



# Washington State Auditor's Office

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**Financial Statements Audit Report**

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

**Thurston County**

**For the period January 1, 2013 through December 31, 2014**

**Published December 14, 2015**

**Report No. 1015741**





## Washington State Auditor's Office

December 14, 2015

Board of Directors  
Washington Fire Commissioners Association  
Olympia, Washington

### Report on Financial Statements

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

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

Sincerely,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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

**Washington Fire Commissioners Association  
Insurance Rate Stabilization Reserve Account  
Thurston County  
January 1, 2013 through December 31, 2014**

Board of Directors  
Washington Fire Commissioners Association  
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 Reserve Account, Thurston County, Washington, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Account's basic financial statements, and have issued our report thereon dated December 8, 2015. The Account has not presented all of the claims development information that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements. Our opinion on the basic financial statements is not affected by this missing information.

**INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a

deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Account's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

We also noted certain matters that we have reported to the management of the Account in a separate letter dated December 8, 2015.

## **COMPLIANCE AND OTHER MATTERS**

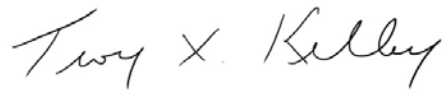
As part of obtaining reasonable assurance about whether the Account's financial statements are free from material misstatement, we performed tests of the Account's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and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

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

## **PURPOSE OF THIS REPORT**

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

It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

December 8, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Washington Fire Commissioners Association Insurance Rate Stabilization Reserve Account Thurston County January 1, 2013 through December 31, 2014**

Board of Commissioners  
Washington Fire Commissioners Association  
Olympia, Washington

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

We have audited the accompanying financial statements of the Washington Fire Commissioners Association Insurance Rate Stabilization Reserve Account, Thurston County, Washington, as of and for the years ended December 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Account's basic financial statements as listed on page 10.

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

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Washington Fire Commissioners Association Insurance Rate Stabilization Reserve Account, as of December 31, 2014 and 2013, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Matters of Emphasis**

As discussed in Note 1, the financial statements present only the Insurance Reserve Stabilization Account and do not purport to, and do not, present fairly the financial position of the Washington Fire Commissioners Association as of December 31, 2014 and 2013, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 11 through 15 and claims development information on pages 33 through 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the



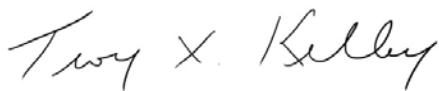
information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. Although our opinion on the basic financial statements is not affected, management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

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2015 on our consideration of the Account's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Account's internal control over financial reporting and compliance.



TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

December 8, 2015

## **FINANCIAL SECTION**

**Washington Fire Commissioners Association  
Insurance Rate Stabilization Reserve Account  
Thurston County  
January 1, 2013 through December 31, 2014**

### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2014 and 2013

### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2014 and 2013

Statement of Revenues, Expenses and Changes in Fund Net Position – 2014 and 2013

Statement of Cash Flows – 2014 and 2013

Notes to Financial Statements – 2014 and 2013

### **REQUIRED SUPPLEMENTARY INFORMATION**

Claims Development Information – 2014 and 2013

### **SUPPLEMENTARY AND OTHER INFORMATION**

List of Participating Members – 2014 and 2013

Department of Enterprise Services Schedule of Expenses – 2014 and 2013

## 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 WFCOA 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, 2014. Calendar Year 2013 financial information is provided for comparative purposes as part of the MD&A Financial Analysis.

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

### HIGHLIGHTS

#### Self-Funded Plans

- The self-funded portion of the WFCOA Health Care Program's overall cash position decreased by \$938,446 or 4.4 percent during Calendar Year 2014. The beginning cash balance was \$21,363,485 decreasing to \$20,425,039 December 31, 2014.
- A one month "Premium Holiday" provided an 8.3 percent discount to enrolled fire service organizations in 2014. A fund balance allocation of \$1,635,425 funded the return of premium.
- Calendar Year 2014 medical, vision and prescription drug claims experience compared to net premium funding for the self-funded portion of the WFCOA Health Care Program resulting in a favorable experience ratio of 95.6 percent for the fiscal period.
- Of the \$18,607,657 ending total net position, \$7,949,718 was invested in federal government agency bonds during 2014 and \$9,132,634 was set aside per Board of Director policy to insure program solvency. The remainder is comprised of \$401,355 in real property and \$1,123,950 is available to meet Affordable Care Act costs as well as future program needs.
- Individual large claims of \$50,000 or greater increased by 6 claims to 48 cases in 2014. The average value of 2014 large claims increased by \$19,468 to \$106,553 per case when compared to the 2013 average value of \$87,085.

#### Insured Plans

##### Group Health Cooperative

- Premiums rates for active employees enrolled in 2014 increased 2.2 percent over the prior year.
- Premiums rates for retirees enrolled in 2014 increased by 1.9 percent over the prior year.

##### Kaiser Foundation of the Northwest

- Premiums rates for active employees enrolled in 2014 increased by 8.0 percent over the prior year.
- Premiums rates for retirees enrolled in 2014 also increased by 8.0 percent over the prior year.

##### Delta Dental of Washington

- No increase, monthly PPO Incentive Plan premiums for 2014 remained the same as 2013.
- No increase, monthly PPO Basic Plan premiums for 2014 remained the same as 2013.

- Gross premium funding received by WDS for CY 2014 was \$1,889,564 of which \$1,564,593 was paid to providers for member dental claims expenses, \$239,975 supported DDW administrative activities and \$84,997 was for refunds.
- Paid claims experience compared to net premium funding received for Calendar Year 2014 resulted in a favorable experience ratio of 95.2 percent.
- Of the \$498,370 unspent premium funding held by DDW on December 31, 2014, \$110,000 is held in reserve to cover any extraordinary dental costs incurred during 2015 and \$388,370 was returned in May 2015 to the WFCA.

#### Standard Life Insurance

- The WFCA Health Care Program provides \$2,000 of Core Life Insurance coverage for all employees participating in self-funded health care plans at an annual cost of \$7,849.
- Employers provide funding for life insurance coverage in various increments up to a maximum of \$100,000.
- Employee funded supplemental life insurance is available to fire district employees who are also covered by Core and/or Basic life insurance to purchase up to \$300,000 of additional coverage.
- Based on payout experience in 2013, rates were increased by 32 percent in 2014. 2014 is the first year of a two year contract for benefits and rates.

### OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

#### Assets:

Operating revenues are generated from premiums paid by member fire districts and regional fire authorities. For every \$1.00 received in premium support in 2014 for the self-funded medical plans, \$0.956 was spent on medical services and contracted program support. The unexpended \$0.044 was used to avoid premium increases in 2014 and to improve the financial position of the Health Care Program. Gross premium funding from member organizations totaled \$24,109,545 for Fiscal Year 2014. Compared to 2013, gross premium funding was \$23,782,509 or \$327,036 more than 2014. The granting of a premium holiday in 2014 resulted in member fire service organizations paying 11 months of premiums as opposed to 12 months. The one month premium holiday was funded from the Program's accumulated fund balance.

Non-operating revenues are generated from interest earnings on fund balances in the Local Government Investment Pool, South Sound Bank and bond investments. New in 2014 was the implementation of a bond investment program to provide greater returns to the Health Care Program. The leasing of office space also provides an income stream. Other sources of revenue come from stop loss insurance reimbursement, and various rebates and refunds. Funds held in the Local Government Investment Pool (LGIP) earned 0.1149 percent interest and generated \$8,896 in earnings. Funds held in the South Sound Bank checking Account earned 0.09 percent interest and generated \$1,118 in earnings. Funds held in the South Sound Bank Wire In, Wire Out Account earned 0.09 percent interest and generated \$5,610 in earnings (See Note 3-Deposits and Investments). Capital facility (building account) revenues earned interest of 0.09 percent generating earnings of \$24.

The Washington Fire Commissioners Association and the WFCA Health Care Program jointly own 93.21 percent of the office space in the James R Larsen, Forum Building. The Washington Association of Fire Chiefs owns the remaining 6.79 percent of the office space in the building. The WFCA Health Care Program also owns the adjacent parking lot. The Health Care Program owns the first floor which equates to 48.92 percent of the useable office space and the general operations of the Association owns the second floor or 44.29 percent of the useable office space. The building and property is owned outright. With the exception of the space occupied by the Washington Fire Commissioners Association and the Washington Association of Fire Chiefs, the remaining office space is leased to six organizations: one state agency, two nonprofit Associations and three private businesses. Lease agreements range from 2 to 10 years in duration.

For Fiscal Year 2014, the rental of office space owned by the Health Care Program returned gross lease revenues of \$98,187. Insurance, operating and maintenance expenses attributable to the Health Care Program totaled \$83,686 and \$17,052 was paid in property taxes. A net loss of capital return of \$2,551 or 0.61 percent resulted in 2014.

The WFCA Health Care Program has no long-term debt and initiated a bond investment program in 2014. The WFCA has no investments in stocks or other asset classes (See Note 6-Long-Term Debt and Liabilities).

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

## **FINANCIAL ANALYSIS**

Condensed versions of the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position are provided here as a quick high level view of the Program's 2014 experience. The more detailed financial statements follow.

## Condensed Comparative Financial Information

### NET POSITION

	<u>12/31/2014</u>	<u>12/31/2013</u>	<u>12/31/2012</u>
Current Assets	21,961,881	22,723,511	19,888,763
Capital Assets	401,354	407,560	413,766
<b>Total Assets</b>	<b>22,363,236</b>	<b>23,131,071</b>	<b>20,302,529</b>
<b>Current Liabilities</b>	<b>3,755,579</b>	<b>4,090,870</b>	<b>3,521,857</b>
Invested in Capital Assets	401,354	407,560	413,766
Unrestricted	18,206,302	18,632,641	16,366,906
<b>Total Net Position</b>	<b>18,607,657</b>	<b>19,040,201</b>	<b>16,780,672</b>

### REVENUES, EXPENSES and CHANGES IN NET POSITION

	<u>12/31/2014</u>	<u>12/31/2013</u>	<u>12/31/2012</u>
Total Operating Revenues	24,109,545	23,782,509	20,952,225
Total Non-Operating Revenues	167,131	130,034	39,111
<b>Total Revenues</b>	<b>24,276,676</b>	<b>23,912,543</b>	<b>20,991,336</b>
<b>Total Operating Expenses</b>	<b>24,607,693</b>	<b>21,578,837</b>	<b>19,367,340</b>
<b>Total Non-Operating Expenses</b>	<b>101,527</b>	<b>74,177</b>	<b>82,819</b>
<b>Total Expenses</b>	<b>24,709,220</b>	<b>21,653,014</b>	<b>19,450,159</b>
<b>Changes in Net Position</b>	<b>(432,544)</b>	<b>2,259,529</b>	<b>1,541,177</b>
<b>Beginning Net Position 12/31</b>	<b>19,040,201</b>	<b>16,780,672</b>	<b>15,239,495</b>
<b>Ending Net Position 12/31</b>	<b>18,607,657</b>	<b>19,040,201</b>	<b>16,780,672</b>

The overall financial position of the WFC Health Care Program changed slightly during 2014.

#### The Condensed Comparative Statement of Net Position

Total assets decreased by \$767,835 or 3.3 percent as of December 31, 2014 from the prior year ending position of \$23.1 million. Total liabilities as of December 31, 2014 decreased by \$335,291 or 8.2 percent due to a decrease in Claims Processed But Not Yet Funded and an decrease in estimated unreported open claims. The Ending Net Position of the WFC Health Care Program decreased slightly in 2014 by \$432,544 or 2.3 percent.

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

Operating revenues for CY 2014 increased by \$327,036 or 1.4 percent when compared to 2013 operating revenues of \$23.8 million. Non-operating revenues increased by 28.5 percent primarily due to implementation of a bond investment program in 2014. Employee enrollment was up slightly in 2014 over 2013 and both Group Health and Kaiser increased premiums in 2014. Operating expenses increased

by \$3.0 million or 14.0 percent. Overall utilization of medical services in 2014 increased as did the number of large claims and the related average value of those large claims. The overall 2013 experience rating for all self-funded medical plans was 87.0 percent compared to 95.6 percent experience rating for 2014. The Ending Net Position on December 31, 2014 was \$18.6 million or \$432,544 less than the Ending Net Position in 2013.

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

**STATEMENT OF NET POSITION**

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
<u>Current Assets:</u>		
Cash and Cash Equivalents (Note 1c)	20,425,040	\$21,363,485
Member Deposits Held By TPA	991,688	960,277
Receivables		
Member Contributions	22,361	11,853
Stop-Loss and Subrogation Recoveries	274,817	207,688
Prescription Drug Recoveries	236,793	165,323
RDS Subsidy Payments	11,182	13,817
DDW Refund	-	1,068
Subtotal Receivables	<u>545,153</u>	<u>399,749</u>
 Total Current Assets	 <u>21,961,881</u>	 <u>22,723,511</u>
 <u>Capital Assets:</u> (Note 7)		
Land (Note 1d)	301,965	301,965
Building (Net of Accumulated Depreciation)	99,390	105,595
 Total Non Current Assets	 <u>401,355</u>	 <u>407,560</u>
 <b>TOTAL ASSETS</b>	 <b><u>22,363,236</u></b>	 <b><u>\$23,131,071</u></b>
 <b>LIABILITIES &amp; NET POSITION</b>		
<u>Current Liabilities</u>		
Carrier Payments/Post Cut-Off Payables	\$0	\$21,098
Unearned Member Premiums	991,688	960,297
Claims Processed But Not Yet Funded (Note 11)	209,623	385,575
Claims Reserves (Note 11, 1m):		
IBNR/Open Claims (Case Reserves)	2,413,648	2,595,000
Unallocated Loss Adjustment Expense	102,041	99,000
Employee Leave Liability	38,579	29,900
 <b>TOTAL LIABILITIES</b>	 <b><u>3,755,579</u></b>	 <b><u>4,090,870</u></b>
 <u>Net Position</u>		
Investment in Capital Assets	401,355	407,560
Unrestricted Net Position	<u>18,206,302</u>	<u>18,632,641</u>
 <b>TOTAL NET POSITION</b>	 <b><u>18,607,657</u></b>	 <b><u>19,040,201</u></b>

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 Years Ended December 31, 2014 and 2013

	<b>2014</b>	<b>2013</b>
<b>OPERATING REVENUES</b>		
Member Premium Contributions – Self Insured	\$18,396,045	\$18,447,418
Member Premium Contributions – Insured	5,713,500	5,335,091
<b>TOTAL OPERATING REVENUES</b>	<b>24,109,545</b>	<b>23,782,509</b>
<b>OPERATING EXPENSES</b>		
Medical, Drug, Vision, Dental Claims Expenses – Self -Insured	17,185,578	15,274,279
Medical, Drug, Vision, Dental Claims Expenses – Insured	4,046,724	4,022,441
Health Care Premium Holiday	1,635,425	-
Stop Loss Carrier Fee	1,087,996	985,849
Third-Party Administrative Fees	423,115	408,717
Insurance Consulting Fees	61,807	84,980
Provider Network Fees	66,466	64,087
Health Care Reform Fess & Assessments	6,876	-
Utilization Review Fee	18,772	18,232
Wellness Web Portal Expense	13,429	8,281
Marketing & Promotions	2,301	1,250
Professional Services	11,008	78,143
Staff Compensation & Travel	163,024	158,072
Program Supplies & Materials	17,017	5,968
Health Care Committee Expenses	6,452	6,392
Workshops/Seminar Expenses	5,928	10,548
Website Maintenance Expense	6,750	6,022
Hope Health Newsletter	6,846	5,517
Claim Reserves (Note 11)	(181,352)	396,000
Unallocated Loss Adjustment Expenses	3,041	19,000
State Oversight Fees	12,316	18,853
Other Fees & Expenses	1,968	-
Depreciation (Note 7)	6,206	6,206
<b>TOTAL OPERATING EXPENSES</b>	<b>24,607,693</b>	<b>21,578,837</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(498,148)</b>	<b>2,203,672</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Interest Income	68,944	29,697
Building Lease Income	98,187	100,337
Total NonOperating Revenue	167,131	130,034
General LGIP Expense	(789)	(1,464)
Forum Building Expense	(100,738)	(72,713)
Total NonOperating Expenses	(101,527)	(74,177)
<b>TOTAL NONOPERATING REVENUES</b>	<b>65,604</b>	<b>55,857</b>
<b>CHANGE IN NET POSITION</b>	<b>(432,544)</b>	<b>2,259,529</b>
<b>TOTAL NET POSITION, Beginning</b>	<b>19,040,201</b>	<b>16,780,672</b>
<b>TOTAL NET POSITION, Ending</b>	<b>\$18,607,657</b>	<b>\$19,040,201</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from members	\$24,049,275	\$23,641,687
Stop Loss Reimbursement for large claims	37,844	56,016
RDS Subsidy Received	41,220	26,692
Payments made on self-funded medical, vision claims	(17,404,331)	(15,371,731)
Payments made for premium holiday	(1,635,425)	-
Payments made for insured carriers	(4,043,491)	(3,599,899)
Payments made for contract services	(720,460)	(836,386)
Payments made for excess insurance coverage	(1,087,996)	(985,849)
Payments made for payroll expenses	(154,346)	(150,325)
Payments in support of program activities	(54,927)	(35,697)
Net Cash Provided (Used) by Operating Activities	<u>(972,637)</u>	<u>2,744,508</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Building Office Leases	98,187	100,377
Building Expenses	(100,739)	(72,713)
Net Cash Provided (used) by Capital and Related Financing Activities	<u>(2,552)</u>	<u>27,624</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	68,944	29,697
LGIP administration fee	(789)	(1,464)
Net Cash Provided (used) by Investing Activities	<u>68,155</u>	<u>28,233</u>
Increase (Decrease) in Cash and Cash Equivalents	<u>(907,034)</u>	<u>2,800,365</u>
Cash and Cash Equivalents, Beginning	<u>22,323,762</u>	<u>19,523,397</u>
Cash and Cash Equivalents, Ending	<u><u>\$21,416,728</u></u>	<u><u>\$22,323,762</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW PROVIDED BY OPERATING ACTIVITIES</b>		
Operating Income	(\$498,148)	\$2,203,672
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	6,206	6,206
Change in operating assets and liabilities:		
(Increase) Decrease in Receivables	(145,404)	(34,383)
Increase (Decrease) in Accounts Payable	(21,098)	4,948
Increase (Decrease) in Unearned Member Premiums	31,391	(72,036)
Increase (Decrease) in Claims Processed But Not Yet Funded	(175,952)	215,356
Increase (Decrease) in Claims Reserves	(178,311)	415,000
Increase in Employee Leave Liability	8,679	5,745
Net Cash Provided by Operating Activities	<u><u>(\$972,637)</u></u>	<u><u>\$2,744,508</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**NOTES TO FINANCIAL STATEMENTS**  
**For the Fiscal Year Ended December 31, 2014**

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

a. **Reporting Entity**

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

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

The 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, qualified regional fire 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 and municipal fire departments. Rather, it is a means of combining the administration of claims and of obtaining lower insurance rates for member organizations. Premiums billed to the fire

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

Membership in the WFCFA Health Care Program is voluntary however, in order to be eligible to enroll in the Program, participant organizations must be dues paying members or associate members of the Washington Fire Commissioners Association. Member organizations of the Health Care Program must provide 31-days notice prior to the end of the calendar year of their intent to terminate from the Program should they choose not to renew. Fire Districts, Regional Fire Authorities and Municipal Fire Departments that are members or associate members of the Association and are not enrolled in the Health Care Program may enroll in the Health Care Program throughout the Plan Year. For Plan Year 2014, 121 member organizations participated in the WFCFA Health Care Program.

b. Basis of Accounting

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

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

The principal operating revenues of the WFCFA Health Care Program are from health care premiums paid by member fire districts and regional fire authorities. No municipal fire departments were enrolled in the Health Care Program in 2014.

Operating expenses include medical claims, vision claims, prescription drug claims, premiums due for dental expense claims, fees charged by the third-party administrator to process member premiums and claims, excess insurance premiums, subscription fees, Wellness Portal expenses and broker fees. WFCFA 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 WFCFA 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 WFCFA Health Care Program investments meet the requirements set forth in Section 48.62.111 RCW. The year-ending cash and cash equivalents

balance was \$20,425,040. This compares to a 2013 year-ending cash and cash equivalents balance of \$21,363,485. A portion of the cash and cash equivalents balance was used to implement a bond investment program in 2014. During Fiscal Year 2014, the WFC 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 \$15,647 for the fiscal period. Once earned, the interest proceeds are available for expenditure if needed.

The purchase of federal government agency bonds improved the overall investment earnings for 2014 but reduced the interest earnings from account balances in the Local Government Investment Pool and South Sound Bank (See NOTE 2b). Interest earnings from all cash accounts in 2013 amounted to \$29,697 compared to \$15,647 in 2014.

The third-party administrator (TPA) holds deposits made by member organizations when member premium contributions are submitted to cover more than one month of medical claims expenses. Open enrollment occurs in November and December annually. Future premium payments held by the TPA as of December 31, 2014 amounted to \$991,688. Premium deposits from members at the end of 2013 were \$960,277.

d. Capital Assets

The Washington Fire Commissioners Association and the WFC Health Care Program jointly own 93.21 percent of the James R Larsen, Forum Building. The Washington Association of Fire Chiefs owns 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 2014 assessed value of the property and adjacent parking lot owned by the Health Care Program is \$1,184,850. This decline in assessed property value of \$147,150 represents an 11.0 reduction in property value compared to assessed value at the end of 2013.

The historical value of the WFC Health Care Program's portion of the James R Larsen, Forum Building and land is \$550,190. The straight line method of depreciation is used based on a 40-year useful life for the building (See NOTE 7(a)).

e. Receivables

The majority of receivables deemed collectable for 2014 are attributable to unpaid subrogation payments, and unpaid stop loss carrier reimbursement. The Statement of Net Position lists the 2014 receivables. Of the \$545,153 identified receivables, subrogation payments amounted to \$180,291 and stop loss recoveries owed to the WFC Health Care Program amounted to \$94,526. Unpaid member premiums, refunds, rebates and subsidy payments collectively accounted for the remaining \$270,336 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 WFC Health Care Program for deposit.

During 2014 total receivables increased over 2013 by \$145,404 or 36.4 percent. Prescription drug recoveries and stop loss/subrogation recoveries accounted for the vast majority of the increase in receivables during the year. Receivables in 2013 amounted to \$399,749. Of total 2013 receivables, subrogation payments accounted for \$181,010, stop loss recoveries accounted for \$26,678 and remaining refunds and subsidy payments amounted to \$192,061.

f. Inventories

The WFC Health Care Program provides Medical Plan Identification Cards for members enrolled in self-funded plans and provides administrative reference guides and plan booklets to fire service organization human resources and administrative staff. Extra copies are kept on hand by the third-party administrator. During 2014, \$16,680 was spent on inventory type items such as identification cards, plan booklets and program reference material. Inventory is primarily held by the third-party administrator and is minimal. Spending on inventory items was \$5,657 in 2013.

g. Investments

During Calendar Year 2014 the WFC Board of Directors implemented a government bond purchasing program using a portion of the Insurance Rate Stabilization Reserve Account unrestricted reserves. As of December 31, 2014, the WFC Health Care Program had purchased 12 bonds sold by various federal government agencies. Total funds invested during 2014 amounted to \$7.9 million.

The Association and the Health Care Program jointly own 93.21 percent of the James R. Larsen, Forum Building. The office building yields a return from the lease of office space.

The fund balances in the Local Government Investment Pool and South Sound Bank earn simple interest on the unused account balances.

h. Compensated Absences

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

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

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

i. Unpaid Claims Liabilities

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

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

The 8-week average of claims paid methodology also meets the requirements of WAC 82-65. A provision for inflation in the calculation of estimated future claim costs is implicit in the calculation because reliance is placed on both actual and historical data that reflects past inflation and on other factors that are considered to be appropriate modifiers of past experience. Adjustments to claim liabilities are charged or credited to expense in the periods in which they occur. Per Board policy, on December 31, 2014, the WFC Health Care Program had reserves totaling \$9,132,634 to cover any unforeseen outstanding claims liability. By comparison, the year-end 2013 Board reserves were \$9,804,236. The decrease is attributable to the contingency reserve calculation used to meet the stop loss carrier's 125 percent of aggregate claims requirement.

j. Reinsurance

The WFC 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 WFC Health Care Program from potential financial insolvency by covering losses above certain threshold amounts. Explanatory NOTE 4 contains the reinsurance coverage amounts. The Health Care Program is responsible for medical expenses until the reinsurance policy threshold amount is reached and exceeded. The WFC 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, 2014, the third-party administrator had future member premium contributions on deposit of \$991,688. By comparison, 2013 future member premium contributions on hand at year-end were \$960,297.

l. Claims Reserves

Self-funded claims are charged against premium income in the month the service occurred. The 2014 Statement of Net Position reflects the results of an actuarial calculation of incurred but not paid (IBNP) self-funded medical claims liability of \$2,413,648 and related unallocated loss

adjustment expenses of \$102,041. The WFCOA Board of Directors maintains additional reserves beyond the amount calculated by the actuary to address any extraordinary financial circumstances (See NOTE 8). The IBNP amount for self-funded medical claims expense liability in 2013 was \$2,595,000 and the related unallocated loss adjustment expenses \$99,000. 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 WFCOA 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 that may be outstanding. As of December 31<sup>st</sup> each year, the TPA identifies self-insured medical claims that have been processed for payment but wired funds have not been received from the WFCOA wire account to fund payment of those claims. Each year the Health Care Program contracts with an actuary to estimate the unknown unpaid medical, vision and prescription drug claims as of December 31<sup>st</sup> each year.

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 drug claims plus the estimated third-party administrator (TPA) run-out fee 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 districts. The calculation is 1.25 percent times the total projected annual premiums equals the aggregate stop loss claims liability for the plan year. The difference between the two equals the contingency reserve. These reserve amounts are recalculated and reviewed quarterly by the WFCOA Health Care Committee. For purposes of year-end financial reporting, the WFCOA 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 WFCOA Health Care Program includes an estimate of the administrative costs that would be incurred at the time the claims were processed and to process claims incurred but not reported when the expense became known. For 2014, the actuary estimated this expense to be \$102,041 compared to \$99,000 in 2013.

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 WFCOA Health Care Program is exempt from insurance premium taxes, from fees assessed under chapter 48.02 RCW, from chapters 48.32 and 48.32A and from business and occupation taxes imposed under chapter 82.04 RCW.



## NOTE 2 - DEPOSITS AND INVESTMENTS

### a. Deposits

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

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

As of December 31, 2014 and 2013, the WFCA Health Care Program had the following cash account balances:

<b>Financial Institution</b>	<b>2014</b>	<b>2013</b>
Cash in Local Gov Investment Pool	\$7,634,522	\$11,626,416
Cash in Bank (Checking Account)	\$1,315,380	\$1,257,712
Cash in Bank (Savings Account)	\$3,508,319	\$8,452,017
Cash in Bank (Savings Account)	\$17,100	\$27,340
Total	\$12,475,321	\$21,363,485

The Program earned interest on its account balances in the Local Government Investment Pool and South Sound Bank during 2014.

For the first time during 2014, funds were transferred from the Local Government Investment Pool and South Bank to US Bank to allow for the purchase of federal government backed bonds. See Note 2b below. No other types of investments (Certificates of Deposits, securities, commercial paper or any other investment vehicle) were made during 2014.

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

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

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

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

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

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

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

b. Investments

During Calendar Year 2014 the WFOA Board of Directors implemented a government bond purchasing program as authorized by Chapter 39.60 RCW using the Insurance Rate Stabilization Reserve Account unrestricted reserves. As of December 31, 2014, the WFOA Health Care Program had purchased 12 bonds sold by various federal government agencies. Total funds invested during 2014 amounted to \$7.9 million. The bond certificates are held in a safekeeping account in the Bond Department of US Bank at its headquarters in Minneapolis, Minnesota.

<b>Federal Institution</b>	<b>Purchase Amount</b>	<b>Interest Earned</b>	<b>Interest Rate Range</b>
Federal National Mortgage Association	\$1,782,282	\$11,080	0.94 - 1.63
Federal Home Loan Bank	\$2,299,423	\$20,890	0.58 – 1.88
Federal Farm Credit Bank	\$1,488,064	\$1,835	0.95 – 1.42
Federal Home Loan Mortgage Corporation	\$2,379,949	\$19,515	1.36 - 1.75
<b>Total</b>	<b>\$7,949,718</b>	<b>\$53,320</b>	

## Bond

Bond investment interest earnings of \$53,320 resulted in a return of 0.671 percent for Calendar Year 2014. The WFCB Bond Investment Program complies with the requirements of Chapter 39.59 RCW, Public Funds-Authorized Investments. Compliance with state statute does not eliminate possible credit risk associated with the highly unlikely financial failure of the above federal agencies. The Board of Directors bond investment strategy is to buy and hold bonds to call or maturity.

**Interest Rate Risk.** The WFCB Health Care Program purchases bonds from different federal institutions with different maturity dates and interest rates. The longest duration prior to reaching maturity is five years. The tiering of bond maturity dates and purchasing bonds from different federal agencies limits the Program's exposure to interest rate risk. The WFCB 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 WFCB Health Care Program are of the highest quality and protected by the United States government.

**Custodial Credit Risk.** The WFCB 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 WFCB bond certificates. As of December 31, 2014, US Bank held all bond certificates purchased by the WFCB Health Care Program.

**Concentration of Credit Risk.** The WFCB Health Care Program diversifies its investments by purchasing federal government bonds with differing maturities from different federal agencies. Of the \$7.9 million invested in bonds, 29.9 percent is with the Federal Home Loan Mortgage Association, 28.9 percent with the Federal Home Loan Bank, 22.5 percent with the Federal National Mortgage Association and 18.7 percent with the Federal Farm Credit Bank. The WFCB Health Care Program does not invest any fund balance reserves set aside for extraordinary medical claims expense or unforeseen operating expenses.

### NOTE 3 - RISK FINANCING LIMITS

The WFCB 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 WFCB 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 WFC Health Care Program are:

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

1/ Employee Only.

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

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

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

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

**NOTE 5 - MEMBER’S SUPPLEMENTAL ASSESSMENTS AND CREDITS**

Member organizations make monthly premium contributions as a condition of participating in the WFC 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 Director Policy requires that the WFC Health Care Program operate with a fund balance that exceeds the outstanding member claims at any time during the plan year. The Insurance Rate Stabilization Reserve Account fund balance is maintained at a level that avoids the need for special assessments on member organizations to cover medical claims expenses not anticipated in the budget.

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

a. **Changes in Liabilities**

During the year ended December 31, 2014, the following changes occurred in employee leave balance liability:

	<b>Beginning Balance 01/01/2014</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance 12/31/2014</b>	<b>Due Within One Year</b>
Compensated Absences*	\$29,900	\$8,679	0	\$38,579	0
Total Liability	\$29,900	\$8,679	0	\$38,579	0

\*Health care staff accumulated sick and annual leave.

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

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

NOTE 7 - CAPITAL ASSETS

a. Capital Assets

The James R. Larsen Forum building is owned by three parties, the Washington Fire Commissioners Association, the WFC Health Care Program and the Washington Fire Chiefs Association. The WFC Health Care Program owns the adjacent parking lot. The office building is a long-term capital asset with a useful life of 40 years and a total building market value of approximately \$1.2 million. Equipment is a capital asset with an initial, individual cost of more than \$5,000 and a useful life of 3 to 7 years depending on the type and use.

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

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

Capital assets are recorded at historical cost. Capital asset activity for the year ended December 31, 2014 was as follows:

<b>Asset Type</b>	<b>Beg. Balance</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Non-Depreciable Assets-Land	301,965			301,965
Depreciable Assets-Buildings	248,225			248,225
<b>Total Capital Assets</b>	<b>550,190</b>			<b>550,190</b>
Accumulated Depreciation	(142,630)	(6,206)		(148,835)
<b>Total Capital Assets net of Accumulated Depreciation</b>	<b>407,560</b>	<b>(6,206)</b>		<b>401,355</b>

NOTE 8 - RESTRICTED NET POSITION

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

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 WFCA Health Care Program annually obtains an actuarial assessment of outstanding year-end claims and related administrative expenses. In actual practice, the WFCA 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 WFCA premium funding. The Level 3 contingency reserve meets the expectations of the stop loss carrier and is supported by a policy adopted by the WFCA Board of Directors.

The Health Care Program had the following reserves as of December 31, 2014 and 2013:

<b>Levels of Reserve</b>	<b>2014</b>	<b>2013</b>
IBNP Reserve	\$ 2,515,689	\$2,694,000
Cash Reserve	\$ 2,967,641	\$2,240,095
Contingency Reserve	\$ 3,649,304	\$4,870,141
Total	\$ 9,132,634	\$9,804,236

Total reserves decreased by \$671,602 in 2014 when compared to 2013. While the IBNP amount did not change significantly from year to year, cash reserves increased while contingency reserves decreased. Less conservative factors were used to determine the sufficiency of Program reserves.

**NOTE 9 - LEASES**

a. Office Space Leases

The WFCA Health Care Program leased office space to new tenants during 2012. Space reconfigurations and office renovations were required to accommodate the new tenants. Lease agreements with the current tenants cover a 2 to 10 year period.

Net lease revenue for the year ended December 31, 2013 amounted to (\$2,551). Future annual gross lease revenues for the Health Care Program are estimated to increase by 3 percent annually:

	<b><u>Year</u></b>
2015	\$ 110,668
2016	\$ 113,988
2017	\$ 117,408
2018	\$ 120,930
2019	\$ 124,558

NOTE 10 - PENSION PLANS

In 1989, it was determined by the state Department of Retirement Systems that WFCAs employees should not be enrolled in the Public Employees Retirement (PERS 2) System. Contributions to the state retirement system were refunded and the proceeds used to establish a Qualified Money Purchase Pension Program with General American Life Insurance Company. As the employer, the Association is the sole contributor to this defined contribution 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. Association employees are eligible to participate in the State’s Deferred Compensation System administered by the Department of Retirement Systems.

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

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

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

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

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

Funding Policy

The WFCAs Board of Directors determines the contribution rate to be deposited in the Association's Money Purchase Pension Plan. The required employer contribution rate expressed as a percentage of current-year covered salaries as of December 31, 2014, is as follows:

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

The monthly employer contribution is six percent of gross salaries. Annual employer pension contributions for 2014 amounted to \$6,919. Employee contributions to the Money Purchase Pension Plan are prohibited.

#### NOTE 11 - SELF-INSURANCE

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

#### NOTE 12 - UNPAID CLAIMS LIABILITIES

The WFC Health Care Program establishes a liability for both reported and unreported self-insured events, which includes estimates of both future payments of losses and related claim adjustment expense, both allocated and unallocated (See NOTE11).

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



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

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

1. Five-Year Claims Development Information

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

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

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

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

The schedule below presents the annual medical claims liabilities for the self-insured portion of the Insurance Rate Stabilization Reserve Account through December 31, 2014. The Account establishes a liability for both reported and unreported medical services. The aggregate change in liabilities is shown below.

Five-Year Claims Development Information:

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

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

Reconciliation of Claims Liabilities

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

**Self-Funded Medical Plan Claims Liabilities**

	<b>2014</b>	<b>2013</b>
Unpaid Claims and Claim Adjustment Expenses at Beginning of Year	2,694,280	2,279,000
Incurred Claims and Claim Adjustment Expenses		
Provision for Insured Events of the Current Year	17,758,382	15,683,198
Increases in Provision for Insured Events in Prior Years	(225,882)	169,280
Total Incurred claims and Claim Adjustment Expenses	20,226,780	18,131,478
Payments:		
Claims and Claim Adjustment Expenses Attributable to Insured Events of the Current Year	19,244,118	15,683,198
Claims and Claim Adjustment Expenses Attributable to Insured Events of Prior Years	529,250	466,000
Total Payments	19,773,368	16,149,198
Total Unpaid Claims and Claim Adjustment Expenses at End of the Year	2,515,689	2,694,280

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

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

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

SNOHOMISH COUNTY FIRE DIST #7	THURSTON COUNTY FIRE DIST #12
SNOHOMISH CTY FIRE DIST #8	THURSTON COUNTY FIRE DIST #13
MARYSVILLE FIRE DISTRICT	THURSTON COUNTY FIRE DIST #17
SNOHOMISH FIRE DISTRICT #15	WEST THURSTON REGIONAL
SNOHOMISH COUNTY FIRE DIST #17	WALLA WALLA COUNTY FIRE DIST 4
SNOHOMISH COUNTY FIRE DIST #19	WALLA WALLA COUNTY FIRE DIST 5
SNOHOMISH COUNTY FIRE DIST 21	WHATCOM COUNTY FIRE DIST #1
SNOHOMISH COUNTY FIRE DIST 22	WHATCOM COUNTY FIRE DIST #8
SNOHOMISH COUNTY FIRE DIST #28	WHATCOM COUNTY FIRE DIST #14
SPOKANE COUNTY FIRE DIST #3	WHATCOM COUNTY FIRE DIST #17
SPOKANE COUNTY FIRE DIST #4	WHATCOM COUNTY FIRE DIST #18
SPOKANE COUNTY FIRE DIST #8	SOUTH WHATCOM FIRE AUTHORITY
SPOKANE COUNTY FIRE DIST #13	YAKIMA COUNTY FIRE DIST #4
SE THURSTON FIRE & EMS	YAKIMA COUNTY FIRE DIST #5
THURSTON COUNTY FIRE DIST #3	YAKIMA COUNTY FIRE DIST #12
THURSTON COUNTY FIRE DIST #5	BUDD BAY CPA
THURSTON COUNTY FIRE DIST #8	WA FIRE COMMISSIONERS ASSN
THURSTON COUNTY FIRE DIST #9	RETIRED MEMBERS

**WFCA Insurance Rate Stabilization Reserve Account  
For the Fiscal Year Ended December 31, 2014**

<b>Claims Expenses (Self-Funded Medical)</b>	<b>18,821,003</b>
 <b>Contracted Services:</b>	
Insured Carriers (Medical, Dental, Life/AD&D)	4,046,724
Stop Loss Carrier Fees	1,087,996
Third Party Administrator Fees	423,115
Insurance Consulting/Brokerage Fees	61,807
Provider Network Fees	66,466
Health Care Reform Fees & Assessments	6,876
Utilization Review Fees	18,772
Wellness Portal	13,429
Professional Fees	11,008
State Oversight Fees	12,316
Website Expense	6,750
	<b>5,755,259</b>
 <b>Subtotal Contracted Services</b>	
 <b>Program Support Expenses:</b>	
Salaries, Benefits & Travel	163,024
Committee Expenses	6,452
Seminars/Workshops	5,928
Hope Health Newsletter	6,846
Supplies	17,017
Marketing & Promotional	2,301
Claim Reserves	(181,352)
Unallocated Loss Adjustment Expenses	3,041
Other Fees & Expenses	1,968
Depreciation	6,206
	<b>31,431</b>
 <b>Subtotal Program Support</b>	
 <b>Total Operating Expenses</b>	
	<b>24,607,693</b>

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

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

<b>Contact information for the State Auditor's Office</b>	
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<b>Public Records requests</b>	(360) 725-5617
<b>Main telephone</b>	(360) 902-0370
<b>Toll-free Citizen Hotline</b>	(866) 902-3900
<b>Website</b>	<a href="http://www.sao.wa.gov">www.sao.wa.gov</a>