



# Washington State Auditor's Office

Government that works for citizens

## Financial Statements and Federal Single Audit Report

# Area Agency on Aging and Disabilities of Southwest Washington

Clark County

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

Published August 22, 2016

Report No. 1017296





## Washington State Auditor's Office

August 22, 2016

Council of Governments  
Area Agency on Aging and Disabilities of Southwest Washington  
Vancouver, Washington

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

Please find attached our report on the Area Agency on Aging and Disabilities of Southwest Washington'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,

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### Area Agency on Aging and Disabilities of Southwest Washington Clark County

January 1, 2015 through December 31, 2015

## SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Area Agency on Aging and Disabilities of Southwest Washington 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 and each major fund 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*

## **Area Agency on Aging and Disabilities of Southwest Washington Clark County January 1, 2015 through December 31, 2015**

Council of Governments

Area Agency on Aging and Disabilities of Southwest Washington  
Vancouver, 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 Area Agency on Aging and Disabilities of Southwest Washington, Clark 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 August 15, 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* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

## **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**

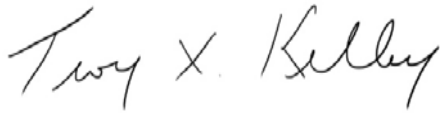
As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material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

August 15, 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**

**Area Agency on Aging and Disabilities of Southwest Washington  
Clark County  
January 1, 2015 through December 31, 2015**

Council of Governments  
Area Agency on Aging and Disabilities of Southwest Washington  
Vancouver, Washington

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

We have audited the compliance of the Area Agency on Aging and Disabilities of Southwest Washington, Clark 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**

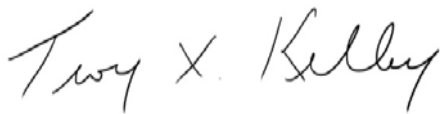
Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types 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 cursive script that reads "Troy X. Kelley".

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

August 15, 2016

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Area Agency on Aging and Disabilities of Southwest Washington Clark County January 1, 2015 through December 31, 2015**

Council of Governments  
Area Agency on Aging and Disabilities of Southwest Washington  
Vancouver, Washington

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Area Agency on Aging and Disabilities of Southwest Washington, Clark 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 and each major fund of the Area Agency on Aging and Disabilities of Southwest Washington, 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, 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* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. 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 24, budgetary comparison information on page 52 and pension plan information on pages 53 through 57 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.

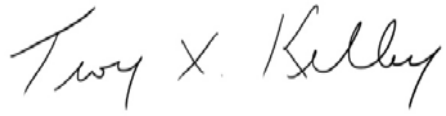
### ***Supplementary and Other Information***

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 August 15, 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

August 15, 2016

## **FINANCIAL SECTION**

### **Area Agency on Aging and Disabilities of Southwest Washington Clark 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 Governmental Revenues/Expenditures and Changes in Fund

Balance/Statement of Activities – 2015

Notes to Financial Statements – 2015

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Information – General Fund – 2015

Schedule of Proportionate Share of the Net Pension Liability – PERS 1 – 2015

Schedule of Proportionate Share of the Net Pension Liability – PERS 2/3 – 2015

Schedule of Employer Contributions – PERS 1 – 2015

Schedule of Employer Contributions – PERS 2/3 – 2015

Notes to Required Supplemental Information – Pension – 2015

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

Schedule of Expenditures of Federal Awards – 2015

Notes to the Schedule of Expenditures of Federal Awards – 2015



**Area Agency on Aging and Disabilities of Southwest Washington  
January 1, 2015 Through December 31, 2015**

**Management's Discussion and Analysis**

In compliance with State and Federal regulations we are presenting this overview and analysis of the Area Agency on Aging and Disabilities of Southwest Washington's (hereafter referred to as AAADSW or the Agency) financial activities for the fiscal year ended December 31, 2015. We offer this information in conjunction with and support of our included financial statements which follow this discussion.

**Financial Highlights**

\* AAADSW liabilities and deferred inflows exceeded assets and deferred outflows by \$980,382 on the Statement of Net Position (reported as total net position). This change in net position was a result of application of Governmental Accounting Standards Board (GASB) Statements 68 and 71, and the recognition of a net pension liability of \$4,178,485. According to GASB, the primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

\* AAADSW's total net position decreased \$3,561,100. Current year activities resulted in revenue exceeding expenditures by \$454,445. With the application of GASB 68 (a change in accounting principle) net position was reduced by \$4,015,545. Revenue exceeded expenditures in 2015 primarily due to increased Title XIX cases and increased Care Coordination activities.

\* At the close of fiscal year 2015, AAADSW's governmental fund reported a combined ending fund balance of \$3,197,894 an increase of \$433,405 over 2014.

\* AAADSW's Fund Balance is composed of non-spendable, restricted and unassigned portions. The amounts per classification are \$55,172, \$3,011,654 and \$131,067 respectively. The restricted portion includes the balance of a prior year restricted donation in the amount of \$32,301. The non-spendable portion of \$55,172 represents Pre-Paid expenses (2016 payments made in 2015). The remainder of the Fund Balance (restricted and unrestricted) in the amount of \$3,110,420 is available to spend with the approval of the Council of Governments (COG Board) for services meeting the defined restrictions of funds. AAADSW's outstanding long term debt increased by \$5,778,180; \$4,178,485 is the GASB 68 net pension liability \$1,567,893 is reclassifying the DSHS working advance as long term, and \$31,802 is the increase in the accrual for compensated absences. \* AAADSW's end of year fund balance of \$3,197,894 represents 25.5% of total general fund expenditures.

# Area Agency on Aging and Disabilities of Southwest Washington

## January 1, 2015 Through December 31, 2015

### Overview of Financial Statements

The following discussion and analysis is intended to serve as an introduction to AAADSW's basic financial statements. AAADSW'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 financial statements this report also contains other supplementary information.

AAADSW has only one governmental fund; it does not perform any activities that would be defined as either proprietary funds or fiduciary funds. Current funding sources come predominantly from contractual relationships with the Aging and Long Term Services Administration (AL TSA), a unit within the Washington State Department of Social and Health Services). Other revenue sources include; The Multi-Service Center (direct Ombudsman funding), contracts with managed care organizations to provide Care Coordination (CCO) services, grants from foundations or universities, restricted or unrestricted donations/endowments received, fees/donations paid by clients that are considered program income and investment interest income. AAADSW financial statements present the governmental funds statements in the far 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 AAADSW's finances in a manner similar to a private sector business.

The statement of net position presents information on all of AAADSW's assets and liabilities, with the difference between assets and liabilities reported as net position. Net position measures the financial strength of the agency, and over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of AAADSW 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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that may result in cash flows in future fiscal periods (uncollected revenues, unused vacation leave and unpaid invoices).

## Area Agency on Aging and Disabilities of Southwest Washington January 1, 2015 Through December 31, 2015

**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. AAADSW, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. AAADSW has only one governmental fund.

**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 Area Agency on Aging and Disabilities of Southwest Washington exceeded assets by \$980,382 for 2015, a decrease of \$3,561,100 over 2014. This amount, in its entirety, is reported as "total net position".

<b>AAADSW Net Position Governmental Activities</b>			
	<b>2015</b>	<b>2014</b>	<b>Increase (Decrease)</b>
Current Assets	5,502,246	5,059,522	442,724
Capital Assets (net)	188,250	51,447	136,803
Total Assets	<u>5,690,496</u>	<u>5,110,969</u>	<u>579,527</u>
Deferred Outflows	711,358	0	711,358
Current Liabilities	736,459	2,295,034	(1,558,575)
Noncurrent Liabilities	6,013,398	235,218	5,778,180
Total Liabilities	<u>6,749,857</u>	<u>2,530,252</u>	<u>4,219,605</u>
Deferred Inflows	632,378	0	632,378
Net Position:			
Net Investment in Capital Assets	188,250	51,447	136,803
Restricted	2,799,806	2,497,818	301,988
Unrestricted	(3,968,438)	31,453	(3,999,861)
Total Net Position	<u>(980,382)</u>	<u>2,580,718</u>	<u>(3,561,100)</u>

**Area Agency on Aging and Disabilities of Southwest Washington**  
**January 1, 2015 Through December 31, 2015**

Current assets increased 8.7% due partially to the increase in cash balances held by Cowlitz County, and due to an increase in accounts receivable. The increase in Accounts Receivable was not due to an increase in the age of the receivables, but an overall increase in billing activity primarily due to the increase in Care Coordination billable services.

The total net position, less the net investment in capital assets of \$188,250, less the Swoboda family donation of \$32,301 (inside the restricted balance) and plus an unrestricted amount of \$(3,968,438) (this is a significant change to the unrestricted portion due to the inclusion of GASB 68 required net pension liability), equals \$2,767,505 and is restricted by the nature of AAADSW's contract with ALTSA. The restriction placed on the use of net position earned from services funded (or contracted) by ALTSA can be released for the provision of any services/programs allowed by ALTSA per AAADSW's contract. AAADSW's governing body (COG) has approved a Fund Balance policy which is discussed in Note #1 (F)(9).

As stated before, AAADSW conducts only governmental activities revolving around human service functions. AAADSW's Statement of Net Position reported a decrease of \$3,561,100 in 2015.

<b>AAADSW</b>			
<b>Statement of Activities</b>			
	<b>2015</b>	<b>2014</b>	<b>Increase (Decrease)</b>
Federal Indirect Grant Revenue	5,513,430	4,987,748	525,682
State Grant Revenue	5,964,348	5,104,183	860,165
General Revenue	1,498,846	514,636	984,210
Total Revenue	12,976,624	10,606,567	2,370,057
Expenditures:			
Program Expenditures:			
Access Services	6,963,150	6,301,383	330,767
Nutrition Services	961,936	825,814	136,122
In-Home Services	72,787	76,302	(3,515)
Social & Health Services	1,616,258	1,327,616	288,642
Caregiver Training/Agency Worker Health/Core Services Mgmt.	569,801	514,134	55,667
Administration/Coordination	974,591	701,689	272,902
Care Coordination	1,363,655	500,844	862,811
Subtotal Expenditures	12,522,779	10,247,782	2,274,397
<b>Change in Net Position</b>	<b>454,445</b>	<b>358,785</b>	<b>95,660</b>
<b>Change in Accounting Principle</b>	<b>(4,015,545)</b>	<b>0</b>	<b>(4,015,545)</b>
Fund Balance as of January 1	2,580,718	2,221,933	358,785
<b>Net Position as of December 31</b>	<b>(980,382)</b>	<b>2,580,718</b>	<b>(3,561,100)</b>

## **Area Agency on Aging and Disabilities of Southwest Washington January 1, 2015 Through December 31, 2015**

As the Government-Wide Statement of Activities closely correlates to the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance we determined that the following detailed analysis of the Governmental Funds provides adequate information for use as an analysis of the Government-Wide statement which we did not duplicate here.

### **Financial Analysis of the Government Funds**

The general fund is the only operating fund of AAADSW. At the end of the fiscal year, total fund balance for the general fund equaled \$3,197,894; all of it available to spend, with the exception of a non-spendable portion in the amount of \$55,172, representing pre-paid expenses from December 31, 2015, subject to restrictions. The general fund balance increased by \$433,405 in calendar year 2015, the entire amount generated by agency operations (including \$3,452 in investment income).

Federal and State grant revenues increased primarily due to increases in Title XIX Case Management caseloads and from the effect of reallocating certain Federal and State funding sources within the State due to census changes. This rebalancing is discussed further elsewhere in this document. The general revenue increase of \$984,210 is due to the growth of Care Coordination Services.

Total Access Services expenditures increased by \$330,767. This increase was due to increased Title XIX Case Management caseloads and the growth of Transitional Care Services (part of the new ADRC) creating the need to add staff and supplies.

ADRC (Aging and Disability Resource Center) expands on our current Information and Assistance program adding other components like Transitional Care Services and Options Counseling all of which (along with other outreach type services) in the future will become our ADRC.

The increase of \$136,122 in Nutrition service expenditures was due to a increase in the allocation of Older Americans Act nutrition funding that arose from the rebalancing of federal funding in 2015 (see notes to Financial Statements).

In Home Services expenditures were relatively flat for 2014 decreasing only \$3,515.

Social and Health Services had an expenditure increase of \$288,642. The increase came from both the State Family Caregiver Services contract, and the Older Americans Act contract due to the rebalancing, and due to increased use of fund balance for research projects and new

## **Area Agency on Aging and Disabilities of Southwest Washington January 1, 2015 Through December 31, 2015**

programming for Dental and other medical type services. There were some slight changes to some other services, but most other expenditures in this area were somewhat flat.

The increase of \$55,667 to Caregiver Training, Agency Worker Health Insurance and Core Services Contract Management was primarily due to an increase in Core Services Contract Management (CSCM) services. Beginning in July of 2015 CSCM services changed from a cost reimbursement method of payment to a rate reimbursement method. AAADSW was instructed by the grantor to increase expenditures in this area.

The \$300,404 increase to Administration/Coordination was partly due to normal annual Administration cost increases, particularly facility costs. Facility costs were strongly affected due to the expansion of total square footage the agency has under lease. Coordination expenditures also had a small increase.

Care Coordination expenditures increased by \$862,811. The Care Coordination program began in mid-2013 and has continued to grow at a very fast rate. This program is funded by contracts with Managed Care Organizations contracted with the State to be Health Homes. This program is part of the State of Washington's approach to meet the requirements of the national Affordable Care Act.

**Notes to the financial statements.** The included 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**

Differences between the statement of activities original budget and the final amended budget reflect adjustments for 2015 to incorporate changes in available funding for specific activities. Actual resources were \$1,599,855 (10.9%) less than the final amended budget. The difference was due to lower than expected Care Coordination and Title XIX revenues and how the usage of Fund Balance was applied. Actual expenditures were \$2,033,260 (13.9%) less than the final amended budget. Primarily the difference was due to not expending a portion of COG approved (and budgeted) Fund Balance expenditures, an over estimation of Care Coordination expenditures and an over estimation of Title XIX Case Management expenditures. There were also some fluctuations from budget in subcontracted services.

## **Area Agency on Aging and Disabilities of Southwest Washington January 1, 2015 Through December 31, 2015**

### **Capital Assets**

**Capital Assets.** AAADSW's investment in capital assets as of December 31, 2015 amounts to \$188,250, net of accumulated depreciation this is an increase of \$136,803 over 2014. New capital assets were recorded in 2015. The majority of the increase in capital assets was due to the expansion of AAADSW's Vancouver facility by adding just over 5000 sf and moving the Kelso office to Longview and adding about 2000 sf to that office. These moves also included a large investment in cubicles, the cost of which is also included in the increase in capital assets. This increase in space and cubicles was necessary due to the growth in staff in response to funding increases and new programming. Both of these new items contributed to increased depreciation expense 2015.

Additional information on AAADSW's Capital Assets can be found in Note 5.

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

State revenue forecasts for the 2015-2017 biennium appear to be on a small growth curve with the economy of the State improving and stabilizing, however, there does not appear to be any significant growth in the State's General Fund revenue forecasts. The local economy in AAADSW's service area in which the agency has responsibility for providing services continues to stabilize. However our more rural Counties (Klickitat, Skamania and Wahkiakum) are still having some economic problems, mostly related to the reduction in Federal timber funds and slow economic growth in rural areas.

- The 2015 Older Americans Act (OAA) funding contract showed an increase in funding to all titles due to the reallocation of funding discussed elsewhere in this report. For 2016 total OAA funds are expected to be flat, however AAADSW will receive increased OAA funding due to the third and final year of the State's reallocation.
- Care Coordination services are expected to continue into 2016 and beyond. These services are expected to grow in terms of clients served and revenues and expenditures recorded.
- Federal funds, other than OAA, are expected to remain flat also, with the exception to the Title XIX Medicaid program. We are anticipating continued increase in clients for this program, although recently that growth has slowed.
- State funding is also expected to be somewhat flat. As mentioned above, revenue forecasts appear to not allow for significant funding increases (or decreases). However, the State is working on bringing in some new Federal funding to enhance current programming, particularly for caregiver support.

**Area Agency on Aging and Disabilities of Southwest Washington  
January 1, 2015 Through December 31, 2015**

Since over 86% (for 2015) of AAADSW's revenues are State and Federal sources, AAADSW's governing board members (COG) and management will consider these factors in preparing AAADSW's budget for future years.

**Requests for Information**

This financial report is designed to provide a general overview of the Area Agency on Aging and Disabilities of Southwest Washington's fiscal status for 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 Fiscal Manager, 201 NE 73<sup>rd</sup> St., Vancouver, WA 98665. Additional information about AAADSW and the services it provides can be found on our web site, [www.HelpingElders.org](http://www.HelpingElders.org).



**Area Agency on Aging and Disabilities of Southwest Washington**  
**Governmental Funds Balance Sheet/Statement of Net Position**  
**As of December 31, 2015**

<b>ASSETS</b>	<b>Governmental Funds Balance Sheet</b>	<b>Adjustments</b>	<b>Statement of Net Position</b>
Cash and Equivalents	\$ 638,090.52		\$ 638,090.52
Investments - State of Washington Pool	2,415,005.43		2,415,005.43
Cash and Equivalents - Net	3,053,095.95	-	3,053,095.95
Accounts Receivable - Due From Other Governments	2,046,180.54		2,046,180.54
Other Contracts	347,697.26		347,697.26
Accounts Receivable - Other	100.15		100.15
Accounts Receivable - Net	2,393,977.95	-	2,393,977.95
Prepaid Expenses	55,172.34		55,172.34
Sub-Total Current Assets	5,502,246.24		5,502,246.24
Capital Assets ( Net of Accum Dep)			
Computer Software		4,807.46	4,807.46
Furniture & Equipment		98,908.11	98,908.11
Leasehold Improvement		84,533.96	84,533.96
Net Capital Assets	-	188,249.53	188,249.53
Total Assets	5,502,246.24	188,249.53	5,690,495.77
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Amounts Related to Pensions		711,358.00	711,358.00
Total Deferred Outflows of Resources			711,358.00
<b>LIABILITIES</b>			
Accounts Payable	551,625.94		551,625.94
Payroll Payable	181,833.54		181,833.54
Grant Payable	3,000.00		3,000.00
Accrued Expense	-		-
Sub-Total Current Liabilities	736,459.48		736,459.48
Non Current Liabilities			
Due in more than One Year			
Due to Other Governmental Units			
DSHS Advance	1,567,893.00		1,567,893.00
Accrued Vacation Liability		267,020.00	267,020.00
Net Pension Liability		4,178,485.00	4,178,485.00
Total Liabilities	2,304,352.48	4,445,505.00	6,749,857.48
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Amounts Related to Pensions		632,378.00	632,378.00
Total Deferred Inflows of Resources			632,378.00
<b>FUND BALANCES/NET POSITION</b>			
Fund Balances			
Nonspendable			
Prepaid Expense	55,172.34	(55,172.34)	-
Unassigned	131,067.33	(131,067.33)	-
Restricted For			
TXIX Medicaid/Aging Network	2,979,353.09	(2,979,353.09)	-
Clark County Respite (SWOBODA Fund)	32,301.00	(32,301.00)	-
Total Fund Balances	3,197,893.76	(3,197,893.76)	-
Total Liabilities and Fund Balance	5,502,246.24		
<b>NET POSITION</b>			
Net Investment in Capital Assets		188,249.53	188,249.53
Restricted For			
TXIX Medicaid/Aging Network		2,767,505.43	2,767,505.43
Clark County Respite (SWOBODA)		32,301.00	32,301.00
Unrestricted		(3,968,437.67)	(3,968,437.67)
Total Net Position		(980,381.71)	(980,381.71)

Refer to the Notes on Financial Statements for more information

**Area Agency on Aging and Disabilities of Southwest Washington**  
**Statement of Governmental 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			
Administration	528,376.88	115,762.00	644,138.88
Coordination	308,532.66		308,532.66
Legal Services	81,000.00		81,000.00
Transportation	258,692.00		258,692.00
Information and Assistance	549,901.91		549,901.91
ADRC	83,219.18		83,219.18
Personal Care	72,786.90		72,786.90
Case Management	5,960,712.96		5,960,712.96
Core Services Contract Management	206,376.34		206,376.34
Nursing Services	7,060.16		7,060.16
Family Caregiver Support	563,494.14		563,494.14
Services to Grandparents	19,602.00		19,602.00
Kinship Caregiver	83,911.40		83,911.40
Kinship Navigator	77,878.00		77,878.00
Respite Services	497,429.82		497,429.82
Nutrition	961,936.37		961,936.37
Care Coordination	1,363,655.15		1,363,655.15
Pathways to Employment	22,563.23		22,563.23
Veterans Directed Health Services	6,423.94		6,423.94
Geriatric Employment Workforce	19,554.68		19,554.68
Senior Drug Ed	14,487.67		14,487.67
Disease Prevention/Health Promotion	49,810.16		49,810.16
Senior Dental Services	21,727.44		21,727.44
Dementia Capability	3,200.54		3,200.54
Chronic Disease Self Management	18,089.15		18,089.15
Long Term Care Ombudsman	140,526.93		140,526.93
Reduce Disability in Alzheimers	2,642.63		2,642.63
Technology Services Assisted Patients	97,479.56		97,479.56
Caregiver Training	285,654.93		285,654.93
Agency Workers Insurance	77,770.17		77,770.17
Depreciation	-	21,919.96	21,919.96
Capital Outlay	158,722.11	(158,722.11)	-
<b>Total Expenditures</b>	<b>12,543,219.01</b>	<b>(21,040.15)</b>	<b>12,522,178.86</b>
<b>Program Revenues</b>			
Operating Grants	11,477,788.44	-	11,477,788.44
Charges for Services	1,455,501.76	-	1,455,501.76
<b>Total Program Revenues</b>	<b>12,933,290.20</b>		<b>12,933,290.20</b>
<b>Net Program Expenditures</b>	<b>390,071.19</b>		<b>411,111.34</b>
<b>General Revenue</b>			
Local Funds and Miscellaneous	43,333.98	-	43,333.98
<b>Total General Revenues</b>	<b>43,333.98</b>	<b>-</b>	<b>43,333.98</b>
<b>Excess/(Deficiency) of Revenue over Expenditure</b>	<b>433,405.17</b>	<b>21,040.15</b>	<b>454,445.32</b>
<b>Fund Balances/Net Position</b>			
Beginning of Year	2,764,488.59	(183,770.62)	2,580,717.97
Change in Accounting Principles		(4,015,545.00)	(4,015,545.00)
End of Year	<b>3,197,893.76</b>	<b>(4,178,275.47)</b>	<b>(980,381.71)</b>

Refer to Notes on Financial Statements for more information

**Area Agency on Aging and Disabilities of Southwest Washington**  
**Notes to Financial Statements**  
**January 1, 2015 Through December 31, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Area Agency on Aging and Disabilities of Southwest Washington (AAADSW) 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**

AAADSW was assigned a Federal Tax ID number July of 2008 and operates under the laws of the State of Washington applicable to a Municipal Corporation. A Council of Governments (COG) was established and an interlocal agreement was signed in October of 2008 establishing AAADSW's governing body. AAADSW began operations as a stand-alone Area Agency on Aging (AAA-were established in all states by the Older Americans Act) on January 1, 2009. The primary function of AAADSW is to serve as the Southwest Washington Area Agency on Aging (AAA) for the State of Washington. The activities promulgated under the Area Agency on Aging provide most of the funding for AAADSW.

AAADSW is a special purpose government and provides direct service for the following: Case Management; Aging and Disabilities Resource Center (ADRC-includes services of Information and Assistance, Options Counseling, Transitional Care, MIPPA); Health Home/Care Coordination; Steps to Employment; Geriatric Workforce Enhancement Center; Family Caregiver Access, Support, Supplemental, Assessment and Coordination Services; DDD Nursing; Disease Prevention/Health Promotion Services, Chronic Disease Self-Management Services; Long Term Care Ombudsman and Kinship Caregiver Services. AAADSW also provides funding to other agencies for the following services: Senior Information and Assistance; Senior Transportation; Case Management; Nutrition (including NSIP); Adult Day Care; Legal Services; Senior Personal Care; Respite Care; Services to Grandparents; Senior Oral Health; Kinship Caregiver and Kinship Navigator. AAADSW may also be involved in and receive funding for research projects relating to the aged and/or disabled.

AAADSW's service area covers five counties in Southwest Washington; Clark, Skamania, Cowlitz, Klickitat and Wahkiakum. AAADSW is governed by a council made up of five elected officials (currently County Commissioners or Counselors), one from each member county.

**Area Agency on Aging and Disabilities of Southwest Washington**  
**Notes to Financial Statements**  
**January 1, 2015 Through December 31, 2015**

**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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function, segment or program. Our policy is to allocate indirect costs to a specific function or segment. AAADSW has a State approved cost allocation plan that governs this practice. 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, segment or program and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function segment or program. Other items not properly included among program revenues are reported instead as general revenues.

**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 full accrual basis of accounting. Revenues are recognized when earned and expenditures are recorded when a liability is incurred. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the awarding entity 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, AAADSW considers revenues to be available if they are collected within 120 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 only recognized as they come due for payment.

Interest associated within the current period is considered to be susceptible to accrual, so has been recognized as revenue for the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by AAADSW.

**Area Agency on Aging and Disabilities of Southwest Washington**  
**Notes to Financial Statements**  
**January 1, 2015 Through December 31, 2015**

AAADSW reports the following major governmental funds:

The general (or current expense) fund is AAADSW's operating fund. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Amounts reported as program revenues include 1) charges to customers, 2) grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues.

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

## **D. Budgetary Information**

### **Scope of Budget**

AAADSW prepares four agency-wide budgets annually: the Area Plan (AP) which budgets all activities on a calendar year and is non-contractual; the State/Federal (SF) budget which is on the state fiscal year (July-June) and is contractual; the Older Americans Act (OAA) budget which is on a calendar year and is contractual; and an internal operations budget (IOB). All budgets are prepared on the modified accrual basis. Other small program budgets may be prepared for small funding opportunities that come from government, private foundations or other entities. The AP, SF and OAA budgets, as well as any small budgets, would be adopted when incorporated into AAADSW's overall Internal Operation Budget and approved by the COG.

The AAA's budget requirements (for AP, SF, OAA budgets) are mandated by Aging & Long Term Services Administration (AL TSA) a division of the Washington State Department of Social and Health Services (DSHS). Any of these budgets, as adopted, constitutes the legal authority for expenditures. Transfers or revisions are generally allowed up to 10 percent of the total budget, but supplemental or additional appropriations must be approved by AL TSA. Most appropriations lapse at the end of the State of Washington biennium. The primary exception is OAA funds that have a fiscal year that ends on December 31<sup>st</sup>. Up to 10% of OAA funds can be carried over into the subsequent year. Title XIX and State funded program appropriations cannot be carried over.

### **Amending the Budget**

The Fiscal Manager and/or Executive Director are authorized to transfer budgeted amounts between departments. However, any revisions that alter the total expenditures of a fund or

**Area Agency on Aging and Disabilities of Southwest Washington**  
**Notes to Financial Statements**  
**January 1, 2015 Through December 31, 2015**

that affect the number of authorized employee positions, salary ranges, hours, or other conditions of employment must be approved by the COG.

When AAADSW determines that it is in the best interest of the Agency to increase or decrease the appropriation for a particular source of funds, it may do so by resolution, approved as per the COG by-laws.

The budget amounts shown in the required supplemental information represent AAADSW's original 2015 operating budget and the amended final budget for 2015 approved by the COG.

**Excess of Expenditures Over Appropriations**

AAADSW may over expend appropriations in those instances when no specific funding limit is identified by the funding agency. In these cases, services which have been appropriately authorized are considered to be eligible for payment and revenue is available to pay for the service.

**E. Encumbrances**

AAADSW does not employ encumbrance accounting.

**F. Assets, Liabilities, and Fund Balance Position**

**1. Cash and Cash Equivalents**

At December 31, 2015, the Cowlitz County Treasurer's office was holding \$234,331 in ready cash belonging to AAADSW. AAADSW deposits all funding received to this account. There is no interest earned on these amounts. AAADSW also holds cash deposits in imprest accounts at US Bank (Vancouver WA). At December 31, 2015 these balances were \$103,660 and \$300,100 in imprest accounts for Accounts Payable and Payroll respectively. All three of these amounts, totaling \$638,091, are listed on Balance Sheet/Statement of Net Position as cash and cash equivalents. AAADSW does not make deposit into these accounts, only the Cowlitz County Treasurer can deposit funds into US Bank.

AAADSW considers these deposits to all be highly liquid (including restricted assets).

**Area Agency on Aging and Disabilities of Southwest Washington**  
**Notes to Financial Statements**  
**January 1, 2015 Through December 31, 2015**

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

**3. Receivables**

Accounts receivable consist predominantly of amounts to be received from other governmental units and insurance companies. For 2015, AAADSW had non-governmental accounts receivable with the largest single amount being \$281,130. This receivable is due and payable from managed care companies (MCO) for services provided as a result of Care Coordination Organization (CCO) contracts. One hundred percent of this amount was collected in subsequent months. However, AAADSW did write off approximately \$15,000 of CCO billings in 2015 due to billing or other errors. AAADSW considers this to be an insignificant amount and has taken action to increase billing accuracy.

All receivables were collected within the required timelines or written off.

In the future AAADSW could have additional receivables that consist of amounts owed from private individuals or organizations for goods and services, including amounts owed for which billings have not been prepared.

**4. Prepaid Expenses**

AAADSW accounts for prepaid expenses (facility rent and other 2016 expenses paid in 2015) 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. All prepaid items at 12/31/15 were cleared by 1/31/16, with the exception of an amount that is meant to cover monthly program equipment monitoring cost (\$24,108). This amount will be expensed on a monthly basis expiring in December 2016

**Area Agency on Aging and Disabilities of Southwest Washington**  
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**5. Amounts Due to and from Other Governmental Units**

Amounts due to other governmental units represents funds due to the State of Washington Department of Social and Health Services (DSHS), for a two-month working capital advance of service dollars. This advance is now considered to be a non-current liability. Additional funds may be requested, or the State may request a return of some or all of the funds on an annual basis with the submittal of Documentation of Funds as required by DSHS Office of Accounting Services. There was no change to the advance 2015 and the balance of this liability remains \$1,567,893 at 12/31/15.

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

**7. Compensated Absences and Changes in Long Term Liabilities**

Compensated absences (Accrued Vacation Liability on Financial Statements) are absences for which employees will be paid, such as vacation. All vacation is expensed when paid in the governmental fund financial statements.

AAADSW records all accumulated unused vacation leave. Vacation leave may be accumulated up to 240 hours per employee. Outstanding vacation accrual is payable upon retirement, death, or other departure of service. The liability for accrued vacation is listed on the Statement of

Net Position. A schedule showing activity between 2014 and 2015 is provided below.

<b>Compensated Absence</b>	<b>Dec. 31 2014 Balance</b>	<b>Dec. 31, 2015 Balance</b>	<b>Net Increase/(Decrease)</b>
Accrued Vacation Liability	\$235,218	\$267,020	\$31,802



**Area Agency on Aging and Disabilities of Southwest Washington**  
**Notes to Financial Statements**  
**January 1, 2015 Through December 31, 2015**

**8. Other Accrued Liabilities**

Other accrued liabilities include accounts that consist of accrued wages, accrued employee benefits, or non-government grants that may require unspent portions to be returned.

**9. Pensions**

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.

Implementation of New Governmental Accounting Standards Board Pronouncements

The Agency implemented GASB 68, *Accounting and Financial Reporting for Pensions* and GASB 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures related to pensions. As a result of implementing this standard, the Agency recognized an adjustment to beginning net position of \$4,015,545, presented as a change in accounting principles.

**10. Fund Balance**

The total fund balance at 12/31/15 of \$3,197,894 represents resources that are available to spend subject to restrictions on how they may be used. \$32,301 is restricted by the SWOBODA donation. The SWOBODA funding is restricted for use to assist individuals with Alzheimer's disease or dementia, whom reside in Clark or Skamania Counties, to receive caregiver respite services. There is also a portion of the Fund balance that is non-spendable. The non-spendable portion, in the amount of \$55,172, represents prepaid expenditures from 12/31/15 which were authorized

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for release in January 2015 (and later). The remainder of the fund balance in the amount of \$3,110,420 is composed of restricted and non-restricted amounts.

The restricted portion of \$2,979,353 is considered restricted by the nature of AAADSW's contract with ALTSA. This contract requires any Fund Balance derived from services provided under the contract can only be used for services or support of services that are allowed under the terms of the contract including ADRC, Care Coordination and Transitional Care Services.

The unassigned portion in the amount of \$131,067 was derived primarily from Care Coordination services. There are no restrictions in the use of any surplus generated from Care Coordination activities.

The COG board has adopted a Fund Balance policy that breaks Fund Balance into two components, one is a replacement component (for Facilities/Computers/Software replacement/update plus Compensated Absences) and the other component is for fiscal contingencies. The 2015 approved policy allows the Fund balance to be held at a maximum of \$4,269,087. The replacement component has a maximum holding amount of \$750,000 and the contingency component has a maximum holding amount of 25% of AAADSW's annual budget (net of any fund balance in the budget). This component for 2015 has a maximum of \$3,519,087. The actual 2015 Fund Balance is under the total amount approved at \$3,197,894. The policy also specifies how to access the Fund Balance for current period use and how the Fund Balance is replenished.

Once restrictions are satisfied, both ALTSA's and the COG (or other restrictions from other sources, if any), all of these amounts are readily available for spending on appropriate services for the citizens in AAADSW's service area.

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**Notes to Financial Statements**  
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**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**

<b>Governmental Funds Balance Sheet</b>	<b>\$3,197,894</b>
Plus net capital assets	188,249
Plus deferred outflows of resources – pensions	711,358
Less compensated absences	(267,020)
Less deferred inflows - pension	(632,378)
Less net pension liability	(4,178,485)
<b>Net Difference</b>	<b>(4,178,276)</b>
<b>Statement of Net Position</b>	<b>\$( 980,382)</b>

**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**

<b>General Fund Expenditures</b>	<b>\$12,543,219</b>
Plus change to compensated absences	31,802
Plus depreciation expense	21,920
Less capital expenditures	( 158,722)
Plus pension expense – GASB 68	83,960
<b>Net difference in expenditures</b>	<b>( 21,040)</b>
<b>Government-wide activities</b>	<b>\$12,522,179</b>

**NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

**Area Agency on Aging and Disabilities of Southwest Washington**  
**Notes to Financial Statements**  
**January 1, 2015 Through December 31, 2015**

**NOTE 4 – DEPOSITS AND INVESTMENTS**

**DEPOSITS**

AAADSW's deposits are entirely covered by Federal Depository Insurance Corporation (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The Cowlitz County Treasurer's Office holds all deposits for AAADSW, except those imprest at US Bank to pay specific authorized expenditures. Deposits held at US Bank are fully insured up to the FDIC limit.

**INVESTMENTS**

It is AAADSW's policy to invest all temporary cash surpluses with the amount held in the investment account equal to the prior year's Fund Balance plus interest earned. As of December 31, 2015, the Cowlitz County Treasurer was holding \$2,415,005 in short term residual investments of surplus cash. This amount is classified on the balance sheet as Investments and is valued at fair value. Earnings on investments are credited to the General Fund and may be restricted for use depending on the source of the investment. All interest currently being earned on AAADSW investments is restricted as detailed in the Management Discussion portion of this report. The restriction is satisfied for any use of these earnings towards AAADSW's basic core services that are funded by ALTSA. AAADSW keeps the balance in this account at the amount of the prior year end Fund Balance, plus interest, unless it is needed for operational purposes (see discussion of Fund Balance in #10 above).

The Treasurer will invest public funds in a manner which will provide maximum safety of principal, ensure adequate liquidity, and achieve the highest return within these parameters.

AAADSW holds no other investments.

As required by State law, all investments of AAADSW's funds (except as noted below) are obligations of the U.S. Government, U.S. Agency issues, obligations of the State of Washington, general obligations of Washington State municipalities, the State Treasurer's Investment Pool, or certificates of deposit with Washington state banks. All temporary investments are stated at fair value. See note 1(F)(2): Summary of Significant Accounting Policies, Assets, Liabilities, and Fund Equity, Investments for more information.

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AAADSW investments at 12/31/15 are shown in the following chart.

	<u>Carrying Amount</u>	<u>Fair Value</u>
Investment in State of Washington Local Investment Pool	<u>\$2,415,005</u>	<u>\$2,415,005</u>
Total Investments	\$2,415,005	\$2,415,005

AAADSW has no policy related to custodial credit risk; however, all deposits and investments are insured or collateralized with securities held by the entity or by the agent in AAADSW's name. The Washington State Treasurer's Office Local Government Investment Pool is classified as a 2(a) 7 investment pool, and therefore AAADSW states the fair value of its investment in the pool based upon the share price of the pool. AAADSW considers the amount invested in the Washington State Local Government Investment Pool to be liquid investments, and as such a cash equivalent. The LGIP is an unrated external investment pool.

**NOTE 5 – CAPITAL ASSETS AND DEPRECIATION**

Capital Assets are defined by AAADSW as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. All capital assets are valued at historical cost. When purchased, leased, or constructed, such assets are recorded as expenditures in the governmental funds and capitalized as capital assets on the Statement of Net Position. All purchased capital assets would be valued at historical cost.

For 2015, AAADSW had new capital assets recorded. AAADSW uses straight line depreciation when it depreciates capital assets.

In 2015 AAADSW had two significant facility expansions and the added cubicles to go with the new space, one in Vancouver and one in Kelso (moved to Longview). This activity was done entirely in 2015. Depreciation expense for these items was added in 2015.

The costs of normal maintenance and repairs are not capitalized.

If AAADSW acquired certain assets, spending \$5,000 or more, with funding provided directly by Federal financial assistance programs, depending on the terms of the agreements involved, the Federal government could retain an equity interest in these assets. AAADSW currently holds no capital assets purchased with Federal funds.

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AAADSW has no capital assets that are infrastructure assets (such as roads, bridges, curbs, and sidewalks).

Capital assets activity for the year ended December 31, 2014 was as follows:

Capital Assets – 12/31/14	\$51,447
Added in 2015 – Equipment-Cubicles/File Server	\$67,335
Added in 2015 – Leasehold Improvements	\$91,388
Capital Assets - 12/31/15 - At Cost	\$210,170
2015 Depreciation Expense	\$21,920
Depreciated Value of Capital Assets at 12/31/15	\$188,250

**Depreciable Assets**

AAADSW had depreciable assets in 2015. Depreciate capital assets are not recorded in governmental funds. AAADSW uses straight-line depreciation calculations for presentation purposes and accumulated depreciation (or amortization) would be recorded in capital assets recorded on the Balance Sheet using the following estimated useful lives:

Asset	Useful Life
Computer Hardware	4 years
Computer Software	6 years
Office Equipment/Furniture	5 years
Communications Equipment	7 years
Leasehold Improvement	Length of lease up to 10 years

Upcoming in 2016 AAADSW anticipates another increase in fixed capital assets due to anticipated facility space growth.

**NOTE 6 – PENSION PLANS**

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	\$ 4,178,485
Deferred outflows of resources	\$ 711,358
Deferred inflows of resources	\$ 632,378
Pension expense/expenditures	\$ 657,414

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**State Sponsored Pension Plans**

Substantially all Agency'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 Employees' Retirement System (PERS)**

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

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

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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</b>	<b>Contribution</b>		<b>Employer</b>	<b>Employee*</b>
<b>Rates:</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 Agency's actual contributions to the plan were \$12,430 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.



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

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

The Agency's actual contributions to the plan were \$532,764 for the year ended December 31, 2015.

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**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.

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- 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.

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<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-Term Expected Real Rate of Return Arithmetic</b>
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 Agency proportionate share of the net pension liability calculated using the discount rate of 7.5 percent, as well as what the Agency'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.

	<b>1% Decrease (6.5%)</b>	<b>Current Discount Rate (7.5%)</b>	<b>1% Increase (8.5%)</b>
PERS 1	\$ 2,771,136	\$ 2,276,082	\$ 1,850,381
PERS	\$ 5,562,724	\$ 1,902,403	\$ (900,168)

**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 Agency reported a total pension liability of \$4,178,485 for its proportionate share of the net pension liabilities as follows:

	<b>Liability (or Asset)</b>
PERS 1	\$ 2,276,082
PERS 2/3	\$ 1,902,403

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At June 30, the Agency 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	0.039338%	0.043512%	0.004174%
PERS 2/3	0.047797%	0.053243%	0.005446%

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.

LEOFF Plan 1 allocation percentages are based on the total historical employer contributions to LEOFF 1 from 1971 through 2000 and the retirement benefit payments in fiscal year 2015. Historical data was obtained from a 2011 study by the Office of the State Actuary (OSA). In fiscal year 2015, the state of Washington contributed 87.12 percent of LEOFF 1 employer contributions and all other employers contributed the remaining 12.88 percent of employer contributions. LEOFF 1 is fully funded and no further employer contributions have been required since June 2000. If the plan becomes underfunded, funding of the remaining liability will require new legislation. The allocation method the plan chose reflects the projected long-term contribution effort based on historical data.

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 Agency recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 375,537
PERS	\$ 281,877

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

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

<b>PERS 1</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$	\$ 124,527
Changes of assumptions	\$ -	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ -	\$ -
Contributions subsequent to the measurement date	\$ 147,768	\$ -
<b>TOTAL</b>	<b>\$ 147,768</b>	<b>\$ 124,527</b>

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 202,226	\$ -
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ 507,851
Changes of assumptions	\$ 3,065	\$ -
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 175,234	
Contributions subsequent to the measurement date	\$ 183,065	\$ -
<b>TOTAL</b>	<b>\$ 563,590</b>	<b>\$ 507,851</b>

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Deferred outflows of resources related to pensions resulting from the Agency'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 1</b>	<b>PERS 2/3</b>
2016	\$ (48,262)	\$ (86,345)
2017	\$ (48,262)	\$ (86,345)
2018	\$ (48,262)	\$ (86,345)
2019	\$ 20,259	\$ 131,709
2020	\$ -	\$ -
Thereafter	\$ -	\$ -

**NOTE 7 – RISK MANAGEMENT**

AAADSW maintains insurance against most hazards. AAADSW currently has no insurance claims against it and none were reported in 2014 or 2015.

The Area Agency on Aging and Disabilities of Southwest Washington (AAADSW) is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2015, there are 507 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- \$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.

**Area Agency on Aging and Disabilities of Southwest Washington**  
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- \$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official’s Liability. The Property coverage is written on an “all risk”, blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Liability coverage limit is \$10 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

Since Enduris is a cooperative program, there is a joint liability among the participating members.

The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

## **NOTE 8 – LEASES**

### **Operating Leases**

#### **Facilities:**

AAADSW rents office space in four locations under operating leases. The Vancouver office lease was renegotiated in September of 2014 and a new 10 year lease was signed. This new lease expanded the Vancouver site to approximately 18,000 square feet (in 2016 this will increase to approximately 22,000 square feet and in 2017 it will increase to approximately 24,000 square



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feet. This growth is included in the projections below). In 2015 the Kelso facility was deemed to be inadequate in size and AAADSW made a facility search and decided to move the office to Longview. The new Longview office has approximately 6000 square feet and has a lease duration of 10 years. Each of these two leases have out clauses if funding were to reduce. The

Stevenson lease continues to be renewable annually and AAADSW will continue this agreement. The fourth site is in Wahkiakum County and is currently a month-to-month arrangement (this expenditure is not included in the chart below). AAADSW may also rent short term space for meeting or trainings

Total actual facility rental/lease costs for the year ended December 31, 2015 were \$333,581. This amount includes \$51,171 that was paid to the vacated Kelso building property owner as a lease buyout, per the terms of that lease.

Future obligations through the end of current lease terms are as follows. The lease for the Longview office is for 10 years, expiring in 2025, with payments going up 3.0% per year, increases starting in year three of the lease. For Vancouver, the building lease expired in September of 2014 and a new 10 year lease was negotiated. As stated above this new lease also added more space. The new lease has an escalator clause annually increasing monthly lease payments by an amount not less than 1% nor more than 4%. The increase will be based on the Portland area CPI rate. For the analysis below a 2% annual escalator is assumed.

The Stevenson office is on an annual rental agreement that may or may not be renewed annually; therefore costs for that site are not listed here.

Year	Vancouver	Longview/Kelso	Total
2016	\$ 262,664	\$ 37,596	\$ 300,260
2017	\$ 297,554	\$ 75,192	\$ 372,746
2018	\$ 310,502	\$ 77,642	\$ 388,144
2019	\$ 316,712	\$ 79,975	\$ 396,687
2020	\$ 323,046	\$ 82,370	\$ 405,416
Beyond 2020	\$1,358,099	\$ 447,672	\$1,805,771
Total	\$3,284,687	\$ 969,132	\$3,669,024

**Equipment:**

AAADSW has outstanding leases for some its office equipment. These leases are all treated as rentals, and therefore not capitalized. AAADSW's equipment replacement plan is for computers to be replaced with cash from Fund Balance, which was done during 2012 (and are scheduled to be replaced again in 2016). Total actual equipment lease/rental costs for 2015 were \$27,847.

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During 2015 AAADSW renewed all of its copier leases replacing three copy machines and adding one additional for a total of four copy machines under lease.

All current leases are set to expire in early 2020.

Below are the anticipated obligations over time for equipment leases:

Year	Copiers & Other	Total
2016	\$ 32,863	\$ 32,863
2017	\$ 32,683	\$ 32,863
2018	\$ 34,555	\$ 34,555
2019	\$ 36,349	\$ 36,349
2020	\$ 38,251	\$ 38,251
Total	\$174,882	\$174,882

**NOTE 9 – REALLOCATION OF CERTAIN STATE AND FEDERAL FUND SOURCES**

During 2014 AAADSW was notified of impending changes to how the State (ALTSA) allocates funding that they contract out to AAA's. The sources affected were; all Older American Act Titles, Senior Services Citizens Act funds, State Family Caregiver funds and Kinship Caregiver funds. The state allocates these sources to AAA's state wide through a process that is based on the use of population numbers from the national census. Prior to 2014 this allocation was based on the 2000 census. For 2014 and beyond the allocation is based on the 2010 national census. The results of the 2010 census showed an increase in the population in the five counties that are in AAADSW service area. Therefore, the agency received a larger allocation of funding (for the sources above) in 2014 than we had received in the past. Certain AAA's received less funding due to population changes and to soften the cuts to those that lost funding ALTSA has implemented the funding increases and decreases over a three year period. For AAADSW that means an increase of approximately \$200,000 for OAA sources and \$200,000 for State sources, which the agency will receive in one third increments over 2014, 2015 and 2016.

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**NOTE 10 – CONTINGENCIES AND LITIGATION**

AAADSW's financial statements include all material liabilities, therefore no material contingent liabilities needed to be recorded.

AAADSW participates in a number of Federal and State grant 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. AAADSW management believes that such disallowances, if any, will be immaterial.

Area Agency on Aging and Disabilities of Southwest Washington  
 Budgetary Comparison Schedule - General Fund  
 For the Year Ended December 31, 2015

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Budgetary Fund Balance, January 1</b>			2,764,489	2,764,489
Resources (Inflows)				
Older Americans Act	1,836,457	1,872,297	1,826,505	(45,792)
Title XIX	6,350,330	7,496,648	6,930,382	(566,266)
Other Federal	186,920	181,076	210,338	29,262
State Funding	2,201,730	2,515,290	2,377,029	(138,261)
Care Coordination	2,071,000	1,807,519	1,455,502	(352,017)
Misc Grants	256,808	192,000	161,401	(30,599)
Other	182,418	511,650	15,468	(496,182)
<b>Amounts Available for Appropriation</b>	<b>13,085,663</b>	<b>14,576,480</b>	<b>12,976,625</b>	<b>(1,599,855)</b>
Charges to Appropriations (Outflows)				
<b>Social Services:</b>				
<b>Access Services</b>				
Legal Services	81,000	81,000	81,000	-
Transportation	251,775	294,258	258,692	35,566
ADRC	767,858	837,074	643,576	193,498
Steps to Employment	-	43,477	22,563	20,914
Case Management	6,176,600	7,046,244	5,973,822	1,072,422
DDD Nursing Services	10,000	9,079	7,060	2,019
<b>Sub Total Access Services</b>	<b>7,287,233</b>	<b>8,311,132</b>	<b>6,986,713</b>	<b>1,324,419</b>
<b>In Home Services</b>				
Personal Care	82,300	86,406	72,777	13,629
<b>Sub Total In Home Services</b>	<b>82,300</b>	<b>86,406</b>	<b>72,777</b>	<b>13,629</b>
<b>Nutrition Services</b>				
Nutrition Services	912,550	954,798	961,936	(7,138)
<b>Subtotal Nutrition Services</b>	<b>912,550</b>	<b>954,798</b>	<b>961,936</b>	<b>(7,138)</b>
<b>Social &amp; Health Services</b>				
Family Caregiver Support	550,881	562,852	563,494	(642)
Respite Services	406,981	511,981	497,430	14,551
Services to Grandparents	19,602	19,602	19,602	-
Reduce Disability in Alzheimers	5,175	572	2,242	(1,670)
Kinship Caregiver	96,846	90,545	83,911	6,634
Kinship Navigator	74,560	77,649	77,878	(229)
Senior Dental Program	-	50,000	17,727	32,273
Chronic Disease Self Management	23,000	19,617	17,909	1,708
Dementia Capibility	-	21,163	4,446	16,717
Veterans Directed Health Services	-	17,495	6,424	11,071
Senior Drug Ed	12,535	13,110	14,488	(1,378)
Disease Prevention/Health Promotion	48,208	54,109	49,810	4,299
Long Term Care Ombudsman	129,457	151,003	140,013	10,990
<b>Subtotal Social &amp; Health Services</b>	<b>1,367,245</b>	<b>1,589,698</b>	<b>1,495,375</b>	<b>94,323</b>
<b>Other Activities</b>				
Caregiver Training	300,000	305,000	285,655	19,345
Agency Workers Insurance	65,000	75,000	77,769	(2,769)
Care Coordinaton	1,815,209	1,686,175	1,363,655	322,520
Reduce Disability In Alzheimers Disease	-	-	2,643	(2,643)
GWEC	-	42,000	19,555	22,445
TSAP	-	128,000	97,480	30,520
Core Services Contract Management	171,359	217,961	206,376	11,585
Coordination	285,435	325,847	308,533	17,314
Administration	799,332	854,463	506,032	348,431
Capital Outlay	-	-	158,722	(158,722)
<b>Sub Total Other Activities</b>	<b>3,436,335</b>	<b>3,634,446</b>	<b>3,026,419</b>	<b>608,027</b>
<b>Total Charges to Appropriations</b>	<b>13,085,663</b>	<b>14,576,480</b>	<b>12,543,220</b>	<b>2,033,260</b>
<b>Budgetary Fund Balance, December 31</b>	<b>-</b>	<b>-</b>	<b>3,197,894</b>	<b>433,405</b>

This document is prepared on a modified accrual basis which is different than an accrual basis

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

**Area Agency on Aging and Disabilities of Southwest Washington**

Schedule of Proportionate Share of the Net Pension Liability

PERS 1

As of June 30

Last 2 Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.043512%	\$ 2,276,082	\$ 117,263	1941.01%	59.10%
2014	0.039338%	\$ 1,981,670	\$ 109,506	1809.65%	61.19%

**Area Agency on Aging and Disabilities of Southwest Washington**

Schedule of Proportionate Share of the Net Pension Liability

PERS 2/3

As of June 30

Last 2 Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability	Employer's covered employee payroll	Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2015	0.053243%	\$ 1,902,403	\$ 4,723,825	40.27%	89.20%
2014	0.047797%	\$ 966,150	\$ 4,092,026	23.61%	93.29%

# Area Agency on Aging and Disabilities of Southwest Washington

## Schedule of Employer Contributions

### PERS 1

As of December 31

Last 2 Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2015	\$ 245,806	\$ (245,806)	\$ -	\$ 122,879	200.04%
2014	\$ 187,329	\$ (187,329)	\$ -	\$ 111,647	167.79%

# **Area Agency on Aging and Disabilities of Southwest Washington**

## Schedule of Employer Contributions

### PERS 2/3

As of December 31

Last 2 Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered employer payroll	Contributions as a percentage of covered employee payroll
2015	\$ 299,388	\$ (299,388)	\$ -	\$ 5,248,121	5.70%
2014	\$ 219,012	\$ (219,012)	\$ -	\$ 4,300,299	5.09%



**Area Agency on Aging and Disabilities of Southwest Washington**  
Notes to Required Supplemental Information - Pension

As of December 31  
Last Two Fiscal Years

**Note 1:** Information Provided

The Agency implemented GASB 68 for the year ended December 31, 2015, therefore there is no data available for years prior to 2014.

**Note 2:** Significant Factors

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

**Note 3:** Change in contribution rate

The employer contribution rates for both PERS 1 and PERS 2/3 plans increased from 9.21% to 11.18% for pay periods beginning July 2015.

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The accompanying notes are an integral part of this schedule.

Administration For Community Living, Department Of Health And Human Services (via DSHS/ALTSA)	93.071	1469-28496-1	Medicare Enrollment Assistance Program	12,737	-	12,737	-	5,13
Administration For Community Living, Department Of Health And Human Services (via DSHS/ALTSA)	93.517	1369-78486-3	Affordable Care Act – Aging and Disability Resource Center	1,279	-	1,279	-	8,13
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via DSHS/ALTSA)	93.628	1469-14544.4	Affordable Care Act Implementation Support for State Demonstrations to Integrate Care for Medicare-Medicaid Enrollees	7,630	-	7,630	-	9,13
Administration For Community Living, Department Of Health And Human Services (via DSHS/ALTSA)	93.734	1369-63912-3	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs – financed by Prevention and Public Health Funds (PPHF)	15,419	-	15,419	-	10,13
<b>Medicaid Cluster</b>								
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via DSHS/ALTSA)	93.778	1469-14544-5	Medical Assistance Program	1,595,993	-	1,595,993	139,363	4,13
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via DSHS/ALTSA)	93.778	1569-41437-1	Medical Assistance Program	1,854,088	-	1,854,088	216,989	4,13
<b>Total Medicaid Cluster:</b>				<b>3,450,081</b>	-	<b>3,450,081</b>	<b>356,352</b>	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via DSHS/ALTSA)	93.791	1469-14544-5	Money Follows the Person Rebalancing Demonstration	13,727	-	13,727	-	11,13
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via DSHS/ALTSA)	93.791	1569-41437-1	Money Follows the Person Rebalancing Demonstration	12,779	-	12,779	-	11,13
<b>Total CFDA 93.791:</b>				<b>26,506</b>	-	<b>26,506</b>	-	
<b>Total Federal Awards Expended:</b>				<b>5,513,431</b>	-	<b>5,513,431</b>	<b>1,656,555</b>	

Area Agency on Aging and Disabilities of Southwest Washington  
Notes to Schedule of Expenditures of Federal Awards  
January 1, 2015 Through December 31, 2015

**NOTE 1 – BASIS OF ACCOUNTING**

The schedule is prepared on the same basis of accounting as the Area Agency on Aging and Disabilities of Southwest Washington's (AAADSW's) financial statements. AAADSW uses the accrual basis of accounting.

**NOTE 2 – PROGRAM COSTS**

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the portion, may be more than shown. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 – NUTRITION SERVICES INCENTIVE PROGRAM**

Nutrition Services Incentive Program (NSIP) funds are awarded to the State of Washington, and subsequently to AAADSW, 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 provided by each subcontractor during the previous month.

**NOTE 4 – TITLE XIX**

Specific awards are identified for expenditures incurred for Core Services Contract Management, Nursing Services and Case Management costs under these contracts.

**NOTE 5 – MEDICARE ENROLLMENT ASSISTANCE PROGRAM - MEDICARE IMPROVEMENTS FOR PATIENTS & PROVIDERS**

The MIPPA program was reestablished in late 2013 using a new fund source, the Enrollment Assistance Program. Services provided from this source of funds (indirectly from the State of Washington by the US Department of Health and Human Services), began again in December of 2013 and will expire in September of 2015 ( MIPPA is expected to be extended beyond 2015). The purpose of the program was to help seniors, individuals with disabilities and their caregivers apply for special assistance from Medicare.

Area Agency on Aging and Disabilities of Southwest Washington  
Notes to Schedule of Expenditures of Federal Awards  
January 1, 2015 Through December 31, 2015

**NOTE 6 – TITLE VII CHAPTER 3 – PREVENTION OF ELDER ABUSE**

Prevention of Elder Abuse funding supports the Long Term Care Ombudsman Program (LTCOP). The regional Ombudsman office located within AAADSW provides staff and volunteers to make site visits to residential facilities like nursing homes or assisted living centers to assure the residents have an advocate if there are safety or care concerns.

**NOTE 7 – ALZHEIMER’S DISEASE DEMONSTRATION GRANT TO STATES**

This grant was awarded to AAADSW to create and run programing designed to assist with individuals with Alzheimer’s disease and the caregivers that help them. AAADSW is using the funding to operate internally a program called Dementia Capability.

**NOTE 8 – AFFORDABLE CARE ACT - AGING AND DISABILITY RESOURCE CENTER**

Special funding was granted to AAADSW to develop an ADRC program by specifically funding an Enhanced Options Counseling service. Enhanced Options Counseling services are provided to assist clients in making choices for insurance coverage under the State of Washington’s implementation of the national Affordable Care Act.

**NOTE 9 – AFFORDABLE CARE ACT IMPLIMENTATION – SUPPORT STATE  
DEMONSTRATION – INTEGRATION OF CARE FOR MEDICARE/MEDICAIDE  
ENROLLEES**

Federal funding from the Affordable Care Act passed through the State of Washington to AAADSW is used to operate a program offering Enhanced Counseling services (defined in note 8) to those clients that are enrolled in both Medicare and Medicaid. This service is part of the larger ADRC program.

**NOTE 10 – EMPOWERING OLDER ADULTS AND ADULTS WITH DISABIITIES  
THROUGH CHRONIC DISEASE SELF MANAGEMENT (CDSMP)**

AAADSW received new funding to continue the CDSMP. This program has the overall goal of assisting seniors and adults with disabilities to learn to take their medication consistently with the goal of reducing hospital admissions.

Area Agency on Aging and Disabilities of Southwest Washington  
Notes to Schedule of Expenditures of Federal Awards  
January 1, 2015 Through December 31, 2015

**NOTE 11 – MONEY FOLLOWS THE PERSON DEMONSTRATION – TITLE XIX**

The Federal Medicaid authority re-designated Medicaid money to a demonstration project to track how Case Management services can help to transition clients from long term (six months or more) institutional settings into lower cost community care settings.

**NOTE 12 – NON CASH AWARDS – SENIOR FARMERS MARKET**

Senior Farmer Market Nutrition Program (SFMNP) vouchers now reported on the schedule are the value of SFMNP vouchers received by AAADSW during current year and priced by ALTSA. Other Federal SFMNP funding, if any, is also recorded here.

**NOTE 13 – INDIRECT COST ALLOCATION**

The amount expended includes \$ 0 claimed as an indirect cost recovery using an approved indirect cost rate of 0 percent. AAADSW has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance.

A State of Washington approved cost allocation plan is used to allocate indirect costs. This allocation plan allows for indirect allocations based on relative value of expenditures of the programs being allocated to.

## 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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