

Washington State Auditor's Office

Audit Report

Washington Counties Risk Pool

Audit Period
October 1, 1997 through September 30, 1998

Report No. 60022

Issue Date
April 30, 1999



Washington _____
State Auditor
_____ Brian Sonntag

Audit Summary

Washington Counties Risk Pool October 1, 1997 through September 30, 1998

ABOUT THE AUDIT

This report contains the results of our annual independent audit of Washington Counties Risk Pool for the period October 1, 1997, through September 30, 1998.

We performed audit procedures to determine whether the Risk Pool complied with state laws and regulations and its own policies and procedures. We also audited the financial statements and evaluated internal controls established by Risk Pool management. Our work focused on specific areas that have potential for abuse and misuse of public resources.

RESULTS

The Washington Counties Risk Pool complied with state laws and regulations and its own policies and procedures in the areas we examined. We found the Risk Pool's financial statements to be accurate and complete.

Table of Contents

Washington Counties Risk Pool October 1, 1997 through September 30, 1998

Description of the Risk Pool 1

Audit Areas Examined 2

Audit Overview 3

Independent Auditor's Report on Compliance with State Laws and Regulations 4

Independent Auditor's Report on Financial Statements and Supplementary Information 5

Financial Statements 7

Description of the Risk Pool

Washington Counties Risk Pool October 1, 1997 through September 30, 1998

ABOUT THE RISK POOL

The Washington Counties Risk Pool is a municipal corporation, formed by an interlocal agreement, to provide 25 member counties with comprehensive and economical liability coverage and risk management assistance. An Executive Director, who reports to a nine-member Board, administers day-to-day operations. Board members are elected to staggered, three-year terms. The Risk Pool operates on a \$850,000 annual budget and has 10 employees.

ELECTED OFFICIALS

These members of the Washington Counties Risk Pool served during the audit period:

Board of Directors:

Dick Dixon
Mary Jo Cady
Steve M. Lowe
Mike Shelton
David Goldsmith
Spence Higby
Judy Wilson
Ron Zirkle
Frank Bishop

NOTE: Spence Higby and Frank Bishop were replaced by Marilyn Breckel and Melina Wenner in October 1998.

APPOINTED OFFICIALS

Executive Director

John Crawford

ADDRESS

Risk Pool

205 Clark Place SE
Tumwater, WA 98501-2251
(360) 586-7447

Audit Areas Examined

Washington Counties Risk Pool October 1, 1997 through September 30, 1998

In keeping with general auditing practices, we do not examine every portion of the Risk Pool's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the Risk Pool were examined during this audit period:

LEGAL COMPLIANCE

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Budget compliance
- Officials/conflict of interest laws
- Contracts and agreements
- Insurance and bonding requirements
- Authorized travel expenditures

INTERNAL CONTROL

We evaluated the following areas of the Risk Pool's internal control structure:

- Cash and investments
- Disbursements/vouchers/claims
- Assessment billing/receipting

FINANCIAL AREAS

In addition to the financial-related work listed in other categories, we audited the following areas:

- Claim reserves
- Revenues such as member assessments and deductibles, interest, service contracts and seminar fees
- Unearned revenues
- Expenditures including payroll, benefits and deferred compensation
- Overall presentation of financial statements

Audit Overview

Washington Counties Risk Pool October 1, 1997 through September 30, 1998

AUDIT HISTORY

The Washington Counties Risk Pool is audited on an annual basis. The Risk Pool has been free of findings since its inception in 1988.

Management has been very responsive to prior audit recommendations. Audit concerns are often discussed, addressed and resolved before completion of our audit.

CONCLUSIONS

In the areas we audited, we found Washington Counties Risk Pool complied with state laws and regulations and its own policies and procedures. We also determined the Risk Pool's financial statements were complete and accurate.

We thank Risk Pool officials and personnel for their assistance and cooperation throughout the audit.

Independent Auditor's Report on Compliance with State Laws and Regulations

Washington Counties Risk Pool October 1, 1997 through September 30, 1998

Board of Directors
Washington Counties Risk Pool
Tumwater, Washington

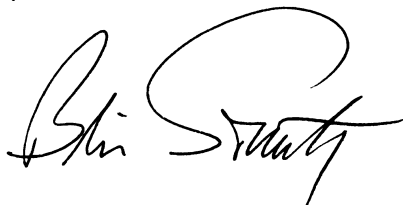
We have audited the financial statements of the Washington Counties Risk Pool, as of and for the year ended September 30, 1998, and have issued our report thereon dated February 3, 1999.

We also performed tests of compliance with state laws and regulations as required by *Revised Code of Washington* (RCW) 43.09.260. This statute requires the State Auditor to inquire as to whether the Risk Pool complied with the laws and the *Constitution of the State of Washington*, its own ordinances and orders, and the requirements of the State Auditor's Office.

Compliance with these requirements is the responsibility of the Risk Pool's management. Our responsibility is to make a reasonable effort to identify any instances of misfeasance, malfeasance or nonfeasance in office on the part of any public officer or employee and to report any such instance to the management of the Risk Pool and to the Attorney General. However, the objective of our audit of the financial statements was not to provide an overall opinion on compliance with these requirements. Accordingly, we do not express such an opinion.

The results of our tests indicated that, with respect to the items tested, the Risk Pool complied, in all material respects, with the applicable laws and regulations referred to in the preceding paragraphs. With respect to items not tested, nothing came to our attention that caused us to believe that the Risk Pool had not complied, in all material respects, with those provisions.

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



BRIAN SONNTAG, CGFM
STATE AUDITOR

February 3, 1999

Independent Auditor's Report on Financial Statements and Supplementary Information

Washington Counties Risk Pool October 1, 1997 through September 30, 1998

Board of Directors
Washington Counties Risk Pool
Tumwater, Washington

We have audited the accompanying financial statements of the Washington Counties Risk Pool, as of and for the year ended September 30, 1998. These financial statements are the responsibility of the Risk Pool's management. Our responsibility is to express an opinion on these financial statements based on our audit.

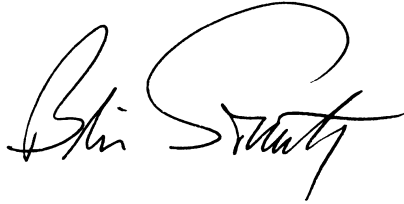
We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington Counties Risk Pool, as of September 30, 1998, and the results of its operations and the cash flows for the year then ended, in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the financial statements as of and for the year ended September 30, 1989 through 1997 (none of which is presented herein). We expressed unqualified opinions on those financial statements.

The Risk Pool has not presented the disclosures required by Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures about Year 2000 Issues*, as amended by Governmental Accounting Standards Board Technical Bulletin 99-1, that the Governmental Accounting Standards Board has determined are necessary to supplement, although not be a part of, the basic financial statements. In addition, we do not provide assurance that the Risk Pool's year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Risk Pool does business are or will become year 2000 compliant.

In our opinion, the amounts set forth in the required supplementary information for each of the year reported in the claims development information, is fairly stated in all material respects in relation to the financial statements from which it was derived.

A handwritten signature in black ink, appearing to read "Brian Sonntag". The signature is fluid and cursive, with a large, prominent "S" at the end.

BRIAN SONNTAG, CGFM
STATE AUDITOR

February 3, 1999

Financial Statements

Washington Counties Risk Pool October 1, 1997 through September 30, 1998

FINANCIAL STATEMENTS

Balance Sheet – 1998

Statement of Revenues and Expenses and Changes in Members' Retained Earnings – 1998

Statement of Cash Flows – 1998 and 1997

Notes to Financial Statements – 1998

SUPPLEMENTAL INFORMATION

Ten-Year Claims Development Schedule – 1989 through 1998