



Office of the Washington State Auditor
Pat McCarthy

**Financial Statements and Federal Single Audit
Report**

**Aging and Long Term Care of Eastern
Washington**

Spokane County

For the period January 1, 2017 through December 31, 2017

Published June 28, 2018

Report No. 1021527





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

June 28, 2018

Governing Board
Aging and Long Term Care of Eastern Washington
Spokane, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Aging and Long Term Care of Eastern 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,

Pat McCarthy
State Auditor
Olympia, WA

TABLE OF CONTENTS

| | |
|---|----|
| Schedule of Findings and Questioned Costs..... | 4 |
| 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..... | 6 |
| Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance | 9 |
| Independent Auditor's Report on Financial Statements..... | 12 |
| Financial Section..... | 16 |
| About the State Auditor's Office..... | 51 |

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Aging and Long Term Care of Eastern Washington Spokane County January 1, 2017 through December 31, 2017

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Aging and Long Term Care of Eastern 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 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**

**Aging and Long Term Care of Eastern Washington
Spokane County
January 1, 2017 through December 31, 2017**

Governing Board
Aging and Long Term Care of Eastern Washington
Spokane, 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 Aging and Long Term Care of Eastern Washington, Spokane County, Washington, as of and for the year ended December 31, 2017, 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 22, 2018. As discussed in Note 1 to the financial statements, during the year ended December 31, 2017, the Agency implemented Governmental Accounting Standards Board Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

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.

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Pat McCarthy

State Auditor

Olympia, WA

May 22, 2018

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

**Aging and Long Term Care of Eastern Washington
Spokane County
January 1, 2017 through December 31, 2017**

Governing Board
Aging and Long Term Care of Eastern Washington
Spokane, Washington

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

We have audited the compliance of the Aging and Long Term Care of Eastern Washington, Spokane 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, 2017. 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, 2017.

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 fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy
State Auditor
Olympia, WA

May 22, 2018

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Aging and Long Term Care of Eastern Washington Spokane County January 1, 2017 through December 31, 2017

Board of Directors
Aging and Long Term Care of Eastern Washington
Spokane, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and each major fund of the Aging and Long Term Care of Eastern Washington, Spokane County, Washington, as of and for the year ended December 31, 2017, 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 governmental activities and each major fund of the Aging and Long Term Care of Eastern Washington, as of December 31, 2017, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Matters of Emphasis

As discussed in Note 1 to the financial statements, in 2017, the Agency adopted new accounting guidance, Governmental Accounting Standards Board Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. 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 and required supplementary information listed on page 16 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 May 22, 2018 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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Pat McCarthy

State Auditor

Olympia, WA

May 22, 2018

FINANCIAL SECTION

Aging and Long Term Care of Eastern Washington Spokane County January 1, 2017 through December 31, 2017

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2017

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2017

Statement of Activities – 2017

Balance Sheet – Governmental Funds – 2017

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental
Funds – 2017

Notes to Financial Statements – 2017

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – Governmental Funds – 2017

Schedule of Proportionate Share of the Net Pension Liability – PERS 1 and PERS 2/3 –
2017

Schedule of Employer Contributions – PERS 1 and PERS 2/3 – 2017

Other Post-Employment Benefits – Schedule of Funding Progress – 2017

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2017

Notes to the Schedule of Expenditures of Federal Awards – 2017

AGING AND LONG TERM CARE OF EASTERN WASHINGTON

Management's Discussion and Analysis

For the Year Ended December 31, 2017

We offer this narrative overview and analysis of the financial activities for the year ended December 31, 2017. We present this information in conjunction with the information included in our financial statements, which follow.

Financial Highlights

- At the end of the year, the liabilities and deferred inflows of resources of Aging and Long Term Care of Eastern Washington (ALTCEW) exceeded its assets and deferred outflows of resources by \$1,779,368 (reported as total net position). This deficit balance in net position at December 31, 2017, is primarily the result of the application of two Governmental Accounting Standards Board (GASB) Statements. GASB Statement No. 68 was implemented in 2015 and resulted in the recognition of net pension liability at December 31, 2017 of \$2,574,928. GASB Statement No. 45 was implemented in 2017 and resulted in the recognition of a liability for other post-employment benefits (OPEB) at December 31, 2017 of \$1,519,043. According to GASB, the primary objective of these Statements is to improve accounting and financial reporting by state and local governments for pensions and other post-employment benefits. They also improve information provided by state and local governmental employers about financial support that is provided by other entities. According to GASB, these Statements result from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.
- At the end of the year, ALTCEW's total fund balance for the governmental funds was \$2,442,326. Of this amount, all but \$63,746 was available to spend.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to ALTCEW's basic financial statements. ALTCEW'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.

ALTCEW has only governmental funds; it does not operate any activities that would be defined as either proprietary funds or fiduciary funds.

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

The statement of net position presents information on the total of ALTCEW's assets and deferred outflows of resources, as well as the total of ALTCEW's liabilities and deferred inflows of resources, with the difference between the two totals reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of ALTCEW is improving or deteriorating.

The statement of activities presents information showing how ALTCEW's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (e.g. uncollected revenues and earned but unused vacation and sick 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. ALTCEW, like state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of ALTCEW 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 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 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 ALTCEW's financial position. As noted in the Financial Highlights section of this report, GASB 68 was implemented in 2015 and GASB 45 was implemented in 2017 resulting in a significant impact on Total Net Position.

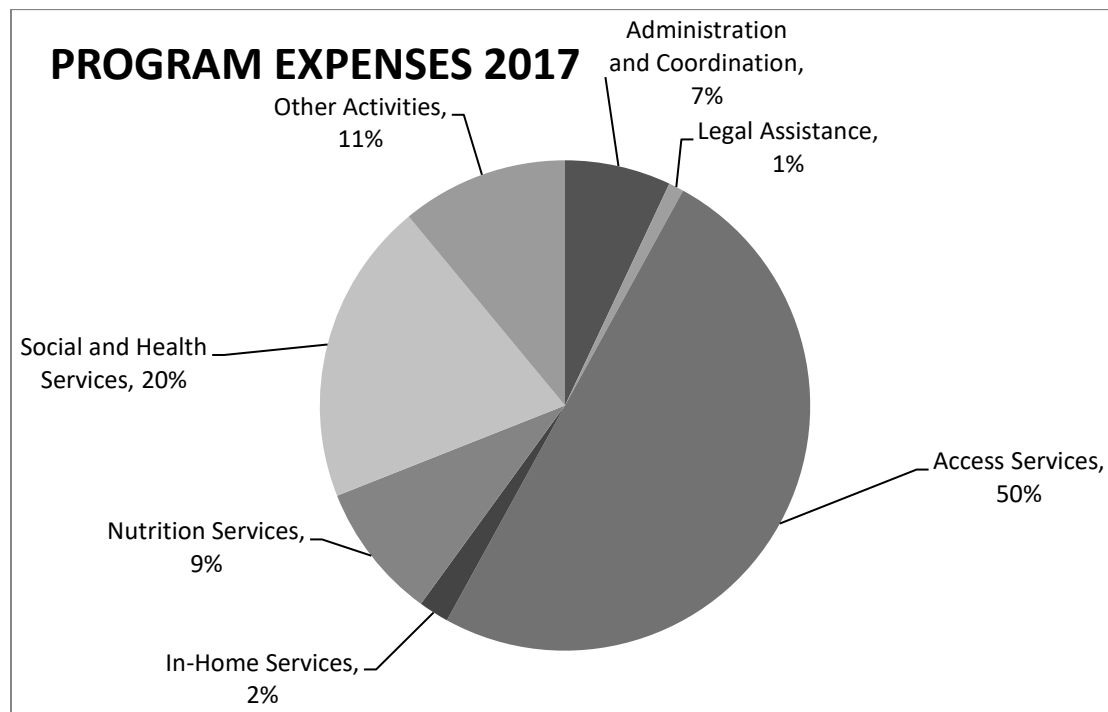
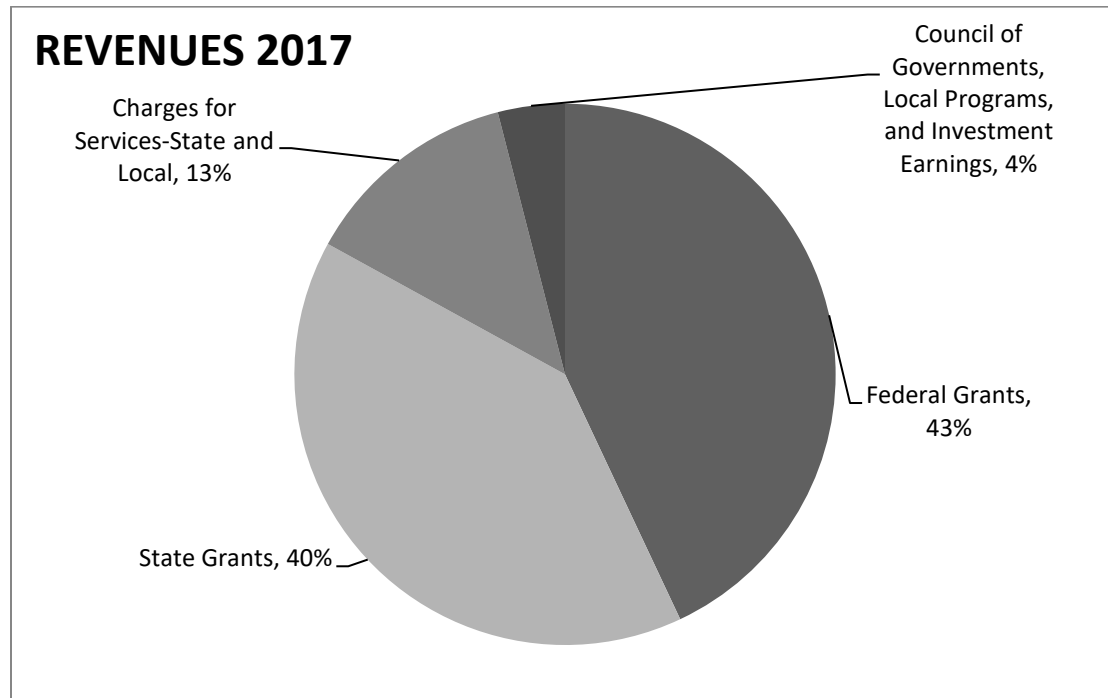
A condensed summary of ALTCEW's net position at December 31, 2017 and 2016 is shown below.

| | | | Amount Increase (Decrease) |
|--|-----------------------|--------------------|----------------------------------|
| Assets | 2017 | 2016 | |
| Current and Other Assets | \$ 4,996,265 | 4,099,894 | 896,371 |
| Capital Assets (Depreciable-net) | 134,621 | 158,625 | (24,004) |
| Total Assets | 5,130,886 | 4,258,519 | 872,367 |
| Deferred outflows related to pensions | 468,320 | 725,528 | (257,208) |
| | <u>\$ 5,599,206</u> | <u>4,984,047</u> | <u>615,159</u> |
| Liabilities | | | |
| Current Liabilities | \$ 674,067 | 796,891 | (122,824) |
| Non-current Liabilities | 2,145,698 | 1,947,301 | 198,397 |
| Net pension liability | 2,574,928 | 3,432,199 | (857,271) |
| Other post-employment benefits | 1,519,043 | - | 1,519,043 |
| Total Liabilities | 6,913,736 | 6,176,391 | 737,345 |
| Deferred inflows related to pensions | 464,838 | 61,033 | 403,805 |
| | <u>\$ 7,378,574</u> | <u>6,237,424</u> | <u>1,141,150</u> |
| Net Position | | | |
| Investment in Capital Assets | \$ 134,621 | 158,625 | (24,004) |
| Restricted | 175,660 | - | 175,660 |
| Unrestricted | (2,089,649) | (1,412,002) | (677,647) |
| Total Net Position | <u>\$ (1,779,368)</u> | <u>(1,253,377)</u> | <u>(525,991)</u> |

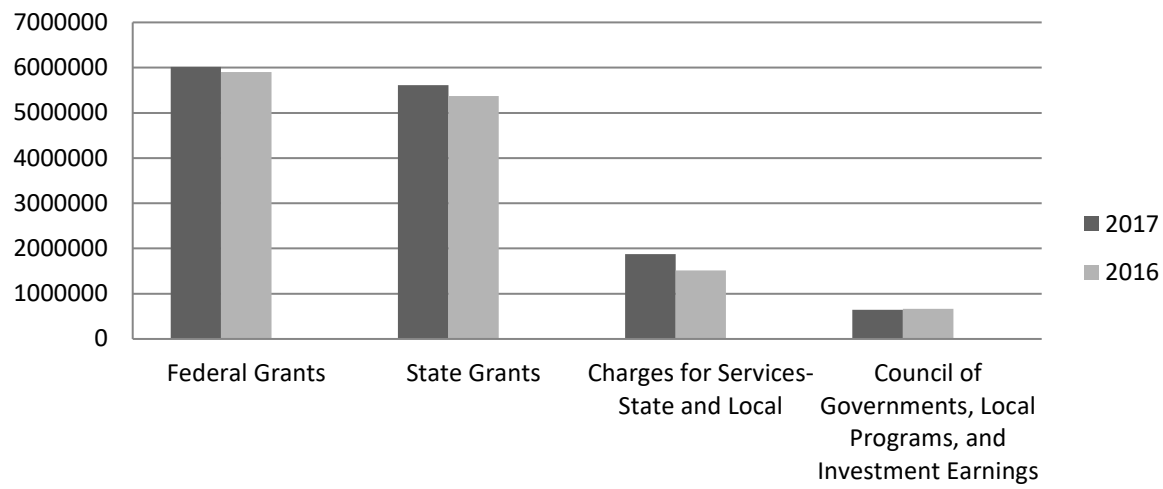
Current and other assets consist primarily of cash, cash equivalents, investments, and accounts receivable from governments. Current liabilities consist of accounts payable and accrued expenses. Non-current liabilities consist of the advance from Department of Social and Health Services (DSHS) and accrued vacation and sick leave. The decrease in net position reflects the excess of revenues over expenditures which is offset by the recognition of other post-employment benefits in the prior period. This is detailed in the following schedule.

| | | | Change in Net Position | | | |
|--|--|---|-------------------------|-------------|--|------------------------|
| | | | Governmental Activities | | | |
| | | | | | | Increase (Decrease) |
| | | | 2017 | 2016 | | |
| | | REVENUES | | | | |
| | | Social Services | | | | |
| | | Operating grants and contributions | | | | |
| | | Federal grants | \$ 6,014,543 | 5,901,053 | | 113,490 |
| | | State grants | 5,615,753 | 5,368,942 | | 246,811 |
| | | Charges for services - State and Local | 1,877,883 | 1,513,729 | | 364,154 |
| | | Total Social Services | 13,508,179 | 12,783,724 | | 724,455 |
| | | | | | | |
| | | General Government | | | | |
| | | Council of Governments | 75,125 | 80,832 | | (5,707) |
| | | Other activities | 552,768 | 569,704 | | (16,936) |
| | | Total General Government | 627,893 | 650,536 | | (22,643) |
| | | | | | | |
| | | General Revenue | | | | |
| | | Investment earnings | 19,645 | 11,918 | | 7,727 |
| | | Total Revenues | 14,155,717 | 13,446,178 | | 709,539 |
| | | | | | | |
| | | PROGRAM EXPENSES | | | | |
| | | Administration and Coordination | 981,284 | 1,060,531 | | (79,247) |
| | | Legal Assistance | 93,896 | 92,676 | | 1,220 |
| | | Access Services | 6,667,577 | 6,341,738 | | 325,839 |
| | | In-Home Services | 277,688 | 325,132 | | (47,444) |
| | | Nutrition Services | 1,244,778 | 1,242,785 | | 1,993 |
| | | Social and Health Services | 2,665,151 | 2,571,425 | | 93,726 |
| | | Other activities | 1,398,347 | 1,441,240 | | (42,893) |
| | | Total Program Expenses | 13,328,721 | 13,075,527 | | 253,194 |
| | | | | | | |
| | | ADJUSTMENTS TO EXPENSES | | | | |
| | | Capital outlay | - | (79,777) | | 79,777 |
| | | Fixed assets depreciation | 24,004 | 12,607 | | 11,397 |
| | | Compensated absences | 6,198 | 7,226 | | (1,028) |
| | | Pension expense | (196,258) | 11,988 | | (208,246) |
| | | Other post-employment benefits | 451,026 | - | | 451,026 |
| | | Total Adjustments | 284,970 | (47,956) | | 332,926 |
| | | | | | | |
| | | Total Expenses | 13,613,691 | 13,027,571 | | 586,120 |
| | | | | | | |
| | | Change in Net Position | 542,026 | 418,607 | | 123,419 |
| | | Net Position, beginning of year | (1,253,377) | (1,671,984) | | 418,607 |
| | | Adjustment for other post-employment benefits | (1,068,017) | - | | (1,068,017) |
| | | Net Position, end of year | \$ (1,779,368) | (1,253,377) | | (525,991) |

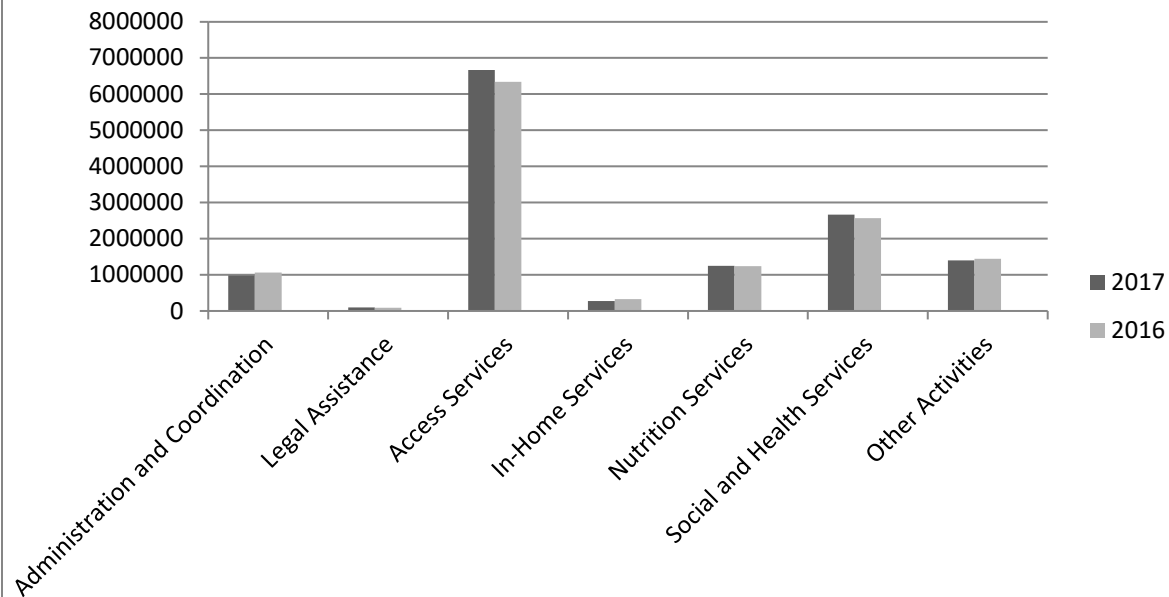
Revenues from Federal and State grants and expenses for Access Services increased primarily due to an increase in the Title XIX Case Management funding and related direct and subcontracted expenses for this program. Revenues from Charges for Services – State and Local increased for Social and Health Services due to the addition of Medicaid Transformation Demonstration funding.



REVENUES - 2017 AND 2016 COMPARISON



EXPENSES - 2017 AND 2016 COMPARISON



Financial Analysis of the Governmental Funds Financial Statements

The general fund is the only operating fund of ALTCEW. At December 31, 2017, the general fund balance was \$2,442,326. Of this amount, all but \$63,746 is available to spend. Restricted funds at December 31, 2017, of \$175,660 are the result of grant funds received in 2017 that will be used in 2018. The general fund balance increased by \$826,996. The difference of (\$4,221,694) between government-wide net position and governmental general fund balance is described on the Balance Sheet – Governmental Funds.

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, net pension liability, and pension contributions.

Budgetary Highlights

Area Plan public hearings are held each June or July to gain public input from each of the three sub-regions. Proposed allocations to each of the subcontractors, by program and funding source for discretionary funds, are presented for review. Budgets are requested in August from the subcontractors for each program area including both discretionary and non-discretionary funding. This information is used to prepare contracts with a January 1 start date. All funding is subject to change depending on final allocations of state and federal funds. Final initial allocations of state and federal funds are known by May 1 or later after carryover is determined from the prior year. If additional funding becomes available, contract amendments are prepared and approved as needed.

The budgetary comparison schedule is located after the notes to the financial statements. Differences between the original budget and the final budget reflect adjustments to incorporate changes in available funding for specific activities. Federal funds not used at December 31, 2017, can likely be carried over to 2018. Unused state funds are available for use until June 30, 2018.

Long Term Debt

Noncurrent liabilities consist of the advance from DSHS of \$1,879,872, and accrued vacation and sick leave of \$265,826 at December 31, 2017. ALTCEW had no long term debt during 2017 or as of December 31, 2017.

Capital Assets

ALTCEW's investment in capital assets at December 31, 2017, is \$134,621 net of accumulated depreciation. This investment is in leasehold improvements and office equipment. ALTCEW has no other types of capital assets.

Requests for Information

This financial report is designed to provide a general overview of ALTCEW's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Business Administration Director, 1222 N. Post Street, Spokane, WA, 99201-2518.

AGING AND LONG TERM CARE OF EASTERN WASHINGTON
Statement of Net Position
December 31, 2017

| | Governmental Activities |
|---|------------------------------------|
| ASSETS | |
| Cash, cash equivalents, and investments | \$ 2,501,618 |
| Accounts receivable from governments | 2,244,303 |
| Other accounts receivable | 186,598 |
| Prepaid expenses | 63,746 |
| Capital assets, net of accumulated depreciation | <u>134,621</u> |
| Total Assets | 5,130,886 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred outflows related to pensions | <u>468,320</u> |
| | <u><u>\$ 5,599,206</u></u> |
| LIABILITIES | |
| Accounts payable and accrued expenses | \$ 674,067 |
| Noncurrent liabilities - due in more than one year: | |
| Accrued vacation and sick leave | 265,826 |
| Due to other governments - DSHS advance | 1,879,872 |
| Net pension liability | 2,574,928 |
| Other post-employment benefits | <u>1,519,043</u> |
| Total Liabilities | 6,913,736 |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred inflows related to pensions | <u>464,838</u> |
| | <u><u>\$ 7,378,574</u></u> |
| NET POSITION | |
| Net investment in capital assets | \$ 134,621 |
| Restricted | 175,660 |
| Unrestricted | <u>(2,089,649)</u> |
| Total Net Position | <u><u>\$ (1,779,368)</u></u> |

The notes to financial statements are an integral part of this statement.

AGING AND LONG TERM CARE OF EASTERN WASHINGTON
Statement of Activities
For the Year Ended December 31, 2017

| | | Program Revenues | | Net (Expense) Revenue and Changes in Net Position | |
|---|----------------------|------------------|--|--|-----------------------|
| | | Charges for | Operating Grants and Contributions | Governmental Activities | Total |
| FUNCTIONS/PROGRAMS | Expenses | Services | | | |
| <i>Governmental Activities:</i> | | | | | |
| General Government | \$ 539,256 | 627,893 | - | 88,637 | 88,637 |
| Social Services | 13,074,435 | 1,877,883 | 11,630,296 | 433,744 | 433,744 |
| Total Government | \$ 13,613,691 | 2,505,776 | 11,630,296 | 522,381 | 522,381 |
| GENERAL REVENUES | | | | | |
| Investment earnings | | | | 19,645 | 19,645 |
| Change in Net Assets | | | | 542,026 | 542,026 |
| Net Position, beginning of year | | | | | (1,253,377) |
| Adjustment for recognition of other post-employment benefit obligations | | | | | (1,068,017) |
| Net Position, end of year | | | | | <u>\$ (1,779,368)</u> |

The notes to financial statements are an integral part of this statement.

AGING AND LONG TERM CARE OF EASTERN WASHINGTON

Balance Sheet

Governmental Funds

December 31, 2017

| | <u>General Fund</u> |
|--|------------------------------|
| ASSETS | |
| Cash, cash equivalents, and investments | \$ 2,501,618 |
| Accounts receivable from governments | 2,244,303 |
| Other accounts receivable | 186,598 |
| Prepaid expenses | 63,746 |
| Total Assets | <u><u>\$ 4,996,265</u></u> |
| LIABILITIES AND FUND BALANCE | |
| LIABILITIES | |
| Accounts payable and accrued expenses | \$ 674,067 |
| Due to other governments - DSHS advance | <u>1,879,872</u> |
| Total Liabilities | <u><u>2,553,939</u></u> |
| GENERAL FUND BALANCE | |
| Nonspendable (Prepaid expenses) | \$ 63,746 |
| Restricted for: | |
| Medicaid Transformation Demonstration | 167,660 |
| Health Homes | 8,000 |
| Assigned To: | |
| Leave buyback | 50,000 |
| Emergency for services | 25,000 |
| Equipment maintenance | 10,000 |
| Equipment replacement | 10,000 |
| Unassigned | <u>2,107,920</u> |
| Total General Fund Balance | <u><u>2,442,326</u></u> |
| Total Liabilities and General Fund Balance | <u><u>\$ 4,996,265</u></u> |
| Fund Balance reported above | \$ 2,442,326 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Capital assets used in governmental activities are not financial resources and are not reported in the funds. | 134,621 |
| Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | (265,826) |
| Net pension liability and deferred outflows and inflows related to pensions are not reported in the funds. | (2,571,446) |
| Other post-employment benefits are not reported in the funds. | <u>(1,519,043)</u> |
| Net position of governmental activities | <u><u>\$ (1,779,368)</u></u> |

The notes to financial statements are an integral part of this statement.

AGING AND LONG TERM CARE OF EASTERN WASHINGTON
Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2017

| | <u>General Fund</u> |
|--|------------------------------|
| REVENUES | |
| Operating Grants and Contributions - Social Services | \$ 11,630,296 |
| Charges For Services - Social Services | 1,877,883 |
| Charges For Services - General Government | 75,125 |
| Investment Earnings | 19,645 |
| Other Activities | <u>552,768</u> |
| Total Revenues | <u>14,155,717</u> |
| EXPENDITURES | |
| Current: | |
| Social Services | 12,807,506 |
| Other Activities | <u>521,215</u> |
| Total Expenditures | <u>13,328,721</u> |
| Excess of Revenues over Expenditures | 826,996 |
| Fund balance, beginning of year | <u>1,615,330</u> |
| Fund balance, end of year | <u><u>\$ 2,442,326</u></u> |
| | |
| Net change in fund balance for governmental funds | \$ 826,996 |
| Amounts reported for governmental activities in the Statement of Activities are different because: | |
| Depreciation | (24,004) |
| Compensated absences | (6,198) |
| Pension related | 196,258 |
| Other post-employment benefits | <u>(451,026)</u> |
| Change in net position of governmental activities | <u><u>\$ 542,026</u></u> |

The notes to financial statements are an integral part of this statement.

AGING AND LONG TERM CARE OF EASTERN WASHINGTON
Notes to Financial Statements
December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Aging and Long Term Care of Eastern Washington (ALTCEW) 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

ALTCEW was formed in January 1978 by execution of an Interlocal Government Cooperation Agreement pursuant to Revised Code of Washington 35.21.730 through 35.21.755.

ALTCEW operates as a single purpose Council of Governments entity to provide services to City of Spokane, Spokane County, Whitman County, Stevens County, Pend Oreille County and Ferry County. The Governing Board, which governs ALTCEW, is composed of one County Commissioner from each of the five counties in the Public Service Area, three representatives of the City of Spokane, and one ex-officio member - the chairperson of the Planning and Management Council. As required by GAAP, the financial statements include the financial position and results of operations of all funds controlled by ALTCEW.

B. Related Parties

ALTCEW has identified the following related parties:

- Washington Department of Social and Human Services (DSHS) – Provides legal authority to operate. Also DSHS is the major source of funding.
- City of Spokane – Member of the Interlocal Government Agreement that formed ALTCEW. Provides three members of the Governing Board of Directors. City of Spokane also provides legal services and annual funding as stipulated by the Interlocal Agreement.
- Spokane County - Member of the Interlocal Government Agreement that formed ALTCEW. Provides one member of the Governing Board of Directors. Also provides annual funding as stipulated by the Interlocal Agreement.
- Ferry County - Member of the Interlocal Government Agreement that formed ALTCEW. Provides one member of the Governing Board of Directors. Also provides annual funding as stipulated by the Interlocal Agreement.
- Stevens County - Member of the Interlocal Government Agreement that formed ALTCEW. Provides one member of the Governing Board of Directors. Also provides annual funding as stipulated by the Interlocal Agreement.
- Pend Oreille County - Member of the Interlocal Government Agreement that formed ALTCEW. Provides one member of the Governing Board of Directors. Also provides annual funding as stipulated by the Interlocal Agreement.

- Whitman County - Member of the Interlocal Government Agreement that formed ALTCEW. Provides one member of the Governing Board of Directors. Also provides annual funding as stipulated by the Interlocal Agreement.

All revenue and expenditure amounts with related parties are for services provided, services or goods received or contracted obligations.

C. 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. Governmental activities are supported by intergovernmental revenues. ALTCEW does not have any business type activities.

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. ALTCEW's policy is to allocate indirect costs to a specific function or segment. Program revenues include: 1) reimbursement due from Aging and Long Term Support Administration (AL TSA) for programs as listed in Note #7; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment; and 3) charges to customers who purchase, use, or directly benefit from services provided by a given function or segment.

Separate fund financial statements are provided for governmental funds.

D. 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 related 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 ALTCEW 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 judgment are recorded only when payment is due.

There is only one governmental fund – the general fund. The general fund is ALTCEW's operating fund. It accounts for all financial resources of the general government.

E. Budgetary Information

ALTCEW's budget requirements are mandated by AL TSA. The budget as adopted constitutes the legal authority for expenditures. Most of ALTCEW's appropriations lapse at the end of the calendar year, but there are many which have fiscal years that end on June 30. ALTCEW re-budgets these funds for the subsequent year.

Transfers or revisions are generally allowed up to a total of 10% of the grant amount; however, AL TSA must approve supplemental or additional appropriations.

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

the year and approved by ALTCEW's governing board.

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 year.

F. Assets, Liabilities and Equities

1. Cash, Cash Equivalents and Investments

Spokane County Investment Pool (SCIP)

Investments are in the custody of the Spokane County treasurer. In this capacity, the county treasurer receives deposits and transacts investments on ALTCEW's behalf. It is ALTCEW's policy to invest all cash. All surplus funds are invested in the Spokane County Investment Pool (SCIP).

As of December 31, 2017, ALTCEW had the following investments:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Effective Duration</u> | <u>Weighted-Average Maturity</u> |
|------------------------|-------------------|---------------------------|----------------------------------|
| SCIP | \$2,101,518 | 1.07 years | 1.10 years |

Interest Rate Risk. As of December 31, 2017, the Pool's average duration was 1.07 years. As a means of limiting its exposure to rising interest rates, securities purchased in the Pool must have a final maturity, or weighted-average maturity, no longer than two and one-half years. The weighted-average maturity of SCIP on December 31, 2017 was 1.10 years. While the Pool's market value is calculated monthly, unrealized gains and losses are not distributed to participants. The Pool distributes earnings monthly using an amortized cost methodology.

Credit Risk. As of December 31, 2017, ALTCEW's investment in the Pool was not rated by a nationally recognized statistical rating organization (NRSRO). In compliance with state statutes, the SCIP Investment Policy authorizes investments in U.S. Treasury securities, U.S. agency securities, municipal securities (rated in one of the three highest ratings by an NRSRO at the time of purchase), certificates of deposits or bank deposits of qualified public depositories, repurchase agreements, corporate notes, commercial paper, Direct District Notes, and the local Government Investment Pool managed by the Washington State Treasurer's office.

Imprest Account

ALTCEW has established an imprest payroll account with a balance of \$400,000 at Washington Trust Bank, used for payroll disbursements and caregiver training credit card transactions. These funds are covered by Federal Depository Insurance (FDIC).

2. Receivables

Accounts receivable from governments are primarily from ALTSA.

Other accounts receivable consist of amounts owed from individuals or organizations for services rendered.

3. Prepaid Expenses

ALTCEW accounts for prepaid expenses 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.

4. Capital Assets (See Note 2)

Capital assets, primarily leasehold improvements and office equipment, are reported in the government-wide financial statements. Capital assets are defined by ALTCEW as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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.

Leasehold improvements are typically depreciated over the remaining term of the lease. Office equipment is typically depreciated using the straight line method with an estimated useful life of six years.

5. Deferred Outflows/Inflows of Resources (GASB Statement No. 65)

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred outflows and inflows of resources. These separate financial statement elements, *deferred outflow and inflow of resources*, represents an acquisition or consumption of net position that applies to a future period(s) and so will not be recognized as an outflow (expense/expenditures) or an inflow of resources (revenue) until that time.

6. Due to Other Governments – DSHS

This is due to DSHS for a two-month working capital advance of service dollars.

7. Compensated Absences

Compensated absences are absences for which employees could be paid, such as vacation and sick leave. Vacation leave may be accumulated up to 225 hours and is payable upon resignation, retirement or death. At December 31, 2017, recorded accumulated vacation leave is \$171,326. Sick leave may be accumulated up to 900 hours and 25% is payable upon retirement or death. At December 31, 2017, recorded accumulated sick leave is \$94,500. Total recorded accumulated leave benefits are \$265,826.

8. 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.

9. Other Post Employment Benefits

For purposes of measuring the liability for other post-employment benefits and related expense, information was obtained using a tool developed by the Washington Office of the State Actuary for agencies with less than 100 persons receiving medical benefits provided by the Public Employee Benefits Board (PEBB). The tool is based on the Washington State 2015 Other Post-Employment Benefits Actuarial Valuation Report and is considered an alternative measurement method as allowed by GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*.

10. Fund Balance Classification

The fund balance amounts for governmental funds have been classified in accordance with GASB Statement No. 54. Statement No. 54 addresses the usefulness of fund balance information by providing clearer fund balance classifications based on authoritative hierarchy constraints on use imposed by government itself and focuses on the sources of those constraints and the intended purposes of those financial resources reported in the governmental funds. Fund balance amounts are classified as nonspendable, restricted, committed, assigned, or unassigned.

Nonspendable fund balance includes items that cannot be spent. This amount of \$63,746 at December 31, 2017, includes prepaid rents and insurance.

Restricted fund balance of \$175,660 at December 31, 2017, represents resources that are available to spend subject to externally enforceable legal restrictions on how they may be used. \$167,660 is restricted for Medicaid Transformation Demonstration expenditures, and \$8,000 is restricted for Health Homes expenditures. ALTCEW 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 balances can be used only for specific purposes pursuant to constraints imposed by a formal action of the Board, the Agency's highest level of decision-making authority.

Assigned fund balance includes amounts that are constrained by ALTCEW's intent to be used for a specific purpose, but are neither restricted nor committed. The authority for making an assignment is not required to be the government's highest level of decision-making authority.

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

ALTCEW does not have a fund balance spending prioritization policy. Therefore, restricted resources are used first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

11. Accounting and Reporting Changes for 2017 and Prior Period Adjustment

Effective for the current year, ALTCEW implemented the provisions of GASB Statement No. 45 *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. As a result, the Statement of Net Position now includes a liability for other post-employment benefits provided to retirees participating in the cost-sharing, multiple employer plan in which it participates. Net assets at December 31, 2016, were decreased by \$1,068,017 to reflect the effect of the implementation of GASB Statement No. 45 on prior years.

NOTE 2 - TITLE TO CAPITAL ASSETS

In accordance with grant requirements, ALTCEW has filed liens on behalf of DSHS for all capital assets costing more than \$5,000 that it acquired with grant funds. Legal title, therefore, may vest in DSHS for a percentage of the capital assets.

Capital assets activity for the year ended December 31, 2017 was as follows:

| Governmental Activities: | Balance | | | Balance |
|---|------------|-----------|-----------|----------|
| | 1/1/17 | Increases | Decreases | 12/31/17 |
| Capital assets being depreciated: | | | | |
| Leasehold improvements | \$ 120,195 | - | - | 120,195 |
| Office equipment | 101,433 | - | - | 101,433 |
| Total capital assets being depreciated | \$ 221,628 | - | - | 221,628 |
| Less accumulated depreciation for: | | | | |
| Leasehold improvements | \$ 10,637 | 15,652 | - | 26,289 |
| Office equipment | 52,366 | 8,352 | - | 60,718 |
| Total accumulated depreciation | \$ 63,003 | 24,004 | - | 87,007 |
| Total capital assets being depreciated, net | \$ 158,625 | (24,004) | - | 134,621 |
| Governmental activities capital assets, net | \$ 158,625 | (24,004) | - | 134,621 |

NOTE 3 - 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 2017:

| Aggregate Pension Amounts – All Plans | |
|---------------------------------------|--------------|
| Pension liabilities | \$ 2,574,928 |
| Pension assets | \$ - |
| Deferred outflows of resources | \$ 468,320 |
| Deferred inflows of resources | \$ 464,838 |
| Pension expense/expenditures | \$ 233,047 |

State Sponsored Pension Plans

Substantially all ALTCEW 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.

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 2017 were as follows:

| PERS Plan 1 | | |
|-----------------------------------|-----------------|-----------------|
| Actual Contribution Rates: | Employer | Employee |
| January – June 2017: | | |
| PERS Plan 1 | 6.23% | 6.00% |
| PERS Plan 1 UAAL | 4.77% | |
| Administrative Fee | 0.18% | |
| TOTAL | 11.18% | 6.00% |
| July – December 2017: | | |
| PERS Plan 1 | 7.49% | 6.00% |
| PERS Plan 1 UAAL | 5.03% | |
| Administrative Fee | 0.18% | |
| TOTAL | 12.70% | 6.00% |

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 2017 were as follows:

| PERS Plan 2/3 | | |
|-----------------------------------|---------------------|-------------------|
| Actual Contribution Rates: | Employer 2/3 | Employee 2 |
| January – June 2017: | | |
| PERS Plan 2/3 | 6.23% | 6.12% |
| PERS Plan 1 UAAL | 4.77% | |
| Administrative Fee | 0.18% | |
| Employee PERS Plan 3 | | varies |
| TOTAL | 11.18% | 6.12% |
| July – December 2017: | | |
| PERS Plan 2/3 | 7.49% | 7.38% |
| PERS Plan 1 UAAL | 5.03% | |
| Administrative Fee | 0.18% | |
| Employee PERS Plan 3 | | varies |
| TOTAL | 12.70% | 7.38% |

ALTCEW's actual PERS plan contributions to the plan were \$181,452 to PERS Plan 1 and \$247,853 to PERS Plan 2/3 for 2017.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2017 with a valuation date of June 30, 2016. 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* and the *2015 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2016 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2017. Plan liabilities were rolled forward from June 30, 2016, to June 30, 2017, 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 changes in methods and assumptions since the last valuation.

- For all plans except LEOFF Plan 1, how terminated and vested member benefits are valued was corrected.
- How the basic minimum COLA in PERS Plan 1 is valued for legal order payees was improved.
- For all plans, the average expected remaining service lives calculation was revised.

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. 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 whose rates include a component for the PERS 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. In selecting this assumption, OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns, and considered capital market assumptions and

simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns over various time horizons.

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, 2017, 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% | 4.90% |
| Real Estate | 15% | 5.80% |
| Global Equity | 37% | 6.30% |
| Private Equity | 23% | 9.30% |
| TOTAL | 100% | |

Sensitivity of Net Pension Liability

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

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|----------|--------------------|------------------------------|--------------------|
| PERS 1 | \$ 1,634,932 | \$ 1,342,098 | \$ 1,088,441 |
| PERS 2/3 | \$ 3,321,373 | \$ 1,232,830 | \$ (478,421) |
| TOTAL | \$ 4,956,305 | \$ 2,574,928 | \$ 610,020 |

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, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2017, ALTCEW reported a total pension liability of \$2,574,928 for its proportionate share of the net pension liabilities as follows:

| | Liability |
|----------|--------------|
| PERS 1 | \$ 1,342,098 |
| PERS 2/3 | \$ 1,232,830 |
| TOTAL | \$ 2,574,928 |

At June 30, 2017, ALTCEW's proportionate share of the collective net pension liabilities was as follows:

| | Proportionate Share 6/30/16 | Proportionate Share 6/30/17 | Change in Proportion |
|----------|-----------------------------|-----------------------------|----------------------|
| PERS 1 | .029483% | .028284% | (.001199%) |
| PERS 2/3 | .036720% | .035482% | (.001238%) |
| TOTAL | .066203% | .063766% | (.002437%) |

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*.

The collective net pension liability (asset) was measured as of June 30, 2017, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2016, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For 2017, ALTCEW recognized pension expense as follows:

| | Pension Expense |
|----------|-----------------|
| PERS 1 | \$ 18,804 |
| PERS 2/3 | \$ 214,243 |
| TOTAL | \$ 233,047 |

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2017, ALTCEW reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| PERS 1 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------|-------------------------------|
| Differences between expected and actual experience | \$ - | \$ - |
| Net difference between projected and actual investment earnings on pension plan investments | - | (50,083) |
| Changes of assumptions | - | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | - | - |
| Contributions subsequent to the measurement date | 94,580 | - |
| TOTAL | \$ 94,580 | \$ (50,083) |

| PERS 2/3 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 124,915 | \$ (40,546) |
| Net difference between projected and actual investment earnings on pension plan investments | - | (328,643) |
| Changes of assumptions | 13,095 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 98,533 | (45,566) |
| Contributions subsequent to the measurement date | 137,197 | - |
| TOTAL | \$ 373,740 | \$ (414,755) |

| PERS 1 and PERS 2/3 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 124,915 | \$ (40,546) |
| Net difference between projected and actual investment earnings on pension plan investments | - | (378,726) |
| Changes of assumptions | 13,095 | - |
| Changes in proportion and differences between contributions and proportionate share of contributions | 98,533 | (45,566) |
| Contributions subsequent to the measurement date | 231,777 | - |
| TOTAL | \$ 468,320 | \$ (464,838) |

Deferred outflows of resources related to pensions resulting from ALTCEW's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31: | PERS 1 |
|--------------------------------|--------------------|
| 2018 | \$ (33,853) |
| 2019 | 10,688 |
| 2020 | (2,482) |
| 2021 | (24,436) |
| TOTAL | \$ (50,083) |

| Year ended December 31: | PERS 2/3 |
|--------------------------------|---------------------|
| 2018 | \$ (84,173) |
| 2019 | 66,537 |
| 2020 | (30,073) |
| 2021 | (139,414) |
| 2022 | 3,874 |
| Thereafter | 5,037 |
| TOTAL | \$ (178,212) |

| Year ended December 31: | PERS 1 and PERS 2/3 |
|-------------------------|---------------------|
| 2018 | \$ (118,026) |
| 2019 | 77,225 |
| 2020 | (32,555) |
| 2021 | (163,850) |
| 2022 | 3,874 |
| Thereafter | 5,037 |
| TOTAL | \$ (228,295) |

NOTE 4 – OTHER POST-EMPLOYMENT BENEFITS

Plan Description

In addition to pension benefits described in Note 3, ALTCEW provides other post-employment benefits (OPEB) under a cost-sharing multiple-employer defined benefit plan through its membership in the Public Employees Benefits Board (PEBB). ALTCEW's current employees have access to medical, prescription drug, life, dental, vision, disability, and long-term care insurance through PEBB. ALTCEW's retirees have access to all of these benefits through PEBB, as well. PEBB employers provide monetary assistance, or subsidies, to the retirees for medical, prescription drug, life, and vision insurance. The OPEB relationship between PEBB employers and the retirees is provided in a substantive plan based on communications between the employers and plan members and the historical pattern of practice with regard to the sharing of benefit costs. The relationship is not formalized in a contract or plan document.

At December 31, 2017, there were 17 ALTCEW employees that had retired and were receiving these benefits.

Financial information for this OPEB plan can be obtained from the Washington State Health Care Authority which administers PEBB plan benefits.

Funding Policy

In Washington State, the implicit and explicit liabilities for this OPEB plan have been funded on a pay-as-you-go basis, meaning that PEBB employers have paid these costs as they occurred. The amount contributed differs from the Annual Required Contribution (ARC) because the plan is funded on a pay-as-you-go basis. The difference between the OPEB Costs and the required contribution is called the Net OPEB Obligation (NOO). This amount of \$1,519,043 is the actuarial accrued liability recognized on the statement of net position at December 31, 2017. ALTCEW did not previously record NOO as a liability. Under the guidance of the Washington State Auditor's office, the liability for other post-employment benefits at December 31, 2017 was determined to be equal to one-half of the unfunded actuarial liability (UAAL) calculated in the actuarial tool described in Note 1, paragraph 9. The amount of OPEB costs of \$451,026 for 2017 was also obtained from this tool. Beginning Net Position at January 1, 2017 was decreased by \$1,068,017 to reflect the NOO at December 31, 2016.

At December 31, 2017, the total UAAL is \$3,038,086. The covered payroll (annual payroll of active employees covered by the plan) was \$3,660,203 and the ratio of UAAL to the covered payroll was 83 percent.

ALTCEW's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

| Year Ended December 31: | Annual OPEB Cost | Contribution | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|-------------------------|------------------|--------------|--|---------------------|
| 2017 | \$ 451,026 | \$ - | 0% | \$ 1,519,043 |

Annual OPEB Cost and Net OPEB Obligation

ALTCEW's annual OPEB cost (expense) is calculated based on the ARC, an amount actuarially determined in accordance with the Alternative Measurement Method parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded liabilities (or funding excess) over a period not to exceed 30 years. The following table shows ALTCEW's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

| | 2017 |
|--|--------------|
| Annual OPEB cost (expense) | \$ 451,026 |
| Employer contributions made | - |
| Increase in the net OPEB obligation | 451,026 |
| Net OPEB obligation, beginning of year | 1,068,017 |
| Net OPEB obligation, end of year | \$ 1,519,043 |

Actuarial Methods and Assumptions

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality, and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information immediately following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability (AAL) for benefits.

Additionally, calculations are based on the types of benefits provided under the terms of the plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective.

ALTCEW used the Alternative Measurement Method permitted under GASB Statement No. 45 – specifically a tool designed by the Washington Office of the State Actuary (OSA) adjusted based on recommendations from the Washington State Auditor's Office. A single retirement age of 62.4 was assumed for all active members to determine the AAL and normal cost. Retirement, disablement, termination, and mortality rates were assumed to follow the PERS 2 rates used in the June 30, 2015, actuarial valuation report issued by OSA. Healthcare costs and trends were determined by Milliman and used by OSA in the state-wide PEBB study performed in 2015. The results were based on grouped data with four active groupings and four inactive groupings. These assumptions are individually and collectively reasonable for purposes of this valuation.

The specific actuarial methods and significant assumptions used to determine the ARC for 2017 are as follows:

| | |
|--|-----------------------|
| Valuation Date | December 31, 2017 |
| Actuarial Cost Method | Projected Unit Credit |
| Method used to determine the actuarial value of assets | N/A |
| Interest Rate for Discounting Future Liabilities | 4.00% |
| Projected Payroll Growth | 3.75% |
| Investment Return | N/A |
| Healthcare Cost Trend Rate – Initial | 4.50% |
| Healthcare Cost Trend Rate – Ultimate | 6.90% |
| Amortization Method | Open |
| Amortization Period | 30 |

NOTE 5 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 6 - RISK MANAGEMENT

The Agency 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, 2017, there are 540 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.
- \$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 \$20 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 year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one 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 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 7 - CONTINGENCIES AND LITIGATIONS

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

NOTE 8 - DESCRIPTIONS OF PROGRAMS REVENUE SOURCES USED TO PROVIDE SERVICES

FEDERAL PROGRAMS

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

Title III: Provides for the planning and coordinated delivery of services. Funds available to area agencies under Title III are used for programs such as access services (transportation, outreach, and information and assistance), in-home services, legal services, social and health services and congregate and home-delivered nutrition services, and family caregiver support.

Title VII: The primary purpose is to develop and enhance comprehensive and coordinated programs for the prevention and treatment of elder abuse, neglect and exploitation, consistent with relevant state law and coordinated with state adult protective service activities.

Along with Older Americans Act monies, ALTCEW receives Social Security Act Title XIX funds. Title XIX money funds the federal medical assistance program for low-income persons. These monies are used in a jointly funded state program entitled "Community Option Program Entry System" which provides case management for at-home care for elderly persons who otherwise would have to be institutionalized in a nursing home. Also, these funds are used to provide targeted case management services to Medicaid eligible elderly persons/personal care.

In July 1989, Title XIX Personal Care Program was implemented in Washington State to provide in-home personal care services to medically needy, low-income disabled individuals. ALTCEW contracts with agency providers, monitors service by agency providers, and trains individuals, adult family home, congregate care facility and agency providers. ALTCEW also provides Nursing Consultation Services in coordination with Case Management for all personal care clients in its PSA.

In September 2017 a Medicaid Transformation Demonstration waiver began which supplements the Family Caregiver Support program by providing additional services through two options: Tailored Supports for Older Adults and Medicaid Alternative Care.

STATE PROGRAMS – SENIOR CITIZENS SERVICES ACT

The Senior Citizens Services Act provides a wide range of programs aimed at preventing premature or unnecessary institutionalization. Access services, including transportation, information and assistance and others, are available free of charge or on a donation only basis. To receive service from this group of programs, applicants must meet age and resource tests. To receive free services applicants must have incomes below 40 percent of the State Median Income (\$1,454 a single person, \$1,901 per couple). People with incomes above this level may be eligible for service, but must pay a portion of the cost, based on their ability to pay. The programs listed below may not be available in all parts of Washington due to differences in local priorities for use of funds.

Aging & Disability Resource Center - Information and Assistance (I & A) & General Case Management

Information and Assistance and General Case Management provides the help needed by an older person to identify and use existing community programs. This may be simple information given via a toll-free HOTLINE. Other means may include referral to other agencies, counseling, individual assessment or intensive case management.

Adult Day Care

Adult Day Care is a program of services offered on a regular recurrent basis to individuals who do not require 24-hour institutional care and yet, due to a physical, social, or mental impairment, are not capable of full-time independent living. Services provided include nursing services, social services, occupational therapy, activity therapy, personal care and nutrition. Transportation to and from the Adult Day Center is also provided.

In-Home Care Services

In-home services may include basic health care; assistance with bathing and personal hygiene; performance of various household tasks and other necessary chores, or a combination of these services.

Minor Home Repair and Maintenance Services

Minor repair and maintenance services consist of those repairs or modifications to homes, which are essential for the health and safety of older persons. Repairs address existing or potential hazards and cannot be cosmetic in nature.

STATE PROGRAMS - OTHER

Title V

Title V supplies part-time employment and training opportunities to persons age 55 and over, primarily in public service programs.

Family Caregiver Support/Kinship Caregiver Support

Family Caregiver Support and Kinship Caregiver Support are State and Federal programs designed to provide long-term care information and support services to unpaid family and other unpaid caregivers of adults with functional disabilities, by providing Information, assistance in gaining access to services, promotion and implementation of support groups, Caregiver Training, respite services, supportive services, and services to grandparents raising grandchildren.

Kinship Navigator Services

Kinship Navigator services include but are not limited to, assisting kinship caregivers, of any age, with understanding and navigating the system of services for children in out-of-home care while reducing barriers faced by kinship caregivers when accessing services. A priority shall be given to help kinship caregivers maintain their care giving role by helping them access existing services and supports, thus keeping children from entering foster care.

Home Care Referral Registry of Washington State

The Home Care Referral Registry is a program to enhance the provision of home care services by establishing a registry which will recruit new individual home care providers as well as consumers of home care services. The registry will match providers of home care services with consumers, improve retention, elevate the status and increase the knowledge of home care providers.

OTHER PROGRAMS

Caregiver Training

Caregiver Training is a program to train in-home caregivers (both agency and individual providers). The initial training is five hours of orientation and safety training and seventy (70) hours of Basic Training. In addition 12 hours of Continuing Education is an on-going annual requirement.

In addition to the Caregiver Training classes authorized by DSHS/ALTSA, ALTCEW is a private vocational school licensed under RCW Title 28C.10 and offers, among other classes, a three week Nursing Assistant Certified class. The class includes both class time and clinical time.

Health Homes

Care Coordination services are provided as part of the Health Home pilot serving high-risk dual-eligible and Medicaid clients using trained social worker and nursing staff. Services include comprehensive care transitions, coordination of medical and social service supports, and assisting individuals in identifying and reaching their health goals. The program is funded and coordinated with managed care organizations.

NOTE 9 – LEASES

Operating Leases

ALTCEW leases office space under two noncancelable operating leases. Total cost for such leases is \$236,997 for 2017. The current and future minimum lease payments for these leases are as follows.

| Year Ended | |
|--------------------|---------------------|
| <u>December 31</u> | |
| 2018 | \$ 242,163 |
| 2019 | 213,378 |
| 2020 | 218,713 |
| 2021 | 224,181 |
| 2022 | 229,785 |
| Thereafter | <u>235,530</u> |
| TOTAL | \$ <u>1,363,750</u> |

ALTCEW leases office space for caregiver training under a three year lease which expires December 31, 2019, and can be cancelled, under certain conditions, with 135 days notice. Total cost for this lease is \$41,369 in 2017.

AGING AND LONG TERM CARE OF EASTERN WASHINGTON
Required Supplementary Information
Budgetary Comparison Schedule
Governmental Funds
For the Year Ended December 31, 2017

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|------------------|------------|----------------|---|
| | Original | Final | | |
| Budgetary Fund Balance - January 1 | \$ 1,615,330 | 1,615,330 | 1,615,330 | - |
| Resources (inflows): | | | | |
| Federal grants | 5,727,338 | 6,103,169 | 6,014,543 | (88,626) |
| State grants | 5,314,797 | 5,465,351 | 5,615,753 | 150,402 |
| Charges for services - State and Local | 1,426,970 | 1,353,000 | 1,877,883 | 524,883 |
| Council of Governments support | 80,832 | 75,125 | 75,125 | - |
| Other activities | 574,047 | 569,974 | 552,768 | (17,206) |
| Investment earnings | 8,282 | 8,282 | 19,645 | 11,363 |
| Amount Available for Appropriation | 13,132,266 | 13,574,901 | 14,155,717 | 580,816 |
| Charges to Appropriations (outflows) | | | | |
| Administration and Coordination | 1,013,219 | 1,044,696 | 981,284 | 63,412 |
| Legal Assistance | 95,661 | 95,661 | 93,896 | 1,765 |
| Access Services | 6,801,000 | 6,925,419 | 6,667,577 | 257,842 |
| In-Home Services | 314,857 | 302,357 | 277,688 | 24,669 |
| Nutrition Services | 1,184,684 | 1,242,030 | 1,244,778 | (2,748) |
| Social and Health Services | 2,360,449 | 2,587,896 | 2,665,151 | (77,255) |
| Other activities | 1,362,396 | 1,376,842 | 1,398,347 | (21,505) |
| | 13,132,266 | 13,574,901 | 13,328,721 | 246,180 |
| Net change | - | - | 826,996 | 826,996 |
| Budgetary Fund Balance - December 31 | \$ 1,615,330 | 1,615,330 | 2,442,326 | 826,996 |

AGING & LONG TERM CARE OF EASTERN WASHINGTON
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
PERS 1
As of June 30, 2017
Last 10 Fiscal Years*

| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|--------------|--------------|--------------|
| Employer's proportion of the net pension liability (asset) | 0.029587% | 0.029483% | 0.028284% |
| Employer's proportionate share of the net pension liability | \$ 1,547,675 | \$ 1,583,376 | \$ 1,342,098 |
| Employer's covered employee payroll | \$ 1,505,893 | \$ 1,519,968 | \$ 1,546,644 |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | 102.77% | 104.17% | 86.77% |
| Plan fiduciary net position as a percentage of the total pension liability | 59.10% | 57.03% | 61.24% |

Schedule of Proportionate Share of the Net Pension Liability
PERS 2/3
As of June 30, 2017
Last 10 Fiscal Years*

| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|--------------|--------------|--------------|
| Employer's proportion of the net pension liability (asset) | 0.033814% | 0.036720% | 0.035482% |
| Employer's proportionate share of the net pension liability | \$ 1,208,193 | \$ 1,848,823 | \$ 1,232,830 |
| Employer's covered employee payroll | \$ 1,668,057 | \$ 1,927,109 | \$ 1,970,157 |
| Employer's proportionate share of the net pension liability as a percentage of covered employee payroll | 72.43% | 95.94% | 62.58% |
| Plan fiduciary net position as a percentage of the total pension liability | 89.20% | 85.82% | 90.97% |

* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

AGING & LONG TERM CARE OF EASTERN WASHINGTON
Required Supplementary Information
Schedule of Employer Contributions
PERS 1
As of December 31, 2017
Last 10 Fiscal Years*

| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|----------------|----------------|----------------|
| Statutorily or contractually required contributions | \$ 155,957 | \$ 167,452 | \$ 181,452 |
| Contributions in relation to the statutorily or contractually required contributions | <u>155,957</u> | <u>167,452</u> | <u>181,452</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Employer's covered employee payroll | \$ 1,530,453 | \$ 1,522,291 | \$ 1,541,459 |
| Contributions as a percentage of covered employer payroll | 10.19% | 11.00% | 11.77% |

Schedule of Employer Contributions
PERS 2/3
As of December 31, 2017
Last 10 Fiscal Years*

| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|----------------|----------------|----------------|
| Statutorily or contractually required contributions | \$ 186,811 | \$ 213,340 | \$ 247,853 |
| Contributions in relation to the statutorily or contractually required contributions | <u>186,811</u> | <u>213,340</u> | <u>247,853</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Employer's covered employee payroll | \$ 1,826,489 | \$ 1,939,460 | \$ 2,105,500 |
| Contributions as a percentage of covered employer payroll | 10.23% | 11.00% | 11.77% |

* Until a full 10-year trend is compiled, information is presented only for those years for which information is available.

AGING & LONG TERM CARE OF EASTERN WASHINGTON
Other Post-Employment Benefits
Schedule of Funding Progress
As of December 31, 2017
Last 3 Fiscal Years*

| Year Ended December | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded Actuarial Accrued Liabilities (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------------|--|--|--|--------------------------|---------------------------|---|
| 2017 | \$ - | \$ 3,038,086 | \$ 3,038,086 | 0% | \$ 3,660,203 | 83% |

* Until a full 3-year trend is compiled, information is presented only for those years for which information is available.

AGING AND LONG TERM CARE OF EASTERN WASHINGTON
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

| 1 Federal Agency Name/ Pass-Through Agency Name | 2 Cluster Title/Federal Program Name | 2 Federal CFDA Number | 3 Other I.D. Number | 5 Expenditures | | | Expenditures to Subrecipients | 6 Note Ref. |
|--|---|--------------------------|------------------------|--------------------------|--------------------|--------------|-------------------------------|----------------|
| | | | | From Pass-Through Awards | From Direct Awards | Total | | |
| U.S. Department of Agriculture Pass-Through WA DSHS - ALTSA | Senior Farmers Market Nutrition Program | 10.576 | 1669-69197 | \$ 19,466 | | 19,466 | 17,520 | |
| U.S. Department of Labor Pass-Through WA DSHS - ALTSA | Senior Community Service Employment Program | 17.235 | 1669-69197 | 63,380 | | | 63,380 | |
| | | | 1769-93477 | <u>81,331</u> | | | <u>65,956</u> | |
| | | | Subtotal | 144,711 | | 144,711 | 129,336 | |
| U.S. Dept of Health & Human Services Pass-Through WA DSHS-ALTSA | Special Programs for the Aging Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, Exploitation | 93.041 | 1769-80714 | 6,098 | | 6,098 | 6,098 | |
| U.S. Dept of Health & Human Services Pass-Through WA DSHS-ALTSA | Special Programs for the Aging Title III Part D - Disease Prevention and Health Promotions Services | 93.043 | 1769-80714 | 41,585 | | 41,585 | | |
| Aging Cluster | | | | | | | | |
| U.S. Dept of Health & Human Services Pass-Through WA DSHS-ALTSA | Special Programs for the Aging Title III, Part B- Grants for Supportive Services and Senior Centers | 93.044 | 1769-80714 | 754,165 | | 754,165 | 574,927 | 3 |
| U.S. Dept of Health & Human Services Pass-Through WA DSHS-ALTSA | Special Programs for the Aging, Title III Part C Nutrition Services | 93.045 | 1769-80714 | 1,000,110 | | 1,000,110 | 903,577 | 3 |
| U.S. Dept of Health & Human Services Pass-Through WA DSHS-ALTSA | Nutrition Services Incentive Program | 93.053 | 1769-80714 | 209,505 | | 209,505 | 209,505 | |
| | Total Aging Cluster | | Subtotal | 1,963,780 | | 1,963,780 | 1,688,009 | |
| U.S. Dept of Health & Human Services Pass-Through WA DSHS-ALTSA | Alzheimer's Disease Demonstration Grants to States | 93.051 | 1469-26585 | 13,214 | | 13,214 | 10,500 | |
| U.S. Dept of Health & Human Services Pass-Through WA DSHS-ALTSA | National Family Caregiver Support Program, Title III, Part E | 93.052 | 1769-80714 | 258,915 | | 258,915 | 237,133 | |
| U.S. Dept of Health & Human Services Pass-Through WA DSHS-ALTSA | Medicare Enrollment Assistance Program | 93.071 | 1469-28504 | 10,976 | | | | |
| | | | 1769-20830 | <u>5,521</u> | | | | |
| | | | Subtotal | 16,497 | | 16,497 | | |
| Medicaid Cluster | | | | | | | | |
| U.S. Dept of Health & Human Services Pass-Through WA DSHS-ALTSA | Medical Assistance Program | 93.778 | 1669-69197 | 1,691,204 | | | 609,084 | |
| | | | 1769-93477 | 1,740,880 | | | 628,619 | |
| | | | 1669-67773 | 6,393 | | | | |
| | | | 1769-94543 | 6,423 | | | | |
| | | | 1569-42860 | 40,822 | | | 10,034 | |
| | | | 1769-95563 | <u>42,440</u> | | | <u>10,034</u> | |
| | Total Medicaid Cluster | | Subtotal | 3,528,162 | | 3,528,162 | 1,257,771 | |
| U.S. Dept of Health & Human Services Pass-Through WA DSHS-ALTSA | Money Follows the Person Rebalancing Demonstration | 93.791 | 1669-69197 | 10,893 | | | | |
| | | | 1769-93477 | 10,867 | | | | |
| | | | 1669-67773 | 45 | | | | |
| | | | 1769-94543 | 49 | | | | |
| | | | 1569-42860 | 128 | | | | |
| | | | 1769-95563 | <u>133</u> | | | | |
| | | | Subtotal | 22,115 | | 22,115 | | |
| Total Federal Awards Expended | | | | \$ 6,014,543 | | \$ 6,014,543 | \$ 3,346,367 | |

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

AGING AND LONG TERM CARE OF EASTERN WASHINGTON
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

NOTE 1 – BASIS OF ACCOUNTING

This schedule is prepared on the same basis of accounting as the agency's financial statements. The agency 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 agency'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 – PROGRAM INCOME

The amount of project income applied against grant costs before requesting additional grant funding for Older Americans Act programs (Transportation IIIB and Nutrition IIIC) is \$326,616.

NOTE 4 – INDIRECT COST RATE

The agency 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.

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

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

| Contact information for the State Auditor's Office | |
|--|--|
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