Washington State Auditor's Office
Troy Kelley
Integrity • Respect • Independence

Financial Statements Audit Report

Washington Cities Insurance Authority

King County

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

Published November 26, 2014

Report No. 1013031

Washington State Auditor
Troy Kelley

November 26, 2014

Executive Board
Washington Cities Insurance Authority
Tukwila, Washington

Report on Financial Statements

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

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

Sincerely,

TROY KELLEY
STATE AUDITOR

Insurance Building, P.O. Box 40021 ☐Olympia, Washington 98504-0021 ☐(360) 902-0370 ☐TDD Relay (800) 833-6388

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Washington Cities Insurance Authority
King County
January 1, 2013 through December 31, 2013

Executive Board
Washington Cities Insurance Authority
Tukwila, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Washington Cities Insurance Authority, King County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 19, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 Authority'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 Authority's financial statements are free from material misstatement, we performed tests of the Authority'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 Authority'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 Authority'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.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

November 19, 2014

Independent Auditor's Report on Financial Statements

Washington Cities Insurance Authority
King County
January 1, 2013 through December 31, 2013

Executive Board
Washington Cities Insurance Authority
Tukwila, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Washington Cities Insurance Authority, King County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed on page 9.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Authority'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 Authority's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington Cities Insurance Authority, as of December 31, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 10 through 13 and risk pools information on pages 35 through 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements as a whole. The List of Participating Members and Department of Enterprise Services (DES) 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 November 19, 2014 on our consideration of the Authority'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 Authority's internal control over financial reporting and compliance.

Troy X. Kelley

TROY KELLEY
STATE AUDITOR

November 19, 2014

Financial Section

Washington Cities Insurance Authority
King County
January 1, 2013 through December 31, 2013

REQUIRED SUPPLEMENTARY INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTARY INFORMATION

SUPPLEMENTAL INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Washington Cities Insurance Authority's (WCIA or the Pool) discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of WCIA's financial activity, identify changes in WCIA's financial position, and identify any material deviations from the financial plan (the approved budget).

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

HIGHLIGHTS

Financial Highlights

Year Ending December 31, 2013:

- WCIA's net position decreased by $30,218,773 or 33% for 2013 compared to an increase of $3,646,470 or 4% for 2012. The Pool's overall financial position decreased from 2012 to 2013, due primarily to the following: The Pool's claims payments/reserves increased by $23,196,071 from 2012 to 2013. The increase was due to a handful of large claim payouts as a result of adverse court decisions. Insurance expense increased by $473,274 from 2012 to 2013. Non-operating revenues decreased by $9,549,964 from 2012 to 2013, due to a reduction in interest earned and a reduction in the fair value of the Pool's investments (unrealized and realized gains on investments). These cost increases and decreases in non-operating revenues caused the decrease in net position for 2013 to be significant compared to the small increase in net position for 2012.

- The Pool's actual financial results were comparable to its budgeted amounts, with the exception of a few areas where the budget was exceeded. The areas where the Pool exceeded the budgeted amounts have already been identified in the financial highlights discussions above.

- The Pool does not carry any short or long term debt. The Pool's primary liabilities are for claims reserves. The combined claims reserves for the years ending December 31, 2013, 2012, and 2011, are $104,032,306, $81,875,872, and $76,338,885, respectively.

Year Ending December 31, 2012:

- WCIA's net position increased by $3,646,470 or 4% for 2012 compared to $24,047,798 or 37% for 2011. The Pool's overall financial position has increased from 2011 to 2012 but is significantly lower than the increase from 2011, due primarily to the following: The Pool's claims payments/reserves increased by $13,454,949 from 2011 to 2012. Insurance expense increased by $470,947 from 2011 to 2012. Non-operating revenues decreased by $6,378,139 from 2011 to 2012, due to a reduction in interest earned and a reduction in the fair value of the Pool's investments (unrealized and realized gains on investments). These cost increases and decreases in non-operating revenues caused the increase in net position for 2012 to be significantly less than the increase in net position for 2011.

- The Pool's actual financial results were comparable to its budgeted amounts, with the exception of a few areas where the budget was exceeded. The areas where the Pool exceeded the budgeted amounts have already been identified in the financial highlights discussions above.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- The Pool does not carry any short or long term debt. The Pool's primary liabilities are for claims reserves. The combined claims reserves for the years ending December 31, 2012, 2011, and 2010, are $81,875,872, $76,338,885, and $82,217,368, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS:

This discussion and analysis is intended to serve as an introduction to WCIA's basic financial statements. The Pool's financial statements comprise of two components: 1) basic financial statements (which are on and the same for the entity-wide and individual statements), and 2) notes to the financial statements. This report contains other supplementary information in addition to the basic financial statements themselves.

Financial Statements

The *Statement of Net Position* presents information on all of the Pool's assets and liabilities, with the difference between the two reported as *Net Position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Pool is improving or deteriorating.

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

The Pool's function is to provide property and casualty insurance to participating members. The Pool's primary source of revenue is assessments to members and it major expenses include payments on claims and payments for insurance coverage. The Pool reports as a business-type activity.

The Pool-wide financial statements include only WCIA itself. The Pool has no other *component units* for which it is financially accountable.

MANAGEMENT'S DISCUSSION AND ANALYSIS

- Three year comparative summary financial data:

DESCRIPTION	Year 2013	Year 2012	Year 2011
Total Assets – Capital	$4,648,541	$4,773,731	$4,896,808
Total Assets – Other	$162,588,306	$170,133,656	$160,811,372
Total Assets	$167,236,847	$174,907,387	$165,708,180
Total Current Liabilities	$47,120,087	$36,123,086	$32,906,571
Noncurrent Liabilities	$57,881,627	$46,330,395	$43,994,173
Total Liabilities	$105,001,714	$82,453,481	$76,900,744
Total Net Position-Invested in Capital Assets	$4,648,541	$4,773,731	$4,896,808
Total Net Position-Unrestricted	$57,586,592	$87,680,175	$83,910,628
Total Net Position	$62,235,133	$92,453,906	$88,807,436
OPERATING REVENUES			
Member Assessments	$32,473,083	$32,760,485	$32,504,129
Seminar Revenue	$29,790	$27,135	$24,665
TOTAL OPERATING REVENUES	$32,502,873	$32,787,620	$32,528,794
NON-OPERATING REVENUES			
Investment Earnings (Loss)	($3,660,766)	$5,935,412	$12,320,151
Net Profit From Building Operations	$224,393	$178,179	$47,156
TOTAL NON-OPERATING REVENUES	($3,436,373)	$6,113,591	$12,367,307
TOTAL REVENUES	$29,066,500	$38,901,211	$44,896,101
OPERATING EXPENSES			
Loss & Loss Adjustment Expense	$38,745,914	$21,820,599	$9,840,163
Confidence Level Expense	$7,309,822	$1,039,066	($435,447)
Insurance Expense	$7,500,229	$7,026,955	$6,556,008
Wages & Benefits	$2,644,756	$2,516,464	$2,306,119
Professional Services	$1,745,676	$1,744,868	$1,744,978
Seminars & Training	$733,756	$532,428	$412,689
Other Expenses	$605,120	$574,361	$423,793
TOTAL OPERATING EXPENSES	$59,285,273	$35,254,741	$20,848,303
NET INCOME (LOSS)	($30,218,773)	$3,646,470	$24,047,798
BEGINNING NET POSITION	$92,453,906	$88,807,436	$64,759,638
ENDING NET POSITION	$62,235,133	$92,453,906	$88,807,436

MANAGEMENT'S DISCUSSION AND ANALYSIS

Operations Highlights

- The Authority continued to expand its operation through new types of agency membership. Education/training, member consulting and pre-defense review budget line items were increased to sustain risk management momentum of members with constricted budgets. State-wide areas of member concern such as red-light camera implementation, medical marijuana dispensing and Tribal interlocal agreements received significant member service and litigation defense support. Heightened pool regulatory compliance of WAC 200-100 was easily achieved with aggressive support of stronger State Risk Manager regulatory controls by collaborative legislative action. Liability insurance industry partners Ironshore and AWAC along with an additional property partner GEM strengthened financial response to excess of loss exposures while maintaining a significant self-insurance layer to address a frequency of loss exposure.

Capital Assets & Long-Term Debt

- The Authority has $6,189,209 of capital assets at cost, of which $5,705,566 is for the building and land it purchased and uses for its office space as well as rental to third parties. The remaining capital assets are for office equipment and furnishings.

- The Authority has no outstanding debt.

SUMMARY

The Authority continued its membership financial support through a liability program assessment subsidy taken from undesignated reserves. The COMPACT, a mandatory and disciplined member service-support program, was successful for a 17th year as a systemic method to reduce the Authority's exposure to financial loss. This activity sustained the Authority's competitive advantage in a price-sensitive portion of a typical insurance industry cycle.

FINANCIAL CONTACT

The Pool's financial statements are designed to present users (members and or the general public) with a general overview of the Pool's finances and to demonstrate the Pool's accountability. If you have questions about the report or need additional information, contact Ann Bennett, the Pool's Executive Director, at P.O. Box 88030, Tukwila, WA 98138 (206)575-6046.

WASHINGTON CITIES INSURANCE AUTHORITY
Statement of Net Position
As of December 31, 2013 and 2012

ASSETS	2013	2012
Current Assets:		
Cash and Cash Equivalents	$38,958,024	$106,062,369
Accrued Interest	230,205	75,306
Investments	121,485,689	57,218,533
Accounts Receivable	79,582	230,435
Prepaid Expenses	662,220	5,377,998
TOTAL CURRENT ASSETS	$161,415,720	$168,964,641
Noncurrent Assets:		
Investment in GEM	$ 1,172,586	$ 1,169,015
Capital Assets	6,189,209	6,211,795
Accumulated Depreciation	(1,540,668)	(1,438,064)
TOTAL NONCURRENT ASSETS	$5,821,127	$5,942,746
TOTAL ASSETS	$167,236,847	$174,907,387
LIABILITIES AND NET POSITION		
Current Liabilities:		
Accounts Payable	$491,691	$93,811
Deposits Payable	330,304	330,304
Property & Vehicle Claims Reserve	2,713,306	2,629,872
Claim Reserves:		
IBNR	9,384,486	9,810,159
Open Claims (Case Reserves)	10,210,758	6,644,747
Unallocated Loss Adjustment Expenses	689,750	624,223
Reserve for Increased Confidence Level	23,299,792	15,989,970
TOTAL CURRENT LIABILITIES	$47,120,087	$36,123,086
Noncurrent Liabilities:		
Compensated Absences	$147,413	$153,494
Claim Reserves:		
IBNR	26,709,690	26,523,762
Open Claims (Case Reserves)	29,061,388	17,965,426
Unallocated Loss Adjustment Expenses	1,963,136	1,687,713
TOTAL NONCURRENT LIABILITIES	$57,881,627	$46,330,395
TOTAL LIABILITIES	$105,001,714	$82,453,481
NET POSITION		
Invested in Capital Assets	$4,648,541	$4,773,731
Unrestricted	57,586,592	87,680,175
TOTAL NET POSITION	$62,235,133	$92,453,906
TOTAL LIABILITIES AND NET POSITION	$167,236,847	$174,907,387

See Accompanying Notes To The Financial Statements

WASHINGTON CITIES INSURANCE AUTHORITY
Statement of Revenues, Expenses
And Changes In Fund Net Position
For The Years Ended December 31, 2013 and 2012

	2013	2012
Operating Revenues		
Member Assessments - Liability	$23,455,378	$24,096,611
Member Assessments - Property	8,888,197	8,542,097
Member Assessments - Fidelity	129,508	121,777
Seminar Revenues	29,790	27,135
Total Operating Revenues	$32,502,873	$32,787,620
Operating Expenses		
Loss & Loss Adjustment Expenses	$38,745,914	$21,820,599
Confidence Level Expense	7,309,822	1,039,066
Insurance - Members	7,500,229	7,026,955
Salaries and Wages	1,958,647	1,900,200
Personnel Benefits	686,109	616,264
Professional Services		
Claims Adjusting	366,297	374,442
Pre-Defense Review	770,540	921,662
Consultants	434,840	331,616
Legal	39,773	30,052
Actuarial	84,000	32,500
Audit	17,509	29,210
Financial Services	20,983	19,519
Risk Management Audit	11,734	5,867
Rent	120,000	120,000
Transportation	118,847	85,314
Printing	9,558	10,578
Communications	21,642	25,460
Supplies	51,502	50,669
Dues and Conferences	28,079	22,520
Retreat/Board Meetings	23,819	29,472
Depreciation	185,456	179,955
Miscellaneous	41,219	39,930
Repair and Maintenance	4,998	10,463
Seminars and Training	733,756	532,428
Total Operating Expenses	$59,285,273	$35,254,741

See Accompanying Notes To The Financial Statements

WASHINGTON CITIES INSURANCE AUTHORITY
Statement of Revenues, Expenses
And Changes In Fund Net Position
For The Years Ended December 31, 2013 and 2012

	2013	2012
Operating Income (Loss)	($26,782,400)	($2,467,121)
Non-Operating Revenue (Loss)		
Interest Income	2,704,626	3,445,864
Net Increase (Decrease) in the Fair Value of Investments	(6,368,963)	2,387,615
Income (Loss) from Investment in GEM	3,571	101,933
Net Profit (Loss) from Building Operations	224,393	178,179
Total Non-Operating Revenue	($3,436,373)	$6,113,591
Net Income	($30,218,773)	$3,646,470
Net Position - January 1	92,453,906	88,807,436
Net Position - December 31	$62,235,133	$92,453,906

See Accompanying Notes To The Financial Statements

WASHINGTON CITIES INSURANCE AUTHORITY
Statement of Cash Flows
For the Years Ended December 31, 2013 and 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members	$32,502,873	$32,787,620
Cash payments for claims	(23,748,449)	(17,462,890)
Cash payments for property & fidelity insurance	(2,783,951)	(8,535,244)
Cash payments for employee services	(2,650,837)	(2,457,792)
Payments for operating expenses	(2,501,716)	(2,744,940)
Net cash provided by operating activities	$817,920	$1,586,754
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(60,266)	(56,877)
Net cash provided (used) by capital and related financing activities	($60,266)	($56,877)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale or return of investment securities	62,822,714	200,970,765
Purchase of investment securities	(133,458,833)	(127,059,461)
Proceeds from rental of office building	224,393	178,179
Interest on investments	2,549,727	3,925,387
Net cash provided (used) by investing activities	(67,861,999)	78,014,870
Net increase in cash and cash equivalents	($67,104,345)	$79,544,747
Cash and cash equivalents beginning of year	106,062,369	26,517,622
Cash and cash equivalents end of year	$38,958,024	$106,062,369
Reconciliation of Net Income (Loss) to Net Cash Provided (Used) by Operating Activities:		
Net Income (Loss)	($30,218,773)	$3,646,470
Adjustments to reconcile income to net cash provided by operating activities:		
Depreciation	185,456	179,955
Interest reserve reported as investing	(2,549,727)	(3,925,387)
(Income) Loss from investment in GEM	(3,571)	(101,933)
Net Increase (Decrease) in the Fair Value of Investments	6,368,963	(2,387,615)
Net (Income) Loss from building operations	(224,393)	(178,179)
Changes in assets and liabilities:		
Decrease (Increase) in accrued interest	(154,899)	479,523
Decrease (Increase) in accounts receivable	150,853	(140,212)
Decrease (Increase) in prepaid expenses	4,715,778	(1,538,605)
Increase (Decrease) in payables	397,880	(65,385)
Increase (Decrease) in accrued compensated absences	(6,081)	58,672
Increase (Decrease) in deposits payable	-	22,463
Increase (Decrease) in property & vehicle claims reserve	83,434	1,377,987
Increase in claims reserves	14,763,178	3,119,934
Increase in confidence level reserve	7,309,822	1,039,066
Net Cash Provided by Operating Activities	$817,920	$1,586,754

See Accompanying Notes To The Financial Statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

Insurance lines of coverage are provided by the Authority to members for auto & general liability, police liability, public officials liability, and employee benefit liability.

An auto physical damage and property insurance program was established by WCIA on behalf of participating members. WCIA also formed a group purchase fidelity insurance program to provide public employee dishonesty coverage and optional forgery or alteration coverage. The program is optional to member entities.

B. Basis Of Accounting And Presentation

The accounting records of WCIA are maintained in accordance with methods prescribed by the State Auditor's Office under the authority of Chapter 43.09 RCW. WCIA also follows the accounting standards established by the Governmental Accounting Standards Board (GASB) Statement 10, *Accounting And Financial Reporting For Risk Financing And Related Insurance Issues*, as amended by the GASB Statement 30, *Risk Financing Omnibus* and GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Funds.*

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

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

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

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

1. **Cash and Cash Equivalents**

It is WCIA's policy to invest all temporary cash surpluses. At December 31, 2013 and 2012, WCIA was holding $38,958,024 and $106,062,369 in short-term residual investments of surplus cash, respectively. These amounts are classified on the balance sheet as cash and cash equivalents.

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

2. **Prepaid Expenses**

Prepaid expenses were $662,220 and $5,377,998 for 2013 and 2012 respectively. Prepaid insurance premiums were $615,000 and $5,321,278 for 2013 and 2012 respectively.

3. **Investments** - See Note 2.

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

5. **Restricted Funds**

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

6. **Compensated Absences**

Compensated absences are absences for which employees will be paid, such as vacation leave. WCIA records compensated absences as an expense and liability when earned.
As of December 31, 2013 and 2012, Compensated absences were estimated at $147,413 and $153,494, respectively. Vacation pay, which may be accumulated up to two hundred and forty (240) hours, is payable upon resignation, retirement or death. Sick leave, upon termination, is paid out at 30% of accrued sick leave hours, as a contribution to the VEBA Trust, for employees with more than 5 years of service.

7. **Unpaid Claims Liabilities**

WCIA establishes claims liabilities based on estimates of the ultimate cost of claims, including future claim adjustment expenses, that have been reported but not settled, and claims that have been incurred but not reported. The length of time for which such costs must be estimated varies depending on the coverage involved. Estimated amounts of salvage and subrogation and purchased excess coverages involved are considered in determining the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount. Claims liabilities are recomputed periodically using a variety of actuarial and statistical techniques to produce current estimates that reflect recent settlements, claim frequency, and other economic and social factors. A provision for inflation in the calculation of estimated future claims costs is implicit in the calculation because reliance is placed both on actual historical data that reflect past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claims liabilities are charged or credited to expense in the periods in which they are made.

8. **Member Assessments**

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

9. **Claims Reserves**

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

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

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

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

Pursuant to revenue ruling number 90-74, income of Municipal Risk Pools is excluded from taxation under Internal Revenue Code Section 115(1).

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

E. **Leases**

WCIA's only lease is for office space. In October 2003 WCIA purchased a building and is charging itself rent of $10,000 per month. The future operating lease obligations for the next five years are as follows:

2014	$120,000
2015	$120,000
2016	$120,000
2017	$120,000
2018	$120,000

NOTE 2 - DEPOSITS AND INVESTMENTS

As required by state law, all deposits and investments of WCIA's funds are obligations of the U.S. Government, the State Treasurer's Investment Pool (deemed a cash equivalent), deposits with Washington State banks and savings and loan institutions, or other investments allowed by Chapter 39.59 RCW, such as, municipal bonds, mortgaged backed securities, and collateralized mortgage obligations. WCIA has recorded all its investments at fair market value, as required by GASB 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Funds*. The difference between fair market value at the end of the year compared to the beginning of the year is reflected in Investment Income in the Statement of Revenues, Expenses And Changes In Net Position.

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

The investment portfolio of WCIA is designed to attain a high market rate of return throughout budgetary and economic cycles, while preserving and protecting capital and meeting daily cash flow needs, as outlined in the Investment Policy.

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

During 2013 and 2012 the Pool realized gains (losses) on sales of investments of ($1,569,455) and $3,505,707 respectively. The calculation of realized gains is independent of the calculation of the net increase in fair value of investments. Realized gains and losses on investments that had been held in more than one year and sold in the current year may have been recognized as an increase or decrease in fair value of investments reported in the prior year. The net increase (decrease) in the fair value of investments during 2013 and 2012 were ($6,368,963) and $2,387,615, respectively. These amounts take into account changes in the fair value (including purchases and sales) that occurred during the year.

The following is a summary of the investment holdings of WCIA at December 31:

Investment	12/31/2013 Market Value	Percentage	12/31/2012 Market Value	Percentage
Collaterlized Mortgage Obligations (CMO)	$ 80,751,848	66.47%	$ 19,372,609	33.86%
Ginnie Mae Investments	19,638,862	16.17%	4,962,227	8.66%
Govt. Bonds & Medium Term Notes	21,094,979	17.36%	32,883,697	57.47%
Total	$ 121,485,689	100.0%	$ 57,218,533	100.0%

DERIVIATIVES AND SIMILAR TRANSACTIONS

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

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

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

CMOs may also carry prepayment risk, which varies according to the nature of the CMO. Of the CMOs in WCIA’s portfolio at December 31, 2013 and 2012, all are designed to have very stable average lives and yields over a wider range of prepayment rates on the underlying mortgages.

CUSTODIAL CREDIT RISK

The investments do not expose the Pool to custodial risk as they are held by third parties in the name of the Pool.

CONCENTRATION OF CREDIT RISK

The Pool does not have investments in any one issuer representing 5% or more of total investments.

CREDIT RISK

CMO’s may carry credit risk, which varies according to the nature of the underlying collateral and the credit rating. Of the CMO’s in WCIA’s portfolio, 100% have underlying government agency collateral, and therefore carry an agency rating. In addition, Standard and Poors and Moodys have recognized the mortgage backed securities that underlie the CMOs as triple A quality. Investments in Ginnie Mae’s and Govt. Bonds & Medium Term Notes are rated as double A to triple A quality and or are insured.

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

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

NOTE 3 – RISK FINANCING LIMITS

The following table reflects the risk financing limits on coverage policies issued and retained by WCIA at December 31, 2013:

TYPE OF COVERAGE	MEMBER DEDUCTIBLES	WCIA SELF-INSURED RETENTIONS	LIMITS
Property			
All Perils except flood, earthquake, builders risk, boiler & machinery, and automobile physical damage	$1,000, $5,000, $25,000, or $50,000	$750,000 per occurrence	$300,000,000 per occurrence
Flood	$250,000 except 3% per unit of insurance suffering loss or damage from flood in FEMA Zones A & V, subject to a minimum of $500,000	$250,000 except 3% per unit of insurance suffering loss or damage from flood in FEMA Zones A & V, subject to a minimum of $500,000	$100,000,000 per occurrence and annual aggregate except $50,000,000 per occurrence and annual aggregate in FEMA Zones A & V
Earthquake	2% per unit of insurance suffering loss or damage from earthquake subject to a minimum of $250,000	2% per unit of insurance suffering loss or damage from earthquake subject to a minimum of $250,000	$150,000,000 per occurrence and annual aggregate
Builder Risk	$500,000	$500,000	$25,000,000 per project
Boiler & Machinery	$10,000 minimum, higher deductibles may apply depending on type of equipment	$10,000 minimum, higher deductibles may apply depending on type of equipment	$100,000,000
Automobile Physical Damage	$250, $500, $1,000, $5,000 or $25,000	$250,000	$100,000,000

TYPE OF COVERAGE	MEMBER DEDUCTIBLES	WCIA SELF-INSURED RETENTIONS	LIMITS
Liability			
General Liability, Automobile Liability, Stop-Gap Coverage, Errors or Omissions Liability and Employee Benefits Liability.	None, $25,000, $50,000, $100,000, $250,000, $500,000 and $1,000,000	$4,000,000 per occurrence	$16,000,000 above $4,000,000 SIR subject to various sub-limits
Crime and Fidelity			
Employee Theft, Forgery or Alteration, Inside the Premises-Theft of Money and Securities, Inside the Premises-Robbery or Safe Burglary of Other Property, Outside the Premises, Computer Fraud, Funds Transfer Fraud, and Money Orders and Counterfeit Money	$10,000 per occurrence	N/A, WCIA member joint purchase program	$2,500,000 per occurrence for each coverage listed

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

NOTE 4 – EXCESS INSURANCE CONTRACTS/REINSURANCE

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

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

Governmental Entities Mutual, Inc. $1,000,000 per occurrence above pool's $4,000,000 retained limit.

Ironshore Indemnity, Inc. $10,000,000 per occurrence in excess of $5,000,000 retention, subject to a $10,000,000 aggregate limit per member for products liability, public official liability, employment practices liability and employee benefit liability. Also subject to a $20,000,000 aggregate per member applying to jail related losses.

Allied World Assurance Company $5,000,000 per occurrence in excess of $15,000,000 retention each occurrence, per member, subject to a $5,000,000 aggregate limit per member for products liability, public officials liability, employment practices liability and employee benefit liability. Also subject to a $10,000,000 aggregate per member applying to jail related losses.

Property Limits:
$300,000,000 per occurrence all risk limits except flood, earthquake, boiler & machinery and certain sub-limits.
$100,000,000 per accident boiler & machinery limit
$150,000,000 per occurrence and annual aggregate earthquake limit
$100,000,000 per occurrence and annual aggregate flood except in flood zones A and V
$50,000,000 per occurrence and annual aggregate flood in flood zones A and V

Property carriers include National Fire & Marine Insurance Company, Governmental Entities Mutual, Inc., Lloyd's of London, Landmark American Insurance Company, Liberty Surplus Insurance Corporation, Arch Specialty Insurance Company, and Ironshore Specialty Insurance Company.
Each has varying limits, coverage and varying percentages of participation.

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

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

NOTE 5 - MEMBERS' SUPPLEMENTAL ASSESSMENTS AND CREDITS

The Interlocal Agreement provides for supplemental assessments to members based on actual claim experience. During fiscal years 2013 and 2012, WCIA did not make supplemental assessments.

NOTE 6 - PROPERTY AND EQUIPMENT

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

Depreciation is computed using the straight-line method over the estimated useful life of the asset (5 to 10 years for office equipment and furnishings and 39 years for the office building). Initial depreciation on capital assets is recorded on a prorated basis in the year of purchase. Maintenance and repairs are expended as incurred. When assets are retired or otherwise disposed of, the cost and accumulated depreciation is removed from the accounts, and any resulting gain or loss on disposal is reflected as other income. WCIA capitalizes fixed asset purchases greater than $500 with a useful greater than one year.

Property and equipment consisted of the following as of December 31, 2013:

	Beginning Balance	Additions	Deletions	Ending Balance
Property, Office Furnishings and Equipment	$6,211,795	60,266	(82,852)	$6,189,209
Less Accumulated Depreciation	(1,438,064)	(185,456)	82,852	(1,540,668)
Net Property and Equipment	$4,773,731	$(125,190)	-	$4,648,541

Property and equipment consisted of the following as of December 31, 2012:

	Beginning Balance	Additions	Deletions	Ending Balance
Property, Office Furnishings and Equipment	$6,181,732	56,877	(26,814)	$6,211,795
Less Accumulated Depreciation	(1,284,924)	(179,954)	26,814	(1,438,064)
Net Property and Equipment	$4,896,808	$(123,077)	-	$4,773,731

NOTE 7 – LONG-TERM LIABILITIES

During the year ended December 31, 2013, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2013	Additions	Reductions	Ending Balance 12/31/2013	Due Within One Year
Claims Reserves:					
IBNR	$36,333,921	$ -	$239,745	$36,094,176	$9,384,486
Open Claims (Case Reserves)	24,610,173	14,661,973	-	39,272,146	10,210,758
Unallocated Loss Adjustment Exp	2,311,936	340,950	-	2,652,886	689,750
Total Claims Reserves	63,256,030	15,002,923	239,745	78,019,208	20,284,994
Compenstated Absences	153,494	-	6,081	147,413	101,377
Total Long-Term Liabilities	$63,409,524	$15,002,923	$245,826	$78,166,621	$20,386,371

During the year ended December 31, 2012, the following changes occurred in long-term liabilities:

	Beginning Balance 01/01/2012	Additions	Reductions	Ending Balance 12/31/2012	Due Within One Year
Claims Reserves:					
IBNR	$39,616,482	$ -	$3,282,561	$36,333,921	$9,810,159
Open Claims (Case Reserves)	18,270,516	6,339,657	-	24,610,173	6,644,747
Unallocated Loss Adjustment Exp	2,249,098	62,838	-	2,311,936	624,223
Total Claims Reserves	60,136,096	6,402,495	3,282,561	63,256,030	17,079,129
Compenstated Absences	94,822	58,672		153,494	120,480
Total Long-Term Liabilities	$60,230,918	$6,461,167	$3,282,561	$63,409,524	$17,199,609

NOTE 8 - PENSION PLANS

Substantially all of WCIA's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under a cost-sharing multiple-employer defined 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; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers,* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27.*

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

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts (other than judges currently in the Judicial Retirement System); employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; judges of district and municipal courts; and employees of local governments. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

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 defined benefit plan with a defined contribution component.

PERS members 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 members 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. Employees who fail to choose within 90 days default to Plan 3. PERS is comprised of and reported as three separate plans for accounting purposes. Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members, and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at the age of 55 with 25 years of service, or at age 60 with at least five years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.
The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The allowance amount is $350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement account.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the allowance amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age in less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 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 3 percent for each year before age 65; or
- With a benefit that is a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or before May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component, and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self- direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were $99.0 million, and plan refunds paid out were $69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average for the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, 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 twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 prior to June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS member meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Nonvested	44,273
TOTAL	263,347

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 percent 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. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan, and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

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 current-year covered payroll, as of December 31, 2013, are as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.
** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.
*** Plan 3 defined benefit portion only.
**** The employee rate for state elected officials is 7.5% for Plan 1 and 4.92% for Plan 2.
***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

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

	PERS Plan 1	**PERS Plan 2**	**PERS Plan 3**	**Total PERS**
2013	$9,688	$109,951	$39,183	$158,822
2012	$8,242	$ 91,380	$33,002	$132,624
2011	$6,658	$ 74,779	$26,560	$107,997

NOTE 9 – INVESTMENT IN GEM

Governmental Entities Mutual, Inc. (GEM)

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

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

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

WCIA has contributed an initial, minimum, surplus contribution of $500,000. $50,000 of the $500,000 surplus contribution was made in December 2002, and has been included on the balance sheet in the "Investment in GEM" account. The remaining $450,000 of surplus contribution was made in January 2003. Additional surplus requirements have been established to recognize proportionate member growth or expansion of GEM operations. A surplus account for each member has been established consisting of the initial surplus contribution, additional contributions, dividends and allocations of net income. Washington Cities Insurance Authority surplus account balance at December 31, 2013 and 2012 was $1,172,586 and $1,169,015, respectively.
WCIA has not had to make any additional contributions to GEM for 2008 – 2013.

Other considerations within the Agreement between GEM and its Members include undesignated member equity, return of member equity, member and policyholder dividends, premium determination, accounting and audits, member obligations and non-compliance, underwriting and rating, and a liquidation and dissolution plan.

GEM Bylaws further address financial responsibility of each member in the event of adverse financial developments. Pre-established scenarios of financial contribution formally determine the extent of each member and the group as a whole in concert with the Washington D.C. Insurance Commissioner office's directives. This ranges from re-establishment of operating revenues and capital to Commissioner directed run-off of the company, consistent with Washington D.C. laws.

Financial Statements for GEM can be obtained by writing GEM at 46 Donovan Street, Suite One, Concord, New Hampshire 03301 and or calling 603-223-0321. The website for GEM is www.gemre.com

The WCIA Executive Committee and Full Board, its Corporate Counsel, State Risk Manager and State Auditor have approved WCIA ability to enter into membership of this private nonprofit corporation.

NOTE 10 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Pool is a joint self-insurance program. State regulations hold property and liability programs to standards of solvency as defined in Washington Administrative Code (WAC) 200-100-03001. The revised WAC includes various actuarial solvency standards for risk pools in Washington State. Specifically, there is a requirement for pools to obtain an annual actuarial review which provides estimates of the unpaid claims measured at the expected and 70% confidence level.

Under the defined solvency standard, assets are compared to unpaid claims estimates. In each of the two tests, the requirement is to have more assets than unpaid claims. In the first test, the unpaid claims estimate at the expected level is compared to primary assets, which are defined as cash and investments less non-claims liabilities. The second test compares the unpaid claims estimate at 70% confidence level with primary and secondary assets. Secondary assets are defined as insurance receivables, real estate or other assets, the value of which can be independently verified by the state risk manager.

WCIA passes both solvency standards as of December 31, 2013 and 2012.

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

NOTE 11 – CONTINGENT LIABILITIES

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

NOTE 12 – RECLASSIFICATION

The 2012 financial statements have been reclassified to conform to the current year's presentation. 2012 financial statements originally reported $124,423 of building depreciation as part of expenses to determine net profit (loss) from building operations. The building deprecation should be included with deprecation under operating expenses and has been reclassified to conform to the 2013 statement presentation.

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

1. Ten-Year Claims Development Information

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

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

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

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

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

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

6. This section of ten (10) rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.

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

WASHINGTON CITIES INSURANCE AUTHORITY
Claims Development Information
For The Ten Years Ended December 31, 2013

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1. Member Cities	108	113	114	121	126	129	137	145	152	153	162
2. Required contribution and investment revenue:											
Earned	$21,022,972	$28,368,497	$27,655,293	$32,147,131	$33,369,461	$35,887,882	$41,244,005	$39,864,487	$44,789,668	$38,593,964	$28,808,746
Ceded	3,003,915	4,918,492	2,250,563	3,818,873	4,826,625	4,721,764	5,296,051	6,031,051	6,556,008	7,026,955	7,500,229
Net Earned	18,019,057	23,450,005	25,404,730	28,328,258	28,542,836	31,166,118	35,947,954	33,833,436	38,233,660	31,567,009	21,308,517
3. Unallocated Expenses	2,913,528	3,085,323	3,429,688	3,625,879	3,963,591	3,984,099	4,371,087	4,483,033	4,887,579	5,368,121	5,729,308
4. Estimated incurred claims and expense end of year	20,500,000	18,000,000	17,000,000	16,500,000	20,500,000	21,000,000	22,800,000	20,500,000	18,500,000	19,500,000	23,300,000
5. Paid (cumulative) as of:											
End of year	1,851,450	2,126,559	1,878,844	1,806,040	1,984,889	1,838,548	2,102,160	1,824,909	1,592,113	1,998,341	2,118,628
One year later	4,315,339	4,231,644	4,478,073	5,786,111	4,913,720	5,045,425	4,411,297	3,758,569	4,595,070	4,631,546	
Two years later	6,929,513	5,606,475	7,826,072	10,511,842	7,475,480	7,791,076	8,068,583	8,373,205	9,254,313		
Three years later	9,949,495	7,032,973	12,608,085	15,355,203	11,480,771	11,219,933	11,040,332	11,037,248			
Four years later	12,007,561	7,929,207	14,715,888	17,010,267	14,492,646	14,068,912	15,835,661				
Five years later	12,657,199	8,618,199	16,465,079	18,145,985	15,643,051	15,575,450					
Six years later	13,645,184	8,661,486	16,587,380	18,884,159	16,154,429						
Seven years later	14,498,773	8,699,924	16,614,079	19,035,880							
Eight years later	14,586,736	8,825,313	18,891,836								
Nine years later	14,586,552	8,825,313									
Ten years later	14,586,502										
6. Reestimated incurred claims and expense:											
End of policy year	20,500,000	18,000,000	17,000,000	16,500,000	20,500,000	21,000,000	22,800,000	20,500,000	18,500,000	19,500,000	23,300,000
One year later	16,500,000	15,000,000	15,000,000	20,000,000	21,000,000	20,000,000	20,500,000	18,500,000	19,000,000	19,500,000	
Two years later	15,200,000	12,500,000	15,500,000	23,000,000	20,000,000	19,000,000	19,000,000	19,000,000	24,000,000		
Three years later	15,400,000	11,000,000	20,000,000	23,300,000	19,000,000	17,500,000	18,200,000	19,400,000			
Four years later	17,500,000	10,500,000	18,600,000	23,000,000	18,200,000	18,300,000	21,000,000				
Five years later	16,500,000	10,000,000	19,000,000	21,700,000	18,200,000	19,700,000					
Six years later	16,000,000	9,800,000	18,300,000	21,500,000	18,400,000						
Seven years later	15,700,000	9,500,000	18,200,000	21,300,000							
Eight years later	15,300,000	9,500,000	20,000,000								
Nine years later	15,200,000	9,500,000									
Ten years later	15,150,000										
7. Increase (decrease) in estimated incurred claims from end of policy year	(5,350,000)	(8,500,000)	3,000,000	4,800,000	(2,100,000)	(1,300,000)	(1,800,000)	(1,100,000)	5,500,000.00	-	-

This Information Is Required By The Governmental Accounting Standards Board.

WASHINGTON CITIES INSURANCE AUTHORITY
Required Supplementary Information
January 1, 2012 Through December 31, 2012

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

1. Ten-Year Claims Development Information

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

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

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

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

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

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

6. This section of ten (10) rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.

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

WASHINGTON CITIES INSURANCE AUTHORITY
Claims Development Information
For The Ten Years Ended December 31, 2012

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Member Cities	106	108	113	114	121	126	129	137	145	152	153
2. Required contribution and investment revenue:											
Earned	$24,882,652	$21,022,972	$28,368,497	$27,655,293	$32,147,131	$33,369,461	$35,887,882	$41,244,005	$39,864,487	$44,789,668	$38,593,964
Ceded	1,706,604	3,003,915	4,918,492	2,250,563	3,818,873	4,826,625	4,721,764	5,296,051	6,031,051	6,556,008	7,026,955
Net Earned	23,176,048	18,019,057	23,450,005	25,404,730	28,328,258	28,542,836	31,166,118	35,947,954	33,833,436	38,233,660	31,567,009
3. Unallocated Expenses	2,913,528	2,913,528	3,085,323	3,429,688	3,625,879	3,963,591	3,984,099	4,371,087	4,483,033	4,887,579	5,243,698
4. Estimated incurred claims and expense end of year	17,600,000	20,500,000	18,000,000	17,000,000	16,500,000	20,500,000	21,000,000	22,800,000	20,500,000	18,500,000	19,500,000
5. Paid (cumulative) as of:											
End of year	1,957,122	1,851,450	2,126,559	1,878,844	1,806,040	1,984,889	1,838,548	2,102,160	1,824,909	1,592,113	1,998,341
One year later	4,546,584	4,315,339	4,231,644	4,478,073	5,786,111	4,913,720	5,045,425	4,411,297	3,758,569	4,595,070	
Two years later	8,300,565	6,929,513	5,606,475	7,826,072	10,511,842	7,475,480	7,791,076	8,068,583	8,373,205		
Three years later	11,036,022	9,949,495	7,032,973	12,608,085	15,355,203	11,480,771	11,219,933	11,040,332			
Four years later	13,110,529	12,007,561	7,929,207	14,715,888	17,010,267	14,492,646	14,068,912				
Five years later	13,917,832	12,657,199	8,618,199	16,465,079	18,145,985	15,643,051					
Six years later	14,069,666	13,645,184	8,661,486	16,587,380	18,884,159						
Seven years later	14,643,994	14,498,773	8,699,924	16,614,079							
Eight years later	14,743,011	14,586,736	8,825,313								
Nine years later	14,829,522	14,586,552									
Ten years later	14,869,407										
6. Reestimated incurred claims and expense:											
End of policy year	17,600,000	20,500,000	18,000,000	17,000,000	16,500,000	20,500,000	21,000,000	22,800,000	20,500,000	18,500,000	19,500,000
One year later	19,000,000	16,500,000	15,000,000	15,000,000	20,000,000	21,000,000	20,000,000	20,500,000	18,500,000	19,000,000	
Two years later	17,500,000	15,200,000	12,500,000	15,500,000	23,000,000	20,000,000	19,000,000	19,000,000	19,000,000		
Three years later	17,000,000	15,400,000	11,000,000	20,000,000	23,300,000	19,000,000	17,500,000	18,200,000			
Four years later	16,900,000	17,500,000	10,500,000	18,600,000	23,000,000	18,200,000	18,300,000				
Five years later	15,100,000	16,500,000	10,000,000	19,000,000	21,700,000	18,200,000					
Six years later	15,500,000	16,000,000	9,800,000	18,300,000	21,500,000						
Seven years later	15,800,000	15,700,000	9,500,000	18,200,000							
Eight years later	15,800,000	15,300,000	9,500,000								
Nine years later	15,600,000	15,200,000									
Ten years later	16,000,000										
7. Increase (decrease) in estimated incurred claims from end of policy year	(1,600,000)	(5,300,000)	(8,500,000)	1,200,000	5,000,000	(2,300,000)	(2,700,000)	(4,600,000)	(1,500,000)	500,000.00	-

This Information Is Required By The Governmental Accounting Standards Board.

WASHINGTON CITIES INSURANCE AUTHORITY

REQUIRED SUPPLEMENTAL INFORMATION

Reconciliation of Claims Liabilities by Type of Contract

For the Years Ended December 31, 2013 and 2012

	Liability 2013	Liability 2012
Unpaid claims and claim adjustment expenses at the beginning of the year	$ 63,256,030	$ 60,136,096
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	23,355,565	17,807,999
Changes in provision for insured events of prior years	(55,565)	1,692,001
	23,300,000	19,500,000
Payment, net of recoveries:		
Claims and claim adjustment expenses attributed to insured events of the current year	4,407,031	6,572,453
Claims and claim adjustment expenses attributed to insured events of prior years	4,129,791	9,807,613
	8,536,822	16,380,066
Total unpaid claims and claim adjustment expenses at the end of the year	$ 78,019,208	$ 63,256,030

WASHINGTON CITIES INSURANCE AUTHORITY

SUPPLEMENTAL INFORMATION

DES Schedule of Expenses

For the Years Ended December 31, 2013 and 2012

	2013	2012
Insurance	$ 7,500,229	$ 7,026,955
Professional Services:		
Claims Adjusting	366,297	374,442
Actuarial	84,000	32,500
Audit Expenses	17,509	29,210
Pre-Defense Review	770,540	921,662
Consultants	434,840	331,616
Legal Fees	39,773	30,052
Other Consultant Fees	32,717	25,386
General Administrative Expenses:		
Communications	21,642	25,460
Supplies	51,502	50,669
Dues and Conferences	28,079	22,520
Retreat/Board Meetings	23,819	29,472
Training	733,756	532,428
Depreciation	185,456	179,955
Miscellaneous	41,219	39,930
Other	48,953,895	25,602,484
Total Operating Expenses	$ 59,285,273	$ 35,254,741

WASHINGTON CITIES INSURANCE AUTHORITY
SUPPLEMENTAL INFORMATION
LIST OF PARTICIPATING MEMBERS
January 1, 2013 – December 31, 2013

The board of directors is the governing body of the pool. Each member that is a signatory to the interlocal agreement is entitled to one representative to the board of directors. The members at December 31, 2013, were:

ARCH
Aberdeen
Anacortes
Arlington
Arlington Transportation Benefit District
Auburn
Bainbridge Island
Bainbridge Island Transportation Benefit District
Battle Ground
Benton City
Benton County Emergency Services (BCES)
Bonney Lake
Bothell
Brewster
Brier
Burien
Burlington
Camas
Cashmere
Centralia
Chehalis
Chelan
Cheney
Chewelah
Clark Regional Emergency Services Agency (CRESA)
Clarkston
Cle Elum
Clyde Hill
Coupeville
Covington
Cowlitz-Wahkiakum Council of Governments
Des Moines
Des Moines Pool Metro Park District
Des Moines Transportation Benefit District
Eastside Public Safety Communications
eCity Gov Alliance
Edgewood
Edmonds
Edmonds Transportation Benefit District
Elma
Ellensburg
Emergency Services Coordinating Agency
Enumclaw
Fife
George
Goldendale
Grandview
Grandview Transportation Benefit District
Grays Harbor 911 Communications
Hoquiam
Issaquah
Jefferson 911 Communications
Kelso
Kenmore
Kenmore Transportation Benefit District
Kennewick
Kirkland
Kitsap Regional Coordinating Council
La Conner
Lacey
Lake Forest Park
Lake Forest Park Transportation Benefit District
Lake Stevens
Lakewood
Leavenworth
Leavenworth Transportation Benefit District
Long Beach

WASHINGTON CITIES INSURANCE AUTHORITY
SUPPLEMENTAL INFORMATION
LIST OF PARTICIPATING MEMBERS
January 1, 2013 – December 31, 2013

Longview
LOTT Clean Water Alliance
Mabton
MACECOM
Maple Valley
Marysville
Marysville Fire District
McCleary
Medical Lake
Medina
Mercer Island
Metropolitan Park District of Tacoma
Mill Creek
Millwood
Milton
Monroe
Monroe Fire District
Moses Lake
Mount Vernon
Mountlake Terrace
Mountlake Terrace Transportation Benefit District
Mukilteo
Multi Agency Communications Center
Newcastle
Normandy Park
Normandy Park Metro Park District
North Bonneville
Northshore Utility District
NW Incident Management Team
Oak Harbor
Ocean Shores
Olympia
Olympia Transportation Benefit District
Othello
Pasco
PENCOM
Port Angeles
Port Townsend
Pullman
Pullman Metropolitan Park District
Pullman-Moscow Regional Airport Board
Puyallup
Renton
Richland
Ridgefield
Sammamish
SCORE
Shelton
Shelton Metropolitan Park District
Shoreline
Shoreline Transportation Benefit District
Silver Lake Water & Sewer District
Skagit 911
SNOCOM
Snohomish
Snohomish Co. Emergency Radio System
SNOPAC
Snoqualmie
Snoqualmie Transportation Benefit District
Soap Lake
South Sound 911
Spokane Valley
Stanwood
Stanwood Transportation Benefit District
Steilacoom
Sumner
Sunnyside
Three Rivers Regional Wastewater Authority
Thurston 9-1-1 Communications
Thurston Public Utilities District
Thurston Regional Planning Council
Toppenish
Tukwila
Tukwila Pool Metropolitan Parks District
Tumwater
Union Gap
University Place

WASHINGTON CITIES INSURANCE AUTHORITY
SUPPLEMENTAL INFORMATION
LIST OF PARTICIPATING MEMBERS
January 1, 2013 – December 31, 2013

Valley Communications

Valley Regional Fire Authority

Walla Walla

Walla Walla Transportation Benefit District

Walla Walla Joint Community Development Agency

Walla Walla Valley Metropolitan Planning Org.

Warden

Washougal

Water Operating Board

Westport

WHITCOM 911

William Shore Memorial Pool District

Woodinville

Woodway

Yakima Valley Conference of Governments

Yarrow Point

Zillah

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the 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	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov