Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Washington State Transit Insurance Pool

Thurston County

For the period January 1, 2015 through December 31, 2016

Published August 24, 2017
Report No. 1019724

Office of the Washington State Auditor
Pat McCarthy

August 24, 2017

Executive Board
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,

Pat McCarthy

State Auditor

Olympia, WA

Insurance Building, P.O. Box 40021 • Olympia, Washington 98504-0021 • (360) 902-0370 • Pat.McCarthy@sao.wa.gov

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Washington State Transit Insurance Pool
Thurston County
January 1, 2015 through December 31, 2016

Executive Board
Washington State Transit Insurance Pool
Olympia, 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 State Transit Insurance Pool, Thurston County, Washington, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Pool's basic financial statements, and have issued our report thereon dated August 22, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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 Pool'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 Pool's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

August 22, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Washington State Transit Insurance Pool
Thurston County
January 1, 2015 through December 31, 2016

Executive Board
Washington State Transit Insurance Pool
Olympia, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the Washington State Transit Insurance Pool, Thurston County, Washington, as of and for the years ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Pool'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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington State Transit Insurance Pool, as of December 31, 2016 and 2015, 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 14, risk pools information on page 36 through 38 and pension plan information on pages 39 through 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pool's basic financial statements as a whole. The Public Entity Risk

Pool List of Participating Members and 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 August 22, 2017 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 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 Pool's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

August 22, 2017

FINANCIAL SECTION

Washington State Transit Insurance Pool
Thurston County
January 1, 2015 through December 31, 2016

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2016

BASIC FINANCIAL STATEMENTS

Comparative Statement of Net Position – 2016 and 2015
Comparative Statement of Revenues, Expenses and Changes in Net Position – 2016 and 2015
Comparative Statement of Cash Flows – 2016 and 2015
Notes to Financial Statements – 2016 and 2015

REQUIRED SUPPLEMENTARY INFORMATION

Claims Development Information – 2016
Reconciliation of Claims Liabilities – 2016
Schedules of Proportionate Share of the Net Pension Liability – PERS 1 and 2/3 – 2016
Schedules of Employer Contributions – PERS 1 and 2/3 – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Public Entity Risk Pool List of Participating Members – 2016
DES Schedule of Expenses – 2016 and 2015

Management Discussion and 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, 2016. 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 $3,030,867 in 2016 to $40,315,655 a 8.12% increase.
- WSTIP continues to meet the solvency standards established by the Washington Administrative Code (WAC) 200-100-03001.
- The 2016 year-end net position of WSTIP was $22,413,128 as compared to $20,016,587 at year end 2015. This represents a $2,396,541 change or 11.97% increase.
- Total expenses for 2016 were $11,139,647 as compared to 11,890,906 for 2015.
- Total claims liabilities for 2016 were $16,917,512 as compared to $16,309,610 for 2015. This is an increase of $607,902. The increase in claims liabilities is mainly due to unfavorable loss development.

Three Year Comparative Summary

Description	2016	2015	2014
Assets			
Other Assets	$39,921,469	$36,875,488	$36,691,528
Capital Assets	394,186	409,300	426,852
Total Assets	40,315,655	37,284,788	37,118,380
Deferred Outflows of Resources			
Pension Related	158,484	108,318	68,792
Total Deferred Outflow of Resources	158,484	108,318	68,782
Liabilities			
Other Liabilities	16,971,074	16,394,477	16,585,050
Long-Term Liabilities	1,073,798	871,084	705,456
Total Liabilities	18,044,872	17,265,561	17,290,506
Deferred Inflows of Resources		,	
Pension Related	16,139	110,958	248,160
Total Deferred Inflows of Resources	16,139	110,958	248,160
Net Position			
Net Investment in Capital Assets	394,186	409,300	426,852
Unrestricted Building Reserve	71,193	56,193	41,192
Unrestricted Net Position	21,947,749	19,551,094	19,180,461
Total Net Position	$22,413,128	$20,016,587	$19,648,505
Revenues			
Member Assessments	$12,864,133	$12,245,048	$11,570,191
Program Revenues	246,845	218,222	213,502
Total Operating Revenues	13,110,978	12,463,270	11,783,693
Interest and Dividend Income	333,454	276,209	396,819
Change in Equity in Gem	91,756	(480,491)	
Total Revenues	13,236,188	12,258,988	12,180,512
Operating Expenses			
Operating Expenses	2,504,064	2,369,065	2,015,106
Claims Paid on Current Losses	6,463,393	6,403,818	6,535,847
Adjustment to Prior Years' Claims Reserves	(1,041,747)	82,334	690,961
Unallocated Loss Adjustment Expense	402,229	368,538	356,641
Excess Insurance Premiums	2,107,752	1,999,363	2,206,372
Depreciation Expense	15,114	17,552	20,560
Insurance Services Expense	661,842	650,236	505,170
Total Expenses	11,139,647	11,890,906	12,330,657
Changes in Net Position	2,396,541	368,081	(150,145)
Beginning Net Position	20,016,587	$19,648,505	19,798,650
Ending Net Position	$22,413,128	$20,016,587	$19,648,505

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 like a private-sector business.

The comparative statement of net position presents information on all WSTIP's assets and liabilities, with the difference reported as equity. WSTIP retains equity 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 comparative statement of revenues, expenses and changes in net position presents information on all the agency's revenues and expenses.

The comparative statement of cash flows presents 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 10 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 pages 28 through 35. 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 2016 membership year. In addition, there's a schedule of proportionate share of the net pension liability and a schedule of employer contributions.

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 of Washington Local Government 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 owns a building which was purchased in 2001 for $479,000. WSTIP also is a capitol contributor to Governmental Entities Mutual (GEM) with an estimated surplus account of $1,273,834. GEM is a captive insurance company owned by 16 governmental insurance pools located throughout the United States. It is domiciled in Washington, DC.

The bulk of WSTIP liabilities reside with the Member claims. Twice a year an independent Actuary conducts an actuarial review of WSTIP claims to assess and project claim liabilities by loss year. At year-end 2016, claims liabilities were projected to be $16,917,512 as compared to $16,309,610 at year end 2015. Claims liabilities are 94% of the total liabilities for WSTIP at year-end 2016 which is the same as year-end 2015.

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 budget development, determining loss fund levels and reserve adequacy.

Budgetary Highlights

Each year the Board of Directors adopts an operating budget in December. The budget is reviewed on a quarterly basis by the WSTIP Board of Directors. 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 2016:

Description	**Jan – Dec 2016**
Operating Revenues	13,110,978
Operating Expenses	11,139,647
Non-Operating Revenues (Expenses)	425,210
Change in Net Position	2,396,541

- The 2016 payroll budget increased 11.25% from 2015 to 2016 to do the reclassification of a part-time position to a full-time position.
- 2016 was the first full year of the network security project which was implemented in mid-2015, accounting for a 65.71% increase in the 2016 budget.
- The information services budget decreased by 40.21% from 2015 to 2016 due to associated implementation costs in 2015 for the risk management information system (Origami). The system went live January 2016 and we are now into the maintenance phase of the three-year contract.

Capital Assets

As mentioned above, the Pool owns a building purchased for $479,000 in 2001. The Pool also dedicates $15,000 a year from its equity to a building reserve to save for any improvements or updates it needs to make to the building it owns. The balance of this building reserve at year-end was $71,193. Total capital assets at year-end 2016 was $394,186 as outlined in note 9.

Future Factors

WSTIP Management believes the overall financial position of the Pool remained stable, strong and robust. 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 2017 fiscal year.

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 POSITION

As of December 31, 2016

	2016	2015
ASSETS		
Current Assets:		
Deposits and Investments (Note 2)	$38,071,612	$35,134,263
Accounts Receivable	37,680	18,757
Prepaid Expenses	538,342	540,389
TOTAL CURRENT ASSETS	38,647,635	35,693,409
Noncurrent Assets:		
Capital Assets (Net of Accumulated Depreciation)(Note 9)	394,186	409,300
Equity In Government Entity Mutual (GEM) (Note 8)	1,273,834	1,182,079
TOTAL NONCURRENT ASSETS	1,668,020	1,591,379
TOTAL ASSETS	40,315,655	37,284,788
Deferred Outflows of Resources		
Pension Related (Notes 1, 6)	158,484	108,318
Total Deferred Outflows of Resources	158,484	108,318
LIABILITIES		
Current Liabilities:		
Accounts Payable	53,562	83,247
Unpaid Claims Liability (Note 10)	$16,307,512	$15,709,610
Unallocated Loss Adjustment Expense (ULAE) Reserve	610,000	600,000
Unearned Revenue	0	1,620
TOTAL CURRENT LIABILITIES	16,971,074	16,394,477
Noncurrent Liabilities:		
Compensated Absences (Note 16)	159,408	151,633
Owed to Risk Pool Leadership Development Program	19,062	0
Net Pension Liability	895,328	719,451
TOTAL NONCURRENT LIABILITIES	1,073,798	871,084
TOTAL LIABILITIES	18,044,872	17,265,561
Deferred Inflows of Resources		
Pension Related (Notes 1, 6)	16,139	110,958
Total Deferred Inflows of Resources	16,139	110,958
NET POSITION		
Net Investment in Capital Assets	394,186	409,300
Unrestricted Building Reserve	71,193	56,193
Unrestricted Net Position	21,947,749	19,551,094
TOTAL NET POSITION	22,413,128	20,016,587

The accompanying notes are an integral part of these financial statements.

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the years ended December 31, 2016 and 2015

OPERATING REVENUES	2016	2015
Member Assessments	$12,864,133	$12,245,048
Program Revenues	246,845	218,222
Total Operating Revenues	13,110,978	12,463,270
OPERATING EXPENSES		
Incurred Loss/Loss Adjustment Expenses		
Claims Paid	6,463,393	6,403,818
Change in Unpaid Claims Liability	(1,014,747)	82,334
Unallocated Loss Adjustment Expense	402,229	368,538
Excess/Reinsurance Premiums	2,107,752	1,999,363
Depreciation Expense	15,114	17,552
General and Administrative Expenses	2,504,064	2,369,065
Insurance Services:		
Brokerage Fee	101,200	101,200
Other Insurance Services	560,642	549,036
Total Operating Expenses	11,139,647	11,890,906
OPERATING INCOME (LOSS)	1,971,331	572,364
NONOPERATING REVENUES (EXPENSES):		
Interest and Dividend Income	333,454	276,209
Change in Equity in GEM	91,756	(480,491)
TOTAL NON OPERATING REVENUES AND EXPENSES	425,210	(204,282)
CHANGES IN NET POSITION	2,396,541	368,082
TOTAL NET POSITION, January 1	20,016,587	19,648,505
Net Position, beginning of year, restated	20,016,587	19,648,505
TOTAL NET POSITION, December 31	$22,413,128	$20,016,587

The accompanying notes are an integral part of these financial statements.

COMPARATIVE STATEMENT OF CASH FLOWS

For the years ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Members	$12,864,133	$12,245,048
Cash Payments to Suppliers for Goods and Services	(9,757,364)	(10,650,860)
Cash Payments to Employees for Services	(1,357,621)	(1,232,356)
Increase (Decrease) in Claim Reserve	607,902	(246,371)
Other Operating Revenues	246,845	218,222
Net Cash Provided (Used) by Operating Activities	2,603,895	333,683
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest Received	333,454	276,209
Net Cash Provided (Used) by Investing Activities	333,454	276,209
Increase (Decrease) in Cash and Cash Equivalents	2,937,349	609,892
Cash and Cash Equivalents, January 1	35,134,263	34,524,371
Cash and Cash Equivalents, December 31	$38,071,612	$35,134,263

The accompanying notes are an integral part of these financial statements.

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

The Pool did not borrow under any capital lease, receive any contribution of capital assets from governments, or have an increase in the fair value of investments during 2016.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Organization

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 only at the end of a fiscal year by providing six month's written 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 three-fourths 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. At the end of 2016, WSTIP had twenty-five members:

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

b) **Basis of Accounting and Presentation**

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.

c) Capital Assets and Depreciation - See Note 9.

d) Accounts Receivable

Accounts receivable at December 31, 2016 and 2015, are as follows:

2016	TOTAL	2015	TOTAL
Benton County	$782	Benton County	$658
City of E. Wenatchee	8	City of E. Wenatchee	8
Clallam Transit	131	City of Everett	94
Data Driven Safety	3,040	Island County	195
Island County	300	Jerry Spears	43
Mason County	307	Mason County	240
National Academy of Sciences	15,000	Pierce Transit	10,000
Northshore Senior Ctr	22	WSDOT	7,257
Pierce Transit	5,000	Walla Walla County	262
RiverCities Transit	29		
WSDOT	6,621		
Walla Wall County	320		
Whatcom County	120		
Whatcom Transit	6,000		
TOTAL	**$37,680**	**TOTAL**	**$18,757**

e) Investments – See Note 2.

f) 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, is payable upon resignation, retirement or death. See Note 16.

g) 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.

h) 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, 2016, and December 31, 2015, for reinsurance was $2,102,632 and $4,337,235. Premiums ceded to reinsurers during 2016 and 2015 were $2,107,752 and $1,999,363 respectively.

i) Member Assessments and Unearned Member Assessments
Member's 2016 contribution rates were based on their estimated exposures of miles and employees at the following rates: Fixed Route = $0.0955/mile; Dial-A-Ride = $0.0955/mile; Van Pool = $0.0955/mile; Non-revenue = $0.0955 and $286.49 per employee for general liability and public official's coverage. Further adjustments are made on a retrospective basis to the period year's actual miles, experience factors, actuarial calculations, deductibles and UM/UIM options.

j) 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.

k) 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.

l) 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.

m) Budget and Spending Controls
An annual budget is prepared by the Executive Director and presented to the Board of Directors for adoption 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 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.

n) 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 an independent actuary. The change in the liability each year is reflected in current earnings.

o) Pensions
For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

p) Deferred Outflows/Inflows of Resources – Pensions
Deferred inflows of resources for pensions are recorded when actual earnings on the pension plan investments exceed projected earnings. Deferred outflows of resources for pensions are recorded when projected earnings on the pension plan investments exceed actual earnings. These are amortized to pension expense using a systematic and rational method over a closed five-year period.

Deferred outflows and deferred inflows of resources for pensions also include the difference between expected and actual experience with regard to economic or demographic factors; changes of assumptions about future economic, demographic, or other input factors; or changes in the Pool's proportionate share of net pension liability. These deferred outflows and deferred inflows are amortized over the average expected remaining service lives of all employees that are provided with pensions through each pension plan.

Pool contributions to the pension plans made subsequent to the measurement date are deferred outflows of resources and reduce net pension liability in the subsequent year.

NOTE 2 – DEPOSITS AND INVESTMENTS

a) Deposits
Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction the Pool would not be able to recover the value of the investment or collateral securities. 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 Washing Public Deposit Protection Commission (PDPC).

Deposits as of December 31, 2016:	
US Bank	$3,035,112

b) Investments
Investments Measured at Amortized Cost

As of December 31, 2016 the Pool held the following investments at amortized cost:

Thurston County Investment Pool (TCIP)	$34,427,154
Local Government Investment Pool (LGIP)	$609,346
Total Investments measured at Amortized Cost	$35,036,500

98% of all WSTIP cash investments are with the Thurston County Investment Pool (TCIP) and the Local Government 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 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.

Fiscal Year 2011

For fiscal year 2011, 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 17% and GEM retains 83%, $10,000 for Crime, $250,000 for Property with a 24 hour waiting period on all perils and coverage's and $250,000 for Auto Comprehensive. The Auto Physical Coverage retention was $250,000 with settlement based on fair market value. Through a combination of fund balance designated at December 31, 2010, and member assessments earned at January 1, 2011, the pool committed assets of $7,344,828 specifically for the purpose of funding these retentions for fiscal year 2011.

Fiscal Year 2012

For fiscal year 2012, 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 17% and GEM retains 83%, $10,000 for Crime, $500,000 for Property with a 24 hour waiting period on all perils and coverage's and $500,000 for Auto Comprehensive. Auto Physical Damage coverage was self-funded by the Pool from July 1, 2012, to December 31, 2012, with settlement based on fair market value. Through a combination of fund balance designated at December 31, 2011, and member assessments earned at January 1, 2012, the pool committed assets of $6,624,189 specifically for the purpose of funding these retentions for fiscal year 2012.

Fiscal Year 2013

For fiscal year 2013, 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 17% and GEM retains 83%, $10,000 for Crime, $250,000 for Property with a 24 hour waiting period on all perils and coverage's and $250,000 for Auto Comprehensive and Auto Physical Damage coverage from July 1, 2013, to December 31, 2013, with settlement based on fair market value. Through a combination of fund balance designated at December 31, 2012, and member assessments earned at January 1, 2013, the pool committed assets of $6,895,064 specifically for the purpose of funding these retentions for fiscal year 2013.

Fiscal Year 2014

For fiscal year 2014, 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 17% and GEM retains 83%, $10,000 for Crime, $250,000 for Property with a 24 hour waiting period on all perils and coverage's and $250,000 for Auto Comprehensive and Auto Physical Damage coverage from July 1, 2014, to December 31, 2015, with settlement based on fair market value. Through a combination of fund balance designated at December 31, 2014, and member assessments earned at January 1, 2014, the pool committed assets of $6,892,488 specifically for the purpose of funding these retentions for fiscal year 2014.

Fiscal Year 2015

For fiscal year 2015, the pool's per occurrence retention limit is $2,000,000 for General & Auto liability and Public Officials, $10,000 for Crime, $250,000 for Property with a 24 hour waiting period on all perils and coverage's and $250,000 for Auto Comprehensive and Auto Physical Damage coverage from July 1, 2014, to December 31, 2015, with settlement based on fair market value. Through a combination of fund balance designated at December 31, 2014, and member assessments earned at January 1, 2015, the pool committed assets of $6,772,356 specifically for the purpose of funding these retentions for fiscal year 2015

Fiscal Year 2016

For fiscal year 2016, the pool's per occurrence retention limit is $2,000,000 for General & Auto liability and Public Officials, $250,000 for Property with a 24 hour waiting period on all perils and coverage's and $250,000 for Auto Comprehensive and Auto Physical Damage coverage from July 1, 2015, to December 31, 2016, with settlement based on fair market value. Through a combination of fund balance designated at December 31, 2015 and member assessments earned at January 1, 2016, the pool committed assets of $6,865,622 specifically for the purpose of funding these retentions for fiscal year 2016.

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	**2016**	**2015**
Liability Reinsurance		
Comprehensive Liability	$20,000,000	$20,000,000
Automobile Liability	$20,000,000	$20,000,000
Public Officials Liability	$20,000,000	$20,000,000
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 members)	$500,000,000	$1,000,000,000
Limited to: Earthquake	$25,000,000	$25,000,000
Flood (excluding Zone A)	$50,000,000	$50,000,000
Flood – Zone A annual aggregate	$10,000,000	$10,000,000
Auto Physical Damage (all members have a $5,000 deductible except C-Tran, Pierce Transit and Spokane Transit. C-Tran has $10,000 and Pierce Transit and Spokane Transit are at $25,000)	Fair Market Replacement cost coverage for vehicles less 10 years old and valued over $250,000	Fair Market Replacement cost coverage for vehicles less 10 years old and valued over $250,000
Boiler and Machinery	$100,000,000	$100,000,000

NOTE 5 - MEMBERS' SUPPLEMENTAL ASSESSMENTS AND CREDITS

The Board of Directors adopted an Assessment Allocation Policy on June 24, 2016 establishing 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. During FY 2016, the Pool did not make a supplemental assessment.

NOTE 6 - PENSION PLANS

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	$895,328
Pension assets	$0
Deferred outflows of resources	$158,484
Deferred inflows of resources	$16,139
Pension expense/expenditures	$129,993

State Sponsored Pension Plans

All WSTIP's full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	**Employer**	**Employee***
PERS Plan 1	6.23%	6.00%
PERS Plan 1 UAAL	4.77%	6.00%
Administrative Fee	0.18%	
Total	**11.18%**	**6.00%**

No WSTIP employees are covered by PERS Plan 1; however, a portion of the PERS Plan 2/3 contributions is allocated by DRS to the PERS Plan 1 UAAL. The amounts allocated to PERS Plan 1 UAAL were $42,974 for FY 2016 and $38,352 for FY 2015.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

- With a benefit that is reduced by three percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	**Employer 2/3**	**Employee 2***
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	**11.18%**	**6.12%**

The portion of WSTIP's total actual contributions, calculated using the above rates, allocated to PERS Plan 2 and Plan 3 and administrative expense was $57,750 for year ended December 31, 2016 and $50,821 for the year ended December 31, 2015. WSTIP employees participate in PERS Plan 2 and Plan 3; no employees are covered under PERS Plan 1.

Actuarial Assumptions

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

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% total economic inflation; 3.75% salary inflation
- **Salary increases**: In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

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

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

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

Discount Rate

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

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

Long-Term Expected Rate of Return

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

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$490,122	$406,437	$334,421
PERS 2/3	$900,136	$488,891	$(254,496)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2016, WSTIP reported a total pension liability of $895,328 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	$406,437
PERS 2/3	$488,891

At June 30, WSTIP's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 06/30/16	Proportionate Share 06/30/15	Change in Proportion
PERS 1	.007568%	.007305%	(.000263)%
PERS 2/3	.009710%	.009441%	(.000269)%

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

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense
For the year ended December 31, 2016, WSTIP recognized pension expense as follows:

	Pension Expense
PERS 1	$ 36,097
PERS 2/3	$ 93,895
Total	**$ 129,992**

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2016, WSTIP reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS Plan 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$0
Net difference between projected and actual investment earnings on pension plan investments	$10,233	$0
Changes of assumptions	$0	$0
Changes in proportion and differences between contributions and proportionate share of contributions	$0	$0
Contributions subsequent to the measurement date	$ 21,065	$0
TOTAL	$ 31,298	$ 0

PERS Plan 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 26,033	$ (16,139)
Net difference between projected and actual investment earnings on pension plan investments	$ 59,826	$0
Changes of assumptions	$ 5,053	$0
Changes in proportion and differences between contributions and proportionate share of contributions	$ 8,761	$0
Contributions subsequent to the measurement date	$ 27,513	$0
TOTAL	$127,186	$ (16,139)

PERS Plan 1, 2 and 3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 26,033	$(16,139)
Net difference between projected and actual investment earnings on pension plan investments	$ 70,059	$
Changes of assumptions	$ 5,053	$
Changes in proportion and differences between contributions and proportionate share of contributions	$ 8,761	$
Contributions subsequent to the measurement date	$ 48,578	$
TOTAL	$158,484	$ (16,139)

Deferred outflows of resources related to pensions resulting from WSTIP's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31, 2016	PERS Plan 1
2017	$ (2,520)
2018	$ (2,520)
2019	$ 9,398
2020	$ 5,875
2021	
Thereafter	
Total	**$10,233**

Year ended December 31, 2016	PERS Plan 2/3
2017	$ 3,104
2018	$ 3,104
2019	$48,441
2020	$28,885
2021	
Thereafter	
Total	**83,534**

NOTE 7 - DEFERRED COMPENSATION PLANS

All WSTIP employees participate in a 401(A) Defined Contribution Plan (DCP) and can choose to participate in one of two 457 Deferred Compensation retirement plans offered through ICMA or the State's DCP program. 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. Outlined below is the December 31, 2016 and December 31, 2015 Employer and Employee contributions to the ICMA 401 A plan.

ICMA 401(A) Plan Contributions

Year	Employer	Employee
2016	$62,703	$122,276
2015	$60,125	$124,548

WSTIP employees may 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. WSTIP is not the owner of the 457 plan assets, the plan assets and liabilities are not reported in the WSTIP financial statements.

NOTE 8 – GOVERNMENT ENTITIES MUTUAL (GEM)

WSTIP along with 11 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 $91,756 and ($480,921) is included in WSTIP's investment income for 2016 and 2015, respectively. Each GEM member's financial liability is limited to its contributed capital. As of December 31, 2016, GEM's membership included 16 pools. WSTIP's equity position in GEM was $1,273,834 as of December 31, 2016 and $1,182,079 as of December 31, 2015. As of December 31, 2016 GEM had estimated member equity of $25,222,602 and $22,463,368 December 31, 2015. For information on GEM please contact GEM CEO Andrew Halsall at Andrew.Halsall@gemre.com or go to their web site at http://www.gemre.com/about-us/reporting.php to obtain financial information on GEM.

NOTE 9 – CAPITAL ASSETS

Capital Assets – Year Ended December 31, 2016

	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
Leasehold Improvements	63,890			63,890
Furnishings and Equipment	240,762			240,762
Total capital assets being depreciated	692,642			692,642
Less accumulated depreciation for				
Buildings	(139,687)	(9,949)		(149,636)
Leasehold Improvements	(6,069)	(1,638)		(7,707)
Furnishings and equipment	(228,596)	(3,527)		(232,123)
Total accumulated depreciation	(374,352)	(15,114)		(389,466)
Net capital assets being depreciated	318,290			303,176
Total Capital Assets, Net	$ 409,300	$ (15,114)	$ -	$ 394,186

Capital Assets – Year Ended December 31, 2015

	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
Leasehold Improvements	63,890			63,890
Furnishings and Equipment	240,762			240,762
Total capital assets being depreciated	692,642			692,642
Less accumulated depreciation for				
Buildings	(129,739)	(9,948)		(139,687)
Leasehold Improvements	(4,431)	(1,638)		(6,069)
Furnishings and equipment	(222,630)	(5,966)		(228,597)
Total accumulated depreciation	(356,800)	(17,552)		(374,352)
Net capital assets being depreciated	335,842			318,290
Total Capital Assets, Net	$ 426,852	$ (17,552)	$ -	$ 409,300

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 $5,000 and with an estimated life of more than one year.

As mentioned above, the Pool owns a building purchased for $479,000 in 2001. The Pool also dedicates $15,000 a year from its equity to a building reserve to save for any improvements or updates it needs to make to the building it owns. The balance of this building reserve at year-end was $71,193.

NOTE 10 – UNPAID CLAIMS LIABILITIES

As discussed in Note 2, 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 Origami, the Pool's Risk Management Information System (RMIS) that went live in January of 2016. Historical data migrated from the Riskmaster database.

	2016	2015
Unpaid claims and claim adjustment expenses at beginning of year	**$16,309,610**	**$16,555,981**
Incurred claims and claim adjustment Expenses:		
Provision of insured events of current year (Includes ULAE)	$6,004,881	6,363,990
Increase (or decrease) in provision for prior years	$2,474,250	653,237
Total Incurred	**$8,479,131**	**$7,017,227**
Payments:		
Claims and claim adjustment expenses	$1,026,983	1,085,540
attributable to insured events of the current year		
Claims and claim adjustment expenses	$6,844,246	6,178,058
attributable to insured events of the prior years		
Total Payments	$7,871,229	7,263,598
Total unpaid claims and claim adjustment		
Expenses at end of the year	**$16,917,512**	**$16,309,610**

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 – WASHINGTON ADMINISTRATIVE CODE

WAC 200-100-03001 requires WSTIP to maintain certain levels of primary and secondary assets to meet solvency standards. As defined in WAC 200-100-03001 total primary assets, cash and cash equivalents less non- claims liabilities, must be at least equal to the unpaid claims estimates at the expected level as determined by the actuary. Additionally, total primary assets and secondary assets must be at least equal to the unpaid claims estimate at the 80% confidence level as determined by the actuary. Secondary assets are defined as insurance receivables, real estate or other assets (less any non-claim liabilities) the value of which can be independently verified by the state risk manager.

	2016	2015
Primary Asset Test		
Primary Assets	37,787,000	34,903,000
Unpaid Claims - Expected	16,918,000	16,310,000
Results	Pass	Pass
Primary and Secondary Test		
Secondary Assets	2,152,000	2,631,000
Primary and Secondary Assets	39,938,000	37,534,000
Unpaid Claims – 80% Confidence	19,434,000	19,264,000
Results	Pass	Pass

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

As a member of the Washington State Public Employees Benefit Board (PEBB) WSTIP offers employees who retire the option to continue medical coverage on a self-pay basis. The premiums for retired employees are blended with the rates for active employees. This blending of rates is considered an implicit subsidy paid by WSTIP. Using the alternative measurement method permitted under GASB statement 45, this subsidy was found to be immaterial to the financial statements presentation. Therefore no adjustments or provisions were made to these financial statements.

NOTE 14 – COMPENSATED ABSENCES

During FY 2016 compensated absences of WSTIP employees increased by $7,775.

Compensated Absences	Year End 2015 Liability	2016 Additions	2016 Reductions	Year End 2016 Liability
FY 2016	$151,633	$116,307	$(108,532)	$159,408

NOTE 15 – SUBSEQUENT EVENTS

We have no subsequent events to report in these financial statements.

Claims Development Information for the Year Ending December 31, 2016

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)									
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**	**2016**
1. Gross required contribution and investment revenues	8,401	9,147	9,341	10,785	11,217	10,933	11,439	11,785	12,521	**13,198**
Ceded	1,943	1,763	1,734	1,651	1,793	1,904	2,166	2,206	1,999	2,150
Net earned	6,458	7,384	7,607	9,134	9,424	9,029	9,273	9,579	10,522	11,048
2. Unallocated operating expenses	1,687	2,132	1,897	2,111	2,272	2,223	2,433	2,500	3,058	**3,142**
3. Estimated Losses & Expenses End of Policy Year										
Incurred	2,990	5,170	5,041	5,648	5,727	4,994	5,470	7,047	5,764	**5,395**
Ceded	23	1467	837	191	4411	180	202	408	521	**2,150**
Net Incurred	2,967	3,703	4,204	5,457	1,316	4,814	5,268	6,639	5,243	**3,245**
4. Paid (cumulative) as of:										
End of policy year	451	1,185	789	825	1,077	927	1,075	983	1,086	**805**
One year later	891	2,191	3,064	2,398	2,774	1,828	2,172	2,050	**2,270**	
Two years later	1,374	3,991	3,366	3,581	3,744	2,692	3,141	**3,815**		
Three years later	2,050	4,641	4,005	4,220	4,910	4,348	**3,827**			
Four years later	2,301	5,025	4,224	5,876	7,000	**4,855**				
Five years later	2,371	5,044	4,398	6,056	**7,087**					
Six years later	2,387	5,047	4,411	**6,064**						

Fiscal and Policy Year Ended (in thousands of Dollars)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Seven years later	2,424	5,189	**4,424**							
Eight years later	2,440	**5,271**								
Nine years later	**2,440**									
5. Re-Estimated Ceded Losses & Expenses	**3**	**2,014**	**710**	**191**	**8,801**	**1,219**	**54**	**3,563**	**622**	**547**
6. Re-estimated net incurred claims and expenses:										
End of policy year	2,990	5,170	5,041	5,648	5,727	4,994	5,470	7,047	5,764	**5,395**
One year later	2,325	5,356	4,946	5,364	6,783	4,320	5,052	7,640	**5,735**	
Two years later	2,462	5,350	4,788	5,975	8,144	4,755	5,448	**7,340**		
Three years later	2,718	5,069	4,509	6,500	9,075	4,858	**6,220**			
Four years later	2,600	5,154	4,521	6,288	8,473	**4,976**				
Five years later	2,640	5,124	4,486	6,142	**8,295**					
Six years later	2,511	5,117	4,440	**6,107**						
Seven years later	2,420	6,165	**4,480**							
Eight years later	2,436	**6,197**								
Nine years later	**2,440**									
7. Increase (decrease) in estimated net incurred claims and expenses for end of the policy year	**(550)**	**1,027**	**(561)**	**459**	**2,568**	**(18)**	**750**	**293**	**(29)**	**0**

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

Reconciliation of Claims Liabilities by Type of Contract

	2016		2015	
	Liability	Property	Liability	Property
Unpaid claims and claim adjustment expenses at beginning of year	**$14,189,361**	**$2,120,249**	**$14,403,703**	**$2,152,278**
Incurred claims and claim adjustment expenses				
Provision of insured events of current year (Includes ULAE)	**$5,673,319**	**$331,562**	**$5,534,641**	**$ 829,349**
Change in provision for prior year	$ 2,350,538	$123,713	$568,316	$84,921
Total Incurred	**$ 8,023,857**	**$ 455,275**	**$6,102,957**	**$ 914,270**
Payments				
Claims and claim adjustment expenses attributed to insured events of the current year	$ 695,711	$ 331,272	$ 719,774	$ 255,305
Claims and claim adjustment expenses attributable to insured events of the prior year	$5,790,330	$1,053,916	$ 6,144,540	$ 143,979
Total Payments	**$ 6,486,041**	**$ 1,385,188**	**$6,864,314**	**$ 399,284**
Total unpaid claims and claim adjustment expense	**$15,727,176**	**$1,190,336**	**$13,642,347**	**$ 2,667,263**

WSTIP
Schedule of Proportionate Share of the Net Pension Liability
PERS Plan 1
As of June 30
Last 10 Fiscal Years*

	2016	2015
Employer's proportion of the net pension liability (asset)	.007568	.007305
Employer's proportionate share of the net pension liability	$406,437	$382,119
Employer's covered employee payroll	$1,292,740	$1,206,131
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	31.44%	31.68%
Plan fiduciary net position as a percentage of the total pension liability	57.03%	59.10%

**Until a full 10-year trend is compiled, WSTIP will present information only for those years for which information is available.*

WSTIP
Schedule of Proportionate Share of the Net Pension Liability
PERS Plan 2/3
As of June 30
Last 10 Fiscal Years*

	2016	2015
Employer's proportion of the net pension liability (asset)	.009710	.009441
Employer's proportionate share of the net pension liability	$488,891	$337,332
Employer's covered employee payroll	$1,292,740	$1,206,131
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	37.82%	27.97%
Plan fiduciary net position as a percentage of the total pension liability	85.82%	89.20%

**Until a full 10-year trend is compiled, WSTIP will present information only for those years for which information is available.*

WSTIP
Schedule of Employer Contributions
PERS Plan 1
As of December 31
Last 10 Fiscal Years*

	2016	2015
Statutorily or contractually required contributions	$42,974	$38,352
Contributions in relation to the statutorily or contractually required contributions	$(42,974)	$(38,352)
Contribution deficiency (excess)	$0	$0
Covered employer payroll	$1,357,621	$1,211,565
Contributions as a percentage of covered employee payroll	3.17%	3.17%

**Until a full 10-year trend is compiled, WSTIP will present information only for those years for which information is available.*

WSTIP
Schedule of Employer Contributions
PERS Plan 2/3
As of December 31
Last 10 Fiscal Years*

	2016	2015
Statutorily or contractually required contributions	$56,128	$49,248
Contributions in relation to the statutorily or contractually required contributions	$(56,128)	$(49,248)
Contribution deficiency (excess)	$0	$0
Covered employer payroll	$1,357,621	$1,211,565
Contributions as a percentage of covered employee payroll	4.13%	4.06%

**Until a full 10-year trend is compiled, WSTIP will present information only for those years for which information is available.*

WASHINGTONSTATE TRANSIT INSURANCE POOL
2016 Membership

Participating Members

Asotin Co PTBA	Jenny George - Director
Ben Franklin Transit	Gloria Boyce- Director
Clallam Transit	Wendy Clark-Getzin-– Director
Columbia County	Stephanie Guettinger - Director
Community Transit	Emmett Heath– Director
RiverCities Transit	Amy Asher – Director
C-TRAN	Diane O'Regan -Director
Everett Transit	Tom Hingson - Director
Grant Transit	Michael Wagner –Director
Grays Harbor Transit	Ken Mehin – Director
Intercity Transit	Ben Foreman - Director
Island Transit	Staci Jordan - Director
Jefferson Transit	Sara Crouch - Director
Kitsap Transit	Paul Shinners - Director
Link Transit	Nick Covey - Director
Mason Transit	Danette Brannin- Director
Pacific Transit	Rich Evans– Director
Pierce Transit	Rob Huyck- Director
Pullman Transit	Leann Hubbard -Director
Skagit Transit	Dale O'Brien – Director
Spokane Transit	Lynda Warren - Director
Twin Transit	Rob LaFontaine – Director
Valley Transit	Ed McCaw - Director
Whatcom Transit	Shonda Shipman – Director
Yakima Transit	Agustin Ortega - Director

Elected

President	Emmett Heath, Community Transit
Vice President	Paul Shinners, Kitsap Transit
Secretary	Diane O'Regan, C-TRAN

Appointed Officers

Treasurer	Ben Foreman, Intercity Transit
Auditor	Allen F. Hatten, WSTIP Executive Director

Staff

Executive Director	Allen F. 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	StraderHallett PS – Lacey, WA

DES SCHEDULE OF EXPENSES
WASHINGTON STATE TRANSIT INSURANCE POOL
FOR FISCAL YEARS ENDED DECEMBER 31, 2016 AND 2015

	2016	2015
Claims Self Insurance Fund	6,865,622	6,772,356
Excess Insurance Premiums	2,107,752	1,999,364
CONTRACTED SERVICES		
Driver Recording Monitoring	410,168	299,830
Actuary	64,500	108,000
Administrative Services	47,554	41,855
Broker Fees	101,200	101,200
Backup Services	7,819	6,121
Contracted Services	27,288	23,899
Legal and Accounting	28,427	12,728
Loss Control Services	513,088	507,181
Audits	35,392	22,493
ADMINISTRATIVE EXPENSES		
Staff Wages, Taxes and Benefits	1,357,621	1,211,566
Staff Conferences and Travel	100,870	90,322
Board Expenses	158,393	145,721
Information Services	181,825	328,265
Communications	20,085	18,986
Occupancy Costs	43,072	45,233
Office Expenses	66,283	50,455
Depreciation	15,114	17,552
Miscellaneous	2,321	5,446
OTHER		
Change in Unpaid Claims Liability	(1,014,747)	82,334
TOTAL OPERATING EXPENSES	11,139,647	11,890,906

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

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

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