



**Washington State Auditor's Office**

Government that works for citizens

**Financial Statements Audit Report**

**Washington Fire Commissioners  
Association Insurance Rate  
Stabilization Account**

**Thurston County**

**For the period January 1, 2014 through December 31, 2015**

**Published August 29, 2016**

**Report No. 1017394**





## Washington State Auditor's Office

August 29, 2016

Board of Directors  
Washington Fire Commissioners Association  
Insurance Rate Stabilization Account  
Olympia, Washington

### Report on Financial Statements

Please find attached our report on the Washington Fire Commissioners Association Insurance Rate Stabilization Account's financial statements.

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

Sincerely,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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

**Washington Fire Commissioners Association  
Insurance Rate Stabilization Account  
Thurston County  
January 1, 2014 through December 31, 2015**

Board of Directors  
Washington Fire Commissioners Association  
Insurance Rate Stabilization Account  
Olympia, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Washington Fire Commissioners Association Insurance Rate Stabilization Account, Thurston County, Washington, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Account's basic financial statements, and have issued our report thereon dated August 24, 2016. The Account has not presented all of the claims development information that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

The financial statements of the Washington Fire Commissioners Association Insurance Rate Stabilization Account are intended to present the financial position, and the changes in financial position, and where applicable, cash flows of only the respective portion of activities of the Washington Fire Commissioners Association that is attributable to the transactions of the Insurance Rate Stabilization Reserve Account (IRSRA). They do not purport to, and do not, present fairly the financial position of the Washington Fire Commissioners Association as of December 31, 2015 and 2014, the changes in its financial position, or where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Account's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Account's internal control. Accordingly, we do not express an opinion on the effectiveness of the Account's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Account's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## COMPLIANCE AND OTHER MATTERS

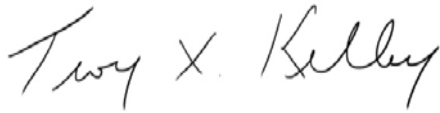
As part of obtaining reasonable assurance about whether the Account's financial statements are free from material misstatement, we performed tests of the Account's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and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

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

## PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Account's internal control or on compliance. This report is an integral part of an audit

performed in accordance with *Government Auditing Standards* in considering the Account's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in cursive script that reads "Troy X. Kelley".

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

August 24, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Washington Fire Commissioners Association Insurance Rate Stabilization Account Thurston County January 1, 2014 through December 31, 2015**

Board of Directors  
Washington Fire Commissioners Association  
Insurance Rate Stabilization Account  
Olympia, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the Washington Fire Commissioners Association Insurance Rate Stabilization Account, Thurston County, Washington, as of and for the years ended December 31, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the Account's basic financial statements as listed on page 10.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial

statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Account's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Account's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington Fire Commissioners Association Insurance Rate Stabilization Account, as of December 31, 2015 and 2014, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 1, the financial statements present only the Insurance Reserve Stabilization Account and do not purport to, and do not, present fairly the financial position of the Washington Fire Commissioners Association as of December 31, 2015 and 2014, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 14, and risk pools information on pages 31 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the



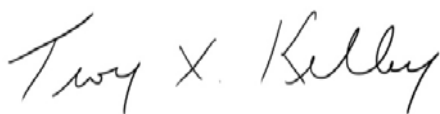
information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. Although our opinion on the basic financial statements is not affected, management has not presented all of the required information in the claims development information, which is a material departure from the prescribed guidelines. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Account's basic financial statements as a whole. The List of Participating Members and Department of Enterprise Services Schedule of Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2016 on our consideration of the Account's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Account's internal control over financial reporting and compliance.



TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

August 24, 2016

## **FINANCIAL SECTION**

**Washington Fire Commissioners Association  
Insurance Rate Stabilization Account  
Thurston County  
January 1, 2014 through December 31, 2015**

### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2015 and 2014

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2015 and 2014

Statement of Revenues, Expenses and Changes in Net Position – 2015 and 2014

Statement of Cash Flows – 2015 and 2014

Notes to Financial Statements – 2015 and 2014

### **REQUIRED SUPPLEMENTARY INFORMATION**

Claims Development Information – 2015 and 2014

Reconciliation of Claims Liabilities – 2015 and 2014

### **SUPPLEMENTARY AND OTHER INFORMATION**

List of Participating Members – 2015 and 2014

Department of Enterprise Services Schedule of Expenses – 2015 and 2014

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

The Washington Fire Commissioners Association presents this Management Discussion and Analysis (MD&A) of the financial activities of the Insurance Rate Stabilization Reserve Account (IRSRA) primarily referred to in this report as the WFCFA Health Care Program. The narrative overview and analysis is intended to be read in conjunction with the Health Care Program's financial statements, notes to financial statements, and required supplementary information for the fiscal year ended December 31, 2015. Calendar Years 2014 and 2013 financial information is provided for comparative purposes as part of the MD&A Financial Analysis.

The Insurance Rate Stabilization Reserve Account is a proprietary fund that supports all health and welfare benefits offered by the Washington Fire Commissioners Association. The WFCFA Health Care Program offers self-funded medical, vision, prescription drug benefit options and insured medical and dental options as well as life insurance.

### **HIGHLIGHTS**

#### Self-Funded Plans

- The self-funded portion of the WFCFA Health Care Program's overall cash position increased by \$2,582,459 or 12.6 percent during Calendar Year 2015. The beginning 2015 cash balance was \$20,425,040 increasing to \$23,007,499 as of December 31, 2015.
- Calendar Year 2015 medical, vision and prescription drug claims experience compared to available net premium funding for the self-funded portion of the Health Care Program resulted in a favorable experience ratio of 91.8 percent for the fiscal period.
- Of the \$20,390,394 ending total net position, \$9,966,010 was invested in federal government agency bonds during 2015 and \$10,424,384 was available for program purposes (e.g., claims reserves, Health Care Reform fees, etc.).
- Individual large claims of \$50,000 or greater increased by 2 claims to 50 cases in 2015. The average value of 2015 large claims decreased by \$4,536 to \$102,017 per case when compared to the 2014 average value of \$106,553.

#### Insured Plans

##### Group Health Cooperative

- Premium rates for active employees enrolled in 2015 increased 32.0 percent over the prior year.
- Premium rates for retirees enrolled in 2015 increased by 4.5 percent over the prior year.

##### Kaiser Foundation of the Northwest

- Premium rates for active employees enrolled in 2015 did not change from 2014.
- Premium rates for retirees enrolled in 2015 did not change from 2014.

##### Delta Dental of Washington

- No increase, monthly PPO Incentive Plan premiums for 2015 remained the same as 2014.
- No increase, monthly PPO Basic Plan premiums for 2015 remained the same as 2014.
- Gross premium funding received by Delta Dental of Washington (DDW) for CY 2015 was \$2,016,439 of which \$1,675,950 was paid to providers for member dental claims expenses, \$256,088 supported DDW administrative activities and Insurance Broker fees.
- Paid claims experience compared to net premium funding received for Calendar Year 2014 resulted in a favorable experience ratio of 95.8 percent.

- Of the \$194,401 unspent premium funding held by DDW on December 31, 2015, \$110,000 is to be held in reserve by Delta Dental to cover any extraordinary dental costs incurred during 2016 and \$84,401 was refunded to the WFCA in April 2016.

#### Standard Life Insurance

- The WFCA Health Care Program provides \$2,000 of Core Life Insurance coverage for all employees participating in self-funded health care plans at an annual cost of \$10,210.
- Employers provide funding for basic life insurance coverage in various increments up to a maximum of \$100,000.
- Employee funded supplemental life insurance is available to fire service employees who are also covered by Core and/or Basic life insurance to purchase up to \$300,000 of additional coverage.
- The life and AD&D contract period covers two years. Payout experience in 2013 resulted in a 32.0 percent increase in core and basic coverage premiums beginning in 2014. There was no premium change in 2015, the second year of the contract period.

## OVERVIEW OF FINANCIAL STATEMENTS

The WFCA reports Insurance Rate Stabilization Account revenues and expenses on an accrual accounting basis to the Office of the State Auditor. The Health Care Program fiscal year covers January 1 through December 31.

The WFCA Insurance Rate Stabilization Reserve Account is an enterprise fund and accounts for its expenses on an accrual accounting basis. Revenues are recognized when earned and expenses are recognized when incurred.

The WFCA monitors self-insurance premium revenues and medical, vision and prescription drug expenses and vendor fees on a monthly basis. Trusteed Plans Service Corporation (TPSC) manages and maintains the financial information systems used to track premium revenue and to pay providers for medical services rendered to covered members. Parker, Smith and Feek prepares the monthly Funding and Paid Claims Experience Reports for review by the Health Care Committee and the Board of Directors. The WFCA Finance Officer manages the Wire In and Wire Out Account between TPSC and South Sound Bank as well as collects and accounts for revenues received directly by the Association and accounts for expenses related to Health Care Committee activities and staff responsibilities supporting the Health Care Program.

#### Assets:

Operating revenues are generated from premiums paid by member fire districts and regional fire authorities. For every \$1.00 received in premium support in 2015 for the self-funded medical plans, \$0.918 was spent on medical services and contracted program support. The unexpended \$0.082 was used to avoid premium increases in 2016 and to improve the financial position of the Health Care Program. Gross premium funding from member organizations totaled \$26,994,853 for Fiscal Year 2015. Gross premium funding received in 2014 was \$24,109,545 or \$2,885,308 less than the amount received in 2015.

Non-operating revenues are generated from interest earnings on fund balances in the Local Government Investment Pool, South Sound Bank and bond investments. A bond investment program was initiated in 2014 to provide greater returns to the Health Care Program. The leasing of office space in the James R. Larson Forum Building also provides annual lease income. Other sources of revenue come from stop loss insurance reimbursement, and various rebates and refunds. Funds held in the Local Government Investment Pool (LGIP) earned 0.145 percent interest and generated \$13,254 in earnings. Funds held in the South Sound

Bank checking Account earned 0.16 percent interest and generated \$2,706 in earnings. Funds held in the South Sound Bank Wire In, Wire Out Account earned 0.145 percent interest and generated \$3,690 in earnings (See Note 3-Deposits and Investments). Capital facility (building account) revenues earned interest of 0.145 percent generating earnings of \$42.

The Washington Fire Commissioners Association, the WFCA Health Care Program and the Washington Fire Chiefs own the James R. Larson Forum Building. The WFCA Health Care Program also owns the adjacent parking lot. The Health Care Program owns the first floor which equates to 48.92 percent of the useable office space and the general operations of the Association owns the second floor or 44.29 percent of the useable office space. The building and property is owned outright. With the exception of the space occupied by the Washington Fire Commissioners Association and the Washington Fire Chiefs, the remaining office space is leased to six organizations: one state agency, two nonprofit Associations and three private businesses. Lease agreements range from 2 to 10 years in duration.

For Calendar Year 2015, the rental of office space owned by the Health Care Program returned gross lease revenues of \$97,665. Insurance, operating and maintenance expenses attributable to the Health Care Program totaled \$58,261 and \$14,840 was paid in property taxes. The net capital return for 2015 was \$24,564 or 5.9 percent for the year.

The WFCA Health Care Program has no long-term operating or capital debt. The WFCA has no investments in stocks or other asset classes (See Note 6-Long-Term Debt and Liabilities).

The MD&A accompanies the WFCA Health Care Program's three primary financial statements (Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position and Statement of Cash Flows) and the Notes to Financial Statements. Supplementary information is also provided.

## FINANCIAL ANALYSIS

Condensed versions of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are provided here as a quick high level view of the Program's 2015 experience. The more detailed financial statements follow.

### Condensed Comparative Financial Information

#### NET POSITION

	<u>12/31/2015</u>	<u>12/31/2014</u>	<u>12/31/2013</u>
Current Assets	24,949,052	22,460,251	22,723,511
Capital Assets	395,149	401,354	407,560
<b>Total Assets</b>	<b>25,344,201</b>	<b>22,861,606</b>	<b>23,131,071</b>
<b>Current Liabilities</b>	<b>4,953,807</b>	<b>4,253,949</b>	<b>4,090,870</b>
Invested in Capital Assets	395,149	401,354	407,560
Unrestricted	19,995,245	18,206,302	18,632,641
<b>Total Net Position</b>	<b>20,390,394</b>	<b>18,607,657</b>	<b>19,040,201</b>

**REVENUES, EXPENSES and CHANGES IN NET POSITION**

	<b>12/31/2015</b>	<b>12/31/2014</b>	<b>12/31/2013</b>
Total Operating Revenues	26,994,853	24,109,545	23,782,509
Total Non-Operating Revenues	246,326	167,131	130,034
<b>Total Revenues</b>	<b>27,241,179</b>	<b>24,276,676</b>	<b>23,912,543</b>
Total Operating Expenses	25,383,824	24,607,693	21,578,837
Total Non-Operating Expenses	74,618	101,527	74,177
<b>Total Expenses</b>	<b>25,458,442</b>	<b>24,709,220</b>	<b>21,653,014</b>
<b>Changes in Net Position</b>	<b>1,782,737</b>	<b>(432,544)</b>	<b>2,259,529</b>
<b>Beginning Net Position 12/31</b>	<b>18,607,657</b>	<b>19,040,201</b>	<b>16,780,672</b>
<b>Ending Net Position 12/31</b>	<b>20,390,394</b>	<b>18,607,657</b>	<b>19,040,201</b>

The overall 2015 financial position of the WFCA Health Care Program improved over the prior year.

**The Condensed Comparative Statement of Net Position**

Compared to the year-end 2014 position, total assets in 2015 increased by \$2,482,595 or 10.9 percent. Total liabilities on December 31, 2015 were valued at \$4,953,807, an increase of \$699,858 or 16.4 percent from year-end 2014. The change in total liabilities was primarily due to increased enrollment in 2015 which increased estimated medical claims reserves. The 2015 Ending Net Position of the WFCA Health Care Program increased to \$20.4 million, an increase of \$1,782,737 or 9.6 percent.

**The Condensed Comparative Statement of Revenues, Expenses and Changes in Fund Net Position**

Operating revenues for CY 2015 were \$27.0 million, an increase of \$2,885,308 or 12 percent compared to 2014 operating revenues. Non-operating revenues increased by 47.4 percent as a result of the bond investment program. Operating expenses for 2015 were \$25.4 million, an increase of \$776,131 or 3.2 percent. Covered enrollment and utilization of medical services increased in 2015 as did the number of large claims. The overall 2015 experience rating for all self-funded medical plans was 91.8 percent compared to a 95.6 percent experience rating for 2014. The Ending Net Position on December 31, 2015 was \$20.4 million, an increase of \$1,782,737 or 9.6 percent more than the Ending Net Position in 2014.

**Washington Fire Commissioners Association Insurance Rate Stabilization Reserve Account**  
**STATEMENT OF NET POSITION**  
**December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>ASSETS</b>		
<u>Current Assets:</u> (Note 1c)		
Cash and Cash Equivalents	\$23,007,499	\$20,425,040
Member Deposits Held By TPA	1,146,928	991,688
Delta Dental Retention	194,401	498,370
Receivables		
Member Contributions	37,427	22,361
Stop-Loss and Subrogation Recoveries	220,280	274,817
Prescription Drug Recoveries	325,914	236,793
RDS Subsidy Payments	16,603	11,182
Subtotal Receivables	<u>600,224</u>	<u>545,153</u>
Total Current Assets	<u>24,949,052</u>	<u>22,460,251</u>
<u>Capital Assets:</u> (Note 8)		
Land (Note 1d)	301,965	301,965
Building (Net of Accumulated Depreciation)	<u>93,184</u>	<u>99,390</u>
Total Non Current Assets	<u>395,149</u>	<u>401,355</u>
<b>TOTAL ASSETS</b>	<b><u>\$25,344,201</u></b>	<b><u>\$22,861,606</u></b>
<b>LIABILITIES &amp; NET POSITION</b>		
<u>Current Liabilities</u>		
Unearned Member Premiums (Note 11)	\$1,146,928	\$991,688
Claims Processed But Not Yet Funded (Note 1j)	300,467	209,623
Claims Reserves (Note 1m, 1n):		
IBNR/Open Claims (Case Reserves)	3,133,503	2,413,648
Claims Reserves - Dental	194,401	498,370
Unallocated Loss Adjustment Expense	119,883	102,041
Employee Leave Liability	<u>58,625</u>	<u>38,579</u>
<b>TOTAL LIABILITIES</b>	<b><u>4,953,807</u></b>	<b><u>4,253,949</u></b>
<u>Net Position</u>		
Net Investment in Capital Assets	395,149	401,355
Unrestricted Cash	19,995,245	18,206,302
<b>TOTAL NET POSITION</b>	<b><u>20,390,394</u></b>	<b><u>18,607,657</u></b>
<b>TOTAL NET POSITION &amp; LIABILITIES</b>	<b><u>\$25,344,201</u></b>	<b><u>\$22,861,606</u></b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS.

**Washington Fire Commissioners Association Insurance Rate Stabilization Reserve Account**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION**  
**For the Years Ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>OPERATING REVENUES</b>		
	\$702,968	
Member Premium Contributions - Self-Insured	\$20,833,075	\$18,396,045
Member Premium Contributions - Insured	6,161,778	5,713,500
<b>TOTAL OPERATING REVENUES</b>	<b>26,994,853</b>	<b>24,109,545</b>
<b>OPERATING EXPENSES</b>		
Medical, Drug, Vision Claims Expenses - Self-Insured	18,332,945	17,185,578
Medical, Drug, Vision, Dental Claims - Insured Premiums	3,945,987	4,046,724
Health Care Premium Holiday	-	1,635,425
Stop Loss Carrier Fee	1,309,717	1,087,996
Third-Party Administrative Fees	480,414	423,115
Insurance Consulting Fees	70,381	61,807
Provider Network Fees	79,927	66,466
Health Care Reform Fees & Assessments	131,851	6,876
Utilization Review Fee	21,475	18,772
Wellness Web Portal Expense	26,676	13,429
Marketing & Promotions	1,948	2,301
Professional Services	10,646	11,008
Staff Compensation and Travel	197,458	163,024
Program Supplies and Materials	3,133	17,017
Health Care Committee Expenses	5,696	6,452
Workshops/Seminar Expenses	4,761	5,928
Website Maintenance Expense	-	6,750
Hope Health Newsletter	6,027	6,846
Claim Reserves (Note 1m)	719,855	(181,352)
Unallocated Loss Adjustment Expenses	17,842	3,041
State Oversight Fees	9,435	12,316
Other Fees & Expenses	1,444	1,968
Depreciation (Note 7)	6,206	6,206
<b>TOTAL OPERATING EXPENSES</b>	<b>25,383,824</b>	<b>24,607,693</b>
<b>OPERATING INCOME (LOSS)</b>	<b>1,611,029</b>	<b>(498,148)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	148,661	68,944
Building Lease Income	97,665	98,187
<b>Total NonOperating Revenue</b>	<b>246,326</b>	<b>167,131</b>
General LGIP & Bond Investment Expense	(1,517)	(789)
Forum Building Expense	(73,101)	(100,738)
<b>Total Nonoperating Expenses</b>	<b>(74,618)</b>	<b>(101,527)</b>
<b>TOTAL NONOPERATING REVENUES</b>	<b>171,708</b>	<b>65,604</b>
<b>CHANGE IN NET POSITION</b>	<b>1,782,737</b>	<b>(432,544)</b>
<b>TOTAL NET POSITION, Beginning</b>	<b>18,607,657</b>	<b>19,040,201</b>
<b>TOTAL NET POSITION, Ending</b>	<b>\$20,390,394</b>	<b>\$18,607,657</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS



**Washington Fire Commissioners Association Insurance Rate Stabilization Reserve Account**

**Statement of Cash Flows**

**For the Years Ended December 31, 2015 and 2014**

	<b>2015</b>	<b>2014</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from members	\$28,803,510	\$24,049,275
Stop Loss Reimbursement for large claims	348,062	37,844
RDS Subsidy Received	55,995	41,220
Payments made on self-funded medical, vision claims	(20,430,067)	(17,404,331)
Payments made for premium holiday	-	(1,635,425)
Payments made for insured carriers	(3,749,291)	(4,043,491)
Payments made for contract services	(819,418)	(720,460)
Payments made for excess insurance coverage	(1,309,717)	(1,087,996)
Payments made for payroll expenses	(177,412)	(154,346)
Payments in support of program activities	(155,671)	(54,927)
Net Cash Provided (Used) by Operating Activities	<u>2,565,991</u>	<u>(972,637)</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Building Office Leases	97,665	98,187
Building Expenses	<u>(73,101)</u>	<u>(100,739)</u>
Net Cash Provided (used) by Capital and Related Financing Activities	<u>24,564</u>	<u>(2,552)</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	148,661	68,944
LGIP administration fee	<u>(1,517)</u>	<u>(789)</u>
Net Cash Provided (used) by Investing Activities	<u>147,144</u>	<u>68,155</u>
 Increase (Decrease) in Cash and Cash Equivalents	<u>2,737,699</u>	<u>(907,034)</u>
 Cash and Cash Equivalents, Beginning	<u>21,416,728</u>	<u>22,323,762</u>
 Cash and Cash Equivalents, Ending	<u><u>\$24,154,427</u></u>	<u><u>\$21,416,728</u></u>
 <b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income (Loss)	\$1,611,029	(\$498,148)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	6,206	6,206
Change in operating assets and liabilities:		
(Increase) Decrease in Receivables	248,898	(145,404)
Increase (Decrease) in Accounts Payable	0	(21,098)
Increase (Decrease) in Unearned Member Premiums	155,240	31,391
Increase (Decrease) in Claims Processed But Not Yet Funded	90,844	(175,952)
Increase (Decrease) in Claims Reserves	433,728	(178,311)
Increase in Employee Leave Liability	20,046	8,679
Net Cash Provided by Operating Activities	<u><u>\$2,565,991</u></u>	<u><u>(\$972,637)</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

# **Washington Fire Commissioners Association Insurance Rate Stabilization Reserve Account**

## **NOTES TO FINANCIAL STATEMENTS For the Fiscal Year Ended December 31, 2015**

The following notes are an integral part of the accompanying WFCOA Health Care Program financial statements.

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the WFCOA Insurance Rate Stabilization Reserve Account conform to generally accepted accounting principles as applicable to proprietary funds of governmental units. The following is a summary of the more significant policies:

a. **Reporting Entity**

The Washington Fire Commissioners Association is a non-profit association created by fire districts. Chapter 52.12 RCW provides for the creation of the association to encourage uniformity and coordination to achieve more efficient and economical operation of associated fire districts. The conditions and qualifications for membership in the association and the rights and privileges of the classes of membership are prescribed in the bylaws of the association.

There are three classes of members: Fire Districts, Active Commissioner Members and Associate Members. An associate member is an individual or organization granted associate member status by the Board of Directors. Associate members can be private individuals or organizations supporting the activities of fire districts and the Association. Private funds and public funds are accounted for separately and under no circumstances co-mingled. General Association revenues and expenses and Health Care Program revenues and expenses are accounted for separately and under no circumstances co-mingled. Case law characterizes the Association as a quasi-municipal corporation.

The WFCOA Health Care Insurance Rate Stabilization Reserve Account also referred to in this report as the WFCOA Health Care Program was created in 1981 by a resolution passed by the Washington Fire Commissioners Association Board of Directors for the benefit of member fire districts. In accordance with Section 52.12.031(4) RCW, member fire districts through the articles of association are authorized to select a chairman, secretary, and other officers as they may determine, and may employ and discharge agents and employees as the officers deem convenient to carry out the purposes of the association.

Fire district members of the Association determined it was in their collective best interest to purchase health care through the Association. The pooling of resources allowed fire districts to jointly benefit from volume purchasing and lower administrative overhead. The WFCOA Board of Directors was tasked with providing and managing a health care program to cover employee health and medical claims through premiums paid by employer fire districts, qualified regional fire authorities and qualified municipal fire departments. The WFCOA Health Care Program is not intended to function as an insurance company for fire districts, regional fire authorities and municipal fire departments. Rather, it is a means of combining the administration of claims and of obtaining lower insurance rates for member organizations. Premiums billed to the fire districts,

regional fire authorities and municipal fire departments are determined annually based on an average of at least the prior twelve months of actual premiums paid. Annual premium funding and accumulated fund balances cover all program expenses. There are no reassessments levied on member organizations during a plan year. The ultimate liability for unpaid claims and program expenses is the responsibility of the Washington Fire Commissioners Association Board of Directors.

Membership in the WFCOA Health Care Program is voluntary; however, in order to be eligible to enroll in the Program, participant organizations must be dues paying members or associate members of the Washington Fire Commissioners Association. Member organizations of the Health Care Program must provide 31-days notice prior to the end of the calendar year of their intent to terminate from the Program should they choose not to renew. Fire Districts, Regional Fire Authorities and Municipal Fire Departments that are members or associate members of the Association and are not enrolled in the Health Care Program may enroll in the Health Care Program throughout the Plan Year. For Plan Year 2015, 124 member organizations participated in the WFCOA Health Care Program.

b. Basis of Accounting

The accounting records of the WFCOA Insurance Rate Stabilization Reserve Account are maintained in accordance with methods prescribed by the State Auditor's Office under the authority of Chapter 43.09 RCW. The presented financial statements (including notes) are in compliance with applicable Governmental Accounting Standards Board (GASB 62) statements and standards.

The recording of member premium revenues and medical claims expenses occurs in the financial accounting system maintained by the Health Care Program's Third-Party Administrator. The Third-Party Administrator uses the accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases by the WFCOA Health Care Program are either expensed or amortized depending on the cost, use and type of capital asset. All program expenses whether short-term or long-term are accounted for in the fund.

The principal operating revenues of the WFCOA Health Care Program are from health care premiums paid by member fire districts and regional fire authorities. No municipal fire departments were enrolled in the Health Care Program in 2015.

Operating expenses include medical claims, vision claims, prescription drug claims, premiums due for dental expense claims, fees charged by the third-party administrator to process member premiums and claims, excess insurance premiums, subscription fees, Wellness Portal expenses and broker fees. WFCOA specific administrative expenses include: Health Care Committee expenses, staff salaries and benefits, and office equipment and supplies.

c. Cash and Cash Equivalents

For purposes of the statement of cash flows, the WFCOA Health Care Program considers all demand deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All WFCOA Health Care Program investments meet the requirements set forth in Section 48.62.111 RCW. The 2015 year-ending cash and cash equivalents balance was \$23,007,499. This compares to a 2014 year-ending cash and cash

equivalents balance of \$20,425,040. During Fiscal Year 2015, the WFCA Health Care Program earned interest on its excess cash balances in the Local Government Investment Pool managed by the Office of the State Treasurer and in South Sound Bank. Interest earnings from all accounts amounted to \$19,692 for the fiscal period. Once earned, the interest proceeds are available for expenditure if needed.

Interest earnings from purchase of federal government agency bonds improved the overall investment earnings for 2015. For 2015, bond interest and proceeds from the sale or call of selected bonds yielded a net return of \$128,969 or 1.3 percent. This compares to net bond interest earnings of \$53,320 in 2014.

The third-party administrator (TPA) holds deposits made by member organizations when member premium contributions are submitted to cover more than one month of medical claims expenses. Open enrollment occurs in November and December annually. Future premium payments held by the TPA as of December 31, 2015 amounted to \$1,146,928. Premium deposits from members at the end of 2014 were \$991,688.

d. Capital Assets

The Washington Fire Commissioners Association and the WFCA Health Care Program jointly own 93.21 percent of the James R. Larson Forum Building. The Washington Fire Chiefs own the remaining 6.79 percent of the building. The WFCA Health Care Program owns the adjacent parking lot used by building tenants and visitors. No mortgage payments remain on the property. The 2015 assessed value of the property and adjacent parking lot owned by the Health Care Program is \$1,137,050. This is a decline in assessed property value of \$47,800 or 4.0 percent from the assessed value for 2014.

The historical value of the WFCA Health Care Program's portion of the James R. Larson Forum Building and land is \$550,290. The straight line method of depreciation is used based on a 40-year useful life for the building (See NOTE 7(a)).

e. Receivables

The majority of receivables deemed collectable for 2015 are attributable to prescription drug recoveries from the program's pharmacy benefit manager, unpaid subrogation payments, and unpaid stop loss carrier reimbursement. The Statement of Net Position lists the 2015 receivables. Of the \$600,224 identified receivables, subrogation payments amounted to \$139,748 and stop loss recoveries owed to the WFCA Health Care Program amounted to \$80,532. Prescription drug recoveries accounted for \$325,915 of 2015 receivables. Unpaid member premiums, refunds, rebates and subsidy payments collectively accounted for the remaining \$54,029 in receivables. All member premiums and stop loss carrier reimbursements are initially collected by the program's third-party administrator and then remitted to the WFCA Health Care Program for deposit.

During 2015, total receivables increased over 2014 by \$55,071 or 10.1 percent. Prescription drug recoveries and stop loss/subrogation recoveries historically account for the majority of the increase in receivables during the year. Receivables in 2014 amounted to \$545,153. Of total 2014 receivables, subrogation payments accounted for \$180,291, stop loss recoveries accounted for \$94,526, prescription drug recoveries accounted for \$236,793 and remaining receivables amounted to \$33,543.

f. Inventories

The WFCA Health Care Program provides Medical Plan Identification Cards for members enrolled in self-funded plans and provides administrative reference guides and plan booklets to fire service organization human resources and administrative staff. Extra copies are kept on hand by the third-party administrator. During 2015, \$2,826 was spent on inventory type items such as identification cards, plan booklets and program reference material. Inventory is primarily held by the third-party administrator and is minimal. Spending on inventory items was \$16,680 in 2014.

g. Investments

The WFCA Board of Directors implemented a government bond purchasing program using a portion of the Insurance Rate Stabilization Reserve Account unrestricted reserves in 2014. As of December 31, 2015, the WFCA Health Care Program holds 13 bonds purchased from four federal government agencies. Total funds invested as of December 31, 2015 amounted to approximately \$10 million. During 2015, three bonds were called and one sold. Bonds purchased and held at the end of 2014 totaled \$7.9 million.

The Program enjoys a capital return from partial ownership of the James R. Larson Forum Building. See page 5 for additional capital return information.

The fund balances in the Local Government Investment Pool and South Sound Bank earn simple interest on the unused account balances. See Note 2a for interest earnings information.

h. Compensated Absences

Paid absences are recognized and accumulated for vacation and sick leave as follows:

<b>Vacation Leave:</b>		<b>Sick Leave:</b>
Year 1	5 days	1 Day per month
Years 2-5	10 days	
Years 6-10	15 days	
Years 11-15	21 days	
Years 16+	22 days	

Vacation and sick leave apply to full-time career employees only. Vacation time is credited and paid on a pro rata basis to the nearest full day upon termination of employment. Maximum recognized vacation time is limited to 30 days (240 hours). Accrued vacation time in excess of 30 working days is forfeited and not compensated. Any unused sick leave at the time of termination of employment or retirement is forfeited without being partially or totally reimbursed.

i. Unpaid Claims Liabilities

The WFCA Health Care Program Board of Directors is responsible for funding any outstanding claims liabilities of the program. Consistent with the Program Inter-Local Agreement, there are no reassessments of member organizations during a year. Methods for calculating reserves to cover unpaid claims liabilities are prescribed by the state risk manager in WAC 82.65.040(1) and (2). Reserves above the levels required by the state are established by Board of Directors' policy.

The claims reserve amounts reflected as Current Liabilities on the Statement of Net Position result from an independent actuarial review conducted annually. However, for ongoing management purposes, reserve amounts are calculated quarterly as required by Board policy. Board policy requires an 8-week average of claims paid over the prior 12 months plus third-party administrative fees (unallocated loss adjustment expense) to process the unpaid claims. A second level of reserves is calculated using the 8-week average of paid claims over the prior 12 months and the third level involves setting aside a reserve amount that equals the difference between the estimated annual claims expense and 125 percent of the aggregate claims amount as calculated by the reinsurance carrier.

The 8-week average of claims paid methodology also meets the requirements of WAC 82-65. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed on both actual and historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claim liabilities are charged or credited to expense in the periods in which they occur. Per Board policy, on December 31, 2015, the WFOA Health Care Program had restricted reserves totaling \$11,043,447 to cover any unforeseen outstanding claims liability. By comparison, the year-end 2014 Board restricted reserves were \$9,132,634. The change in restricted reserves is primarily attributable to increased covered enrollment and medical claims expense inflation. Enrollment also affects the contingency reserve calculation used to meet the stop loss carrier's 125 percent of aggregate claims requirement.

j. Reinsurance

The WFOA Health Care Program contracts with a stop loss carrier to reduce its financial exposure to extraordinary medical expense claims due to unforeseen health events, serious illness or injury. Reinsurance protects the WFOA Health Care Program from potential financial insolvency by covering losses above certain threshold amounts. Explanatory NOTE 3 contains the reinsurance coverage amounts. The Health Care Program is responsible for paying medical expenses until the reinsurance policy threshold amount is reached and exceeded. The WFOA Health Care Program does not report reinsured risk as a liability unless there is strong evidence that the stop loss carrier will not be able to meet its contractual obligations. This has not been an issue since the inception of the self-funded health care program in 1999.

k. Unearned Member Premium Contributions

Fire service organizations have the option to pay premiums for more than one month at a time. Member premium contributions are collected in advance, held on deposit and recognized as revenue in the month for which coverage is provided. Organizations that choose to pay for more than one month at a time and associated enrollment varies year to year.

On December 31, 2015, the third-party administrator had future member premium contributions on deposit of \$1,146,928. By comparison, 2014 future member premium contributions on hand at year-end were \$991,688 and \$15,784 was held in escrow pending the completion of the accounting associated with a merger into another company of the vendor conducting the claims payment review. The Program's third party administrator is under contract with the new merged company and the money in escrow has been released to the WFOA.



l. Claims Reserves

Self-funded claims are charged against premium income in the month the service occurred. The 2015 Statement of Net Position reflects the results of an actuarial calculation of incurred but not paid (IBNP) self-funded medical claims liability of \$3,133,503 and related unallocated loss adjustment expenses of \$119,883. The WFOA Board of Directors maintains additional reserves beyond the amount calculated by the actuary to address any extraordinary financial circumstances (See NOTE 8). The IBNP amount for self-funded medical claims expense liability in 2014 was \$2,413,648 and the related unallocated loss adjustment expenses were \$102,041. The actuary's estimate is based on prior year actual medical claims experience. Most outstanding medical claims are received and paid within 120 days of the day of service.

The WFOA Health Care Program maintains three levels of self-funded reserves to cover known unpaid medical, vision and prescription drug claims at year-end and unknown unpaid medical, vision and prescription drug claims liability that may be outstanding. As of December 31<sup>st</sup> each year, the TPA identifies self-insured medical claims that have been processed for payment but wired funds have not been received from the WFOA wire account to fund payment of those claims.

The first level of reserves covers IBNP claims which is an amount equal to an average 8 weeks of medical, vision and prescription drug claims based on claims paid in the most recent 12 months and estimated third-party administrator (TPA) run-out fees as calculated according to the TPA's run-out fee schedule (unallocated loss adjustment expenses). The second level of reserve is the cash reserve which is an amount equal to an average 8 weeks of medical, vision and prescription drug claims based on claims paid in the most recent 12 months. The third level of reserve is the contingency reserve which is an amount that is the difference between the projected aggregate stop loss liability for the plan year and the projected claim funding generated from premiums charged to participating fire service agencies. The calculation is 1.25 percent times the total projected annual premiums equals the aggregate stop loss claims liability for the plan year. The difference between the two equals the contingency reserve. These reserve amounts are recalculated and reviewed quarterly by the WFOA Health Care Committee. For purposes of year-end financial reporting, the WFOA Health Care Program contracts with an Actuary to conduct an independent assessment of outstanding claims.

m. Reserve for Unallocated Loss Adjustment Expenses

As part of the restricted reserve amount, the WFOA Health Care Program includes an estimate of the administrative costs that would be incurred at the time the claims were processed and to process claims incurred but not reported when the expense became known. For 2015, the actuary estimated this expense to be \$119,883 compared to \$102,041 in 2014.

n. Exemption from Federal and State Taxes

Income of publicly funded risk pools is excluded from gross income under Section 115(1), as provided in Revenue Ruling 90-74.

The self-funded portion of the WFOA Health Care Program is exempt from insurance premium taxes, from fees assessed under chapter 48.02 RCW, from chapters 48.32 and 48.32A and from business and occupation taxes imposed under chapter 82.04 RCW.

## NOTE 2 - DEPOSITS AND INVESTMENTS

### a. Deposits

Funds in excess of the immediate operational requirements are deposited in South Sound Bank or the Local Government Investment Pool (LGIP). The WFCA Health Care Program bank deposits are entirely covered by collateral bank reserves and federal depository insurance (FDIC). The Local Government Investment Pool deposits funds in depositories that meet collateral requirements and are approved by the Washington Public Deposit Protection Commission (PDPC).

Article 12 Section 3 of the Washington Fire Commissioners Association Articles of Association and Bylaws requires Board approval of banks, trust companies and other depositories prior to making deposits. The WFCA Board of Directors complies with the statutory requirements contained in Chapter 39.58 RCW.

As of December 31, 2015 and 2014, the WFCA Health Care Program had the following cash account balances:

<b>Financial Institution</b>	<b>2015</b>	<b>2014</b>
Cash in Local Gov Investment Pool	\$7,647,069	\$7,634,522
Cash in Bank (Checking Account)	\$2,078,346	\$1,315,380
Cash in Bank (Savings Account)	\$3,274,370	\$3,508,319
Cash in Bank (Checking Account)	\$41,705	\$17,100
Total	\$13,041,490	\$12,475,321

The Program earned interest on its account balances in the Local Government Investment Pool and South Sound Bank during 2015.

In 2014, funds were transferred from the Local Government Investment Pool and South Sound Bank to US Bank to allow for the purchase of federal government backed bonds. See Note 3b below. No other types of investments (Certificates of Deposits, securities, commercial paper or any other investment vehicle) were made during 2015.

Local Government Investment Pool – Deposits in the LGIP are invested in accordance with securities and deposits authorized by state statutes: RCW 39.58, RCW 39.59 RCW and 43.84.080. The LGIP invests in obligations of the United States government, obligations of United States government agencies, obligations of government sponsored corporations, banker's acceptances purchased on the secondary market meeting certain rating requirements from Nationally Recognized Statistical Rating Organizations, commercial paper, certificates of deposit or demand deposits with financial institutions qualified by the Washington Public Deposit Protection Commission and obligations of the state of Washington or its political subdivisions. The LGIP is comparable to a Rule 2a-7 money market fund recognized by the Securities and Exchange Commission. Rule 2a-7 funds are limited to high quality obligations with limited maximum and average maturities. To the extent possible, both market and credit risks are minimized.

To further ensure safety and liquidity of LGIP funds, the fund's investment portfolio total daily balance is subject to further restrictions including predetermined percentages of liquidity, diversification and percentages of different government investment vehicles and diversification and percentages of different non-governmental securities. The duration of investment vehicle maturities



is also limited based on a weighted average maturity of the portfolio not to exceed 60-days and a weighted average life maturity not to exceed 120-days. Repurchase and reverse repurchase agreements are subject to an additional set of restrictions.

The Office of the State Treasurer, in conjunction with the LGIP Advisory Committee, oversees and approves policies governing the LGIP. The Office of the State Auditor audits the accounts and inspects the books for compliance with state laws and the LGIP Investment Policy. An outside auditor independently audits the LGIP financial statements for final approval.

**Custodial Credit Risk.** The primary objectives of the LGIP are safety and liquidity with a return on investment being secondary. Investments are undertaken in a manner that seeks to insure preservation of capital. All purchased securities are held in safekeeping by independent third-party financial institutions consistent with RCW Chapter 39.58. The state treasurer's office must maintain internal controls to protect against the loss of public funds arising from negligence, theft or misuse. Pursuant to RCW 43.09.050, the state auditor is required to audit the accounts and inspect the books.

**Bank Accounts** – The WACA Health Care Program maintains two checking accounts and a claims payment account in South Sound Bank. All three accounts are interest bearing. One checking account is used to pay for program expenses: payroll, Health Care Committee travel and per diem, health care workshops and seminars and other program support expenses. The claims payment account is used to wire funds between the WACA Health Care Program and the third-party administrator for the receipt of premium revenues and the payment of medical and dental claims expenses. A second checking account at South Sound Bank is used to deposit building office lease revenues and to pay building expenses.

**Custodial Credit Risk.** South Sound Bank adheres to very strict wire procedures that include both electronic transmission of wire amounts followed by an in person call back verification to ensure accurate wire amounts. These wire procedures are audited routinely by the Federal Deposit Insurance Commission (FDIC).

b. Investments

As of December 31, 2015, the authorized bond program owned 13 bonds at a cost of approximately \$10 million. Total funds invested during 2014 amounted to \$7.9 million. The bond certificates are held in a safekeeping account in the Bond Department of US Bank at its headquarters in Minneapolis, Minnesota.

Federal Institution	2015 Purchased Bonds	2014 Purchased Bonds	2015 Interest Earned	2014 Interest Earned
Federal National Mortgage Association	\$2,784,687	\$1,782,282	\$29,526	\$11,080
Federal Home Loan Bank	\$2,802,753	\$2,299,423	\$24,166	\$20,890
Federal Farm Credit Bank	\$1,695,379	\$1,488,064	\$11,119	\$1,835
Federal Home Loan Mortgage Corporation	\$2,683,191	\$2,379,949	\$34,150	\$19,515
Interest/Proceeds-Call/Sale			\$29,426	
<b>Total</b>	<b>\$9,966,010</b>	<b>\$7,949,718</b>	<b>\$128,387</b>	<b>\$53,320</b>

Net bond investment interest earnings and call/sale proceeds amounted to \$128,387 for a return of 1.29 percent for Calendar Year 2015. The significant increase in net return for 2015 is due to the first full year of returns versus returns for a portion of Calendar Year 2014. Bond interest rates from currently held bonds range from 0.58 percent to 1.88 percent. The WFCA Bond Investment Program complies with the requirements of Chapter 39.59 RCW, Public Funds-Authorized Investments. Compliance with state statute does not eliminate possible credit risk associated with the highly unlikely financial failure of the above federal agencies. The Board of Directors bond investment strategy is to buy and hold bonds to call or maturity.

**Interest Rate Risk.** The WFCA Health Care Program purchases bonds from different federal institutions with different maturity dates and interest rates. The longest duration prior to reaching maturity is five years. The tiering of bond maturity dates and purchasing bonds from different federal agencies limits the Program's exposure to interest rate risk. The WFCA holds its bonds until maturity or there is a call for the bonds prior to maturity.

**Credit Risk.** Purchasing bonds from federal agencies backed by the full faith and credit of the United States Government results in extremely low credit risk. Credit risk is the possibility that the issuer will fail to pay principal or interest in a timely manner or whose financial position could adversely compromise the price of the investment. The bonds purchased by the WFCA Health Care Program are of the highest quality and protected by the United States government.

**Custodial Credit Risk.** The WFCA Health Care Program reduces its investment custodial credit risk by contracting with US Bank to hold the purchased bond certificates for safekeeping. The bond certificates are held in the Bond Department at the Bank's headquarters. In the unlikely event that any bonds were misplaced or mishandled, the bank is financially structured to address any costs associated with the loss of the WFCA bond certificates. As of December 31, 2015, US Bank held all bond certificates purchased by the WFCA Health Care Program.

**Concentration of Credit Risk.** The WFCA Health Care Program diversifies its investments by purchasing federal government bonds with differing maturities from different federal agencies. Of the \$10 million invested in bonds, 28 percent is with the Federal National Mortgage Association, 28 percent is with the Federal Home Loan Bank, 17 percent is with the Federal Farm Credit Bank and 27 percent is with the Federal Home Loan Mortgage Corporation. The WFCA Health Care Program does not invest any fund balance reserves set aside for extraordinary medical claims expense or unforeseen operating expenses.

### NOTE 3 - RISK FINANCING LIMITS

The WFCA Health Care Program self-insures the medical, prescription drug and vision claims of its covered members up to certain limits upon which the program's excess reinsurance policy is activated. The WFCA Health Care Program staff, committee members and Board of Directors are covered by private insurance policies purchased by the Washington Fire Commissioners Association.

The self-insured limits maintained by the WFCA Health Care Program are:

<b>Plan Option 1/</b>	<b>Member Deductible</b>	<b>Member Co-Pay 2/</b>	<b>Self-Insured Retention 3/</b>	<b>Excess Limit</b>
Traditional	\$0	0%	\$250,000	\$250,001
PPO-Plus	\$0	10%	\$250,000	\$250,001
PPO-100	\$100	20%	\$250,000	\$250,001
PPO-300	\$300	20%	\$250,000	\$250,001
High Deductible	\$1,500	20%	\$250,000	\$250,001
Retiree	\$350	20%	\$250,000	\$250,001

1/ Employee Only.

2/ Individual co-payment percentage for most, but not all medical services covered.

3/ The WFCA Health Care Program pays medical claims expenses up to \$250,000 per individual. A corridor payment covering an additional \$100,000 in claims is paid by WFCA before reinsurance coverage begins after the first \$350,000 in claims is paid.

#### NOTE 4 – EXCESS INSURANCE/REINSURANCE CONTRACT

The Health Care Program has purchased reinsurance coverage from a private carrier since becoming self-insured in 1999. The contract with the reinsurance carrier is reviewed and renewed annually. The Program solicits bid proposals periodically on the open market for purposes of achieving the best coverage possible for the most competitive price available.

#### NOTE 5 – MEMBERS’ SUPPLEMENTAL ASSESSMENTS AND CREDITS

Member organizations make monthly premium contributions as a condition of participating in the WFCA Health Care Program. Financial management and solvency of the Insurance Rate Stabilization Reserve Account is the responsibility of the Washington Fire Commissioners Association Board of Directors. Board of Directors’ Policy requires that the WFCA Health Care Program operate with a fund balance that exceeds the outstanding member claims at any time during the plan year. The Insurance Rate Stabilization Reserve Account fund balance is maintained at a level that avoids the need for special assessments on member organizations to cover medical claims expenses not anticipated in the budget.

#### NOTE 6 - LONG-TERM DEBT AND LIABILITIES

##### a. Changes in Liabilities

During the year ended December 31, 2015, the following changes occurred in employee leave balance liability:

	<b>Beginning Balance 01/01/2015</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 12/31/2015</b>	<b>Due Within One Year</b>
Compensated Absences*	\$38,579	\$20,046	0	\$58,625	0
Total Liability	\$38,579	\$20,046	0	\$58,625	0

\*Health care staff accumulated sick and annual leave.

1/Maximum accumulated annual leave reimbursed at termination 240 hours.

2/Sick leave has no reimbursement value at termination of employment.

3/Ending balance updated using 2015 levels of compensation.

## NOTE 7 - CAPITAL ASSETS

### a. Capital Assets

The James R. Larson Forum building is owned by three parties, the Washington Fire Commissioners Association, the WFC Health Care Program and the Washington Fire Chiefs. The WFC Health Care Program owns the adjacent parking lot. The office building is a long-term capital asset with a useful life of 40 years and a total building market value of approximately \$1.15 million. Equipment is a capital asset with an initial, individual cost of more than \$5,000 and a useful life of 3 to 7 years depending on the type and use.

Capital assets are depreciated using the straight-line calculation method over the following useful lives.

<u>Asset</u>	<u>Years</u>
Buildings	40
Equipment	3-7

Capital assets are recorded at historical cost. Capital asset activity for the year ended December 31, 2015 was as follows:

<b>Asset Type</b>	<b>Beg. Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Non-Depreciable Assets-Land	302,065			302,065
Depreciable Assets-Buildings	248,225			248,225
Total Capital Assets	550,290			550,290
Accumulated Depreciation	(148,935)	(6,206)		(155,141)
Total Capital Assets net of Accumulated Depreciation	401,355	(6,206)		395,149

## NOTE 8 - RESTRICTED NET POSITION

Generally Accepted Accounting Principles narrowly define restricted net position to mean external debt obligations secured by the unrestricted net position. The WFC Health Care Program has no restrictions when defined in this manner. However, the state of Washington Office of the State Risk Manager and the WFC Board of Directors do have restrictions placed on what is identified on the Statement of Net Position as the Unrestricted Net Position. The following narrative describes the Health Care Program's operational interpretation of Restricted Net Position. This operating definition of Restricted Net Position sets the WFC Health Care Program apart from any other self-funded health and welfare risk pool in the state of Washington as it relates to the financial security of the Program.

The Department of Enterprise Services, State Risk Management Office sets the reserve requirements for public self-funded health and welfare programs in Washington Administrative Code (WAC). WAC 200-110-040 (1) requires that joint health and welfare programs self-insuring medical benefits shall: (a) establish program reserves in an amount equal to eight weeks of program expenses; (b) maintain an aggregate stop loss insurance policy with an attachment point set at or below 125 percent of annual

expected claims costs and (c) establish by ordinance or resolution of the governing body, an additional contingency reserve in the amount of at least eight weeks of program expenses. WAC 200-110-040 (2) states that in lieu of the requirements in WAC 200-110-040 (1), all joint health and welfare programs self-insuring medical benefits must obtain an independent actuarial study and fund to the actuarially determined program liability.

The WFCOA Health Care Program annually obtains an actuarial assessment of outstanding year-end claims and related administrative expenses. In actual practice, the WFCOA Health Care Program maintains three levels of reserves. Level 1 restricted reserve covers eight weeks of Incurred But Not Reported medical claims expenses and related administrative expenses. Level 2 restricted reserves covers an additional eight weeks of medical claims expenses and Level 3 reserves cover the amount that the aggregate stop loss liability exceeds the WFCOA premium funding. The Level 3 contingency reserve meets the expectations of the stop loss carrier and is supported by a policy adopted by the WFCOA Board of Directors.

The Health Care Program had the following reserves as of December 31, 2015 and 2014:

<b>Levels of Reserve</b>	<b>2015</b>	<b>2014</b>
IBNP Reserve	\$ 3,066,371	\$ 2,515,689
Cash Reserve	\$ 2,946,487	\$ 2,967,641
Contingency Reserve	\$ 5,030,589	\$ 3,649,304
<b>Total</b>	<b>\$11,043,447</b>	<b>\$ 9,132,634</b>

Total reserves increased by \$1,910,813 in 2015 when compared to 2014. Enrollment fluctuations heavily influence the calculation of reserves.

#### NOTE 9 - LEASES

##### a. Office Space Leases

The WFCOA Health Care Program leases office space to generate revenue to offset program costs. Lease agreements with the current tenants cover a 2 to 10 year period. See page 5 for additional information.

Net lease revenue for the year ended December 31, 2015 amounted to \$24,564. Future annual gross lease revenues for the Health Care Program are estimated to increase by 3 percent annually:

	<u><b>Year</b></u>
2016	\$ 107,066
2017	\$ 108,951
2018	\$ 111,588
2019	\$ 114,309
2020	\$ 117,108

#### NOTE 10 - PENSION PLANS

The Association's pension plan is a defined contribution plan and falls under the jurisdiction of the Department of Labor, Employee Benefits Security Administration. The Plan is a qualified pension plan that meets federal statutory requirements provided in the Employee Retirement Income Security Act of 1974 (ERISA) and the requirements of the Internal Revenue Service (IRS). This is an employer contribution pension plan that does not allow for employee contributions. The plan year for the Money Purchase Pension Plan is January 1<sup>st</sup> through December 31<sup>st</sup>.

In order to be eligible to participate in the WFCOA Pension Plan, employees must be career employees working full-time (no less than 32 hours per week). Part-time employees are not eligible to participate. Vesting occurs after completing 500 hours on the job in the first six months of employment. Vesting increases in twenty percent annual increments until 100 percent vesting in the pension plan occurs at the end of the employee's fifth year. All of the Washington Fire Commissioners Association employees currently participate in the Association pension plan.

In addition, Association employees are required to increase their retirement contributions by participating in a qualified retirement program such as a 457 Plan-Deferred Compensation or a Roth IRA.

Of the five currently active full-time WFCOA employees only one employee is full-time managing the Health Care Program.

Retirees and Beneficiaries Receiving Benefits	1
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members Vested	5
Active Plan Members Non-vested	0
<b>Total</b>	<b>6</b>

The WFCOA Health Care Program currently fully funds the retirement benefits of one full-time employee and portions of other WFCOA employees providing administrative services for the program.

#### Funding Policy

The WFCOA Board of Directors determines the contribution rate to be deposited in the Association's Money Purchase Pension Plan. The required employer contribution rate expressed as a percentage of current-year covered salaries as of December 31, 2015, is as follows:

<b>Self-Funded</b>	<b>Pension Rate</b>
WFCOA Health Care Program	6.00%

The monthly employer contribution is six percent of gross salaries. Annual employer pension contributions for 2015 amounted to \$8,944.

#### NOTE 11 - SELF-INSURANCE

The WFCOA Health Care Program does not act on behalf of local fire service agencies regarding Unemployment Compensation and Worker's Compensation. As employers, local fire agencies are responsible for addressing unemployment compensation and workers compensation issues with their employees.

#### NOTE 12 - UNPAID CLAIMS LIABILITIES

The WFCOA Health Care Program establishes a liability for both reported and unreported self-insured events, which includes estimates of both future payments of losses and related claim adjustment expense, both allocated and unallocated (See NOTE 1m).

The Board of Directors maintains additional reserves beyond the estimated claims liability calculated by the actuary to ensure funding of any unforeseen medical claims expenses the WFCOA Health Care Program might experience.



**WFCA Insurance Rate Stabilization Reserve Account**  
**REQUIRED SUPPLEMENTARY INFORMATION**

This required supplementary information is an integral part of the accompanying financial statements.

1. Six-Year Claims Development Information

The table below illustrates how the pool'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 pool as of the end of each of the last four years. The rows of the table are defined as follows:

1. This line shows the total of each fiscal year gross earned contribution revenue and investment revenue, contribution revenue ceded to reinsurers and net earned contribution revenue and reported investment revenue.
2. This line shows each fiscal year's other operating costs of the pool including overhead and claims expense not allocable to individual claims.
3. This line shows the pool's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (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 four rows shows the cumulative net amounts paid as of the end of successive years for each policy year.
5. This line shows the latest re-estimated amount of claims assumed by reinsurers as of the end of the current year for each accident year.
6. This section of ten rows shows how each policy year's net incurred claims increased or decreased as of the end of successive years. (This annual re-estimation comes from new information received on known claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known.)
7. This line compares the latest re-estimated net incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of net claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of net incurred claims currently recognized in less mature policy years. The columns of the table show data for successive policy years.

**WFCA Insurance Rate Stabilization Reserve Account  
REQUIRED SUPPLEMENTARY INFORMATION**

This required supplementary information is an integral part of the accompanying financial statements.

The schedule below presents the annual medical claims liabilities for the self-insured portion of the Insurance Rate Stabilization Reserve Account through December 31, 2015. The Account establishes a liability for both reported and unreported medical services. The aggregate change in liabilities is shown below.

**Six-Year Claims Development Information:**

	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Required Contribution and Investment Revenue:						
Gross Earned	20,992,433	18,462,461	18,504,739	15,705,351	23,658,704	21,567,865
Ceded	1,309,717	1,087,996	985,849	857,600	554,884	448,834
Net Earned	19,682,716	17,374,465	17,518,890	14,847,751	23,103,820	21,119,031
Unallocated Expenses	1,034,607	815,761	875,062	700,120	797,910	887,453
Estimated Claims and Expenses End of Policy Year						
Incurred	19,033,639	19,518,935	15,890,886	14,991,530	17,184,383	16,779,460
Ceded	220,280	274,817	207,688	225,813	2,969,938	538,160
Net Incurred	18,813,359	19,244,118	15,683,198	14,765,717	14,214,445	16,241,300
Net Paid (cumulative) as of End of Policy Year	18,813,359	19,244,118	15,683,198	14,765,717	14,214,445	16,241,300

Note: Annual Gross earned Contribution and Investment Revenue amounts have been adjusted to only reflect self-funded premium revenues. This adjustment will properly match self-funded medical and related expenses to self-funded premium contributions and related interest earnings.



## Reconciliation of Claims Liabilities

The schedule below presents the changes in claims liabilities for the past year for the pool. The fund establishes a liability for both reported and unreported insured events, which includes estimates of both future payments of losses and related claims expenses. The following represents changes in those aggregate liabilities:

### **Self-Funded Medical Plan Claims Liabilities**

	<b>2015</b>	<b>2014</b>
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	2,515,689	2,694,280
Incurred Claims and Claim Adjustment Expenses		
Provision for Insured Events of the Current Year	20,130,107	17,758,382
Increases in Provision for Insured Events in Prior Years	457,220	(225,882)
Total Incurred claims and Claim Adjustment Expenses	23,103,016	20,226,780
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	19,033,639	19,244,118
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	794,926	529,250
Total Payments	19,828,565	19,773,368
Total Unpaid Claims and Claim Adjustment Expenses at End of the Year	3,253,386	2,515,689

**WFOA Insurance Rate Stabilization Reserve Account**  
**LIST OF PARTICIPATING MEMBERS      Schedule T-1**

ASOTIN CO FIRE DIST #1	KING CO FIRE DIST #2
BENTON CO FIRE DIST #1	KING CO FIRE DIST #11
BENTON CO FIRE DIST #2	KING CO FIRE DIST #13
BENTON CO FIRE DIST #4	KING CO FIRE DIST #20
BENTON CO FIRE DIST #6	KING CO FIRE DIST #25
WEST BENTON FIRE & RESCUE	KING CO FIRE DIST #34
CHELAN CO FIRE DIST #1	KING CO FIRE DIST #40
CHELAN CO FIRE DIST #3	KING CO FIRE DIST #44
CHELAN CO FIRE DIST #5	KING CO FIRE DIST #45
CHELAN CO FIRE DIST #7	KING CO FIRE DIST #50
CLALLAM CO FIRE DIST #2	KITSAP CO FIRE DIST #2
CLALLAM CO FIRE DIST #3	KITSAP CO FIRE DIST #18
CLARK CO FIRE DIST #3	SOUTH KITSAP FIRE AND RESCUE
CLARK CO FIRE DIST #5	KITTITAS CO FIRE DIST #2
CLARK CO FIRE DIST #6	KITTITAS CO FIRE DIST #7
CLARK CO FIRE DIST #10	Klickitat CO FIRE DIST #3
CLARK CO FIRE DIST #13	LEWIS CO FIRE DIST #2
CLARK CO FIRE & RESCUE	LEWIS CO FIRE DIST #3
EAST CO FIRE RESCUE	LEWIS CO FIRE DIST #5
NORTH COUNTRY EMS	LEWIS CO FIRE DIST #6
COLUMBIA CO FIRE DIST #3	LEWIS CO FIRE DIST #8
COWLITZ CO FIRE DIST #1	LEWIS CO FIRE DIST #10
COWLITZ 2 FIRE & RESCUE	LEWIS CO FIRE DIST #14
COWLITZ CO FIRE DIST #5	LEWIS CO FIRE DIST #15
COWLITZ CO FIRE DIST #6	MASON CO FIRE DIST #3
DOUGLAS CO FIRE DIST #2	MASON CO FIRE DIST #4
FRANKLIN CO FIRE DIST #3	MASON CO FIRE DIST #6
GARFIELD CO FIRE DIST #1	MASON CO FIRE DIST #11
GRANT CO FIRE DIST #3	MASON CO FIRE DIST #13
GRANT CO FIRE DIST #4	OKANOGAN CO FIRE DIST #6
GRANT CO FIRE DIST #5	PACIFIC CO FIRE DIST #1
GRANT CO FIRE DIST #8	PEND OREILLE CO FIRE DIST #2
GRANT CO FIRE DIST #10	PIERCE CO FIRE DIST #10
GRAYS HARBOR CO FIRE DIST #2	PIERCE CO FIRE DIST #13
CENTRAL WHIDBEY FIRE-RESCUE	PIERCE CO FIRE DIST #14
NORTH WHIDBEY FIRE & RESCUE	PIERCE CO FIRE DIST #18
SOUTH WHIDBEY FIRE / EMS	PIERCE CO FIRE DIST #21
JEFFERSON CO FIRE DIST #1	PIERCE CO FIRE DIST #27
JEFFERSON CO FIRE DIST #2	SAN JUAN CO FIRE DIST #2
JEFFERSON CO FIRE DIST #3	SAN JUAN CO FIRE DIST #3
JEFFERSON CO FIRE DIST #4	SAN JUAN CO FIRE DIST #4

**WFCA Insurance Rate Stabilization Reserve Account**  
**LIST OF PARTICIPATING MEMBERS      Schedule T-1**

SKAGIT CO FIRE DIST #8	THURSTON CO FIRE DIST #8
SKAGIT CO FIRE DIST #13	THURSTON CO FIRE DIST #9
SKAMANIA CO FIRE DIST #4	THURSTON CO FIRE DIST #12
MARYSVILLE FIRE DIST	THURSTON CO FIRE DIST #13
SNOHOMISH CO FIRE DIST #4	THURSTON CO FIRE DIST #17
SNOHOMISH CO FIRE DIST #5	SE THURSTON FIRE AUTHORITY
SNOHOMISH CO FIRE DIST #7	WEST THURSTON REGIONAL RFA
SNOHOMISH CO FIRE DIST #8	WALLA WALLA CO FIRE DIST #4
SNOHOMISH CO FIRE DIST #15	WALLA WALLA CO FIRE DIST #5
SNOHOMISH CO FIRE DIST #17	SOUTH WHATCOM FIRE AUTHORITY
SNOHOMISH CO FIRE DIST #19	WHATCOM CO FIRE DIST #1
SNOHOMISH CO FIRE DIST #21	WHATCOM CO FIRE DIST #8
SNOHOMISH CO FIRE DIST #22	WHATCOM CO FIRE DIST #11
SNOHOMISH CO FIRE DIST #28	WHATCOM CO FIRE DIST #14
SPOKANE CO FIRE DIST #3	WHATCOM CO FIRE DIST #17
SPOKANE CO FIRE DIST #4	WHATCOM CO FIRE DIST #18
SPOKANE CO FIRE DIST #8	YAKIMA CO FIRE DIST #4
SPOKANE CO FIRE DIST #13	YAKIMA CO FIRE DIST #5
THURSTON CO FIRE DIST #3	YAKIMA CO FIRE DIST #12
THURSTON CO FIRE DIST #5	BUDD BAY CPA
THURSTON CO FIRE DIST #7	WA FIRE COMMISSIONERS ASSOC

**WFCA Insurance Rate Stabilization Reserve Account  
For the Fiscal Year Ended December 31, 2015**

<b>Claims Expenses (Self-Funded Medical)</b>	<b>18,332,945</b>
<b>Contracted Services:</b>	
Insured Carriers (Medical, Dental, Life/AD&D)	3,945,987
Stop Loss Carrier Fees	1,309,717
Third Party Administrator Fees	480,414
Insurance Consulting/Brokerage Fees	70,381
Provider Network Fees	79,927
Health Care Reform Fees & Assessments	131,851
Utilization Review Fees	21,475
Wellness Portal	26,676
Professional Fees	10,646
State Oversight Fees	9,435
Website Expense	-
<b>Subtotal Contracted Services</b>	<b>6,086,509</b>
<b>Program Support Expenses:</b>	
Salaries, Benefits & Travel	197,458
Committee Expenses	5,696
Seminars/Workshops	4,761
Hope Health Newsletter	6,027
Supplies	3,133
Marketing & Promotional	1,948
Claim Reserves	719,855
Unallocated Loss Adjustment Expenses	17,842
Other Fees & Expenses	1,444
Depreciation	6,206
<b>Subtotal Program Support</b>	<b>964,370</b>
<b>Total Operating Expenses</b>	<b>25,383,824</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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

Contact information for the State Auditor's Office	
Public Records requests	<a href="mailto:PublicRecords@sao.wa.gov">PublicRecords@sao.wa.gov</a>
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Toll-free Citizen Hotline	(866) 902-3900
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