



**Washington State Auditor's Office**

Government that works for citizens

## **Financial Statements and Federal Single Audit Report**

# **Lewis Mason Thurston Area Agency on Aging**

**Thurston County**

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

**Published July 18, 2016**

**Report No. 1017056**





## Washington State Auditor's Office

July 18, 2016

Council  
Lewis Mason Thurston Area Agency on Aging  
Olympia, Washington

### **Report on Financial Statements and Federal Single Audit**

Please find attached our report on the Lewis Mason Thurston 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 black ink that reads "Troy X. Kelley".

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### **Lewis Mason Thurston Area Agency on Aging Thurston County January 1, 2015 through December 31, 2015**

#### **SECTION I – SUMMARY OF AUDITOR’S RESULTS**

The results of our audit of the Lewis Mason Thurston Area Agency on Aging are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### **Financial Statements**

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, each major fund and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United States of America (GAAP).

##### **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 in accordance with 2 CFR 200.516(a).

### **Identification of Major Federal Programs:**

The following programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster 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 the Uniform Guidance, was \$750,000.

The Agency qualified as a low-risk auditee under the Uniform Guidance.

## **SECTION II – FINANCIAL STATEMENT FINDINGS**

None reported.

## **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None reported.

**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**

**Lewis Mason Thurston Area Agency on Aging  
Thurston County  
January 1, 2015 through December 31, 2015**

Council of Governments  
Lewis Mason Thurston Area Agency on Aging  
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 governmental activities, each major fund and the aggregate remaining fund information of the Lewis Mason Thurston Area Agency on Aging, Thurston County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated June 28, 2016. As discussed in Note 1 to the financial statements, during the year ended December 31, 2015, the Agency implemented Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. As discussed in Note 1 to the financial statements, the Agency also elected to change its basis of accounting from a special purpose framework to generally accepted accounting principles during the year ended December 31, 2015.

**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.

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TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

June 28, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH THE UNIFORM GUIDANCE**

**Lewis Mason Thurston Area Agency on Aging  
Thurston County  
January 1, 2015 through December 31, 2015**

Council of Governments  
Lewis Mason Thurston Area Agency on Aging  
Olympia, Washington

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL  
PROGRAM**

We have audited the compliance of the Lewis Mason Thurston Area Agency on Aging, Thurston County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Agency's major federal programs for the year ended December 31, 2015. The Agency's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2015.

### **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 the Uniform Guidance, 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 the Uniform Guidance. 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 black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

June 28, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Lewis Mason Thurston Area Agency on Aging Thurston County January 1, 2015 through December 31, 2015**

Council of Governments  
Lewis Mason Thurston Area Agency on Aging  
Olympia, Washington

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

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lewis Mason Thurston Area Agency on Aging, Thurston County, Washington, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed on page 16.

### **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 respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Lewis Mason Thurston Area Agency on Aging, as of December 31, 2015, and the respective 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, the Agency has elected to change its method of accounting from a special purpose framework to generally accepted accounting principles during the year ended December 31, 2015. Our opinion is not modified with respect to this matter.

As discussed in Note 1 to the financial statements, in 2015, the Agency adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. 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 17 through 22, budgetary comparison information on page 44 and pension plan information on pages 45 through 48 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 Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 June 28, 2016 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.

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TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

June 28, 2016

## **FINANCIAL SECTION**

### **Lewis Mason Thurston Area Agency on Aging Thurston County January 1, 2015 through December 31, 2015**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2015

#### **BASIC FINANCIAL STATEMENTS**

Governmental Funds Balance Sheet/Statement of Net Position – 2015  
Statement of Revenues, Expenditures and Changes in Fund Balances/  
Statement of Activities – 2015  
Statement of Fiduciary Net Position – 2015  
Statement of Changes in Fiduciary Net Position – 2015  
Notes to Financial Statements – 2015

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule – General Fund – 2015  
Schedules of Proportionate Share of the Net Pension Liability – PERS 1 – 2015  
Schedules of Proportionate Share of the Net Pension Liability – PERS 2/3 – 2015  
Schedules of Employer Contributions – PERS 1 – 2015  
Schedules of Employer Contributions – PERS 2/3 – 2015

#### **SUPPLEMENTARY AND OTHER INFORMATION**

Schedule of Expenditures of Federal Awards – 2015  
Notes to the Schedule of Expenditures of Federal Awards – 2015



# **Lewis Mason Thurston Area Agency on Aging Management Discussion and Analysis For the Year Ended December 31, 2015**

We offer this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2015. We present this information in conjunction with the information included in our financial statements, which follow.

## **Financial Highlights**

- Lewis Mason Thurston Area Agency on Aging (LMTAAA) liabilities exceeded assets by \$1,441,877 (reported as total net position). This change in net position was a result of application of GASB Statement 68 and the recognition of a net pension liability of \$2,610,644.
- The LMTAAA's total net position decreased by \$2,327,609. Current year revenue exceeded expenditures by \$ 41,560; and the application of GASB 68 change in accounting principle reduced net position by \$2,369,169.
- At the end of the fiscal year, the LMTAAA's governmental funds reported a combined fund balance of \$1,195,714. That represents a \$ 246,681 increase compared to the prior year.
- The LMTAAA's total outstanding long-term liabilities increased by \$2,631,120; \$2,610,644 is the GASB 68 net pension liability and \$ 20,476 is an increase of the accrual for compensated absences.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the LMTAAA's basic financial statements. The LMTAAA's basic financial statements include 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 also contains other supplementary information. (Note: rounding differences may show slight (\$1) differences in some values across different statements herein.)

The LMTAAA has one governmental fund and two private purpose trust funds. No significant changes occurred in the private purpose funds in 2015. They are named the Special Assistance Fund and the Flexible Spending Account Fund respectively.

The LMTAAA financial statements present the governmental funds statements in the left column and the government-wide statements in the far right column. No separate fund financial statements are included in this report. The adjustment columns are the reconciliation of the difference between the statements.

## **Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the LMTAAA's finances, in a manner similar to a private sector business.

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal 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 alternative 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 LMTAAA, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the LMTAAA are considered to be governmental funds.

### **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 and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Liabilities of the Lewis Mason Thurston Area Agency on Aging exceeded assets by \$1,441,877 (reported as total net position). Of this amount, (\$1,846,957) was reported as unrestricted net position.

**Lewis Mason Thurston Area Agency on Aging  
Net Position /Governmental Activities  
December 31, 2015**

	2015	2014	Increase (Decrease)
<b>Assets</b>			
Current	\$2,397,482	\$2,105,468	\$ 292,014
Net Investment in Capital Assets	126,368	123,615	2,753
<b>Total Assets</b>	<b>\$2,523,850</b>	<b>\$2,229,083</b>	<b>\$ 294,767</b>
<b>Deferred Outflows of Resources</b>			
<b>Deferred Outflows Related to Pensions</b>	<b>\$ 456,597</b>	<b>\$ 0</b>	<b>\$ 456,597</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$2,980,447</b>	<b>\$2,229,083</b>	<b>\$ 751,365</b>
<b>Liabilities</b>			
Current Liabilities	\$1,201,767	\$1,156,434	\$ 45,333
Noncurrent Liabilities	207,391	186,916	20,475
Net Pension Liability	2,610,644		2,610,644
<b>Total Liabilities</b>	<b>\$4,019,802</b>	<b>\$1,343,350</b>	<b>\$ 2,676,452</b>
<b>Deferred Inflows of Resources</b>			
Deferred Inflows Related to Pensions	\$ 402,521	\$ 0	\$ 402,521
<b>Total Liabilities and Deferred Outflow of Resources</b>	<b>\$4,422,323</b>	<b>\$1,343,350</b>	<b>\$3,078,974</b>
<b>Net Position:</b>			
Net Investment in Capital Assets	\$ 126,368	\$123,615	\$ 2,753
Restricted	278,712	269,436	9,276
Unrestricted	(\$1,846,957)	492,682	(\$2,339,639)
<b>Total Net Position</b>	<b>(\$1,441,877)</b>	<b>\$885,733</b>	<b>(\$2,327,609)</b>

The LMTAAA earns revenue by performing services on a contractual basis for the Department of Social and Health Services (98.8%), the Multi-purpose Center of Federal Way (.8%) and other sources (.4%). All contracts require that the revenue earned be used to provide services under the contract. The LMTAAA does not have any taxing authority nor does it have any direct grants.

Revenues were higher than expenditures in 2015. Expenditures associated with Title XIX Case Management/Nursing program were lower than fees received on the unit rate basis.

However, some of that gain was offset in that expenditures associated with our Health Home Care Coordination Organization program were higher than fees received on the unit rate basis.

The LMTAAA statement of activities reported a decrease of \$2,327,609 in Total Net Position in comparison with the prior year. The decrease was largely the result of the implementation of GASB Statement 68.

### Financial Analysis of the Government's Funds

The general fund is the only operating fund of the LMTAAA. At the end of the fiscal year, total fund balance for the general fund equaled \$1,195,714 all except \$56,973 of it available to spend. The general fund balance increased by \$246,682 in calendar year 2015. The difference of \$205,121 between government-wide net position and governmental fund balance is described in the Notes to the Financial Statements (Note 2 Reconciliation of Government –Wide and Fund Financial Statements.)

#### Lewis Mason Thurston Area Agency on Aging Change in Governmental Fund Balance For the Year Ended 12/13/15

	2015	2014	Increase (Decrease)
<b>Revenues:</b>			
Federal Indirect Grant Revenue	\$3,496,877	\$3,128,932	\$ 367,945
State Grant Revenue	3,387,332	3,298,688	88,644
General Revenue	39,630	75,030	(35,400)
<b>Total Revenue</b>	<b>\$6,923,839</b>	<b>\$6,502,650</b>	<b>\$ 421,189</b>
<b>Expenditures</b>			
Current:			
Salaries	\$2,976,258	\$2,749,893	\$ 226,365
Benefits	1,141,709	1,043,251	98,458
Supplies	70,787	89,485	(18,698)
Other	702,517	626,761	75,757
Provider subcontracts	1,735,715	1,679,134	56,582
Capital Outlays	50,171	82,657	(32,485)
<b>Total Expenditures</b>	<b>\$6,677,157</b>	<b>\$6,271,180</b>	<b>\$ 405,978</b>
<b>Change in Fund Balance</b>	<b>\$246,682</b>	<b>\$231,470</b>	<b>\$ 15,212</b>
<b>Adjustment</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>
Fund Balance as of January 1	\$949,032	\$717,562	\$ 231,470
<b>Fund Balance as of December 31</b>	<b>\$1,195,714</b>	<b>\$949,032</b>	<b>\$ 246,682</b>

## **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

## **Other required information**

In addition to this discussion and analysis, these reports also present required supplementary information on budgetary comparisons.

## **Budgetary Highlights**

The LMTAAA budgets anticipated expenditures to equal anticipated revenues from specific funding sources. Variance(s) will occur as actual expenditures are realized. In addition, other unanticipated revenues and interest earnings are not budgeted, and may be expended according to accompanying mandate or at the discretion of the agency.

Differences between the original budget and the final amended budget reflect initial funding amounts versus full funding amounts and adjustments to incorporate changes in available funding for specific activities. Total actual revenues were greater than final amended budget by \$164K. OAA actual revenues were under budget by \$25K due to services not meeting targeted levels. State actual revenues were over budget by \$24K due to end of state fiscal year allocations LMTAAA received.

HHS actual revenues were over budget by \$222K due to an increased Title XIX caseload. Other actual revenues were under budget by \$16K due to a number factors including expired/discontinued private revenue opportunities. Lastly, actual Local Contributions were less than budgeted by \$10K due to the stronger overall revenues for the year.

Total actual expenditures were under final amended budget by \$30K. Of that, actual payroll expenditures were more than the final amended budget by \$58K due to addition of staff supporting increased volumes whereas actual Provider subcontract expenditures were less than budgeted by \$26K due to some contracted services not meeting budgeted levels.

## **Economic Factors and Next Year's Budgets and Rates**

- Revenue forecasts for the 2016-18 Biennium reflect limited growth in State General Fund revenues.
- Federal funds awarded under Older Americans Act are expected to increase in 2016, due to the impacts of the DSHS ALTSA 2010 census allocation formula update.
- Employment within Washington State is expected to remain good, with the overall rate of employment growth for the next several years almost the same as the employment growth rate nationwide.

Since a substantial percentage (99.6%) in calendar year 2015) of LMTAAA's revenues are state or federal resources, LMTAAA governing board members and management will consider these factors in preparing the LMTAAA's budget for future years.

## **Requests for Information**

This financial report is designed to provide a general overview of the LMTAAA'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 Executive Director, 2404 Heritage Ct SW, Suite A, Olympia, WA 98502.

**Budget Variances in the general fund**

The LMTAAA budgets anticipated expenditures to equal anticipated revenues from specific funding sources. Variance(s) will occur as actual expenditures are realized. In addition, other unanticipated revenues and interest earnings are not budgeted, and may be expended according to accompanying mandate or at the discretion of the agency.

**Lewis Mason Thurston Area Agency on Aging**  
**Governmental Funds Balance Sheet / Statement of Net Position**  
**December 31, 2015**

	Governmental Funds		Statement of
<b><u>ASSETS</u></b>	Balance Sheet	Adjustments	Net Position
Cash	\$549,859		\$549,859
Receivables	1,789,342		1,789,342
Interest Receivable	1,307		1,307
Prepaid Expense	56,973		56,973
Capital Assets (Net) (see Note 5)		\$126,368	126,368
<b>TOTAL ASSETS</b>	<b>\$2,397,481</b>	<b>\$126,368</b>	<b>\$2,523,849</b>
 <b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>			
Deferred Outflows of Resources - Pension		\$ 456,597	\$ 456,597
 Total Assets and Deferred Outflow of Resources	 \$2,397,481	 \$ 582,965	 \$2,980,446
 <b><u>LIABILITIES AND FUND EQUITY</u></b>			
Vouchers Payable	\$178,150		\$178,150
Due to Other Governments	1,023,617		1,023,617
Non-current liabilities:			
Compensated Absences		\$ 207,391	207,391
Net Pension Liability		2,610,644	2,610,644
<b>TOTAL LIABILITIES</b>	<b>\$1,201,767</b>	<b>\$2,818,035</b>	<b>\$4,019,802</b>
 <b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred Inflows of Resources – Pension		\$ 402,521	\$ 402,521
 <b><u>FUND BALANCES/NET POSITION</u></b>			
<b>Fund Balances</b>			
Non-spendable:			
Prepaid Expenses	\$56,973	(\$56,973)	
Restricted For:			
TXIX Medicaid/Aging Network	265,605	(265,605)	
Resource Directory	0		0
Senior Farmer's Market Nutrition Program	10,279	(10,279)	
Aging Readiness	2,828	(2,828)	
Family Caregiver Support Program	0		0

Committed to:		
Alternative Leave	207,392	(207,392)
Assigned To:		
Contingency Reserve	593,625	( 593,625)
2015 Nutrition Program Support	30,000	( 30,000)
2015 Other Area Plan Activity Support	4,500	( 4,500)
Unassigned	24,511	( 24,511)
<b>Total Fund Balances</b>	<b>\$1,195,714</b>	<b>( \$1,195,714)</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$2,397,481</b>	

#### NET POSITION

Net Investment in Capital Assets	\$126,368	\$126,368
Restricted	\$278,713	\$278,713
Unrestricted	( \$1,846,958)	( \$1,846,958)
<b>Total Net Position</b>	<b>( \$1,441,877)</b>	<b>( \$1,441,877)</b>

The accompanying notes are an integral part of this statement.



**Lewis Mason Thurston Area Agency on Aging**  
**Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances/Statement of Activities**  
**For the Year Ended December 31, 2015**

	General Fund	Adjustments	Statement of Activities
<b>Expenditures:</b>			
Current:			
Salaries	\$2,976,257	20,476	\$2,996,733
Benefits	1,141,709	187,398	1,329,107
Supplies	70,787		70,787
Other	702,517		702,517
Provider subcontracts	1,735,715		1,735,715
Depreciation/Amortization		\$47,418	47,418
Capital Outlays	50,171	(\$ 50,171)	\$0
<b>Total Expenditures</b>	<b>\$6,677,157</b>	<b>\$ 205,121</b>	<b>\$6,882,278</b>
<b>Revenues:</b>			
Federal Program Revenue	\$3,496,877		\$3,496,877
State Program Revenue	3,387,332		3,387,332
Other Revenue	18,014		18,014
Investment Earnings	7,428		7,428
Local Funds	14,188		14,188
<b>Total Revenue</b>	<b>\$6,923,839</b>		<b>\$6,923,839</b>
<b>Excess(deficiency) of Revenue over(under) Expenditures</b>	<b>\$ 246,682</b>	<b>(\$ 205,121)</b>	<b>\$ 41,560</b>
<b>Fund Balances/Net position</b>			
Beginning of the Year	\$ 949,032	(\$ 63,301)	\$ 885,732
Accounting Change – GASB68			( 2,369,169)
End of the Year	<b>\$1,195,714</b>	<b>(\$ 268,422)</b>	<b>(\$1,441,877)</b>

**The accompanying notes are an integral part of this statement.**

**LMTAAA Private Purpose Trust Funds**  
**Statement of Fiduciary Net Position**  
**December 31, 2015**

**ASSETS**

Special Assistance Fund	\$ 27,004
Flexible Spending Account	1,955
Cash	<u>\$ 28,959</u>

**NET POSITION**

Special Assistance Fund	\$ 27,004
Flexible Spending Account	1,955
Total Held in Trust	<u><u>\$ 28,959</u></u>

**LMTAAA Private Purpose Trust Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the Year Ended December 31, 2015**

	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>	
Special Assistance Fund Revenue	\$ 10,401
Flexible Spending Account Revenue	<u>26,238</u>
<b>TOTAL ADDITIONS</b>	<u>\$ 36,639</u>
<b>DEDUCTIONS</b>	
Special Assistance Fund Disbursement	\$ 10,000
Flexible Spending Account Disbursement	<u>28,006</u>
<b>TOTAL DEDUCTIONS</b>	<u>\$ 38,006</u>
<b>NET DECREASE IN NET POSITION</b>	\$ ( 1,367)
<b>NET POSITION-BEGINNING</b>	30,326
<b>NET POSITION-ENDING</b>	<u>\$28,959</u>

The accompanying notes are an integral part of this statement.

# NOTES TO FINANCIAL STATEMENTS

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the LMTAAA 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 Lewis Mason Thurston Area Agency on Aging (LMTAAA) was incorporated in 1976 and operates under the Inter-local Cooperation Act of the state of Washington applicable to Council of Governments.

The LMTAAA is a federally created, state designated, political subdivision, organized to assist in the development of a comprehensive and coordinated service system for senior citizens. Its major functions are funding, coordinating, planning, providing direct services and advocating, to bring about this system.

Through a process of public hearings, surveys, research, and implementation of federal and state law and policies, an annual area plan is developed detailing the services to be provided and the issues to be worked on. A small professional staff operates the Agency, which provides or contracts for the provision of services to eligible individuals. Contracted services are delivered by a variety of private and public non-profit and for profit organizations. A consumer based advisory council offers guidance to staff.

The LMTAAA is responsible to the federal Administration for Community Living and the Washington State Department of Social and Health Services (DSHS), Aging and Long Term Support Administration, which oversees the Area Plan. Locally the Agency is governed by a Council of Governments created collectively by the counties of Lewis, Mason and Thurston.

The LMTAAA has no component units.

### 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 government-wide Statement of Activities has been combined with the Governmental General Fund Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances. This statement demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is not to allocate indirect costs to a specific function or segment. Fiduciary funds are not included in the government-wide statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues from specific funding sources 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. Revenues are recognized as soon as they are both measurable and available. 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, the LMTAAA considers 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. Investment and service contract earnings of the current period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The general fund is the operating fund and is the only governmental fund reported.

Fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recognized when earned and expenses when incurred. LMTAAA accounts for two private-purpose trust funds: The Special Assistance Fund is used to account for contributions received from community members on behalf of needy seniors. The Flexible Spending Account accounts for funds deducted from employee paychecks used to pay claims approved for reimbursement. The Flexible Spending Account balance on the Statement of Fiduciary Net Position is equal to the cash balance available as of December 31 each year. While this is a departure from GAAP, the difference is not material.

When both restricted and unrestricted resources are available for use, it is the LMTAAA's policy to use restricted resources first, then unrestricted resources as needed.

## **D. Budgetary Information**

### **Scope of Budget**

The LMTAAA prepares four budgets annually: the Area Plan which budgets all activities on a calendar year and is non-contractual; the State/Federal budget which is on the state fiscal year and is contractual; the Ombudsman Program budget which is on the state fiscal year and is contractual; and the Older American Act budget which is on a calendar year and is contractual. The LMTAAA also prepares a two year budget for the Home Care Referral Registry Program on a state fiscal year basis and is contractual. In addition, certain budgetary amounts may be provided to Thurston County as expenditure authorization limits for their processing of LMTAAA's vendor payments and is non-contractual. All budgets are prepared on the accrual basis.

The Area Agency on Aging's budget requirements are mandated primarily by the Washington State Department of Social and Health Services, Aging and Long Term Support Administration (ALTSA) and the Older Americans Act. The contracted budgets are the legal basis for expenditures. ALTSA must approve supplemental appropriations and other major changes. Up to 10% of Older American's Act appropriations can be carried over in to the subsequent calendar year. Title XIX and state funded program appropriations cannot be carried over.

### **Indirect Awards**

Older Americans Act – all people over the age of 60 are eligible to receive services provided by the Older Americans Act. The program is aimed at serving low-income, frail, and isolated elderly and others most in need of service. Programs under the Older Americans Act are identified by title as follows:

Title 3B provides funds for social and support services.

Title 3C-1 provides funds for congregate meals.

Title 3C-2 provides funds for home delivered meals.

Title 3D provides funds for specific in-home services.

Title 3E provides funds for family caregivers.

Title 7B provides funds for abuse prevention

Title XIX is matched with state funds and used to provide the Community Options Program Entry System (COPES) services, case management services, personal care services and nurse consultation for Title XIX clients.

Nutrition Services Incentive Program (NSIP) provides funds for the purchase of food to be used in the congregate and home delivered nutrition programs.

Medicare Improvement for Patients and Providers Act provides outreach and assistance for elderly and disabled individuals eligible for specified Medicare programs. (This program was not funded in 2015.)

### **State Awards**

Senior Citizen Services Act provides a variety of social services. Some programs require client participation on a sliding fee scale and some are provided on a donation basis.

Family Caregiver provides funds for services to unpaid caregivers providing services to family members.

Kinship Caregiver Support Program provides funds for emergent needs of caregivers and their dependents.

Kinship Navigator Program provides kinship caregivers with information and assistance in navigating the system of services for children cared for by relatives and reduces barriers faced by kinship caregiver when accessing services.

Senior Drug Education provides funds to inform and educate about safe and appropriate use of prescription and nonprescription medications.

Senior Farmer's Market Nutrition Program provides vouchers to seniors for use at farmer's markets and basic food and nutrition education.

The Executive Director is authorized to transfer certain budgeted amounts between programs and/or funding sources; however, any revisions that alter the total expenditures of the Area Agency, amend a contracted budget, or that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the Council of Governments. When the Council of Governments determines that it is in the best interest of the LMTAAA to amend a contracted budget, it may do so by resolution approved by a minimum of two commissioners.

## **E. Assets, Liabilities and Equities**

### **1. Cash**

It is the LMTAAA's policy to invest all temporary cash surpluses. At December 31, 2015, the Thurston County Treasurer was holding \$ 549,117 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash in the General Fund. Earnings on investments are credited to the General Fund.

Through the Thurston County Treasurer, the LMTAAA's surplus cash balances 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).

### **2. Investments (See Note 4 – Deposits and Investments)**

### **3. Receivables**

The Receivables amount shown of \$1,789,342 is made up of the following two items:

1. Customer accounts receivable of \$ 10,240 which consist of amounts owed by non-profit organizations for services billed through December 31, 2015.
2. Amounts Due from Other Governments of \$1,779,102 which consists of amounts billed to DSHS for services rendered for which payment had not been received at December 31, 2015 but which was expected within 60 days.

The Accrued Interest Receivable of consists of amounts earned on investments, notes, and contracts at the end of the year.

### **4. Prepaid Assets**

LMTAAA accounts for prepaid assets using the consumption method. The purchase is reported as an asset and the recognition of the expenditure is deferred until the period in which the expense is actually incurred.

## 5. Amounts Due to Other Governmental Units

These amounts include funds due to State of Washington, Department of Social and Health Services (DSHS), for a two-month working capital advance of service dollars. Additional funds may be requested under this agreement with the submittal of Documentation of Funds as required by DSHS Office of Accounting Services.

## 6. Capital Assets (See Note 5 – Capital Assets and Depreciation)

Capital assets, which include property, plant, and equipment, are reported net on the Statement of Net Position. Capital assets are defined by the LMTAAA as assets with an initial, individual cost of more than \$2,500 and an estimated useful life in excess of one year. Also included are attractive assets with a value greater than \$100. These items that have a high risk for loss, for example laptop computers. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Computers	4 years
Office Equipment	4 years
Office Furniture	7 years

## 7. Compensated Absences

Compensated absences are absences for which employees will be paid, such as alternative leave and compensatory time. All alternative leave and compensatory time are accrued when incurred in the government-wide financial statements. Alternative leave pay, which may be accumulated up to 1,480 hours, is payable up to 240 hours upon termination of employment. Compensatory time, an alternative to overtime pay, is accrued at time and a half up to a maximum of 120 hours, and is also payable upon termination of employment.

## 8. Fund Balance

The LMTAAA Council of Governments (COG) adopted Resolution No. 15-01 directing LMTAAA to account for fund balance amounts as non-spendable, restricted, committed, assigned or unassigned in accordance with the Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions.

### Fund Balance Classification

Non spendable fund balance includes items that cannot be spent. This amount of \$56,973 includes rents and other prepaid insurance expenses.

Restricted fund balance of \$278,712 represents resources that are available to spend subject to externally enforceable legal restrictions on how they may be used. \$265,605 is restricted for Title XIX Medicaid or Aging Network Programs and \$10,279 is restricted for Senior Farmers Market Nutrition Program and \$2,828 is for the Aging Readiness program. LMTAAA considers restricted or unrestricted amounts have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Committed fund balance is resources constrained by limitations that the government imposes upon itself at the highest level of decision making through formal action of the LMTAAA COG via resolution, contract signing, and/or policy approval. Once adopted, signed, or approved, the limitation imposed by the resolution/contract/policy remains in place until a similar action



is taken to remove or revise the limitation. At year end, \$207,391 is committed for alternative leave accrual.

Assigned fund balance reflects a government's intended use of resources. The LMTAAA COG approves the LMTAAA Area Plan document and budget each year. In these documents, Management assigns amounts to specific purposes. Unlike fund commitments, these amounts and purposes only exist temporarily. Additional formal action does not normally have to be taken for the removal of an assignment. At year end, Management has assigned \$34,500 to support our approved 2016 Area Plan objectives including \$30,000 for our Senior Nutrition program and \$2,500 for the United Way RSVP and \$2,000 for Senior Companion program.

Assigned fund balance - Minimum fund balance  
LMTAAA COG Resolution 15-01 directs LMTAAA to maintain a minimum General Fund Contingency Reserve. The Contingency Reserve will be classified as Assigned Fund Balance and is intended to be used in the event of unanticipated circumstances, such as natural disaster, a lawsuit, a federal or state temporary shutdown, unexpected significant budget cuts, or unanticipated replacement of infrastructure such as computer networks or telephone systems. Management has assigned a target to maintain a fund balance of no less than 5% of annual expenditures. Movement of funds in and out of this reserve is at the discretion of the Executive Director and is reported to the governing board at their next scheduled meeting. All accounting adjustments to Fund Balances will take place at the end of the fiscal year and will be authorized by the Fiscal Director and approved by the Executive Director.

Unassigned fund balance is the residual amount not included in the four categories described above.

LMTAAA considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

## **NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

The LMTAAA is compliant with all finance-related legal or contractual provisions.

## **NOTE 3 - DEPOSITS AND INVESTMENTS**

### **A. DEPOSITS**

LMTAAA receives money in the form of Electronic Funds Transfers (EFTs) and paper checks. All EFTs and most checks are deposited into the Thurston County Treasurer's account at Key Bank and are insured by federal depository insurance (FDIC). A small amount of money is also received in the form of checks and cash and is deposited into a separate bank account for the Special Assistance Fund at the Bank of America. Voluntary payroll deductions for the Flexible Spending Account benefit program are deposited into an insured account, also at Bank of America.

## B. INVESTMENTS

All surplus funds of the Lewis Mason Thurston Area Agency on Aging are invested by the Thurston County Treasurer in accordance with county investment policies. These policies are available from the Thurston County Treasurer.

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

## NOTE 4 – CAPITAL ASSETS, DEPRECIATION AND AMORTIZATION

Although depreciation of capital assets is not recorded in governmental funds, straight-line depreciation is calculated for presentation purposes and accumulated depreciation is recorded in the capital assets reported on the Statement of Net Position. Capital assets activity for the year ended December 31, 2015 was as follows:

	Beg. Balances	Additions	Adjustments	Retirements	Ending Balances
Furniture, fixtures and equipment	254,703	\$ 48,100	0	(21,960)	280,843
Less accumulated depreciation	(159,999)	(39,031)	0	21,960	(177,070)
Furniture, fixtures, and equipment, Net	94,704	9,069	0	0	103,773
Leasehold Improvements	35,686	2,072	0	0	37,758
Less Accumulated Amortization	(6,775)	(8,388)	0	0	(15,163)
Leasehold Improvements, Net	28,911	(6,316)	0	0	22,595
NET TOTALS	\$123,615	\$ 2,753	\$ 0	\$ 0	\$126,368

## NOTE 5 - PENSION PLANS

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

The following table represents the aggregate pension amounts for all plans subject to the requirements of the GASB Statement 68, *Accounting and Financial Reporting for Pensions* for the year 2015:

<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$ 2,610,644
Pension assets	\$
Deferred outflows of resources	\$ 456,597
Deferred inflows of resources	\$ 402,521
Pension expense/expenditures	\$ 484,866

## **State Sponsored Pension Plans**

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (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 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

## **Public Employee's Retirement System (PERS)**

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

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

## Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>PERS Plan 1</b>		
<b>Actual Contribution Rates:</b>	<b>Employer</b>	<b>Employee*</b>
January through June 2015	9.21%	6.00%
July through December 2015	11.18%	6.00%

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

The LMTAAA's actual contributions to the plan were \$130,215 for the year ended December 31, 2015.

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

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

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

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a

minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

### Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2015 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
January through June 2015	9.21%	4.92%
July through December 2015	11.18%	6.12%
Employee PERS Plan 3		varies

\* For employees participating in JBM, the contribution rate was 15.30%

The LMTAAA's actual contributions to the plan were \$167,253 for the year ended December 31, 2015.

### **Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2015 with a valuation date of June 30, 2014. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2014 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2015. Plan liabilities were rolled forward from June 30, 2014, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. The OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100 percent Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

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

- The OSA updated demographic assumptions, consistent with the changes from the *2007-2012 Experience Study Report*, used when valuing the PERS 1 and TERS 1 Basic Minimum COLA.
- The OSA corrected how valuation software calculates a member's entry age under the entry age normal actuarial cost method. Previously, the funding age was rounded, resulting in an entry age one year higher in some cases.
- For purposes of calculating the Plan 2/3 Entry Age Normal Cost contribution rates, the OSA now uses the current blend of Plan 2 and Plan 3 salaries rather than using a long-term membership assumption of two-thirds Plan 2 members and one-third Plan 3 members.
- The OSA changed the way it applies salary limits, as described in the *2007-2012 Experience Study Report*.

## **Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.5 percent.

To determine that rate, an asset sufficiency test included an assumed 7.7 percent long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

## **Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. The Washington State Investment Board (WSIB) used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5 percent

approximately equals the median of the simulated investment returns over a 50-year time horizon.

### Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-Term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	<b>100%</b>	

### Sensitivity of NPL

The table below presents the LMTAAA's proportionate share\* of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the LMTAAA's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5 percent) or 1-percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 1,688,780	\$ 1,387,086	\$ 1,127,656
PERS 2/3	\$ 3,577,746	\$ 1,223,558	\$ ( 578,956)

### Pension Plan Fiduciary Net Position

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

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

At June 30, 2015, the LMTAAA reported a total pension liability of \$ 2,610,644 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	\$ 1,387,086
PERS 2/3	\$ 1,223,558



At June 30, the LMTAAA's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/14	Proportionate Share 6/30/15	Change in Proportion
PERS 1	% 0.022783	% 0.026517	% 0.003734
PERS 2/3	% 0.029333	% 0.034244	% 0.004911

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

The collective net pension liability (asset) was measured as of June 30, 2015, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2014, with update procedures used to roll forward the total pension liability to the measurement date.

### Pension Expense

For the year ended December 31, 2015, the LMTAAA recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 293,698
PERS 2/3	\$ 191,168
TOTAL	\$ 484,866

### Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2015, the LMTAAA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Net difference between projected and actual investment earnings on pension plan investments	\$	\$ 75,889
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$ 72,219	\$
TOTAL	\$ 72,219	\$ 75,889



<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 130,065	\$ 326,632
Net difference between projected and actual investment earnings on pension plan investments	\$	\$
Changes of assumptions	\$ 1,971	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 158,019	\$
Contributions subsequent to the measurement date	\$ 94,323	\$
<b>TOTAL</b>	<b>\$ 384,378</b>	<b>\$ 326,632</b>

Deferred outflows of resources related to pensions resulting from the LMTAAA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended December 31:</b>	<b>PERS 2/3</b>
2016	\$ 46,476
2017	\$ 46,476
2018	\$ 46,476
2019	\$ 18,591
2020	\$
Thereafter	\$

## **NOTE 6 - RISK MANAGEMENT**

Lewis-Mason-Thurston Area Agency on Aging is insured by Enduris, formerly the Washington Governmental Entities Pool (WGEP). Coverage consists of the following:

<b>Type of Coverage</b>	<b>Amount of Coverage</b>	<b>Deductible</b>
Comprehensive General Liability	\$ 20,000,000	\$ 5,000
Auto Liability	\$ 20,000,000	\$ 5,000
Public Official Errors & Omissions Liability	\$ 20,000,000	\$ 5,000
Terrorism Liability	\$ 500,000	\$ 5,000
Cyber Coverage	\$ 2,000,000	20% co-pay
Employment Practices Liability	\$ 20,000,000	20% co-pay
Crime / Faithful Performance of Duty	\$ 250,000	\$ 5,000
Identity Fraud Expense Reimbursement	\$ 25,000	N/A

Washington State DSHS Aging & Disability Services Administration, MPH Holdings, Byron Debban and DeLage Landen are co-insured.

Property/Equipment Coverage	Amount of Coverage	Deductible
Olympia office	\$ 345,000	\$ 1,000
Chehalis office	\$ 92,250	\$ 1,000
Shelton office	\$ 39,750	\$ 1,000
Tumwater office	\$ 85,000	\$ 1,000

There were no claims, losses or settlements in 2015.

## NOTE 7 - LONG-TERM DEBT/LIABILITIES

The LMTAAA does not issue debt instruments and thus has no long term debt. Long-term liability activity

Item	Beg. Bal.	Additions	Reductions	End. Bal.
Accrued Leave	\$ 186,916	\$ 20,475	\$ 0	\$ 207,391
Net Pension Liability	0	2,610,644	0	2,610,644
Totals	\$ 186,916	\$2,631,119	\$ 0	\$2,818,035

## NOTE 8 – LEASES

The LMTAAA leases its buildings and a few pieces of equipment under operating leases. Total cost for such leases was \$ 379,002 for the year ended December 31, 2015. The future minimum annual lease payments for these lease payments are as follows:

<u>CYE 12/31</u>	<u>Amount</u>
2016	\$ 416,869
2017	398,278
2018	323,061
2019	255,705
2020-2022	250,926
2023	\$ 188,194

## NOTE 9 – CONTINGENCIES AND LITIGATIONS

The LMTAAA has recorded in its financial statements all material liabilities, including an estimate for situations which are not yet resolved but where, based on available information, management believes it is probable that the LMTAAA will have to make payment. In the opinion of management, the LMTAAA insurance policies and/or self-insurance reserves are adequate to pay all known or pending claims.

A. Contingent Liabilities

The LMTAAA participates in a number of federal and state funded programs. These funding awards 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 award. LMTAAA management believes that such disallowances, if any, would not materially affect the financial statements of the LMTAAA.

B. Litigation

The LMTAAA does not have any claims and/or lawsuits pending at this time.

## **NOTE 10 – ACCOUNTING AND REPORTING CHANGES, AND OTHER DISCLOSURES**

Adoption of the new GASB Statement 68, Accounting and Financial Reporting for Pensions: Issued in 2012, the objective of this Statement is to improve accounting and financial reporting for pensions. This Statement establishes standards for measuring and recognizing pension related liabilities, deferred outflows/inflows of resources, and expense/expenditures of employers. This Statement has been implemented in the reporting year of 2015. There was a material impact to the LMTAAA upon implementation of this standard.

Adoption of GASB 71 requires an employer's contributions subsequent to the plan measurement date and up to the end of the employer's reporting period to be reported as a deferred outflow of resources. State of Washington plans have a 6/30 measurement date. Employers with a 12/31 year end will defer the last 6 months of contributions. Due to the timing of the plan's financial reports, employers with a 6/30 year end will defer 12 months.

These amounts are reversed in the following year when the new year-end amounts are deferred.

**Lewis Mason Thurston AAA  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended December 31, 2015**

	Original Budget	Final Amended Budget	Actual	\$ Difference
<b>Budgetary Fund Balance, January 1</b>			\$ 949,032	
OAA	\$1,387,645	\$1,473,407	1,447,859	(\$25,548)
NSIP	122,259	111,994	111,481	(\$ 513)
State	1,407,613	1,427,405	1,451,841	\$ 24,436
HHS	3,245,440	3,309,417	3,531,759	\$222,342
Misc. awards	241,380	241,380	285,509	\$ 44,129
Other	142,431	141,146	81,202	(\$59,944)
Local Contributions	24,500	24,500	14,188	(\$10,312)
Amounts Available for Appropriation	\$6,571,268	\$6,729,249	\$6,923,839	\$194,590
Payroll	4,060,411	4,060,411	4,117,966	(\$57,555)
Supplies	70,000	75,000	70,787	\$ 4,213
Services	50,000	55,000	53,623	\$ 1,377
Capital Outlays	50,000	50,000	50,171	(\$ 171)
Miscellaneous	635,000	645,000	648,894	(\$ 3,894)
Provider contracts	1,761,852	1,761,729	1,735,715	\$26,014
Total Charges to Appropriations	6,627,263	\$6,647,140	\$6,677,157	(\$30,017)
<b>Budgetary Fund Balance, December 31</b>			\$1,195,714	\$ 164,573

**Note:** Original Budget OAA and NSIP values were taken from our DSHS ALTSA approved 2015 Area Plan Budget. Final Amended Budget revenue values are from signed contracts. OAA values match the calendar year. State and HHS values are estimates of 50% from SFY2015 and 50% from SFY2016. Misc. awards Original Budget values are taken from internal planning budget workbooks. Other Original Budget values are prior year actual amounts for Multi-Service Center, HCRR, Misc., and Interest. Other Final Amended Budget values are contract amounts for Multi-Service Center and HCRR and estimated values for Misc. and Interest.

Budget expense values were estimated from prior year actual amounts and from internal Planning Budget workbooks.

Lewis Mason Thurston Area Agency on Aging  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 1  
As of June 30, 2015  
Last 10 Fiscal Years\*

		2015	'16	'17	'18	'19	'20	'21	'22	'23	'24
Employer's proportion of the net pension liability (asset)	%	0.026571									
Employer's proportionate share of the net pension liability	\$	1,387,086									
TOTAL	\$	1,387,086									
Employer's covered employee payroll	\$	2,976,324									
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	46.60%									
Plan fiduciary net position as a percentage of the total pension liability	%	59.10%									

Lewis Mason Thurston Area Agency on Aging  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 2/3  
As of June 30, 2015  
Last 10 Fiscal Years\*

		2015	'16	'17	'18	'19	'20	'21	'22	'23	'24
Employer's proportion of the net pension liability (asset)	%	0.034244									
Employer's proportionate share of the net pension liability	\$	1,223,558									
TOTAL	\$	1,223,558									
Employer's covered employee payroll	\$	2,976,324									
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	41.11%									
Plan fiduciary net position as a percentage of the total pension liability	%	89.20%									

Lewis Mason Thurston Area Agency on Aging  
Schedule of Employer Contributions  
PERS 1  
As of December 31, 2015  
Last 10 Fiscal Years\*

		2015	'16	'17	'18	'19	'20	'21	'22	'23	'24
Statutorily or contractually required contributions	\$	130,215									
Contributions in relation to the statutorily or contractually required contributions	\$	(130,215)									
Contribution deficiency (excess)	\$	0									
Covered employer payroll	\$	2,976,324									
Contributions as a percentage of covered employee payroll	%	4.38%									

Lewis Mason Thurston Area Agency on Aging  
Schedule of Employer Contributions  
PERS 2/3  
As of December 31, 2015  
Last 10 Fiscal Years\*

		2015	'16	'17	'18	'19	'20	'21	'22	'23	'24
Statutorily or contractually required contributions	\$	167,253									
Contributions in relation to the statutorily or contractually required contributions	\$	(167,253)									
Contribution deficiency (excess)	\$	0									
Covered employer payroll	\$	2,976,324									
Contributions as a percentage of covered employee payroll	%	5.62%									



**LEWIS MASON THURSTON AREA AGENCY ON AGING  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDING DECEMBER 31, 2015**

		<b>Federal</b>		<b>Pass-</b>			<b>Passed</b>	<b>Foot</b>
		<b>CFDA</b>	<b>DSHS</b>	<b>Through</b>	<b>Dir</b>		<b>Throug</b>	<b>Note</b>
<b>Grantor Agency</b>	<b>Program Name</b>	<b>No.</b>	<b>Contract #</b>	<b>Awards</b>	<b>awards</b>	<b>Total</b>	<b>Subrecipients</b>	<b>Ref.</b>
Department of Agriculture Food and Nutrition Service	Senior Farmers Market Nutrition Program	10.576	1469-14543, 1569-41439	12,712	0	12,712	11,480	5
Department of Health and Human Services, Administration for Community Living	Special Programs for the Aging Title VII, Chapter 3 Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	1569-28948	3,925	0	3,925	3,925	
Department of Health and Human Services, Administration for Community Living	Special Programs for the Aging Title III, Part D Disease Prevention and Health Promotion Services	93.043	1569-28948	33,564	0	33,564	0	
Department of Health and Human Services, Administration for Community Living	Special Programs for the Aging Title III, Part B Grants for Supportive Services and Senior Centers	93.044	1569-28948	659,325	0	659,325	165,600	
Department of Health and Human Services, Administration for Community Living	Special Programs for the Aging Title III, Part C Nutrition Services	93.045	1569-28948	541,233	0	541,233	486,958	
Department of Health and Human Services, Administration for Community Living	National Family Caregiver Support, Title III, Part E	93.052	1569-28948	177,291	0	177,291	16,128	
Department of Health and Human Services, Administration for Community Living	Nutrition Services Incentive Program	93.053	1569-28948	111,481	0	111,481	111,481	3
Department of Health and Human Services, Administration for Community Living	Medicare Enrollment Assistance Program	93.071	1369-92780, 1469-28492	18,050	0	18,050	0	
Department of Health and Human Services, Administration for Community Living	Affordable Care Act – Aging and Disability Resource Center	93.517	1369-78494	22,766	0	22,766	0	
Department of Health and Human Services,	Empowering Older Adults and Adults with	93.734	1269-63910	11,754	0	11,754		

Administration for Community Living	Disabilities through Chronic Disease Self-Management Education Programs – financed by Prevention and Public Health Funds (PPHF)						0	
Department of Health and Human Services Centers for Medicare and Medicaid Services	Medical Assistance Program	93.778	1469-14543, 1569-41439	1,823,278	0	1,823,278	0	4
Department of Health and Human Services Centers for Medicare and Medicaid Services	Medical Assistance Program	93.778	1469-16974, 1569-42821	61,826	0	61,826	0	
Department of Health and Human Services Centers for Medicare and Medicaid Services	Medical Assistance Program	93.778	1469-14608, 1569-39253	5,753	0	5,753	0	
	<b>TOTAL</b>	<b>93.778</b>		<b>1,890,858</b>	<b>0</b>	<b>1,890,858</b>	0	
Department of Health and Human Services Centers for Medicare and Medicaid Services	Money Follows the Person Rebalancing Demonstration	93.791	1469-14543, 1569-41439	13,610	0	13,610	0	4
Department of Health and Human Services Centers for Medicare and Medicaid Services	Money Follows the Person Rebalancing Demonstration	93.791	1469-16974, 1569-42821	249	0	249	0	
Department of Health and Human Services Centers for Medicare and Medicaid Services	Money Follows the Person Rebalancing Demonstration	93.791	1469-14608, 1569-39253	60	0	60	0	
	<b>TOTAL</b>	<b>93.791</b>		<b>13,919</b>	<b>0</b>	<b>13,919</b>	0	
	<b>TOTAL FEDERAL AWARDS EXPENDED</b>					<b>3,496,877</b>	795,572	1,2

LEWIS MASON THURSTON AREA AGENCY ON AGING  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**NOTE 1 - BASIS OF ACCOUNTING**

The schedule is prepared on the same basis of accounting as the Lewis Mason Thurston Area Agency on Aging's (LMTAAA) financial statements. The LMTAAA 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 cost, including LMTAAA's portion may be more than shown.

**NOTE 3 – NUTRITION SERVICES INCENTIVE PROGRAM**

Nutrition Services Incentive Program (NSIP) funds are awarded to the State of Washington, and subsequently to the LMTAAA, based upon the number of USDA-eligible meals provided during the previous federal fiscal year. NSIP funds are awarded to subcontractors each month for the proportion of USDA-eligible meals.

**NOTE 4 – TITLE XIX**

Specific awards are identified for expenditures incurred for Core Services Contract Management and DDD Nursing. Revenues are based on a unit rate for Nursing Services and Case Management under these contracts. Beginning in July 2015, revenues for Core Services Contract Management became based upon a unit rate.

**NOTE 5 – NONCASH AWARDS – SENIOR FARMER MARKET VOUCHERS**

The amount of Senior Farmer Market Nutrition Program (SFMNP) vouchers reported on the schedule includes the value of SFMNP vouchers received by the LMTAAA during current year and priced by the State of Washington Aging and Long-Term Support Administration.

## ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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Contact information for the State Auditor's Office	
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