



Washington State Auditor's Office

Troy Kelley

Integrity • Respect • Independence

**Financial Statements and Federal Single Audit
Report**

Olympic Area Agency on Aging

Jefferson County

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

Published September 15, 2014

Report No. 1012547





Washington State Auditor Troy Kelley

September 15, 2014

Council
Olympic Area Agency on Aging
Port Hadlock, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Olympic Area Agency on Aging's financial statements and compliance with federal laws and regulations.

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

Sincerely,

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

TROY KELLEY
STATE AUDITOR

Table of Contents

Federal Summary	1
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	3
Independent Auditor's Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance In Accordance With OMB Circular A-133	5
Independent Auditor's Report On Financial Statements	8
Financial Section.....	11

Federal Summary

Olympic Area Agency on Aging Jefferson County January 1, 2013 through December 31, 2013

The results of our audit of the Olympic Area Agency on Aging are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the basic financial statements.

Internal Control Over Financial Reporting:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over financial reporting that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We noted no instances of noncompliance that were material to the financial statements of the Agency.

FEDERAL AWARDS

Internal Control Over Major Programs:

- ***Significant Deficiencies:*** We reported no deficiencies in the design or operation of internal control over major federal programs that we consider to be significant deficiencies.
- ***Material Weaknesses:*** We identified no deficiencies that we consider to be material weaknesses.

We issued an unmodified opinion on the Agency's compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following were major programs during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
93.044	Aging Cluster - Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers
93.045	Aging Cluster - Special Programs for the Aging - Title III, Part C - Nutrition Services
93.053	Aging Cluster - Nutrition Services Incentive Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The Agency qualified as a low-risk auditee under OMB Circular A-133.

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*

**Olympic Area Agency on Aging
Jefferson County
January 1, 2013 through December 31, 2013**

Council of Governments
Olympic Area Agency on Aging
Port Hadlock, 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 governmental activities and each major fund of the Olympic Area Agency on Aging, Jefferson County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated September 3, 2014. As discussed in Note 1 to the financial statements, during the year ended December 31, 2013, the Agency implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Agency'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

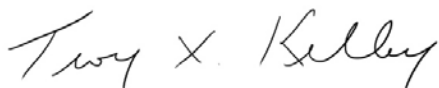
COMPLIANCE AND OTHER MATTERS

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



TROY KELLEY
STATE AUDITOR

September 3, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

**Olympic Area Agency on Aging
Jefferson County
January 1, 2013 through December 31, 2013**

Council
Olympic Area Agency on Aging
Port Hadlock, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Olympic Area Agency on Aging, Jefferson County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The Agency's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Agency's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Agency's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Agency's compliance.

Opinion on Each Major Federal Program

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over compliance.

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

Our consideration of internal control over compliance 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report 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

September 3, 2014

Independent Auditor's Report on Financial Statements

Olympic Area Agency on Aging Jefferson County January 1, 2013 through December 31, 2013

Council of Governments
Olympic Area Agency on Aging
Port Hadlock, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the Olympic Area Agency on Aging, Jefferson County, Washington, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed on page 11.

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 opinions on these financial statements based on our audit. We conducted our audit 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 Agency'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 Agency'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Olympic Area Agency on Aging, as of December 31, 2013, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2013, the Agency adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*. 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 12 through 17 and budgetary comparison information on page 30 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. 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 opinions on the financial statements that collectively comprise the Agency's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United

States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 3, 2014 on our consideration of the Agency'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 Agency's internal control over financial reporting and compliance.

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

TROY KELLEY
STATE AUDITOR

September 3, 2014

Financial Section

**Olympic Area Agency on Aging
Jefferson County
January 1, 2013 through December 31, 2013**

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013

BASIC FINANCIAL STATEMENTS

Governmental Funds Balance Sheet/Statement of Net Position – 2013
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance/
Statement of Activities – 2013
Notes to Financial Statements – 2013

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Information – General Fund – 2013

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2013
Notes to the Schedule of Expenditures of Federal Awards – 2013

Olympic Area Agency on Aging
Management's Discussion and Analysis
For the Year Ended December 31, 2013

This Management's Discussion and Analysis (MD&A) of the Olympic Area Agency on Aging (OAAA or the Agency) provides an introduction, overview and analysis of OAAA's basic financial statements and financial activities for the year ended December 31, 2013.

Financial Highlights

- The assets of OAAA exceeded its liabilities at the close of the year by \$480,328 (*net position*).
- Total net position increased by \$63,355 primarily the result of earnings from our case management / nursing services program (Title XIX).
- As of the close of the current fiscal year, the ending fund balance of OAAA's general fund is \$641,176, an increase of \$70,771 over the prior year.

Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to OAAA's basic financial statements. Following the MD&A are the Agency's basic financial statements, which consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of OAAA.

The Agency has only one governmental fund; it does not operate any activities that would be defined as either proprietary funds or fiduciary funds. The financial statements of OAAA present the governmental fund statements in the left column and the government-wide statements in the far right column. The adjustments column provides a reconciliation of the difference between the statements. See Note 2 for additional information on the reconciliation of the differences.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the Agency's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the Agency's financial status as a whole.

The statement of net position presents information on all of OAAA's assets, deferred outflows, liabilities, and deferred inflows, with the difference between assets plus deferred outflows and liabilities plus deferred inflows as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Agency is improving or deteriorating.

The statement of activities presents information showing how net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected revenues and earned but unused leave).

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that are segregated for specific activities or objectives. The Agency, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows

Olympic Area Agency on Aging
Management's Discussion and Analysis
For the Year Ended December 31, 2013

and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements. The Olympic Area Agency on Aging only has one governmental fund, the general fund.

Condensed Comparative Financial Data

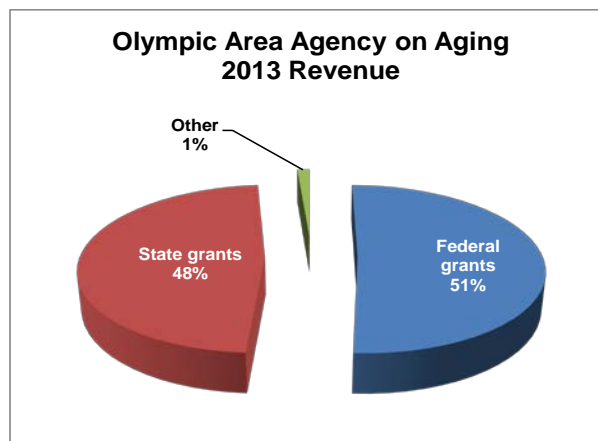
To follow is comparative financial data from the government-wide financial statements.

Net Position:

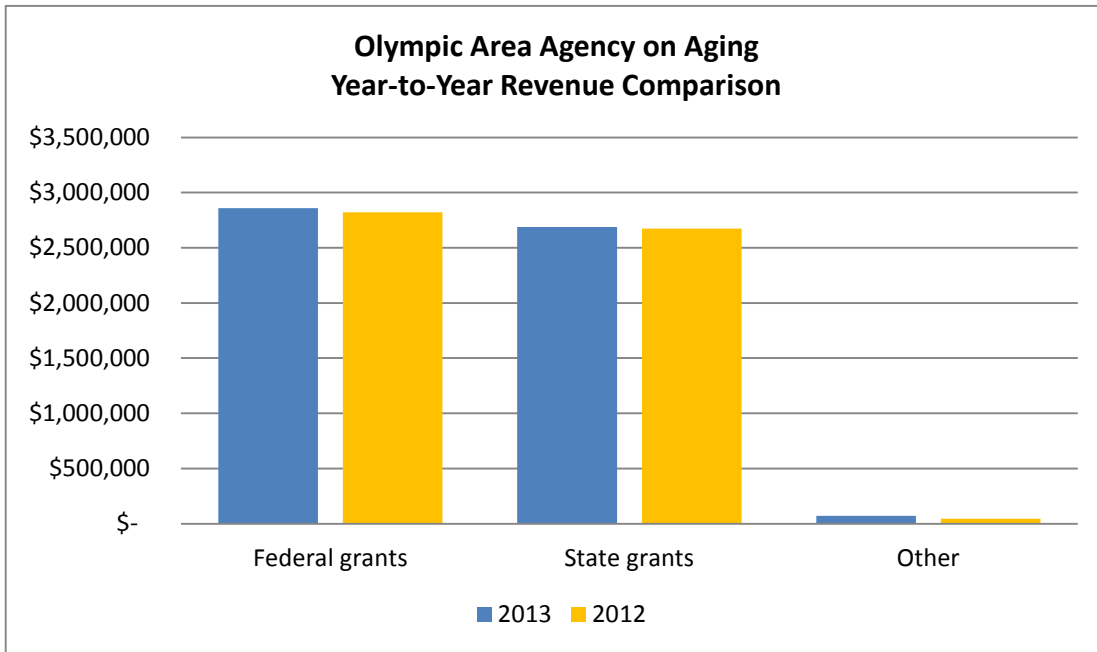
	2013	2012	Increase (Decrease)
Total assets	\$ 2,058,262	1,777,029	281,233
Current liabilities	1,234,330	1,192,591	41,739
Non-current liabilities	160,848	153,432	7,416
Total liabilities	1,395,178	1,346,023	49,155
Deferred inflows of resources	182,756	14,033	168,723
Net position			
Restricted	480,328	416,973	63,355
Total net position	\$ 480,328	416,973	63,355

Revenues:

	2013	2012	Increase (Decrease)
Federal grants	\$ 2,858,594	2,918,580	(59,986)
State grants	2,688,786	2,574,509	114,277
Other	70,432	44,994	25,438
Total revenue	\$ 5,617,812	5,538,083	79,729



Olympic Area Agency on Aging
Management's Discussion and Analysis
For the Year Ended December 31, 2013



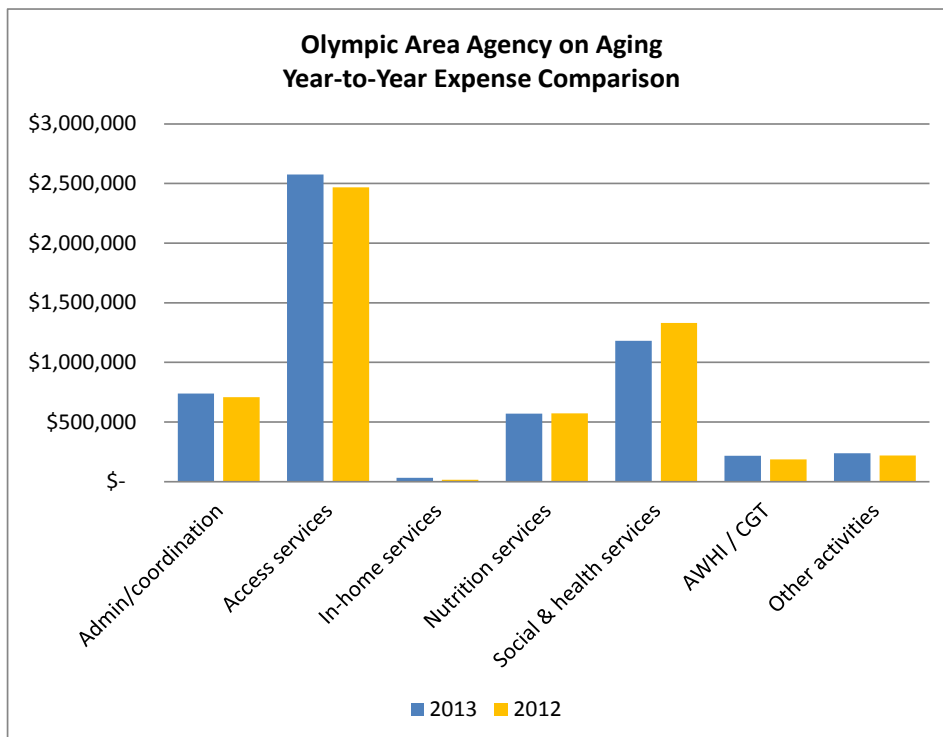
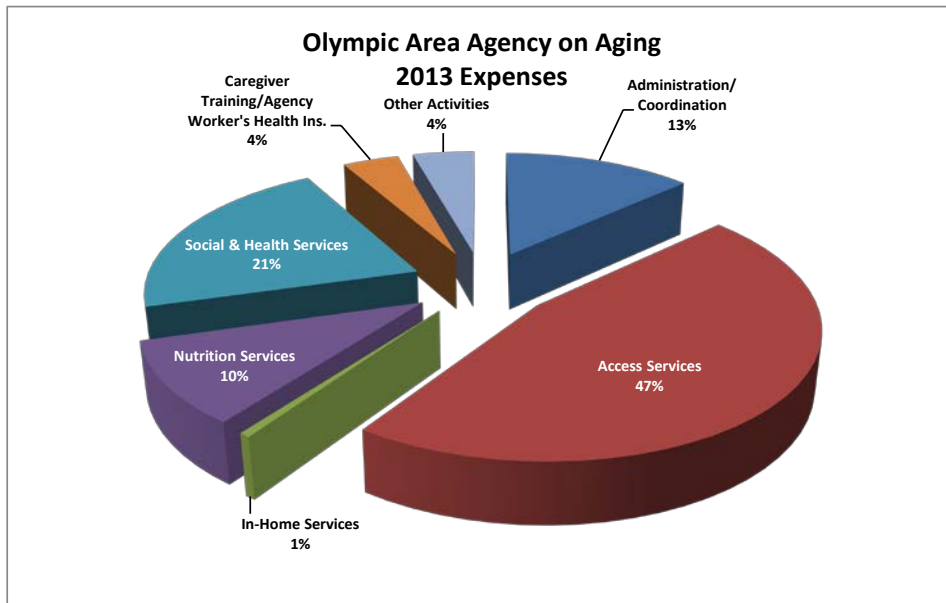
The Agency receives most of its funding through the State of Washington Department of Social and Health Services (DSHS), which includes pass-through funding from federal agencies. Although there were a number of small changes in revenue for specific programs funded by DSHS, overall 2013 funding is similar to 2012. However, DSHS funding for one of the Agency's significant programs, the Chronic Care Management (CCM) program, ended in September 2013.

While OAAA's Other funding is significantly less than the Federal and State grants from DSHS, during 2013 the Agency actively pursued opportunities for grants and contracts with sources outside of DSHS and was awarded funding for several new projects.

Expenses:

	2013	2012	Increase (Decrease)
Admin/coordination	\$ 738,942	709,599	29,343
Access services	2,576,330	2,467,705	108,625
In-home services	31,639	15,428	16,211
Nutrition services	570,103	572,111	(2,008)
Social & health services	1,181,887	1,331,759	(149,872)
AWHI / CGT	217,212	187,678	29,534
Other activities	238,344	219,573	18,771
Total expenses	<u>\$ 5,554,457</u>	<u>5,503,853</u>	<u>50,604</u>

Olympic Area Agency on Aging
Management's Discussion and Analysis
For the Year Ended December 31, 2013



Olympic Area Agency on Aging
Management's Discussion and Analysis
For the Year Ended December 31, 2013

The Agency makes adjustments to the programs and services it offers based on the results of community input, such as Area Plan surveys, as well changes in available funding.

The most significant increase in 2013 expenses over 2012 is an increase in Information and Assistance (I & A) program expenditures under the Access services category. The Agency's I&A program added a number of new projects in 2013, including assisting consumers enroll in health plans through the Health Benefit Exchange (In-Person Assister activities) and expanding services to include Aging and Disability Resource Centers (ADRCs).

The decrease in social and health services expense is primarily related to two programs. First, the Senior Community Service Employment Program had significantly less funding in 2013 than in 2012, thereby reducing the number of participants enrolled and related wage and benefit costs. Second, as explained earlier, CCM activities and associated costs ended in September 2013 when funding for the program was discontinued.

Change in Net Position:

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
Total revenue	\$ 5,617,812	\$ 5,538,083	79,729
Total expense	<u>5,554,457</u>	<u>5,503,853</u>	<u>50,604</u>
Change in net position	<u>\$ 63,355</u>	<u>\$ 34,230</u>	<u>29,125</u>

Analysis of Financial Position and Results of Operations

As noted earlier, over time, changes in net position may serve as a useful indicator of a government's financial position. The Agency's financial position improved in fiscal year 2013. Net position increased \$63,355 in 2013 for an ending balance of \$480,328 as of December 31, 2013. This increase primarily arises from excess revenues over expenditures from the Agency's contract to provide Title XIX case management / nursing services.

Fund Analysis

The general fund is the only operating fund of OAAA. At the end of the fiscal year, the total fund balance for the general fund equaled \$641,176, an increase of \$70,771 over the prior year. The restricted portion of the general fund is available for future use, limited to restrictions imposed by the Aging and Long Term Support Administration (AL TSA), for use in AL TSA funded programs or in support of its integration of care efforts or implementation of Evidence Based Practices in Home & Community Based Services.

Budget Variances in the General Fund

A condensed summary of OAAA's 2013 original and final budget is presented below along with 2013 actual amounts and a calculated variance to the final budget.

Olympic Area Agency on Aging
Management's Discussion and Analysis
For the Year Ended December 31, 2013

	Original Budget	Final Budget	Actual Amount	Over/ (Under) To Final Budget
General fund balance, January 1, 2013			\$ 570,405	
Revenues	5,932,062	5,886,675	5,617,812	(268,863)
Expenditures	5,932,062	5,861,156	5,547,041	314,115
General fund balance, December 31, 2013	-	25,519	\$ 641,176	45,252

Actual expenditures were less than the final amount budgeted in each program. Since most of the Agency's programs operate under a cost-reimbursement contract, in general, actual revenues were also less than budgeted. The favorable budget variance in the general fund is primarily related to the Title XIX case management / nursing services program.

Economic Factors and Next Year's Budgets

As stated above, the Agency receives most of its funding through DSHS, which includes pass-through funding from federal agencies. Due to the difficult economic environment in recent years, the Agency has received significant cuts in federal and state funding. On a go-forward basis we believe that our funding has stabilized. Additionally, we anticipate an increase in funding from the OAA and various state funded programs over the next three years due to a change in the funding formula resulting from 2010 Census data. However, the discontinuance of the CCM program and its replacement with Health Home services is creating new financial challenges for the Agency. The transitioning of clients from the CCM program to Health Homes is progressing slower than projected and the economics of the Health Home reimbursement rate does not adequately cover current program costs. To address this, we have adjusted staffing and the service model, plus we anticipate improved economies of scale as our client base increases.

Request for Information

This financial report is designed to provide a general overview of OAAA's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, 11700 Rhody Drive, Port Hadlock, WA 98339.

Olympic Area Agency on Aging
Governmental Funds Balance Sheet/Statement of Net Position
As of December 31, 2013

<u>ASSETS</u>	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Cash and cash equivalents	\$ 1,051,200		1,051,200
Accounts receivable - due from other governments (net)	989,454		989,454
Prepaid expenses	17,608		17,608
Total assets	<u>2,058,262</u>		<u>2,058,262</u>
<u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES and FUND BALANCES</u>			
Liabilities:			
Accounts payable	134,894		134,894
Due to other governmental units - DSHS advance	949,170		949,170
Other liabilities	150,266		150,266
Noncurrent liabilities due in more than one year:			
Compensated absences	-	160,848	160,848
Total liabilities	<u>1,234,330</u>	<u>160,848</u>	<u>1,395,178</u>
Deferred inflows of resources:			
Deferred grant revenue	<u>182,756</u>		<u>182,756</u>
<u>FUND BALANCES / NET POSITION</u>			
Fund balances:			
Nonspendable	17,608	(17,608)	-
Restricted	572,568	(572,568)	-
Committed	51,000	(51,000)	-
Total fund balances	<u>641,176</u>	<u>(641,176)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,058,262</u>		
Net position			
Restricted		480,328	480,328
Total net position		<u>\$ 480,328</u>	<u>480,328</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Olympic Area Agency on Aging
Statement of Governmental Fund Revenues, Expenditures and Changes in
Fund Balance/Statement of Activities
For the Year Ended December 31, 2013

	General Fund	Adjustments	Statement of Activities
Expenditures:			
Administration and coordination	\$ 703,514	7,416	710,930
Information technology services	224,817		224,817
Case management services	1,350,531		1,350,531
Information and assistance services	690,672		690,672
Nursing services	707,135		707,135
Other program services	530,188		530,188
Total operational expenditures	<u>4,206,857</u>	<u>7,416</u>	<u>4,214,273</u>
Direct services	<u>1,340,184</u>		<u>1,340,184</u>
Total expenditures	<u>5,547,041</u>	<u>7,416</u>	<u>5,554,457</u>
Program revenues:			
Operating grants	5,602,459		5,602,459
Net program income			<u>48,002</u>
Local funds and miscellaneous	<u>15,353</u>		<u>15,353</u>
Excess of revenues over expenditures	<u>70,771</u>	<u>(7,416)</u>	<u>63,355</u>
Fund balances / net position			
Beginning of the year	570,405	(153,432)	416,973
End of the year	<u>\$ 641,176</u>	<u>(160,848)</u>	<u>480,328</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Olympic Area Agency on Aging
Notes to Financial Statements
For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Olympic Area Agency on Aging (OAAA or the Agency) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described below.

A. Reporting Entity

The Olympic Area Agency on Aging was organized in 1975 under the laws of the Revised Code of Washington (RCW), Chapter 39.34, Interlocal Cooperation Act. It serves as the Area Agency on Aging for the member counties of Clallam, Grays Harbor, Jefferson and Pacific. The Agency is governed by a council of eight county commissioners (the COG), two from each of the member counties.

The purpose of the organization is to assist in the development of a comprehensive and coordinated service system for senior citizens and adults with disabilities. Its major functions relate to the funding, coordinating and planning of these activities, as well as advocating for the needs of these individuals.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement or a particular function or segment.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Grant revenues are recognized as soon as they are both measurable and available. Grant revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, OAAA considers grant revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due. The general fund is operating fund of OAAA. It accounts for all financial resources of the Agency.

Olympic Area Agency on Aging
Notes to Financial Statements
For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

D. Budgetary Information

The Olympic Area Agency on Aging prepares four budgets annually: 1) the Area Plan which budgets all activities on a calendar year basis and is non-contractual; 2) the State/Federal budget which is on the state fiscal year and is contractual; 3) the Older Americans Act (OAA) budget which is on a calendar year and is contractual; and 4) the internal operations budget which is non-contractual. All budgets are prepared on the modified accrual basis.

Area Plan, State/Federal and OAA budget requirements are mandated by the Aging & Long-Term Support Administration (AL TSA), Department of Social and Health Services (DSHS). The State/Federal and OAA budgets, as adopted, constitute the legal authority for expenditures. In general, transfers or revisions are allowed up to 10 percent of the total budget, but supplemental or additional appropriations must be approved by AL TSA. The operating budget and its semi-annual update are approved by the COG. Budgeted expenditures can only exceed budgeted revenues when there is a surplus in the unrestricted fund balance or when the excess expenditures meet the constraints of the restricted fund balance.

E. Assets, Liabilities, Fund Balances and Net Position

1. Cash and Cash Equivalents

The Agency considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents are reported at fair value.

2. Accounts Receivable - Due from Other Governments

Amounts due from other governments are considered to be fully collectible and are stated at gross. No allowance for doubtful accounts has been established.

3. Due to Other Governmental Units – DSHS Advance

The amount due consists of a two-month working capital cash advance from DSHS to cover operating expenditures, including payments to providers.

4. Compensated Absences

Compensated absences are absences for which employees will be paid, such as annual (vacation) and sick leave. Annual leave, which is payable upon resignation, retirement or death, is accrued when earned in the government-wide financial statements. Up to 200 hours of annual leave may be carried over to the next calendar year. Upon resignation or retirement, any outstanding sick leave is lost and therefore not accrued in the government-wide financial statements.

5. Other Liabilities

Other liabilities consist of accrued wages and accrued employee benefits.

Olympic Area Agency on Aging
Notes to Financial Statements
For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

E. Assets, Liabilities, Fund Balances and Net Position, cont.

6. Fund Balance Classification and Details

As required under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Agency's fund balance is classified according to the relative strength of the spending constraints placed on the purpose for which resources can be used:

Nonspendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Management has classified prepaid expenditures as being nonspendable as this item is not expected to be converted to cash.

Restricted: This classification includes amounts for which constraints have been placed on the use of resources from either:

- Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- Imposed by law through constitutional provisions or enabling legislation.

Management has classified the fund balance related to the Medical Assistance Program (Title XIX) and the Home Care Referral Registry as restricted.

Committed: This classification includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the Agency's COG, which is the Agency's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the COG removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Management has classified the Agency's reserve for unemployment compensation as committed.

Assigned: This classification includes spendable amounts that are reported in governmental funds other than the general fund, that are neither restricted nor committed, and amounts in the general fund that are intended to be used for a specific purpose in accordance with the provisions of GASB Statement No. 54. The intent of an assigned fund balance should be expressed by either the Agency's COG, or a subordinate high-level body, such as a finance committee, or an official, such as the executive director, that has the authority to assign amounts to be used for specific purposes. The Olympic Area Agency on Aging did not have any assigned resources at year end.

Unassigned: This classification is the residual fund balance for the general fund. It also represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. When fund balance resources are available for a specific purpose in multiple classifications, the Agency would use funds first in the following order: committed, restricted, assigned, and unassigned as they are needed. However, it reserves the right to selectively spend unassigned resources first and to defer the use of the other classified funds.

Olympic Area Agency on Aging
Notes to Financial Statements
For the Year Ended December 31, 2013

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONT.

F. New Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The Olympic Area Agency on Aging adopted this Statement in 2013.

NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-Wide Statement of Net Position

Items not recorded in the governmental fund balance sheet:

Compensated absences	\$160,848
----------------------	-----------

B. Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

Increase in compensated absences	\$7,416
----------------------------------	---------

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

There have been no material violations of finance-related legal or contractual provisions.

NOTE 4 - DEPOSITS AND INVESTMENTS

The Olympic Area Agency on Aging's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

The office of the Jefferson County Treasurer provides treasury functions for OAAA, including holding funds in an investment account. The Agency does not hold any other investments and therefore does not have a policy for custodial risk.

NOTE 5 - PENSION PLANS

Substantially all OAAA full-time and qualifying part-time employees participate in the following statewide retirement system administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit retirement plans.

Olympic Area Agency on Aging
Notes to Financial Statements
For the Year Ended December 31, 2013

NOTE 5 - PENSION PLANS, CONT.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements No. 27, *Accounting for Pensions by State and Local Government Employers* and No. 50, *Pension Disclosures, an Amendment of GASB Statements No. 25 and No. 27*.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; community and technical colleges, college and university employees not participating in higher education retirement programs; employees of district and municipal courts; and employees of local governments. Approximately 49% of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting purposes: Plan 1, Plan 2/3, and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 defined benefit plan may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2012, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

Olympic Area Agency on Aging
Notes to Financial Statements
For the Year Ended December 31, 2013

NOTE 5 - PENSION PLANS, CONT.

Plan Description, cont.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2% of the average final compensation (AFC) per year of service, but the benefit may not exceed 60% of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3% annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2% of the AFC for each year of service reduced by 2% for each year that the member's age is less than 55. The total benefit is limited to 60% of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3% annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2% of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3% annually.

PERS Plan 2 members who have at least 20 years of service credit and are 55 years of age or older are eligible for early retirement with a reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3% for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5% for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

Olympic Area Agency on Aging
Notes to Financial Statements
For the Year Ended December 31, 2013

NOTE 5 - PENSION PLANS, CONT.

Plan Description, cont.

PERS Plan 2 retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5% to 15% of salaries, based on member choice. Members who do not choose a contribution rate default to a 5% rate.

There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1% of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service, if twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3% for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.
- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5% for each year before age 65.

PERS Plan 3 defined benefit retirement benefits are also actuarially reduced to reflect the choice, if made, of a survivor option.

Olympic Area Agency on Aging
Notes to Financial Statements
For the Year Ended December 31, 2013

NOTE 5 - PENSION PLANS, CONT.

Plan Description, cont.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2% of the AFC per year of service. For Plan 3, the monthly benefit amount is 1% of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3% annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012.

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Non-vested	44,273
Total	263,347

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6% for state agencies and local government unit employees, and at 7.5 % for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5% to 15%.

The methods used to determine the contribution requirements are established under state statute in accordance with chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

Olympic Area Agency on Aging
Notes to Financial Statements
For the Year Ended December 31, 2013

NOTE 5 - PENSION PLANS, CONT.

Funding Policy, cont.

	PERS Plan 1	PERS Plan 2	PERS Plan 3
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Both OAAA and the employees made the required contributions. The Olympic Area Agency on Aging's required contributions for the years ending December 31 were as follows:

	PERS Plan 1	PERS Plan 2	PERS Plan 3
2013	\$ 8,795	\$ 185,432	\$ 12,750
2012	\$ 7,471	\$ 155,570	\$ 14,904
2011	\$ 6,279	\$ 132,911	\$ 12,032

NOTE 6 - RISK MANAGEMENT

The Olympic Area Agency on Aging maintains insurance policies against most normal hazards and has elected to be self-insured for unemployment insurance.

During 2013, OAAA changed insurance providers. Previously, OAAA was a member of the Enduris Risk Pool (Enduris) and, effective September 1, 2013, the Agency obtained insurance coverage from three commercial carriers. General liability and professional liability coverage has limits of \$1,000,000 per occurrence and \$3,000,000 in aggregate, with a \$1,000 deductible. Automobile coverage is limited to \$1,000,000 for each accident with a \$1,000 deductible. In addition, OAAA has a \$4,000,000 (each occurrence and in aggregate) commercial umbrella policy with a \$10,000 retention. Commercial property coverage is in the amount of \$311,750 with a \$1,000 deductible and commercial crime coverage has a maximum limit of \$250,000 with a \$5,000 deductible. Directors & Officers and Employment Practices policies have limits of \$5,000,000 for each claim and in aggregate, with a \$10,000 deductible.

Under Enduris, OAAA had "per occurrence" based policies for all lines of liability coverage with limits of \$10,000,000 for most coverage. Property coverage was written on an "all risk", blanket basis using current Statement of Values. The Agency was liable for the first \$10,000 of each liability loss claim and \$5,000 for each property loss claim. Under the terms of the Master Agreement with Enduris, OAAA remains responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period it was a signatory to the Master Agreement.

Insurance settlements have not exceeded insurance coverage in the past three years.

Olympic Area Agency on Aging
Notes to Financial Statements
For the Year Ended December 31, 2013

NOTE 6 - RISK MANAGEMENT, CONT.

Based on OAAA's history of claims for unemployment compensation, the COG established an unemployment compensation fund with a maximum balance of \$75,000. At December 31, 2013, OAAA estimated the maximum liability for probable losses at \$51,000.

NOTE 7 - LEASES

The Agency leases office buildings under non-cancelable operating leases. The total cost for such leases was \$94,272 for the year ended December 31, 2013. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2014	\$ 94,272
2015	77,826
2016	61,380
2017	-
2018	-
Thereafter	-
Total	\$ 233,478

NOTE 8 - CONTINGENCIES AND LITIGATIONS

The Agency has no known legal obligations which would materially impact the financial position of the Agency.

The Agency participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Agency management believes that such disallowances, if any, will be immaterial.

Olympic Area Agency on Aging
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2013

Source / Use	Original Budget	Final Budget	Actual	Variance to Final Budget Positive (Negative)
Budgetary fund balance, January 1			\$ 570,405	
Revenues:				
Older Americans Act budget	\$ 1,262,462	1,246,606	1,120,176	(126,430)
State/federal budget	3,773,220	3,740,877	3,627,520	(113,357)
Agency Worker's Health Ins. & Caregiver Training	182,080	182,080	226,130	44,050
Miscellaneous grants	714,300	717,112	641,170	(75,942)
Other	-	-	2,816	2,816
Total revenue	<u>5,932,062</u>	<u>5,886,675</u>	<u>5,617,812</u>	<u>(268,863)</u>
Expenditures:				
Administration and coordination	779,297	738,554	703,514	35,040
Information technology services	244,736	244,104	224,817	19,287
Case management services	1,501,304	1,432,140	1,350,531	81,609
Information and assistance services	701,054	693,804	690,672	3,132
Nursing services	751,646	750,859	707,135	43,724
Other program services	546,489	588,199	530,188	58,011
Direct services	<u>1,407,536</u>	<u>1,413,496</u>	<u>1,340,184</u>	<u>73,312</u>
Total expenditures	<u>5,932,062</u>	<u>5,861,156</u>	<u>5,547,041</u>	<u>314,115</u>
Net change	<u>\$ -</u>	<u>25,519</u>	<u>70,771</u>	<u>45,252</u>
Budgetary fund balance, December 31			<u>\$ 641,176</u>	

The Budgetary Comparison Schedule is prepared on the same basis of accounting as the Olympic Area Agency on Aging's (OAAA) financial statements. The OAAA uses the modified accrual basis of accounting.

Olympic Area Agency on Aging
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

Federal Agency Name / Pass-Through Agency Name	Cluster Title / Federal Program Name	CFDA Number	Other Award Number	Expenditures			Foot- note Ref.
				From Pass- Through Awards	From Direct Awards	Total	
U.S. Department of Agriculture / pass - through from WA DSHS	Senior Farmers Market Nutrition Program	10.576	1369-78309	\$ 10,578		\$ 10,578	3 4a
U.S. Department of Labor / pass-through from WA DSHS	Senior Community Service Employment Program	17.235	1239-54794 1369-78309	66,990 63,991		130,981	
U.S. Department of Health and Human Services / pass-through from WA DSHS	Special Programs for the Aging_ Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	1369-64717	4,178		4,178	
U.S. Department of Health and Human Services / pass-through from WA DSHS	Special Programs for the Aging_ Title III, Part D_Disease Prevention and Health Promotion Services	93.043	1369-64717	18,361		18,361	
U.S. Department of Health and Human Services / pass-through from WA DSHS	State-Administered Aging Cluster - Special Programs for the Aging_ Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	1369-64717	502,470		502,470	4b
U.S. Department of Health and Human Services / pass-through from WA DSHS	State-Administered Aging Cluster - Special Programs for the Aging_ Title III, Part C_Nutrition Services	93.045	1369-64717	488,181		488,181	4c
U.S. Department of Health and Human Services / pass-through from WA DSHS	National Family Caregiver Support, Title III, Part E	93.052	1369-64717	131,269		131,269	
U.S. Department of Health and Human Services / pass-through from WA DSHS	State-Administered Aging Cluster - Nutrition Services Incentive Program	93.053	1369-64717	77,855		77,855	4d
U.S. Department of Health and Human Services / pass-through from WA DSHS	Affordable Care Act – Aging and Disability Resource Center	93.517	1369-78478	3,751		3,751	
U.S. Department of Health and Human Services / pass-through from WA DSHS	Affordable Care Act - Medicare Improvements for Patients and Providers	93.518	1369-92666	1,589		1,589	
U.S. Department of Health and Human Services / pass-through from CHOICE Regional Health Network	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges	93.525	HBE-07-09	4,046		4,046	
U.S. Department of Health and Human Services / pass-through from WA DSHS	Affordable Care Act Implementation Support for State Demonstrations to Integrate Care for Medicare- Medicaid Enrollees	93.628	1369-78309	1,818		1,818	

SEE ACCOMPANYING NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Olympic Area Agency on Aging
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

Federal Agency Name / Pass-Through Agency Name	Cluster Title / Federal Program Name	CFDA Number	Other Award Number	Expenditures			Foot- note Ref.
				From Pass- Through Awards	From Direct Awards	Total	
U.S. Department of Health and Human Services / pass-through from WA DSHS	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by 2012 Prevention and Public Health Funds (PPHF-2012)	93.734	1269-63881	38,853		38,853	
U.S. Department of Health and Human Services / pass-through from WA DSHS	Medical Assistance Program	93.778	1239-54794 1369-78309 1069-86653	667,676 662,881 105,709		1,436,266	
U.S. Department of Health and Human Services / pass-through from WA DSHS	Money Follows the Person Rebalancing Demonstration	93.791	1239-54794 1369-78309	4,167 4,231		8,398	
Total Federal Awards Expended				\$ 2,858,594	\$ -	\$ 2,858,594	

SEE ACCOMPANYING NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Olympic Area Agency on Aging
Notes to The Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2013

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the Olympic Area Agency on Aging's (OAAA) financial statements. The Olympic Area Agency on Aging uses the modified accrual basis of accounting.

NOTE 2 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal portion of the program costs. Entire program costs, which include OAAA's portion, may be more than shown.

NOTE 3 – NONCASH AWARDS – SFMNP VOUCHERS

The amount reported as current year expenditures for the Senior Farmers Market Nutrition Program (SFMNP) includes \$9,560 of food vouchers, for which OAAA is responsible for distribution oversight. The vouchers are priced by the state of Washington Aging & Long-Term Support Administration.

NOTE 4 – AMOUNTS AWARDED TO SUBRECIPIENTS

The following chart details the amount of total federal expenditures that were passed through to a subrecipient that administered its own project:

Footnote Reference	Program Name	Amount Passed Through to Subrecipient
4a	Senior Farmers Market Nutrition Program	\$10,578
4b	Title III, Part B, Grants for Supportive Services and Senior Centers	\$84,238
4c	Title III, Part C, Nutrition Services	\$439,986
4d	Nutrition Services Incentive Program	\$77,855

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.

Contact information for the State Auditor's Office	
Deputy Director for Communications	Thomas Shapley Thomas.Shapley@sao.wa.gov (360) 902-0367
Public Records requests	(360) 725-5617
Main telephone	(360) 902-0370
Toll-free Citizen Hotline	(866) 902-3900
Website	www.sao.wa.gov