



Office of the Washington State Auditor
Pat McCarthy

Financial Statements Audit Report

Washington Fire Commissioners Association Insurance Rate Stabilization Account

For the period January 1, 2023 through December 31, 2023

Published July 31, 2025

Report No. 1037794



Scan to see another great way
we're helping advance
#GoodGovernment



**Office of the Washington State Auditor
Pat McCarthy**

July 31, 2025

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

Report on Financial Statements

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

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

TABLE OF CONTENTS

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	4
Independent Auditor's Report on the Financial Statements	6
Financial Section	9
About the State Auditor's Office	42

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 Fire Commissioners Association January 1, 2023 through December 31, 2023

Board of Directors

Washington Fire Commissioners Association Insurance Rate Stabilization Account
Olympia, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Washington Fire Commissioners Association Insurance Rate Stabilization Account, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Account's basic financial statements, and have issued our report thereon dated July 23, 2025.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Account'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Account's internal control. Accordingly, we do not express an opinion on the effectiveness of the Account's internal control.

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

Our consideration of internal control was for the limited purpose described 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.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Account's financial statements are free from material misstatement, we performed tests of 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*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Account's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Account's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

July 23, 2025

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Washington Fire Commissioners Association January 1, 2023 through December 31, 2023

Board of Directors

Washington Fire Commissioners Association Insurance Rate Stabilization Account

Olympia, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the accompanying financial statements of the Washington Fire Commissioners Association Insurance Rate Stabilization Account, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Account's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Washington Fire Commissioners Association Insurance Rate Stabilization Account, as of December 31, 2023, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Account 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 opinion.

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 Account'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 opinion. 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 Account'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 Account'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 financial section of our report 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 July 23, 2025 on our consideration of the Account's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Account'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 Account's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

July 23, 2025

FINANCIAL SECTION

Washington Fire Commissioners Association January 1, 2023 through December 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2023

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2023

Statement of Revenues, Expenses and Changes in Net Position – 2023

Statement of Cash Flows – 2023

Notes to Financial Statements – 2023

REQUIRED SUPPLEMENTARY INFORMATION

Ten-Year Claims Development Information – 2023

Schedule of Changes in Total OPEB Liability and Related Ratios – Postemployment
Healthcare Benefit Plan – 2023

SUPPLEMENTARY AND OTHER INFORMATION

List of Participating Fire Districts – 2023

DES Schedule of Expenses – 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The Washington Fire Commissioners Association presents this Management Discussion and Analysis (MD&A) of the financial activities of the Insurance Rate Stabilization Reserve Account (IRSRA) primarily referred to in this report as the WFCA Health Care Program. The narrative overview and analysis is intended to be read in conjunction with the Health Care Program's financial statements, notes to financial statements, and required supplementary information for the fiscal year ended December 31, 2023. Calendar Year 2022 financial information is provided for comparative purposes as part of the MD&A Financial Analysis.

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

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

Revenues:

Operating revenues are generated from premiums paid by member fire districts and regional fire authorities. Gross premium funding from member organizations totaled \$49,664,906 for Fiscal Year 2023.

Non-operating revenues are generated from interest earnings on fund balances in the Local Government Investment Pool, South Sound Bank and bond investments. A bond investment program was initiated in 2014 to provide greater returns to the Health Care Program. The leasing of office space in the James R. Larson Forum Building also provides annual lease income. Other sources of revenue come from stop loss insurance reimbursement, and various rebates and refunds. Interest from bond investments generated \$235,170 in earnings. Funds held in the Local Government Investment Pool (LGIP) and the Timberland (formerly South Sound) Bank checking and wire accounts generated \$1,001,854 in earnings.

The Washington Fire Commissioners Association, the WFC Health Care Program and the Washington Fire Chiefs own the James R. Larson Forum Building. The WFC Health Care program also owns the adjacent parking lot. The Health Care Program owns the first floor which equates to 48.92 percent of the useable office space and the general operations of the Association owns the second floor or 44.29 percent of the usable office space. There is no debt associated with the building and property. With the exception of the space occupied by the Washington Fire Commissioners Association and the Washington Fire Chiefs, the remaining office space is leased to a number of agencies and businesses. Lease agreements range from 2 to 10 years in duration.

This year, the rental of office space owned by the Health Care Program returned gross lease revenues of \$103,881. Insurance, operating and maintenance expenses attributable to the Health Care Program totaled \$60,355 and \$21,791 was paid in property taxes.

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

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

FINANCIAL ANALYSIS

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

Condensed Comparative Financial Information

NET POSITION

	<u>12/31/2023</u>	<u>12/31/2022</u>
Current Assets	24,013,421	22,538,360
Long Term Assets	6,814,458	8,649,368
Capital Assets	345,404	351,610
Total Assets	31,173,283	31,539,338
Current Liabilities	9,519,718	8,081,702
Long Term Liabilities	43,870	116,792
Total Liabilities	9,563,588	8,198,494
Invested in Capital Assets	345,404	351,609
Unrestricted	21,212,536	22,874,457
Total Net Position	21,557,940	23,226,066

REVENUES, EXPENSES and CHANGES IN NET POSITION

	<u>12/31/2023</u>	<u>12/31/2022</u>
Total Operating Revenues	49,664,906	46,301,209
Total Operating Expenses	52,774,334	45,469,333
Total Operating Income (Loss)	(3,109,428)	831,876
Total Non-Operating Revenues	1,523,947	149,532
Total Non-Operating Expenses	82,146	109,561
Total Non-Operating Revenues	1,441,302	39,971
Changes in Net Position	(1,668,126)	871,847
Beginning Net Position 12/31	23,226,066	22,354,219
Ending Net Position 12/31	21,557,940	23,226,066

The overall financial position this year of the WFCA Health Care Program ended below the prior year.

The Condensed Comparative Statement of Net Position

Compared to the end of 2022, total assets in 2023 decreased by \$366,055. Total liabilities on December 31, 2023 were valued at \$9,563,588, an increase of \$1,365,094 from year end 2022. This change is due to an increase in IBNR reserves. The Ending Net Position of the WFCA Health Care Program decreased by \$1,668,126 ending at \$21.6 million.

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

Operating revenues for the year were \$49,664,906, an increase of \$3,363,697 compared to last year's operating revenues. This increase was largely tied to premium contributions for both self-funded and insured plans; self-funded experienced a 2.5% increase in 2023. Non-operating revenues increased by \$1,401,331. The increase was almost entirely due to interest received. Operating expenses this year were \$52.77 million, an increase of \$7,305,001. This increase can be tied to an increase in claims for 2023 and expenses resulting from a change in PPO network. The Ending Net Position on December 31, 2023 was \$21.6 million, a decrease of \$1,668,126 from the Ending Net Position of the prior year.

Washington Fire Commissioners Association Insurance Rate Stabilization Reserve Account

STATEMENT OF NET POSITION

December 31, 2023

	<u>2023</u>
ASSETS	
<u>Current Assets:</u> (Note 1c)	
Cash and Cash Equivalents	\$19,431,581
Investments	2,961,185
Member Deposits Held By TPA	1,154,394
Current portion of lease receivable	52,512
Receivables	
Member Contributions	194,024
Stop-Loss and Subrogation Recoveries	219,725
Subtotal Receivables	<u>413,749</u>
 Total Current Assets	 \$24,013,421
<u>Long Term Assets:</u>	
Investments	\$6,814,458
Lease Receivable, less current portion	-
<u>Capital Assets:</u> (Note 8)	
Land (Note 1d)	301,965
Building (Net of Accumulated Depreciation)	<u>43,439</u>
 Total Long Term Assets	 7,159,862
 TOTAL ASSETS	 \$31,173,283

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Washington Fire Commissioners Association Insurance Rate Stabilization Reserve Account
STATEMENT OF NET POSITION
December 31, 2023

LIABILITIES & NET POSITION	2023
<u>Current Liabilities</u>	
Unearned Member Premiums	1,154,394
Claims Processed But Not Yet Funded (Note 11)	199,738
Claims Reserves (Note 11)	
IBNR/Open Claims (Cash Reserves)	7,799,475
Claims Reserves - Dental	105,424
Unallocated Loss Adjustment Expense (11)	258,867
Total OPEB Liability – Current	1,820
	<hr/>
Total Current Liabilities	9,519,718
<u>Long Term Liabilities</u>	
Total OPEB Liability (Note 10) – Long Term	23,245
Employee Leave Liability	20,625
	<hr/>
Total Long-Term Liabilities	43,870
TOTAL LIABILITIES	<u>\$9,563,588</u>
Deferred Inflow of Resources	
<u>Leases</u>	51,755
<u>Net Position</u>	
Investment in Capital Assets	345,404
Unrestricted	21,212,536
	<hr/>
TOTAL NET POSITION	<u>\$21,557,940</u>
	<hr/>
TOTAL NET POSITION & LIABILITIES	<u>\$31,173,283</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Washington Fire Commissioners Association Insurance Rate Stabilization Account
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2023

	<u>2023</u>
OPERATING REVENUES	
Member Premium Contributions – Self Insured	42,450,419
Member Premium Contributions – Insured	7,214,487
TOTAL OPERATING REVENUES	<u>49,664,906</u>
OPERATING EXPENSES	
Medical, Drug, Vision, Dental Claims Expenses – Self -Insured	46,240,139
Medical, Drug, Vision Claims Expenses – Insured	3,123,469
Stop Loss Carrier Fee	2,429,833
Stop Loss Recovery	(1,729,684)
Third-Party Administrative Fees	1,344,395
Insurance Consulting Fees	138,260
Teledoc Expense	48,874
Provider Network Fees	420,618
Compliance	22,993
Utilization Review Fee	18,448
Marketing & Promotions	13,960
Professional Services	40,764
Staff Compensation & Travel	155,414
Program Expenses	111,300
Health Care Committee Expenses	4,901
Website Maintenance Expense	3,349
Unallocated Loss Adjustment Expenses	38,363
Other Fees & Expenses	342,732
Depreciation (Note 7)	6,206
TOTAL OPERATING EXPENSES	<u>52,774,334</u>
OPERATING INCOME (LOSS)	(3,109,428)
NONOPERATING REVENUES (EXPENSES)	
Interest Income and Net Unrealized/Realized Loss	1,423,112
Building Lease Income	100,835
Total Non-Operating Revenue	<u>1,523,947</u>
General LGIP & Bond Investment Expense	(499)
Forum Building Expense	(82,146)
Total Non-Operating Expenses	<u>(82,645)</u>
TOTAL NONOPERATING REVENUES	<u>1,441,302</u>
CHANGE IN NET POSITION	<u>(1,668,126)</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Washington Fire Commissioners Association Insurance Rate Stabilization Account
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
For the Year Ended December 31, 2023 (continued)

	<u>2023</u>
TOTAL NET POSITION, Beginning	\$23,226,066
TOTAL NET POSITION, Ending	<u>\$21,557,940</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Washington Fire Commissioners Association Insurance Rate Stabilization Account
Statement of Cash Flows

For the Year Ended December 31, 2023

	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from members	49,762,244
Stop Loss Reimbursement for large claims	1,729,684
Payments made on self-funded medical, vision claims	(44,833,084)
Payments made for insured carriers	(3,123,469)
Payments made for contract services	(1,482,655)
Payments made for excess insurance coverage	(2,429,833)
Payments made for payroll expenses	(235,738)
Payments in support of program activities	(1,027,939)
Net Cash Used by Operating Activities	<u>(1,640,790)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Building Office Leases	101,686
Building Expenses	(82,146)
Net Cash Provided by Capital and Related Financing Activities	<u>19,540</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income and Net Unrealized/Realized Loss	1,423,112
LGIP Administration & Bond Investment Expense	(499)
Purchase of Investments	1,289,846
Net Cash Provided by Investing Activities	<u>2,712,459</u>
Increase in Cash and Investments	<u>1,091,209</u>
Cash and Investments, Beginning	<u>\$19,494,766</u>
Cash and Investments, Ending	<u><u>\$20,585,975</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	(3,109,428)
Adjustments to reconcile net operating income to net cash provided by operating activities:	
Depreciation expense	6,206
Amortization of deferred inflow of resources	(63,024)
Decrease in Receivables	97,338
Decrease in Lease Receivable	63,873
Increase in Claims Reserves	1,383,759
Decrease in AL/GL Corridors Reserves	(20,701)
Increase in Unearned Revenue	82,360
Decrease in Accrued Liabilities	(80,324)
Net Cash Used by Operating Activities	<u><u>(1,639,941)</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**NOTES TO
FINANCIAL STATEMENTS
For the Fiscal Year Ended December 31, 2023**

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

a. **Reporting Entity**

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

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

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

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

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

Membership in the WFCA Health Care Program is voluntary; however, to be eligible to enroll in the Program, participant organizations must be dues paying members or associate members of the Washington Fire Commissioners Association. Member organizations of the Health Care Program must provide 31 days' notice prior to the end of the calendar year of their intent to terminate from the Program should they choose not to renew. Fire Districts, Regional Fire Authorities, qualified public authorities and Municipal Fire Departments that are members or associate members of the Association and are not enrolled in the Health Care Program may enroll in the Health Care Program throughout the Plan Year. For Plan Year 2023, 143 member organizations participated in the WFCA Health Care Program.

b. Basis of Accounting

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

The recording of member premium revenues and medical claims expenses occurs in the financial accounting system maintained by the Health Care Program's Third-Party Administrator. The Third-Party Administrator uses the accrual basis of accounting where revenues are recognized when earned and expenses are recognized when incurred. Revenues are considered to be available if they are collected within 60 days of the end of the current fiscal year. Capital asset purchases by the WFCA Health Care Program are either expensed or amortized depending on the cost, use and type of capital asset. All program expenses whether short-term or long-term are accounted for in the fund.

The principal operating revenues of the WFCA Health Care Program are from health care premiums paid by member fire districts, regional fire authorities and qualified public authorities. No municipal fire departments were enrolled in the Health Care Program this year.

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

c. Cash and Cash Equivalents

For purposes of the statement of cash flows, the WFCA Health Care Program considers all demand deposits and highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. All WFCA Health Care Program investments meet the

requirements set forth in Section 48.62.111 RCW. This year's ending cash and cash equivalents balance was \$19,431,581. During this fiscal year, the WFOA Health Care Program earned interest on its excess cash balances in the Local Government Investment Pool managed by the Office of the State Treasurer and in South Sound Bank. Interest earnings from all accounts amounted to \$1,423,112 for the fiscal period. Once earned, the interest proceeds are available for expenditure as needed.

The third-party administrator (TPA) holds deposits made by member organizations when member premium contributions are submitted to cover more than one month of medical claims expenses. Open enrollment occurs in November and December annually. Future premium payments held by the TPA as of December 31, 2023, amounted to \$1,154,394.

d. Capital Assets

Equipment is a capital asset with an initial, individual cost of more than \$5,000 and a useful life of 3 to 7 years depending on the type and use. Such assets are recorded at historical cost if purchase or constructed. Maintenance, repairs, and minor renewals are accounted for as expenses when incurred.

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

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

e. Leases

Leases are defined as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. All leases are recorded as capital assets except short-term leases, which have a maximum term of 12 months or less, including any options to extend. Lease liabilities are recognized at the present value of the fixed lease payments, reduced by incentives using a discount rate based on similarly secured borrowings available. Lease assets are recognized based on the initial present value of the fixed lease payments, reduced by incentives, plus any direct costs from executing the leases.

Short-term lease payments are recognized as outflows of resources for the lessee and inflows of resources for the lessor based on the payment provisions in the contract. All other lease assets are amortized within operating expenses on a straight-line basis over the shorter estimated useful lives of the assets or the lease term. The interest components of the lease are included in interest expense and recognized using the effective interest over the lease term.

f. Receivables

The majority of receivables deemed collectable are attributable to unpaid subrogation payments, and unpaid stop loss carrier reimbursement. The Statement of Net Position includes this year's receivables and of the \$413,749 identified receivables, subrogation and stop-loss payments amounted to \$219,725. Unpaid member premiums, refunds, rebates and subsidy payments collectively accounted for the remaining \$194,024 in receivables. All member

premiums and stop loss carrier reimbursements are initially collected by the program's third-party administrator and then remitted to the WFCA Health Care Program for deposit.

g. Investments

The WFCA Board of Directors implemented a government bond purchasing program using a portion of the Insurance Rate Stabilization Reserve Account unrestricted reserves in 2014. As of December 31, 2023, the WFCA Health Care Program held 12 bonds purchased from federal government agencies and the US Treasury. Total funds invested year-end amounted to approximately \$10 million. During 2023, 1 bond was purchased.

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

h. Compensated Absences

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

Vacation Leave:	
Years 1-2	112 hours
Year 3	120 hours
Year 4	128 hours
Year 5-6	136 hours
Year 7-9	144 hours
Year 10-14	160 hours
Year 15-19	176 hours
Year 20-24	192 hours
Years 25+	200 hours

Sick Leave:
Full-time: 8 hours per month
Part-time: 1 hour for each 40 hours worked

Vacation leave applies to full-time career employees only and is credited and paid on a pro rata basis to the nearest full hour upon termination of employment. Accrued vacation time cannot exceed 240 hours. Sick leave applies to full-time (8-hour accrual per month) and part-time (1 hour accrual for each 40 hours worked) employees. Part-time employees may accrue no more than 40 hours of sick leave. Upon termination of employment, there is no cash out provision for career or part-time employees for sick leave and any accrual is forfeited.

i. Unpaid Claims Liabilities

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

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

The 8-week average of claims paid methodology also meets the requirements of WAC 82-65. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed on both actual and historical data that reflects past inflation and on other factors that are appropriate modifiers of past experience. Adjustments to claim liabilities are charged or credited to expense in the periods in which they occur. Per Board policy, on December 31, 2023, the WFCA Health Care Program had restricted reserves totaling \$27,343,041 to cover any unforeseen outstanding claims liability. The change in restricted reserves is primarily attributable to increased covered enrollment and medical claims expense inflation. Enrollment also affects the contingency reserve calculation used to meet the stop loss carrier's 125 percent of aggregate claims requirement.

j. Reinsurance

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

k. Unearned Member Premium Contributions

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

On December 31, 2023, the third-party administrator had future member premium contributions on deposit of \$1,154,394.

l. Claims Reserves

Self-funded claims are charged against premium income in the month the service occurred. The 2023 Statement of Net Position reflects the results of an actuarial calculation of incurred but not paid (IBNP) self-funded medical claims liability of \$7,799,475 and related unallocated loss adjustment expenses of \$258,867.

The WFCA Board of Directors maintains additional reserves beyond the amount calculated by the actuary to address any extraordinary financial circumstances (See NOTE 8). The IBNP amount for self-funded medical claims expense liability last year was \$6,450,193 and the related unallocated loss adjustment expenses were \$220,504. The actuary's estimate is based on prior year actual medical claims experience. Most outstanding medical claims are received and paid within 120 days of the day of service.

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

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

m. Reserve for Unallocated Loss Adjustment Expenses

As part of the restricted reserve amount, the WFCA Health Care Program includes an estimate of the administrative costs that would be incurred at the time the claims were processed and to process claims incurred but not reported when the expense became known. The actuary estimated this year's expense to be \$258,867.

n. Exemption from Federal and State Taxes

Income of publicly funded risk pools is excluded from gross income under Section 115(1), as provided in Revenue Ruling 90-74. The self-funded portion of the WFCA Health Care Program is exempt from insurance premium taxes, from fees assessed under chapter 48.02 RCW, from chapters 48.32 and 48.32A and from business and occupation taxes imposed under chapter 82.04 RCW.

NOTE 2 - DEPOSITS AND INVESTMENTS

a. Deposits

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

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

As of December 31, 2023, the WFCA Health Care Program had the following cash account balances:

Financial Institution	2023
Cash in Local Gov. Investment Pool	\$8,720,348
Cash in Bank (Checking Account)	\$10,055,477
Cash in Bank (Wire Account)	\$655,756
Investments	\$9,775,643
Member Deposits Held by TPA	\$1,154,394
Total	\$30,361,618

The Program earned interest on its account balances in the Local Government Investment Pool and South Sound Bank during 2023.

In 2014, the initial funds were transferred from the Local Government Investment Pool and South Sound Bank to US Bank to allow for the purchase of federal government backed bonds. See Note 2b. No other types of investments (Certificates of Deposits, securities, commercial paper or any other investment vehicle) are currently authorized by the Board of Directors.

b. Investments

As of December 31, 2023, the authorized bond program owned 12 bonds at a cost of approximately \$10 million. The bond certificates are held in a safekeeping account in the Bond Department of US Bank at its headquarters in Minneapolis, Minnesota.

2023 Concentration of Credit:

Issuer	Principal Cost	Market Value	Average Effective Maturity (Years)	Rating Moody/S & P	Percent of Portfolio
Treasury Obligations	\$4,456,540.02	\$4,435,844.33	0.47	AAA/AA+	45.38%
Federal Farm Credit Bank	\$1,494,255.50	\$1,465,120.26	0.43	AAA/AA+	14.99%
Federal Home Loan Bank	\$3,965,234	\$3,874,678	0.70	AAA/AA+	39.64%

Investments Measured at Fair Value:

WFCA measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

On December 31, 2023, WFCA had the following investments measured at fair value:

<i>Investments by Fair Value</i>	<i>12/31/2023</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>
	\$9,775,643		\$9,775,643	
<i>US Agencies</i>				
<i>Total Investments measured at Fair Value</i>	\$9,775,643			
<i>Investments at Amortized Cost LGIP</i>	\$8,720,348			

Total Investments in Statement of Net Position \$18,045,991

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

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

Custodial Credit Risk. The WFC Health Care Program reduces its investment custodial credit risk by contracting with US Bank to hold the purchased bond certificates for safekeeping. The bond certificates are held in the Bond Department at the Bank's headquarters. In the unlikely event that any bonds were misplaced or mishandled, the bank is financially structured to address any costs associated with the loss of the WFC Health Care Program bond certificates. As of December 31, 2023, US Bank held all bond certificates purchased by the WFC Health Care Program. Concentration of Credit Risk. The WFC Health Care Program typically diversifies its investments by purchasing federal government bonds with differing maturities from different federal agencies. WFC Health Care Program does not invest any fund balance reserves set aside for extraordinary medical claims expense or unforeseen operating expenses.

Investments in Local Government Investment Pool

The Washington Fire Commissioners Association is a participant in the Local Government Investment Pool 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 GASB 79 for external investments pools that elect to measure, for financial 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>.

NOTE 3 - RISK FINANCING LIMITS

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

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

Plan Option 1/	Member Deductible	Member Co-Pay 2/	Self-Insured Retention 3/	Excess Limit
Traditional	\$0	0%	\$275,000	\$275,001
PPO-Plus	\$0	10%	\$275,000	\$275,001
PPO-100	\$100	20%	\$275,000	\$275,001
PPO-300	\$300	20%	\$275,000	\$275,001
PPO-750	\$750	20%	\$275,000	\$275,001
High Deductible	\$1,500	20%	\$275,000	\$275,001
Retiree	\$350	20%	\$275,000	\$275,001

1/ Employee Only.

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

3/ The WFCA Health Care Program pays medical claims expenses up to \$275,000 per individual per year.

NOTE 4 – EXCESS INSURANCE/REINSURANCE CONTRACT

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

NOTE 5 – MEMBERS’ SUPPLEMENTAL ASSESSMENTS AND CREDITS

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

NOTE 6 - LONG-TERM LIABILITIES

a. Changes in Liabilities

During the year ended December 31, 2023, the following changes occurred in OPEB and employee leave balance liability:

	Beginning Balance 01/01/2023	Additions	Reductions	Ending Balance 12/31/2023
Compensated Absences	\$14,910	\$5,715	\$0	\$20,625
OPEB Liability (Health Care Portion)	\$111,104	\$0	\$86,039	\$25,065
Total Liability	\$126,014	\$5,715	\$86,039	\$45,690

NOTE 7 - CAPITAL ASSETS

a. Capital Assets

The Washington Fire Commissioners Association and the WFC Health Care Program jointly own 93.21 percent of the James R. Larson Forum Building. The Washington Fire Chiefs own the remaining 6.79 percent of the building. The WFC Health Care Program owns the adjacent parking lot used by building tenants and visitors. No mortgage payments remain on the property. The assessed value of the property and adjacent parking lot owned by the Health Care Program is \$1,540,000.

The historical value of the WFC Health Care Program's portion of the James R. Larson Forum Building and land is \$550,190. The office building is a long-term capital asset with a useful life of 40 years and a total building market value of approximately \$1.4 million.

Capital assets are recorded at historical cost. Capital asset activity for the year ended December 31, 2023 was as follows:

Asset Type	Beg. Balance	Additions	Deletions	Ending Balance
Non-Depreciable Assets-Land	301,965			301,965
Depreciable Assets-Buildings	248,225			248,225
Total Capital Assets	550,190			550,190
Accumulated Depreciation	(198,580)	(6,206)		(204,786)
Total Capital Assets net of Accumulated Depreciation	351,610	(6,206)		345,404

NOTE 8 - RESERVES

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

The Department of Enterprise Services, State Risk Management Office sets the reserve requirements for public self-funded health and welfare programs in Washington Administrative Code (WAC). WAC 200-110-040 (1) requires that joint health and welfare programs self-insuring medical benefits shall: (a) establish program reserves in an amount equal to eight weeks of program expenses; (b) maintain an aggregate stop loss insurance policy with an attachment point set at or below 125 percent of annual expected claims costs and (c) establish by ordinance or resolution of the governing body, an additional contingency reserve in the amount of at least eight weeks of program expenses. WAC 200-110-040 (2) states that in lieu of the requirements in WAC 200-110-040 (1), all joint health and welfare programs self-insuring medical benefits must obtain an independent actuarial study and fund to the actuarially determined program liability.

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

The Health Care Program had the following claims reserves as of December 31, 2023:

Levels of Reserve	2023
IBNP Reserve	\$ 7,239,078
Cash Reserve	\$ 6,990,719
Contingency Reserve	\$ 13,113,244
Total	\$ 27,343,041

NOTE 9 - LEASES

The WFOA Health Care Program leases office space to generate revenue to offset building expenses. Lease agreements with the current three tenants cover different time periods ranging from 2 to 10 years. The Health Care Program owns the first floor of the Forum Building.

This year, the rental of office space owned by the Health Care Program returned gross lease revenues of \$103,881. Insurance, operating and maintenance expenses attributable to the Health Care Program totaled \$60,355 and \$21,791 was paid in property taxes. The building has gained back some tenants

after a loss in 2021, but still getting back to fully occupied. Generally, annual gross lease revenues for the Health Care Program are estimated to increase by approximately 2.5 percent annually.

NOTE 10 – PENSION PLAN

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

In order to be eligible to participate in the WFCA Pension Plan, employees must be career employees working full-time (no less than 32 hours per week). Part-time employees are not eligible to participate. Vesting occurs after completing 500 hours on the job in the first six months of employment. Vesting increases in 20 percent annual increments until 100 percent vesting in the pension plan occurs at the end of the employee's fifth year. All the Washington Fire Commissioners Association employees currently participate in the Association pension plan.

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

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

Retirees and Beneficiaries Receiving Benefits	0
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	0
Active Plan Members Vested	5
Active Plan Members Non-vested	0
Total	5

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

Funding Policy

The WFCA Board of Directors determines the contribution rate to be deposited in the Association's Money Purchase Pension Plan. The current monthly employer contribution is eight percent of gross salaries.

NOTE 11 – OTHER POST-EMPLOYMENT BENEFITS (OPEB) PLANS

WFCA's total OPEB liability was determined in accordance with the parameters of GASB Statement No. 75. The total OPEB liability was calculated using the entry age normal actuarial cost allocation method. In addition, GASB Statement No. 75 requires that the allocation of costs for accounting purposes be made as a level percentage of employees' projected pay, including future anticipated pay increases. Total liability has been adjusted to reflect only that assigned to WFCA Health Care; the remainder will be assigned to WFCA Operating.

The following table represents the aggregate OPEB amounts for all plans subject to the requirements of GASB Statement 75 for the year 2023:

Aggregate OPEB Amounts – All Plans	
OPEB liabilities	\$84,017
<i>Portion of total liability allocated to Health Care</i>	<i>\$25,065</i>
OPEB assets	-
Deferred outflows of resources	-
Deferred inflows of resources	-
OPEB expenses/expenditures	\$27,087

OPEB Plan Description:

The WFCA provides medical benefits through the WFCA Health Care Program administered by Trusteed Plans Services Corp. The plan provides healthcare insurance for eligible retirees of the WFCA and their dependents. The eligible retirees can choose to participate in the plan and pay 100% of the cost. The WFCA Health Care Program has an OPEB liability related to the implicit rate subsidy for insurance offered to retirees. The WFCA funds this subsidy on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

Employees Covered by Benefit Terms:

At December 31, 2023, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	5
Total	6

Actuarial Methods and Assumptions:

The WFCA used the Alternative Measurement Method (AMM) permitted under GASB Statement No. 75, prepared using an actuarial tool (GASBHelp) through Milliman.

The total OPEB liability reflected in the December 31, 2023 GASBhelp valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	December 31, 2023
Measurement Date	December 31, 2023
Inflation	4.1-5.8% for Medical 4.1-11.7% for Pharmacy 3.0-3.5% for Dental 3.0% for Vision
Salary Increases	3.0%
Healthy Mortality	R2000 Mortality Table for Males and Females Projected 18 years; this assumption does not include a margin for future improvements in longevity
Actuarial cost method	Entry Age Normal

The discount rate of 4% was based on the Bond Buyer 20-Year General Obligation Bond Index.

The following presents the total OPEB liability of WFCA calculated using the discount rate of 4 percent, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3%) or 1-percentage point higher (5%) than the current rate.

	Discount Rate – 1%	Baseline	Discount Rate + 1%
Discount Rate	3%	4%	5%
Total OPEB Liability	\$84,149	\$84,017	\$80,847

The following presents the total OPEB liability of WFCA calculated using the healthcare trend (referenced above), as well as what the OPEB liability would be if it were calculated using a trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate.

	Baseline Trend – 1%	Baseline Trend	Baseline Trend + 1%
Total OPEB Liability	\$77,890	\$84,017	\$91,275

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>
<u>Total OPEB Liability at 1/1/2023</u>	<u>\$117,914</u>
<u>Service Cost</u>	<u>\$2,222</u>
<u>Interest on Total OPEB Liability</u>	<u>\$2,267</u>
<u>Effect of Plan Changes</u>	<u>\$0</u>
<u>Effect of Economic/Demographic Gains or Losses</u>	<u>(\$22,976)</u>
<u>Changes of Assumptions or Inputs</u>	<u>(\$8,599)</u>
<u>Benefit Payments</u>	<u>\$0</u>
<u>Other Changes</u>	<u>\$0</u>
<u>Total OPEB Liability at 12/31/2023</u>	<u>\$84,017</u>
<u>Portion of total allocated to Health Care</u>	<u>\$25,065</u>

NOTE 12 - UNPAID CLAIMS LIABILITIES

The WFCA Health Care Program establishes a liability for both reported and unreported self-insured events, which includes estimates of both future payments of losses and related claim adjustment expense, both allocated and unallocated.

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

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

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

1. Ten Year Claims Development Information

The table below illustrates how the pool's earned revenues (net of reinsurance) and investment income compared to related costs of loss (net of loss assumed by reinsurers) and other expenses assumed by the pool as of the end of each of the last ten years. The rows of the table are defined as follows:

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

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

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

The schedule below presents the annual medical claims liabilities for the self-insured portion of the Insurance Rate Stabilization Reserve Account through December 31, 2023. The Account establishes a liability for both reported and unreported medical services. The aggregate change in liabilities is shown below.

Ten-Year Claims Development Information:

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Required Contribution and Investment Revenue:										
Gross Earned	\$44,127,109	\$39,978,621	\$38,321,511	\$37,658,114	\$37,217,946	\$30,667,325	25,595,239	23,731,185	21,005,759	18,462,461
Ceded	2,429,833	2,209,481	2,102,210	1,909,520	1,671,741	1,572,298	1,628,331	1,478,733	1,309,717	1,087,996
Net Earned	\$41,697,276	\$37,769,140	\$36,219,301	\$35,748,594	\$35,546,205	\$29,095,027	23,966,908	22,252,452	19,696,042	17,374,465
Unallocated Expenses	\$2,623,380	\$2,046,637	\$1,860,638	\$1,608,381	\$1,522,085	\$1,626,258	1,046,971	1,118,417	1,039,895	815,761
Estimated Claims and Expenses End of Policy Year										
Incurred	\$41,227,544	\$38,456,888	\$36,949,275	\$35,969,976	\$36,026,902	\$32,760,222	28,857,450	24,295,830	19,033,639	19,518,935
Ceded	219,725	374,927	380,776	391,039	967,838	576,322	539,036	394,103	220,280	274,817
Net Incurred	\$41,007,819	\$38,081,961	\$36,568,499	\$35,578,937	\$35,059,064	\$32,183,900	28,318,414	23,901,727	18,813,359	19,244,118
Net Paid (cumulative) as of End of Policy Year	\$41,007,819	\$38,081,961	\$36,568,499	35,578,937	35,059,064	32,183,900	28,318,414	23,901,727	18,813,359	19,244,118

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

Reconciliation of Claims Liabilities

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

Self-Funded Medical Plan Claims Liabilities

	2023
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	6,450,192
Incurred Claims and Claim Adjustment Expenses	
Provision for Insured Events of the Current Year	47,769,160
Increases in Provision for Insured Events in Prior Years	1,349,283
Total Incurred claims and Claim Adjustment Expenses	55,789,139
Payments:	
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	46,454,977
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	420,242
Total Payments	46,875,219
Total Unpaid Claims and Claim Adjustment Expenses at End of the Year	7,799,475

WFCA
Required Supplementary Information
Postemployment Healthcare Benefit Plan
Schedule of Changes in Total OPEB Liability and Related Ratios

For the year ended December 31, 2023
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018
Total OPEB Liability - beginning	\$111,104	\$117,914	\$81,996	\$133,362	\$141,083	\$138,001
Service Cost	\$2,222	\$2,243	\$1,821	\$1,942	\$1,942	\$1,727
Interest	\$2,267	\$2,704	\$1,844	\$3,653	\$5,799	\$5,799
Effect of changes to benefit terms	\$0	\$0	\$0	\$0	\$0	\$0
Effect of Differences between Expected and Actual Experience	(\$22,976)	(\$12,784)	\$32,536	(\$58,744)	(\$22,318)	(\$13,225)
Effect of assumption Changes or inputs	(\$8,599)	\$1,027	(\$282)	\$1,783	\$7,071	\$8,781
Benefit payments	\$0	\$0	\$0	\$0	\$0	\$0
Total OPEB liability, ending	\$84,017	\$111,104	\$117,914	\$81,996	\$133,362	\$141,083
Allocated to Health Care	\$25,065					
Total Covered Payroll	\$514,106.66	\$445,276.42	\$412,899.11	\$466,854.17	\$459,922.40	\$482,980.44
Health Care Payroll	\$179,603					
Total OPEB liability as a % of covered payroll	16.3%	24.9%	28.6%	17.6%	29%	29%
% of Health Care Payroll	14%					

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

WFCA Insurance Rate Stabilization Reserve Account
LIST OF PARTICIPATING FIRE DISTRICTS

ADAMS COUNTY FIRE PRO #5	ISLAND FIRE DIST #1
ASOTIN COUNTY FIRE DISTRICT 1	JEFFERSON COUNTY FIRE DIST # 2
BENTON COUNTY FIRE DIST #1	JEFFERSON COUNTY FIRE DIST #1
BENTON COUNTY FIRE DIST #2	JEFFERSON COUNTY FIRE DIST #3
BENTON COUNTY FIRE DIST #4	JEFFERSON COUNTY FIRE DIST #4
BENTON COUNTY FIRE DIST #6	KING COUNTY FIRE DIST #11
CENTRAL KITSAP FIRE & RESCUE	KING COUNTY FIRE DIST #13
CENTRAL WHIDBEY FIRE-RESCUE	KING COUNTY FIRE DIST #2
CHELAN COUNTY FIRE DIST #1	KING COUNTY FIRE DIST #20
CHELAN COUNTY FIRE DIST #3	KING COUNTY FIRE DIST #25
CHELAN COUNTY FIRE DIST #7	KING COUNTY FIRE DIST #34
CHELAN CTY FIRE DIST #5	KING COUNTY FIRE DIST #40
CLALLAM CO FIRE PROTECTION #4	KING COUNTY FIRE DIST #44
CLALLAM COUNTY FIRE DIST #1	KING COUNTY FIRE DIST #45
CLALLAM COUNTY FIRE DIST #2	KING COUNTY FIRE DIST #50
CLALLAM COUNTY FIRE DIST #3	KITSAP 911
CLALLAM COUNTY FIRE DIST #5	KITSAP COUNTY FIRE DIST #18
CLALLAM COUNTY FIRE DIST #6	KITSAP COUNTY FIRE DIST #2
CLARK COUNTY FIRE & RESCUE	KITTITAS COUNTY FIRE DIST #1
CLARK COUNTY FIRE DIST #10	KITTITAS COUNTY FIRE DIST #2
CLARK COUNTY FIRE DIST #13	KITTITAS COUNTY FIRE DIST #7
CLARK COUNTY FIRE DIST #5	KLICKITAT EMERGENCY MEDICAL
CLARK COUNTY FIRE DIST #6	KLICKITAT FIRE DISTRICT #3
CLARK COUNTY FIRE DISTRICT #3	LEWIS COUNTY FIRE DIST #10
COLUMBIA COUNTY FIRE DIST 3	LEWIS COUNTY FIRE DIST #14
COWLITZ 2 FIRE & RESCUE	LEWIS COUNTY FIRE DIST #2
COWLITZ COUNTY FIRE DIST #3	LEWIS COUNTY FIRE DIST #3
COWLITZ COUNTY FIRE DIST #5	LEWIS COUNTY FIRE DIST #5
COWLITZ COUNTY FIRE DIST #6	LEWIS COUNTY FIRE DIST #6
COWLITZ FIRE DISTRICT #1	LEWIS COUNTY FIRE DISTRICT #15
DOUGLAS CO FIRE DIST #2	LEWIS COUNTY MEDIC ONE
EAST COUNTY FIRE RESCUE	MAPLE VALLEY FIRE & LIFE SAFE
FRANKLIN COUNTY FIRE DIST #3	MARYSVILLE FIRE DISTRICT
GARFIELD COUNTY FIRE DIST #1	MASON COUNTY FIRE DIST #11
GRANT COUNTY FIRE DIST #3	MASON COUNTY FIRE DIST #12
GRANT COUNTY FIRE DIST #4	MASON COUNTY FIRE DIST #16
GRANT COUNTY FIRE DIST #5	MASON COUNTY FIRE DIST #3
GRANT COUNTY FIRE DIST #8	MASON COUNTY FIRE DIST #6
GRANT COUNTY FIRE DISTRICT #11	MASON COUNTY FIRE DISTRICT #13
GRANT COUNTY FIRE DISTRICT 10	MASON COUNTY FIRE DISTRICT #18
GRAYS HARBOR FIRE DIST #2	MASON COUNTY FIRE DISTRICT #4
GRAYS HARBOR FIRE DIST #5	NORTH COUNTRY EMS

NORTH KITSAP FIRE & RESCUE
NORTH WHIDBEY FIRE & RESCUE
OKANOGAN COUNTY FIRE DIST #6
PACIFIC COUNTY FIRE DIST #1
PIERCE COUNTY FIRE DIST #10
PIERCE COUNTY FIRE DIST #13
PIERCE COUNTY FIRE DIST #14
PIERCE COUNTY FIRE DIST #18
PIERCE COUNTY FIRE DIST #27
PIERCE COUNTY FIRE DIST 21
SAN JUAN CO FIRE DIST #2
SAN JUAN COUNTY FIRE DIST #3
SAN JUAN CTY FIRE DIST #4
SE THURSTON FIRE AUTHORITY
SKAGIT COUNTY FIRE DIST #13
SKAGIT COUNTY FIRE DISTRICT 4
SKAMANIA COUNTY FIRE DIST #4
SKAMANIA COUNTY FIRE DIST #5
SNOHOMISH COUNTY FIRE DIST #17
SNOHOMISH COUNTY FIRE DIST #19
SNOHOMISH COUNTY FIRE DIST #26
SNOHOMISH COUNTY FIRE DIST #27
SNOHOMISH COUNTY FIRE DIST #4
SNOHOMISH COUNTY FIRE DIST #7
SNOHOMISH COUNTY FIRE DIST 21
SNOHOMISH COUNTY FIRE DIST 22
SNOHOMISH COUNTY FIRE DIST#5
SNOHOMISH CTY FIRE DIST #8
SNOHOMISH FIRE DISTRICT #15
SNOQUALMIE PASS FIRE & RESCUE
SOUTH KITSAP FIRE AND RESCUE

SOUTH WHATCOM FIRE AUTHORITY
SOUTH WHIDBEY FIRE / EMS
SPOKANE COUNTY FIRE DIST #10
SPOKANE COUNTY FIRE DIST #13
SPOKANE COUNTY FIRE DIST #3
SPOKANE COUNTY FIRE DIST #4
SPOKANE COUNTY FIRE DIST #8
STEVENS COUNTY FIRE DIST #1
STEVENS COUNTY FIRE DIST #10
THURSTON COUNTY FIRE DIST #12
THURSTON COUNTY FIRE DIST #13
THURSTON COUNTY FIRE DIST #17
THURSTON COUNTY FIRE DIST #3
THURSTON COUNTY FIRE DIST #5
THURSTON COUNTY FIRE DIST #8
THURSTON COUNTY FIRE DIST #9
WA FIRE COMMISSIONERS ASSN
WALLA WALLA COUNTY FIRE DIST 4
WALLA WALLA COUNTY FIRE DIST 5
WEST BENTON FIRE & RESCUE
WEST THURSTON REGIONAL
WHATCOM COUNTY FIRE DIST #1
WHATCOM COUNTY FIRE DIST #11
WHATCOM COUNTY FIRE DIST #14
WHATCOM COUNTY FIRE DIST #17
WHATCOM COUNTY FIRE DIST #18
YAKIMA COUNTY FIRE DIST #12
YAKIMA COUNTY FIRE DIST #4
YAKIMA COUNTY FIRE DIST #5
YAKIMA COUNTY FIRE DIST #6

DES SCHEDULE OF EXPENSES

WFCA Insurance Rate Stabilization Reserve Account For the Fiscal Year Ended December 31, 2023

	2023
Claims Expenses (Self-Funded Medical)	44,890,857
Contracted Services:	
Insured Carriers (Medical, Dental, Life/AD&D)	3,123,469
Stop Loss Carrier Fees	2,429,833
Stop Loss Recovery	(1,729,684)
Third Party Administrator Fees	1,344,395
Insurance Consulting/Brokerage Fees	138,260
Teledoc Expense	48,874
Provider Network Fees	420,618
Health Care Reform Fees & Assessments	22,993
Utilization Review Fees	18,488
Professional Fees	15,750
State Oversight Fees	25,014
Website Expense	3,349
Subtotal Contracted Services	5,861,359
Program Support Expenses:	
Salaries, Benefits & Travel	155,414
Committee Expenses	4,901
Program Expenses	111,300
Marketing & Promotional	13,960
Claim Reserves	1,349,282
Unallocated Loss Adjustment Expenses	38,363
Other Fees & Expenses	342,732
Depreciation	6,206
Subtotal Program Support	2,022,158
Total Operating Expenses	52,774,374

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