

**Washington State Auditor's Office**  
**Financial Statements Audit Report**

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**Public Utility Risk Management Services**  
**Joint Self-Insurance Fund**  
**King County**

Audit Period  
January 1, 2008 through December 31, 2008

Report No. 1002749

Issue Date  
January 4, 2010



WASHINGTON  
**BRIAN SONNTAG**  
STATE AUDITOR



**Washington State Auditor  
Brian Sonntag**

January 4, 2010

Board of Commissioners  
Public Utility Risk Management Services Joint Self-Insurance Fund  
Seattle, Washington

***Report on Financial Statements***

Please find attached our report on the Public Utility Risk Management Services Joint Self-Insurance Fund'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

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**Public Utility Risk Management Services Joint Self-Insurance Fund  
King County  
January 1, 2008 through December 31, 2008**

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

**Public Utility Risk Management Services Joint Self-Insurance Fund  
King County  
January 1, 2008 through December 31, 2008**

Board of Commissioners  
Public Utility Risk Management Services Joint Self-Insurance Fund  
Seattle, Washington

We have audited the basic financial statements of Public Utility Risk Management Services Joint Self-Insurance Fund, King County, Washington, as of and for the years ended December 31, 2008 and 2007, and have issued our report thereon dated November 25, 2009.

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 Commissioners. 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.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" and last name "Sonntag" clearly distinguishable.

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

November 25, 2009

# **Independent Auditor's Report on Financial Statements**

## **Public Utility Risk Management Services Joint Self-Insurance Fund King County January 1, 2008 through December 31, 2008**

Board of Commissioners  
Public Utility Risk Management Services Joint Self-Insurance Fund  
Seattle, Washington

We have audited the accompanying basic financial statements of the Public Utility Risk Management Services Joint Self-Insurance Fund, King County, Washington, as of and for the years ended December 31, 2008 and 2007, 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 Public Utility Risk Management Services Joint Self-Insurance Fund, as of December 31, 2008 and 2007, 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 7 and risk pool information on pages 18 through 31 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.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with the first name "Brian" written in a larger, more prominent script than the last name "Sonntag".

**BRIAN SONNTAG, CGFM**  
STATE AUDITOR

November 25, 2009

# Financial Section

**Public Utility Risk Management Services Joint Self-Insurance Fund  
King County  
January 1, 2008 through December 31, 2008**

***REQUIRED SUPPLEMENTAL INFORMATION***

Management's Discussion and Analysis – 2008 and 2007

***BASIC FINANCIAL STATEMENTS***

Comparative Statement of Net Assets – 2008 and 2007

Comparative Statement of Revenues, Expenses and Changes in Net Assets – 2008 and 2007

Comparative Statement of Cash Flows – 2008 and 2007

Notes to Financial Statements – 2008 and 2007

***REQUIRED SUPPLEMENTAL INFORMATION***

Ten-Year Claims Development Information – 2008 and 2007

Reconciliation of Claims Liabilities by Type of Contract – 2008 and 2007

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

This discussion and analysis is designed to provide an overview of Public Utility Risk Management Services (PURMS) Joint Self-Insurance Fund's financial activities for the years ended December 31, 2008 and December 31, 2007. This supplementary information should be read in conjunction with PURMS's financial statements.

PURMS is a public entity risk pool organized on December 30, 1976 in the State of Washington under RCW 54.16.200. It currently operates under RCW 48.62. Its members include 18 public utility districts and 1 non-profit mutual corporation. The objectives of PURMS are to formulate, develop and administer a program of self-insurance in order to obtain lower costs for the various coverages provided to its members. Liability and property coverages are available to its members and health & welfare coverage for its member's employees.

**FINANCIAL SUMMARY AND ANALYSIS**

The *Statement of Net Assets* shows information on all of the Fund's assets and liabilities. The difference between the two is reported as *Net Assets*. The *Statement of Revenues, Expenses and Changes in Net Assets* shows how the *Net Assets* changed during the year. All *Net Assets* are classified as restricted because of the enabling legislation of RCW 48.62.

*Current Assets* are comprised of cash in checking accounts and investments, accounts receivable owed by members (including future assessments) and interest receivable. *Current Liabilities* reflect the total of Known and IBNR Claims Reserve and fees payable as of December 31, 2008, 2007 and 2006 respectively. PURMS has no non-current assets or liabilities.

*Operating Revenues* include assessments from members including future assessments. *Nonoperating Revenue* is from interest on investments. *Operating Expenses* include claims and claims adjustment expenses, excess and stop loss insurance premiums and administrative expenses. There are no nonoperating expenses at this time. For 2008, 2007 and 2006 there is an extraordinary item which is a settlement from Marsh USA, the Fund's broker. Member Deposits refer to amounts held by PURMS, on behalf of its members, to pay health & welfare claims before a member is assessed for those claims.

**Condensed Comparative Financial Information:**

*PURMS Net Assets*

|                                  | 2008        | 2007        | 2006        |
|----------------------------------|-------------|-------------|-------------|
| Current Assets                   | 7,637,966   | 6,526,380   | 6,877,291   |
| Total Assets                     | \$7,637,966 | \$6,526,380 | \$6,877,291 |
|                                  |             |             |             |
| Current Liabilities              | 4,111,415   | 3,219,536   | 3,430,743   |
| Net Assets                       | 3,526,551   | 3,306,844   | 3,446,548   |
| Total Liabilities and Net Assets | \$7,637,966 | \$6,526,380 | \$6,877,291 |

*PURMS Changes in Net Assets*

|  | 2008        | 2007        | 2006         |
|--|-------------|-------------|--------------|
| Operating Revenues                             | 12,543,726  | 9,458,019   | 10,598,821   |
| Nonoperating Revenues                          | 47,657      | 93,118      | 83,762       |
| Total Revenues                                 | 12,591,383  | \$9,551,137 | \$10,682,583 |
| Operating Expenses                             | 12,374,308  | 9,695,250   | 10,442,138   |
| Total Expenses                                 | 12,374,308  | \$9,695,250 | \$10,442,138 |
| Excess/(Deficiency) Before Extraordinary Items | 217,075     | \$(144,113) | \$240,445    |
| Extraordinary Item                             | 2,634       | 4,408       | 6,768        |
| Changes in Net Assets                          | 219,709     | \$(139,705) | \$247,213    |
| Beginning Net Assets (January 1)               | \$3,306,842 | \$3,446,549 | \$3,199,335  |
| Ending Net Assets (December 31)                | \$3,526,551 | \$3,306,844 | \$3,446,548  |

During 2008, 2007 and 2006, the overall financial position of PURMS has remained relatively unchanged. In 2007 and 2006 there were no changes in PURMS operations. At the June 19, 2008 Board meeting, resolution #6-19-08-2 was passed increasing the health & welfare pool Member Deposit by \$680,590. Members were given the option to pay this increase over 12 months. The amount of the outstanding Member Deposit as of 12/31/2008 is \$279,850 and is reflected on the Statement of Net Assets as an account receivable. Also at the June 2008 Board meeting, resolution #6-19-08-1 was passed increasing the Designated Liability Pool Balance effective January 1, 2009. This increase will be funded over three years by two additional assessments per year in the years of 2009, 2010 and 2011 and will change the Designated Balance from \$2.0 million to \$3.0 million.

PURMS has no commitments or other limitations that would specifically affect the availability of pool resources for future use for its intended purpose as stated in its interlocal agreement and RCW 48.62.

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND MCAG #0356**

**COMPARATIVE STATEMENT OF NET ASSETS**

| ASSETS   | YEAR ENDED DECEMBER 31, |                     |
|--|-------------------------|---------------------|
|  | 2008                    | 2007                |
| Current Assets:                                  |                         |                     |
| Cash in Banks                                    | \$ 835,510              | \$ 829,559          |
| Investments                                      | 1,700,000               | 1,750,000           |
| Accounts Receivable - Assessments Billed         | 700,453                 | 739,934             |
| Accounts Receivable - Future Assessments         | 3,879,965               | 3,126,974           |
| Accounts Receivable - Miscellaneous              | 140,008                 | 56,466              |
| Accounts Receivable - Member Deposit Assessments | 279,850                 | -                   |
| Accounts Receivable - Excess/Stop Loss Ins.      | 100,498                 | 8,371               |
| Investment Interest Receivable                   | 1,682                   | 15,076              |
| <b>Total Current Assets</b>                      | <b>\$ 7,637,966</b>     | <b>\$ 6,526,380</b> |
|  |                         |                     |
| LIABILITIES AND NET ASSETS                       |                         |                     |
| Current Liabilities:                             |                         |                     |
| Claims Reserve (Known)                           | \$ 1,196,060            | \$ 1,074,901        |
| Claims Reserve (IBNR)                            | 2,683,905               | 2,052,074           |
| Accounts Payable - Misc.                         | 11,600                  | -                   |
| Fund Legal Fees Payable                          | 113,397                 | 8,362               |
| Administrator's Fee Payable                      | 45,660                  | 43,442              |
| Broker's Fee Payable                             | 15,000                  | -                   |
| Stop Loss Premium Payable                        | 39,284                  | 35,265              |
| PPO Networks Payable                             | 6,509                   | 5,492               |
| <b>Total Current Liabilities</b>                 | <b>4,111,415</b>        | <b>3,219,536</b>    |
| <b>Total Net Assets</b>                          | <b>3,526,551</b>        | <b>3,306,844</b>    |
| <b>Total Net Assets and Liabilities</b>          | <b>\$ 7,637,966</b>     | <b>\$ 6,526,380</b> |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND MCAG #0356**

**COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

|  | YEAR ENDED DECEMBER 31, |                     |
|--|-------------------------|---------------------|
|  | 2008                    | 2007                |
| <b>OPERATING REVENUES:</b>               |                         |                     |
| Premium Assessments                      | \$ 1,762,345            | \$ 1,827,425        |
| General Assessments                      | 9,347,800               | 7,833,873           |
| Member Deposit Assessments               | 680,590                 | -                   |
| General Assessments - Future             | 752,991                 | (203,279)           |
| Total Operating Revenues                 | \$ 12,543,726           | \$ 9,458,019        |
| <b>OPERATING EXPENSES:</b>               |                         |                     |
| Claims Paid on Current Losses            | \$ 7,623,987            | \$ 6,227,846        |
| Claims Paid on Prior Losses              | 594,759                 | 184,188             |
| Established Claims Reserve               | 1,152,115               | 94,074              |
| Adjustment to Prior Years Claims Reserve | (399,124)               | (297,353)           |
| Claims Adjustment on Current Losses      | 1,750                   | 56,078              |
| Claims Adjustment on Prior Losses        | 87,671                  | 131,922             |
| Insurance Purchased                      | 2,220,244               | 2,238,615           |
| PPO Network Fee                          | 71,683                  | 64,057              |
| Administrator's Fee                      | 567,106                 | 540,846             |
| Brokers Fee                              | 128,500                 | 125,700             |
| Fund Legal Fees                          | 264,600                 | 262,107             |
| General Expense                          | 4,557                   | 3,099               |
| Professional Fees                        | 56,460                  | 64,071              |
| Total Operating Expenses                 | \$ 12,374,308           | \$ 9,695,250        |
| Operating Income (Loss)                  | \$ 169,418              | \$ (237,231)        |
| <b>NONOPERATING REVENUES (EXPENSES):</b> |                         |                     |
| Interest on Investments                  | 47,657                  | 93,118              |
| Total Nonoperating Revenues (Expenses)   | \$ 47,657               | \$ 93,118           |
| Income (Loss) Before Extraordinary Items | \$ 217,075              | \$ (144,113)        |
| Extraordinary Items - Revenue/(Expense)  | 2,634                   | 4,408               |
| <b>CHANGE IN NET ASSETS</b>              | <b>\$ 219,709</b>       | <b>\$ (139,705)</b> |
| <b>TOTAL NET ASSETS, January 01</b>      | <b>\$ 3,306,842</b>     | <b>\$ 3,446,549</b> |
| <b>TOTAL NET ASSETS, December 31</b>     | <b>\$ 3,526,551</b>     | <b>\$ 3,306,844</b> |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND MCAG #0356**

**COMPARATIVE STATEMENT OF CASH FLOWS**

|   | YEAR ENDED DECEMBER 31, |                   |
|---|-------------------------|-------------------|
|   | 2008                    | 2007              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>      |                         |                   |
| Cash Received From Members                        | \$ 11,374,697           | \$ 9,818,956      |
| Cash Payments To Vendors                          | (11,482,429)            | (9,906,457)       |
| Marsh Settlement Fund                             | 2,634                   | 4,408             |
| Net Cash Provided (Used) for Operating Activities | <u>(105,098)</u>        | <u>(83,093)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>      |                         |                   |
| Purchase of Investments                           | (8,900,000)             | (7,390,000)       |
| Sale of Investments                               | 8,950,000               | 7,240,000         |
| Interest Received                                 | 61,050                  | 87,433            |
| Net Cash Provided (Used) for Investing Activities | <u>111,050</u>          | <u>(62,567)</u>   |
| INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS    | 5,952                   | (145,660)         |
| CASH & CASH EQUIVALENTS, January 1                | <u>829,559</u>          | <u>975,219</u>    |
| CASH & CASH EQUIVALENTS, December 31              | <u>\$ 835,511</u>       | <u>\$ 829,559</u> |

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

|  |                     |                    |
|--|---------------------|--------------------|
| OPERATING INCOME:  | \$ 169,418          | \$ (237,231)       |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: |                     |                    |
| (Increase)/Decrease in A/R Assessments - Billed  | 39,481              | (41,848)           |
| (Increase)/Decrease in A/R Future Assessments  | (752,991)           | 203,280            |
| (Increase)/Decrease in A/R Member Deposit Assessments  | (279,850)           | -                  |
| (Increase)/Decrease in A/R Miscellaneous   | (83,542)            | 9,907              |
| (Increase)/Decrease in A/R Excess/Stop Loss Ins  | (92,127)            | 189,599            |
| Increase/(Decrease) in Claims Payable - Known  | 121,159             | (7,404)            |
| Increase/(Decrease) in Claims Payable - IBNR   | 631,832             | (195,876)          |
| Increase/(Decrease) in Accounts Payable - Misc.  | 11,600              | -                  |
| Increase/(Decrease) in Fund Legal Fees Payable   | 105,034             | (14,678)           |
| Increase/(Decrease) in Administrative Fee Payable  | 2,218               | 4,437              |
| Increase/(Decrease) in Broker Fee Payable  | 15,000              | -                  |
| Increase/(Decrease) in Stop Loss Premium Payable   | 4,019               | 2,073              |
| Increase/(Decrease) in PPO Network Fees Payable  | 1,017               | 240                |
| Extraordinary Items - Income/(Expense)   | 2,634               | 4,408              |
| Net Cash Provided (Used) for Operating Activities  | <u>\$ (105,098)</u> | <u>\$ (83,093)</u> |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE FISCAL YEARS ENDED DECEMBER 31, 2008 AND DECEMBER 31, 2007**

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Public Utility Risk Managements Services Joint Self-Insurance Fund conform to generally accepted accounting principles as applicable to proprietary funds of governmental units (in most respects). The following is a summary of the more significant policies:

**a. Reporting Entity**

The Public Utility Risk Management Services Joint Self-Insurance Fund (PURMS), known formerly as Washington Public Utility Districts' Utilities System Joint Self-Insurance Fund, was organized as of December 30, 1976, pursuant to the provisions of the Revised Code of Washington, Chapter 54.16.200, and interlocal governmental agreements. PURMS is currently operating under RCW 48.62. The program's general objectives are to formulate, develop, and administer, on behalf of the member public utilities, a program of insurance, to obtain lower costs for that coverage, and to develop a comprehensive loss control program. Admission of a new member requires a supermajority vote (85%) of the current members of the Fund or the particular risk pool. Members may withdraw from the Fund on December 31st of any year by giving 90 days prior notice.

**Liability and Property Pools** - The members, through the Fund, provide liability self-insurance for the first \$1,000,000 of individual loss claims. Effective April 1, 1997 the Fund established a self-insured program for member's property. The property program provides property self-insurance for the first \$250,000 of individual loss claims. The risks shared by the members are defined in the member's Self-Insurance Agreement. Both pools (liability and property) operate independently of one another. The Fund maintains assets from which liability claims against the member districts and property losses of member districts are paid and, through assessments of the members to replenish these assets, the members share joint liability among themselves for losses incurred. The Fund also purchases excess insurance for losses above \$1,000,000 for liability and above \$250,000 for property. [See Note 4]

Members that withdraw continue to receive coverage from the Fund for occurrences that happened while they were a member. Withdrawn members continue to be responsible for their share of assessments for occurrences that happen to all members while they were a member.

**Health and Welfare Pool** - On April 1, 2000 Public Utility Risk Management Services implemented a health & welfare pool pursuant to Board Resolution #3-16-00-1 passed on March 16, 2000. A Member Deposit is required upon initial participation in the pool. This deposit amount was recalculated during 2008 and the total was increased and assessed in the amount of \$680,590. The members of the H&W pool were given the option to pay for this increase over 12 months. The amount of the outstanding Member Deposit assessment is reflected on the Statement of Net Assets as an account receivable. The pool provides a cooperative program to fund health and medical claims for the employees of the members of PURMS. As a result, there are lowered costs associated with the administration of claims and the procurement of excess or stop loss insurance. Stop Loss insurance is purchased for this pool. [See Note 4]

**Member Changes and Participation** – Fund members currently include 18 utilities, and 1 non-profit mutual corporation. There were no changes in membership in 2008 or 2007. As of December 31, 2008 the member participation was as follows:

|    |                         | Liability<br>Program | Property<br>Program | Health &<br>Welfare<br>Program |
|----|-------------------------|----------------------|---------------------|--------------------------------|
| 1  | Asotin County PUD       | Yes                  | Yes                 | Yes                            |
| 2  | Benton County PUD       | Yes                  | Yes                 | No                             |
| 3  | Clallam County PUD      | Yes                  | Yes                 | Yes                            |
| 4  | Grays Harbor County PUD | Yes                  | Yes                 | No                             |
| 5  | Jefferson County PUD    | Yes                  | No                  | Yes                            |
| 6  | Kitsap County PUD       | Yes                  | Yes                 | No                             |
| 7  | Klickitat County PUD    | Yes                  | Yes                 | Yes                            |
| 8  | Lewis County PUD        | Yes                  | Yes                 | No                             |
| 9  | Mason County PUD #3     | Yes                  | Yes                 | Yes                            |
| 10 | NoaNet                  | Yes                  | Yes                 | Yes                            |
| 11 | Okanogan County PUD     | Yes                  | Yes                 | No                             |
| 12 | Pacific County PUD      | Yes                  | Yes                 | Yes                            |
| 13 | Pend Oreille County PUD | Yes                  | Yes                 | No                             |
| 14 | Skagit County PUD       | Yes                  | Yes                 | Yes                            |
| 15 | Skamania County PUD     | Yes                  | Yes                 | Yes                            |
| 16 | Stevens County PUD      | Yes                  | Yes                 | Yes                            |
| 17 | Thurston County PUD     | Yes                  | Yes                 | Yes                            |
| 18 | Wahkiakum County PUD    | Yes                  | Yes                 | Yes                            |
| 19 | Whatcom County PUD      | Yes                  | Yes                 | No                             |

**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 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.

PURMS has elected not to apply Financial Accounting Standards Board (FASB) guidance issued after November 30, 1989.

The Fund prepares its financial statements on the full accrual basis. Under the full accrual basis, revenues are recognized when earned and expenses are recognized when incurred.

The principal operating revenues of the Fund are member assessments. Operating expenses include claims and claims adjustment expenses, excess and stop loss insurance premiums and administrative expenses. Nonoperating revenues are interest on investments. There are no nonoperating expenses at this time. Unbilled receivables are recorded at year end.

In accordance with the ongoing application of GASB Statement No. 10, the Fund's Statement of Net Assets reflects both "Known" and "Incurred But Not Reported" Claims Reserve. To counter this expense, the Fund also records entries to "General Assessments - Future" and "Accounts Receivable - Future Assessments."

"Member Deposits" refer to amounts held by PURMS, on behalf of its members, in order to pay their employee health & welfare claims before a member is assessed for those claims. In 2007 this amount was based on 2.5 times a member's average monthly health & welfare claims. In 2008 this amount was changed to 3.0 times a member's average monthly health & welfare claims.

**c. Cash And Cash Equivalents**

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

**d. Capital Assets**

PURMS owns no capital assets.

**e. Receivables**

Management decides if any accounts are deemed uncollectible. Uncollectible accounts are charged to expense in the period they are deemed uncollectible.

**f. Investments**

See Note 2

**g. Unpaid Claims Liabilities**

The Fund 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 of 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. 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 result in an exact amount, particularly for coverages 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 to expense in the periods in which they are made. [See Note 8 and RSI]

#### **h. Member Assessments**

Member assessments for the liability and property pools are recognized as revenue at the time they are assessed. Assessments for the liability pool are based upon a formula whose elements include; basic fees, historic claims experience and workers hours. Assessments for the property pool are based upon a formula whose elements include; basic fees, property values and risk based rates. The assessments include amounts for excess insurance premiums, claims experience, and operating costs. In 2007 and 2008 the member districts were obligated to replenish the liability program to a level of \$2,000,000 through an annual assessment each January. In addition, interim assessments are levied whenever the level of the liability program is reduced to an amount less than \$1,500,000 to bring the level back up to \$2,000,000. At the June 19, 2008 Board meeting, it was decided to increase the Designated Liability Pool Balance from \$2,000,000 to \$3,000,000 effective January 1, 2009. This would be funded over three years by means of two additional assessments in 2009, 2010 and 2011 leaving a balance of \$3,000,000 in the liability pool. For the property program, member districts are obligated to replenish to a level of \$750,000 through an annual assessment each January. In addition, interim assessments are levied whenever the level of the property program is reduced to an amount less than \$500,000 to bring the level back up to \$750,000.

Member assessments for the health & welfare pool are recognized as revenue in the period for which the insurance protection is provided. Assessments for the health and welfare pool are based upon a formula whose elements include claims and census. The assessments include amounts for stop loss insurance premiums, claims paid, and operating costs. The members are assessed at the beginning of each month for all the expenses of the prior month.

#### **i. Claims Reserves (Unpaid Claims & Loss Adjustment Expenses)**

Claims are charged to income as incurred. Claim Reserves represent the accumulation of estimates for reported, unpaid claims (Known), plus a provision for claims incurred, but not reported (IBNR) including the loss adjustment expenses of these claims. These estimates are continually reviewed and updated, and any resulting adjustments are reflected in current earnings. For the liability and property pool, all known claims have a reserve set when the claim is reported. The IBNR is set based on an actuarial report. Health and welfare claims are generally not reserved. The IBNR for the health and welfare program is the average monthly claims paid plus half of the average monthly prescription claims paid multiplied by the average number of days from the date incurred to the date reported.

#### **j. Exemption From Federal And State Taxes**

Pursuant to Revenue Ruling 90-74, income of Municipal Risk Funds is excluded from gross income under IRC Section 115(1).

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

#### **k. Inter-pool Loans**

Effective April 1, 2000 the Self-Insurance Agreement was amended to allow inter-pool loans. As of the years ending December 31, 2008 and December 31, 2007 there were no outstanding inter-pool loans.

**NOTE 2 - DEPOSITS AND INVESTMENTS**

PURMS deposits and certificates of deposit are covered by federal depository insurance (FDIC) up to \$250,000. The amount in excess of the FDIC insurance limit is secured by eligible, marketable securities by the Bank. It is the Fund's policy to invest and hold until maturity all funds. Interest is credited to the statement of net assets as accrued. Certificates of deposit are stated at cost.

As of December 31, 2008, PURMS had the following investments:

| <u>Investment</u>       | <u>Maturities</u> | <u>Cost</u>  |
|-------------------------|-------------------|--------------|
| Certificate of Deposits | 16 – 51 days      | \$1,700,000. |

As of December 31, 2007, PURMS had the following investments:

| <u>Investment</u>       | <u>Maturities</u> | <u>Cost</u>  |
|-------------------------|-------------------|--------------|
| Certificate of Deposits | 18 – 74 days      | \$1,750,000. |

*Credit Risk.* As required by State Law, all deposits and investments are obligations of the U.S. Government, deposits with Washington State banks and savings and loan institutions, or other investments allowed by Chapter 39.59 RCW.

*Custodial credit risk* is the risk that in event of a failure of the counterparty to an investment transaction PURMS would not be able to recover the value of the investment or collateral securities. All of PURMS investments as of December 31, 2008 and 2007 were exposed to custodial credit risk because the investments were held by a Washington State bank, which is also the counterparty in those securities. PURMS investment policy does not address custodial credit risk for its investments or deposits.

*Concentration of Credit Risk.* The investment policy of PURMS places no limit on the amount that may be invested in any one issuer. On December 31, 2008, 100% of the investments were in five certificates of deposit. On December 31, 2007, 100% of the investments were in seven certificates of deposit.

*Interest Rate Risk.* PURMS does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. In general, investments mature in less than six months.

**NOTE 3 - SELF-INSURED RETENTION**

The Fund 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. If a claim exceeds the self-insured retention the Fund will pay the claim and is reimbursed by the excess insurance carrier. Amounts paid in excess of the retention are reflected on the statement of net assets as an account receivable.

#### **NOTE 4 - EXCESS INSURANCE CONTRACTS**

The Fund maintains excess insurance contracts with several insurance carriers which provide various limits of coverage over the Fund's self-insured retention (SIR) limits. Not all members participate in all coverages available. The limits provided by these excess insurance contracts are as follows (2008 & 2007 are the same unless noted otherwise):

| <b>Liability Pool</b>                      | <b>Per Occurrence/Aggregate</b>   |
|--|---|
| General Liability (1 <sup>st</sup> Layer)  | \$35,000,000/\$35,000,000 over \$1,000,000 SIR  |
| General Liability (2 <sup>nd</sup> Layer)  | \$25,000,000/\$25,000,000 over \$35,000,000   |
| Professional Liability (E&O)               | \$10,000,000/\$10,000,000 over \$1,000,000 SIR  |
| Public Officials Liability                 | \$35,000,000/\$35,000,000 over \$500,000 SIR  |
| <b>Property Pool</b>                       |   |
| Property Including Boiler & Machinery      | Replacement cost, \$150,000,000 policy limits<br>(sublimits apply) over \$250,000 SIR |
| Flood Policy                               | \$500,000/\$500,000 over \$500 SIR  |
| <b>Health &amp; Welfare Pool</b>           |   |
| Stop Loss on Medical, Dental, Prescription | Individual Stop Loss \$170,000 (2007)<br>Aggregate Stop Loss (12/31/07) \$8,794,040   |
| Stop Loss on Medical, Dental, Prescription | Individual Stop Loss \$180,000 (2008)<br>Aggregate Stop Loss (12/31/08) \$8,765,515   |
| <b>All Pools</b>                           |   |
| Crime Bond                                 | \$1,000,000 occurrence over \$10,000 SIR  |

#### **NOTE 5 - RESTRICTED NET ASSETS**

All Net Assets are classified as restricted because of the enabling legislation of RCW 48.62. PURMS has no commitments or other limitations that would specifically affect the availability of pool resources for future use for its intended purpose as stated in its interlocal agreement and RCW 48.62.

#### **NOTE 6 - EXTRAORDINARY ITEMS**

On January 30, 2005, Marsh & McLennan entered into a Settlement Agreement to resolve a Complaint filed by the New York State Attorney General and an Amended Citation issued by the New York State Superintendent of Insurance. Under the Settlement Agreement, Marsh agreed to establish an \$850 million fund to compensate eligible policyholder clients. This settlement is to be paid out over a four year period. Marsh is the broker for PURMS and therefore PURMS is a member of the eligible policyholder clients. In 2005 PURMS received a payment of \$7,021, in 2006 a payment of \$6,768, in 2007 a payment of \$4,408 and in 2008 a payment of \$2,634 from the Marsh Settlement Fund. The payment in 2008 was the final payment from this Settlement Agreement.

#### **NOTE 7 - CONTINGENT LIABILITIES AND LITIGATIONS**

The Fund's Members are involved in ongoing litigation and claims processing posing risks to the Fund, the total estimated value of which is represented on the Fund's Financial Statements as Claims Reserve (Known) and Claims Reserve (IBNR). It is the opinion of the Fund's Attorney and its Management that under the terms of the Fund's Joint Self-Insurance Agreement, the pending litigation and claims, unasserted claims and claims incurred but not reported, will not result in settlements or judgments that would require payments that would threaten the solvency of the Fund.

**NOTE 8 – UNPAID CLAIMS LIABILITIES**

As discussed in Note 1g, the Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses, both allocated and unallocated. The following represents changes in those aggregate liabilities for the Fund during the past two years:

|   | <u>2008</u>       | <u>2007</u>      |
|---|-------------------|------------------|
| Unpaid Claims and Claim Adjustment Expenses at Beginning of Year                        | 3,126,975         | 3,330,254        |
| Incurred Claims and Claim Adjustment Expenses:  |                   |                  |
| Provision for Insured Events of the Current Year  | 8,100,649         | 6,526,970        |
| Increases in Provision for Insured Events of Prior Years                                | 328,676           | 65,659           |
| Adjustment to Incurred But Not Reported Claims (IBNR)                                   | <u>631,831</u>    | <u>(195,875)</u> |
| Total Incurred Claims and Claim Adjustment Expenses                                     | <u>12,188,131</u> | <u>9,727,008</u> |
| Payments:   |                   |                  |
| Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year | 7,625,737         | 6,283,924        |
| Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years      | <u>682,429</u>    | <u>316,109</u>   |
| Total Payments  | <u>8,308,166</u>  | <u>6,600,033</u> |
| Total Unpaid Claims and Claim Adjustment Expenses at End of the Year                    | <u>3,879,965</u>  | <u>3,126,975</u> |

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND**

**REQUIRED SUPPLEMENTARY INFORMATION**

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1. Ten-Year Claims Development Information

The tables on the following pages illustrate 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 rows of the table are defined as follows:

- (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues.
- (2) This line shows each fiscal year's other operating costs of the Fund including overhead and claims expenses not allocable 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 end of the first year in which the event that triggered coverage under the contract occurred (called policy year).
- (4) This section of ten rows shows the cumulative amounts paid as of the end of successive years for each policy year.
- (5) This section of ten rows shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual reestimation results from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.
- (6) This line compares the latest reestimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and reestimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

Liability Program - Policy Year Ended December 31, 2008

(In Thousands)

|   | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006  | 2007 | 2008 |
|---|------|------|------|------|------|------|------|-------|------|------|
| 1. Net earned required contribution and investment revenues                             | 745  | 747  | 589  | 826  | 797  | 874  | 701  | 1,035 | 662  | 749  |
| 2. Unallocated expenses   | 309  | 383  | 354  | 305  | 379  | 319  | 284  | 339   | 345  | 335  |
| 3. Estimated incurred claims and expense, end of policy year                            | 133  | 108  | 348  | 389  | 280  | 246  | 87   | 236   | 367  | 316  |
| 4. Paid (cumulative) as of:   |      |      |      |      |      |      |      |       |      |      |
| End of Policy Year  | 107  | 70   | 243  | 65   | 78   | 128  | 57   | 105   | 150  | 148  |
| One year later  | 178  | 218  | 319  | 168  | 108  | 220  | 99   | 176   | 423  |      |
| Two years later   | 180  | 226  | 415  | 348  | 446  | 236  | 230  | 291   |      |      |
| Three years later   | 180  | 465  | 427  | 347  | 558  | 246  | 274  |       |      |      |
| Four years later  | 190  | 465  | 440  | 574  | 559  | 349  |      |       |      |      |
| Five years later  | 191  | 469  | 440  | 578  |      |      |      |       |      |      |
| Six years later   | 191  | 495  | 440  | 578  |      |      |      |       |      |      |
| Seven years later   | 191  | 558  | 440  |      |      |      |      |       |      |      |
| Eight years later   | 191  | 568  |      |      |      |      |      |       |      |      |
| Nine years later  | 191  |      |      |      |      |      |      |       |      |      |
| 5. Reestimated incurred claims and expense:   |      |      |      |      |      |      |      |       |      |      |
| End of Policy Year  | 133  | 108  | 348  | 389  | 280  | 246  | 87   | 236   | 367  | 316  |
| One year later  | 207  | 279  | 368  | 448  | 286  | 298  | 137  | 285   | 542  |      |
| Two years later   | 210  | 303  | 466  | 503  | 537  | 309  | 306  | 510   |      |      |
| Three years later   | 210  | 502  | 439  | 497  | 603  | 319  | 494  |       |      |      |
| Four years later  | 220  | 465  | 449  | 838  | 594  | 387  |      |       |      |      |
| Five years later  | 205  | 495  | 449  | 622  | 559  |      |      |       |      |      |
| Six years later   | 205  | 506  | 449  | 583  |      |      |      |       |      |      |
| Seven years later   | 191  | 585  | 440  |      |      |      |      |       |      |      |
| Eight years later   | 191  | 585  |      |      |      |      |      |       |      |      |
| Nine years later  | 191  |      |      |      |      |      |      |       |      |      |
| 6. Increase (decrease) in estimated incurred claims and expense from end of policy year | 58   | 477  | 92   | 194  | 279  | 141  | 407  | 274   | 175  | 0    |

Property Program - Policy Year Ended December 31, 2008

(In Thousands)

|   | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|---|------|------|------|------|------|------|------|------|------|------|
| 1. Net earned required contribution and investment revenues                             | 115  | 476  | 399  | 708  | 646  | 914  | 560  | 683  | 416  | 450  |
| 2. Unallocated expenses   | 180  | 218  | 229  | 353  | 244  | 387  | 416  | 643  | 360  | 421  |
| 3. Estimated incurred claims and expense, end of policy year                            | 46   | 22   | 357  | 204  | 305  | 188  | 100  | 111  | 85   | 359  |
| 4. Paid (cumulative) as of:   |      |      |      |      |      |      |      |      |      |      |
| End of Policy Year  | 44   | 16   | 74   | 135  | 81   | 68   | 37   | 70   | 57   | 65   |
| One year later  | 191  | 30   | 359  | 172  | 373  | 113  | 214  | 106  | 163  |      |
| Two years later   | 190  | 30   | 712  | 173  | 381  | 113  | 214  | 138  |      |      |
| Three years later   | 188  | 30   | 712  | 173  | 548  | 113  | 214  |      |      |      |
| Four years later  | 185  | 30   | 712  | 173  | 548  | 113  |      |      |      |      |
| Five years later  | 185  | 30   | 262  | 173  | 548  |      |      |      |      |      |
| Six years later   | 185  | 30   | 262  | 173  |      |      |      |      |      |      |
| Seven years later   | 185  | 30   | 262  |      |      |      |      |      |      |      |
| Eight years later   | 185  | 30   |      |      |      |      |      |      |      |      |
| Nine years later  | 185  |      |      |      |      |      |      |      |      |      |
| 5. Reestimated incurred claims and expense:   |      |      |      |      |      |      |      |      |      |      |
| End of Policy Year  | 46   | 22   | 357  | 204  | 305  | 188  | 100  | 111  | 85   | 359  |
| One year later  | 196  | 32   | 610  | 215  | 537  | 169  | 267  | 146  | 181  |      |
| Two years later   | 194  | 30   | 713  | 211  | 571  | 169  | 217  | 146  |      |      |
| Three years later   | 191  | 31   | 713  | 211  | 549  | 169  | 216  |      |      |      |
| Four years later  | 185  | 30   | 713  | 186  | 549  | 113  |      |      |      |      |
| Five years later  | 185  | 30   | 263  | 186  | 548  |      |      |      |      |      |
| Six years later   | 185  | 30   | 263  | 173  |      |      |      |      |      |      |
| Seven years later   | 185  | 30   | 262  |      |      |      |      |      |      |      |
| Eight years later   | 185  | 30   |      |      |      |      |      |      |      |      |
| Nine years later  | 185  |      |      |      |      |      |      |      |      |      |
| 6. Increase (decrease) in estimated incurred claims and expense from end of policy year | 139  | 8    | -95  | -31  | 243  | -75  | 116  | 35   | 96   | 0    |

Liability Program - Policy Year Ended December 31, 2007

(In Thousands)

|   | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006  | 2007 |
|---|------|------|------|------|------|------|------|------|-------|------|
| 1. Net earned required contribution and investment revenues                             | 885  | 745  | 747  | 589  | 826  | 797  | 874  | 701  | 1,035 | 662  |
| 2. Unallocated expenses   | 418  | 309  | 383  | 354  | 305  | 379  | 319  | 284  | 339   | 345  |
| 3. Estimated incurred claims and expense, end of policy year                            | 111  | 133  | 108  | 348  | 389  | 280  | 246  | 87   | 236   | 367  |
| 4. Paid (cumulative) as of:   |      |      |      |      |      |      |      |      |       |      |
| End of Policy Year  | 102  | 107  | 70   | 243  | 65   | 78   | 128  | 57   | 105   | 150  |
| One year later  | 146  | 178  | 218  | 319  | 168  | 108  | 220  | 99   | 176   |      |
| Two years later   | 153  | 180  | 226  | 415  | 348  | 446  | 236  | 230  |       |      |
| Three years later   | 180  | 180  | 465  | 427  | 347  | 558  | 246  |      |       |      |
| Four years later  | 444  | 190  | 465  | 440  | 574  | 559  |      |      |       |      |
| Five years later  | 535  | 191  | 469  | 440  | 578  |      |      |      |       |      |
| Six years later   | 534  | 191  | 495  | 440  |      |      |      |      |       |      |
| Seven years later   | 534  | 191  | 558  |      |      |      |      |      |       |      |
| Eight years later   | 534  | 191  |      |      |      |      |      |      |       |      |
| Nine years later  | 534  |      |      |      |      |      |      |      |       |      |
| 5. Reestimated incurred claims and expense:   |      |      |      |      |      |      |      |      |       |      |
| End of Policy Year  | 111  | 133  | 108  | 348  | 389  | 280  | 246  | 87   | 236   | 367  |
| One year later  | 166  | 207  | 279  | 368  | 448  | 286  | 298  | 137  | 285   |      |
| Two years later   | 177  | 210  | 303  | 466  | 503  | 537  | 309  | 306  |       |      |
| Three years later   | 243  | 210  | 502  | 439  | 497  | 603  | 319  |      |       |      |
| Four years later  | 575  | 220  | 465  | 449  | 838  | 594  |      |      |       |      |
| Five years later  | 595  | 205  | 495  | 449  | 622  |      |      |      |       |      |
| Six years later   | 534  | 205  | 506  | 449  |      |      |      |      |       |      |
| Seven years later   | 534  | 191  | 585  |      |      |      |      |      |       |      |
| Eight years later   | 534  | 191  |      |      |      |      |      |      |       |      |
| Nine years later  | 534  |      |      |      |      |      |      |      |       |      |
| 6. Increase (decrease) in estimated incurred claims and expense from end of policy year | 423  | 58   | 477  | 101  | 233  | 314  | 73   | 219  | 49    | 0    |

Property Program - Policy Year Ended December 31, 2007

(In Thousands)

|   | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|---|------|------|------|------|------|------|------|------|------|------|
| 1. Net earned required contribution and investment revenues                             | 439  | 115  | 476  | 399  | 708  | 646  | 914  | 560  | 683  | 416  |
| 2. Unallocated expenses   | 318  | 180  | 218  | 229  | 353  | 244  | 387  | 416  | 643  | 360  |
| 3. Estimated incurred claims and expense, end of policy year                            | 56   | 46   | 22   | 357  | 204  | 305  | 188  | 100  | 111  | 85   |
| 4. Paid (cumulative) as of:   |      |      |      |      |      |      |      |      |      |      |
| End of Policy Year  | 50   | 44   | 16   | 74   | 135  | 81   | 68   | 37   | 70   | 57   |
| One year later  | 65   | 191  | 30   | 359  | 172  | 373  | 113  | 214  | 106  |      |
| Two years later   | 66   | 190  | 30   | 712  | 173  | 381  | 113  | 214  |      |      |
| Three years later   | 66   | 188  | 30   | 712  | 173  | 548  | 113  |      |      |      |
| Four years later  | 66   | 185  | 30   | 712  | 173  | 548  |      |      |      |      |
| Five years later  | 66   | 185  | 30   | 262  | 173  |      |      |      |      |      |
| Six years later   | 66   | 185  | 30   | 262  |      |      |      |      |      |      |
| Seven years later   | 66   | 185  | 30   |      |      |      |      |      |      |      |
| Eight years later   | 66   | 185  |      |      |      |      |      |      |      |      |
| Nine years later  | 66   |      |      |      |      |      |      |      |      |      |
| 5. Reestimated incurred claims and expense:   |      |      |      |      |      |      |      |      |      |      |
| End of Policy Year  | 56   | 46   | 22   | 357  | 204  | 305  | 188  | 100  | 111  | 85   |
| One year later  | 66   | 196  | 32   | 610  | 215  | 537  | 169  | 267  | 146  |      |
| Two years later   | 66   | 194  | 30   | 713  | 211  | 571  | 169  | 217  |      |      |
| Three years later   | 66   | 191  | 31   | 713  | 211  | 549  | 169  |      |      |      |
| Four years later  | 66   | 185  | 30   | 713  | 186  | 549  |      |      |      |      |
| Five years later  | 66   | 185  | 30   | 263  | 186  |      |      |      |      |      |
| Six years later   | 66   | 185  | 30   | 263  |      |      |      |      |      |      |
| Seven years later   | 66   | 185  | 30   |      |      |      |      |      |      |      |
| Eight years later   | 66   | 185  |      |      |      |      |      |      |      |      |
| Nine years later  | 66   |      |      |      |      |      |      |      |      |      |
| 6. Increase (decrease) in estimated incurred claims and expense from end of policy year | 10   | 139  | 8    | -94  | -18  | 244  | -19  | 117  | 35   | 0    |

Reconciliation of Claims Liabilities by Type of Contract

The schedule below presents the changes in claims liabilities for the past two years for the Fund's three pools: liability, property and health & welfare. The Fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim expenses. The following represents changes in those aggregate liabilities:

|   | 2008             |                |                  | 2007             |                |                  |
|---|------------------|----------------|------------------|------------------|----------------|------------------|
|   | Liability        | Property       | Health & Welfare | Liability        | Property       | Health & Welfare |
| Unpaid Claims and Claim Adjustment Expenses at Beginning of Year                        | 2,397,201        | 249,266        | 480,508          | 2,604,563        | 272,004        | 453,687          |
| Incurred Claims and Claim Adjustment Expenses:  |                  |                |                  |                  |                |                  |
| Provision for Insured Events of the Current Year  | 316,773          | 359,615        | 7,424,261        | 367,533          | 85,355         | 6,074,082        |
| Increases in Provision for Insured Events of Prior Years                                | 303,509          | 25,167         | -                | 80,275           | (14,616)       | -                |
| Adjustment to Incurred But Not Reported Claims (IBNR)                                   | 494,771          | 82,261         | 54,799           | (223,444)        | (784)          | 28,353           |
| Total Incurred Claims and Claim Adjustment Expenses                                     | <u>3,512,254</u> | <u>716,309</u> | <u>7,959,568</u> | <u>2,828,927</u> | <u>341,959</u> | <u>6,556,122</u> |
| Payments:   |                  |                |                  |                  |                |                  |
| Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year | 148,710          | 65,768         | 7,411,259        | 150,982          | 57,328         | 6,075,614        |
| Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years      | <u>543,615</u>   | <u>138,814</u> | <u>-</u>         | <u>280,744</u>   | <u>35,365</u>  | <u>-</u>         |
| Total Payments  | <u>692,325</u>   | <u>204,582</u> | <u>7,411,259</u> | <u>431,726</u>   | <u>92,693</u>  | <u>6,075,614</u> |
| Total Unpaid Claims and Claim Adjustment Expenses at End of the Year                    | <u>2,819,929</u> | <u>511,727</u> | <u>548,309</u>   | <u>2,397,201</u> | <u>249,266</u> | <u>480,508</u>   |

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND**

**MEMBER DISTRICTS**

---

ASOTIN COUNTY PUD NO. 1  
P.O. Box 605  
Clarkston, WA 99403

BENTON COUNTY PUD  
P.O. Box 6270  
Kennewick, WA 99336

CLALLAM COUNTY PUD  
P.O. Box 1090  
Port Angeles, WA 98362

GRAYS HARBOR COUNTY PUD  
P.O. Box 480  
Aberdeen, WA 98520

JEFFERSON COUNTY PUD  
P.O. Box 929  
Port Hadlock, WA 98339

KITSAP COUNTY PUD  
P.O. Box 1989  
Poulsbo, WA 98370

KLICKITAT COUNTY PUD  
1313 South Columbus  
Goldendale, WA 98620

LEWIS COUNTY PUD  
P.O. Box 330  
Chehalis, WA 98532

MASON COUNTY PUD NO. 3  
P.O. Box 2148  
Shelton, WA 98584

NOANET  
21507 42<sup>nd</sup> Ave S. #J-4  
SeaTac, WA 98198

OKANOGAN COUNTY PUD  
P.O. Box 912  
Okanogan, WA 98840

PACIFIC COUNTY PUD NO. 2  
P.O. Box 472  
Raymond, WA 98577

PEND OREILLE COUNTY PUD  
P.O. Box 190  
Newport, WA 99156

SKAGIT COUNTY PUD  
P.O. Box 1436  
Mount Vernon, WA 98273

SKAMANIA COUNTY PUD  
P.O. Box 500  
Carson, WA 98610

STEVENS COUNTY PUD  
P.O. Box 592  
Loon Lake, WA 99148

THURSTON COUNTY PUD  
921 Lakeridge Way, Suite 201  
Olympia, WA 98502

WAHKIAKUM COUNTY PUD  
P.O. Box 248  
Cathlamet, WA 98612

WHATCOM COUNTY PUD  
1705 Trigg Road  
Ferndale, WA 98248

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND**

**DIRECTORY OF OFFICIALS AS OF 1/1/2009**

| BOARD OF COMMISSIONERS:           | Office         | Term<br>Expiration |
|-----------------------------------|----------------|--------------------|
| Hugh Haffner, Clallam County PUD  | President      | 12/31/2009         |
| Al Littlefield, Skagit County PUD | Vice President | 12/31/2009         |
| Don Nuxoll, Asotin County PUD     | Secretary      | 12/31/2009         |

**ADMINISTRATIVE COMMITTEE:**

|  |                                      |            |
|--|--------------------------------------|------------|
| Jim Moss, Auditor<br>Klickitat County PUD    | Auditor of the Fund<br>Term: 4 years | 12/31/2010 |
| Fred Burke, Auditor<br>Okanogan County PUD   | Term: 4 years                        | 12/31/2009 |
| Dan Bickford, Treasurer<br>Benton County PUD | Term: 4 years                        | 12/31/2011 |
| Renae Powell, Auditor<br>Pacific County PUD  | Term: 4 years                        | 12/31/2012 |
| Rich Bauer, Treasurer<br>Lewis County PUD    | Term: 1 year                         | 12/31/2009 |
| Jana Robbins, Auditor<br>Clallam County PUD  | Term: 1 year                         | 12/31/2009 |

**OPERATIONS COMMITTEE:**

|  |             |            |
|--|-------------|------------|
| Bob Sischo, Treasurer<br>Asotin County PUD | Chairperson | 12/31/2009 |
|--|-------------|------------|

**OTHERS:**

|                                       |               |
|---------------------------------------|---------------|
| Richard Rodruck, Pacific Underwriters | Administrator |
| Jan Essenburg, Esq.                   | Attorney      |
| Dan Ashburn, Marsh Inc.               | Broker        |

**MAILING ADDRESS:**

PURMS Joint Self Insurance Fund  
c/o Pacific Underwriters Corp.  
P.O. Box 68787  
Seattle, WA 98168

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND  
COMBINING LIABILITY, PROPERTY, AND HEALTH & WELFARE POOLS**

**STATEMENT OF NET ASSETS AS OF DECEMBER 31, 2008**

| ASSETS  | Liability Pool      | Property Pool       | H&W Pool            | Total               |
|---|---------------------|---------------------|---------------------|---------------------|
| <b>Current Assets:</b>                        |                     |                     |                     |                     |
| Cash in Banks                                 | \$ 214,365          | \$ 50,822           | \$ 570,323          | \$ 835,510          |
| Investments                                   | 1,350,000           | 350,000             | -                   | 1,700,000           |
| Accounts Receivable - Assessments Billed      | -                   | -                   | 700,453             | 700,453             |
| Accounts Receivable - Future Assessments      | 2,819,929           | 511,727             | 548,309             | 3,879,965           |
| Accounts Receivable - Miscellaneous           | -                   | 140,008             | -                   | 140,008             |
| Accts Receivable - Member Deposit Assessments | -                   | -                   | 279,850             | 279,850             |
| Accounts Receivable - Excess/Stop Loss Ins.   | -                   | -                   | 100,498             | 100,498             |
| Investment Interest Receivable                | 1,682               | -                   | -                   | 1,682               |
| <b>Total Current Assets</b>                   | <b>\$ 4,385,976</b> | <b>\$ 1,052,557</b> | <b>\$ 2,199,433</b> | <b>\$ 7,637,966</b> |
| <b>LIABILITIES AND NET ASSETS</b>             |                     |                     |                     |                     |
| <b>Current Liabilities:</b>                   |                     |                     |                     |                     |
| Claims Reserve (Known)                        | \$ 815,496          | \$ 322,191          | \$ 58,373           | \$ 1,196,060        |
| Claims Reserve (IBNR)                         | 2,004,433           | 189,536             | 489,936             | 2,683,905           |
| Accounts Payable - Misc.                      | -                   | 11,600              | -                   | 11,600              |
| Fund Legal Fees Payable                       | 681                 | 112,598             | 118                 | 113,397             |
| Administrator's Fee Payable                   | 17,090              | 8,941               | 19,629              | 45,660              |
| Broker's Fee Payable                          | -                   | -                   | 15,000              | 15,000              |
| Stop Loss Premium Payable                     | -                   | -                   | 39,284              | 39,284              |
| PPO Networks Payable                          | -                   | -                   | 6,509               | 6,509               |
| <b>Total Current Liabilities</b>              | <b>\$ 2,837,700</b> | <b>\$ 644,866</b>   | <b>\$ 628,849</b>   | <b>\$ 4,111,415</b> |
| <b>Total Net Assets</b>                       | <b>1,548,276</b>    | <b>407,691</b>      | <b>1,570,584</b>    | <b>3,526,551</b>    |
| <b>Total Net Assets and Liabilities</b>       | <b>\$ 4,385,976</b> | <b>\$ 1,052,557</b> | <b>\$ 2,199,433</b> | <b>\$ 7,637,966</b> |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND  
COMBINING LIABILITY, PROPERTY AND HEALTH & WELFARE POOLS**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2008**

| OPERATING REVENUES:                             | Liability Pool      | Property Pool    | H&W Pool         | Total                |
|---|---------------------|------------------|------------------|----------------------|
| Premium Assessments                             | \$ 1,061,340        | 701,005          | -                | \$ 1,762,345         |
| General Assessments                             | 710,759             | 440,903          | 8,196,138        | 9,347,800            |
| Member Deposit Assessments                      | -                   | -                | 680,590          | 680,590              |
| General Assessments - Future                    | 422,729             | 262,461          | 67,801           | 752,991              |
| <b>Total Operating Revenues</b>                 | <b>\$ 2,194,828</b> | <b>1,404,369</b> | <b>8,944,529</b> | <b>\$ 12,543,726</b> |
| <br>  |                     |                  |                  |                      |
| OPERATING EXPENSES:                             |                     |                  |                  |                      |
| Claims Paid on Current Losses                   | \$ 146,960          | 65,768           | 7,411,259        | \$ 7,623,987         |
| Claims Paid on Prior Losses                     | 455,955             | 138,804          | -                | 594,759              |
| Established Claims Reserve                      | 662,835             | 376,108          | 113,172          | 1,152,115            |
| Adjustment to Prior Years Claims Reserve        | (240,106)           | (113,647)        | (45,371)         | (399,124)            |
| Claims Adjustment on Current Losses             | 1,750               | -                | -                | 1,750                |
| Claims Adjustment on Prior Losses               | 87,661              | 10               | -                | 87,671               |
| Insurance Purchased                             | 1,056,703           | 701,005          | 462,536          | 2,220,244            |
| PPO Network Fee                                 | -                   | -                | 71,683           | 71,683               |
| Administrator's Fee                             | 223,265             | 108,073          | 235,768          | 567,106              |
| Brokers Fee                                     | 72,750              | 40,750           | 15,000           | 128,500              |
| Fund Legal Fees                                 | 23,430              | 237,507          | 3,663            | 264,600              |
| General Expense                                 | 3,087               | 1,282            | 188              | 4,557                |
| Professional Fees                               | 12,167              | 33,519           | 10,774           | 56,460               |
| <b>Total Operating Expense</b>                  | <b>\$ 2,506,457</b> | <b>1,589,179</b> | <b>8,278,672</b> | <b>\$ 12,374,308</b> |
| <b>Operating Income (Loss)</b>                  | <b>\$ (311,629)</b> | <b>(184,810)</b> | <b>665,857</b>   | <b>\$ 169,418</b>    |
| <br>  |                     |                  |                  |                      |
| NONOPERATING REVENUES (EXPENSES):               |                     |                  |                  |                      |
| Interest on Investments                         | 38,585              | 9,072            | -                | 47,657               |
| <b>Total Nonoperating Revenue (Expenses)</b>    | <b>38,585</b>       | <b>9,072</b>     | <b>-</b>         | <b>47,657</b>        |
| <b>Income (Loss) Before Extraordinary Items</b> | <b>\$ (273,044)</b> | <b>(175,738)</b> | <b>665,857</b>   | <b>\$ 217,075</b>    |
| Extraordinary Items - Revenue/(Expense)         | 2,177               | 456              | 1                | 2,634                |
| <b>CHANGE IN NET ASSETS</b>                     | <b>\$ (270,867)</b> | <b>(175,282)</b> | <b>665,858</b>   | <b>\$ 219,709</b>    |
| <b>TOTAL NET ASSETS, January 01</b>             | <b>\$ 1,819,143</b> | <b>582,973</b>   | <b>904,726</b>   | <b>\$ 3,306,842</b>  |
| <b>TOTAL NET ASSETS, December 31</b>            | <b>\$ 1,548,276</b> | <b>407,691</b>   | <b>1,570,584</b> | <b>\$ 3,526,551</b>  |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND  
COMBINING LIABILITY, PROPERTY AND HEALTH & WELFARE POOLS**

**STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2008**

|   | Liability Pool    | Property Pool    | H&W Pool       | Total             |
|---|-------------------|------------------|----------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>      |                   |                  |                |                   |
| Cash received from members                        | \$ 1,772,099      | 1,058,366        | 8,544,232      | \$ 11,374,697     |
| Cash payments to vendors                          | (2,082,891)       | (1,208,911)      | (8,190,627)    | (11,482,429)      |
| Marsh Settlement Fund                             | 2,177             | 456              | 1              | 2,634             |
| Net Cash Provided (Used) for Operating Activities | <u>(308,615)</u>  | <u>(150,089)</u> | <u>353,606</u> | <u>(105,098)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>      |                   |                  |                |                   |
| Purchase of Investments                           | (6,300,000)       | (2,600,000)      | -              | (8,900,000)       |
| Sale of Investments                               | 6,300,000         | 2,650,000        | -              | 8,950,000         |
| Interest Received                                 | 49,659            | 11,391           | -              | 61,050            |
| Net Cash Provided (Used) for Investing Activities | <u>49,659</u>     | <u>61,391</u>    | <u>-</u>       | <u>111,050</u>    |
| INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS    | (258,956)         | (88,698)         | 353,606        | 5,952             |
| CASH & CASH EQUIVALENTS, January 1                | 473,322           | 139,520          | 216,717        | 829,559           |
| CASH & CASH EQUIVALENTS, December 31              | <u>\$ 214,366</u> | <u>50,822</u>    | <u>570,323</u> | <u>\$ 835,511</u> |

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

|  |                     |                  |                |                     |
|--|---------------------|------------------|----------------|---------------------|
| OPERATING INCOME (LOSS):   | \$ (311,629)        | (184,810)        | 665,857        | \$ 169,418          |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: |                     |                  |                |                     |
| (Increase)/Decrease in A/R Assessments - Billed  | -                   | -                | 39,481         | 39,481              |
| (Increase)/Decrease in A/R Future Assessments  | (422,729)           | (262,461)        | (67,801)       | (752,991)           |
| (Increase)/Decrease in A/R Member Deposit Assessments  | -                   | -                | (279,850)      | (279,850)           |
| (Increase)/Decrease in A/R Miscellaneous   | -                   | (83,542)         | -              | (83,542)            |
| (Increase)/Decrease in A/R Excess/Stop Loss Ins Co.  | -                   | -                | (92,127)       | (92,127)            |
| Increase/(Decrease) in Claims Payable - Known  | (72,043)            | 180,200          | 13,002         | 121,159             |
| Increase/(Decrease) in Claims Payable - IBNR   | 494,772             | 82,261           | 54,799         | 631,832             |
| Increase/(Decrease) in Accounts Payable - Misc   | -                   | 11,600           | -              | 11,600              |
| Increase/(Decrease) in Fund Legal Fees Payable   | (128)               | 105,431          | (269)          | 105,034             |
| Increase/(Decrease) in Administrative Fee Payable  | 965                 | 776              | 477            | 2,218               |
| Increase/(Decrease) in Broker Fee Payable  | -                   | -                | 15,000         | 15,000              |
| Increase/(Decrease) in Stop Loss Premium Payable   | -                   | -                | 4,019          | 4,019               |
| Increase/(Decrease) in PPO Network Fees Payable  | -                   | -                | 1,017          | 1,017               |
| Extraordinary Items - Income/(Expense)   | 2,177               | 456              | 1              | 2,634               |
| Net Cash Provided (Used) for Operating Activities  | <u>\$ (308,615)</u> | <u>(150,089)</u> | <u>353,606</u> | <u>\$ (105,098)</u> |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND  
COMBINING LIABILITY, PROPERTY, AND HEALTH & WELFARE POOLS**

**STATEMENT OF NET ASSETS AS OF DECEMBER 31, 2007**

| ASSETS                                      | Liability Pool      | Property Pool     | H&W Pool            | Total               |
|---|---------------------|-------------------|---------------------|---------------------|
| Current Assets:                             |                     |                   |                     |                     |
| Cash in Banks                               | \$ 473,322          | \$ 139,520        | \$ 216,717          | \$ 829,559          |
| Investments                                 | 1,350,000           | 400,000           | -                   | 1,750,000           |
| Accounts Receivable - Assessments Billed    | -                   | -                 | 739,934             | 739,934             |
| Accounts Receivable - Future Assessments    | 2,397,200           | 249,266           | 480,508             | 3,126,974           |
| Accounts Receivable - Miscellaneous         | -                   | 56,466            | -                   | 56,466              |
| Accounts Receivable - Excess/Stop Loss Ins. | -                   | -                 | 8,371               | 8,371               |
| Investment Interest Receivable              | 12,756              | 2,320             | -                   | 15,076              |
| <b>Total Current Assets</b>                 | <b>\$ 4,233,278</b> | <b>\$ 847,572</b> | <b>\$ 1,445,530</b> | <b>\$ 6,526,380</b> |
|   |                     |                   |                     |                     |
| LIABILITIES AND NET ASSETS                  |                     |                   |                     |                     |
| Current Liabilities:                        |                     |                   |                     |                     |
| Claims Reserve (Known)                      | \$ 887,539          | \$ 141,991        | \$ 45,371           | \$ 1,074,901        |
| Claims Reserve (IBNR)                       | 1,509,662           | 107,275           | 435,137             | 2,052,074           |
| Fund Legal Fees Payable                     | 809                 | 7,166             | 387                 | 8,362               |
| Administrator's Fee Payable                 | 16,125              | 8,166             | 19,151              | 43,442              |
| Stop Loss Premium Payable                   | -                   | -                 | 35,265              | 35,265              |
| PPO Networks Payable                        | -                   | -                 | 5,492               | 5,492               |
| <b>Total Current Liabilities</b>            | <b>\$ 2,414,135</b> | <b>\$ 264,598</b> | <b>\$ 540,803</b>   | <b>\$ 3,219,536</b> |
| <b>Total Net Assets</b>                     | <b>1,819,143</b>    | <b>582,974</b>    | <b>904,727</b>      | <b>3,306,844</b>    |
| <b>Total Net Assets and Liabilities</b>     | <b>\$ 4,233,278</b> | <b>\$ 847,572</b> | <b>\$ 1,445,530</b> | <b>\$ 6,526,380</b> |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND  
COMBINING LIABILITY, PROPERTY AND HEALTH & WELFARE POOLS**

**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
YEAR ENDED DECEMBER 31, 2007**

| OPERATING REVENUES:                             | Liability Pool      | Property Pool    | H&W Pool         | Total               |
|---|---------------------|------------------|------------------|---------------------|
| Premium Assessments                             | \$ 1,098,264        | 729,161          | -                | \$ 1,827,425        |
| General Assessments                             | 589,473             | 395,636          | 6,848,764        | 7,833,873           |
| General Assessments - Future                    | (207,363)           | (22,738)         | 26,822           | (203,279)           |
| <b>Total Operating Revenues</b>                 | <b>\$ 1,480,374</b> | <b>1,102,059</b> | <b>6,875,586</b> | <b>\$ 9,458,019</b> |
| <br>  |                     |                  |                  |                     |
| OPERATING EXPENSES:                             |                     |                  |                  |                     |
| Claims Paid on Current Losses                   | \$ 94,904           | 57,328           | 6,075,614        | \$ 6,227,846        |
| Claims Paid on Prior Losses                     | 148,823             | 35,365           | -                | 184,188             |
| Established Claims Reserve                      | (6,894)             | 27,243           | 73,725           | 94,074              |
| Adjustment to Prior Years Claims Reserve        | (200,469)           | (49,981)         | (46,903)         | (297,353)           |
| Claims Adjustment on Current Losses             | 56,078              | -                | -                | 56,078              |
| Claims Adjustment on Prior Losses               | 131,922             | -                | -                | 131,922             |
| Insurance Purchased                             | 1,094,750           | 729,161          | 414,704          | 2,238,615           |
| PPO Network Fee                                 | -                   | -                | 64,057           | 64,057              |
| Administrator's Fee                             | 205,951             | 112,513          | 222,382          | 540,846             |
| Brokers Fee                                     | 71,000              | 39,000           | 15,700           | 125,700             |
| Fund Legal Fees                                 | 54,298              | 170,505          | 37,304           | 262,107             |
| General Expense                                 | 2,322               | 594              | 183              | 3,099               |
| Professional Fees                               | 11,886              | 37,341           | 14,844           | 64,071              |
| <b>Total Operating Expense</b>                  | <b>\$ 1,664,571</b> | <b>1,159,069</b> | <b>6,871,610</b> | <b>\$ 9,695,250</b> |
| <b>Operating Income (Loss)</b>                  | <b>\$ (184,197)</b> | <b>(57,010)</b>  | <b>3,976</b>     | <b>\$ (237,231)</b> |
| <br>  |                     |                  |                  |                     |
| NONOPERATING REVENUES (EXPENSES):               |                     |                  |                  |                     |
| Interest on Investments                         | 72,734              | 20,384           | -                | 93,118              |
| <b>Total Nonoperating Revenue (Expenses)</b>    | <b>72,734</b>       | <b>20,384</b>    | <b>-</b>         | <b>93,118</b>       |
| <b>Income (Loss) Before Extraordinary Items</b> | <b>\$ (111,463)</b> | <b>(36,626)</b>  | <b>3,976</b>     | <b>\$ (144,113)</b> |
| Extraordinary Items - Revenue/(Expense)         | 3,644               | 763              | 1                | 4,408               |
| <b>CHANGE IN NET ASSETS</b>                     | <b>\$ (107,819)</b> | <b>(35,863)</b>  | <b>3,977</b>     | <b>\$ (139,705)</b> |
| <b>TOTAL NET ASSETS, January 01</b>             | <b>\$ 1,926,962</b> | <b>618,837</b>   | <b>900,750</b>   | <b>\$ 3,446,549</b> |
| <b>TOTAL NET ASSETS, December 31</b>            | <b>\$ 1,819,143</b> | <b>582,974</b>   | <b>904,727</b>   | <b>\$ 3,306,844</b> |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**PUBLIC UTILITY RISK MANAGEMENT SERVICES  
JOINT SELF-INSURANCE FUND  
COMBINING LIABILITY, PROPERTY AND HEALTH & WELFARE POOLS**

**STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2007**

|   | <u>Liability Pool</u> | <u>Property Pool</u> | <u>H&amp;W Pool</u> | <u>Total</u>      |
|---|-----------------------|----------------------|---------------------|-------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>              |                       |                      |                     |                   |
| Cash received from members                                | \$ 1,847,575          | 1,134,704            | 6,836,677           | \$ 9,818,956      |
| Cash payments to vendors                                  | (1,871,306)           | (1,191,123)          | (6,844,028)         | (9,906,457)       |
| Marsh Settlement Fund                                     | 3,644                 | 763                  | 1                   | 4,408             |
| Net Cash Provided (Used) for Operating Activities         | <u>(20,087)</u>       | <u>(55,656)</u>      | <u>(7,350)</u>      | <u>(83,093)</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>              |                       |                      |                     |                   |
| Purchase of Investments                                   | (4,990,000)           | (2,400,000)          | -                   | (7,390,000)       |
| Sale of Investments                                       | 4,840,000             | 2,400,000            | -                   | 7,240,000         |
| Interest Received   | 69,216                | 18,217               | -                   | 87,433            |
| Net Cash Provided (Used) for Investing Activities         | <u>(80,784)</u>       | <u>18,217</u>        | <u>-</u>            | <u>(62,567)</u>   |
| <b>INCREASE (DECREASE) IN CASH &amp; CASH EQUIVALENTS</b> | <b>(100,871)</b>      | <b>(37,439)</b>      | <b>(7,350)</b>      | <b>(145,660)</b>  |
| CASH & CASH EQUIVALENTS, January 1                        | <u>574,193</u>        | <u>176,959</u>       | <u>224,067</u>      | <u>975,219</u>    |
| CASH & CASH EQUIVALENTS, December 31                      | <u>\$ 473,322</u>     | <u>139,520</u>       | <u>216,717</u>      | <u>\$ 829,559</u> |

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

|  |                    |                 |                |                    |
|--|--------------------|-----------------|----------------|--------------------|
| OPERATING INCOME (LOSS):   | \$ (184,197)       | (57,010)        | 3,976          | \$ (237,231)       |
| Adjustments to reconcile operating income to net cash provided (used) by operating activities: |                    |                 |                |                    |
| (Increase)/Decrease in A/R Assessments - Billed  | 159,838            | -               | (201,686)      | (41,848)           |
| (Increase)/Decrease in A/R Future Assessments  | 207,363            | 22,738          | (26,821)       | 203,280            |
| (Increase)/Decrease in A/R Miscellaneous   | -                  | 9,907           | -              | 9,907              |
| (Increase)/Decrease in A/R Excess/Stop Loss Ins Co.  | -                  | -               | 189,599        | 189,599            |
| Increase/(Decrease) in Claims Payable - Known  | 16,081             | (21,953)        | (1,532)        | (7,404)            |
| Increase/(Decrease) in Claims Payable - IBNR   | (223,444)          | (785)           | 28,353         | (195,876)          |
| Increase/(Decrease) in Fund Legal Fees Payable   | (1,099)            | (9,606)         | (3,973)        | (14,678)           |
| Increase/(Decrease) in Administrative Fee Payable  | 1,727              | 290             | 2,420          | 4,437              |
| Increase/(Decrease) in Stop Loss Premium Payable   | -                  | -               | 2,073          | 2,073              |
| Increase/(Decrease) in PPO Network Fees Payable  | -                  | -               | 240            | 240                |
| Extraordinary Items - Income/(Expense)   | 3,644              | 763             | 1              | 4,408              |
| Net Cash Provided (Used) for Operating Activities  | <u>\$ (20,087)</u> | <u>(55,656)</u> | <u>(7,350)</u> | <u>\$ (83,093)</u> |

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS



## **ABOUT THE STATE AUDITOR'S OFFICE**

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

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

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

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

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

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

**State Auditor**  
**Chief of Staff**  
**Deputy Chief of Staff**  
**Chief Policy Advisor**  
**Director of Audit**  
**Director of Special Investigations**  
**Director for Legal Affairs**  
**Director of Quality Assurance**  
**Local Government Liaison**  
**Communications Director**  
**Public Records Officer**  
**Main number**  
**Toll-free Citizen Hotline**

**Brian Sonntag, CGFM**  
**Ted Rutt**  
**Doug Cochran**  
**Jerry Pugnetti**  
**Chuck Pfeil, CPA**  
**Jim Brittain, CPA**  
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