Office of the Washington State Auditor
Pat McCarthy

# Financial Statements Audit Report

# Washington Counties Insurance Fund

**For the period January 1, 2020 through December 31, 2021**

*Published December 22, 2022*

Report No. 1031659

Find out what's new at SAO by scanning this code with your smartphone's camera

# Office of the Washington State Auditor
# Pat McCarthy

December 22, 2022

Board of Trustees
Washington Counties Insurance Fund
Tumwater, Washington

## Report on Financial Statements

Please find attached our report on the Washington Counties Insurance Fund's financial statements.

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

Sincerely,

Pat McCarthy, State Auditor

Olympia, WA

***Americans with Disabilities***

*In accordance with the Americans with Disabilities Act, we will make this document available in alternative formats. For more information, please contact our Office at (564) 999-0950, TDD Relay at (800) 833-6388, or email our webmaster at [webmaster@sao.wa.gov](mailto:webmaster@sao.wa.gov).*

# TABLE OF CONTENTS

**Washington Counties Insurance Fund**
**January 1, 2020 through December 31, 2021**

## 2021-001 The Fund did not have adequate internal controls ensuring accurate reporting of its financial statements.

### *Background*

The Board of Trustees, state and federal agencies, and the public rely on information included in the financial statements and reports to make decisions. Management is responsible for designing, implementing and maintaining internal controls to ensure the Fund's financial statements, related schedules, and notes are fairly presented in accordance with generally accepted accounting principles (GAAP), and provide reasonable assurance regarding their reliability.

Our audit found deficiencies in internal controls over financial reporting that affected the Fund's ability to produce reliable financial statements. Government Auditing Standards requires the State Auditor's Office to communicate material weaknesses as a finding.

### *Description of Condition*

The Fund received money back from two separate insurance companies as "premium forgiveness" related to the COVID-19 pandemic. As these were extraordinary types of transactions for the Fund, staff did not have prior experience recording or accounting for them. In regards to these transactions, our audit found the following deficiencies that, when taken together, present a material weakness in internal controls:

- Staff responsible for recording financial transactions and preparing the Fund's financial statements lacked technical knowledge needed to accurately record certain complex financial transactions.
- The Fund lacked an effective review process for ensuring amounts reported in the financial statements were consistent with the underlying accounting records and followed applicable accounting guidance.

## *Cause of Condition*

The Fund did not dedicate necessary time and resources in order to sufficiently analyze the premium forgiveness transactions, and staff lacked technical knowledge to ensure they were being properly accounted for.

## *Effect of Condition*

Because of these deficiencies in internal controls, our audit found the following errors:

- Revenues were overstated by $399,328 in 2020, and understated by the same amount in 2021.
- Net position was overstated by $399,328 in 2020.
- Liabilities were understated by $399,328 in 2020.

These errors affected the Statement of Net Position, Statement of Revenues, Expenses and Changes in Fund Net Position, the Notes to the Financial Statements, and the Management Discussion and Analysis. The Fund corrected the financial statements as a result of our audit.

## *Recommendation*

We recommend the Fund strengthen its controls over financial reporting, and dedicate time and resources to ensuring staff follow GAAP accounting standards in order to appropriately record transactions and prepare the financial statements. Additionally, we recommend that someone familiar with applicable reporting requirements perform an independent and appropriately detailed review of the financial statements, notes and supplemental schedules to ensure they are accurate.

## *Fund's Response*

*In response to the finding listed above, WCIF agrees with the assessment of the auditor, that this was an unusually difficult situation that we were not prepared for and had no prior experience with. It is obvious that the expertise that we applied was not appropriate, and we are grateful for the recommendations made by your office to correct this recording error, and will, in the future, reach out to your office for advice and direction should there be the need to do so. Thank you for being a resource to our organization.*

## *Auditor's Remarks*

We thank the Fund for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the Fund's corrective action during our next audit.

## *Applicable Laws and Regulations*

RCW 43.09.200 Local government accounting – Uniform system of accounting

*Budgeting, Accounting and Reporting System* (BARS) Manual – Accounting, Accounting Principles and General Procedures, Internal Control, Section 3.1.3

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its Codification of Statements on Auditing Standards, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

## INDEPENDENT AUDITOR'S REPORT

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 Counties Insurance Fund**
**January 1, 2020 through December 31, 2021**

Board of Trustees
Washington Counties Insurance Fund
Tumwater, 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 Counties Insurance Fund, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated December 15, 2022.

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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 Fund'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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2021-001 to be material weaknesses.

## REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

## FUND'S RESPONSE TO FINDINGS

*Government Auditing Standards* requires the auditor to perform limited procedures on the Fund's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The Fund's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

December 15, 2022

# INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

**Washington Counties Insurance Fund**
**January 1, 2020 through December 31, 2021**

Board of Trustees
Washington Counties Insurance Fund
Tumwater, Washington

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinions

We have audited the accompanying financial statements of the Washington Counties Insurance Fund, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Washington Counties Insurance Fund, as of December 31, 2021 and 2020, 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.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

## Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

# OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2022 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's 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 Fund's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy, State Auditor

Olympia, WA

December 15, 2022

# FINANCIAL SECTION

**Washington Counties Insurance Fund**
**January 1, 2020 through December 31, 2021**

## REQUIRED SUPPLEMENTARY INFORMATION



## BASIC FINANCIAL STATEMENTS



## REQUIRED SUPPLEMENTARY INFORMATION

# Washington Counties Insurance Fund MCAG NO. 0775

## Management Discussion and Analysis

**For the Fiscal Year Ended December 31, 2021**

The management of the Washington Counties Insurance Fund (WCIF or "Fund") offers the readers of the Fund's financial statements, this narrative as an overview and analysis of the financial activities for the fiscal year ended December 31, 2021. To more fully understand the financial position of the Fund, this narrative should be considered in conjunction with the information contained in the Fund's financial statements and accompanying notes.

The Fund was established in 1959 to provide medical, dental, vision, life, accidental death and dismemberment, disability, and other benefits to the eligible employees of participating employers and the dependents of eligible employees. Operating Revenue for the Fund is generated through administrative fees and commissions on the premiums received from participating groups.

### *FINANCIAL HIGHLIGHTS:*

In 2021, WCIF experienced a decrease in operating revenues due to a loss in 16 member groups. The loss in these 16 groups decreased the Administrative and Producer Fees and Commissions income earned ($102,473 decrease). Nonoperating revenue – Interest Income - took a hit with the lowering of the LGIP interest rate ($30,401 decrease). Nonoperating expenses increased when members began returning to their health and dental care facilities as COVID-19 allowed. The increase in health and delta care usage consequently increased expenses for Premera Blue Cross and Delta Dental. Those increases in costs to Premera and Delta Dental exceeded the premiums collected by WCIF groups resulting in WCIF to pay the agreed shared-risk of $1,350,000 to Premera and $152,733.13 to Delta Dental to help offset their losses.

The December 31, 2021, Net Position of $8,778,637 was a decrease of $451,805 over the December 31, 2020, Net Position of $9,230,443.

### *OVERVIEW OF THE FINANCIAL STATEMENTS:*

#### Financial Statements

The *Statement of Net Position* presents information on all of the Fund's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets plus deferred outflows less liabilities and deferred inflows is reported as *Net Position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the Fund is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* presents information showing how the Fund's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change actually occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave – Compensated Absences).

**Notes to the Financial Statements**

The *Notes to the Financial Statements* provide additional information essential to fully understanding the data provided in the Fund's financial statements.

***FINANCIAL ANALYSIS:***

As noted earlier, net position may serve over time as a useful indicator of an organization's financial health. In the case of the Fund, Assets and Deferred Outflows of Resources exceeded Liabilities and Deferred Inflows of Resources by $8,778,637 at the close of the most recent fiscal year. $782,272 of the net position is invested in capital assets; $92,139 are restricted assets related to pensions, and $7,904,226 is unrestricted and may be used to meet the Fund's administrative requirements or to stabilize premium rates.

***Washington Counties Insurance Fund's Net Position as of 12/31/21 & 12/31/20***

| | **2021** | **2020** |
|---|---:|---:|
| Current Assets | $11,344,348 | $11,811,926 |
| Noncurrent Assets (Net Pension Asset) | $605,467 | |
| Noncurrent (Capital) Assets, Net | $782,272 | $818,647 |
| Total Assets | $12,732,087 | $12,630,573 |
| | | |
| Deferred Outflows of Resources | $71,687 | $76,558 |
| | | |
| Current Liabilities | $3,287,832 | $3,116,893 |
| Noncurrent Liabilities | $100,054 | $274,450 |
| Total Liabilities | $3,387,886 | $3,391,343 |
| | | |
| Deferred Inflows of Resources | $637,251 | $85,345 |
| | | |
| Investment in Capital Assets | $782,272 | $818,647 |
| Restricted Assets Related to Pensions | $92,139 | |
| Unrestricted Net Position | $7,904,226 | $8,411,796 |
| | | |
| Total Net Position | $8,778,637 | $9,230,443 |

# Washington Counties Insurance Fund MCAG NO. 0775

***Washington Counties Insurance Fund's Change in Net Position as of 12/31/21 & 12/31/20***

| | 2021 | 2020 |
|---|---|---|
| Operating Revenue | $2,947,785 | $3,050,258 |
| Non-operating Revenue | $9,606 | $961,014 |
| Total Revenue | $2,957,391 | $4,011,272 |
| | | |
| Operating Expense | $1,906,162 | $1,946,071 |
| Non-operating Expense | $1,503,034 | $314 |
| Total Expense | $3,409,196 | $1,946,385 |
| | | |
| | | |
| **Change in Net Position** | ($451,805) | $2,105,175 |
| | | |
| **Beginning Net Position** | **$9,230,443** | **$7,125,268** |
| | | |
| **Ending Net Position** | **$8,778,637** | **$9,230,443** |

***REQUESTS FOR INFORMATION:***

This financial report is designed to provide a general overview of the Washington Counties Insurance Fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Washington Counties Insurance Fund
P.O. Box 7786
Olympia, WA 98507-7786

# Management Discussion and Analysis

## For the Fiscal Year Ended December 31, 2020

The management of the Washington Counties Insurance Fund (WCIF or "Fund") offers the readers of the Fund's financial statements, this narrative as an overview and analysis of the financial activities for the fiscal year ended December 31, 2020. To more fully understand the financial position of the Fund, this narrative should be considered in conjunction with the information contained in the Fund's financial statements and accompanying notes.

The Fund was established in 1959 to provide medical, dental, vision, life, accidental death and dismemberment, disability, and other benefits to the eligible employees of participating employers and the dependents of eligible employees. Operating Revenue for the Fund is generated through administrative fees and commissions on the premiums received from participating groups.

### *FINANCIAL HIGHLIGHTS:*

In 2020, WCIF had increased operating and non-operating revenues. The most significant impact on the operating revenues was the Delta Dental Rate Stabilization Reserve refunding in the amount of $763,885. This was in large part a result of reduced utilization of the Delta Dental plans due to Covid -19 and the inability for members to have access to their providers for several months except for emergency treatments. Non-operating revenue increases were also related to Covid-19. Both Premera and Delta Dental made adjustments for members for the services that were not being provided due to Covid-19 through what they referred to as "Premium Forgiveness". The total amount of funds received by WCIF due to the "Premium Forgiveness" was $1,360,342, of which $399,047 was recognized as unearned revenue during 2020. Many operating expense categories were also significantly reduced in 2020 since most WCIF staff were working remotely, meetings were held virtually, and travel was suspended for most of 2020.

The December 31, 2020, Net Position of $9,230,443 was an increase of $2,105,175 over the December 31, 2019 Net Position of $7,125,268.

### *OVERVIEW OF THE FINANCIAL STATEMENTS:*

#### Financial Statements

The *Statement of Net Position* presents information on all the Fund's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Assets plus deferred outflows less liabilities and deferred inflows is reported as *Net Position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial health of the Fund is improving or deteriorating.

The *Statement of Revenues, Expenses and Changes in Fund Net Position* presents information showing how the Fund's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change actually occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave – Compensated Absences).

**Notes to the Financial Statements**

The *Notes to the Financial Statements* provide additional information essential to fully understanding the data provided in the Fund's financial statements.

***FINANCIAL ANALYSIS:***

As noted earlier, net position may serve over time as a useful indicator of an organization's financial health. In the case of the Fund, Assets and Deferred Outflows of Resources exceeded Liabilities and Deferred Inflows of Resources by $9,230,443 at the close of the most recent fiscal year. $818,647 of the net position is invested in capital assets; and $8,411,796 is unrestricted and may be used to meet the Fund's administrative requirements or to stabilize premium rates.

***Washington Counties Insurance Fund's Net Position as of 12/31/20 & 12/31/19***

| | **2020** | **2019** |
|---|---|---|
| Current Assets | $11,811,926 | $8,204,930 |
| Noncurrent (Capital) Assets, Net | $818,647 | $863,099 |
| Total Assets | $12,630,573 | $9,068,029 |
| | | |
| Deferred Outflows of Resources | $76,558 | $58,628 |
| | | |
| Current Liabilities | $3,116,893 | $1,605,198 |
| Noncurrent Liabilities | $274,450 | $246,688 |
| Total Liabilities | $3,391,343 | $1,851,886 |
| | | |
| Deferred Inflows of Resources | $85,345 | $149,503 |
| | | |
| Investment in Capital Assets | $818,647 | $863,099 |
| Unrestricted Net Position | $8,411,796 | $6,262,169 |
| | | |
| Total Net Position | $9,230,443 | $7,125,268 |

***Washington Counties Insurance Fund's Change in Net Position as of 12/31/20 & 12/31/19***

| | **2020** | **2019** |
|---|---|---|
| Operating Revenue | $3,050,258 | $2,205,758 |
| Non-operating Revenue | $961,014 | $140,921 |
| Total Revenue | $4,011,272 | $2,346,679 |
| | | |
| Operating Expense | $1,946,071 | $2,136,212 |
| Non-operating Expense | $314 | $347 |
| Total Expense | $1,946,385 | $2,136,559 |
| | | |
| | | |
| **Change in Net Position** | $2,105,175 | $210,120 |
| | | |
| **Beginning Net Position** | **$7,125,268** | **$6,915,148** |
| | | |
| **Ending Net Position** | **$9,230,443** | **$7,125,268** |

***REQUESTS FOR INFORMATION:***

This financial report is designed to provide a general overview of the Washington Counties Insurance Fund's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Washington Counties Insurance Fund
P.O. Box 7786
Olympia, WA 98507-7786

**WASHINGTON COUNTIES INSURANCE FUND**
**STATEMENT OF NET POSITION**
**DECEMBER 31, 2021**

| | | |
|---|---|---|
| **ASSETS** | | |
| Current Assets: | | |
| Cash and Cash Equivalents | $ | 7,976,792 |
| Commissions & Administrative Fees Receivable | $ | 277,315 |
| Premiums Receivable | $ | 1,009,646 |
| CFR Receivable | $ | 648,987 |
| Other Receivables | $ | 14 |
| Prepaid Expenses | $ | 46,676 |
| CFR (LTD) The Standard | $ | 637,651 |
| Delta Dental Stabilization Reserve | $ | 747,267 |
| TOTAL CURRENT ASSETS | $ | 11,344,348 |
| Noncurrent Assets: | | |
| Capital Assets (Net of Accumulated Depreciation) | $ | 782,272 |
| Net Pension Asset | $ | 605,467 |
| TOTAL NONCURRENT ASSETS | $ | 1,387,739 |
| **TOTAL ASSETS** | **$** | **12,732,087** |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred Outflows Related to Pensions | | |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | **$** | **71,687** |
| **LIABILITIES** | | |
| Current Liabilities: | | |
| Accounts Payable | $ | 111,665 |
| Premiums Payable | $ | 1,132,651 |
| Premera PLR Payable | $ | 1,350,000 |
| Other Payables | $ | 251,120 |
| Payroll Liabilities | $ | 7,376 |
| Premiums Paid In Advance | $ | 420,136 |
| Current Portion of Compensated Absences Liability | $ | 14,884 |
| TOTAL CURRENT LIABILITIES | $ | 3,287,832 |
| Noncurrent Liabilities: | | |
| Compensated Absences | $ | 42,216 |
| Net Pension Liability | $ | 57,838 |
| TOTAL NONCURRENT LIABILITIES | $ | 100,054 |
| **TOTAL LIABILITIES** | **$** | **3,387,886** |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred Inflows Related to Pensions | $ | 637,251 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | **$** | **637,251** |
| **NET POSITION** | | |
| Investment in Capital Assets | $ | 782,272 |
| Restricted Assets Related to Pensions | $ | 92,139 |
| Unrestricted | $ | 7,904,226 |
| **TOTAL NET POSITION** | **$** | **8,778,637** |

See accompanying notes to financial statements

**WASHINGTON COUNTIES INSURANCE FUND**
**STATEMENT OF NET POSITION**
**DECEMBER 31, 2020**

| | | |
|---|---|---|
| **<u>ASSETS</u>** | | |
| Current Assets: | | |
| Cash and Cash Equivalents | $ | 8,711,852 |
| Commissions & Administrative Fees Receivable | $ | 248,467 |
| Premiums Receivable | $ | 508,092 |
| Delta Dental Stabilization Receivable | $ | 763,885 |
| Other Receivables | $ | 14 |
| Prepaid Expenses | $ | 45,727 |
| CFR (LTD) The Standard | $ | 633,889 |
| Delta Dental Stabilization Reserve | $ | 900,000 |
| TOTAL CURRENT ASSETS | $ | 11,811,926 |
| Noncurrent Assets: | | |
| Capital Assets (Net of Accumulated Depreciation) | $ | 818,647 |
| TOTAL NONCURRENT ASSETS | $ | 818,647 |
| **TOTAL ASSETS** | **$** | **12,630,573** |
| **<u>DEFERRED OUTFLOWS OF RESOURCES</u>** | | |
| Deferred Outflows Related to Pensions | $ | 76,558 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | **$** | **76,558** |
| **<u>LIABILITIES</u>** | | |
| Current Liabilities: | | |
| Accounts Payable | $ | 69,034 |
| Premiums Payable | $ | 1,095,011 |
| Other Payables | $ | 221,181 |
| Payroll Liabilities | $ | 1,257 |
| Unearned Revenue Liability | $ | 399,047 |
| Current Portion of Compensated Absences Liability | $ | 13,888 |
| Premiums Paid in Advance | $ | 1,317,475 |
| TOTAL CURRENT LIABILITIES | $ | 3,116,893 |
| Noncurrent Liabilities: | | |
| Compensated Absences | $ | 44,775 |
| Net Pension Liability | $ | 229,675 |
| TOTAL NONCURRENT LIABILITIES | $ | 274,450 |
| **TOTAL LIABILITIES** | **$** | **3,391,343** |
| **<u>DEFERRED INFLOWS OF RESOURCES</u>** | | |
| Deferred Inflows Related to Pensions | $ | 85,345 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | **$** | **85,345** |
| **<u>NET POSITION</u>** | | |
| Investment in Capital Assets | $ | 818,647 |
| Unrestricted | $ | 8,411,796 |
| **TOTAL NET POSITION** | **$** | **9,230,443** |

See accompanying notes to financial statements

**WASHINGTON COUNTIES INSURANCE FUND**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**
For the Fiscal Period Ended December 31, 2021

| | | |
|---|---|---|
| **OPERATING REVENUES:** | | |
| Administrative Fees | $ | 1,599,611 |
| Producer Fees | $ | 112,155 |
| Commissions | $ | 587,032 |
| Other | $ | 648,987 |
| TOTAL OPERATING REVENUES | $ | 2,947,785 |
| **OPERATING EXPENSES:** | | |
| Third Party Administration | $ | 440,466 |
| Vivacity Wellness Program | $ | 142,513 |
| Wellness Grant Program | $ | 71,128 |
| Wellness Incentive Expenses | $ | 62,600 |
| Wellness Program Expenses | $ | 6,764 |
| Insurance Expense | $ | 52,893 |
| Salaries and Wages | $ | 758,849 |
| Personnel Benefits | $ | (23,622) |
| Publication and Printing | $ | 6,512 |
| Incentive & Rewards Programs | $ | - |
| Marketing & Promotional | $ | 6,094 |
| Professional Services | $ | 197,874 |
| Board Expenses | $ | 4,726 |
| Staff Travel Expenses | $ | 13,251 |
| General and Administrative Expenses | $ | 119,247 |
| Depreciation | $ | 46,867 |
| TOTAL OPERATING EXPENSES | $ | 1,906,162 |
| OPERATING INCOME (LOSS) | $ | 1,041,623 |
| **NONOPERATING REVENUES (EXPENSES):** | | |
| Interest Income | $ | 9,606 |
| Investment Fees | $ | (301) |
| Delta Dental Plan Loss Recovery | $ | (152,733) |
| Premera Plan Loss Recovery | $ | (1,350,000) |
| TOTAL NONOPERATING REVENUES (EXPENSES) | $ | (1,493,428) |
| **CHANGE IN NET POSITION** | $ | (451,805) |
| TOTAL NET POSITION, Beginning of the Period | $ | 9,230,442 |
| TOTAL NET POSITION, End of the Period | $ | 8,778,637 |

See accompanying notes to financial statements

**WASHINGTON COUNTIES INSURANCE FUND**
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**
For the Fiscal Period Ended December 31, 2020

| | | |
|---|---|---|
| **OPERATING REVENUES:** | | |
| Administrative Fees | $ | 1,589,146 |
| Producer Fees | $ | 140,727 |
| Commissions | $ | 556,500 |
| Other | $ | 763,885 |
| TOTAL OPERATING REVENUES | $ | 3,050,258 |
| **OPERATING EXPENSES:** | | |
| Third Party Administration | $ | 431,988 |
| Vivacity Wellness Program | $ | 143,587 |
| Wellness Grant Program | $ | 72,874 |
| Wellness Incentive Expenses | $ | 45,650 |
| Wellness Program Expenses | $ | 8,002 |
| Insurance Expense | $ | 48,141 |
| Salaries and Wages | $ | 690,273 |
| Personnel Benefits | $ | 122,448 |
| Publication and Printing | $ | 6,102 |
| Incentive & Rewards Programs | $ | - |
| Marketing & Promotional | $ | 11,457 |
| Professional Services | $ | 179,395 |
| Board Expenses | $ | 366 |
| Staff Travel Expenses | $ | 16,415 |
| General and Administrative Expenses | $ | 123,646 |
| Depreciation | $ | 45,727 |
| TOTAL OPERATING EXPENSES | $ | 1,946,071 |
| OPERATING INCOME (LOSS) | $ | 1,104,187 |
| **NONOPERATING REVENUES (EXPENSES):** | | |
| Interest Income | $ | 40,007 |
| Investment Fees | $ | (314) |
| Premium Adjustment | $ | 281 |
| Delta Dental Premium Forgiveness | $ | 961,014 |
| TOTAL NONOPERATING REVENUES (EXPENSES) | $ | 1,000,988 |
| **CHANGE IN NET POSITION** | $ | 2,105,175 |
| TOTAL NET POSITION, Beginning of the Period | $ | 7,125,268 |
| TOTAL NET POSITION, End of the Period | $ | 9,230,443 |

See accompanying notes to financial statements

**WASHINGTON COUNTIES INSURANCE FUND** **MCAG NO. 0775**

**STATEMENT OF CASH FLOW**

For the Fiscal Year Ended December 31, 2021



| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Cash received for premiums | $ | 62,250,748 |
| Cash received for fees and commissions | $ | 1,870,914 |
| Cash received from other income | $ | 763,885 |
| Cash payments for premiums | $ | (63,612,012) |
| Cash payments for insurance coverage | $ | (56,603) |
| Cash payments for Third Party Administrators | $ | (440,466) |
| Cash payments to suppliers for goods and services | $ | (337,626) |
| Cash payments for other operating expenses | $ | (410,103) |
| Cash payments to employees for services | $ | (758,849) |
| Cash payment to Delta Dental to fund Rate Stabilization Reserve | | |
| Net Cash Provided (Used) by Operating Activities | $ | (730,112) |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:** | | |
| Premium Forgiveness - Premera and Delta Dental | | |
| Net Cash Provided (Used) by Non-Capital Financing Activities | $ | - |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | |
| Capital Purchases | $ | (10,491) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | $ | (10,491) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Interest Received | $ | 5,844 |
| Investment Fees | $ | (301) |
| Net Cash Provided (Used) by Investing Activities | $ | 5,543 |
| Increase (Decrease) in Cash and Cash Equivalents | $ | (735,060) |
| Cash and Cash Equivalents, Beginning of the Year | **$** | **8,711,852** |
| Cash and Cash Equivalents, End of the Year | $ | 7,976,792 |

See accompanying notes to financial statements

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

| | | |
|---|---|---|
| OPERATING INCOME | $ | 642,576 |
| Adjustment to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation Expense | $ | 46,867 |
| Interest Earned on CFR (LTD) The Standard | $ | 3,762 |
| Premera Plan Loss Recovery | $ | (1,350,000) |
| Delta Dental Plan Loss Recovery | $ | (152,733) |
| Changes in Assets and Liabilities: | | |
| (Increase) decrease in prepaid expenses | $ | (949) |
| (Increase) decrease in receivables | $ | (415,505) |
| (Increase) decrease in Delta Dental Rate Stabilization Reserve | $ | 152,733 |
| (Increase) decrease CFR (LTD) The Standard | $ | (3,762) |
| (Increase) decrease in Deferred Outlow of Resources | $ | 4,871 |
| Increase (decrease) in payables | $ | 1,460,209 |
| Increase (decrease) in Compensated Absences | $ | (1,563) |
| Increase (decrease) in payroll liabilities | $ | 6,119 |
| Increase (decrease) in Deferred Inflow of Resources | $ | 551,906 |
| Increase (decrease) in Other Current Liabilites | $ | (897,339) |
| (Increase) decrease in Net Pension Asset | $ | (605,467) |
| Increase (decrease) in Net Pension Liability | $ | (171,837) |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | $ | (730,112) |

See accompanying notes to financial statements

| | | |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES:** | | |
| Cash received for premiums | $ | 60,807,974 |
| Cash received for fees and commissions | $ | 2,277,948 |
| Cash received from other income | $ | - |
| Cash payments for premiums | $ | (59,675,193) |
| Cash payments for insurance coverage | $ | (50,244) |
| Cash payments for Third Party Administrators | $ | (431,988) |
| Cash payments to suppliers for goods and services | $ | (388,091) |
| Cash payments for other operating expenses | $ | (471,636) |
| Cash payments to employees for services | $ | (690,273) |
| Cash payment to Delta Dental to fund Rate Stabilization Reserve | $ | (900,000) |
| Net Cash Provided (Used) by Operating Activities | $ | 478,496 |
| **CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:** | | |
| Premium Forgiveness - Premera and Delta Dental | $ | 1,360,342 |
| Net Cash Provided (Used) by Non-Capital Financing Activities | $ | 1,360,342 |
| **CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:** | | |
| Capital Purchases | $ | (1,275) |
| Net Cash Provided (Used) by Capital and Related Financing Activities | $ | (1,275) |
| **CASH FLOWS FROM INVESTING ACTIVITIES:** | | |
| Interest Received | $ | 33,884 |
| Investment Fees | $ | (314) |
| Net Cash Provided (Used) by Investing Activities | $ | 33,570 |
| Increase (Decrease) in Cash and Cash Equivalents | $ | 1,871,134 |
| Cash and Cash Equivalents, Beginning of the Year | **$** | **6,840,718** |
| Cash and Cash Equivalents, End of the Year | $ | 8,711,852 |

See accompanying notes to financial statements

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

| | | |
|---|---|---|
| OPERATING INCOME | $ | 1,104,187 |
| Adjustment to reconcile operating income to net cash provided by operating activities: | | |
| Depreciation Expense | $ | 45,727 |
| Interest Earned on CFR (LTD) The Standard | $ | 6,123 |
| Changes in Assets and Liabilities: | | |
| (Increase) decrease in prepaid expenses | $ | 6,492 |
| (Increase) decrease in receivables | $ | (786,581) |
| (Increase) decrease in Delta Dental Rate Stabilization Reserve | $ | (900,000) |
| (Increase) decrease CFR (LTD) The Standard | $ | (55,774) |
| (Increase) decrease in Deferred Outlow of Resources | $ | (17,930) |
| Increase (decrease) in payables | $ | 162,282 |
| Increase (decrease) in Compensated Absences | $ | 16,179 |
| Increase (decrease) in payroll liabilities | $ | 63 |
| Increase (decrease) in Deferred Inflow of Resources | $ | (64,158) |
| Increase (decrease) in Other Current Liabilites | $ | 952,212 |
| Increase (decrease) in Net Pension Liability | $ | 9,674 |
| NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES | $ | 478,496 |

See accompanying notes to financial statements

# WASHINGTON COUNTIES INSURANCE FUND
# MCAG NO. 0775
## Notes to Financial Statements
## January 1, 2021 Through December 31, 2021

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Washington Counties Insurance Fund have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

**Organization -** The Washington Counties Insurance Fund, (WCIF or "Fund"), was established for the payment of medical, dental, life, vision, disability, accidental death and dismemberment, and other benefits to the eligible employees of participating employers and, if so provided, the dependents of eligible employees. The plan benefits are funded by contributions from the participating employers and, if so provided, eligible employees. The trust was originally established January 1, 1959, restated on November 7, 1985, and further amended on August 13, 1987; January 1, 2003; January 1, 2006; January 1, 2012; January 1, 2014; and January 1, 2015.

The accounting policies of Washington Counties Insurance Fund conform to generally accepted accounting principles. The following is a summary of the more significant policies:

**Basis of Accounting -** The Fund uses the full accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized, and long-term liabilities are accounted for within the financial statements. Operating revenue for the Fund is derived from Administration Fees and Commissions. All expenses of the Fund, except for Investment Fees, are classified as operating expenses.

**Cash and Cash Equivalents -** For the purposes of reporting cash flows, the trust considers all highly liquid deposits with a maturity of three months or less when purchased to be cash equivalents. The $7,976,792 in Cash and Cash Equivalents are deposited into accounts with either Umpqua Bank of the Local Government Investment Pool (Note B).

**Premiums Receivable -** Premiums Receivable for the Washington Counties Insurance Fund consist of amounts owed for premiums by member groups.

**Commissions & Administrative Fees Receivable** - Amounts owed for services which have been rendered by the trust for the period ended December 31, 2021, such as commissions and administration fees.

**Delta Dental Stabilization Reserve –** Delta Dental Plans claims utilization increased considerably in 2021, resulting in claims, retention, and administrative costs superseding premium collection in the amount of $152,733.33 leaving a reserve balance at yearend of $747,266.67.

**CFR (LTD) The Standard** – The Claims Fluctuation Reserve (CFR) for the Fund's Long-Term Disability (LTD) Program had a balance of $637,651 on December 31, 2021. These funds are fully accessible to the Fund, however, by leaving them on deposit with The Standard the Fund receives a reduction in the premium rates for the LTD insurance.

**Compensated Absences -** The Fund records all accumulated unused vacation leave. Vacation pay, which may be accumulated up to 30 days maximum, is payable upon resignation, retirement or death. Sick leave may accumulate indefinitely. At termination, accrued sick leave will be paid not to exceed 25% of days accumulated, subject to a maximum accrual of 120 days. As of December 31, 2021, the value of Compensated Absences is $57,100. $14,884 of the value of Compensated Absences is reflected as a current liability (Current Portion of Compensated Absences) as it is anticipated that these funds will be disbursed in the 2022 fiscal period. The remaining $42,216 is considered a long-term liability, or non-current.

**Restricted Funds** – In accordance with certain related agreements, separate restricted funds may be required to be established. The assets held in these funds are restricted for specific time periods and/or for specific uses. At the end of the fiscal period ended December 31, 2021, there are restricted funds (Restricted Assets Related to Pensions) in the amount of $92,139 due to calculations directly related to GASB 68.

**Pensions**

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

For purposes of calculating the restricted net position related to the net pension asset, the Washington Counties Insurance Fund includes the net pension asset and the related deferred outflows and deferred inflows.

**Exemption from Federal and State Taxes –** Pursuant to revenue ruling number 90-74, income of Municipal Risk Pools is excluded from gross income under IRC Section 115(1). Chapter 48.62 RCW exempts the Fund from insurance premium taxes and business and occupation taxes on the Premium Revenue collected imposed pursuant to Chapter 82.04 RCW. Business and occupation taxes are applicable to the revenue generated from administrative fees and commissions.

## NOTE B – DEPOSITS AND INVESTMENTS

### Deposits

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction WCIF would not be able to recover the value of the investment or collateral securities. The WCIF deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

As of December 31, 2021, WCIF had the following deposit accounts:

| | |
|---|---|
| Umpqua Bank | $ 2,677,165 |

### Investments in Local Government Investment Pool (LGIP)

The Washington Counties Insurance Fund is a participant in the Local Government Investment Pool, which was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at http://www.tre.wa.gov.

As of December 31, 2021, WCIF held the following investments at amortized cost:

| | |
|---|---|
| Washington State Local Governments Investment Pool (LGIP) | $5,299,627 |

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the WCIF would not be able to recover the value of the investment of collateral securities. Of the WCIF's total position in the LGIP, $0 are exposed to custodial credit risk.

The WCIF had no derivatives at the end of the fiscal year, nor did it participate in any securities lending transactions.

## NOTE C – CAPITAL ASSETS

All assets with a cost of $1,000 or more are capitalized and recorded at cost. Cost includes all ancillary charges necessary to place the asset in its intended location and condition for use. Maintenance and repairs are expensed as incurred. When equipment is retired or otherwise disposed of, cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as other income. Depreciation is computed on the straight-line method over the estimated useful lives of the equipment.

The estimated useful life for each asset class is:

| | |
|---|---|
| Computers and Equipment | 5 Years |
| Vehicles | 5 Years |
| Furniture & Fixtures | 7 Years |
| Buildings | 39 Years |

Capital assets consist of the following at December 31, 2021:

| Capital Asset | Beginning Balance 01/01/2021 | Increases | Decreases | Ending Balance 12/31/2021 |
|---|---|---|---|---|
| Building | $1,138,222 | | | $1,138,222 |
| Furniture and Fixtures & Leasehold Improvements | $ 98,891 | | | $ 98,891 |
| Vehicles | $ 58,405 | | | $ 58,405 |
| Computers, Software, and Office Equipment | $ 45,644 | $ 10,491 | $ | $ 56,135 |
| Total Capital Assets: | $1,341,162 | $ 10,491 | $ | $1,351,653 |
| | | | | |
| Less Accumulated Depreciation For: | **Beginning Balance 01/01/2021** | **Increases** | **Decreases** | **Ending Balance 12/31/2021** |
| Building | $ 359,950 | $ 29,185 | | $ 389,135 |
| Furniture and Fixtures & Leasehold Improvements | $ 98,891 | | | $ 98,891 |
| Vehicles | $ 27,412 | $ 11,681 | | $ 39,093 |
| Computers, Software, and Office Equipment | $ 36,262 | $ 6,000 | $ | $ 42,262 |
| Total Accumulated Depreciation: | $ 522,515 | $ 46,866 | $ | $ 569,381 |
| | | | | |
| Total Capital Assets, Net | $ 818,647 | | | $ 782,272 |

## NOTE D – PENSION PLAN

The following table represents the aggregate pension amounts for all plans for the year 2021:

| Aggregate Pension Amounts – All Plans | |
|---|---|
| Pension liabilities | ($57,838) |
| Pension assets | $ 605,467 |
| Deferred outflows of resources | $ 71,687 |
| Deferred inflows of resources | ($637,215) |
| Pension expense/expenditures | ($139,449) |

### State Sponsored Pension Plans

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

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

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

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

### Public Employees' Retirement System (PERS)

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

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

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

| **PERS Plan 1** | | |
|---|---|---|
| **Actual Contribution Rates:** | **Employer** | **Employee*** |
| January – June 2021: | | |
| PERS Plan 1 | 7.92% | 6.00% |
| PERS Plan 1 UAAL | 4.87% | |
| Administrative Fee | 0.18% | |
| **Total** | **12.97%** | **6.00%** |
| July – December 2021: | | |
| PERS Plan 1 | 10.07% | 6.00% |
| Administrative Fee | 0.18% | |
| **Total** | **10.25%** | **6.00%** |

* For employees participating in JBM, the contribution rate was 12.26%.

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

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

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

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

**Contributions**

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2021 were as follows:

| **PERS Plan 2/3** | | |
|---|---|---|
| **Actual Contribution Rates:** | **Employer 2/3** | **Employee 2*** |
| January – June 2021: | | |
| PERS Plan 2/3 | 7.92% | 7.90% |
| PERS Plan 1 UAAL | 4.87% | |

| | | |
|---|---|---|
| Administrative Fee | 0.18% | |
| Employee PERS Plan 3 | | varies |
| **Total** | **12.97%** | **7.90%** |
| July – December 2021: | | |
| PERS Plan 2/3 | 6.36% | 6.36% |
| PERS Plan 1 UAAL | 3.71% | |
| Administrative Fee | 0.18% | |
| Employee PERS Plan 3 | | varies |
| **Total** | **10.25%** | **6.36%** |

* For employees participating in JBM, the contribution rate was 15.90%.

The Washington Counties Insurance Fund's actual PERS plan contributions were $30,471.46 to PERS Plan 1 and $50,606.8 to PERS Plan 2/3 for the year ended December 31, 2021.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2021 with a valuation date of June 30, 2020. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2020 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2021. Plan liabilities were rolled forward from June 30, 2020, to June 30, 2021, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases**: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

There were no changes in assumptions since the last valuation. There were changes in methods since the last valuation.

For purposes of the June 30, 2020 Actuarial Valuation Report (AVR), a non-contribution rate setting valuation under current funding policy, the Office of the State Actuary (OSA) introduced temporary method changes to produce asset and liability measures as of the valuation date. See high-level summary below. OSA will revert back to the methods outlined in the 2019 AVR when preparing the 2021 AVR, a contribution rate-setting valuation, which will serve as the basis for 2022 ACFR results.

To produce measures at June 30, 2020, unless otherwise noted in the 2020 AVR, OSA relied on the same data, assets, methods, and assumptions as the June 30, 2019 AVR. OSA projected the data forward one year reflecting assumed new hires and current members exiting the plan as expected. OSA estimated June 30, 2020, assets by relying on the fiscal year end 2019 assets, reflecting actual investment performance over FY 2020, and reflecting assumed contribution amounts and benefit payments during FY 2020. OSA reviewed the actual June 30, 2020, participant and financial data to determine if any material changes to projection assumptions were necessary. OSA also considered any material impacts to the plans from 2021 legislation. See the 2020 AVR for more information.

**Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2021, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

| Asset Class | Target Allocation | % Long-Term Expected Real Rate of Return Arithmetic |
|---|---|---|
| Fixed Income | 20% | 2.20% |
| Tangible Assets | 7% | 5.10% |
| Real Estate | 18% | 5.80% |
| Global Equity | 32% | 6.30% |
| Private Equity | 23% | 9.30% |
| | **100%** | |

### Sensitivity of the Net Pension Liability/(Asset)

The table below presents the Washington Counties Insurance Fund's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the Washington Counties Insurance Fund's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

| | 1% Decrease (6.4%) | Current Discount Rate (7.4%) | 1% Increase (8.4%) |
|---|---|---|---|
| PERS 1 | $ 98,530 | $ 57,838 | $ 22,350 |
| PERS 2/3 | ($172,486) | ($605,467) | ($962,027) |
| | | | |

### Pension Plan Fiduciary Net Position

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

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

At June 30, 2021, the Washington Counties Insurance Fund reported its proportionate share of the net pension liabilities as follows:

| | Liability (or Asset) |
|---|---|
| PERS 1 | $ 57,838 |
| PERS 2/3 | ($605,467) |

At June 30, 2021, the Washington Counties Insurance Fund's proportionate share of the collective net pension liabilities PERS 1 and pension assets for PERS 2 were as follows:

| | Proportionate Share 6/30/20 | Proportionate Share 6/30/21 | Change in Proportion |
|---|---|---|---|
| PERS 1 | 0.004413% | 0.004736% | 0.000061% |
| PERS 2/3 | 0.005776% | 0.006078% | 0.000302% |
| | | | |

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2021, are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Nonemployer Allocations* for all plans except LEOFF 1.

**Pension Expense**

For the year ended December 31, 2021, the Washington Counties Insurance Fund recognized pension expense as follows:

| | Pension Expense |
|---|---|
| PERS 1 | $ 627 |
| PERS 2/3 | ($140,076) |
| TOTAL | ($139,449) |

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2021, the Washington Counties Insurance Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| PERS 1 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ | $ |
| Net difference between projected and actual investment earnings on pension plan investments | $ | $ (64,180) |
| Changes of assumptions | $ | $ |
| Changes in proportion and differences between contributions and proportionate share of contributions | $ | $ |
| Contributions subsequent to the measurement date | $ 11,947 | $ |
| TOTAL | $ 11,947 | $ (64,180) |

| PERS 2/3 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 29,407 | $ (7,422) |
| Net difference between projected and actual investment earnings on pension plan investments | $ | $ (506,028) |
| Changes of assumptions | $ 885 | $ (42,998) |
| Changes in proportion and differences between contributions and proportionate share of contributions | $ 8,972 | $ (16,623) |
| Contributions subsequent to the measurement date | $ 20,480 | |
| TOTAL | $ 59,743 | $ (573,071) |
| | | |
| TOTAL OF ALL PLANS: | $ 71,690 | $ (637,252) |

Deferred outflows of resources related to pensions resulting from the Washington Counties Insurance Fund's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31: | PERS 1 |
|---|---|
| 2022 | $ (17,001) |
| 2023 | $ (15,579) |
| 2024 | $ (14,731) |
| 2025 | $ (16,869) |
| 2026 | $ |
| Thereafter | $ |

| Year ended December 31: | PERS 2/3 |
|---|---|
| 2022 | $ (141,158) |
| 2023 | $ (132,066) |
| 2024 | $ (126,116) |
| 2025 | $ (135,346) |
| 2026 | $ ( 341) |
| Thereafter | $ 1,218 |

## NOTE E – RISK MANAGEMENT

WCIF generally provides only “fully-insured” benefit plans to member groups and as such, retains no “self-funded” exposure or risk for the benefit plans provided. One minor exception to that statement would be the agreement with The Standard Insurance Company as it relates to the WCIF long-term disability (LTD) benefit program.

The agreement with The Standard allows WCIF to deposit funds into a claims fluctuation reserve (CFR) account that is “held” by The Standard. Funds in this account reduce the carrier’s risk and thereby generate lower premiums for WCIF members. In short, if claims exceed projections, The Standard can withdraw funds from the CFR to mitigate those additional costs. If claims are lower than expected, The Standard will deposit the excess funds into the CFR.

All funds in the CFR remain the property of WCIF until reconciliation and collect interest on WCIF’s behalf. The account is reconciled on a two-year benefit plan cycle and funds are withdrawn or deposited by The Standard based on the experience (or claims) over the two-year period as defined in the CFR agreement. It is important to note that WCIF’s risk in this agreement is strictly limited to the funds in the CFR even if the claims are such that the withdrawal would exceed the amount within the account.

The initial deposit from WCIF to the CFR was in 2006. Since that date, WCIF has not been required to deposit any additional funds and The Standard has not withdrawn any funds due to insufficient premiums to settle claims.

Delta Dental of Washington and Premera Blue Cross entered into short-term agreements for 2021. The purpose of these agreements was to share the risks with the carriers regards to claims in excess of premiums collected in exchange for lower premium rates that would benefit the member groups of WCIF.

In 2021, Delta Dental held a Rate Stabilization Reserve of $900,000. The claims in 2021 exceeded the premiums collected in the reserve by $152,733.13.

Like Delta Dental, the Rate Stabilization Reserve with Premera Blue Cross in 2021 also experienced a higher amount in claims than premiums collected. Therefore the $1,350,000 which was used to help lower premiums to member groups in 2021 will be paid to Premera in 2022.

## NOTE F – COVID-19

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus (COVID-19). In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures include closing schools, colleges and universities, canceling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

WCIF staff members worked remotely from their homes during and beyond the governor's declaration. The staff realized they could efficiently accomplish on-going service with adequate technology (ie computers, software, monitors, cell phones) to stay in touch with member groups, Board members, vendors and WCIF staff, and travelling to places only when necessary.

By the end of 2021, WCIF recognized COVID-19 allowed a broader way of conducting business…one that still provided exceptional personal service, a high level of efficiency, and new technological methods that will carry forward into 2022 and beyond.

# WASHINGTON COUNTIES INSURANCE FUND
# MCAG NO. 0775
## Notes to Financial Statements
## January 1, 2020 Through December 31, 2020

## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Washington Counties Insurance Fund have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

**Organization -** The Washington Counties Insurance Fund, (WCIF or "Fund"), was established for the payment of medical, dental, life, vision, disability, accidental death and dismemberment, and other benefits to the eligible employees of participating employers and, if so provided, the dependents of eligible employees. The plan benefits are funded by contributions from the participating employers and, if so provided, eligible employees. The trust was originally established January 1, 1959, restated on November 7, 1985, and further amended on August 13, 1987; January 1, 2003; January 1, 2006; January 1, 2012; January 1, 2014; and January 1, 2015.

The accounting policies of Washington Counties Insurance Fund conform to generally accepted accounting principles. The following is a summary of the more significant policies:

**Basis of Accounting -** The Fund uses the full accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Capital asset purchases are capitalized, and long-term liabilities are accounted for within the financial statements. Operating revenue for the Fund is derived from Administration Fees and Commissions. All expenses of the Fund, except for Investment Fees, are classified as operating expenses.

**Cash and Cash Equivalents -** For the purposes of reporting cash flows, the trust considers all highly liquid deposits with a maturity of three months or less when purchased to be cash equivalents. Cash and Cash Equivalents includes $415,906 Cash on Hand, which are monies that have been received by the Washington Counties Insurance Fund and have been credited to the Accounts Receivable but have not been deposited into an account in a financial institution. The remaining $8,295,946 in Cash and Cash Equivalents are deposited into accounts (Note B).

**Premiums Receivable -** Premiums Receivable for the Washington Counties Insurance Fund consist of amounts owed for premiums by member groups.

**Commissions & Administrative Fees Receivable** - Amounts owed for services which have been rendered by the trust for the period ended December 31, 2020, such as commissions and administration fees.

**Delta Dental Stabilization Receivable –** Delta Dental Plans claims utilization was reduced considerably in 2020, resulting in premiums exceeding claims, retention, and administrative costs in the amount of $763,885. This amount will be refunded to Washington Counties Insurance Fund in 2021.

**CFR (LTD) The Standard** – The Claims Fluctuation Reserve (CFR) for the Fund's Long-Term Disability (LTD) Program had a balance of $633,889 on December 31, 2020. These funds are fully accessible to the Fund, however, by leaving them on deposit with The Standard the Fund receives a reduction in the premium rates for the LTD insurance.

**Compensated Absences -** The Fund records all accumulated unused vacation leave. Vacation pay, which may be accumulated up to 30 days maximum, is payable upon resignation, retirement or death. Sick leave may accumulate indefinitely. At termination, accrued sick leave will be paid not to exceed 25% of days accumulated, subject to a maximum accrual of 120 days. As of December 31, 2020, the value of Compensated Absences is $58,663. $13,888 of the value of Compensated Absences is reflected as a current liability (Current Portion of Compensated Absences) as it is anticipated that these funds will be disbursed in the 2021 fiscal period due to retirement. The remaining $44,775 is considered a long-term liability, or non-current.

**Restricted Funds** – In accordance with certain related agreements, separate restricted funds may be required to be established. The assets held in these funds are restricted for specific time periods and/or for specific uses. At the end of the fiscal period ended December 31, 2020, the Fund had no restricted funds.

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

**Exemption from Federal and State Taxes –** Pursuant to revenue ruling number 90-74, income of Municipal Risk Pools is excluded from gross income under IRC Section 115(1). Chapter 48.62 RCW exempts the Fund from insurance premium taxes and business and occupation taxes on the Premium Revenue collected imposed pursuant to Chapter 82.04 RCW. Business and occupation taxes are applicable to the revenue generated from administrative fees and commissions.

## NOTE B – DEPOSITS AND INVESTMENTS

### Deposits

Custodial credit risk is the risk that in event of a failure of the counterparty to an investment transaction WCIF would not be able to recover the value of the investment or collateral securities. The WCIF deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

As of December 31, 2020, WCIF had the following deposit accounts:

| | |
|---|---|
| Umpqua Bank | $ 3,417,768 |

### Investments in Local Government Investment Pool (LGIP)

The Washington Counties Insurance Fund is a participant in the Local Government Investment Pool, which was authorized by Chapter 294, Laws of 1986, and is managed and operated by the Washington State Treasurer. The State Finance Committee is the administrator of the statute that created the pool and adopts rules. The State Treasurer is responsible for establishing the investment policy for the pool and reviews the policy annually and proposed changes are reviewed by the LGIP advisory Committee.

Investments in the LGIP, a qualified external investment pool, are reported at amortized cost which approximates fair value. The LGIP is an unrated external investment pool. The pool portfolio is invested in a manner that meets the maturity, quality, diversification, and liquidity requirements set forth by the GASBS 79 for external investments pools that elect to measure, for reporting purposes, investments at amortized cost. The LGIP does not have any legally binding guarantees of share values. The LGIP does not impose liquidity fees or redemption gates on participant withdrawals.

The Office of the State Treasurer prepares a stand-alone LGIP financial report. A copy of the report is available from the Office of the State Treasurer, PO Box 40200, Olympia, Washington 98504-0200, online at http://www.tre.wa.gov.

As of December 31, 2020, WCIF held the following investments at amortized cost:

| | |
|---|---|
| Washington State Local Governments Investment Pool (LGIP) | $5,294,084 |

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction, the WCIF would not be able to recover the value of the investment of collateral securities. Of the WCIF's total position in the LGIP, $0 are exposed to custodial credit risk. The WCIF had no derivatives at the end of the fiscal year, nor did it participate in any securities lending transactions.

## NOTE C – CAPITAL ASSETS

All assets with a cost of $1,000 or more are capitalized and recorded at cost. Cost includes all ancillary charges necessary to place the asset in its intended location and condition for use. Maintenance and repairs are expensed as incurred. When equipment is retired or otherwise disposed of, cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected as other income. Depreciation is computed on the straight-line method over the estimated useful lives of the equipment.

The estimated useful life for each asset class is:

| | |
|---|---|
| Computers and Equipment | 5 Years |
| Vehicles | 5 Years |
| Furniture & Fixtures | 7 Years |
| Buildings | 39 Years |

Capital assets consist of the following at December 31, 2020:

| Capital Asset | Beginning Balance 01/01/2020 | Increases | Decreases | Ending Balance 12/31/2020 |
|---|---|---|---|---|
| Building | $1,138,222 | | | $1,138,222 |
| Furniture and Fixtures & Leasehold Improvements | $ 98,891 | | | $ 98,891 |
| Vehicles | $ 58,405 | | | $ 58,405 |
| Computers, Software, and Office Equipment | $ 46,872 | $ 1,275 | $ 2,503 | $ 45,644 |
| Total Capital Assets: | $1,342,390 | $ 1,275 | $ 2,503 | $1,341,162 |
| | | | | |
| Less Accumulated Depreciation For: | **Beginning Balance 01/01/2020** | **Increases** | **Decreases** | **Ending Balance 12/31/2020** |
| Building | $ 330,765 | $ 29,185 | | $ 359,950 |
| Furniture and Fixtures & Leasehold Improvements | $ 98,891 | | | $ 98,891 |

| | | | | |
|---|---|---|---|---|
| Vehicles | $ 15,731 | $ 11,681 | | $ 27,412 |
| Computers, Software, and Office Equipment | $ 33,904 | $ 4,861 | $ 2,503 | $ 36,262 |
| Total Accumulated Depreciation: | $ 479,291 | $ 46,332 | $ 2,503 | $ 522,515 |
| | | | | |
| Total Capital Assets, Net | $ 863,099 | | | $ 818,647 |

## NOTE D – PENSION PLAN

The following table represents the aggregate pension amounts for all plans for the year 2020:

| Aggregate Pension Amounts – All Plans | |
|---|---|
| Pension liabilities | $ (229,675) |
| Pension assets | $ |
| Deferred outflows of resources | $ 76,558 |
| Deferred inflows of resources | $( 85,345) |
| Pension expense/expenditures | $ 15,368 |

**State Sponsored Pension Plans**

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

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

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

Or the DRS Comprehensive Annual Financial Report may be downloaded from the DRS website at www.drs.wa.gov.

**Public Employees' Retirement System (PERS)**

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

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

**Contributions**

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

| PERS Plan 1 | | |
|---|---|---|
| **Actual Contribution Rates:** | **Employer** | **Employee*** |
| January – June 2019: | | |
| PERS Plan 1 | 7.92% | 6.00% |
| PERS Plan 1 UAAL | 4.76% | |
| Administrative Fee | 0.18% | |
| **Total** | **12.86%** | **6.00%** |
| July – December 2019: | | |
| PERS Plan 1 | 7.92% | 6.00% |
| PERS Plan 1 UAAL | 4.87% | |

| | | |
|---|---|---|
| Administrative Fee | 0.18% | |
| **Total** | **12.97%** | **6.00%** |

* For employees participating in JBM, the contribution rate was 12.26%.

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

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

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

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

**Contributions**

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2020 were as follows:

| PERS Plan 2/3 | | |
|---|---|---|
| **Actual Contribution Rates:** | **Employer 2/3** | **Employee 2*** |
| January – June 2019: | | |
| PERS Plan 2/3 | 7.92% | 7.90% |
| PERS Plan 1 UAAL | 4.76% | |
| Administrative Fee | 0.18% | |
| Employee PERS Plan 3 | | varies |
| **Total** | **12.86%** | **7.90%** |
| July – December 2019: | | |
| PERS Plan 2/3 | 7.92% | 7.90% |
| PERS Plan 1 UAAL | 4.87% | |
| Administrative Fee | 0.18% | |
| Employee PERS Plan 3 | | varies |
| **Total** | **12.97%** | **7.90%** |

* For employees participating in JBM, the contribution rate was 19.75%.

The Washington Counties Insurance Fund's actual PERS plan contributions were $33,112.20 to PERS Plan 1 and $54,669.80 to PERS Plan 2/3 for the year ended December 31, 2020.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.
Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases**: In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

### Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.4 percent was used to determine the total liability.

**Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.4 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (OSA) reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

**Estimated Rates of Return by Asset Class**

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2020, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

| Asset Class | Target Allocation | % Long-Term Expected Real Rate of Return Arithmetic |
|---|---|---|
| Fixed Income | 20% | 2.20% |
| Tangible Assets | 7% | 5.10% |
| Real Estate | 18% | 5.80% |
| Global Equity | 32% | 6.30% |
| Private Equity | 23% | 9.30% |
| | **100%** | |

**Sensitivity of the Net Pension Liability/(Asset)**

The table below presents the Washington Counties Insurance Fund's proportionate share of the net pension liability calculated using the discount rate of 7.4 percent, as well as what the Washington Counties Insurance Fund's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

| | 1% Decrease (6.4%) | Current Discount Rate (7.4%) | 1% Increase (8.4%) |
|---|---|---|---|
| PERS 1 | $195,152 | $155,803 | $ 121,486 |
| PERS 2/3 | $459,650 | $ 73,872 | ($243,817) |
| | | | |

**Pension Plan Fiduciary Net Position**

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

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

At June 30, 2020, the Washington Counties Insurance Fund reported a total pension liability of $229,675 for its proportionate share of the net pension liabilities as follows:

| | Liability (or Asset) |
|---|---|
| PERS 1 | $155,803 |
| PERS 2/3 | $ 73,872 |

At June 30, the Washington Counties Insurance Fund's proportionate share of the collective net pension liabilities was as follows:

| | Proportionate Share 6/30/19 | Proportionate Share 6/30/20 | Change in Proportion |
|---|---|---|---|
| PERS 1 | 0.004315% | 0.004413% | 0.000098% |
| PERS 2/3 | 0.005567% | 0.005776% | 0.000611% |
| | | | |

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

The collective net pension liability (asset) was measured as of June 30, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

**Pension Expense**

For the year ended December 31, 2020, the Washington Counties Insurance Fund recognized pension expense as follows:

| | Pension Expense |
|---|---|
| PERS 1 | $ 11,640 |
| PERS 2/3 | $ 3,728 |
| TOTAL | $ 15,368 |

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2020, the Washington Counties Insurance Fund reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| PERS 1 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ | $ |
| Net difference between projected and actual investment earnings on pension plan investments | $ | $ (867) |
| Changes of assumptions | $ | $ |
| Changes in proportion and differences between contributions and proportionate share of contributions | $ | $ |
| Contributions subsequent to the measurement date | $ 16,754 | $ |
| TOTAL | $ 16,754 | $ (867) |

| PERS 2/3 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 26,445 | $ (9,258) |
| Net difference between projected and actual investment earnings on pension plan investments | $ | $ (3,752) |
| Changes of assumptions | $ 1,052 | $ (50,461) |

| | | |
|---|---|---|
| Changes in proportion and differences between contributions and proportionate share of contributions | $ 4,856 | $ (21,008) |
| Contributions subsequent to the measurement date | $ 27,453 | |
| TOTAL | $ 59,806 | $ (84,479) |
| | | |
| TOTAL OF ALL PLANS: | $ 76,560 | $ (85,346) |

Deferred outflows of resources related to pensions resulting from the Washington Counties Insurance Fund's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31: | PERS 1 |
|---|---|
| 2021 | $ (3,937) |
| 2022 | $ ( 124) |
| 2023 | $ 1,201 |
| 2024 | $ 1,992 |
| 2025 | $ |
| TOTAL | $ ( 867) |

| Year ended December 31: | PERS 2/3 |
|---|---|
| 2020 | $ ( 34,248) |
| 2021 | $ ( 10,923) |
| 2022 | $ ( 2,283) |
| 2023 | $ 3,389 |
| 2024 | $ ( 5,354) |
| Thereafter | $ ( 2,706) |
| TOTAL | $ ( 52,125) |

**NOTE E – RISK MANAGEMENT**

WCIF generally provides only "fully-insured" benefit plans to member groups and as such, retains no "self-funded" exposure or risk for the benefit plans provided. One minor exception to that statement would be the agreement with The Standard Insurance Company as it relates to the WCIF long-term disability (LTD) benefit program.

The agreement with The Standard allows WCIF to deposit funds into a claims fluctuation reserve (CFR) account that is “held” by The Standard. Funds in this account reduce the carrier’s risk and thereby generate lower premiums for WCIF members. In short, if claims exceed projections, The Standard can withdraw funds from the CFR to mitigate those additional costs. If claims are lower than expected, The Standard will deposit the excess funds into the CFR.

All funds in the CFR remain the property of WCIF until reconciliation and collect interest on WCIF’s behalf. The account is reconciled on a two-year benefit plan cycle and funds are withdrawn or deposited by The Standard based on the experience (or claims) over the two-year period as defined in the CFR agreement. It is important to note that WCIF’s risk in this agreement is strictly limited to the funds in the CFR even if the claims are such that the withdrawal would exceed the amount within the account.

The initial deposit from WCIF to the CFR was in 2006. Since that date, WCIF has not been required to deposit any additional funds and The Standard has not withdrawn any funds due to insufficient premiums to settle claims.

## NOTE F – SUBSEQUENT EVENTS – COVID-19

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus (COVID-19). In the weeks following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures include closing schools, colleges, and universities, canceling public events, prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

All WCIF staff members have been working remotely from their homes since the governor’s declaration, except for the Executive Director and the Finance Director. Since certain job functions would be very difficult if they were working remotely, they have continued to work in the office while maintaining social distancing.

WCIF does not expect any short term negative financial impacts from this event. Staff has continued to work effectively and WCIF has been able to provide the necessary on-going services to our member groups. Future economic impacts that could result in reduction in work forces for our member groups, would reduce our premium revenue with lowered enrollment numbers, however, the 2021 open enrollment did not indicate any reduction in enrollment that would appear to be related to COVID-19.

COVID-19 actually resulted in increased revenues in 2020 due to funds being paid to Washington Counties Insurance Fund from both Premera and Delta Dental through Premium Forgiveness in the total amount of $1,360,342, of which approximately $399,000 will be recognized as revenue during 2021. The reduced claims utilization of the dental plans which resulted in reserve refunding from Delta Dental in the amount of $763,885, as well as reduced operating expenses due to suspended staff travel and all meetings being held virtually, were all a result of COVID-19 restrictions.

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Washington Counties Insurance Fund
Schedule of Proportionate Share of the Net Pension Liability
PERS 1 UAAL
As of June 30
Last 10 Fiscal Years*

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Employer's proportion of the net pension liability (asset) | 0.004736 | 0.004413% | 0.004315% | 0.004875% | 0.004961% | 0.005039% | 0.004952% |
| Employer's proportionate share of the net pension liability | $ 57,838 | $ 155,803 | $ 165,927 | $ 217,719 | $ 235,403 | $ 270,618 | $ 259,036 |
| TOTAL | | | | | | | |
| Covered payroll ** | $ 702,899 | $ 690,273 | $ 649,388 | $ 627,861 | $ 638,763 | $ 613,783 | $ 587,356 |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | 8.23% | 22.57% | 25.55% | 34.68% | 36.85% | 44.09% | 44.10% |
| Plan fiduciary net position as a percentage of the total pension liability | 88.74% | 68.64% | 67.12% | 63.22% | 61.24% | 57.03% | 59.10% |

PERS 2/3
As of June 30
Last 10 Fiscal Years*

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Employer's proportion of the net pension liability (asset) | 0.006078 | 0.005776% | 0.005567% | 0.006288% | 0.006382% | 0.006465% | 0.006398% |
| Employer's proportionate share of the net pension liability | $ 605,467 | $ 73,872 | $ 54,074 | $ 107,362 | $ 221,744 | $ 325,508 | $ 228,604 |
| TOTAL | | | | | | | |
| Covered payroll ** | $ 702,899 | $ 690,273 | $ 649,388 | $ 627,861 | $ 638,763 | $ 613,783 | $ 587,356 |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | 86.14% | 10.70% | 8.33% | 17.10% | 34.71% | 53.03% | 38.92% |
| Plan fiduciary net position as a percentage of the total pension liability | 91.42% | 97.22% | 97.77% | 95.77% | 90.97% | 85.82% | 89.20% |

**Notes to Schedule:**
* Until a full 10-year trend is compiled only information for those years available is presented
** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Washington Counties Insurance Fund
Schedule of Proportionate Share of the Net Pension Liability
PERS 1 UAAL
As of June 30
Last 10 Fiscal Years*

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Employer's proportion of the net pension liability (asset) | 0.004413% | 0.004315% | 0.004875% | 0.004961% | 0.005039% | 0.004952% |
| Employer's proportionate share of the net pension liability | $ 155,803 | $ 165,927 | $ 217,719 | $ 235,403 | $ 270,618 | $ 259,036 |
| TOTAL | | | | | | |
| Covered payroll ** | $ 690,273 | $ 649,388 | $ 627,861 | $ 638,763 | $ 613,783 | $ 587,356 |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | 22.57% | 25.55% | 34.68% | 36.85% | 44.09% | 44.10% |
| Plan fiduciary net position as a percentage of the total pension liability | 68.64% | 67.12% | 63.22% | 61.24% | 57.03% | 59.10% |

PERS 2/3
As of June 30
Last 10 Fiscal Years*

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Employer's proportion of the net pension liability (asset) | 0.005776% | 0.005567% | 0.006288% | 0.006382% | 0.006465% | 0.006398% |
| Employer's proportionate share of the net pension liability | $ 73,872 | $ 54,074 | $ 107,362 | $ 221,744 | $ 325,508 | $ 228,604 |
| TOTAL | | | | | | |
| Covered payroll ** | $ 690,273 | $ 649,388 | $ 627,861 | $ 638,763 | $ 613,783 | $ 587,356 |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | 10.70% | 8.33% | 17.10% | 34.71% | 53.03% | 38.92% |
| Plan fiduciary net position as a percentage of the total pension liability | 97.22% | 97.77% | 95.77% | 90.97% | 85.82% | 89.20% |

**Notes to Schedule:**
* Until a full 10-year trend is compiled only information for those years available is presented
** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par. 5)

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Washington Counties Insurance Fund
Schedule of Employer Contributions
PERS 1
For the Year Ended December 31
Last 10 Fiscal Years*

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Statutorily or contractually required contributions | $ 30,471 | $ 33,112 | $ 32,009 | $ 31,074 | $ 31,299 | $ 29,135 | $ 25,762 |
| Contributions in relation to the statutorily or contractually required contributions*** | $ (30,471) | $ (33,112) | $ (32,009) | $ (31,074) | $ (31,299) | $ (29,135) | $ (25,762) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll** | $ 702,899 | $ 690,273 | $ 649,388 | $ 627,861 | $ 638,763 | $ 613,783 | $ 587,356 |
| Contributions as a percentage of covered employee payroll | 4.34% | 4.80% | 4.93% | 4.95% | 4.90% | 4.75% | 4.39% |

PERS 2/3
For The Year Ended December 31
Last 10 Fiscal Years*

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Statutorily or contractually required contributions | $ 50,607 | $ 54,670 | $ 50,015 | $ 46,044 | $ 43,819 | $ 38,052 | $ 33,078 |
| Contributions in relation to the statutorily or contractually required contributions*** | $ (50,607) | $ (54,670) | $ (50,015) | $ (46,044) | $ (43,819) | $ (38,052) | $ (33,078) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll** | $ 702,899 | $ 690,273 | $ 649,388 | $ 627,861 | $ 638,763 | $ 613,783 | $ 587,356 |
| Contributions as a percentage of covered employee payroll | 7.20% | 7.92% | 7.70% | 7.33% | 6.86% | 6.20% | 5.63% |

**Notes to Schedule:**

*Until a 10-year trend is compiled, only information for those years available is presented
** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par.5)
***Contritbutions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par.8)

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Washington Counties Insurance Fund
Schedule of Employer Contributions
PERS 1
For the Year Ended December 31
Last 10 Fiscal Years*

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Statutorily or contractually required contributions | $ 33,112 | $ 32,009 | $ 31,074 | $ 31,299 | $ 29,135 | $ 25,762 |
| Contributions in relation to the statutorily or contractually required contributions*** | $ (33,112) | $ (32,009) | $ (31,074) | $ (31,299) | $ (29,135) | $ (25,762) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll** | $ 690,273 | $ 649,388 | $ 627,861 | $ 638,763 | $ 613,783 | $ 587,356 |
| Contributions as a percentage of covered employee payroll | 4.80% | 4.93% | 4.95% | 4.90% | 4.75% | 4.39% |

PERS 2/3
For The Year Ended December 31
Last 10 Fiscal Years*

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Statutorily or contractually required contributions | $ 54,670 | $ 50,015 | $ 46,044 | $ 43,819 | $ 38,052 | $ 33,078 |
| Contributions in relation to the statutorily or contractually required contributions*** | $ (54,670) | $ (50,015) | $ (46,044) | $ (43,819) | $ (38,052) | $ (33,078) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll** | $ 690,273 | $ 649,388 | $ 627,861 | $ 638,763 | $ 613,783 | $ 587,356 |
| Contributions as a percentage of covered employee payroll | 7.92% | 7.70% | 7.33% | 6.86% | 6.20% | 5.63% |

**Notes to Schedule:**

*Until a 10-year trend is compiled, only information for those years available is presented

** Covered payroll is the payroll on which contributions to a pension plan are based (GASB 82, par.5)

***Contritbutions are actual employer contributions to the plan. For PERS 1 this includes the portion of PERS 2/3 contributions that fund the PERS 1 UAAL. Contributions do not include employer-paid member contributions (GASB 82, Par.8)

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, www.sao.wa.gov. Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

### Stay connected at sao.wa.gov

- Find your audit team
- Request public records
- Search BARS manuals (GAAP and cash), and find reporting templates
- Learn about our training workshops and on-demand videos
- Discover which governments serve you — enter an address on our map
- Explore public financial data with the Financial Intelligence Tool

### Other ways to stay in touch

- Main telephone: (564) 999-0950
- Toll-free Citizen Hotline: (866) 902-3900
- Email: webmaster@sao.wa.gov