2016 ANNUAL REPORT

A COMMITMENT TO REDUCING RISKS
Since 1981, Washington Cities Insurance Authority has empowered, protected, defended, and restored municipal entities across Washington State. By being a member-driven organization with a strong financial foundation, as well as offering innovative education programs, WCIA helps reduce the risks its members face, while increasing their security and savings.

WCIA offers generous coverage and stable rates, with a member-run board and committees to ensure that each member has a voice in decisions. WCIA helps to minimize risks for its members, so they can focus on maintaining outstanding communities.
PRESIDENT’S MESSAGE

It is a pleasure to report that once again as we close out last year and begin another, WCIA is strong and we should all be proud of what WCIA has accomplished the past year. We’ve had some ups and downs, no different than anything we all experience in our own organizations. Though, we’ve had mostly “ups” particularly in the arena of litigation. If not for WCIA and the policy advice, direction and training they provide the membership, who knows where many of these cases would have landed.

WCIA continues to be a leader in the field of risk management services. We are recognized regionally and nationally as a risk pool known for its expertise, innovation and a passion for serving its membership. The systems and programs we have put in place such as our annual COMPACT, pre-defense and grant program continue to pay dividends.

WCIA continues to be goal-oriented with a strategic focus on: maintaining financial stability; enhancing member involvement; being a leader in risk pooling; fostering sound risk management practices; and containing adverse loss exposure.

Our dedicated team of employees under the leadership of Executive Director Ann Bennett continues to deliver top-notch customer service with integrity and purpose. They continue WCIA’s outstanding legacy and commitment to serving the membership.

On behalf of the entire Executive Committee, I thank all of you who have worked and devoted your time, expertise and energy to lend to the vision that makes WCIA the strong, successful organization it is today and will be for the foreseeable future. WCIA has a clear mission, and together we will continue our efforts to provide services that meet the needs of our membership.

John Caulfield
CITY MANAGER, CITY OF LAKEWOOD
WCIA continued its strong dedication to members through active risk management, robust training and responsive claim handling in 2016. While the year saw record claim payments, the membership’s long term commitment to prudent financial stewardship allowed the pool to remain resilient. The payments allowed for WCIA’s future reserve needs to be reduced, thereby increasing net equity by $17 million.

The WCIA COMPACT celebrated its 21st year while being updated to deliver customized risk management services to the membership. Risk Management Representatives provided members with traditional audits, targeted risk management reviews and loss exposure plans tailored to address specific risk exposures facing the community. Recognizing that one size did not fit all, the update provided responsiveness to trends immediately facing the individual member.

In 2016, WCIA’s renowned training program continued through regional, exclusive, co-sponsored and reimbursed instruction. Over 460 training opportunities were available with over 13,000 member employees trained. The new WCIA Supervisory Skills Credentialed Program assisted members in the development of their supervisory and management staff through a series of classes and a testing component. This innovative new program targets the front line exposures in employment liability - supervisors and managers.

A record year in claim payments of over $31 million, highlighted the importance of WCIA’s financial stability. The dollar amount was largely due to five claims that were resolved for amounts well over $1 million. Continuing to stand by members, WCIA oversaw eight trials in 2016, going 5-2-1. Five were defense verdicts (four police practices and one free speech limitation), two were plaintiff verdicts (both employment practices) and one was settled during trial (street design defect). This was in addition to the handling of approximately 1700 new claims, over 100 new lawsuits and over 250 legal consultations under the Pre-Defense Review program.

Through the dedication of our member run boards and committees and the hard work of staff, WCIA continued its mission of providing professional risk management and stable risk financing while being responsive to membership needs.

Ann Bennett
EXECUTIVE DIRECTOR
<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>RISK MANAGEMENT</strong></td>
<td>$150,000 Risk Reduction Grants paid to members</td>
</tr>
<tr>
<td></td>
<td>329 Pre-defense reviews and Risk Management Legal Consultations</td>
</tr>
<tr>
<td><strong>INSURANCE PROGRAMS</strong></td>
<td>168 Number of members</td>
</tr>
<tr>
<td><strong>CLAIMS LITIGATION</strong></td>
<td>$31,213,170 Claim and lawsuit payments</td>
</tr>
<tr>
<td></td>
<td>1,698 Number of new claims and lawsuits</td>
</tr>
<tr>
<td><strong>TRAINING</strong></td>
<td>466 Trainings offered</td>
</tr>
<tr>
<td></td>
<td>$210,208 Paid for member educational and accreditation reimbursements</td>
</tr>
<tr>
<td></td>
<td>13,140 Participants in on-site and on-line trainings</td>
</tr>
<tr>
<td></td>
<td>66 Programs eligible for reimbursement</td>
</tr>
</tbody>
</table>
## STATEMENT OF NET POSITION

**As of December 31,**  

### ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

#### Current Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$15,647,308</td>
<td>$24,570,408</td>
</tr>
<tr>
<td>Accrued Interest</td>
<td>407,498</td>
<td>302,650</td>
</tr>
<tr>
<td>Investments</td>
<td>139,180,024</td>
<td>136,270,951</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>102,627</td>
<td>53,765</td>
</tr>
<tr>
<td>Prepaid Expenses</td>
<td>5,912,986</td>
<td>4,770,648</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td>$161,250,443</td>
<td>$165,968,422</td>
</tr>
</tbody>
</table>

#### Noncurrent Assets

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in GEM</td>
<td>$923,432</td>
<td>$848,389</td>
</tr>
<tr>
<td>Capital Assets</td>
<td>6,392,761</td>
<td>6,392,587</td>
</tr>
<tr>
<td>Accumulated Depreciation</td>
<td>(2,023,181)</td>
<td>(1,857,783)</td>
</tr>
<tr>
<td><strong>TOTAL NONCURRENT ASSETS</strong></td>
<td>$5,293,012</td>
<td>$5,383,193</td>
</tr>
</tbody>
</table>

**TOTAL ASSETS**

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$166,543,455</td>
<td>$171,351,615</td>
</tr>
</tbody>
</table>

Deferred Outflows of Resources - Pension  

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$341,034</td>
<td>$203,135</td>
</tr>
</tbody>
</table>

**TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$166,884,489</td>
<td>$171,554,750</td>
</tr>
</tbody>
</table>

### LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

#### Current Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable &amp; Accrued Expenses</td>
<td>$166,059</td>
<td>$116,451</td>
</tr>
<tr>
<td>Compensated Absences</td>
<td>92,114</td>
<td>109,278</td>
</tr>
<tr>
<td>Deposits Payable</td>
<td>276,636</td>
<td>326,636</td>
</tr>
<tr>
<td>Property &amp; Vehicle Claims Reserve</td>
<td>2,701,237</td>
<td>2,032,214</td>
</tr>
<tr>
<td>Claim Reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IBNR</td>
<td>12,368,642</td>
<td>12,598,147</td>
</tr>
<tr>
<td>Open Claims (Case Reserves)</td>
<td>6,160,515</td>
<td>8,537,045</td>
</tr>
<tr>
<td>Unallocated Loss Adjustment Expenses</td>
<td>597,997</td>
<td>731,177</td>
</tr>
<tr>
<td>Reserve for Increased Confidence Level</td>
<td>16,985,000</td>
<td>28,864,000</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT LIABILITIES</strong></td>
<td>$39,348,200</td>
<td>$53,314,948</td>
</tr>
</tbody>
</table>

#### Noncurrent Liabilities

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compensated Absences</td>
<td>$50,760</td>
<td>$50,754</td>
</tr>
<tr>
<td>Claim Reserves</td>
<td></td>
<td></td>
</tr>
<tr>
<td>IBNR</td>
<td>37,105,926</td>
<td>37,794,440</td>
</tr>
<tr>
<td>Open Claims (Case Reserves)</td>
<td>18,481,545</td>
<td>25,611,138</td>
</tr>
<tr>
<td>Unallocated Loss Adjustment Expenses</td>
<td>1,793,992</td>
<td>2,193,532</td>
</tr>
<tr>
<td>Net Pension Liability</td>
<td>2,092,658</td>
<td>1,730,961</td>
</tr>
<tr>
<td><strong>TOTAL NONCURRENT LIABILITIES</strong></td>
<td>$59,524,881</td>
<td>$67,380,825</td>
</tr>
</tbody>
</table>

**TOTAL LIABIILITIES**

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$98,873,081</td>
<td>$120,695,773</td>
</tr>
</tbody>
</table>

Deferred Inflows of Resources - Pension  

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$37,722</td>
<td>$284,561</td>
</tr>
</tbody>
</table>

**NET POSITION**

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in Capital Assets</td>
<td>$4,369,580</td>
<td>$4,534,804</td>
</tr>
<tr>
<td>Unrestricted</td>
<td>63,604,106</td>
<td>46,039,612</td>
</tr>
<tr>
<td><strong>TOTAL NET POSITION</strong></td>
<td>$67,973,686</td>
<td>$50,574,416</td>
</tr>
</tbody>
</table>

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION**

<table>
<thead>
<tr>
<th>Description</th>
<th>2016</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$166,884,489</td>
<td>$171,554,750</td>
</tr>
</tbody>
</table>

*Unaudited - subject to change*
## STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND NET POSITION

For the years ending December 31,

<table>
<thead>
<tr>
<th></th>
<th>2016*</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating Revenues</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Member Assessments - Liability</td>
<td>$27,075,985</td>
<td>$26,319,889</td>
</tr>
<tr>
<td>Member Assessments - Property</td>
<td>9,862,676</td>
<td>9,816,612</td>
</tr>
<tr>
<td>Member Assessments - Fidelity</td>
<td>126,190</td>
<td>130,223</td>
</tr>
<tr>
<td>Building Revenues</td>
<td>343,858</td>
<td>447,434</td>
</tr>
<tr>
<td>Seminar Revenues</td>
<td>20,843</td>
<td>30,030</td>
</tr>
<tr>
<td><strong>Total Operating Revenues</strong></td>
<td>$37,429,552</td>
<td>$36,744,188</td>
</tr>
<tr>
<td><strong>Operating Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loss &amp; Loss Adjustment Expenses</td>
<td>$18,859,838</td>
<td>$37,792,183</td>
</tr>
<tr>
<td>Confidence Level Expense (Reduction)</td>
<td>(11,879,000)</td>
<td>5,099,000</td>
</tr>
<tr>
<td>Insurance - Members</td>
<td>8,335,904</td>
<td>7,047,497</td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>2,095,777</td>
<td>2,086,134</td>
</tr>
<tr>
<td>Personnel Benefits</td>
<td>723,085</td>
<td>482,888</td>
</tr>
<tr>
<td>Professional Services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Claims Adjusting</td>
<td>425,527</td>
<td>420,637</td>
</tr>
<tr>
<td>Pre-Defense Review</td>
<td>653,712</td>
<td>686,678</td>
</tr>
<tr>
<td>Consultants</td>
<td>239,597</td>
<td>269,424</td>
</tr>
<tr>
<td>Legal</td>
<td>89,128</td>
<td>86,402</td>
</tr>
<tr>
<td>Actuarial</td>
<td>87,900</td>
<td>36,400</td>
</tr>
<tr>
<td>Audit</td>
<td>24,961</td>
<td>14,926</td>
</tr>
<tr>
<td>Financial Services</td>
<td>24,909</td>
<td>17,737</td>
</tr>
<tr>
<td>Risk Management Audit</td>
<td>11,734</td>
<td>11,734</td>
</tr>
<tr>
<td>Rent</td>
<td>–</td>
<td>120,000</td>
</tr>
<tr>
<td>Transportation</td>
<td>101,430</td>
<td>114,013</td>
</tr>
<tr>
<td>Printing</td>
<td>14,798</td>
<td>6,532</td>
</tr>
<tr>
<td>Communications</td>
<td>19,442</td>
<td>24,620</td>
</tr>
<tr>
<td>Supplies</td>
<td>45,832</td>
<td>49,360</td>
</tr>
<tr>
<td>Dues and Conferences</td>
<td>30,387</td>
<td>29,786</td>
</tr>
<tr>
<td>Retreat/Board Meetings</td>
<td>32,964</td>
<td>23,239</td>
</tr>
<tr>
<td>Depreciation</td>
<td>170,622</td>
<td>175,004</td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>65,704</td>
<td>60,323</td>
</tr>
<tr>
<td>Repair and Maintenance</td>
<td>2,929</td>
<td>5,229</td>
</tr>
<tr>
<td>Risk Grant Reduction</td>
<td>150,000</td>
<td>100,495</td>
</tr>
<tr>
<td>Building Expenses</td>
<td>246,836</td>
<td>226,895</td>
</tr>
<tr>
<td>Seminars and Training</td>
<td>787,819</td>
<td>702,729</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>$21,361,835</td>
<td>$55,689,865</td>
</tr>
<tr>
<td><strong>Operating Income (Loss)</strong></td>
<td>$16,067,717</td>
<td>($18,945,677)</td>
</tr>
<tr>
<td><strong>Non-Operating Revenue (Loss)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest Income</td>
<td>5,258,291</td>
<td>4,776,801</td>
</tr>
<tr>
<td>Net Increase (Decrease) in the Fair Value of Investments</td>
<td>(4,001,781)</td>
<td>(6,107,178)</td>
</tr>
<tr>
<td>Income (Loss) from Investment in GEM</td>
<td>75,043</td>
<td>(749,152)</td>
</tr>
<tr>
<td><strong>Total Non-Operating Revenue</strong></td>
<td>$1,331,553</td>
<td>($2,079,529)</td>
</tr>
<tr>
<td>Change in Net Position</td>
<td>$17,399,270</td>
<td>($21,025,206)</td>
</tr>
<tr>
<td>Net Position - January 1, as previously reported</td>
<td>$50,574,416</td>
<td>$73,407,842</td>
</tr>
<tr>
<td>Cumulative Effect of Change in Accounting Principle</td>
<td>-</td>
<td>(2,041,388)</td>
</tr>
<tr>
<td>Adjustment for overstatement of insurance expense in 2014</td>
<td>-</td>
<td>233,168</td>
</tr>
<tr>
<td><strong>Net Position - January 1, as restated</strong></td>
<td>$50,574,416</td>
<td>$71,599,622</td>
</tr>
<tr>
<td><strong>NET POSITION AS OF DECEMBER 31</strong></td>
<td>$67,973,686</td>
<td>$50,574,416</td>
</tr>
</tbody>
</table>

*Unaudited - subject to change
OUR MISSION
WCIA will take a leadership role to provide professional risk management and stable risk financing programs that respond to members’ needs.

OUR CORE VALUES
Responsiveness • Integrity • Stewardship • Courage
MEMBERS

A Regional Coalition for Housing
Aberdeen
Anacortes
Arlington
Arlington Transportation Benefit District
Auburn
Bainbridge Island
Battle Ground
Battle Ground Transportation Benefit District
Benton City
Benton County Emergency Services
Bonney Lake
Bothell
Brewster
Brier
Burien
Burlington
Camas
Cashmere
Centralia
Chehalis
Chelan
Cheney
Chewelah
Clark Regional Emergency Services Agency
Clarkston
Cle Elum
Clyde Hill
Coupeville
Covington
Cowlitz-Wahkiakum Council of Governments
Des Moines
Des Moines Pool Metropolitan Park District
Duvall
Eastside
Public Safety Communications Agency

eCity Gov Alliance
Edgewood
Edgewood Transportation Benefit District
Edmonds
Edmonds Transportation Benefit District
Ellensburg
Elma
Enumclaw
Enumclaw Transportation Benefit District
Everett
Ferndale
Fife
Fife Transportation Benefit District
George
Goldendale
Grandview
Grays Harbor Communications Center, E9-1-1
Hoquiam
Issaquah
Jefferson County 911
Kelso
Kenmore
Kenmore Transportation Benefit District
Kirkland
Kitsap 911 Public Authority
Kitsap Regional Coordinating Council
La Conner
Lacey
Lake Forest Park
Lake Stevens
Lakewood
Lakewood Transportation Benefit District
Leavenworth
Leavenworth Transportation Benefit District
Long Beach
Longview
LOTI Clean Water Alliance
Mabton
Maple Valley
Marysville
Marysville Fire District
Mason County Emergency Communications
McCleary
Medical Lake
Medina
Mercer Island
Metropolitan Park District of Tacoma
Mill Creek
Millwood
Milton
Monroe
Monroe Fire District
Monroe Transportation Benefit District
Moses Lake
Mount Vernon
Mountlake Terrace
Mountlake Terrace Transportation Benefit District
Mukilteo
Multi Agency Communications Center
Newcastle
Normandy Park
Normandy Park Metropolitan Park District
North Bonneville
Northshore Utility District
Northwest Incident Management Team
Oak Harbor
Ocean Shores
Olympia
Olympia Metropolitan Park District
Olympia Transportation Benefit District
Othello
Othello Transportation Benefit District
Pasco
PENCOM
Port Angeles
Port Townsend
Poulsbo
Pullman
Pullman Metropolitan Park District
Pullman-Moscow Regional Airport Board
Puyallup
Richland
Ridgefield
Sammamish
Seattle Southside Regional Tourism Authority
Shelton
Shelton Metropolitan Park District
Shoreline
Silver Lake Water and Sewer District
Skagit 9-1-1
Skagit Council of Governments
SNOCOM
Snohomish
Snohomish County Emergency Radio System
SNOPAC
Snoqualmie
Soap Lake
South Correctional Entity (SCORE)
South Sound 911
Spokane Valley
Stanwood
Steilacoom
Sumner
Sunnyside

Three Rivers Regional Wastewater Authority
Thurston 9-1-1 Communications
Thurston Public Utility District
Thurston Regional Planning Council
Toppenish
Tukwila
Tukwila Pool Metropolitan Park District
Tumwater
Union Gap
University Place Valley Communications Center
Valley Regional Fire Authority
Walla Walla
Walla Walla Transportation Benefit District
Walla Walla Valley Metro Planning Organization
Warden
Washington Multi-City License & Tax Portal Agency
Washougal
Water Operating Board
West Richland
Westport
WHITCOM 911
William Shore Memorial Pool District
Woodinville
Woodway
Yakima Valley Conference of Governments
Yarrow Point
Zillah
COMMITTEE/VENDORS/STAFF

WCIA EXECUTIVE COMMITTEE

John Caulfield  
City of Lakewood  
President

Pete Rose  
City of Lake Forest Park  
Vice President

Stan Strebel  
City of Pasco

Lyman Howard  
City of Sammamish

Rob Roscoe  
City of Auburn

David Timmons  
City of Port Townsend

Deborah Knight  
City of Stanwood

Paul Loveless  
Town of Steilacoom

Subir Mukerjee  
City of Fife

WCIA STAFF

Administration

Ann Bennett  
Executive Director

Heidi Jones  
Finance & Administrative Services Manager

Eric B. Larson  
Deputy Director, Insurance Programs

Michele Neumann  
Administrative Services Assistant

Tiffany Woods  
Programs Assistant

Jennifer Lawson  
Office Assistant/Receptionist

Member Services

Patti Crane  
Member Services Manager

Maria Orozco  
Member Services Coordinator

Katie Madsen  
Member Services Assistant

Risk Management

Robin Aronson  
Risk Services Manager

Lisa Knapton  
Senior Risk Management Rep

Debbi Sellers  
Senior Risk Management Rep

Tanya Crites  
Senior Risk Management Rep

Carlene Brown  
Risk Management Rep

Claims

Reed Hardesty  
Claims Manager

Gordy Van  
Senior Adjuster

Jason Barney  
Senior Adjuster

Luis Fragoso  
Claims Adjuster

Doug Martin  
Claims Representative

Shelley O’Keefe  
Claims Assistant

Danielle Stephens  
Claims Office Assistant

CONTRACTED SERVICE VENDORS

Baber & Mason, CPAs  
Accountant

PricewaterhouseCoopers  
Actuary

Evergreen  
Adjustment Service

Claims Service Company

Keating, Bucikin & McCormack Inc., P.S.  
General Counsel

JTConnex  
Information Technology Services

Marsh USA, Inc.  
Insurance Broker

Lisa Thatcher, Inc.  
Lobbyist

Jtconnex  
Information Technology Services

marsh usa, inc.  
Insurance Broker

lisa thatcher, inc.  
Lobbyist

Executive Committee, from L-R Top Row: Lyman Howard, City of Sammamish; Pete Rose, Vice President, City of Lake Forest Park; John Caulfield, President, City of Lakewood; Deborah Knight, City of Stanwood. From L-R Bottom Row: Paul Loveless, Town of Steilacoom; Subir Mukerjee, City of Fife; Stan Strebel, City of Pasco.

Not Pictured: Rob Roscoe, City of Auburn and David Timmons, City of Port Townsend.
The Washington Cities Insurance Authority (WCIA) is a municipal organization of Washington public entities that join together for the purpose of providing liability and property financial protection to its members.