Washington State Auditor's Office

Financial Statements Audit Report

Washington Counties Risk Pool

Thurston County

Audit Period

October 1, 2007 through September 30, 2008

Report No. 1001791

Issued **July 20, 2009**
Reissued **July 23, 2009**

WASHINGTON
BRIAN SONNTAG
STATE AUDITOR

Washington State Auditor
Brian Sonntag

July 23, 2009

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 Pool's financial condition.

In addition to this work, we look at other areas of our audit client's operations for compliance with state laws and regulations. The results of that audit will be included in a separately issued accountability report.

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

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Thurston County
October 1, 2007 through September 30, 2008

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters in Accordance with *Government Auditing Standards*

Washington Counties Risk Pool
Thurston County
October 1, 2007 through September 30, 2008

Board of Directors
Washington Counties Risk Pool
Tumwater, Washington

We have audited the basic financial statements of the Washington Counties Risk Pool, Thurston County, Washington, as of and for the year ended September 30, 2008, and have issued our report thereon dated June 16, 2009. The prior year partial comparative information has been derived from the Risk Pool's 2007 basic financial statements that we issued our report thereon dated March 14, 2008.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Pool's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pool's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pool's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Pool's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Pool's financial statements that is more than inconsequential will not be prevented or detected by the Pool's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

COMPLIANCE AND OTHER MATTERS

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

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

This report is intended for the information and use of management and the Board of Directors. 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.

BRIAN SONNTAG, CGFM
STATE AUDITOR

June 16, 2009

Independent Auditor's Report on Financial Statements

Washington Counties Risk Pool
Thurston County
October 1, 2007 through September 30, 2008

Board of Directors
Washington Counties Risk Pool
Tumwater, Washington

We have audited the accompanying basic financial statements of the Washington Counties Risk Pool, Thurston County, Washington, as of and for the year ended September 30, 2008, as listed on page 5. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the Risk Pool's 2007 financial statements and, in our report dated March 14, 2008, we expressed an unqualified opinion on the basic financial statements.

We conducted our audit 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2008, and the changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The financial statements include partial prior year comparative information. Such information does not include all of the information required for presentation in conformity with accounting principles general accepted in the United States of America. Accordingly, such information should be read in conjunction with the Pool's financial statements for the year ended September 30, 2007, from which such partial information was derived.

In accordance with *Government Auditing Standards*, we have also issued our report 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 6 through 9 and risk pool information on pages 23 through 26 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

BRIAN SONNTAG, CGFM
STATE AUDITOR

June 16, 2009

Financial Section

Washington Counties Risk Pool
Thurston County
October 1, 2007 through September 30, 2008

REQUIRED SUPPLEMENTAL INFORMATION

BASIC FINANCIAL STATEMENTS

SUPPLEMENTAL INFORMATION

WCRP… *Management's Discussion and Analysis*

The management of the Washington Counties Risk Pool ("WCRP") offers this narrative overview and analysis of the financial activities of the WCRP for the fiscal year ended September 30, 2008. To enhance their understanding of the WCRP financial performance, we encourage readers to consider the information presented here in conjunction with the financial statements and notes to those financial statements.

Financial Highlights from Py2008

- Total Assets grew $3.3 million (12%) to nearly $31.1 million. Specifically, current assets increased $2.9 million (11%) while non-current assets increased $0.4 million (54%).
- Operating Income was experienced of $0.8 million. This represented a $1.0 million (505%) turn-around from the $0.2 million Operating Loss experienced the prior year. A 7% reduction in the estimates by the independent actuary for claims reserves ($8.2 vs. $8.8 million) substantially contributed to this positive change.
- The Pool's claims-related database reflected a total of 15,506 third-party liability claims and lawsuits having been reported during the twenty years the Risk Pool had operated (Oct. 1988 – Sep. 2008). Of those events only 457 remained classified as "open" at year's end. Independent actuarial estimates project another 578 claims will be filed for occurrences from all WCRP years through September 2008.
- Interest Income slipped $0.13 million (17%) even with the larger surpluses (funds not needed for current operations) for investing. The reduction resulted from the lowering of interest rates to address the declining economy.
- Net Assets (also referred to as Members' Equity) increased nearly $0.9 million to nearly $6.8 million at September 30, 2008. $5.7 million remains 'Restricted' to satisfy in large part the Section D provisions of the WCRP Underwriting Policy, which were enhanced by the Board of Directors in March 2007. The remaining $1.1 million is invested in Capital Assets (net of debt). The WCRP Board of Directors will determine if, how much, and when distributions of the Net Assets are to be made.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements for the Washington Counties Risk Pool. The financial statements pertain solely to the WCRP, which has no other component units for which it is financially accountable. The WCRP operates as a single proprietary fund in accounting for the members' participation in the public entity. This type of fund is used for "business type activities" that are intended to recover all or a significant portion of its costs through user fees and charges.

The primary function for the WCRP is administering a jointly funded, (third-party liability) self-insurance program for its member counties within the state of Washington. Its primary source of revenue is the fees/assessments paid by its present and former member counties. Its major expenses are payments of claims and judgments including their associated fees and charges, and payments for selected insurance coverage options purchased from superior-rated reinsurance and excess insurance carriers.

The WCRP basic financial statements are comprised of two components, the financial statements and the notes to the financial statements. To more fully understand the financial position of the WCRP, this narrative must be viewed in context with information contained in the companion financial statements and the accompanying notes.

Financial Statements

The financial statements are designed to provide readers with a broad overview of the finances of the Washington Counties Risk Pool. They are prepared using the accrual accounting basis in accordance with the *U.S. generally accepted accounting principles* applicable to governmental enterprise funds.

The *Statement of Net Assets* (formerly referred to as the Balance Sheet) presents the financial position of the WCRP at September 30th of the Pool's most recent fiscal year(s). Information is displayed on assets and liabilities, with the difference between the two reported as Net Assets. Over time, the changes in Net Assets may provide a useful indicator regarding how the WCRP is meeting the financial needs and expectations of its member counties.

The *Statement of (Revenues, Expenses and) Changes in Net Assets* (formerly referred to as the Income Statement) presents information detailing the revenues and expenses that resulted in the change (i.e. revenues in excess of expenses) to Net Assets during the fiscal year(s). All revenues and expenses are reported on an accrual basis, which means that all changes in net assets are reported when the underlying event giving rise to the change actually occurs, regardless of the timing of related cash flows. Revenues and expenses are reported in this statement for some items that will (or did) result in cash flows in future or past periods (e.g. accrued investment income, incurred claims costs).

The *Statement of Cash Flow* presents the cash provided for and used by WCRP operations categorized by operating, capital and investing activities. The effects of accrual accounting have been adjusted out, and non-cash activities such as depreciation have been removed. This statement reconciles the beginning and ending cash balances for the year(s) reflected in the balance sheet.

Notes to the Financial Statements

The *Notes to the Financial Statements* follow the basic financial statements and provide additional information essential to fully understanding the data provided in the financial statements of the Washington Counties Risk Pool.

COMPARATIVE FINANCIAL INFORMATION – Washington Counties Risk Pool

NET ASSETS

	9/30/2008	**9/30/2007**	**Change $**	**Chg %**
Current Assets	$29,961,103	$27,030,628	$2,930,475	10.8
Non-current (Capital) Assets	1,103,766	716,338	387,428	54.1
Total Assets	**$31,064,869**	**$27,746,966**	**$3,317,903**	**12.0**
Current Liabilities	$24,286,365	$22,428,702	$1,857,663	8.3
Restricted Equity – UW Policy, § D	5,674,738	4,601,926	1,072,812	23.3
Invested in Capital Assets, Net of Debt	1,103,766	716,338	387,428	54.1
Unrestricted Net Assets	0	0	0	0.0
Total Liabilities and Net Assets	**$31,064,869**	**$27,746,966**	**$3,317,903**	**12.0**

REVENUES, EXPENSES and CHANGES IN NET ASSETS

	Py2008	**Py2007**	**Change $**	**Chg %**
Operating Revenues				
Member JSLIP Assessments	$9,141,287	$9,141,407	$ (120)	0.0
Member WCPP Assessments	2,322,429	2,286,503	35,926	1.6
Operating Revenues – Miscellaneous	100,000	28,776	71,224	247.5
Total Operating Revenues	***$11,563,716***	***$11,456,686***	***$107,030***	***0.9***
Non Operating Revenues (and Expenses)				
Interest Income	$630,365	$760,477	$(130,112)	-17.1
Miscellaneous Income	855	4,645	(3,790)	-81.6
Rental Income (net)	8,200	0	8,200	100.0
Total Non-Operating Revenues	***$ 639,420***	***$ 765,122***	***($ 125,702)***	***-16.4***
Total Revenues	**$12,203,136**	**$12,221,809**	**($18,672)**	**-1.5**

Operating Expenses				
Current Year's Claims Reserve	$1,264,343	$1,182,993	$81,350	6.9
Current Year's Aggregate Stop Loss	1,825,000	2,000,000	(175,000)	-8.8
Prior Years' Claim Reserve Adjustment	(251,088)	554,843	(805,931)	-145.2
Reserve for ULAE	40,932	174,960	(134,028)	-76.6
Reinsurance Premiums (JSILP)	3,806,063	3,772,810	33,253	.9
Excess (Liability) Insurance Premiums	384,790	384,790	0	0
WCPP (Property) Premiums	2,260,094	2,266,927	(6,833)	-.3
Depreciation Expenses	70,947	65,372	5,575	8.5
Administrative Expenses	1,341,814	1,256,874	84,940	6.8
Total Operating Expenses	**$10,742,895**	**$11,659,569**	**($916,674)**	**-7.9**
CHANGES IN NET ASSETS	***$1,460,241***	***$562,240***	***$898,001***	***159.7***
Beginning Net Assets (October 1st)	**$5,318,264**	**$4,756,024**	**$562,240**	**11.8**
Ending Net Assets (September 30th)	**$6,778,505**	**$5,318,264**	**$1,460,241**	**27.5**

CASH FLOWS

	9/30/2008	**9/30/2007**	**Change $**	**Chg %**
Net Cash Provided (Used) For Op. Activities	$(5,766,380)	$5,897,311	$(11,663,691)	-197.8
Net Cash Provided (Used) For Cap. Activities	(449,320)	(17,439)	(431,881)	2,476.5
Net Cash Provided (Used) For Investing Act.	630,365	760,477	(130,112)	-17.1
Increase (Decrease) in Cash & Cash Equiv.	**$(5,585,335)**	**$6,640,350**	**$(12,225,685)**	**-184.1**
Cash & Cash Equivalents (Beg. of Year)	$24,902,986	$18,262,636	$6,640,350	36.4
Cash & Cash Equivalents (End of Year)	$19,317,651	$24,902,986	$(5,585,335)	-22.4

BUDGETARY VARIATIONS:

A supplement of $500,000 to the original operating (administrative) budget for Policy (and Fiscal) Year 2008 was granted by the Pool's Board of Directors during its Spring Meeting. This substantially was to provide the appropriations needed to exercise the "first right of refusal" provisions and purchase the added office area. The following listing reflects the variations of the greatest significance to the administrative budget that occurred during the year ended September 30, 2008.

1. Staffing levels returned to those established prior to fiscal 2005 with the early Py07 employments of both a Loss Control Coordinator and a Claims Representative. These actions elevated Payroll and Benefits costs.
2. Professional Services decreased because there wasn't an independent claims auditor available to perform the planned audits of the larger-deductible member counties.
3. Travel, Conference & Meeting Expenses increased a little due to the rise in fuel prices and the corresponding mileage reimbursement allowance.
4. Other Expenditures, which includes capital outlays, operating rentals/leases, business insurance, office maintenance and miscellaneous items, were significantly greater in Py08 due to the acquisition under the previously negotiated joint ownership agreement of more area in the headquarters complex and related furnishings.
5. Training costs were even further increased with an installment for the enhanced training program aimed at lessening severities and/or frequencies of member counties' tortuous occurrences, especially those stemming from employment activities.

ADMINISTRATIVE BUDGET

Comparative	Actual Py08	Actual Py07	Diff $	Diff %
Payroll & Benefits	$740,223	$654,962	$85,261	13.0
Supplies	15,942	21,244	(5,302)	-25.0
Professional Services	179,198	193,954	(14,756)	-7.6
Communications	17,596	18,310	(714)	-3.9
Travel, Conference & Meeting Expenses	149,242	140,613	8,629	6.1
Repairs & Maintenance	1,509	2,547	(1,038)	-40.8
Other Expenditures (incl. Capital Outlays)	535,313	123,935	411,378	331.9
Training	155,504	113,135	42,369	37.4
TOTAL BUDGET EXPENDITURES	**$1,794,527**	**$1,268,700**	**$525,827**	**41.4**
Operating Adjustments:				
Capitalized & Depreciated Outlays	(458,374)	(22,777)	(435,597)	1,912.4
Annual/Sick Leave Expense	5,661	10,951	(5,290)	-48.3
TOTAL ADMIN. EXPENDITURES	**$1,341,814**	**$1,256,874**	**$84,940**	**6.8**

Pool Year 2008	Actual	Budget	Diff $	Diff %
Payroll & Benefits	$740,223	$780,066	($39,843)	-5.1
Supplies	15,942	19,000	(3,058)	-16.1
Professional Services	179,198	238,175	(58,977)	-24.8
Communications	17,596	21,500	(3,904)	-18.2
Travel, Conference & Meeting Expenses	149,242	181,800	(32,558)	-17.9
Repairs & Maintenance	1,509	4,500	(2,991)	-66.5
Other Expenditures (incl. Capital Outlays)	535,313	588,050	(52,737)	-9.0
Training	155,504	254,400	(98,896)	-38.9
TOTAL BUDGET EXPENDITURES	**$1,794,527**	**$2,087,491**	**($292,964)**	**-14.0**
Operating Adjustments:				
Capitalized & Depreciated Outlays	(458,374)			
Annual/Sick Leave Expense	5,661			
TOTAL ADMIN. EXPENDITURES	**$1,341,814**			

Pool Year 2007	Actual	Budget	Diff $	Diff %
Payroll & Benefits	$654,962	$744,225	($89,263)	-12.0
Supplies	21,244	22,200	(956)	-4.3
Professional Services	193,954	184,720	9,234	5.0
Communications	18,310	25,300	(6,990)	-27.6
Travel, Conference & Meeting Expenses	140,613	159,400	(18,787)	-11.8
Repairs & Maintenance	2,547	5,600	(3,053)	-54.5
Other Expenditures (incl. Capital Outlays)	123,935	120,750	3,185	2.6
Training	113,135	110,600	2,535	2.3
TOTAL BUDGET EXPENDITURES	**$1,268,700**	**$1,372,795**	**($104,095)**	**-7.6**
Operating Adjustments:				
Capitalized & Depreciated Outlays	(22,777)			
Annual/Sick Leave Expense	10,951			
TOTAL ADMIN. EXPENDITURES	**$1,256,874**			

CAPITAL ASSET AND DEBT ACTIVITIES:

Capital Assets

The Washington Counties Risk Pool's investment in capital assets as of September 30, 2008 was $1,103,766 (net of accumulated depreciation). This includes the WCRP real and personal property (e.g., headquarters facilities with networked and individual pieces of electronic computing and security equipment, office equipment and furniture, and automobiles). For additional capital asset information, see Note 7 in the Notes to Financial Statements.

Long-Term Debt

The Risk Pool had no long-term debt as of September 30, 2008.

REQUEST FOR INFORMATION:

This Discussion and Analysis is designed to provide a general overview of the Washington Counties Risk Pool for all those with an interest in its finances. Questions concerning the information provided and the Pool's financial report, or requests for additional information, should be addressed to: WASHINGTON COUNTIES RISK POOL, Attn: Executive Director Vyrle Hill, 2558 R.W. Johnson Road SW, Suite 106, Tumwater, WA 98512-6103, or telephone 360/292-4495.

WASHINGTON COUNTIES RISK POOL
COMPARATIVE STATEMENT OF NET ASSETS
As of September 30, 2008 and September 30, 2007

ASSETS:	**YTD 9/30/2008**	**AUDIT 9/30/2007**
CURRENT ASSETS:		
Cash and Cash Equivalents	$ 19,317,651	$ 24,902,986
Member Deductible & Reinsurance Receivables	2,639,448	898,868
Member Assessment Receivable	943,787	795,467
Retro Assessment Premium Receivable	0	332,708
Property Insurance Assessment Receivable	412,721	0
Prepaid Expenses	6,647,495	0
Other Accounts Receivables	0	100,600
TOTAL CURRENT ASSETS	29,961,103	27,030,628
NONCURRENT ASSETS:		
Capital Assets (Net of Accumulated Depreciation)	1,103,766	716,338
TOTAL ASSETS	**$31,064,869**	**$27,746,966**

LIABILITIES:		
CURRENT LIABILITIES:		
Claim Reserves		
Reserves for Open Claims	$ 2,898,097	$ 3,250,952
IBNR Claims Reserve	4,395,431	4,692,992
$400M xs $100M AL/GL Corridor Reserves		
Reserves for Open Claims	1,225,000	350,000
IBNR Claims Reserve	2,577,571	1,650,000
Reserve for ULAE	860,564	819,633
Accounts Payable	591,462	182,130
Accrued Liabilities	57,684	52,821
Unearned Revenue - Members Assessments	11,680,555	11,430,175
TOTAL CURRENT LIABILITIES	$ 24,286,365	$ 22,428,702
NET ASSETS:		
Restricted Net Assets - Underwriting Policy Section D	$ 5,674,738	$ 4,601,926
Capital Assets Net of Debt	1,103,766	716,338
Non Restricted Net Assets		0
Total Net Assets	$ 6,778,505	$ 5,318,264
TOTAL NET ASSETS AND LIABILITIES	**$ 31,064,869**	**$ 27,746,966**

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

WASHINGTON COUNTIES RISK POOL
COMPARATIVE STATEMENT OF REVENUES AND EXPENSES AND CHANGES IN FUND NET ASSETS
For the Fiscal Years Ended September 30, 2008 and September 30, 2007

	YTD 9/30/2008	Audit Year Ended 9/30/2007
OPERATING REVENUES:		
Member Assessments -- Liability Insurance	$ 9,141,287	$ 9,141,407
Member Assessments -- Property Insurance	2,322,429	2,286,503
Miscellanous Operating Income	100,000	28,776
Total Operating Revenues	$ 11,563,716	$ 11,456,687
OPERATING EXPENSES:		
Current Year's "Claims" Reserve	$ 1,264,343	$ 1,182,993
Current Year's "Corridor" Reserve	1,825,000	2,000,000
Adjustment of Prior Years' Claims Reserves	(251,088)	554,843
Reserve for ULAE	40,932	174,960
Reinsurance Premiums	3,806,063	3,772,810
Excess Insurance Premiums	384,790	384,790
Property Insurance Premiums	2,260,094	2,266,927
Depreciation Expense	70,947	65,372
Operating Expenditures	1,341,814	1,256,874
Total Operating Expenses	$ 10,742,895	$ 11,659,569
Operating Income	$ 820,820	$ (202,882)
NON OPERATING REVENUES (EXPENSES)		
Interest Income	$ 630,365	$ 760,477
Rental Income on Suite 104	10,314	0
Rental Suite 104 Expenses	(2,114)	
Miscellaneous Income	855	4,645
Total Nonoperating Revenues (Expenses)	$ 639,420	$ 765,122
CHANGES IN NET ASSETS	**$ 1,460,241**	**$ 562,240**
TOTAL NET ASSETS, Beginning of Year	$ 5,318,264	$ 4,756,024
TOTAL NET ASSETS, End of Year	$ 6,778,505	$ 5,318,264

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

WASHINGTON COUNTIES RISK POOL
COMPARATIVE STATEMENT OF CASH FLOW
AND CHANGES IN FUND NET ASSETS
For the Fiscal Years Ended September 30, 2008 and September 30. 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members & Insurers	$ 9,945,781	$ 15,143,551
Cash payments for goods and services	(14,966,278)	(8,580,328)
Cash payments to employees for services	(745,883)	(665,913)
Net Cash Provided (Used) by Operating Activ	$ (5,766,380)	$ 5,897,311
CASH FROM CAPITAL ACTIVITIES:		
Purchase of Equipment & Building	$ (458,374)	$ (22,778)
Miscellanous Revenues	$ 855	
Cash from Rental of Office (net)	8,199	5,339
Net Cash Provided (Used) by Capital Activiti	$ (449,320)	$ (17,439)
CASH FLOW FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	$ -	$ -
Interest received	630,365	760,477
Net Cash Provided (Used) by Investing Activi	$ 630,365	$ 760,477
Increase (Decrease) in Cash and Cash Equivalen	$ (5,585,335)	$ 6,640,350
Cash and Cash Equivalents - Beginning of the Y	$ 24,902,986	$ 18,262,636
Cash and Cash Equivalents - End of the Year	$ 19,317,651	$ 24,902,986

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

	2008	2007
Operating Income	$ 820,821	$ (202,882)
Adjustments to reconcile net income to net cash:		
Cash provided by operating activities:		
Depreciation expense	70,946	65,372
Decrease (Increase) in Accounts Receivab	(1,868,314)	1,398,096
Increase (Decrease) in Claims Reserves	1,152,154	2,204,930
Increase (Decrease) in Reserve for ULAE	40,932	174,960
Increase (Decrease) in Unearned Revenue	250,380	2,288,768
Increase (Decrease) in Accounts Payable	(6,237,468)	(42,884)
Increase (Decrease) in Accrued Liabilities	4,169	10,951
Net Cash Provided for Operating Activities	$ (5,766,380)	$ 5,897,311

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

WASHINGTON COUNTIES RISK POOL
NOTES TO FINANCIAL STATEMENTS
October 1, 2007 Thru September 30, 2008

The 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 conform to generally accepted accounting principles ("GAAP"). The following is a summary of the more significant policies:

a. Reporting Entity

The Washington Counties Risk Pool ("WCRP") was organized August 18, 1988 to provide its members with joint programs including self-insurance, purchase of insurance, and contracting for or hiring personnel to provide administrative, claims handling and risk management services pursuant to Chapter 48.62, RCW. It was established via agreement amongst Washington's counties under the Interlocal Cooperation Act (Chapter 39.34, RCW).

No member county may withdraw for sixty months after joining the WCRP. A member may withdraw after that time at the end of any WCRP fiscal year, provided it has given the WCRP a twelve-month written notice of its intent to withdraw. New members must be approved by a majority vote of the (WCRP) Board, provided that a majority of the (WCRP) Executive Committee may approve the admission, fees and premiums of any new member county of less than 125,000 population. The membership of the WCRP presently includes 28 counties with populations ranging from 2,400 to 443,800.

WCRP members are subject to supplemental assessment(s) in the event of deficiencies. Underwriting and rate-setting policies are modified after consultation with the insurance producer and/or independent actuary. Annual deposit assessments are adjusted to incorporate actuarial projections and operational needs, and then approved by the (WCRP) Board. If its assets were depleted, members would be responsible for outstanding liabilities of the WCRP.

Twenty or twenty five million dollars (member option) in third-party "per occurrence" liability coverage was provided by the WCRP to its member counties during policy year 2008 for bodily injury, personal injury, property damage, errors and omissions, and advertising injury. That included joint self-insurance coverage from the WCRP of ten million dollars, subject to each member's individual deductible, along with "following form" excess insurance coverage of ten or fifteen million dollars. The WCRP is reinsured for any loss within its layer of coverage exceeding the greater of one hundred thousand dollars or the member's deductible. Members annually select a "per occurrence" deductible amount of ten-, twenty five-, fifty-, one hundred-, two hundred fifty- or five hundred thousand dollars. There are no annual aggregate limits to the payments the WCRP might make for any one member county or all members combined.

The WCRP also offers counties a joint-purchase program for insuring their properties with extraordinary limits. This includes five hundred million dollars "all other perils" coverage with two hundred million dollars per occurrence/annual aggregate catastrophe limits each for earthquake and flood coverage. The 2008 policy year began with twenty-six participating counties and ended with twenty-seven participants.

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*, GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Funds,* and GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In 1999 GASB issued Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The presented financial statements (including notes) reflect this and consecutive statements.

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 (sometimes referred to as premiums or contributions), while operating expenses include claims paid from current year allowances and adjustments to prior year's reserves, insurance (reinsurance, excess and property) premiums, and administrative expenses. Unbilled receivables are recorded at year end.

c. Cash and Cash Equivalents

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

d. Capital Assets and Depreciation

See Note 7

e. Receivables

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

f. Investments

See Note 2.

g. Compensated Absences

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

Vacation (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 previous 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 ½ the amounts earned.

h. Unpaid Claim Liabilities

The WCRP establishes claim liabilities based on independent actuarial estimates of the ultimate cost 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

WASHINGTON COUNTIES RISK POOL
NOTES TO FINANCIAL STATEMENTS
October 1, 2007 Thru September 30, 2008

involved. Estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claim liabilities does not necessarily result in an exact amount, particularly for coverage such as general liability.

Claim liabilities are actuarially recomputed periodically using a variety of techniques and formulas to produce current estimates that reflect recent settlements, claims frequencies, 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 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.

i. Reinsurance

The WCRP uses reinsurance agreements to reduce its exposure to large third-party liability losses. Reinsurance permits recovery of substantial portions of the losses from reinsurers, although it does not discharge the primary liability of the WCRP (and its member counties) 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 amount deducted from claims liabilities as of September 30, 2008 and 2007 for reinsurance were $9,458,734 and $8,907,186 respectively. Premiums ceded to reinusrers during 2008 and 2007 were $3,806,063 and $3,772,810 respectively.

j. Member Assessments and Unearned Member Assessments

Member assessments are collected in advance and recognized as revenue in the period for which insurance protection is provided. On the balance sheet, member assessments receivables were billed 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 due by the following January 31st. The assessments calculated are based on the members' prior year's worker hours and licensed vehicle counts. Investment income is not considered during the determination of member assessments.

k. Unpaid Claims

Claims/Lawsuits are charged to revenues as incurred. Claim reserves represent the accumulation of estimates for reported, unpaid claims plus a provision for claims incurred but not reported (IBNR). These estimates are continually reviewed and updated by applying the Jury Verdict Value process, and any resulting adjustments are reflected in current earnings.

l. 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 claims in process and those claims recognized as incurred but not reported (IBNR). The independent actuary estimates this liability at the end of each year. The change in this liability each year is reflected in current earnings.

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m. 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). Chapter 48.62 RCW exempts the WCRP from state insurance premium taxes and from business and occupation taxes imposed pursuant to Chapter 82.04 RCW.

NOTE 2 - DEPOSITS AND INVESTMENTS

a. Deposit

The WCRP 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).

b. Investments

Invested with the Local Government Investment Pool and administered by the State Treasurer, the WCRP had invested funds on September 30, 2008 and 2007, of $19,269,287 and $22,113,922 respectively.

NOTE 3 - JOINT SELF-INSURED RETENTION

The WCRP retains responsibility for the payment of claims within specified self-insured retention limits prior to the application of coverage provided by its reinsurance and the excess insurance contracts.

For fiscal years 2008 and 2007 the Pool’s per-occurrence retention limit was $100,000 for liability claims. For liability claims greater than $100,000 but less than $500,000, the Pool’s aggregate reinsurance retention is $35,000,000.

Through pre-funded member assessments (deposit assessments) collected at the beginning of each policy year, the WCRP committed assets for the years ended September 30, 2008 and 2007 of $1,264,343 and $1,182,993 respectively, and is committing $1,437,299 for PY-2009, specifically for the purpose of funding its self-insured retentions for those years.

NOTE 4 – REINSURANCE/EXCESS INSURANCE CONTRACTS

The WCRP, on behalf of and in conjunction with its members, maintains both reinsurance and “following form” excess insurance contracts with several superior-rated insurance carriers which provide various limits of coverage over the WCRP third-party liability self-insured retention limits. The limits provided by these reinsurance/excess insurance contracts for both PY-2008 and PY-2007 are as follows:

WASHINGTON COUNTIES RISK POOL
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I. An “occurrence-based” Comprehensive Joint Self-Insurance Liability Policy with no aggregates that includes auto, employment, general, professional, and public officials’ coverage.

WCRP/Member SIR (*)	Reinsurance (**)	Excess Insurance (***)	Total (***)
$100,000	$9,900,000	$10,000,000	$20,000,000

* Counties annually select individual deductible amounts of $10,000, $25,000, 50,000, $100,000, $250,000 or $500,000.

** The WCRP provides joint, self-insurance for the balance between the member deductibles and $10,000,000 with reinsurance purchased to address losses that exceed the greater of the member’s deductible or $100,000.

*** An additional $5,000,000 “following form” excess insurance policy is available as an option that was purchased by the majority of the member counties.

II. The Washington Counties Property Program (WCPP) was established October 1, 2005. The coverage was initially purchased by seventeen counties. Five counties were added during the first policy year that ended September 30, 2006; three more counties joined in the 2006-07 policy year; another county joined for at the beginning of Py2008; and the 27^{th} joined in March of 2008. The WCPP general coverage specifications and limits are as follows:

LIMITS OF INSURANCE: **$500,000,000**; All Indicated Limits are per Occurrence; Subject to Sub-Limits [below].

PERILS: All Risks of Direct Physical Loss or Damage Including Equipment Breakdown, Earthquake and Flood.

PROPERTY COVERED: Real & Personal Property, Business Interruption, Extra Expense, Rental Value, Demolition and Increased Cost of Construction, Valuable Papers, Accounts Receivable, Transit, EDP (Equipment,/Media /Extra Expense), Newly Acquired Property, Course of Construction, Contractors Equipment, Errors and Omissions, Offsite Storage and Personal Property of the Insured’s officers and employees while on the premises of the Insured.

SUBLIMITS: *Are within, and do not increase, the limits stated in the Limits of Insurance.*

$200,000,000	Earthquake and Volcanic Eruption – Per Occurrence and Annual Aggregate
$200,000,000	Flood – Per Occurrence and Annual Aggregate, except:
$ 25,000,000	Flood for locations wholly or partially within a SFHA – Per Occurrence and Annual Aggregate
$ 20,000,000	Terrorism, certified and non-certified
$100,000,000	Equipment Breakdown

VALUATION:

A. Real and Personal Property and Mobile Equipment – Replacement Cost
B. Vehicles on Premises – Actual Cash Value
C. Business Interruption and Extra Expense – Actual Loss Sustained

WASHINGTON COUNTIES RISK POOL
NOTES TO FINANCIAL STATEMENTS
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DEDUCTIBLES

A. All loss, damage, and/or expense arising out of any one occurrence shall be adjusted as one loss, and from the amount of each such adjusted loss shall be deducted the sum of $5,000 (to $50,000 as individual county selection) **except;**

B. Earthquake: **$100,000,** except Puget Sound Earthquake (ISO Zone 2) shall be **2%** of the total values at the time of loss at each location involved in the loss subject to a minimum of **$ 100,000,** for any one occurrence shall be deducted from any adjusted Earthquake loss; or

C. Flood: The following sum(s) shall be deducted from any adjusted loss due to Flood;

(1) With respect to locations wholly or partially within Special Flood Hazard Areas (SFHA), areas of 100-year flooding, as defined by the Federal Emergency Management Agency (if these locations are not excluded elsewhere in this policy with respect to the peril of flood), the deductible shall be **5%** of the total values at the time of loss at each location involved in the loss, subject to a minimum of **$1,000,000** for any one occurrence;

(2) With respect to Named Storms (a storm that has been declared by the National Weather Service to be a Hurricane, Typhoon, Tropical Cyclone or Tropical Storm), the deductible shall be **5%** of the total values at the time of loss at each location involved in the loss, subject to a minimum of **$100,000** for any one occurrence;

(3) With respect to any other flood loss, the deductible shall be **$100,000** any one occurrence.

D. Windstorm and Hail: All loss, damage, and/or expense arising out of any one occurrence shall be adjusted as one loss, and from the amount of each such adjusted loss shall be deducted the sum of $5,000 (to $50,000 as individual county selection);

NOTE: If two or more deductible amounts in this policy apply to a single occurrence, the total to be deducted shall not exceed the largest deductible applicable.

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 its affected member counties. During policy year 2008 no additional retroactive assessments were levied. Payment received from previously levied supplemental assessments reduced the outstanding balance by $322,708. At the end of policy year 2008, all prior retroactive assessments had been paid in full.

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, 2008 were as follows:

	Beginning Balance 9/30/07	Increase (Decrease)	Ending Balance 9/30/08
Capital Assets Being Depreciated:			
Building	$ 685,304	440,355	1,125,659
Office Furnishings and Equipment	322,782	(14,303)	308,479
Total Capital Assets being Depreciated	$ 1,008,086	426,052	1,434,138
Less Accumulated Depreciation for:			
Building	$ 34,266	30,183	64,449
Office Furnishings and Equipment	257,482	8,441	265,923
Total Accumulated Depreciation	$ 291,748	70,946	330,372
TOTAL CAPITAL ASETS NET	$ 716,338	355,106	1,103,766

When equipment is retired or otherwise disposed of, its cost and accumulated depreciation are removed from the WCRP asset 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
Buildings	30
Building Improvements	30
Vehicles	5
Equipment	5

NOTE 7 - PENSION PLANS

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

The Washington Counties Risk Pool'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 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. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

Plan Description

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a combination defined benefit/defined contribution plan. Membership in the system includes: elected officials; state employees;

employees of the Supreme, Appeals, and Superior courts (other than judges currently in a judicial retirement system); employees of legislative committees; community and technical colleges, college and university employees (not in national higher education retirement programs); judges of district and municipal courts; and employees of local governments. PERS participants who joined the system by September 30, 1977, are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercise an option to transfer their membership to Plan 3. PERS participants joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or PERS Plan 3. The option must be exercised within 90 days of employment. An employee is reported in Plan 2 until a choice is made. Employees who fail to choose within 90 days default to PERS Plan 3. PERS defined benefit retirement benefits are financed from a combination of investment earnings and employer and employee contributions. PERS retirement benefit provisions are established in state statute and may be amended only by the State Legislature.

Plan 1 retirement benefits are vested after an employee completes five years of eligible service. Plan 1 members are eligible for retirement at any age after 30 years of service, or at the age of 60 with five years of service, or at the age of 55 with 25 years of service. The annual pension is 2 percent of the average final compensation per year of service, capped at 60 percent. The average final compensation is based on the greatest compensation during any 24 eligible consecutive compensation months. If qualified, after reaching the age of 66 a cost-of-living allowance is granted based on years of service credit and is capped at 3 percent annually.

Plan 2 retirement benefits are vested after an employee completes five years of eligible service. Plan 2 members may retire at the age of 65 with five years of service, or at the age of 55 with 20 years of service, with an allowance of 2 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 2 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and a cost-of-living allowance is granted (indexed to the Seattle Consumer Price Index), capped at 3 percent annually.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. The defined benefit portion provides a benefit calculated at 1 percent of the average final compensation per year of service. The average final compensation is based on the greatest compensation during any eligible consecutive 60-month period. Plan 3 members become eligible for retirement if they have: at least ten years of service; or five years including twelve months that were earned after age 54; or five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 retirements prior to the age of 65 receive reduced benefits. If retirement is at age 55 or older with at least 30 years of service, a 3 percent per year reduction applies; otherwise an actuarial reduction will apply. There is no cap on years of service credit; and Plan 3 provides the same cost-of-living allowance as Plan 2. The defined contribution portion can be distributed in accordance with an option selected by the member, either as a lump sum or pursuant to other options authorized by the Employee Retirement Benefits Board.

There are 1,169 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of September 30, 2004:

Retirees and Beneficiaries Receiving Benefits	66,846
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	21,031
Active Plan Members Vested	103,039
Active Plan Members Nonvested	53,217
Total	**244,183**

Funding Policy

Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates, Plan 2 employer and employee contribution rates, and Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 for state agencies and local government unit employees, and 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. All employers are required to contribute at the level established by the Legislature. PERS Plan 3 defined contribution is a non-contributing plan for employers. Employees who participate in the defined contribution portion of PERS Plan 3 do not contribute to the defined benefit portion of PERS Plan 3. The Employee Retirement Benefits Board sets Plan 3 employee contribution rates. Six rate options are available ranging from 5 to 15 percent; two of the options are graduated rates dependent on the employee's age. The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of the current-year covered payroll as of December 2007 were as follows:

	PERS Plan 1	**PERS Plan 2**	**PERS Plan 3**
Employer*	8.13%	8.13%	8.13%**
Employee	6.00%	5.45%	***

* The employer rates include the employer administrative expense fee currently set at 0.22%.
** Plan 3 defined benefit portion only.
*** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both the WCRP and its employees made their required contributions. The WCRP required contributions for the years ending September 30th were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2008	$7,414	$26,127	$1,890
2007	$5,630	$18,186	$1,609
2006	$3,478	$ 8,844	$0

b. Qualified Pension Plan

The WCRP also participates in a qualified 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, 2008 and 2007 were $33,819 and $29,950, respectively.

NOTE 8 - 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 Nationwide Retirement Solutions (NRS). The plans, available to all eligible employees, permit them to defer a portion of their salaries until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

WASHINGTON COUNTIES RISK POOL
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In 1998 NRS and ICMA Deferred Compensation Program plan 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, the plan assets and liabilities are no longer reported in the WCRP financial statements.

WASHINGTON COUNTIES RISK POOL
NOTES TO FINANCIAL STATEMENTS
October 1, 2007 Thru September 30, 2008

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 and investment income compare to related costs of loss 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:

(1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues.

(2) This line shows each fiscal year's other operating costs of the WCRP including overhead and claims expenses not allocable to individual claims.

(3) This line shows the WCRP incurred claims and allocated claims adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year).

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

(5) This section of ten rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.

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

WASHINGTON COUNTIES RISK POOL
CLAIMS DEVELOPMENT
OCTOBER 1, 1999 THROUGH SEPTEMBER 30, 2008

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
1 Net earned required contributions and investment revenues	$ 13,194	$ 6,342	$ 6,800	$ 7,056	$10,416	$11,716	$12,042	$12,391	$11,428	$ 11,564
2 Unallocated expenses	$ 3,765	$ 3,734	$ 4,216	$ 4,531	$ 5,635	$ 8,071	$ 9,678	$ 9,437	$ 7,747	$ 7,864
3 Estimated incurred claims and expenses, end of policy year	$ 1,900	$ 2,000	$ 2,249	$ 1,860	$ 1,615	$ 1,900	$ 1,510	$ 1,354	$ 1,183	$ 1,264
4 Paid (cumulative) as of:										
End of Policy Year	$ 10	$ 18	$ 3	$ 36	$ 51	$ 68	$ -	$ 100	$ -	$ 87
One year later	$ 77	$ 205	$ 204	$ 160	$ 240	$ 274	$ 161	$ 443	$ 185	
Two years later	$ 258	$ 365	$ 389	$ 282	$ 596	$ 426	$ 295	$ 1,001		
Three years later	$ 424	$ 680	$ 695	$ 618	$ 836	$ 655	$ 773			
Four years later	$ 636	$ 747	$ 725	$ 927	$ 1,103	$ 928				
Five years later	$ 904	$ 788	$ 742	$ 1,075	$ 1,202					
Six years later	$ 926	$ 825	$ 753	$ 1,096						
Seven years later	$ 926	$ 830	$ 753							
Eight years later	$ 926	$ 830								
Nine years later	$ 826									
5 Reestimate incurred claims and expense:										
End of Policy Year	$ 1,900	$ 2,000	$ 2,249	$ 1,860	$ 1,615	$ 1,900	$ 1,510	$ 1,354	$ 1,183	$ 1,264
One year later	$ 1,725	$ 1,985	$ 1,800	$ 1,685	$ 1,890	$ 1,765	$ 1,610	$ 2,345	$ 1,770	
Two years later	$ 1,650	$ 1,580	$ 1,730	$ 1,380	$ 1,950	$ 1,510	$ 1,890	$ 2,575		
Three years later	$ 1,220	$ 1,460	$ 1,350	$ 1,445	$ 1,505	$ 1,335	$ 1,540			
Four years later	$ 1,115	$ 1,370	$ 1,150	$ 1,432	$ 1,343	$ 1,168				
Five years later	$ 1,142	$ 1,218	$ 935	$ 1,392	$ 1,348					
Six years later	$ 1,083	$ 1,031	$ 833	$ 1,275						
Seven years later	$ 998	$ 946	$ 793							
Eight years later	$ 961	$ 896								
Nine years later	$ 845									
6 Increase (decrease) in estimated incurred claims and expenses from end of policy year	$ (1,055)	$ (1,104)	$ (1,456)	$ (585)	$ (267)	$ (732)	$ 30	$ 1,221	$ 587	$ -

WASHINGTON COUNTIES RISK POOL
NOTES TO FINANCIAL STATEMENTS
October 1, 2007 Thru September 30, 2008

2. List of Participating Member

The following is a list of WCRP membership for the fiscal year 2007-2008

Adams County	**Kittitas County**
Benton County (*)	**Lewis County**
Chelan County	**Mason County**
Clallam County	**Okanogan County**
Clark 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**
Kitsap County	**Yakima County**

(*) Not participating in the joint-purchase property program option.

WASHINGTON COUNTIES RISK POOL
NOTES TO FINANCIAL STATEMENTS
October 1, 2007 Thru September 30, 2008

RECONCILATION OF CLAIMS LIABILITIES

As discussed in Note 2, the WCRP establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claims adjustment expenses. The following represents comparative changes in those aggregate liabilities for the WCRP during the past two years:

	2008	2007
Unpaid Claims and Claims Adjustment Expenses Beginning of Year	$ 7,943,944	$ 7,739,015
Incurred Claims and Claims Adjustment Expenses:		
Provisions for Insured Events of the Current Year	1,264,343	1,182,993
Increase (Decrease) in Provision for Insured Events Prior Years	(251,086)	554,842
Total Incurred Claims and Claims Adjustment Expenses	$ 8,957,201	$ 9,476,850
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of the Current Year	$ 87,032	$ 75,153
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	1,576,641	1,457,753
Total Payments	$ 1,663,673	$ 1,532,906
Total Unpaid Claims and Claims Adjustment Expenses End of Year	$ 7,293,528	$ 7,943,944

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.

Our mission is to work in cooperation with our audit clients and citizens as an advocate for government accountability. 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.

The State Auditor's Office employees are located around the state to deliver our services effectively and efficiently.

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 and fraud, whistleblower and citizen hotline investigations.

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service. We continue to refine our reporting efforts to ensure the results of our audits are useful and understandable.

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

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