower than the amount budgeted. This was largely driven by the actual **Administrative (OH) (with contingency)** expenses ending at $630,377 less than budgeted.

Overall Analysis of Financial Position and Result of Operations:

The WCRP's financial position increased slightly, indicating a stable, if not upward trending financial condition. The WCRP continues to make concerted efforts to increase its fund balance, in anticipation of a change in the hardening of the commercial insurance market and in anticipation of increasing its Self-Insured Retention (SIR). Further, the Pool has spent the past few years financially positioning itself for utilizing funds to offset unexpected rate increases, which did occur for the 2016-17 Fiscal Year.

The Pool continues to remain confident in its financial position, financial practices, claim handling, and in its investment strategy and performance. Appropriate reserve estimates were included within the Pool's FY-2017 financials for any such matter stemming from liability claim against a member county. The WCRP anticipates continued success and favorable outcomes of cases currently pending.

Finally, it should be noted that the WCRP's assessments to its members have remained stable, an ongoing goal of the organization, while the unrestricted Net Position continues to meet the solvency requirements established by the State under Washington Administrative Code (WAC) 200-100, and continues to fall within the funding target established by the WCRP Board of Directors.

Request for Information:

This MD&A is provided for those interested in a general overview of the financial operations of the Washington Counties Risk Pool. Questions concerning the information provided and WCRP's financial report, or requests for additional information, should be addressed to: WASHINGTON COUNTIES RISK POOL, Attn: Executive Director, 2558 R W Johnson Rd SW, Suite 106, Tumwater, WA, 98512-6103; or by telephone at (360) 292-4500.

WASHINGTON COUNTIES RISK POOL
STATEMENT OF NET POSITION

September 30, 2017 and 2016

ASSETS	As of 9/30/2017	As of 9/30/2016
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 10,059,410	$ 4,896,133
Investments	24,631,073	33,966,134
Receivables:		
Members' MLC Deductibles Receivable	2,066,795	715,119
Excess Insurance/Reinsurance Recoverable	2,009,684	178,909
Members' MLC Assessments Receivable	4,161,352	609,756
Members' Cyber Liability Receivable	102,264	13,115
Members' WCPP Assessments Receivable	2,612,728	2,701,123
Other Accounts Receivables	109,272	131,482
Accrued Interest	51,965	44,351
Prepaid Expenses	3,690	2,582,677
TOTAL CURRENT ASSETS	***$ 45,808,233***	***$ 45,838,799***
NONCURRENT ASSETS:		
Capital Assets (Net of Accumulated Depreciation)	$ 959,485	$ 1,011,091
TOTAL NON CURRENT ASSETS	***$ 959,485***	***$ 1,011,091***
TOTAL ASSETS	**$ 46,767,717**	**$ 46,849,889**
TOTAL DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows -- GASB 68	**$ 109,957**	**$ 134,538**
LIABILITIES		
CURRENT LIABILITES:		
Claims Reserves:		
"SIR" Reserves		
Open Claims - SIR Reserves	$ 767,876	$ 1,177,614
IBNR Reserve - SIR	-	-
"1st/2nd Layers' Corridor" Reserves	-	-
Open Claims - Corridor Reserves	2,001,585	4,141,666
IBNR Reserve - Corridor	-	-
Accounts Payable	212,738	219,305
Compensated Absences	7,000	-
Unearned Revenue - Members Assessments	15,195,311	14,144,409
TOTAL CURRENT LIABILITIES	***$ 18,184,510***	***$ 19,682,994***
NON CURRENT LIABILITIES		
Claims Reserves:		
"SIR" Reserves		
Open Claims - SIR Reserves	$ 1,551,156	$ 1,979,323
IBNR Reserve - SIR	308,781	65,544
Open Claims - Corridor Reserves	3,226,502	2,945,766
IBNR Reserve - Corridor	3,399,431	2,163,980
"8x2 10% Quota Share" Reserve	100,000	120,000
Reserve for ULAE	1,223,328	1,116,000
Compensated Absences	68,795	85,660
Net Pension Liability -- GASB 68	572,674	839,692
TOTAL NON CURRENT LIABILITIES	***$ 10,450,667***	***$ 9,315,965***
TOTAL LIABILITIES	**$ 28,635,177**	**$ 28,998,959**
TOTAL DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows on Pensions	**$ 94,174**	**$ 12,069**
NET POSITION:		
Investment in Capital Assets	$ 959,485	$ 1,011,091
Unrestricted Net Position	17,188,838	16,962,308
TOTAL NET POSITION	**$ 18,148,323**	**$ 17,973,399**

The accompanying notes are an integral part of this financial statements

MCAG NO 0774

WASHINGTON COUNTIES RISK POOL
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

For the Fiscal Years Ended September 30, 2017 and 2016

	Year Ended 9/30/2017	Year Ended 9/30/2016
OPERATING REVENUES:		
Members' Assessments -- MLC Coverage	$ 11,301,412	$ 10,654,325
Members' Assessments Cyber Coverage	$ 113,662	$ 126,005
Members' Assessments -- WCPP Insurance	2,729,335	2,696,205
Other Operating Revenues	156,308	-
Member Services - Revenues	150,000	150,000
Total Operating Revenues	***$ 14,450,717***	***$ 13,626,535***
OPERATING EXPENSES:		
Current Year's "SIR" Reserves	$ 1,083,493	$ 1,008,468
Current Year's "1st/2nd Layers' Corridor" Reserves	4,350,000	3,450,000
Adjustment in Prior Years' "SIR" Reserves	13,889	575,252
Adjustment to Prior Years' "1st/2nd Layers' Corridor" Reserves	(329,529)	(507,141)
Adjustment in Reserve for ULAE	107,328	129,548
Adjustment of Prior Year's 8x2 10% Quota Share" Reserve	(20,000)	(120,000)
MLC Reinsurance Premiums	3,791,751	3,399,350
Excess Liability Insurance Policies Premiums	613,879	507,363
Cyber Premiums	113,662	126,005
WCPP Insurance Premiums	2,614,484	2,485,368
Depreciation Expense	76,593	78,389
Operating Expenses	2,069,178	3,755,975
Total Operating Expenses	***$ 14,484,727***	***$ 14,888,576***
OPERATING INCOME (LOSS)	**$ (34,011)**	**$ (1,262,041)**
NON OPERATING REVENUES (EXPENSES)		
Interest and Investment Income	$ 285,939	$ 340,586
Rental Income	39,889	38,137
Rental Expense	(5,122)	(6,380)
Fair Value Adjustment on Investments	(111,771)	(55,261)
Gain (Losses) on Capital Assets Disposition	-	2,252
Total Nonoperating Revenues (Expenses)	*$ 208,935*	*$ 319,334*
CHANGES IN NET POSITION	***$ 174,924***	***$ (942,707)***
TOTAL NET POSITION, Beginning of Year	***$ 17,973,398***	***$ 18,916,105***
TOTAL NET POSTION, End of Year	**$ 18,148,322**	**$ 17,973,398**

The accompanying notes are an integral part of this financial statements

MCAG NO. 0774

WASHINGTON COUNTIES RISK POOL
STATEMENT OF CASH FLOWS

For the Fiscal Years Ended September 30, 2017 and 2016

	Year Ended 9/30/2017	Year Ended 9/30/2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from Members & Insurers	$ 8,789,028	$ 13,386,511
Cash payments for goods and services	(12,071,889)	(17,744,563)
Cash payments to employees for services	(1,065,256)	(1,364,026)
Net Cash Provided (Used) by Operating Activities	$ (4,348,116)	$ (5,722,078)
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of Equipment & Building	$ (24,987)	$ -
Cash from Rental of Office (net)	34,767	31,757
Non Operating Miscellaneous Income	-	-
Net Cash Provided (Used) from Capital and Related Financing Activities	$ 9,780	$ 31,757
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from Sale and Maturities of Investments	(111,770)	(53,009)
Interest/Accrued Income	$ 278,325	$ 303,911
Net Cash Provided (Used) by Investing Activities	$ 166,555	$ 250,902
Increase (Decrease) in Cash and Cash Equivalents	$ (4,171,782)	$ (5,439,420)
Cash and Cash Equivalents - Beginning of the Year	$ 38,862,266	$ 44,301,682
Cash and Cash Equivalents (including restricted) - End of the Year	**$ 34,690,484**	**$ 38,862,262**

The accompanying notes are an integral part of this financial statements

	Year Ended 9/30/2017	Year Ended 9/30/2016
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
OPERATING INCOME	$ (34,011)	$ (1,262,041)
Adjustments to Reconcile Net Operating Income to Net Cash provided (used) by Operating Activities:		
Depreciation Expense	76,593	78,389
Decrease (Increase) in Accounts Receivable	(6,712,590)	(957,901)
Increase (Decrease) in "SIR" Reserves	(594,668)	442,573
Increase (Decrease) in "8x2 10% Quota Share" Reserve	(20,000)	(120,000)
Increase (Decrease) in "1st/2nd Layers' Corridor" Reserves	(623,893)	(2,169,925)
Increase (Decrease) in Reserve for ULAE	107,328	129,548
Increase (Decrease) in Unearned Revenue	1,050,902	717,877
Increase (Decrease) in Accounts Payable	(6,567)	(21,189)
Increase (Decrease) in Pension Liability (Net)	(160,332)	(142,805)
Increase (Decrease) in Accrued Liabilities	(9,865)	163,413
Increase (Decrease) in Prepaid Expenses	2,578,987	(2,580,017)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**$ (4,348,116)**	**$ (5,722,078)**

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

The accompanying notes are an integral part of this financial statements

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Washington Counties Risk Pool ("WCRP" or "the Pool") conform to generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The WCRP was created in August 1988 as an association of member counties independent of all other associations of which the counties are members. The Pool's foundational agreement authorized its creation pursuant to Chapters 48.62 and 39.34 of the Revised Code of Washington ("RCW").

The WCRP is governed by its 26-member Board of Directors with a President, Vice-President, and Secretary/Treasurer serving as its annually elected officers. The WCRP Board meets three times each year at its Spring Conference & Board Meeting, Fall Conference & Board Meeting, and its Summer Annual Conference & Board Meeting. The WCRP's Executive Committee, consisting of 11 members of the Board of Directors, meet four to six times each year for general Pool administration and oversight.

Through the Executive Director, the Pool's 12-member staff carries out of the mission and directives of the Board of Directors. The Administrative and Finance Department handles day-to-day operations and administration of the Pool, the six-member Claims Department manages all liability claims brought against member counties, and the Member Services Department, consisting of both Loss Control/Risk and Member Programs, provide the various training, consulting and other risk management and risk-reducing resources to participating members.

Annual deposit assessments are adjusted to incorporate actuarial projections and operational needs, and then approved by the (WCRP) Board of Directors at their Annual Meeting. If the Pool's assets were depleted, members would be responsible for outstanding liabilities of the WCRP.

B. Basis of Accounting and Presentation

The accounting records of the WCRP are maintained in accordance with methods prescribed by the State Auditor's Office under the authority of Chapter 43.09, RCW. The WCRP 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 GASB Statement 30, *Risk Financing Omnibus*, and GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Funds.*

The WCRP 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 within the financial statements.

The principal operating revenues of the WCRP are member assessments, while its operating expenses include both claims paid from current year's allowances and adjustments to prior year's reserves, premiums for reinsurances and excess, property and cyber risk insurances, and the Pool's administrative expenses.

C. Assets, Liabilities and Net Position

1. Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, the WCRP considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalent.

2. Capital Assets and Depreciation

See Note 6, Capital Assets

3. Receivables

Member Assessment receivables consist of amount due from members for the following year's assessments. Amount owing from members and reinsurers for deductibles are also identified on the Statement of Net Position.

Accrued Interest Receivable is the amount earned on investment at the end of the fiscal year.

The WCRP Board of Directors, acting through its Executive Committee, decides if any accounts are deemed uncollectible. Uncollectible accounts are charged to expense in the period they are deemed uncollectible.

4. Investments

See Note 2, Deposits and Investments.

5. Compensated Absences

Compensated absences are absences for which the employees will be paid such as vacation and sick leave. The WCRP records accrued leave for compensated absences as an expense and liability when incurred.

Annual Leave may be accumulated up to 30 days and is payable upon resignation, retirement, or death. An employee with more than sixty days sick leave accrued may convert the days earned in the previous year (less any sick leave days used in that year) to annual leave days at the rate of four days of sick leave for one day of annual leave. Sick leave may accumulate up to 130 days. Sick leave does not vest until death or retirement, and the accrued liability is booked at one-half of the amount earned.

6. Unpaid Claim Liabilities

The WCRP establishes claims liabilities based upon independent actuarial estimates of the ultimate losses (costs of claims), including future claims adjustment expenses for claims/lawsuits that have been reported but are not settled, and for claims that have been incurred but are not yet reported. The length of time for which such costs must be estimated varies depending on the coverage type involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation and changes in doctrines of legal liability and in damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly general liability coverage.

Claims liabilities are actuarially recomputed and incorporate the Jury Verdict Value processes. The actuary uses a variety of techniques and formulas that reflect recent settlements, claims frequencies, and other economic and social factors to produce current estimates. 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 reflects 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.

7. Reinsurance

The WCRP acquires reinsurance (agreements) to directly reduce its exposure to large third-party liability losses and to indirectly reduce its (present and past) member counties' exposures to contingent liabilities. Reinsurance permits recovery of substantial portions of the losses from commercial reinsurers, although it does not discharge the primary liability of the WCRP (and its member counties by contingent liabilities) as the direct insurer of the risks reinsured. The WCRP does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers.

The cumulative to-date incurred loss amount deducted from claims liabilities as of September 30, 2017, and 2016 as being reinsured were $155,945,139 and $100,403,423 respectively. Premiums ceded to reinsurers during 2017 and 2016 were $3,791,751 and $3,399,350 respectively. The independent actuary's estimate for the ceded reinsured amount of gross loss reserves as of September 30, 2017, was $43,697,106.

8. Member Assessments and Unearned Member Assessments

Member assessments are collected in advance and recognized as revenue in the period for which the coverage is to be provided. On the balance sheet, member assessments receivables were billed on or about September 1st with up to the amount equivalent to 105% of the prior year's assessment being due by September 30th, and any remaining assessments balance(s) due by the following January 31st. The assessments calculated for liability coverage were based in substantial part upon the members' prior year's worker hours, upon the values of the real and personal properties scheduled by the participating counties for property coverage and simply equal shares for cyber risk coverage. Investment income is not presently considered for the determination of member assessments.

9. Unpaid Claims

Liability claims/lawsuits are charged to expenses as incurred. Claims reserves represent the accumulation of estimates for reported, unpaid liability claims plus a provision for liability claims incurred but not reported (IBNR). These estimates are continually reviewed and updated by WCRP's consulting actuary and incorporate the Jury Verdict Value processes. Any resulting adjustments are reflected in current earnings.

10. Reserve for Unallocated Loss Adjustment Expense

The reserve for unallocated loss adjustment expenses (ULAE) represents the estimated cost to be incurred with respect to the settlement of both liability claims in process and those liability claims recognized as incurred but not reported (IBNR). WCRP's independent actuary estimates these liabilities at the end of each fiscal year. The changes in these liabilities each year are reflected in current earnings.

11. Exemption from Federal and State Taxes

Pursuant to revenue ruling number 90-74, income of Municipal Risk Pools is excluded from gross income under IRC Section 115(1). RCW 48.62.151 exempts the WCRP from state insurance premium taxes and from business and occupation taxes imposed pursuant to Chapter 82.04 RCW.

12. 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.

NOTE 2 – DEPOSITS AND INVESTMENTS

A Deposits

In accordance with RCW 39.58, WCRP deposits its funds into a public depository with collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). Funds are transferred between the WCRP's public depository (depositories) and either the State Treasurer's Local Government Investment Pool (LGIP); a US Bank custodial account; or the Spokane County Treasurer's Spokane County Investment Pool (SCIP). There are no credit ratings for positions in external investment pools.

WCRP funds on deposit as of September 30, 2017 and September 30, 2016 were as follows:

	9/30/2017	9/30/2016
Wells Fargo (checking)	$ 10,059,410	$ 4,896,133
Washington State Investment Poo(LGIP)	671,137	665,899
Spokane County Investment Pool(SCIP)	7,756,576	17,154,310
US Bank Custodial Account	16,203,360	16,145,925
Total deposits and investments	$ 34,690,483	$ 38,862,267

B. Investments:

2017 Concentration of Credit:

Issuer:	Cost	Market Value	Average Duration	Average Maturity	Rating Moody/Sp	Percent of Portfolio
Government of the United States	$ 7,371,983	$ 7,372,759	2.03	2.09	Aaa AA+	45.50%
Federal National Mortgage Assoc.	$ 3,304,359	$ 3,279,762	1.58	1.62	Aaa AA+	20.24%
Federal Home Loan Bank	$ 2,790,713	$ 2,766,865	1.48	1.51	Aaa AA+	17.08%
Federal Home Loan Mortgage Corp	$ 2,775,392	$ 2,761,485	1.39	1.42	Aaa AA+	17.04%
First American Govt Oblig Fund	$ 22,490	$ 22,490	0.00	0.00	Aaa AAA+	.14%

2016 Concentration of Credit:

Issuer:	Cost	Market Value	Average Duration	Average Maturity	Rating Moody/Sp	Percent of Portfolio
Government of the United States	$ 7,466,878	$ 7,502,127	1.23	1.25	Aaa AA+	46.46%
Federal National Mortgage Assoc.	$ 2,536,503	$ 2,543,408	1.97	2.01	Aaa AA+	15.75%
Federal Home Loan Bank	$ 2,522,486	$ 2,528,245	1.93	1.97	Aaa AA+	15.66%
Federal Home Loan Mortgage Corp	$ 3,025,198	$ 3,037,370	2.24	2.29	Aaa AA+	18.81%
First American Govt Oblig Fund	$ 534,775	$ 534,775	0.00	0.00	Aaa AAA+	3.31%

Investments Measured at Fair Value

WCRP's 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: These are quoted market prices for similar assets or liabilities, quoted prices for identical or 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 asset or liability.

At September 30, 2017 and 2016 WCRP had the following investments measured at fair value:

Investments by Fair Value Level	***09/30/2017***	***Level 1***	***Level 2***	***Level 3***
Spokane County Investment Pool	$ 7,756,576		$ 7,756,576	
U.S. Agencies	8,808,112		8,808,112	
U.S. Treasuries	7,372,759		7,372,759	
Total Investments measured at Fair Value	*$ 23,937,447*		*$ 23,937,447*	
Investments at Amortized Cost				
LGIP	$ 671,136			
Money Market Fund	22,490			
Total Investments measured at Amortized Cost	*$ 693,626*			
Total Investments in Statement of Net Position	**$ 24,631,073**			

Investments by Fair Value Level	***09/30/2016***	***Level 1***	***Level 2***	***Level 3***
Spokane County Investment Pool	$ 17,154,310		$ 17,154,310	
U.S. Agencies	8,109,023		8,109,023	
U.S. Treasuries	7,502,127		7,502,127	
Total Investments measured at Fair Value	*$ 32,765,460*		*$ 32,765,460*	
Investments at Amortized Cost				
LGIP	$665,899			
Money Market Fund	534,775			
Total Investments at Amortized Cost	*$ 1,200,674*			
Total Investments in Statement of Net Position	**$ 33,966,134**			

Disclosure of Custodial Credit Risk

WCRP's investment policy states that all security transactions shall be conducted on a delivery-versus-payment (DVP) basis. Securities purchased by the Pool will be delivered against payment and held in a custodial safekeeping account with the trust department of a bank. A third party custodian will be designated by the Executive Director and all transactions will be evidenced by safekeeping receipts.

Concentration of Credit Risk

Concentration Risk disclosure is required for all investments in any one issuer that represents 5% or more of the Pool's total investments, excluding investment pools and investments issued by the U.S. government. No disclosure of concentration risk currently meets this requirement.

Interest Rate Risk

Interest rate risk is the risk that the portfolio value will fluctuate due to changes in the general level of interest rates. The Pool recognizes that, over time, longer-term portfolios have higher volatility of return. The Pool mitigates interest rate risk by providing adequate liquidity for short-term cash needs, and by making longer-term investments only with funds that are not needed for current cash flow purposes. The Pool has deposits of $7,756,576 with the Spokane County Investment Pool and $671,137 with the

Washington State Investment Pool that are available immediately. The Pool further recognizes that certain types of securities will affect the interest rate risk profile of the portfolio differently in different interest rate environments. The Pool restricts callable securities to a maximum of 20% of the portfolio, restricts maximum maturity to 5 years, and constrains duration to plus or minus 20% of a market benchmark index selected by the Investment Committee based on the Pool's investment objectives, constrains and risk tolerances.

Investment in Local Government Investment Pool (LGIP)

The Washington Counties Risk Pool is a participant in the Local Government Investment Pool (LGIP). The LGIP 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 statue that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policies 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's portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by the GASBS 79 for external investment 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 fess 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, WA 98504-0200, online at http://www.tre.wa.gov.

NOTE 3 – JOINT SELF-INSURED RETENTION

WCRP retains complete responsibility for the payment of covered liability claims, both within its specified self-insured retention limits and that provided under its reinsurance contracts. The coverage provided under applicable excess insurance contracts is separately administered with assistance only from the WCRP. During the past three fiscal years, the Pool has not approved a settlement that exceeded the insurance coverage noted herein that is more specifically outlined in Note 5.

For fiscal years 2017 and 2016, WCRP's *per-occurrence* retention limits for liability claims were $100,000 or the applicable member's deductible, whichever was greater. In addition, the first and second reinsurance layers' Reinsurer's liability for **ultimate net loss** arising from General Liability including claims arising out of Sexual Abuse, Products Liability, Law Enforcement Liability, Public Officials Liability, Employment Practices Liability and Employee Benefits Liability business lines exceeding the retention limit but less than $1,000,000, the Pool's annual aggregate reinsurance is limited to $40,000,000, for those same claims between $1,000,000 and $2,000,000, the Pool's annual aggregate reinsurance was limited to $20,000,000; and for those between $2,000,000 and $5,000,000, the Pool's annual aggregate reinsurance was limited to $30,000,000. Also, Reinsurer's liability for ***ultimate net loss*** arising from claims between $5,000,000 and $10,000,000, the Pool's annual aggregate reinsurance was limited to $50,000,000. Furthermore, with regard to ultimate net loss subject to the $8 million excess of $2 million reinsurance layer for Fiscal Year 2013, the Pool agreed to accept a 10% quota-share.

Through pre-funded member assessments (deposit assessments) collected immediately prior to or at the beginning of each pool fiscal year, WCRP committed assets for the years ended September 30, 2017 and 2016 of $1,083,493 and $1,008,468 respectively, and is committing for PY-2018 $1,096,921, specifically for funding its self-insured retentions for those years. Additional member assessments were collected as WCRP assets and are/were committed in support of the Pool's "corridor deductible" exposures totaling $4,350,000 (PY-2017) and $3,450,000 (PY-2016).

NOTE 4 – REINSURANCE/EXCESS INSURANCE CONTRACTS

Through Arthur J. Gallagher Risk Management Services, Inc., the Producer (Broker-of Record) retained by the Pool's Board of Directors, WCRP partners with multiple superior-rated commercial insurers by acquiring reinsurance agreements and "following form" excess, property, and cyber risk insurances. The limits provided by these insuring agreements, contracts and policies for PY-2017 follow:

A. Memorandum of Liability Coverage ("MLC"): Since October 1, 1988, the Pool has provided its member counties with risk-shared (jointly purchased and/or self-insured), occurrence-based coverage under a MLC Coverage Form for 3rd-party liability claims against members due to bodily injury, personal injury, property damage, errors and omissions, and advertising injury.

The total "occurrence" coverage grew over time to the $20 million limit that has existed since October 1, 2003. Note: An additional "occurrence" limit of $5 million was available for member counties to acquire as an individual (county-by-county) option during many of the MLC years including PYs 2017 and 2016. Each member annually selected a deductible amount from the options available, i.e. $10,000, $25,000, $50,000, $100,000, $250,000, $500,000, which was/will be applied to each of the member's occurrences from that year. There were/are no aggregate limits for the payments the Pool made/will make for any one member county.

The initial $10 million of MLC coverage was/is jointly self-insured. Reinsurance, subject to a self-insured retention ("SIR") equal to the greater of the applicable member deductible or $100,000, was acquired from multiple higher-rated carriers as protection for the Pool from unexpected losses and for the membership from contingent liabilities that might result otherwise. Reinsurance premiums ceded during the year totaled $3,791,751, while the independent actuary's estimate of the amounts recoverable from reinsurers (and excess insurers) which reduced the liabilities of gross loss reserves on the balance sheet (as of September 30, 2017,), totaled $43,697,106.

The remaining coverage, up to $15 million, was acquired from a higher-rated commercial carrier as jointly-purchased "following form" excess insurance.

B. **Washington Counties Property Program ("WCPP")**: Beginning with PY 2006, WCRP added jointly-purchased (1st-party) property coverage as an individual (county-by-county) option. This coverage was acquired from a consortium of higher-rated commercial carriers. During PY 2017, all 26 WCRP counties participated in the WCPP with covered properties (in composite) exceeding $2.7 billion.

The WCPP limits include $500 million for typical (All Other Perils or AOP) losses, $200 million for catastrophe (earthquake or flood), and many sub-limited coverages including Equipment Breakdown / Boiler & Machinery ($100 million) and Special Flood Hazard Areas ($25 million). Other coverages included Green Construction Upgrades, Reproduction for Historic Structures, and Terrorism ($20 million).

AOP occurrence deductibles between $5,000 and $25,000 were/are selected by the participating counties which they are solely responsible for paying. Higher deductibles amounts apply to catastrophe losses.

C. Cyber Risk and Other Coverage: Beginning with fiscal year 2015, the Pool added jointly purchased cyber risk and security coverage which includes (1st party) business interruption, data recovery, cyber extortion, breach response and management (regulatory compliance) protections associated with date breaches.

NOTE 5 – MEMBER'S SUPPLEMENTAL ASSESSMENTS AND CREDITS

RCW 48.62.141 and the WCRP Interlocal Agreement provide for the contingent liability of participants in the program if assets of the program are insufficient to cover the program's liabilities. Deficits of the WCRP are financed through supplemental (retroactive) assessments against those counties that were WCRP members for the deficient period(s). During fiscal year 2017, there was no deficiency, and no additional retroactive assessments were levied or collected.

NOTE 6 – CAPITAL ASSETS

Capital assets are defined by WCRP policy as having an initial, individual cost of at least $2,500 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost.

Capital assets activities for the fiscal year ended September 30, 2017 were as follows:

	Beginning Balance 10/01/2016	Increase	(Decrease)	Ending Balance 09/30/2017
Capital Assets being Depreciated				
Building	$ 1,320,950			$ 1,320,950
Furniture & Equipment	212,753	24,987	(45,132)	192,608
Total Capital Assets being depreciated	*$ 1,533,703*	*$24,987*	*$(45,132)*	*$ 1,513,558*
Less Accumulated Depreciation:				
Building	$ 392,638	$ 47,549		$ 440,187
Furniture & Equipment	129,974	29,045	(45,132)	113,887
Total Accumulated Depreciation	*$ 522,612*	*$ 76,594*	*$(45,132)*	*$ 554,074*
TOTAL CAPITAL ASSET NET	**$ 1,011,091**	**$ 51,606**		**$ 959,485**

Capital assets activities for the fiscal year ended September 30, 2016 were as follows:

	Beginning Balance 10/01/2015	Increase	(Decrease)	Ending Balance 09/30/2016
Capital Assets being Depreciated				
Building	$ 1,320,950			$ 1,320,950
Furniture & Equipment	212,753			212,753
Total Capital Assets being depreciated	*$ 1,533,703*			*$ 1,533,703*
Less Accumulated Depreciation:				
Building	$ 345,089	$ 47,549		$ 392,638
Furniture & Equipment	99,134	30,840		129,974
Total Accumulated Depreciation	*$ 444,223*	*$ 78,389*		*$ 522,612*
TOTAL CAPITAL ASSET NET	**$ 1,089,480**	**$ 78,389**		**$ 1,011,091**

When equipment is retired or otherwise disposed of, the original cost is removed from WCRP's capital assets accounts, and the net gain or loss on disposition is credited to or charged against income.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Building	30
Building Improvements	30
Vehicles	5
Equipment	5

NOTE 7 – SOLVENCY

Washington Administrative Code (WAC) 200-100 requires the Washington Counties Risk Pool to maintain certain levels of primary and secondary assets to meet solvency standards. As defined in WAC 200-100-03001 total primary assets, i.e. cash and cash equivalents less non-claims liabilities, must at least equal the independent actuary's *expected* estimate of unpaid claims. Furthermore, a pool's total primary and secondary assets must at least equal the independent actuary's *80% confidence level* estimate of unpaid claims (70% before 2015). Secondary assets include insurance receivables, real estate or other assets less any non-claim liabilities, the values for which can be independently verified by the state risk manager

Primary Asset Test 1	**2017**	**2016**
Cash and cash equivalents	*$ 10,059,410*	*$ 4,896,133*
Investments	24,631,073	33,966,134
Total	***$ 34,690,483***	***$ 38,862,267***
Non-claims Liabilities	861,207	304,965
Unearned Revenues	15,195,311	14,144,409
Total Primary Assets	***$ 18,633,965***	***$ 24,412,893***
Claims Liability – Expected Level	***$ 12,584,612***	***$ 13,709,893***
Test 1 Result – Primary Asset Test	**PASS**	**PASS**
Secondary Asset Test		
Cash and cash equivalents	$ 10,059,410	$ 4,896,133
Investments	24,631,073	33,966,134
Receivables	11,062,095	4,349,504
Prepaid Expenses	3,690	2,582,677
Accrued Interest	51,965	44,351
Capital Assets	959,485	1,011,091
Less:		
Non-Claims Liabilities	$ 861,207	$ 304,965
Unearned Revenues	15,195,311	14,144,409
Total Secondary Assets	***$ 12,077,235***	***$ 7,987,623***
Total Primary plus Secondary Assets	***$ 30,711,200***	***$ 32,400,516***
Claims Liabilities at 80%	***$ 13,455,000***	***$ 14,760,000***
Test 2 Results – Secondary Asset Test	**PASS**	**PASS**

NOTE 8 – PENSION PLANS

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

Aggregate Pension Amounts – All Plans		
	2017	**2016**
Pension liabilities	$ 572,673	$ 839,691
Pension assets	$	$
Deferred outflows of resources	$ 109,958	$ 134,538
Deferred inflows of resources	$ 94,174	$ 12,069
Pension expense/expenditures	$ (71,073)	$ 145,341

State Sponsored Pension Plans

Substantially all *Washington Counties Risk Pool (WCRP)* 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 98540-8380

Or the DRS CAFR 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 the legislature; employees of district and municipal courts; 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 2017 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee**
January – June 2017:		
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Total	**11.18%**	**6.00%**
July – December 2017:		
PERS Plan 1	7.49%	6.00%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Total	**12.70%**	**6.00%**

The *WCRP*'s actual contributions to the plan for fiscal years ended September 30, 2017 and 2016 were $ 38,082 and $47,705 respectively.

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 2017 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2**
January – June 2017:		
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**11.18%**	**6.12%**
July – December 2017:		
PERS Plan 2/3	7.49%	7.38%
PERS Plan 1 UAAL	5.03%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**12.70%**	**7.38%**

The *WCRP*'s actual contributions to the plan for years ended September 30, 2017 and 2016 were $51,177 and $44,017 respectively.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study* and the 2015 Economic Experience Study.

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

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

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

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

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.

- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.

- For all plans, the average expected remaining service lives calculation was revised

Discount Rate

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

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

Long-Term Expected Rate of Return

The long-term expected rate of return on DRS pension plan investments of 7.5% was determined using a building-block-method. The *Washington State Investment Board (WSIB)* used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5% approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

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

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of Net Pension Liability (NPL)

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

2017	1% Decrease (6.5%)	Current Rate (7.5%)	1% Increase (8.5%)
PERS 1	$ 359,310	$ 294,954	$ 239,208
PERS 2/3	748,203	277,719	(107,774)

2016	1% Decrease (6.5%)	Current Rate (7.5%)	1% Increase (8.5%)
PERS 1	$ 571,723	$ 474,105	$ 390,099
PERS 2/3	673,109	365,586	(109,308)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2017 and 2016, the *Washington Counties Risk Pool* reported a total pension liability of $572,674 and $839,691 respectively for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)	Liability (or Asset)
	2017	**2016**
PERS 1	$294,955	$474,105
PERS 2/3	$277,719	$365,586

At June 30, 2017 and 2016, the *Washington Counties Risk Pool's* proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/16	Proportionate Share 6/30/17	Change in Proportion
PERS 1	.008828%	.006216%	(.002612) %
PERS 2/3	.007261%	.007993%	. 000732%

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	.007815%	.008828%	.001013%
PERS 2/3	.006456%	.007261%	.000805%

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

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

Pension Expense

For the year ended September 30, 2017 and 2016, the *Washington Counties Risk Pool* recognized pension expense as follows:

	Pension Expense	Pension Expense
	2017	**2016**
PERS 1	$ (122,133)	$ 81,069
PERS 2/3	$ 51,060	$ 64,272
TOTAL	$ (71,073)	$145,341

Deferred Outflows of Resources and Deferred Inflows of Resources

At September 30, 2017, the *Washington Counties Risk Pool* reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 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	$	$ (11,007)
Changes of assumptions	$	$
Changes in proportion and differences between contributions and proportionate share of contributions	$	$
Contributions subsequent to the measurement date	$ 11,005	
TOTAL	$ 11,005	$ (11,007)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 28,139	$ (9,134)
Net difference between projected and actual investment earnings on pension plan investments	$ 0	$ (74,033)
Changes of assumptions	$ 2,950	$
Changes in proportion and differences between contributions and proportionate share of contributions	$52,037	$
Contributions subsequent to the measurement date	$ 15,826	
TOTAL	$ 98,953	$ (83,167)

At September 30, 2016, the *Washington Counties Risk Pool* reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 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	$ 11,937	$
Changes of assumptions	$	$
Changes in proportion and differences between contributions and proportionate share of contributions	$	$
Contributions subsequent to the measurement date	$ 6,997	
TOTAL	$ 18,934	$

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 19,467	$ (12,069)
Net difference between projected and actual investment earnings on pension plan investments	$ 44,737	$
Changes of assumptions	$ 3,779	$
Changes in proportion and differences between contributions and proportionate share of contributions	$38,482	$
Contributions subsequent to the measurement date	$ 9,138	
TOTAL	$ 115,604	$ (12,069)

Deferred outflows of resources related to pensions resulting from the *Washington Counties Risk Pool*'s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September:	*PERS 1*	*PERS 2/3*
2018	$ (7,440)	$ (11,833)
2019	$ 2,349	$ 22,273

2020	$ (545)	$ (572)
2021	$ (5,370)	$ (25,500)
2022		$ 6,779
Thereafter		$ 8,812
TOTAL	$ (11,007)	$ (40)

Deferred outflows of resources related to pensions resulting from the *Washington Counties Risk Pool*'s contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September:	*PERS 1*	*PERS 2/3*
2017	$ (2,939)	$ 13,641
2018	$ (2,939)	$ 13,641
2019	$ 10,963	$ 44,324
2020	$ 6,853	$ 22,790
Thereafter	$	
TOTAL	$11,937	$ 94,396

NOTE 9 – QUALIFIED PENSION PLAN

The WCRP also participates in a defined contribution pension plan created in accordance with Internal Revenue Code Section 401(a). This plan is with the International City/County Management Association (ICMA). Employer contributions to the Qualified Pension Plan for the years ended September 30, 2017 and 2016 were $50,388 and $52,079, respectively. There are no employee contributions to this plan.

NOTE 10 – DEFERRED COMPENSATION PLANS

The WCRP offers its employees a choice of two deferred compensation plans created in accordance with Section 457 of the Internal Revenue Code. The plans are with the International City/County Management Association (ICMA) and the Washington State Department of Retirement. The plans, available to all eligible employees, permit them to defer a portion of their wages until future years. The deferred compensation is not available to contributing employees until their termination, retirement, death, or unforeseeable emergency.

In 1998, the ICMA Deferred Compensation Program plans' assets were placed into trust for the exclusive benefit of participants and their beneficiaries. Pursuant to Governmental Accounting Standards Board

(GASB) Statement 32, and since the WCRP is no longer the owner of these assets, these plans' assets and liabilities are no longer reported in the WCRP financial statements.

NOTE 11 – LONG TERM LIABILITIES

During the year ended September 30, 2017, the following changes occurred in long-term liabilities:

Changes in Long -Term Liabilities	*Beginning Balance 9/30/2016*	*Additions*	*Reductions*	*Ending Balance 9/30/2017*	*Due Within One Year*
Claims Reserves	$ 2,044,867		$ (184,930)	$ 1,859,937	$ 767,879
Corridor Reserves	5,109,746	1,516,187		6,625,933	2,001,585
Quota Share	120,000		(20,000)	100,000	
ULAE Reserve	*1,116,000*	*107,328*		*1,223,328*	
Compensated Absences	85,660		(16,865)	68,795	7,000
Net Pension Liability – GASB 68	839,692		(267,018)	572,674	
Total Long-Term Liabilities	**$ 9,315,965**	**$ 1,623,515**	**$ (488,813)**	**$ 10,450,667**	**$ 2,776,464**

NOTE 12 – UNPAID CLAIMS LIABILITIES

As discussed somewhat in Notes C.6 and C.9, WCRP establishes a liability for both reported and unreported insured events that include estimates of both future payments of losses and related claims adjustment expenses. The following represents comparative changes in those aggregate liabilities for WCRP's SIR Reserves, reinsurance' Corridor Deductibles, and Quota Share during the past two years:

	2017	2016
SIR - Unpaid claims and claim adjustment expense/claims reserve at beginning of the year	$ 3,222,484	$ 2,779,907
SIR - Incurred Claims & Claims Adjustment Expenses:		
Provisions for Insured Events of the Current Year	1,083,493	1,008,468
Increase (Decrease) in Provision for Insured Events Prior Years	13,889	575,252
SIR - Total Incurred Claims & Claims Adjustment Expense	***$ 4,319,866***	***$ 4,363,627***
SIR - Payments:		
Claims & Claims Adjustment Expenses Attributable to Insured Events of the Current Year	$ 66,775	$ 0.00
Claims & Claims Adjustment Expenses Attributable to Insured Events of Prior Years	1,625,279	1,141,147
SIR -Total Payments	***$ 1,692,054***	***$ 1,141,147***
SIR - Total Unpaid Claims & Claims Expense Reserves at End of Year	**$ 2,627,813**	**$ 3,222,484**
Corridor - Unpaid claims and claim adjustment expense/claims reserve at beginning of the year	$ 9,251,412	$ 11,421,337
Corridor – Incurred Claims & Claims Adjustment Expenses:		
Provisions for Insured Events of the Current Year	$ 4,350,000	$ 3,450,000
Increase (Decrease) in Provision for Insured Events Prior Years	(329,529)	(507,141)
Corridor - Total Incurred Claims & Claims Adjustment Expense	*$ 13,271,883*	*$ 14,364,196*
Corridor – Payments:		
Claims & Claims Adjustment Expenses Attributable to Insured Events of the Current Year	$0.00	$0.00
Claims & Claims Adjustment Expenses Attributable to Insured Events of Prior Years	$ 4,644,361	$ 5,112,774
Corridor – Payments	*$ 4,644,361*	*$ 1,609,560*
Corridor - Total Unpaid Claims & Claims Expense Reserves at End of Year	***$ 8,627,522***	***$ 9,251,412***
Quota Share 10% – Unpaid claims and claim adjustment expense/claims reserve at beginning of the year	$ 120,000	$ 240,000
Quota Share 10% – Incurred Claims & Claims Adjustment Expenses:		
Provisions for Insured Events of the Current Year		
Increase (Decrease) in Provision for Insured Events Prior Years	$ (20,000)	$ (120,000)
Quota Share - Total Incurred Claims & Claims Adjustment Expense	*$ (20,000)*	$ (120,000)
Quota Share - Payments:		
Quota Share - Total Unpaid Claims & Claims Expense Reserves at End of Year	***$100,000***	***$ 120,000***
Grand Total all Coverages (SIR, Corridor, Quota Share 10%) at year end	***$ 11,355,331***	**$ 12,593,893**
Unallocated Loss Adjustment expense (ULAE) at year end	*$ 1,223,328*	*$ 1,116,000*
Total Claims Reserve at Year End	**$ 12,578,659**	**$ 13,709,893**

The actuary estimated the current SIR Unpaid Claims and Claims Adjustment liability at the end of PY 2017 and PY 2016 to be $767,909 and $1,177,614 respectively.

The actuary estimated the – Total Unpaid Claims and Claims Adjustment Liability at the end of 2017 and 2016 to be $2,770,000 and $5,319,280 respectively.

REQUIRED SUPPLEMENTARY INFORMATION

Washington Counties Risk Pool
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30
Last 3 Fiscal Years

	2015	**2016**	**2017**
Employer's proportion of the net pension liability (asset)	0.007815%	0.008828%	0.006216%
Employer's proportionate share of the net pension liability	408,797	474,105	294,954
TOTAL	408,797	474,105	294,954
Covered Payroll	716,208	807,402	760,179
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	57.08%	58.72%	38.80%
Plan fiduciary net position as a percentage of the total pension liability	59.10%	57.03%	61.24%

Washington Counties Risk Pool
Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30
Last 3 Fiscal Years

	2015	2016	2017
Employer's proportion of the net pension liability (asset)	0.006456%	0.007261%	0.007993%
Employer's proportionate share of the net pension liability	230,677	365,586	277,719
TOTAL	230,677	365,586	277,719
Covered Payroll	572,850	644,146	760,179
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	40.27%	56.76%	36.53%
Plan fiduciary net position as a percentage of the total pension liability	89.20%	85.82%	90.97%

REQUIRED SUPPLEMENTARY INFORMATION

Washington Counties Risk Pool
Schedule of Employer Contributions
PERS 1
As of September 30
Last 3 Fiscal Years

	2015	2016	2017
Statutorily or contractually required contributions	38,174	47,705	38,082
Contributions in relation to the statutorily or contractually required contributions	38,174	47,705	38,082
Contribution deficiency (excess)	0	0	0
Covered Payroll	728,221	803,177	775,769
Contributions as a percentage of covered employee payroll	5.24%	5.94%	4.91%

Washington Counties Risk Pool
Schedule of Employer Contributions
PERS 2/3
As of September 30
Last 3 Fiscal Years

	2015	2016	2017
Statutorily or contractually required contributions	31,045	44,017	51,177
Contributions in relation to the statutorily or contractually required contributions	31,045	44,017	51,177
Contribution deficiency (excess)	0	0	0
Covered Payroll	584,437	675,866	775,766
Contributions as a percentage of covered employee payroll	5.31%	6.51%	6.60%

Washington Counties Risk Pool
MLC Claims Development
September 2008-2017

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
1. Required Contribution and investment revenue:										
Earned	$12,203,136	$11,993,561	$14,732,223	$14,122,973	$14,602,491	$14,715,659	$15,169,538	$13,559,583	$13,967,121	$14,736,656
Ceded	$3,806,063	$3,697,000	$5,480,000	$5,480,000	$5,602,250	$3,199,125	$3,593,317	$3,320,056	$3,399,350	$3,791,751
Net earned	$8,397,073	$8,296,561	$9,252,223	$8,642,973	$9,000,241	$11,516,534	$11,576,221	$10,239,527	$10,567,771	$10,944,905
2. Unallocated expenses	$4,098,577	$4,528,441	$4,880,297	$4,728,089	$5,113,060	$6,036,859	$5,490,125	$5,518,065	$6,956,643	$5,602,688
3. Estimated claims and expenses end of policy year:										
Incurred			$14,000,000	$13,000,000	$10,200,000	$8,000,000	$7,300,000	$10,900,000	$9,100,000	$10,800,000
Ceded			$9,750,000	$8,950,000	$6,375,000	$3,125,000	$2,875,000	$6,415,000	$4,700,000	$5,350,000
Net incurred	$3,875,000	$4,075,000	$4,250,000	$4,050,000	$3,825,000	$4,875,000	$4,425,000	$4,485,000	$4,400,000	$5,450,000
4. Net paid (cumulative) as of:										
End of policy year:	$87,032	$0	$41,325	$42,951	$193,680	$19,510	$0	$198,365	$0	$66,775
One year later	$227,021	$197,532	$519,161	$648,326	$380,131	$929,023	$394,618	$2,562,875	$392,459	
Two years later	$541,119	$605,051	$477,611	$959,084	$1,133,512	$1,676,522	$2,545,482	$4,097,226		
Three years later	$1,244,824	$1,071,363	$1,049,714	$1,664,193	$1,348,078	$3,783,540	$3,941,293			
Four years later	$2,066,751	$1,437,932	$2,180,521	$2,912,031	$1,851,657	$4,756,152				
Five years later	$2,267,997	$1,951,969	$2,643,104	$2,922,055	$2,401,286					
Six years later	$2,336,472	$2,033,458	$1,748,686	$2,933,889						
Seven years later	$2,356,994	$2,034,189	$2,748,687							
Eight years later	$2,368,611	$2,037,305								
Nine years later	$2,368,611									
5. Estimated ceded claims and expenses	$1,430,737	$9,819,338	$11,934,755	$20,091,804	$1,788,023	$4,050,000	$4,302,500	$10,850,000	$5,150,000	$5,350,000
6. Estimated net incurred claims and expenses:										
End of policy year:	$3,875,000	$4,075,000	$4,250,000	$4,050,000	$3,825,000	$4,875,000	$4,425,000	$4,485,000	$4,400,000	$5,450,000
One year later	$3,700,000	$3,875,000	$4,300,000	$3,575,000	$3,500,000	$4,670,000	$4,232,500	$4,640,000	$4,250,000	
Two years later	$3,200,000	$3,660,000	$3,745,000	$3,235,000	$3,175,000	$4,860,000	$4,472,500	$4,550,000		
Three years later	$2,971,395	$3,472,159	$2,475,172	$3,015,000	$3,284,800	$4,930,765	$4,197,500			
Four years later	$2,664,731	$2,694,107	$3,014,417	$2,967,514	$3,224,864	$4,950,000				
Five years later	$2,547,037	$2,434,747	$3,014,817	$2,953,805	$3,011,977					
Six years later	$2,617,037	$2,515,246	$2,864,736	$2,933,889						
Seven years later	$2,563,548	$2,505,713	$2,971,188							
Eight years later	$2,368,611	$2,315,384								
Nine years later	$2,368,911									
7. Increase (decrease) in estimated net incurred claims and expenses from end of policy year	($1,506,089)	($1,759,616)	($1,278,812)	($1,116,111)	($813,023)	$75,000	($227,500)	$65,000	($150,000)	$0

REQUIRED SUPPLEMENTARY INFORMATION

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 WCRP earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the WCRP as of the end of each of the last ten years. The rows of the table are defined as follows:

a. This line shows the total of each fiscal year gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers, and net earned contribution revenue and reported investment revenue.

b. This line shows each fiscal year's other operating costs of the WCRP including overhead and claims expense not allocable to individual claims.

c. This line shows the WCRP gross incurred claims and allocated claims adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

d. This section of ten rows shows the cumulative net amounts paid as of the end of successive years for each policy year.

e. This line shows the latest estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.

f. This section of ten rows show how each year’s net incurred claims increased or decreased as of the end of successive years. (This annual 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.)

g. This line compares the latest estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and estimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

2. Reconciliation of Claims Liabilities by Type of Contract

   The schedule presented in Note 14 presents the changes in claims liabilities for the past two years for the WCRP’s one type of contract, liability insurance.

LIST OF PARTICIPATING MEMBERS Schedule T-1

The following is a list of WCRP membership during the fiscal year 2016-2017

Adams County	**Lewis County**
Benton County	**Mason County**
Chelan County	**Okanogan County**
Clallam County	**Pacific County**
Columbia County	**Pend Oreille County**
Cowlitz County	**San Juan County**
Douglas County	**Skagit County**
Franklin County	**Skamania County**
Garfield County	**Spokane County**
Grays Harbor County	**Thurston County**
Island County	**Walla Walla County**
Jefferson County	**Whatcom County**
Kittitas County	**Yakima County**

WASHINGTON COUNTIES RISK POOL
DES Schedule of Expenses
For Fiscal Years Ended September 30, 2017 and September 30, 2016

	09/30/2017	09/30/2016
Insurance Premiums/Reserve Expense	$12,567,269	$10,976,554
ULAE Expense	107,328	129,548
Adjustment to Prior Years' "1st/2nd Layers' Corridor" Reserves	(329,529)	(507,141)
Adjustment to Prior Years' "SIR" Reserves	13,889	575,252
Adjustment to Prior Year' "10% (8x2 Layer) Quota Share	(20,000)	(120,000)
Contracted Services:		
Actuarial	176,419	110,400
State Audit Expense	11,160	11,021
State Risk Manager Expenses	11,720	11,734
Legal Fees	358,541	1,743,433
IT Consultants	28,188	18,847
Property Appraiser		63,163
Investment Advisor	12,813	8,808
Consulting Member Services Manager		12,000
Leadership Search Consultant		3,547
Other Consulting Fees	15,731	3,984
General Administrative Expenses		
Employee Salaries and Benefits	912,489	1,221,221
Communication	15,666	15,295
Supplies	23,757	24,021
Dues and Memberships	7,361	8,087
Travel - Employee	74,194	92,366
Committee and Board Meetings	111,403	91,692
Depreciation	76,593	78,389
Building and Auto Insurance	18,300	22,726
Operating Leases	60,978	102,115
Utilities/Building Maintence	46,829	17,972
Member Services - Training	152,784	99,929
Member Services - Grants/Scholarships	18,258	55,874
Miscellaneous Expenses	20,150	17,739
Total Operating Expenses	$14,492,291	$14,888,576

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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