Washington State Auditor's Office

Financial Statements Audit Report

Washington State Transit Insurance Pool

Thurston County

Audit Period
January 1, 2010 through December 31, 2010

Report No. 1006937

Issue Date
December 27, 2011

WASHINGTON
BRIAN SONNTAG
STATE AUDITOR

Washington State Auditor
Brian Sonntag

December 27, 2011

Board of Directors
Washington State Transit Insurance Pool
Olympia, Washington

Report on Financial Statements

Please find attached our report on the Washington State Transit Insurance Pool's financial statements.

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

Sincerely,

BRIAN SONNTAG, CGFM
STATE AUDITOR

Table of Contents

Washington State Transit Insurance Pool
Thurston County
January 1, 2010 through December 31, 2010

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

Washington State Transit Insurance Pool
Thurston County
January 1, 2010 through December 31, 2010

Board of Directors
Washington State Transit Insurance Pool
Olympia, Washington

We have audited the basic financial statements of the Washington State Transit Insurance Pool, Thurston County, Washington, as of and for the years ended December 31, 2010 and 2009, and have issued our report thereon dated December 13, 2011.

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.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Pool's financial statements will not be prevented, or detected and corrected on a timely basis.

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

COMPLIANCE AND OTHER MATTERS

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

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

This report is intended for the information and use of management and the Board of Directors. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

BRIAN SONNTAG, CGFM
STATE AUDITOR

December 13, 2011

Independent Auditor's Report on Financial Statements

Washington State Transit Insurance Pool
Thurston County
January 1, 2010 through December 31, 2010

Board of Directors
Washington State Transit Insurance Pool
Olympia, Washington

We have audited the accompanying basic financial statements of the Washington State Transit Insurance Pool, Thurston County, Washington, as of and for the years ended December 31, 2010 and 2009, as listed on page 5. These financial statements are the responsibility of the Pool's management. Our responsibility is to express an opinion on these financial statements based on our 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington State Transit Insurance Pool, as of December 31, 2010 and 2009, and the changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

The management's discussion and analysis on pages 6 through 10 and claims development information on pages 28 through 29 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Schedule T-1 List of Participating Members and Schedule T-2 OFM Schedule of Expenses are not a required part of the basic financial statements but are supplementary information presented for purposes of additional analysis. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

BRIAN SONNTAG, CGFM
STATE AUDITOR

December 13, 2011

Financial Section

Washington State Transit Insurance Pool
Thurston County
January 1, 2010 through December 31, 2010

REQUIRED SUPPLEMENTAL INFORMATION

BASIC FINANCIAL STATEMENTS

REQUIRED SUPPLEMENTAL INFORMATION

SUPPLEMENTAL INFORMATION

MANAGEMENT DISCUSSION ANALYSIS

As the management of the Washington State Transit Insurance Pool (WSTIP), we offer readers of WSTIP's financial statements this narrative overview and analysis of the financial activities of WSTIP for the fiscal year ended December 31, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the following document.

Financial Highlights

- Total assets grew by $682,005 in 2010 to $26,558,570, a 2.64% increase.
- Favorable loss development in claim year 2010 caused upward adjustment in total net assets at year end. The 2010 year end estimated net asset position of WSTIP was $16,330,696 as compared to $15,518,442 at year end 2009. This represents an $812,254 change.
- For the year 2010, WSTIP had operating income of $241,612 as compared to an operating loss in 2009 of (983,521), primarily because of favorable actuarial adjustments for loss development in 2010 and better than expected reinsurance arrangements for 2010.
- Interest and dividend income for 2010 was $570,642 as compared to 2009 Interest and Dividend Income of 1,019,020. The decrease was due mainly to a worse ROI (Return on Investment) on WSTIP funds located at the County Investment Pool (TCIP) because of the significant worldwide deterioration in potential interest generating investment vehicles for public entities.
- Total expenses for 2010 were $10,105,457 as compared to $9,442,770 for 2009. This is due mainly to a significant increase in the self insurance loss fund because one member dropped from a $1 million deductible to first dollar coverage in 2010.
- Total claims liabilities for 2010 were $9,942,442 as compared to $10,094,996, for 2009. This is a $152,554 reduction. The decrease in claims liabilities is mainly due to better than expected loss development in loss year 2010.

Condensed Comparative Financial Information

	2010	2009	2008
Assets			
Other Assets	$26,163,817	$25,469,349	$23,856,210
Capital Assets	394,753	407,216	420,260
Total Assets	$26,558,570	$25,876,565	$24,276,470
Liabilities			
Other Liabilities	$10,111,813	$10,247,597	$8,705,741
Long-term Liabilities	116,060	110,526	87,786
Total Liabilities	$10,227,873	$10,358.123	$8,793,527
Net Assets			
Invested in Capital Assets, Net of Related Debt	$394,753	$407,216	$420,260
Unrestricted Net Assets	15,935,943	15,111,226	15,062,683
Total Net Assets	$16,330,696	$15,518,442	$15,482,943

	2010	2009	2008
Revenues			
Member Assessments	$10,214,682	$8,321,754	$7,999,343
Program Revenues	132,387	137,495	271,928
Total Operating Revenues	$10,347,069	$8,459,249	$8,271,271
Interest and Dividend Income	$570,642	$1,019,020	$1,056,634
Total Revenues	$10,917,711	$9,478,269	$9,327,905
Operating Expenses			
Operating Expenses	$1,661,484	$1,523,327	$1,235,316
Claims Paid on Current Losses	6,403,868	4,867,274	5,199,689
Adjustment to Prior Years' Claim Reserve	(376,608)	706,599	(870,776)
Unallocated Loss Adjustment Expense	316,526	237,658	196,249
Excess Insurance Premiums	1,650,603	1,733,993	1,762,735
Depreciation Expense	12,463	16,044	13,051
Insurance Services Expenses	437,121	357,875	887,942
Total Expenses	$10,105,457	$9,442,770	8,424,206
Changes in Net Assets	812,254	35,499	903,699
Beginning Net Assets	15,518.442	15,482,943	14,579,244
Ending Net Assets	$16,330,696	$15,518,442	$15,482,943

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to WSTIP's basic financial statements. WSTIP operates as a single proprietary fund, more specifically as an enterprise fund, in accounting for members' participation in the public entity self-insurance pool. WSTIP's basic financial statements are comprised of two components, the financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Financial Statements

The financial statements are designed to provide readers with a broad overview of WSTIP's finances, in a manner similar to a private-sector business.

The balance sheet presents information on all of WSTIP's assets and liabilities, with the difference reported as equity. WSTIP retains equity as a means to reach certain surplus target goals and as a reserve account to address those loss years where claims development is different than what was actuarially projected. Losses in any membership year are a contractual obligation of the members of the respective year and appear as a receivable on the financial statements.

The statements of revenues, expenses and changes in fund equity present information on all of the agency's revenues and expenses.

The statements of cash flows present information on cash flow provided by and used in activities. The activities are classified into one of four categories: operating activities, non-capital financing activities, capital and related financing activities, and investing activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 17 thru 27 of this report.

Other Information

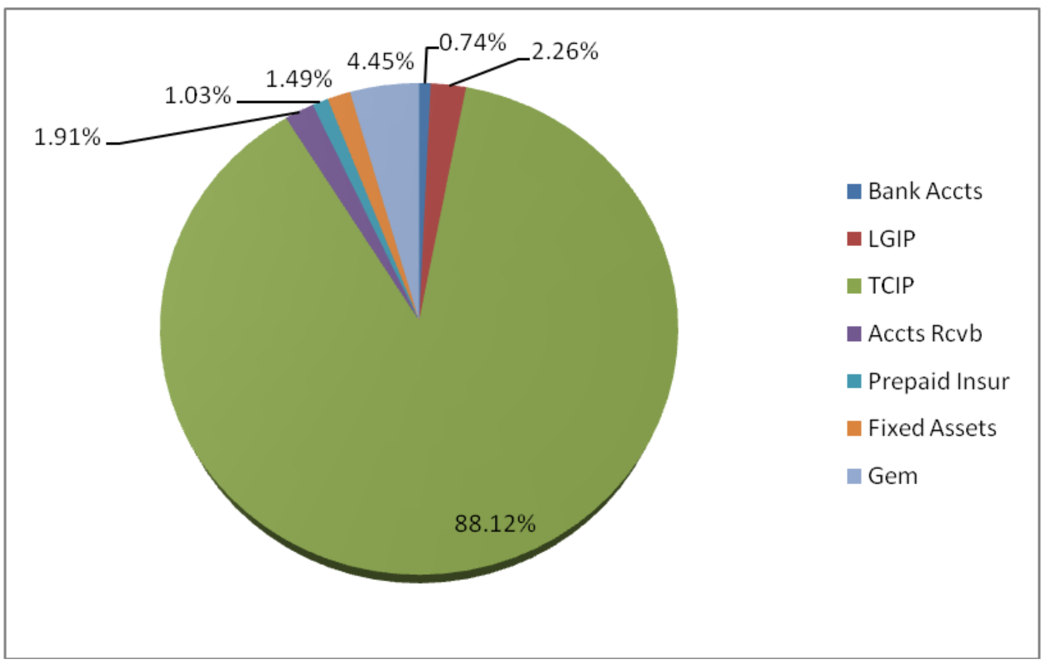
In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information concerning claim development, earned assessments and unallocated expenses. Required supplementary information can be found on page 16 of this report.

Following the required supplementary information, are the supplemental schedules. Combining schedules of the three basic financial statements are presented by individual membership year. In addition, there is a schedule of cash and investments and a schedule of actual and budget for the 2010 membership year.

Financial Analysis

By far, the largest portion of WSTIP's assets (90 percent) is its cash and investments in the Thurston County Investment Pool and the State Investment Pool (LGIP). WSTIP uses these assets to pay claim liabilities, purchase reinsurance, provide surplus for its claim operations and pay for administrative overhead.

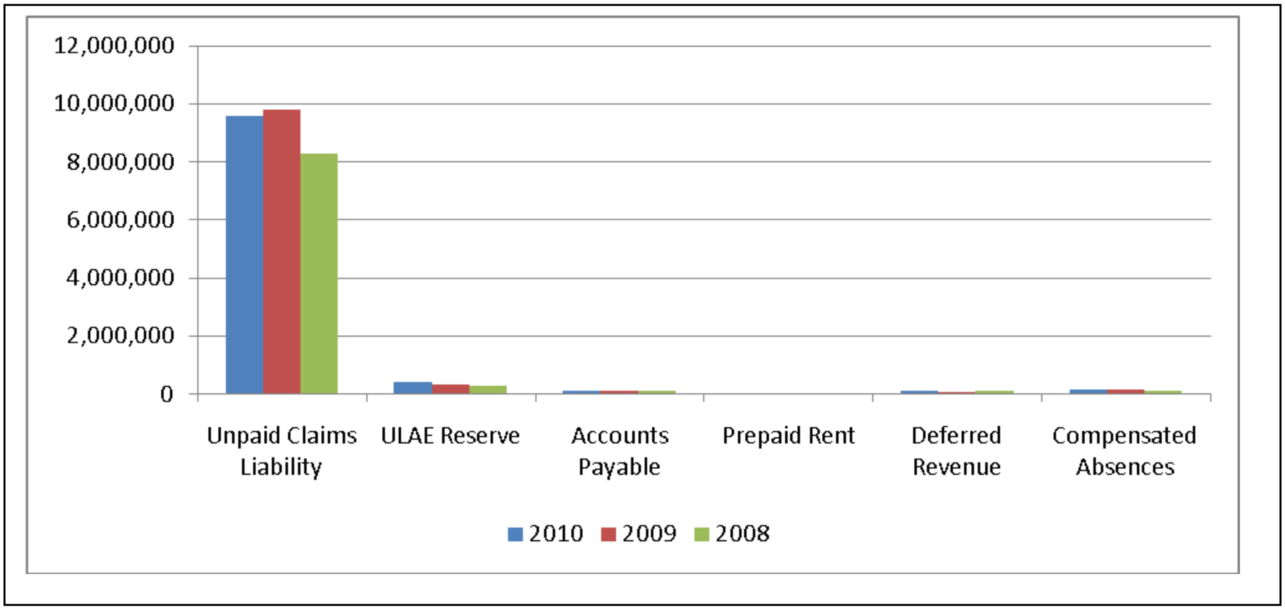
WSTIP ASSET MIX



WSTIP also owns a building which is currently valued at $479,000. WSTIP also is a capitol contributor to Governmental Entities Mutual (GEM) with an estimated surplus account of $1,155,943. GEM is a captive insurance company owned by 15 governmental insurance pools located throughout the United States. It is domiciled in WashingtonDC.

The bulk of WSTIP liabilities reside with the member claims. Twice a year the WSTIP Actuary conducts an actuarial review of WSTIP claims to assess and project claim liabilities by loss year. At year end 2010, claims liabilities were projected to be $9,942,442 as compared to $10,094,996 at year end 2009. Claims liabilities are 93% of the total liabilities for WSTIP at year end 2010 as compared 94% of total liabilities for year end 2009.

WSTIP Liability Mix



Agency Activities

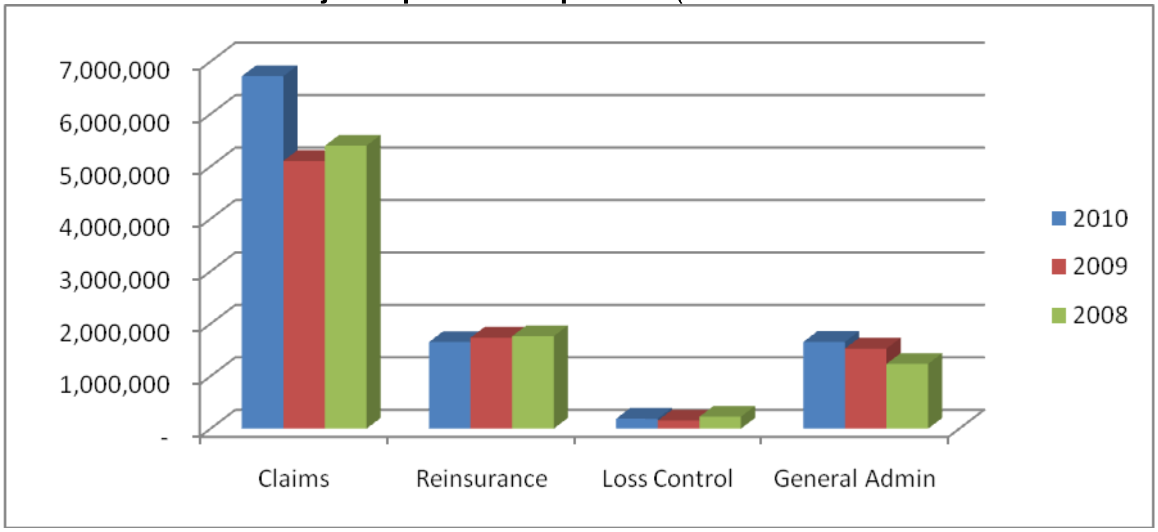
WSTIP's revenues are generated primarily through membership contributions and non-operating revenues including interest income. Operating expenses are in three categories: loss and loss adjustment expense, reinsurance/excess insurance and administrative expenses. The loss fund levels for payment of loss and loss adjustment were established based on estimated miles by mode (fixed route, vanpool, administration and demand response) and are retroactively adjusted for actual miles driven and actual claims experience. WSTIP engages an independent actuary to assist the agency in determining loss fund levels and reserve adequacy.

Budgetary Highlights

Each year the Board of Directors adopts an operating budget in November. The budget is reviewed on a monthly basis by the WSTIP Executive Committee. The Pool's Executive Director is authorized to make mid-year adjustments to both the operations and capital budgets, so long as such adjustments do not increase the total budget amounts. Below is a statement of revenues and expenses for 2010:

Description	**Jan – Dec 2010**
Operating Revenues	10,347,069
Operating Expenses	10,105,457
Non-Operating Revenues (Expenses)	241,612
Change in Net Assets	812,254

Major Expense Comparison (2010 to 2008



Non-operating revenue decreased 39% from 2009 to 2010 mainly because interest income generated by the Pool's funds at the State Investment Pool and the Thurston County Investment Pool was significantly less than forecasted due to worldwide adverse economic conditions from the end of 2009 to all of 2010.

- Contract services increased 65% from 2009 to 2010 because WSTIP initiated a claims administration contract with Pierce Transit to administer their own claims and WSTIP completed an independent information technology security review of several members and WSTIP started development of two web based accident reporting forms for its members.
- The self insurance claims fund for WSTIP increased 32% from 2009 to 2010 because one large member changed their coverage from a $1 million deductible to first dollar coverage.
- Office expenses decreased 28% from 2009 to 2010 primarily because staff made a concerted effort to manage and mitigate the office expenses for the year.
- Information technology purchases were down 15% from 2009 to 2010 primarily because staff made a concerted effort to mitigate its costs because of the ongoing recession.

Capital Assets

As mentioned above, The Pool owns a building currently valued at $479,000. The Pool purchased $87,979 of software, software licenses and computer hardware in 2010. This follows its regularly scheduled practice of updating its information services infrastructure based on its information services strategic information plan approved by the WSTIP Board. The Pool also dedicates $15,000 a year from its equity to a building reserve fund to save for any improvements or updates it needs to make to the building it owns. The balance of this fund at year end was $82,489.

Future Factors

WSTIP Management believes the overall financial position of the Pool increased in 2010 due to favorable loss development in loss year 2010. Significant factors that could impact the future of the Pool include the reinsurance market, the investment market and adverse claims loss development. All of these factors were considered in preparing the Pool's budget for the 2011-2012 fiscal years.

Request for Information

This financial report is designed to provide a general overview of WSTIP's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Allen F. Hatten, Executive Director, Washington State Transit Insurance Pool, 2629 12th Court SW, Olympia, Washington 98502.

COMPARATIVE STATEMENT OF NET ASSETS
DECEMBER 31, 2010 and 2009

	2010	2009
ASSETS		
Current Assets:		
Cash and Cash Equivalents	$24,226,783	$24,042,975
Member Assessments Receivable	6,758	14,027
Reinsurance Recoverable	500,000	0
Prepayments	274,333	229,771
TOTAL CURRENT ASSETS	**25,007,874**	**24,286,773**
Noncurrent Assets:		
Capital Assets (Net of Accumulated Depreciation)	394,753	407,216
TOTAL NONCURRENT ASSETS	**394,753**	**407,216**
Other Assets:		
Investments	1,155,943	1,182,576
TOTAL OTHER ASSETS	**1,155,943**	**1,182,576**
TOTAL ASSETS	**$26,558,570**	**$25,876,565**
LIABILITIES		
Current Liabilities:		
Unpaid Claims Liability	9,552,442	9,784,996
ULAE Reserve	390,000	310,000
Accounts Payable	100,572	93,665
Prepaid Rent		1,862
Deferred Revenue	68,799	57,074
TOTAL CURRENT LIABILITIES	**10,111,813**	**$10,247,597**
Noncurrent Liabilities:		
Compensated Absences	116,060	110,526
TOTAL NONCURRENT LIABILITIES	116,060	110,526
TOTAL LIABILITIES	**10,227,873**	**10,358,123**
NET ASSETS		
Invested in Capital Assets, Net of Related Debt	394,753	407,216
Unrestricted Building Reserve	82,489	67,489
Unrestricted Surplus	15,853,454	15,043,737
TOTAL NET ASSETS	**16,330,696**	**15,518,442**
TOTAL NET ASSETS AND LIABILITIES	**$26,558,569**	**$25,876,565**

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

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

OPERATING REVENUES	**2010**	**2009**
Member Assessments	$10,214,682	$8,321,754
Program Revenues	132,387	137,495
Total Operating Revenues	**10,347,069**	**8,459,249**
OPERATING EXPENSES		
Claims Paid on Current Losses	6,403,868	4,867,274
Adjustment to Prior Years' Claim Reserve	(376,608)	706,599
Unallocated Loss Adjustment Expense	316,526	237,658
Excess Insurance Premiums	1,650,603	1,733,993
Depreciation Expense	12,463	16,044
Operating Expenses	1,661,484	1,523,327
Insurance Services:		
Brokerage Fee	129,806	101,419
Other Insurance Services	307,315	256,456
Total Operating Expenses	**10,105,457**	**9,442,770**
OPERATING INCOME (LOSS)	**241,612**	**(983,521)**
NONOPERATING REVENUES (EXPENSES):		
Interest and Dividend Income	570,642	1,019,020
CHANGES IN NET ASSETS	812,254	35,499
TOTAL NET ASSETS, January 1	15,518,442	15,482,943
TOTAL NET ASSETS, December 31	**$16,330,696**	**$15,518,442**

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

COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2010 and 2009

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Members	$10,207,925	$8,294,248
Cash Payments to Suppliers for Goods and Services	(9,601,247)	(8,465,958)
Cash Payments to Employees for Services	(999,479)	(973,272)
Increase (Decrease) in Claim Reserve	(152,553)	1,545,834
Other Operating Revenues	132,387	137,495
Net Cash Provided (Used) by Operating Activities	(412,967)	538,347
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net Cash Provided (Used) by Non Capital & Related Financing Activities	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Net Cash Provided (Used) by Capital & Related Financing Activities	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceed from Sales of Investments		
Purchase of Investments	26,633	(288,416)
Interest Received	570,642	1,019,020
Net Cash Provided (Used) by Investing Activities	**597,275**	**730,604**
Increase (Decrease) in Cash and Cash Equivalents	**184,308**	**1,268,951**
Cash and Cash Equivalents, January 1	24,042,475	22,773,524
Cash and Cash Equivalents, December 31	**24,226,783**	**$24,042,475**

COMPARATIVE RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED USED BY OPERATING ACTIVITIES

	2010	2009
OPERATING INCOME:	241,612	($983,521)
Adjustment to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	12,463	13,044
(Increase) Decrease in member assessments receivable	7,269	28,006
(Increase) Decrease in other prepaid expenses	-44,562	-83,278
(Increase) Decrease in insurance recoverables	-500,000	
Increase (Decrease) in claim reserves	-152,553	1,545,834
Increase (Decrease) in payables	6,907	16,648
Increase (Decrease) in other liabilities	3,672	24,602
Increase (Decrease) in Deferred Revenue	11,725	-22,488
Increase due to difference between cash balance report in 2009 on the Statement of Net Assets and Statement of Cash Flows.	500	
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	**($412,967)**	**$538,847**

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Washington State Transit Insurance Pool conform to generally accepted accounting principles as applicable to proprietary funds of governmental units. The following is a summary of the more significant policies.

a. General

The Washington State Transit Insurance Pool (WSTIP) was formed by Interlocal Agreement on January 1, 1989, pursuant to Chapters 48.61 and 39.34 RCW. The purpose for forming WSTIP was to provide member Transit Systems programs of joint self-insurance, joint purchasing of insurance and joint contracting for hiring of personnel to provide risk management, claims handling and administrative services. Transit authorities joining the Pool must remain members for a minimum of 36 months; a member may withdraw from the Pool after that time by giving 12 months notice. Any member who withdraws will not be allowed to rejoin the Pool for a period of 36 months. Transit authorities applying for membership in the Pool may do so on approval of a simple majority vote of the Board of the Pool. The Pool underwriting and rate-setting policies have been established after consultation with actuaries. The Pool members are subject to a supplemental assessment in the event of deficiencies. If the assets of the Pool were to be exhausted, members would be responsible for the Pool's liabilities. Current Pool members are the following:

Asotin County Transit, Clarkston; Ben Franklin Transit, Richland; Clallam Transit System, Port Angeles; Columbia County Transit, Dayton; Cowlitz County Transit, Longview; Community Transit, Everett; Everett Transit, Everett: Grant Transit, Ephrata; Grays Harbor Transportation Authority, Hoquiam; Intercity Transit, Olympia; Jefferson Transit, Port Townsend; Kitsap Transit, Bremerton; Pacific Transit System, Raymond; Pierce Transit, Lakewood; Link Transit, Wenatchee; Island Transit, Coupeville; Mason Transit, Shelton; Pullman Transit, Pullman; Skagit Transit, Burlington; Spokane Transit, Spokane: Twin Transit, Centralia; Valley Transit, Walla Walla; Whatcom Transit, Bellingham and Yakima Transit, Yakima.

Per WSTIP Resolution 2-99, the WSTIP Board of Directors created an Associate membership category for the WSTIP Organization. **This membership category ended December 31st 2008.** Associate members could have purchased all WSTIP services including data warehousing, reinsurance and loss control services. Associate members did not participate in the self-insurance program/risk layer and could not vote and/or participate in Executive Sessions. Associate members must have been a public transit system owned and operated by a local governmental entity. The three associate members were **Pierce Transit**, Tacoma**; C-TRAN**, Vancouver; and the **Ohio Transit Risk Insurance Pool** (OTRP), serving transit agencies in the State of Ohio.

OTRP joined as the first associate member on January 1, 2001, and participated in the data-warehouse program only. OTRP did not participate in any risk/loss sharing or group purchase of reinsurance. On July 1, 2001, Pierce Transit (Pierce County Transit) and C-TRAN (Clark County Transit) joined the Washington State Transit Insurance Pool as Associate Members. Pierce Transit and C-TRAN are Washington State transit agencies. Pierce Transit joined WSTIP to utilize the WSTIP database program and buy liability reinsurance through WSTIP. Pierce Transit carried a $1 million deductible. C-TRAN joined WSTIP to buy liability reinsurance through WSTIP. C-TRAN carried a $2 million deductible.

At the end of 2010, WSTIP had twenty four full members and one affiliated member. Pierce Transit became the 24th full member of WSTIP switching to first dollar coverage effective January 1, 2010. C-Tran continued its affiliated membership with WSTIP by continuing to use the WSTIP database program.

b. Basis of Accounting and Presentation
The accounting records of the Pool are maintained in accordance with methods prescribed by the State Auditor's Office under the authority of Chapter 43.09 RCW. The Pool implemented GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the 2009 financial statements. The Pool 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,* the GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Funds,* and GASB Statement 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In 1999 the GASB issued Statement 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. The presented financial statements (including notes) reflect this and consecutive statements.

The Pool 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 Enterprise fund. The Pool has not implemented "private sector" guidance issued after November 30, 1989.

c. Capital Assets And Depreciation
See Note 9.

d. Accounts Receivable
Accounts receivable at December 31, 2010 and 2009, are as follows:

	2010	TOTAL
	Anna Broadhead	116.04
	Ben Franklin Transit	2,500.00
	Community Transit	100.00
	Jamie Collier	6.98
	Des Moines Area Regional Trans	4.90
	Dial-A-Ride Snohomish County	5.00
	Joanne Kerrigan	-.04
	Lewiston Transit System	75.00
	Markel Claims	500,000.00
	Paul Shinners	2.98
	People for People – Moses Lake	5.00
	Stephanie Guettinger	4.98
	T.C. Transportation Services	4.95
	WA State DOT	2,105.00
	William E Phelps	586.77
	WSTA	1,239.73
TOTAL		**506,757.29**

	2009	TOTAL
	Catholic Community Services	2.49
	Hopelink	2.41
	Kitsap Transit	40.00
	Mason Transit	9,052.65
	Northshore Senior Center	3.09
	Skagit Transit	100.00
	T.C. Transportation Services	6.80
	Transpro, Inc.	2.75
	WA State DOT	4,816.81
TOTAL		**14,027.00**

Investments
See Note 2.

e. Compensated Absences
Compensated absences are absences for which employees will be paid, such as general leave and holidays. The Pool records unpaid leave for compensated absences as an expense and liability when incurred.

General leave pay, which may be accumulated up to 690 hours and is payable upon resignation, retirement or death.

f. Unpaid Claims Liabilities
The Pool 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 reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Because actual claims costs depend on such complex factors as inflation, changes in doctrines of legal liability, and damage awards, the process used in computing claims liabilities does not necessarily result in an exact amount, particularly for coverage such as general liability.

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 as expenses in the periods in which they are made.

g. Reinsurance
The Pool uses reinsurance agreements to reduce its exposure to large losses on all types of insured events. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Pool as the direct insurer of the risks reinsured. The Pool reports reinsured risks as liabilities and show a reinsurance offset for any of those reinsured risks. The amount deducted from claims liabilities as of December 31, 2010, and December 31, 2009, for reinsurance was $500,000.00 and $0.00 respectively. Premiums ceded to reinsurers during 2010 and 2009 were $1,650,603 and $1,733,993 respectively. (See Note 11)

h. Member Assessments And Unearned Member Assessments
Member's 2010 contribution rates were based on their estimated exposures of miles at the following rates: Fixed Route = $0.0781/mile; Dial-A-Ride = $0.0781/mile; Van Pool = $0.0781/mile; Non-revenue = $0.0781.Further adjustments are made on a retrospective basis to the period year's actual miles, experience factors, actuarial calculations, deductibles and UM/UIM options.

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

j. Exemption from Federal and State Taxes
Pursuant to revenue ruling number 90-74, income of Municipal Risk Pools is excluded from gross income under IRS 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.

k. Cash and Cash Equivalents
For purposes of the Statement of Cash Flow, WSTIP considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

l. Budget and Spending Controls
An annual budget is prepared by the Executive Director and presented to the Board of Directors for adoption by Resolution prior to the start of the business year. The budget serves as a planning and control document. An actual cost/revenue report compared to the annual budget amounts is presented to the Executive Committee on a monthly basis, and to the Board of Directors on a quarterly basis, so that all members are made aware of any variations from the budget. The Pool's Executive Director is authorized to make mid-year adjustments to both the operations and capital budgets, so long as such adjustments do not increase the total budget amounts.

m. 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. Management estimates this liability at the end of each year based upon cost estimated provided by the third party administrator. The change in the liability each year is reflected in current earnings.

NOTE 2 – DEPOSITS AND INVESTMENTS

As required by state law, all deposits and investments of the Pool's funds (except as noted below) are in obligations of the U.S. Government, U.S. agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, (the Thurston County Investment Pool,) (bankers' acceptances,) certificates of deposit with Washington State banks, savings and loan institutions, or other investments allowed by Chapter 39.59 RCW. (Investments of (pension/nonexpendable) trust funds are not subject to the preceding limitations.)

All temporary investments are stated at fair market value. Other property and investments are shown on the balance sheet at fair market value.

(A portion of the property consists of real estate held for the production of rental income)

The Pool'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).

WSTIP investments at the end of Year 2010 and Year 2009 are outlined below:

	2010 Carrying Amount	2010 Market Value	2009 Carrying Amount	2009 Market Value
Thurston County Investment Pool	23,428,062.06	23,428,062.06	$23,302,062.63	$23,302,062.63
State Investment Pool (LGIP)	601,636.19	601,636.19	$599,877.92	$599,877.92
Total Investments	24,029,698.25	24,029,698.25	$23,901,940.55	$23,901,940.55

99% of all WSTIP cash investments are with the Thurston County Investment Pool (TCIP) and the State Investment Pool (LGIP). Due to the liquidity of TCIP and LGIP, those investments are shown as cash equivalents on the financial statements. Although heavily concentrated with TCIP and LGIP, due to the nature of these financial vehicles, Pool management does not believe there is any significant custodial, credit, interest rate, or concentration of risk associated with their investments.

NOTE 3 - SELF-INSURED RETENTION

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

Fiscal Year 2002

For fiscal year 2002, the pool's per occurrence retention limit is $250,000 for General and Auto liability plus a $250,000 aggregate corridor, $250,000 for Public officials liability, $5,000 for Boiler and Machinery, $5,000 for EDP, $25,000 for Property with Flood and Earthquake aggregate at $100,000 or 5% of loss and $100,000 for Auto Physical damage. Through a combination of fund balance designated at December 31, 2000, and member assessments earned at January 1, 2001, the pool committed assets of**$1,996,855** specifically for the purpose of funding this retention for fiscal year 2001.

Fiscal Year 2003

For fiscal year 2003, the pool's per occurrence retention limit is $500,000 for General & Auto liability and public officials, $5,000 for Boiler and Machinery, $10,000 for Crime, $50,000 for Property with Flood and Earthquake aggregate at $100,000 or 5% of loss and $100,000 for Auto Physical damage. Through a combination of fund balance designated at December 31, 2001, and member assessments earned at January 1, 2002, the pool committed assets of **$2,549,924** specifically for the purpose of funding these retentions for fiscal year 2002.

Fiscal Year 2004

For fiscal year 2004, the pool's per occurrence retention limit is $600,000 for General & Auto liability and Public Officials, $5,000 for Boiler and Machinery, $10,000 for Crime, $100,000 for Property with Flood and Earthquake aggregate at $100,000 or 5% of loss and $100,000 for Auto Comprehensive. Auto Physical Damage coverage was self funded by the Pool from January 1, 2004, to December 31, 2004, with limits of $250,000 per occurrence. Through a combination of fund balance designated at December 31, 2003, and member assessments earned at January 1, 2004, the pool committed assets of **$2,740,594** specifically for the purpose of funding these retentions for fiscal year 2004.

Fiscal Year 2005

For fiscal year 2005, the pool's per occurrence retention limit is $600,000 for General & Auto liability and Public Officials, $5,000 for Boiler and Machinery, $10,000 for Crime, $100,000 for Property with Flood and Earthquake aggregate at $100,000 or 5% of loss and $100,000 for Auto Comprehensive. Auto Physical Damage coverage was self funded by the Pool from January 1, 2005, to June 30, 2005, with limits of $250,000 per occurrence. From July 1, 2005, to December 31, 2005, the Auto Physical Coverage retention was $100,000. Through a combination of fund balance designated at December 31, 2004, and member assessments earned at January 1, 2005, the pool committed assets of **$3,551,479** specifically for the purpose of funding these retentions for fiscal year 2005.

Fiscal Year 2006

For fiscal year 2006, the pool's per occurrence retention limit is $1,000,000 for General & Auto liability and Public Officials, $5,000 for Boiler and Machinery, $10,000 for Crime, $100,000 for Property with Flood and Earthquake aggregate at $100,000 or 5% of loss and $100,000 for Auto Comprehensive. The Auto Physical Coverage retention was $100,000 with settlement based on fair market value. Through a combination of fund balance designated at December 31, 2005, and member assessments earned at January 1, 2006, the pool committed assets of **$3,787,072** specifically for the purpose of funding these retentions for fiscal year 2006.

Fiscal Year 2007

For fiscal year 2007, the pool's per occurrence retention limit is $1,000,000 for General & Auto liability and Public Officials, $5,000 for Boiler and Machinery, $10,000 for Crime, $100,000 for Property with Flood and Earthquake aggregate at $100,000 or 5% of loss and $100,000 for Auto Comprehensive. The Auto Physical Coverage retention was $100,000 with settlement based on fair market value. Through a combination of fund balance designated at December 31, 2006, and member assessments earned at January 1, 2007, the pool committed assets of **$4,312,346** specifically for the purpose of funding these retentions for fiscal year 2007.

Fiscal Year 2008

For fiscal year 2008, the pool's per occurrence retention limit is $1,000,000 for General & Auto liability and Public Officials with a quota share relationship on the $3 million X $1 million layer where WSTIP retains 33% and GEM retains 67%, $5,000 for Boiler and Machinery, $10,000 for Crime, $100,000 for Property with Flood and Earthquake aggregate at $100,000 or 5% of loss and $100,000 for Auto Comprehensive. The Auto Physical Coverage retention was $100,000 with settlement based on fair market value. Through a combination of fund balance designated at December 31, 2007, and member assessments earned at January 1, 2008, the pool committed assets of **$5,395,939** specifically for the purpose of funding these retentions for fiscal year 2008.

Fiscal Year 2009

For fiscal year 2009, the pool's per occurrence retention limit is $1,000,000 for General & Auto liability and Public Officials with an aggregate corridor of $500,000 on the 1 million X $1 million layer, $5,000 for Boiler and Machinery, $10,000 for Crime, $100,000 for Property with Flood and Earthquake aggregate at $100,000 or 5% of loss and $100,000 for Auto Comprehensive.

The Auto Physical Coverage retention was $100,000 with settlement based on fair market value. Through a combination of fund balance designated at December 31, 2008, and member assessments earned at January 1, 2009, the pool committed assets of **$5,104,932** specifically for the purpose of funding these retentions for fiscal year 2009.

Fiscal Year 2010

For fiscal year 2010, the pool's per occurrence retention limit is $1,000,000 for General & Auto liability and Public Officials with an aggregate corridor of $500,000 on the 1 million X $1 million layer, $10,000 for Crime, $100,000 for Property with a 24 hour waiting period on all perils and coverage's and $100,000 for Auto Comprehensive. The Auto Physical Coverage retention was $100,000 with settlement based on fair market value. Through a combination of fund balance designated at December 31, 2009, and member assessments earned at January 1, 2010, the pool committed assets of **$6,720,394** specifically for the purpose of funding these retentions for fiscal year 2010.

NOTE 4 - EXCESS INSURANCE CONTRACTS

The pool maintains excess/reinsurance insurance contracts with several insurance carriers that provide various limits of coverage over the pool's self-insured retention limits. The limits provided by these excess and reinsurance contracts are as follows:

Reinsurance/Insurance Contract Limits	2010	2009
Liability Reinsurance*		
Comprehensive Liability	$12,000,000	$12,000,000
Automobile Liability	$12,000,000	$12,000,000
Public Officials Liability (annual aggregate)	$12,000,000	$12,000,000
*All members except Community Transit and Everett Transit		
Community Transit and Everett Transit have an additional ($8 million in excess of $12,000,000 for a total of $20,000,000 on general and auto liability)		
Crime (excluding WSTIP staff)		
Employee Dishonesty	$1,000,000	$1,000,000
Forgery and Alterations	$1,000,000	$1,000,000
Theft Disappearance and Destruction	$1,000,000	$1,000,000
Crime (for WSTIP staff)		
Employee Dishonesty	$1,000,000	$1,000,000
Forgery and Alterations	$1,000,000	$1,000,000
Theft Disappearance and Destruction	$1,000,000	$1,000,000
Property:		
All Risk Property Coverage (for all	$350,000,000	$750,000,000
members)	$25,000,000	$10,000,000
Limited to: Earthquake	$50,000,000	$10,000,000
Flood (excluding Zone A)	$10,000,000	$1,000,000
Flood – Zone A annual aggregate	Actual Cash Value	$250,000
Auto Physical Damage (all members have a $2,500 deductible except Pierce Transit and Spokane Transit. They have $10,000 and $25,000)	Pool SIR $100,000	
Boiler and Machinery	$100,000,000	$50,000,000

NOTE 5 - MEMBERS' SUPPLEMENTAL ASSESSMENTS AND CREDITS

The Board of Director's approved Resolution 5-94 wherein it establishes the methodology of allocating the individual member's experience during a specific period of time for a prospective assessment to members based on actual claims experience. Effective 1/1/95.

NOTE 6 - PENSION PLAN

All Washington State Transit Insurance Pool full-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems under cost-sharing multiple-employer defined benefit public employee retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained from the Department of Retirement Systems, Administrative Services Division, P.O. Box 48380, Olympia, WA98504-8380.

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

Plan Description

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

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

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

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

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

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2010, were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	5.31%	5.31%	5.31%**
Employee	NA	3.90%	***

* The employer rates include the employer administrative expense fee currently set at 0.16%.

** Plan 3 defined benefit portion only.

*** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

The Washington State Transit Insurance Pool (WSTIP) and its employees made the required contributions. WSTIP's required contributions for the years ending December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2010	$0.00	$25,354.18	$12,126.96
2009	$0.00	$28,800.10	$15,247.68
2008	$0.00	$21,312.93	$15,493.68

NOTE 7 - DEFERRED COMPENSATION PLAN

All of the WSTIP employees participate in a 401(A) Defined Contribution Plan and can choose to participate in one of three 457 Deferred Compensation retirement plans offered through PEBSCO, ICMA or DCP. The ICMA 401 (A) Plan is in lieu of social security. The employer contributes 6.20% of the employee's gross monthly salary to the 401(A) plan and the employee contributes 9.20% of their gross monthly salary to the 401(A) plan.

In February 2005, WSTIP employees were given the opportunity to participate in the Washington State 457 Deferred Compensation Program (DCP). DCP is a tax sheltered voluntary retirement plan administered by the Washington State Department of Retirement Systems. All full-time, part-time, career seasonal, or regular schedule Washington State employees are eligible to join DCP; as well as any elected or appointed State officials. Employees of political subdivisions may participate subject to employer adoption of the plan. Participants authorize their employer to postpone – or defer – a part of their income before taxes are calculated, and have that money invested in their DCP account.

NOTE 8 - GEM

WSTIP along with eleven other intergovernmental risk pools, incorporated the Government Entities Mutual, Inc. (GEM), a captive insurance company, on January 1, 2003. WSTIP's initial investment in GEM was $500,000. In 2005, WSTIP contributed an additional $250,000 to GEM. WSTIP accounts for GEM using the equity method of accounting.

For each member, GEM maintains a separate surplus account for capital surplus contributions and a policy year account for underwriting results and administrative expenses. Investment income or losses are allocated to members based on the balances in each member's policy year account on an annual basis. WSTIP's proportionate share of income from GEM of ($26,663) and $288,416 is included in WSTIP's investment income for 2010 and 2009, respectively. Each GEM member's financial liability is limited to its contributed capital. As of December 31, 2010, GEM's membership had grown to seventeen pools.

NOTE 9 – CAPITAL ASSETS

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated				
Land	$ 91,010	$ -	$ -	$ 91,010
Total capital assets not being depreciated	91,010			91,010
Capital assets being depreciated				
Buildings	387,990			387,990
Furnishings and Equipment	213,461			213,461
Total capital assets being depreciated	601,451			601,451
Less accumulated depreciation for				
Buildings	(79,999)	(9,948)		(89,947)
Furnishings and equipment	(205,246)	(2,515)		(207,761)
Total accumulated depreciation	(285,245)	(12,463)		(297,708)
Net capital assets being depreciated	316,206			303,743
Total Capital Assets, Net	$ 407,216	$(12,463)	$ -	$ 394,753

2009

	Beginning Balance	Increase	Decrease	Ending Balance
Capital assets not being depreciated				
Land	$ 91,010	$ -	$ -	$ 91,010
Total capital assets not being depreciated	91,010			91,010
Capital assets being depreciated				
Buildings	387,990			387,990
Furnishings and Equipment	213,461			213,461
Total capital assets being depreciated	601,451			601,451
Less accumulated depreciation for				
Buildings	(70,051)	(9,948)		(79,999)
Furnishings and equipment	(202,150)	(3,096)		(205,246)
Total accumulated depreciation	(272.201)	(13,044)		(285,245)
Net capital assets being depreciated	329,250			316,206
Total Capital Assets, Net	$ 420,260	$(13,044)	$ -	$ 407,216

(The original cost of operating property retired or otherwise disposed of and the cost of installation, less salvage, is charged to accumulated depreciation.) (However, in the case of the sale of a significant operating unit or system, the original cost is removed from the Pool capital assets accounts, accumulated depreciation is charged with the accumulated depreciation related to the property sold, and the net gain or loss on disposition is credited or charged to income.)

(An allowance for funds used during construction is capitalized as part of the cost of Pool capital assets. The procedure is intended to remove the cost of financing construction activity from the income statement and to treat such cost in the same manner as construction labor and material costs.)

Depreciation is computed using the straight line method with useful lives as outlined below:

Buildings	39 years
Building Improvements	39 years
Equipment	5 to 10 years
Office Furnishings	7 years

(Initial depreciation on capital assets is recorded in the year subsequent to purchase.) (Preliminary costs incurred for proposed projects are deferred pending construction of the facility. Costs relating to projects ultimately constructed are transferred to the appropriate capital asset account; charges that relate to abandoned projects are expensed.)

The pool's policy is to capitalize all asset additions greater than $1,000 and with an estimated life of more than one year.

NOTE 10 – UNPAID CLAIMS LIABILITIES

As discussed in Note 1, WSTIP establishes a fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claims adjustment expenses. The following represents changes in those aggregate liabilities for the last two years.

The Pool establishes claims liabilities based on reserve data from member claims in the WSTIP Riskmaster Claims Database.

	2010	2009
Unpaid claims and claim adjustment expenses at beginning of year	$ 10,094,996	$ 8,549,162
Incurred claims and claim adjustment Expenses:		
Provision of insured events of current year (Includes ULAE)	6,037,769	5,351,000
Increase (or decrease) in provision for prior years	134,518	610,233
Total Incurred	**$16,267,283**	**$14,510,595**
Payments:		
Claims and claim adjustment expenses	$824,764	788,776
attributable to insured events of the current year		
Claims and claim adjustment expenses	5,500,076	3,626,623
attributable to insured events of the prior years		
Total Payments	6,324,840	4,415,399
Total unpaid claims and claim adjustment		
Expenses at end of the year	**$ 9,942,443**	**$ 10,094,996**

NOTE 11 – OPERATING AND NON-OPERATING REVENUES

Member assessments and program revenues are reported as operating revenue. Interest and dividend income and other revenues generated from non-operating sources are classified as non-operating.

NOTE 12 – RESTRICTED NET ASSETS

The pool's statement of net assets reports $0of restricted net assets, of which $0 is restricted by enabling legislation. The pool has implemented GASB 46.

Claims Development Information

For The Year Ending December 31, 2010*

The table below illustrates how the Fund's earned revenues (net of reinsurance) and investment income compare to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the Fund as of the end of each of the last ten years. The table of rows are defined as follows: (1) this line shows the total of each fiscal years earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operating costs of the Fund including overhead and claims expenses not allocated to individual claims. (3) This line shows the Fund's incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). (4) This section shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This section 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. (6) 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. Columns of the table show data for successive policy years.

Fiscal and Policy Year Ended (in thousands of Dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
1. Gross required contribution and investment revenues	3,792	4,106	5,648	6,800	7,860	7,982	8,401	9,147	9,341	10,785
Ceded	524	912	1,681	1,803	1,755	1,710	1,943	1,763	1,734	1,651
Net earned required contribution and investment revenues	3,262	3,188	3,963	4,996	6,104	6,272	6,459	7,483	8,322	10,215
2. Unallocated expenses	859	1,196	1,134	1,256	1,370	1,331	1,687	2,132	1,897	2,110
3. Estimated incurred claims and expenses, end of policy year										
Incurred	2,200	1,853	2,020	3,153	2,484	3,329	2,990	5,170	5,041	5,648
Ceded	1,252	264	18	1,256	245	85	23	1,467	837	191
Net Incurred	948	1,589	2,002	1,897	2,239	3,244	2,967	3,703	4,204	5,457
4. Paid (cumulative) as of:										
End of policy year	204	178	125	358	307	472	451	1,185	789	825
One year later	459	255	435	826	758	1,276	891	2,191	3,064	
Two years later	927	897	724	1,983	1,635	1,581	1,374	3,991		

Three years later	1,086	987	1,078	2,391	1,850	3,416	2,050			
Four years later	1,200	1,057	1,156	2,416	1,989	3,917				
Five years later	1,272	1,186	1,186	2,569	2,235					
Six years later	1,272	1,243	1,194	2,570						
Seven years later	1,272	1,247	1,194							
Eight years later	1,272	1,247								
Nine years later	1,272									
5. Re-estimated incurred claims and expenses:										
End of policy year	2,200	1,853	2,020	3,153	2,484	3,329	2,990	5,170	5,041	5,648
One year later	1,867	1,628	1,569	2,715	2,371	3,768	2,325	5,356	4,946	
Two years later	1,764	1,424	1,361	2,653	2,186	3,957	2,462	5,350		
Three years later	1,450	1,203	1,224	2,810	2,138	4,341	2,718			
Four years later	1,334	1,237	1,246	2,546	2,230	4,623				
Five years later	1,272	1,245	1,212	2,591	2,251					
Six years later	1,272	1,264	1,193	2,580						
Seven years later	1,272	1,261	1,194							
Eight years later	1,272	1,281								
Nine years later	1,272									
6. Increase (decrease) in estimated incurred claims and expenses for end of the policy year	-928	-572	-826	-573	-233	1,294	-272	180	-95	0

* At policy year end 2010 our actuary started calculating estimated ceded ultimate loss

SCHEDULE T-1

PUBLIC ENTITY RISK POOL LIST OF PARTICIPATING MEMBERS

WASHINGTONSTATE TRANSIT INSURANCE POOL

AS OF DECEMBER 31, 2010

Participating Members	
Asotin Transit	Kim Gates - Director
Ben Franklin Transit	Allen Walch - Director
ClallamTransit	Terry Weed– Director
Columbia County	Stephanie Guettinger - Director
Community Transit	Jeff Ristau– Director
Community Urban Bus	Chris Smith – Director
Everett Transit	Tom Hingson - Director
Grant Transit	Greg Wright –Director
Grays Harbor Transit	Mark Carlin – Director
Intercity Transit	Ben Foreman - Director
Island Transit	Barb Savary - Director
Jefferson Transit	Peggy Hanson - Director
Kitsap Transit	Paul Shinners - Director
Link Transit	Lynn Bourton - Director
Mason Transit	Kathy Cook - Director
Pacific Transit	Tim Russ– Director
Pierce Transit	Terence Artz - Director
Pullman Transit	Rod Thornton -Director
Skagit Transit	Dale O'Brien – Director
Spokane Transit	Jim Plaster - Director
Twin Transit	Ernie Graichen– Director
Valley Transit	Ed McCaw - Director
Whatcom Transit	Pat Dunn – Director
Yakima Transit	Ken Mehin - Director

Elected	
President	Tom Hingson, Everett Transit
Vice President	Mark Carlin, Grays Harbor Transit

Secretary	Ed McCaw, Valley Transit

Appointed Officers

Treasurer	Ben Foreman (Intercity Transit)
Auditor	Allen F. Hatten (WSTIP Executive Director)
At-Large	Chris Smith, Community Urban Bus

Staff

Executive Director	Allen Hatten

The following firms provide ongoing support services to WSTIP

Broker	Alliant Insurance Services – Newport Beach, CA
Attorney	Ronald A. Franz – Burien,WA
Claims Adjuster	Self-Administered
Actuary	PriceWaterhouseCoopers – Seattle, WA
Accountant	McSwain& Company – Olympia, WA

SCHEDULE T-2

OFM SCHEDULE OF EXPENSE

WASHINGTONSTATE TRANSIT INSURANCE POOL

AS OF DECEMBER 31, 2010

CLAIMS- SELF INSURANCE FUND	$6,720,394
EXCESS INSURANCE PREMIUMS	1,650,603
CONTRACTED SERVICES	
PIERCE SUB CONTRACTED CLMS SRVC	94,332
ACTUARY	78,200
ADMINSTRATIVE SERVICES	14,252
BROKER FEES	129,806
CONTRACT WEB DESIGN	38,886
DIS BACKUP	13,787
INTEGRATED RISK MANAGEMENT	71,160
SOFTWARE COOP/IT SECURITY	32,812
CONTRACTED SERVICES	17,471
LEGAL AND ACCOUNTING	12,142
LOSS CONTROL SERVICES	189,091
AUDITS	36,490

ADMINISTRATIVE EXPENSES

STAFF WAGES, TAXES & BENEFITS	999,479
STAFF CONFERENCES & TRAVEL	69,265
BOARD EXPENSES	99,838
INFORMATION SERVICES	87,979
COMMUNICATIONS	32,047
OCCUPANCY COSTS	35,017
OFFICE EXPENSES	44,601
DEPRECIATION	12,463
MISCELLANEOUS	1,950
TOTAL OPERATING EXPENSES	**$ 10,482,065**

ABOUT THE STATE AUDITOR'S OFFICE

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

Our mission is to work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

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

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

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

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

State Auditor	**Brian Sonntag, CGFM**
Chief of Staff	**Ted Rutt**
Deputy Chief of Staff	**Doug Cochran**
Chief Policy Advisor	**Jerry Pugnetti**
Director of Audit	**Chuck Pfeil, CPA**
Director of Performance Audit	**Larisa Benson**
Director of Special Investigations	**Jim Brittain, CPA**
Director for Legal Affairs	**Jan Jutte, CPA, CGFM**
Director of Quality Assurance	**Ivan Dansereau**
Local Government Liaison	**Mike Murphy**
Communications Director	**Mindy Chambers**
Public Records Officer	**Mary Leider**
Main number	**(360) 902-0370**
Toll-free Citizen Hotline	**(866) 902-3900**
Website	**www.sao.wa.gov**
Subscription Service	**https://www.sao.wa.gov/EN/News/Subscriptions/**