



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

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

# **Northwest Regional Council**

**Whatcom County**

**For the period January 1, 2016 through December 31, 2016**

**Published June 1, 2017**

**Report No. 1019261**





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

June 1, 2017

Board of Directors  
Northwest Regional Council  
Bellingham, Washington

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

Please find attached our report on the Northwest Regional Council'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,

Pat McCarthy  
State Auditor  
Olympia, WA

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## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**Northwest Regional Council  
Whatcom County  
January 1, 2016 through December 31, 2016**

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

The results of our audit of the Northwest Regional Council 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 its major federal program.

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 program was selected as a major program in our audit of compliance in accordance with the Uniform Guidance.

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
93.778	Medicaid Cluster – Medical Assistance 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*

## **Northwest Regional Council Whatcom County January 1, 2016 through December 31, 2016**

Board of Directors  
Northwest Regional Council  
Bellingham, 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 Northwest Regional Council, Whatcom County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated May 23, 2017.

## **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 opinion 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.

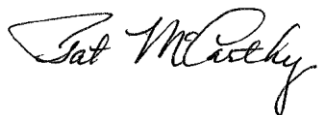
## COMPLIANCE AND OTHER MATTERS

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.



Pat McCarthy

State Auditor

Olympia, WA

May 23, 2017

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

**Northwest Regional Council  
Whatcom County  
January 1, 2016 through December 31, 2016**

Board of Directors  
Northwest Regional Council  
Bellingham, Washington

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

We have audited the compliance of the Northwest Regional Council, Whatcom 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, 2016. 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, 2016.

## **REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

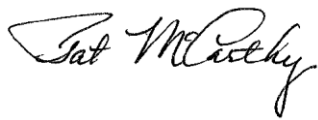
Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Agency's internal control over compliance with the types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

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

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

### **Purpose of this Report**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy  
State Auditor  
Olympia, WA

May 23, 2017

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Northwest Regional Council Whatcom County January 1, 2016 through December 31, 2016**

Board of Directors  
Northwest Regional Council  
Bellingham, Washington

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Northwest Regional Council, Whatcom County, Washington, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed on page 14.

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

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our 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 opinion.

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Northwest Regional Council, as of December 31, 2016, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

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

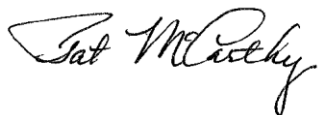
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 20, budgetary comparison information on page 43 and pension plan information on pages 44 through 47 be presented to supplement the basic financial statements. 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 an opinion 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 May 23, 2017 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.



Pat McCarthy

State Auditor

Olympia, WA

May 23, 2017

## **FINANCIAL SECTION**

### **Northwest Regional Council Whatcom County January 1, 2016 through December 31, 2016**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2016

#### **BASIC FINANCIAL STATEMENTS**

Governmental Funds Balance Sheet/Statement of Net Position – 2016  
Statement of Governmental Fund Revenues, Expenditures and Changes in Fund  
Balances/Statement of Activities – 2016  
Notes to Financial Statements – 2016

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule – General Fund – 2016  
Schedule of Proportionate Share of Net Pension Liability – PERS 1 – 2016  
Schedule of Proportionate Share of Net Pension Liability – PERS 2/3 – 2016  
Schedule of Employer Contributions – PERS 1 – 2016  
Schedule of Employer Contributions – PERS 2/3 – 2016

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

Schedule of Expenditures of Federal Awards – 2016  
Notes to the Schedule of Expenditures of Federal Awards – 2016

Northwest Regional Council  
Northwest Washington Area Agency on Aging  
January 1, 2016 through December 31, 2016

## **Management's Discussion and Analysis**

We offer this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2016. We present this information in conjunction with the information included in our financial statements, which follow.

### **Financial Highlights**

- Northwest Regional Council (NWRC) liabilities and deferred inflows exceeded assets and deferred outflows by \$305,293 (reported as total net position). This change in net position was a result of application of GASB Statement 68 and the recognition of a net pension liability of \$3,989,361. According to the Governmental Accounting Standards Board, 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. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.
- The NWRC's total net position increased by \$407,992.
- At the end of the fiscal year, the NWRC's total fund balance for the governmental funds was \$3,090,807, an increase of \$301,049. All except \$52,755 of it is available to spend. Management has assigned \$657,209 as a contingency reserve and unassigned fund balance for the general fund was \$1,582,809. The total of the contingency reserve and unassigned fund balance is 18% of total general fund expenditures.
- The NWRC's total outstanding long-term debt increased by \$581,591; \$541,602 GASB 68 net pension liability, \$35,372 DSHS Working Advance, and \$4,617 accrual for compensated absences.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the NWRC's basic financial statements. The NWRC's basic financial statements include three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. In addition to the basic financial statements, this report also contains other supplementary information.

Northwest Regional Council  
Northwest Washington Area Agency on Aging  
January 1, 2016 through December 31, 2016

The NWRC has only governmental funds; it does not operate any activities that would be defined as either proprietary funds or fiduciary funds. The NWRC financial statements present the governmental funds statements in the left column and the government-wide statements in the far right column. No separate fund financial statements are included in this report. The adjustment columns are the reconciliation of the difference between the statements.

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

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

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

**Fund financial statements.** A fund is a grouping of related accounts used to maintain control over resources that are segregated for specific activities or objectives. The NWRC, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the NWRC are considered to be governmental funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Liabilities of the Northwest Regional Council were greater than assets by \$305,293 (reported as total net position). This change in net position was a result of application of GASB Statement 68 and the



Northwest Regional Council  
Northwest Washington Area Agency on Aging  
January 1, 2016 through December 31, 2016

recognition of a net pension liability of \$3,989,361. Of this amount, (\$827,816) was reported as unrestricted. Unrestricted net position represents the amount available to be used to meet the NWRC's ongoing obligations to citizens and creditors.

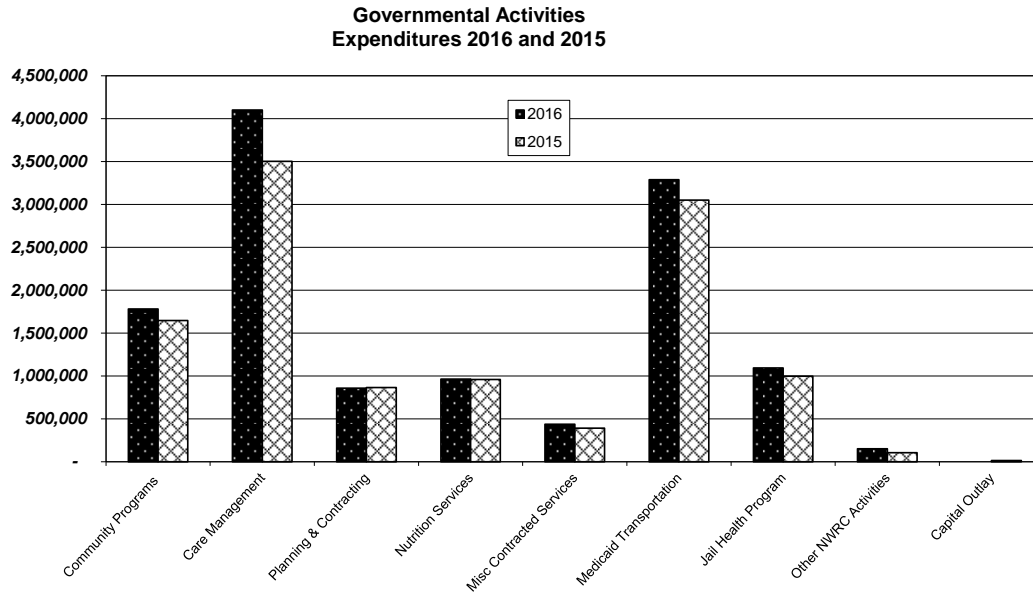
NWRC conducts only governmental activities which include human services, public safety, and general government. The NWRC statement of activities reported an increase of \$407,992 in total net position in comparison with the prior year.

### Financial Analysis of the Government's Funds

The general fund is the only operating fund of the NWRC. At the end of the fiscal year, total fund balance for the general fund equaled \$3,090,807, all except \$52,755 of it available to spend. The general fund balance increased by \$301,049 in calendar year 2016. The difference of \$3,396,100 between government-wide net position and governmental fund balance is described in the Notes to the Financial Statements (Note 2 Reconciliation of Government –Wide and Fund Financial Statements.)

	NWRC Net Assets Governmental Activities		
	2016	2015	Increase (Decrease)
Current Assets	4,864,111	4,465,441	398,670
Capital Assets (Net of Accumulated Depreciation)	18,714	29,096	(10,382)
Total Assets	4,882,825	4,494,537	388,288
Deferred Outflows of Resources - Pension	872,016	639,371	232,645
Total Assets and Deferred Outflows of Resources	5,754,841	5,133,908	620,933
Current Liabilities	748,479	686,580	61,899
Noncurrent Liabilities	5,229,356	4,647,765	581,591
Total Liabilities	5,977,835	5,334,345	643,490
Deferred Inflows of Resources - Pension	82,299	512,848	(430,549)
Net Position:			
Investments in Capital Assets, Net of Related Debt	18,714	29,096	(10,382)
Restricted	503,809	449,542	54,267
Unrestricted	(827,816)	(1,191,923)	364,107
Total Net Position	(305,293)	(713,285)	407,992

Northwest Regional Council  
Northwest Washington Area Agency on Aging  
January 1, 2016 through December 31, 2016



Northwest Regional Council Change in Governmental Fund Balance			
	2016	2015	Increase (Decrease)
Federal Indirect Grant and Contract Revenue	7,951,594	7,332,772	618,822
State Grant and Contract Revenue	3,349,331	3,041,193	308,138
General Revenue	1,672,135	1,534,850	137,285
<b>Total Revenue</b>	<b>12,973,060</b>	<b>11,908,815</b>	<b>1,064,245</b>
Program Expenditures:			
Community Programs	1,781,647	1,647,067	134,580
Care Management	4,100,736	3,503,369	597,367
Planning & Contracting	857,035	866,071	(9,036)
Nutrition Services	963,454	958,782	4,672
Misc Contracted Services	436,426	391,965	44,461
Medicaid Transportation	3,288,426	3,051,105	237,321
Jail Health Program	1,093,842	996,494	97,348
Other NWRC Activities	150,445	105,792	44,653
Capital Outlay	-	14,558	(14,558)
<b>Subtotal Expenditures</b>	<b>12,672,011</b>	<b>11,535,203</b>	<b>1,136,808</b>
<b>Change in Fund Balance</b>	<b>301,049</b>	<b>373,612</b>	<b>(72,563)</b>
Fund Balance as of January 1	2,789,758	2,416,146	373,612
<b>Fund Balance as of December 31</b>	<b>3,090,807</b>	<b>2,789,758</b>	<b>301,049</b>

Northwest Regional Council  
Northwest Washington Area Agency on Aging  
January 1, 2016 through December 31, 2016

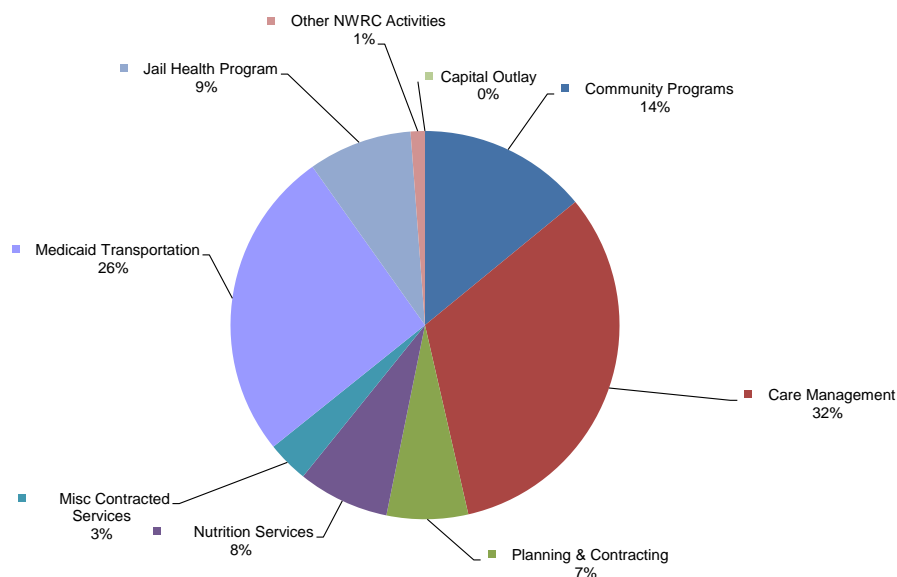
Community Programs includes Aging and Disability Resources, Senior Information and Assistance, Family Caregiver Support, Tribal Outreach, and Kinship Navigator. Expenditures increased by \$134,580 in 2016. 95% of the increase is related to timing of Family Caregiver Support Program expenditures. As described last year, staff turnover and reorganization at NWRC and our contractors, in addition to a change in the experience between estimated and actual utilization of service, resulted in reduced expenditures for the 2015 calendar year. Funding from our state fiscal year contract was available for these expenditures in the first half of calendar year 2016.

Care Management expenditures increased by \$597,367 or 17%. The Health Homes program, implemented in our region in October 2013, continues to grow. NWRC staff and contracted organizations engage high-cost, high need Medicaid and Medicaid/Medicare beneficiaries who have improved the quality of their life through actionable changes. This innovative approach to intensive care coordination has also achieved significant Medicare cost reductions.

Medicaid Transportation expenditures increased by \$237,321 (8%) and one-way trips increased by 8%. Trips increased due to legislative and administrative changes enacted by the State of Washington as a result of Medicaid expansion. NWRC earned a monetary incentive each quarter for reducing cost per trip.

Other NWRC activities increased by \$44,653. Most of this is related to the increase in expenditures as directed by the Northwest LEARN Board.

**Governmental Activities Expenditures 2016**



Northwest Regional Council  
Northwest Washington Area Agency on Aging  
January 1, 2016 through December 31, 2016

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

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

**Budgetary Highlights**

Differences between the statement of activities original budget and the final amended budget reflect adjustments to incorporate changes in available funding for specific activities. Revenue was 2% less and expenditures were 4% less than the final amended budget.

**Capital Assets**

The NWRC's investment in capital assets as of December 31, 2016 amounts to \$18,714, net of accumulated depreciation. This investment is in furniture and equipment including leasehold improvements, and intangible assets; the NWRC has no other type of capital asset.

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

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

- Revenue forecasts for the 2017-19 Biennium reflect limited growth in State General Fund revenues as the state's economy continues its gradual recovery from the recession.
- Federal funds awarded under Older Americans Act are expected to remain the same in 2017.

Since a substantial percentage (87% in calendar year 2016) of NWRC's revenues are state or federal resources, NWRC governing board members and management will consider these factors in preparing the NWRC's budget for future years.

**Requests for Information**

This financial report is designed to provide a general overview of the NWRC's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Executive Director, 600 Lakeway Drive Suite 100, Bellingham, WA 98225.

**Northwest Regional Council**  
**Northwest Area Agency on Aging**  
**Statement of Governmental Fund Revenues, Expenditures and Changes in**  
**Fund Balance/Statement of Activities**  
**For the Year Ended December 31, 2016**

	General Fund	Adjustments	Statement of Activities
<b>Expenditures:</b>			
Current:			
Community Programs	1,781,647	(15,561)	1,766,086
Care Management	4,100,736	(54,631)	4,046,105
Planning & Contracting	857,035	(13,126)	843,909
Caregiver Training/Agency Wkr Health Ins.	200,582	-	200,582
Chronic Disease Self Management	16,000	-	16,000
Kinship Caregiver Support Program	63,327	-	63,327
Legal Services	55,531	-	55,531
Long Term Care Ombuds	3,499	-	3,499
Nutrition Services	963,454	-	963,454
Volunteer Services	97,487	-	97,487
Medicaid Transportation	3,288,426	(13,956)	3,274,470
Jail Health Program	1,093,842	(19,393)	1,074,449
Other NWRC Activities	150,445	(658)	149,787
Depreciation	-	10,382	10,382
Capital Outlay	-	-	-
Debt Services	-	-	-
<b>Total Expenditures</b>	<b>12,672,011</b>	<b>(106,943)</b>	<b>12,565,068</b>
<b>Program Revenues:</b>			
Operating Grants & Contracts	11,300,925		11,300,925
<b>Net Program Expense</b>			<b>1,264,143</b>
<b>General Revenues:</b>			
Local Funds and Miscellaneous	1,672,135		1,672,135
<b>Total General Revenues</b>	<b>1,672,135</b>	<b>-</b>	<b>1,672,135</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>301,049</b>	<b>106,943</b>	<b>407,992</b>
<b>Fund Balances/Net Assets</b>			
Beginning of the year	2,789,758	(3,503,043)	(713,285)
End of the year	<b>3,090,807</b>	<b>(3,396,100)</b>	<b>(305,293)</b>

The accompanying notes are an integral part of this statement

**Northwest Regional Council**  
**Northwest Washington Area Agency on Aging**  
**Governmental Funds Balance Sheet/Statement of Net Position**  
**As of December 31, 2016**

	Governmental Funds		Statement of
ASSETS	Balance Sheet	Adjustments	Net Position
Cash	1,458,273		1,458,273
Investments	1,601,679		1,601,679
Accounts Receivable-From Other Governments	1,744,689		1,744,689
Accounts Receivable-Other	6,715		6,715
Prepaid Expense	52,755		52,755
Capital Assets (Net of Accumulated Depreciation):			-
Furniture and Equipment		18,714	18,714
Total Assets	4,864,111	18,714	4,882,825
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows of Resources - Pension		872,016	872,016
Total Assets and Deferred Outflow of Resources	4,864,111	890,730	5,754,841
<b>LIABILITIES</b>			
Accounts Payable	448,859		448,859
Payroll and Payroll Benefits Payable	290,428		290,428
Accrued Vacation/Sick Liability - Current Portion		9,192	9,192
Noncurrent Liabilities:			
Accrued Vacation/Sick Leave Liability		205,978	205,978
Due to Other Governmental Units--			
DSHS Working Advance	1,034,017		1,034,017
Net Pension Liability		3,989,361	3,989,361
Total Liabilities	1,773,304	4,204,531	5,977,835
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows of Resources - Pension		82,299	82,299
<b>FUND BALANCES/NET POSITION</b>			
Fund Balances:			
Nonspendable:			
Prepaid Expense	52,755	(52,755)	
Restricted for:			
Northwest LEARN	274,237	(274,237)	
TXIX Medicaid/Aging Network	229,572	(229,572)	
Committed to:			
Unemployment	75,000	(75,000)	
Vacation/Sick Leave	215,170	(215,170)	
Assigned to:			
Family Caregiver Support Project	4,055	(4,055)	
Contingency Reserve	657,209	(657,209)	
Unassigned	1,582,809	(1,582,809)	
Total Fund Balances	3,090,807	(3,090,807)	-
Total Liabilities and Fund Balances	4,864,111		
<b>NET POSITION</b>			
Net Investment in Capital Assets		18,714	18,714
Restricted for:			
Northwest LEARN		274,237	274,237
TXIX Medicaid/Aging Network		229,572	229,572
Unrestricted		(827,816)	(827,816)
Total Net Position		(305,293)	(305,293)

**Note: Numbers may not total due to rounding**

The accompanying notes are an integral part of this statement

**Northwest Regional Council**  
**Northwest Washington Area Agency on Aging**  
**Notes to Financial Statements**  
**January 1, 2016 through December 31, 2016**

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

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

**A. Reporting Entity**

The Northwest Regional Council (NWRC) was incorporated in March 1971 and operates under the laws of the State of Washington applicable to a Municipal Corporation. NWRC serves as the Area Agency on Aging (AAA) for Skagit, Whatcom, San Juan, and Island Counties and provides or contracts for provision of NW LEARN (Law Enforcement Administrative Radio Network), Case Management, Aging and Disability Resource Center, Family Caregiver Support, Assessment and Coordination Services, Memory Care and Wellness Services, Medicaid Home and Community-Based Services, Medicaid Transportation, Kinship Care, Whatcom County Jail Health Program, and Health Home Care Coordination and Lead activities.

The NWRC is governed by a council made up of eight elected officials, two from each member county.

**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 activities of the primary government.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Our policy is to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements or a particular function or segment. Taxes and 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 accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the NWRC considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only at the end of the fiscal year. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The NWRC reports the following major governmental funds:

The general (or current expense) fund is the NWRC'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) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues.

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

### **D. Budgetary Information**

#### **Scope of Budget**

Annual appropriated budgets are adopted for all funds using the current financial resources measurement focus.



Other budgets are adopted at the level of the fund where expenditures may not exceed appropriations at the department level and the budgets constitute the legal authority for expenditure at that level.

The AAA's budget requirements are mandated by Aging & Long-Term Support Administration (ALTSA), Department of Social and Health Services (DSHS). The budget, 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 ALTSA. Most appropriations lapse at the end of the State of Washington biennium. The primary exception is Older Americans Act funds that have a fiscal year that ends on December 31<sup>st</sup>.

### **Amending the Budget**

The Executive Director is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of a fund or that affect the number of authorized employee positions or salary ranges must be approved by the NWRC.

When the NWRC determines that it is in the best interest of the NWRC to increase or decrease an appropriation, it may do so by resolution.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the fiscal year.

### **Excess of Expenditures Over Appropriations**

NWRC 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**

The NWRC/AAA does not employ encumbrance accounting.

## **F. Assets, Liabilities, and Fund Equity**

### **1. Cash**

It is the NWRC's policy to invest all temporary cash surpluses. At December 31, 2016, the Whatcom County Treasurer's office was holding \$1,458,273 in short-term residual investments of surplus cash. This amount is classified on the balance sheet as cash. NWRC has just one governmental fund and any interest earned on these amounts is credited to that fund.

It is the policy of the Whatcom County Treasurer to invest public funds in accordance with all federal, state, and local governing statutes. 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.

Custodial credit risk for cash is the risk that in the event of bank failure, the government's deposits may not be returned. Through the Whatcom County Treasurer, the NWRC's cash balances are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

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

**3. Receivables**

Accounts receivable primarily consist of amounts to be received from other governmental units. The remaining accounts receivable 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 Assets**

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

**5. Amounts Due to and from Other Governmental Units**

These amounts include funds due to State of Washington, Department of Social and Health Services (DSHS), for a two-month working advance. Additional funds may be requested under this agreement with the submittal of Documentation of Funds as required by DSHS Office of Accounting Services. The amount of this long term liability increased by \$35,372 in 2016.

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

Capital Assets are defined by the NWRC as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost.

Costs for additions or improvements to capital assets are capitalized when they increase the effectiveness or efficiency of the asset.

The costs for normal maintenance and repairs are not capitalized.

The NWRC has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the NWRC has sufficient legal interest to accomplish the purposes for which the assets were acquired and has included such assets within the applicable fund.

## **7. Compensated Absences**

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. All vacation and sick pay is accrued when incurred in the governmental fund financial statements.

Vacation leave may be accumulated up to 288 hours per employee. Outstanding vacation accrual is payable upon retirement, death, or termination of service. Sick leave may accumulate up to 600 hours. At January 1 of each year, accrued sick leave in excess of 600 hours shall be converted to vacation leave by exchanging four (4) hours of sick leave for one (1) additional hour of vacation leave. Upon achieving 20 years or more longevity, any employee accruing more than 600 hundred hours of sick leave on January 1 of each year shall exchange 2.1 sick leave hours for 1 compensated hour deposited in their Retirement Health Savings (RHS) Plan Account, up to a maximum of 45.714 compensated hours per year. The NWRC amended the RHS Plan in April 2013 to include an additional group to the Plan. Effective with membership on the Leadership Team, 25% of vacation cash out is distributed to one's RHS account upon separation from employment with NWRC.

The balance of the liability for compensated absences increased by \$4,267 in 2016.

## 8. Fund Balance

Fund Balance amounts are classified as nonspendable, restricted, committed, assigned or unassigned in accordance with the Governmental Accounting Standards Board (GASB) Statement 54, Fund Balance Reporting and Governmental Fund Type Definitions.

### Fund Balance Classification

Non spendable fund balance includes items that cannot be spent. This amount of \$52,755 includes rents, security deposit, insurance, and other prepaid expenses.

Restricted fund balance of \$503,809 represents resources that are available to spend subject to externally enforceable legal restrictions on how they may be used. \$274,237 is restricted for the Northwest Law Enforcement Administrative Radio Network expenditures, and \$229,572 is restricted for Title XIX Medicaid or Aging Network Programs. NWRC considers restricted or unrestricted amounts have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Committed fund balance is resources constrained by limitations that the government imposes upon itself at the highest level of decision making. The NWRC governing board is the highest level of decision-making authority that can, by resolution, commit fund balance. The limitation imposed by the resolution remains in place until another resolution removes or revises the limitation. \$75,000 is committed for unemployment self-insurance reserve, and \$215,170 is committed for vacation and sick leave accrual.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The NWRC governing board has approved the policy to assign fund balances, including the creation of a Contingency Reserve.

### Minimum Fund Balance

The Contingency Reserve will be classified as Assigned Fund Balance and is intended to be used in the event of unanticipated circumstances, such as natural disaster, a lawsuit, a federal or state temporary shutdown, unexpected significant budget cuts, or unanticipated replacement of infrastructure such as computer networks or telephone systems. The General Fund Contingency Reserve will be replenished, as needed, by revenues generated

from Miscellaneous and Local discretionary funds. Management has assigned 5% of 2016 budgeted operating expenditures to fund this contingency reserve. Movement of funds in and out of this reserve is at the discretion of the Executive Director and is reported to the governing board at their next scheduled meeting. All accounting adjustments to Assigned and Unassigned Fund Balances will take place at the end of the fiscal year and will be authorized by the Executive Director.

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

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

## **9. Deferred outflows/inflows of resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. NWRC has deferred outflows/inflows related to the application of GASB 68 for 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.

## 10. Accounting and reporting changes

In February 2015, the GASB issued Statement No. 72, Fair Value Measurement and Application, which provides guidance for applying fair value to certain investments, and disclosures related to all fair value measurements. This Statement establishes a three-level hierarchy of inputs to valuation techniques used to measure fair value, and requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The NWRC reviewed the standard but it had no effect on FY16 statements.

### **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>\$ 3,090,807</b>
Plus capital assets	18,714
Plus deferred outflows of resources - pensions	872,016
Less compensated absences	(215,170)
Less deferred inflows-pension	(82,299)
Less net pension liability	(3,989,361)
<b>Net difference</b>	<b>(3,396,100)</b>
<b>Statement of Net Position</b>	<b>\$ (305,293)</b>
Note: Numbers may not total due to rounding	

#### **B. Explanation of Certain Differences Between the Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Net Position**

<b>General fund expenditures</b>	<b>\$ 12,672,011</b>
Plus change to accrual for compensated absences	4,267
Plus depreciation expense	10,382
Less pension expense - GASB 68	(121,592)
<b>Net difference in expenditures</b>	<b>(106,943)</b>
<b>Government-wide activities</b>	<b>\$ 12,565,068</b>
Note: Numbers may not total due to rounding	

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

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

### **NOTE 4 – DEPOSITS AND INVESTMENTS**

#### **DEPOSITS**

The NWRC's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC). The Whatcom County Treasurer's Office holds all deposits for NWRC.

#### **INVESTMENTS**

For 2016, NWRC investments were maintained by the Whatcom County Treasurer in the Whatcom County Investment Pool.

It is the NWRC's policy to invest all temporary cash surpluses. As of December 31, 2016, the Whatcom County Treasurer was holding \$1,601,679 in short term residual investments of surplus cash measured and reported at fair value. This amount is classified on the balance sheet as Investments.

NWRC holds no other investments.

### **NOTE 5 – CAPITAL ASSETS AND DEPRECIATION**

In accordance with grant requirements for AAA funds, the NWRC files liens on behalf of the Washington State Department of Social and Health Services (DSHS) for all capital assets in accordance with policies and regulations in effect at the date of acquisition. Legal title, therefore, may vest in DSHS for a percentage of the capital assets. Effective January 1, 1997, liens for capital assets are required by ALTSA only for those items costing \$5,000 or more and charged to a single funding source.

Although depreciation of capital assets is not recorded in governmental funds, straight-line depreciation is calculated for presentation purposes and accumulated depreciation is recorded in the capital assets reported on the Balance Sheet using the following estimated useful lives:

Asset	Useful Life
Computer Hardware and Software	4 years
Food Prep and Serving Equipment	5 years
Office Equipment	5 years
Communications Equipment	7 years
Leasehold Improvement	10 years

The NWRC has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. However, the NWRC has sufficient legal interest to accomplish the purposes for which the assets were acquired and has included such assets within the applicable fund.

### Capital Assets

Capital assets are long-lived assets of the NWRC as a whole. 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 Assets.

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

Capital assets activity for the year ended December 31, 2016 was as follows:

	Beginning Balance 1/1/2016	Increases	Decreases	Ending Balance 12/31/2016
Governmental activities:				
Capital assets, not being depreciated:				
Land				
Construction in progress				
Total capital assets not being depreciated	\$ -	\$ -	\$ -	\$ -
Capital Assets, being depreciated:				
Buildings				
Intangible Assets	\$ 6,720	\$ -	\$ -	6,720
Improvements other than buildings				
Machinery and equipment	462,948		-	462,948
Infrastructure				
Total capital assets being depreciated	469,668	-	-	469,668
Less accumulated depreciation for:				
Buildings				
Intangible Assets	\$ 6,720	\$ 10,382		17,102
Improvements other than buildings				
Machinery and equipment	433,852		-	433,852
Infrastructure				
Total accumulated depreciation	440,572	10,382	-	450,954
Total capital assets being depreciated, net	29,096	(10,382)	-	18,714
Governmental activities capital assets, net	\$ 29,096	\$ (10,382)	\$ -	\$ 18,714

### 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 2016:



<b>Aggregate Pension Amounts – All Plans</b>	
Pension liabilities	\$ 3,989,361
Pension assets	\$ 0
Deferred outflows of resources	\$ 872,016
Deferred inflows of resources	\$ 82,229
Pension expense/expenditures	\$ 353,465

## **State Sponsored Pension Plans**

Substantially all NWRC 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.

### 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>			
PERS Plan 1		6.23%	6.00%
PERS Plan 1 UAAL		4.77%	6.00%
Administrative Fee		0.18%	
<b>Total</b>		<b>11.18%</b>	<b>6.00%</b>

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

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

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of

service credit. PERS Plan 2/3 retirement benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

### Contributions

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

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates:</b>	<b>Employer 2/3</b>	<b>Employee 2*</b>
PERS Plan 2/3	6.23%	6.12%
PERS Plan 1 UAAL	4.77%	6.12%
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
<b>Total</b>	<b>11.18%</b>	<b>6.12%</b>

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

The NWRC actual PERS plan contributions were \$475,058 to PERS Plan 2/3 for the year ended December 31, 2016.

## Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. 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 2015 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, 2015, to June 30, 2015, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3.0% 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.

- For all systems, except LEOFF Plan 2, the assumed valuation interest rate was lowered from 7.8% to 7.7%. Assumed administrative factors were updated.
- Valuation software was corrected on how the nonduty disability benefits for LEOFF Plan 2 active members is calculated.
- New LEOFF Plan 2 benefit definitions were added within the OSA valuation software to model legislation signed into law during the 2015 legislative session.

## 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, 2016, are summarized in the table below. The inflation component used to create the table is 2.2 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

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

## Sensitivity of the Net Pension Liability/(Asset)

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	\$ 2,237,803	\$ 1,855,713	\$ 1,526,900
PERS 2/3	\$ 3,928,431	\$ 2,133,648	\$ (1,110,687)

## 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, 2016, the NWRC reported a total pension liability of \$3,989,361 for its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 1,855,713
PERS 2/3	\$ 2,133,648

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

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	0.036708%	0.034554%	(0.002154%)
PERS 2/3	0.042753%	0.042377%	(0.000376%)

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

The collective net pension liability (asset) was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability (asset) is based was as of June

30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

### **Pension Expense**

For the year ended December 31, 2016, the NWRC recognized pension expense as follows:

	<b>Pension Expense</b>
PERS 1	\$ (18,408)
PERS 2/3	\$ 371,874
TOTAL	\$ 353,465

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

At December 31, 2016, the NWRC 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	\$ 0	\$ 0
Net difference between projected and actual investment earnings on pension plan investments	\$ 46,724	\$ 0
Changes of assumptions	\$ 0	\$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 0	\$ 0
Contributions subsequent to the measurement date	\$ 107,643	\$ 0
TOTAL	\$ 154,367	\$ 0

<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 113,615	\$ 70,435
Net difference between projected and actual investment earnings on pension plan investments	\$ 261,097	\$ 0
Changes of assumptions	\$ 22,053	\$ 0
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 180,294	\$ 11,864
Contributions subsequent to the measurement date	\$ 140,590	\$ 0
<b>TOTAL</b>	<b>\$ 717,649</b>	<b>\$ 82,299</b>

Deferred outflows of resources related to pensions resulting from the NWRC 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>
2017	\$ (11,504)
2018	\$ (11,504)
2019	\$ 42,911
2020	\$ 26,822
2021	\$ 0
Thereafter	\$ 0

<b>Year ended December 31:</b>	<b>PERS 2/3</b>
2017	\$ 72,889
2018	\$ 72,889
2019	\$ 225,979
2020	\$ 123,003
2021	\$ 0
Thereafter	\$ 0

## **NOTE 7 – RISK MANAGEMENT**

The NWRC maintains insurance against most normal hazards except for unemployment insurance where it has elected to be self-insured.



Claims are processed by independent claims managers.

Based on NWRC history of claims for unemployment compensation, we have estimated the maximum liability for probable losses at December 31, 2016, as follows:

Unemployment: \$75,000

The amount budgeted for unemployment compensation and unexpended at the end of each calendar year will be held to be used only for that purpose. This amount will increase up to the maximum defined by NWRC resolution.

The NWRC deals directly with a commercial insurer through HUB International Northwest LLC – Bellingham. Coverage is maintained with Great American Insurance Group for Director's and Officer's Insurance (\$5,000,000 aggregate); First National Insurance Company for General and Comprehensive Liability Insurance (\$1,000,000 per occurrence, \$3,000,000 aggregate); and with General Insurance Company of America for Professional Liability Insurance on NWRC for staff members who are responsible for authorizing or arranging direct services to eligible clients (\$1,000,000 each occurrence, \$3,000,000 aggregate). In addition, NWRC maintains a Commercial Umbrella Liability policy (\$3,000,000 each occurrence, \$3,000,000 aggregate) underwritten by American States Insurance Company and a Flood Insurance policy for the Burlington office, underwritten by American Bankers Insurance Company of Florida (\$88,100 on contents only). NWRC has Public Official Bonds for those authorized to sign checks or initiate electronic payments in the amount of \$50,000 each.

NWRC has not filed any insurance claims in 2014, 2015, or 2016.

## **NOTE 8 – LEASES**

### **Operating Leases - Cancelable**

NWRC leases office space under operating, cancelable leases with a five- year term. Total cost for such leases was \$187,044 for the year ended December 31, 2016.

### **Operating Leases – Noncancelable**

NWRC leases equipment under noncancelable operating leases. Total cost for such leases was \$15,569 for the year ended December 31, 2016. The future minimum lease payments for these leases are as follows:

December 31	Amount
2017	12,466
2018	4,274
2019	-
2020	-
2021	-
Total	\$ 16,740

## **NOTE 9 – CONTINGENCIES AND LITIGATION**

NWRC's financial statements include all material liabilities. There are no material contingent liabilities to record.

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

**Northwest Regional Council  
Northwest Washington Area Agency on Aging  
Budgetary Comparison Schedule**

**General Fund**

**For the Year Ended December 31, 2016**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive (Negative)
<b><u>Budgetary Fund Balance, January 1</u></b>				
Resources (Inflows)			\$2,487,460	
DSHS - ALTSA - TXIX Medicaid	\$3,123,746	\$3,249,758	3,320,756	\$70,998
DSHS - ALTSA - All Other	3,617,781	3,669,795	3,472,182	(197,613)
Health Care Authority	4,625,041	4,625,041	4,536,063	(88,978)
Other Contracted	1,717,852	1,681,514	1,644,059	(37,455)
Fund Balance Reserves	114,012	68,189	-	(68,189)
	13,198,432	13,294,297	12,973,060	(321,237)
<b>Amounts Available for Appropriation</b>				
<b>Charges to Appropriations (Outflows)</b>				
Community Programs	1,821,151	1,855,962	1,781,647	74,315
Care Management	4,227,018	4,202,643	4,100,736	101,907
Planning & Contracting	916,745	848,788	857,035	(8,247)
Caregiver Training/Agency Wkr Health Ins.	174,350	201,000	200,582	418
Chronic Disease Self Management	18,000	18,000	16,000	2,000
Disaster Relief	1	1	-	1
Kinship Caregiver Support Program	59,392	69,967	63,327	6,640
Legal Services	54,072	58,398	55,531	2,867
Long Term Care Ombuds	3,959	3,959	3,499	460
Nutrition Services	1,014,684	1,014,684	963,454	51,230
Volunteer Services	104,344	104,344	97,487	6,857
Medicaid Transportation	3,298,733	3,315,897	3,288,426	27,471
Jail Health Program	1,272,168	1,229,692	1,093,842	135,850
Other NW/RC Activities	179,554	221,403	150,445	70,958
Capital Outlay	-	-	-	-
<b>Total Charges to Appropriations</b>	13,144,171	13,144,738	12,672,011	472,727
<b>Budgetary Fund Balance, December 31</b>	\$54,261	\$149,559	\$2,788,508	\$151,490

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

Northwest Regional Council  
Schedule of Proportionate Share of the Net Pension Liability

PERS 1

As of June 30, 2016  
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	%	0.036708%	0.034554%							
Employer's proportionate share of the net pension liability	\$	1,920,170	1,855,713							
Employer's covered employee payroll	\$	3,821,698	4,053,948							
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	50.24%	45.78%							
Plan fiduciary net position as a percentage of the total pension liability	%	59.10%	57.03%							

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Northwest Regional Council  
Schedule of Proportionate Share of the Net Pension Liability  
PERS 2/3  
As of June 30, 2016  
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	%	0.042753%	0.042377%							
Employer's proportionate share of the net pension liability	\$	1,527,589	2,133,648							
Employer's covered employee payroll	\$	3,662,723	3,982,467							
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	41.71%	53.58%							
Plan fiduciary net position as a percentage of the total pension liability	%	89.20%	85.82%							

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Northwest Regional Council  
Schedule of Employer Contributions  
PERS 1

As of December 31, 2016  
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required contributions	\$ 181,205	206,002								
Contributions in relation to the statutorily or contractually required contributions	\$ (181,205)	(206,002)								
Contribution deficiency (excess)	\$ 0	0								
Covered employer payroll	\$ 3,945,845	4,318,699								
Contributions as a percentage of covered employee payroll	% 4.59%	4.77%								

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

Northwest Regional Council  
Schedule of Employer Contributions  
PERS 2/3  
As of December 31, 2016  
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Statutorily or contractually required contributions	\$ 214,344	269,055								
Contributions in relation to the statutorily or contractually required contributions	\$ (214,344)	(269,055)								
Contribution deficiency (excess)	\$ 0	0								
Covered employer payroll	\$ 3,803,190	4,318,699								
Contributions as a percentage of covered employee payroll	% 5.64%	6.23%								

**Northwest Regional Council  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2016**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
Food And Nutrition Service, Department Of Agriculture (via WA DSHS)	Senior Farmers Market Nutrition Program	10.576	1569-41575	11,640	-	11,640	11,640	5
Food And Nutrition Service, Department Of Agriculture (via WA DSHS)	Senior Farmers Market Nutrition Program	10.576	1669-68407	1,227	-	1,227	1,227	
		<b>Total CFDA 10.576:</b>		<b>12,867</b>	-	<b>12,867</b>	<b>12,867</b>	
Administration For Community Living, Department Of Health And Human Services (via WA DSHS)	Special Programs for the Aging_ Title VII, Chapter 3_ Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	1669-53812	3,571	-	3,571	3,499	
Administration For Community Living, Department Of Health And Human Services (via WA DSHS)	Special Programs for the Aging_ Title III, Part D_ Disease Prevention and Health Promotion Services	93.043	1669-53812	23,761	-	23,761	-	
<b>Aging Cluster</b>								
Administration For Community Living, Department Of Health And Human Services (via WA DSHS)	Special Programs for the Aging_ Title III, Part B_ Grants for Supportive Services and Senior Centers	93.044	1669-53812	523,117	-	523,117	55,531	
Administration For Community Living, Department Of Health And Human Services (via WA DSHS)	Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	1669-53812	455,275	-	455,275	420,535	
Administration For Community Living, Department Of Health And Human Services (via WA DSHS)	Special Programs for the Aging_ Title III, Part C_ Nutrition Services	93.045	1669-53812	244,261	-	244,261	213,432	
		<b>Total CFDA 93.045:</b>		<b>699,536</b>	-	<b>699,536</b>	<b>633,967</b>	

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



**Northwest Regional Council  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2016**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
Administration For Community Living, Department Of Health And Human Services (via WA DSHS)	Nutrition Services Incentive Program	93.053	1669-53812	263,163	-	263,163	263,163	
		<b>Total Aging Cluster:</b>		<b>1,485,816</b>	-	<b>1,485,816</b>	952,661	
Administration For Community Living, Department Of Health And Human Services (via WA DSHS)	National Family Caregiver Support, Title III, Part E	93.052	1669-53812	154,052	-	154,052	-	
Administration For Community Living, Department Of Health And Human Services (via WA DSHS)	Medicare Enrollment Assistance Program	93.071	1469-28371	4,037	-	4,037	-	
Administration for Community Living, Department of Health And Human Services (via WA DSHS)	Affordable Care Act - Aging and Disability Resource Center	93.517	1369-78492	5,722	-	5,722	-	
Administration For Community Living, Department Of Health And Human Services (via WA DSHS)	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self- Management Education Programs – financed by Prevention and Public Health Funds (PPHF)	93.734	1669-74577	9,383	-	9,383	-	
<b>Medicaid Cluster</b>								
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via WA DSHS)	Medical Assistance Program	93.778	1569-41575	826,637	-	826,637	158,102	
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via WA DSHS)	Medical Assistance Program	93.778	1669-68407	892,135	-	892,135	151,262	

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

**Northwest Regional Council**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2016**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
				Total Medicaid Cluster:				
Centers For Medicare And Medicaid Services, Department Of Health And Human Services (via WA DSHS)	Money Follows the Person Rebalancing Demonstration	93.791	1569-41575	4,538	-	4,538	309,364	-
	Money Follows the Person Rebalancing Demonstration	93.791	1669-68407	4,932	-	4,932	-	-
Total CFDA 93.791:				9,470	-	9,470	-	-
Total Federal Awards Expended:				3,427,451	-	3,427,451	1,278,391	

The accompanying notes are an integral part of this schedule.

**Northwest Regional Council**  
**Northwest Washington Area Agency on Aging**  
**Notes to Schedule of Expenditures of Federal Awards**  
**January 1, 2016 Through December 31, 2016**

**NOTE 1 – BASIS OF ACCOUNTING**

The schedule is prepared on the modified accrual basis of accounting.

**NOTE 2 – PROGRAM COSTS**

The amounts shown as current year expenditures represent only the federal portion of the program costs. Entire program costs, including the NWRC's portion, may be more than shown. Such expenditures are recognized following 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 the NWRC, based upon the number of USDA-eligible meals provided during the previous federal fiscal year. NSIP funds are awarded to subcontractors each year for the proportion of USDA-eligible meals provided by each subcontractor during the previous year.

**NOTE 4 – TITLE XIX**

Specific awards are identified for expenditures incurred for Core Services Contract Management and revenues based on a unit rate for Nursing Services and Case Management. Beginning in July 2015, Core Services Contract Management is also based on a unit rate.

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

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

**NOTE 6 – INDIRECT COST RATE**

The NWRC does not have an approved indirect cost rate and has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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

Contact information for the State Auditor's Office	
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