Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Lewis Mason Thurston Area Agency on Aging

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

Published April 25, 2019

Report No. 1023608

Office of the Washington State Auditor
Pat McCarthy

April 25, 2019

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

Report on Financial Statements and Federal Single Audit

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

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

Sincerely,

Pat McCarthy

State Auditor

Olympia, WA

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January 1, 2017 through December 31, 2017

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

Financial Statements

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

We issued an unmodified opinion on the Agency's compliance with requirements applicable to 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.

CFDA No.	Program or Cluster Title
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 did not qualify 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.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Lewis Mason Thurston Area Agency on Aging
January 1, 2017 through December 31, 2017

This schedule presents the status of federal findings reported in prior audit periods.

Audit Period: January 1, 2016 through December 31, 2016	**Report Ref. No.:** 1022290	**Finding Ref. No.:** 2016-001
Finding Caption: The Agency's internal controls over financial statement preparation were inadequate to ensure accurate and complete reporting.		
Background: Agency management is responsible for designing, implementing and maintaining internal controls to fairly present financial statements and provide reasonable assurance regarding the reliability of those statements. The Agency prepares its financial statements in accordance with the generally acceptable accounting principles (GAAP) as prescribed by the *Budgeting, Accounting and Reporting System* (BARS) Manual. Our audit identified deficiencies in controls over financial statement reporting that hindered the Agency's ability to produce reliable financial statements. These deficiencies represent a material weakness. Governmental Auditing Standards requires the auditor to communicate material weakness, defined in the Applicable Laws and Regulations section, as a finding.		
Status of Corrective Action: (check one) ☐ Fully Corrected ☒ Partially Corrected ☐ Not Corrected ☐ Finding is considered no longer valid		
Corrective Action Taken: *(Note: 2016's audit was completed in Sept. 2018. By that time, most of the financial transactions for 2017 (and many for 2018) were completed, so some of these corrective actions will not be fully effective for 2017's financial statements.)* *1) We implemented a more formal review process for financial statements,*		

2) We enhanced management's review of financial statements, *3) We added additional staff to our fiscal unit, re-assigned some duties, and have begun to train staff on some of their new duties,* *4) We implemented more consistent management review of general journal entries,* *5) The fiscal director has been giving financial updates to the CoG more consistently,* *6) We are beginning to seek and implement best practices from other Washington AAA's.*

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Lewis Mason Thurston Area Agency on Aging
January 1, 2017 through December 31, 2017

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lewis Mason Thurston Area Agency on Aging, 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 April 16, 2019.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

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

In addition, we noted certain matters that we have reported to the management of the Agency in a separate letter dated April 16, 2019.

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

Pat McCarthy

State Auditor

Olympia, WA

April 16, 2019

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

Lewis Mason Thurston Area Agency on Aging
January 1, 2017 through December 31, 2017

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Lewis Mason Thurston Area Agency on Aging, 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.

Pat McCarthy

State Auditor

Olympia, WA

April 16, 2019

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Lewis Mason Thurston Area Agency on Aging
January 1, 2017 through December 31, 2017

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lewis Mason Thurston Area Agency on Aging, 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 17.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Lewis Mason Thurston Area Agency on Aging, as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 17 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 April 16, 2019 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Pat McCarthy

Pat McCarthy

State Auditor

Olympia, WA

April 16, 2019

FINANCIAL SECTION

Lewis Mason Thurston Area Agency on Aging
January 1, 2017 through December 31, 2017

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Statement of Revenues, Expenditures and Changes in Fund Balance/ Statement of Activities – 2017
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REQUIRED SUPPLEMENTARY INFORMATION

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Schedule of Proportionate Share of Net Pension Liability – PERS 2/3 – 2017
Schedule of Employer Contributions – PERS 1– 2017
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SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2017
Notes to the Schedule of Expenditures of Federal Awards – 2017

Lewis Mason Thurston Area Agency on Aging
January 1, 2017 through December 31, 2017

Management's Discussion and Analysis

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

Financial Highlights

- Lewis Mason Thurston Area Agency on Aging (LMTAAA) assets and deferred outflows exceeded liabilities and deferred inflows by $417,033 (reported as total net position).
- The LMTAAA's total net position increased by $1,187,403.
- At the end of the fiscal year, the total fund balance for LMTAAA's governmental funds was $3,805,995. That represents a $950,707 increase for the year. Governmental funds' revenues exceeded expenditures by $871,947.
- Much of that excess of agency revenues over expenditures in 2017 is due to Title XIX Case Management/Nursing Services and Core Services Contract Management revenues (based on a unit rate) being $489,622 higher than the actual costs to provide these TXIX services.
- In addition, the working cash advance from DSHS (shown on the Funds' presentation of the financial statements as an Other Financing Source) increased by $113,561.
- Management has assigned $950,000 as a contingency reserve; unassigned fund balance for the general fund was $290,961.
- Long-term liabilities for the government-wide statements decreased by $1,003,049 during the year, primarily due to net pension liability decreasing by $1,091,194.

Overview of the Financial Statements

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

The LMTAAA has one governmental fund and two private purpose trust funds. No significant changes occurred in the private purpose funds in 2017. They are named the Special Assistance Fund and the Flexible Spending Account Fund respectively. Statements for these private trust funds are included in the governmental fund statements. The private purpose funds' balances are not included in the government-wide financial statements.

The LMTAAA financial statements present the governmental funds statements in the left column and the government-wide statements in the far right column. Other than the private purpose funds' statements, no separate fund financial statements are included in this report. The adjustment columns are the reconciliation of the difference between the statements.

Some numbers may not total due to rounding.

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

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

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

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

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

Government-Wide Financial Analysis
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. Assets and deferred outflows of the Lewis Mason Thurston Area Agency on Aging exceeded liabilities and deferred inflows by $417,033 (reported as total net position). Of this amount, ($805,616) was reported as unrestricted. Unrestricted net position represents the amount available to be used to meet the LMTAAA's ongoing obligations to citizens and creditors.

Lewis Mason Thurston Area Agency on Aging
Net Assets /Governmental Activities
December 31, 2017

	2017	2016	Increase (Decrease)
Assets			
Current	$4,007,668	$2,994,119	$1,013,549
Capital Assets	94,830	137,853	(43,023)
Total Assets	$4,102,498	$3,131,972	$ 970,526

Deferred Outflows of Resources			
Deferred Outflows Related to Pensions	$361,454	$622,268	$(260,814)
Liabilities			
Current Liabilities	$201,672	$138,830	62,842
Noncurrent Liabilities	1,320,036	1,231,891	88,145
Net Pension Liability	1,970,953	3,062,147	(1,091,194)
Total Liabilities	$3,492,661	$4,432,868	($940,207)
Deferred Inflows of Resources			
Deferred Inflows Related to Pensions	$554,257	$ 91,740	$462,517
Net Position:			
Net Investments in Capital Assets	$94,830	$137,853	($43,023)
Restricted	1,127,819	465,000	662,819
Unrestricted	(805,616)	(1,373,223)	567,607
Total Net Position	$417,033	($770,370)	$1,187,403

The LMTAAA earns revenue by performing services on a contractual basis for the Department of Social and Health Services (98.7%), the Multi-purpose Center of Federal Way (1.1%) and other sources (0.2%). All contracts require that the revenue earned be used to provide services under the contract. The LMTAAA does not have any taxing authority nor does it receive any direct grants.

Revenues were higher than expenditures in 2017. Expenditures associated with Title XIX Case Management/Nursing program were lower than fees received on the unit rate basis. In addition, because of a significant reduction in PERS1 liabilities, the net pension liability decreased by over $1 million.

The LMTAAA statement of activities reported an increase of $1,187,403 in Total Net Position.

Financial Analysis of the Government's Funds

The general fund is the only operating fund of the LMTAAA. At the end of the fiscal year, total fund balance for the general fund equaled $3,805,995, $1,470,819 of it is available to spend. The general fund balance increased by $950,708 in calendar year 2017. The excess of revenues over expenditures of $871,947 was supplemented by other financing source of additional working capital advance from DSHS of $113,561.

Lewis Mason Thurston Area Agency on Aging
Change in Governmental Fund Balance
For the Year Ended 12/13/17

	2017	**2016**	**Increase (Decrease)**
Revenues:			
Federal Indirect Grant Revenue	$3,966,447	$3,724,896	$241,551
State Grant Revenue	3,893,952	3,962,944	(68,992)
General Revenue	17,461	12,815	4,646
Total Revenue	$7,877,860	$7,700,655	$177,205
Other Financing Sources – Additional Working Capital Advance	$113,561	$0	$113,561
Expenditures			
Current:			
Salaries	$3,014,776	$3,083,209	$ (68,433)
Benefits	1,229,005	1,209,541	19,464
Supplies	79,383	89,715	(10,332)
Rents and leases	429,862	432,209	(2,347)
Other	358,953	349,458	9,495
Provider subcontracts	1,880,724	1,832,636	48,088
Capital Outlays	13,210	67,930	(54,720)
Total Expenditures	$7,005,913	$7,064,698	($58,785)
Change in Fund Balance	**$985,508**	**$635,957**	**$349,551**
Reclassification of Working Capital Advance From Liability to Equity		$1,023,617	($1,023,617)
Other Prior Period Adjustments	(34,801)		(34,801)
Fund Balance as of January 1	$2,855,288	$1,195,714	$1,659,574
Fund Balance as of December 31	**$3,805,995**	**$2,855,288**	**$950,707**

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.

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

Differences between the original budget and the final amended budget reflect initial funding amounts versus final amended funding amounts and adjustments to incorporate changes in available funding for specific activities. Total actual revenues were less than budgeted amounts by $484,787, due to underspending of several of the grants' specific line items during the year. Local Contributions of reserves were used to cover $68,678 of total operational costs. These were charged to Title XIX Medicaid Aging Network reserved fund balance.

Total actual expenditures were under final amended budgeted amounts by $633,188. While some of the categories of expenditures were over the budgeted amounts, payroll and benefit expenditures were under budget due to being under staffed during the year.

Working Capital Advances: Long-term liability/nonspendable fund balance
In 2017, LMTAAA received an additional $113,561 in working capital advances from Washington State Department of Social and Health Services (DSHS), bringing the total working capital advance to $1,137,178. The purpose of these advances is to allow the AAA cash flow in order to reimburse service providers; otherwise, providers would not receive payment until the AAA could bill and receive payment from DSHS. The advance amount is reviewed and can be adjusted each year. In 2016, this liability was presented as a long term liability in the government-wide Statement of Net Position and as a non-spendable fund balance in the funds statements. For 2017 this was again presented as a long term liability in the government-wide State of Net Position but as a restricted fund balance in the governmental funds statements.

Economic Factors and Next Year's Budgets and Rates

- Revenue forecasts for the 2017-19 Biennium reflect limited growth in State General Fund revenues.
- Employment within Washington State is expected to remain good, with the overall rate of employment growth for the next several years almost the same as the employment growth rate nationwide.
- Federal funds awarded under the Older Americans Act are expected to increase for 2018.

Since virtually all (99.8% in calendar year 2017) of LMTAAA's revenues are state or federal resources, LMTAAA governing board members and management will consider these factors in preparing the LMTAAA's budget for future years.

Requests for Information

This financial report is designed to provide a general overview of the LMTAAA’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Executive Director, 2404 Heritage Ct SW, Suite A, Olympia, WA 98502.

Lewis Mason Thurston Area Agency on Aging
Governmental Funds Balance Sheet / Statement of Net Position
December 31, 2017

	Governmental Funds Balance Sheet	Adjustments	Government-wide Statement of Net Position
ASSETS			
Cash	$958,744		$958,744
Receivables	2,978,745		2,978,745
Prepaid Expense	70,179		70,179
Capital Assets (Net) (see Note 5)		$94,830	94,830
TOTAL ASSETS	4,007,668	94,830	4,102,498
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources – Pension		361,454	361,454
LIABILITIES AND FUND EQUITY			
Vouchers and Accounts Payable	$201,673		$201,673
Non-current liabilities:			
Due to Other Governments		$1,137,178	1,137,178
Compensated Absences		182,858	182,858
Net Pension Liability		1,970,953	1,970,953
TOTAL LIABILITIES	201,673	3,290,989	3,492,662
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources – Pension		554,257	554,257
FUND BALANCES / NET POSITION			
Fund Balances			
Non-spendable: Prepaid Expenses	$70,179	($70,179)	
Restricted For: TXIX Medicaid/Aging Network	1,000,221	(1,000,221)	
Medicaid Transform. Demonstration	127,598	(127,598)	
Cash Advance from DSHS	1,137,178	(1,137,178)	
Committed to: Alternative Leave	182,858	(182,858)	
Assigned To: Contingency Reserve	950,000	(950,000)	
Area Plan Program Support	27,000	(27,000)	
Website Development	20,000	(20,000)	
Unassigned	290,961	(290,961)	
Total Fund Balances	3,805,995	(3,805,995)	
Total Liabilities and Fund Balances	$4,007,668	(4,007,668)	
NET POSITION			
Net Investment in Capital Assets		94,830	94,830
Restricted		1,127,819	1,127,819
Unrestricted		(805,616)	(805,616)
Total Net Position		$417,033	$417,033

The accompanying notes are an integral part of this statement.

Lewis Mason Thurston Area Agency on Aging
Statement of Revenues, Expenditures, and Changes in Fund Balances/Statement of Activities
For the Year Ended December 31, 2017

	General Fund	Adjustments	Government-wide Statement of Activities
Expenditures:			
Current:			
Salaries	$3,014,776	($25,416)	$2,989,360
Benefits	1,229,005	(367,864)	861,141
Supplies	79,383		79,383
Rents and Leases	429,862		429,862
Other	358,953		358,953
Provider subcontracts	1,880,724		1,880,724
Depreciation/Amortization		58,094	58,094
Capital Outlays	13,210	(13,210)	
Total Expenditures	7,005,913	(348,396)	6,657,517
Revenues:			
Federal Program Revenue	3,966,447		3,966,447
State Program Revenue	3,893,952		3,893,952
Other Revenue	3,206		3,206
Investment Earnings	14,255		14,255
Total Revenue	7,877,860		7,877,860
Excess(deficiency) of Revenue over(under) Expenditures	871,947	348,396	1,220,343
Other Financing Sources – increase in working capital advance	113,561	(113,561)	0
Fund Balances/Net position			
Beginning of the Year	2,855,288	(3,625,658)	(770,370)
Prior Period Adjustment	(34,801)	1,861	(32,940)
End of the Year	$3,805,995	($3,388,962)	$417,033

The accompanying notes are an integral part of this statement.

LMTAAA Private Purpose Trust Funds
Statement of Fiduciary Net Position
December 31, 2017

ASSETS	
Special Assistance Fund	$ 34,453
Flexible Spending Account	9,071
Cash	$43,524
NET POSITION	
Special Assistance Fund	$ 34,453
Flexible Spending Account	9,071
Total Held in Trust	$ 43,524

LMTAAA Private Purpose Trust Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2017

	Private Purpose Trust Funds
ADDITIONS	
Special Assistance Fund Revenue	$ 10,557
Flexible Spending Account Revenue	22,974
Flexible Spending Account Increase in Pre-Funding	350
Total Additions	33,881
DEDUCTIONS	
Special Assistance Fund Disbursement	5,441
Flexible Spending Account Disbursement	23,543
TOTAL DEDUCTIONS	28,984
NET INCREASE IN NET POSITION	4,897
NET POSITION-BEGINNING	38,627
NET POSITION-ENDING	$43,524

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

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

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

The LMTAAA has no component units.

B. Government-Wide and Fund Financial Statements

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

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the LMTAAA considers revenues to be available if they are available to be collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments, are recorded only at the end of the fiscal year. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Investment and service contract earnings of the current period are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

Through 2016, LMTAAA recognized revenues available up to 60 days after year end; starting with 2017, the LMTAAA Council of Governments approved an accounting policy change to increase the availability period to 90 days.

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

Fiduciary fund financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recognized when earned and expenses when incurred. LMTAAA accounts for two private-purpose trust funds: The Special Assistance Fund is used to account for contributions received from community members on behalf of needy seniors. The Flexible Spending Account accounts for funds deducted from employee paychecks used to pay claims approved for reimbursement. The Flexible Spending Account balance on the Statement of Fiduciary Net Position is equal to the cash balance available as of December 31 each year.

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

D. Budgetary Information

Scope of Budget

The LMTAAA prepares five budgets annually: the Area Plan which budgets all activities on a calendar year and is non-contractual; the State/Federal budget which is on the state fiscal year and is contractual; the Ombudsman Program budget which is on the state fiscal year and is contractual; the Medicaid Transformation Demonstration (MTD or MAC/TSOA) budget, which is on a calendar year; it is contractual; it sets deliverables and milestones for payment, and the Older American Act budget which is on a calendar year and is contractual. The LMTAAA also prepares a two year budget for the Home Care Referral Registry Program on a state fiscal year basis and is contractual. In addition, certain budgetary amounts are provided to Thurston County as expenditure authorization limits for their processing of LMTAAA's vendor payments and is non-contractual. All budgets are prepared on the accrual basis.

The Area Agency on Aging's budget requirements are mandated primarily by the Washington State Department of Social and Health Services, Aging and Long Term Support Administration (ALTSA) and the Older Americans Act. The contracted budgets are the legal basis for expenditures. Transfers or revisions are generally allowed up to 10 percent of the total budget, but supplemental appropriations and other major changes must be approved by ALTSA. Up to 10% of Older American's Act appropriations can be carried over into the subsequent calendar year without approval from ALTSA. Title XIX and state funded program appropriations generally cannot be carried over.

Indirect Awards

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

Title 3B provides funds for social and support services.

Title 3C-1 provides funds for congregate meals.

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

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

Title 3E provides funds for family caregivers.

Title 7B provides funds for abuse prevention

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

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

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Medicare Improvement for Patients and Providers Act (MIPPA) provides outreach and assistance for elderly and disabled individuals eligible for specified Medicare programs. It is budgeted on a federal fiscal year.

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

State Awards

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

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

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

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

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

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

Expanded Nutrition Home Delivered Meals is a program that began in state fiscal year 2018. It seeks to expand home delivered meals to new recipients not already receiving meals from OAA Title 3C2.

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

E. Assets, Liabilities and Equities

1. Cash

It is the LMTAAA's policy to invest all temporary cash surpluses. At December 31, 2017, the Thurston County Treasurer was holding $957,959 in short-term residual investments of surplus cash. This amount, combined with petty cash, is included on the balance sheet cash account in the General Fund. Earnings on investments are credited to the General Fund.

Through the Thurston County Treasurer, the LMTAAA's surplus cash balances are entirely covered by federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

In addition to the cash held at Thurston County, LMTAAA has two petty cash accounts totaling $785, which are included on the balance sheet cash account, bringing the total cash balance to $958,744.

2. **Investments** (See Note 3 – Deposits and Investments)

3. Receivables

Receivables primarily consist of amounts billed to DSHS for services rendered for which payment had not been received at December 31, 2017 but which was available within 90 days, amounts earned on investments, notes, and contracts at the end of the year, and amounts owed by non-profit organizations for services billed through December 31, 2017.

4. Prepaid Expenses

LMTAAA 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.

5. Capital Assets (See Note 4 – Capital Assets and Depreciation)

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

Computers	4 years
Office Equipment	4 years
Office Furniture	7 years

The 2017 financial statements reflect corrections made for: items that had been erroneously capitalized that met neither the capitalization limit nor the “small and attractive” definition, items that had previously been disposed of but were still on the books, and past years capitalized assets’ depreciation. Those errors that resulted in accounting changes for past years are reflected in the Other Prior Period Adjustments on the Government-Wide statements.

6. Compensated Absences

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

7. Fund Balance

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

Fund Balance Classification

Non spendable fund balance includes items that cannot be spent. This amount of $70,179 includes prepaid rents and insurance expenses and other prepaids.

Restricted fund balance of $2,264,997 represents resources that are available to spend subject to externally enforceable legal restrictions on how they may be used. $1,000,221 is restricted for Title XIX Medicaid or Aging Network Programs, $127,598 is restricted for Medicaid Transformation Demonstration/MAC/TSOA, and $1,137,178 is for Working Capital (Cash) Advance from DSHS (in 2016, this was booked in the fund statements as a non-spendable fund balance). In addition, LMTAAA considers restricted or unrestricted amounts have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

Committed fund balance is resources constrained by limitations that the government imposes upon itself at the highest level of decision making through formal action of the LMTAAA COG via resolution, contract signing, and/or policy approval. Once adopted, signed, or approved, the limitation imposed by the resolution/contract/policy remains in place until a similar action is taken to remove or revise the limitation. At year end, $182,858 is committed for alternative leave accrual.

Assigned fund balance reflects a government's intended use of resources. The LMTAAA COG assigned a total of $997,000. $950,000 is assigned as a contingency reserve, $20,000 is assigned for future website development, and the remaining $27,000 is assigned to support programs specified in the LMTAAA Area Plan document and budget ($15,000 for kinship programs, $3,000 for the Home Care Referral Registry, and $9,000 for other programs). Unlike fund commitments, these amounts and purposes only exist temporarily. Additional formal action does not normally have to be taken for the removal of an assignment.

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

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

8. Deferred outflows/inflows of resources

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

9. Pensions

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 3 - DEPOSITS AND INVESTMENTS

A. DEPOSITS

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

B. INVESTMENTS

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

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

NOTE 4 – CAPITAL ASSETS, DEPRECIATION AND AMORTIZATION

Although depreciation of capital assets is not recorded in governmental funds, straight-line depreciation is calculated for presentation purposes and accumulated depreciation is recorded in the capital assets reported on the Statement of Net Position. Capital assets activity for the year ended December 31, 2017 was as follows:

	Beg. Balances	Additions	Adjustments	Retirements	Ending Balances
Furniture, fixtures and equipment	322,158	13,210	(23,131)	0	312,237

Less accumulated depreciation	(198,916)	(51,320)	24,994	0	(225,242)
Furniture, fixtures, and equipment, Net	123,242	(38,110)	1,863	0	86,995
Leasehold Improvements	37,758	0	0	0	37,758
Less Accumulated Amortization	(23,148)	(6,775)	0	0	(29,923)
Leasehold Improvements, Net	14,610	(6,775)	0	0	7,835
NET TOTALS	$137,852	($44,885)	$1,863	$ 0	$94,830

NOTE 5 - 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	$ 1,970,952
Pension assets	$ 0
Deferred outflows of resources	$ 361,453
Deferred inflows of resources	$ 554,256
Pension expense/expenditures	$ (20,630)

State Sponsored Pension Plans

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

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

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%**

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

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

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

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

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

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding

Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 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%

* For employees participating in JBM, the contribution rate was 15.30% for January – June 2017 and 18.45% for July – December 2017

The LMTAAA's actual PERS plan contributions were $144,538 to PERS Plan 1 and $202,695 to PERS Plan 2/3 for the year ended December 31, 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. (All plans use 7.7 percent except LEOFF 2, which has assumed 7.5 percent). Consistent with the long-term expected rate of return, a 7.5 percent future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5 percent was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.5 percent was determined using a building-block-method. In selecting this assumption, the Office of the State Actuary (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%
	100%	

Sensitivity of NPL

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

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	$ 1,236,430	$ 1,014,972	$ 823,142
PERS 2/3	$ 2,575,510	$ 955,980	$ (370,985)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2017, the LMTAAA reported a total pension liability of $1,970,952 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	$ 1,014,972
PERS 2/3	$ 955,980

At June 30, the LMTAAA'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	0.026006%	0.021390%	(0.004616%)
PERS 2/3	0.033079%	0.027514%	(0.005565%)

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

The collective net pension liability (asset) was measured as of June 30, 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 the year ended December 31, 2017, the LMTAAA recognized pension expense as follows:

	Pension Expense
PERS 1	$ (168,257)
PERS 2/3	$ 147,627
TOTAL	$ (20,630)

Deferred Outflows of Resources and Deferred Inflows of Resources

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

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$
Net difference between projected and actual investment earnings on pension plan investments	$	$ (37,876)
Changes of assumptions	$	$

Changes in proportion and differences between contributions and proportionate share of contributions	$	$
Contributions subsequent to the measurement date	$ 76,082	$
TOTAL	$ 76,082	$ (37,876)

PERS 2/3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 96,863	$ (31,441)
Net difference between projected and actual investment earnings on pension plan investments	$	$ (254,841)
Changes of assumptions	$ 10,154	$
Changes in proportion and differences between contributions and proportionate share of contributions	$ 65,066	$ (230,098)
Contributions subsequent to the measurement date	$ 113,287	$
TOTAL	$ 285,370	$ (516,380)

Deferred outflows of resources related to pensions resulting from the LMTAAA's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. 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	$ (25,602)
2019	$ 8,083
2020	$ (1,877)
2021	$ (18,480)

2022	$
Thereafter	$
Total	$ (37,876)
Year ended December 31:	**PERS 2/3**
2018	$ (99,064)
2019	$ 1,711
2020	$ (56,964)
2021	$ (135,010)
2022	$ (23,900)
Thereafter	$ (31,069)
Total	$ (344,296)

NOTE 6 - RISK MANAGEMENT

Lewis-Mason-Thurston AAA 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 $5,000 of the deductible amount of each claim, while Enduris is responsible for the remaining $995,000 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, cyber 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 (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

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

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

Coverage consists of the following:

Type of Coverage	Amount of Coverage	Deductible
Comprehensive General Liability	$ 20,000,000	$ 5,000
Auto Liability	$ 20,000,000	$ 5,000
Public Official Errors & Omissions Liability	$ 20,000,000	$ 5,000
Terrorism Liability	$ 500,000	$ 5,000
Cyber Coverage	$ 2,000,000	20% co-pay
Employment Practices Liability	$ 20,000,000	20% co-pay
Crime / Faithful Performance of Duty	$ 250,000	$ 1,000
Identity Fraud Expense Reimbursement	$ 25,000	N/A

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

Property/Equipment Coverage	Amount of Coverage	Deductible
Olympia office	$ 348,450	$ 1,000
Chehalis office	$ 93,173	$ 1,000
Shelton office	$ 40,148	$ 1,000
Tumwater office	$ 85,850	$ 1,000

As discussed in Note 9 – Contingencies and Litigation, there was a large claim filed against the agency and its insurer in 2016. The claim was denied and has moved to litigation. There were no losses or settlements paid in 2017. There have not been settlements in excess of coverage during the past three years.

NOTE 7 - LONG-TERM DEBT/LIABILITIES

The LMTAAA does not issue debt instruments.

As discussed in Note 1 – E – 6 Fund Balances, DSHS has advanced working capital to the AAA in the amount of $1,137,178. This amount increased by $113,561 in 2017. This was shown as a non-spendable fund balance on the 2016 governmental fund statements but is included as a long-term liability in 2017.

As disclosed in Note 5 – Pension Plans, the agency has a long term pension liability.

As discussed in Note 1 – E – 6 Compensated Absences, the AAA has recorded a long term liability for leave and comp time in accordance with the bargaining agreement.

See the table below for abbreviated long term debt activity.

	Beginning Balances	**Additions**	**Reductions**	**Ending Balances**
Compensated Absences	**$ 208,274**		**($25,416)**	**$ 182,858**
Working Capital Advance from DSHS	**$ 1,023,617***	**$ 113,561**		**$1,137,178**
Pension Liability	**$3,062,147**		**($1,091,194)**	**$1,970,953**
TOTALS	**$4,294,038**	**$ 113,561**	**($1,116,610)**	**$3,290,989**

NOTE 8 – LEASES

The LMTAAA leases its buildings and some equipment under operating leases. Total cost for such leases was $429,862 for the year ended December 31, 2017. Subsequent to 2017 year end, LMTAAA renewed some of these leases and entered into other new leases. The future minimum annual lease payments list below incorporates the renewed and new operating leases. For the next 5 years, these lease payments are as follows:

CYE 12/31	Amount
2018	$381,116
2019	333,193
2020	331,875
2021	328,289
2022	328,289

NOTE 9 – CONTINGENCIES AND LITIGATIONS

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

A. Contingent Liabilities
The LMTAAA participates in a number of federal and state funded programs. These funding awards are subject to audit by the grantors or their representatives. Such audits could result

in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the award. LMTAAA management believes that such disallowances, if any, would not materially affect the financial statements of the LMTAAA.

B. Litigation
On 12/6/2016, LMTAAA received a tort claim in the amount of $20,000,000, from the estate of a client who died in an apartment fire in April of 2014. The claim was denied by our insurance company. In February of 2017, LMTAAA was one of several plaintiffs named in a summons on amended complaint in Thurston County Superior Court, from the widow and the estate of the deceased client. The case is currently set to be heard in June of 2019.

NOTE 10 – ACCOUNTING AND REPORTING CHANGES, AND OTHER DISCLOSURES

In 2016, the working capital advance from DSHS ($1,023,617) was reported as a non-spendable fund balance on the governmental funds financial statements and as a long-term liability on the government wide financial statements. For 2017, it is shown as a long-term liability on both governmental funds and the government-wide financial statements. The 2016 amount shown as a prior period adjustment (reducing fund balance) on both the Statement of Changes in Governmental Fund Balance and Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances / Statement of Activities. In addition, there are other Prior Period Adjustments reducing fund balance and net position in the amounts of $34,801 and $32,940 respectively.

As noted in Note 1C, starting in 2017, LMTAAA changed its availability period for recognition of revenues to 90 days (from 60 days).

LMTAAA has no significant commitments; was not a lessor or lessee in capital leases, was not the recipient of an endowment; did not incur an obligation for termination of benefits; does not have any joint ventures; and had no significant subsequent events.

Lewis Mason Thurston AAA
Budgetary Comparison Schedule
General Fund
For the Year Ended December 31, 2017

	Original Budget	Final Amended Budget	Actual	Difference
Budgetary Fund Balance, January 1			$ 2,855,288	
Medicaid – Federal/State	$4,318,886	$4,679,739	4,623,454	($56,285)
State aging/other programs	1,909,497	1,919,744	1,761,237	(158,507)
Federal – OAA	1,582,515	1,693,466	1,369,446	(324,021)
Federal – USDA	12,500	13,470	13,470	0
Other awards & misc.	66,630	109,062	110,254	1,192
Local Contributions	28,000	28,000	68,678	40,678
Amounts Available for Appropriation	7,918,028	8,443,481	7,946,539	(496,943)
Salaries	3,585,476	3,585,476	3,014,776	570,700
Benefits	1,440,461	1,440,461	1,229,005	211,456
Other Direct Costs	811,445	811,445	881,408	(69,963)
Provider contracts	1,801,719	1,801,719	1,880,724	(79,005)
Total Charges to Appropriations	7,639,101	7,639,101	7,005,913	633,188
Budgetary Fund Balance, December 31			3,795,913	
Fund Balance Adjustments:				
Other Financing Sources – Increase in Working Capital Advance from DSHS			113,561	
Prior Period Adjustments			(34,801)	
Back out Local Contributions (Reserves) as Revenues			(68,678)	
Fund Balance, December 31			$3,805,995	

Note: Original Budget Revenues and Expenditures were approved by the Council of Governments and by DSHS ALTSA in the LMTAAA 2017 Area Plan Budget. Final Amended Budget revenue values are from signed contracts. Federal - OAA values match the calendar year. Federal – USDA budgets are based on federal fiscal years, and the remaining budgets are based on state fiscal years, with 50% from SFY2017 and 50% from SFY2018. Because LMTAAA expenditures are not legally limited by appropriations, the LMTAAA typically does not formally amend expenditure budgets.

This budget is prepared on the modified accrual basis of accounting.

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

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

		2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.021390%	0.026006%	0.026571%
Employer's proportionate share of the net pension liability	$	1,014,972	1,360,656	1,387,086
TOTAL	$	1,014,972	1,360,656	1,387,086
Employer's covered employee payroll	$	2,942,847	3,076,906	2,807,692
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	34.49%	44.22%	49.40%
Plan fiduciary net position as a percentage of the total pension liability	%	61.24%	57.03%	59.10%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

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

		2017	2016	2015
Employer's proportion of the net pension liability (asset)	%	0.027514%	0.033079%	0.034244%
Employer's proportionate share of the net pension liability	$	955,980	1,665,502	1,223,558
TOTAL	$	955,980	1,665,502	1,223,558
Employer's covered employee payroll	$	2,942,847	3,065,380	2,807,692
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	32.48%	54.33%	43.58%
Plan fiduciary net position as a percentage of the total pension liability	%	90.97%	85.82%	89.20%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

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

		2017	2016	2015
Statutorily or contractually required contributions	$	144,538	147,177	130,215
Contributions in relation to the statutorily or contractually required contributions	$	(144,538)	(147,177)	(130,215)
Contribution deficiency (excess)	$	0	0	0
Covered employer payroll	$	2,947,733	3,070,429	2,964,101
Contributions as a percentage of covered employee payroll	%	4.90%	4.79%	4.39%

REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

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

		2017	2016	2015
Statutorily or contractually required contributions	$	202,695	190,569	167,253
Contributions in relation to the statutorily or contractually required contributions	$	(202,695)	(190,569)	(167,253)
Contribution deficiency (excess)	$	0	0	0
Covered employer payroll	$	2,947,733	3,058,903	2,964,101
Contributions as a percentage of covered employee payroll	%	6.88%	6.23%	5.64%

LEWIS MASON THURSTON AREA AGENCY ON AGING
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDING DECEMBER 31, 2017

Grantor Agency	Program Name	Federal CFDA No.	DSHS Contract #	Pass-Through Awards	Direct Awards	Total	Foot Note Ref.
Department of Agriculture Food and Nutrition Service	Senior Farmers Market Nutrition Program	10.576	1669-68463, 1769-93483	13,470	0	13,470	5
Department of Health and Human Services, Administration for Community Living	Special Programs for the Aging_Title VII, Chapter 3_Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	1769-79500	4,363	0	4,363	
Department of Health and Human Services, Administration for Community Living	Special Programs for the Aging_Title III, Part D_Disease Prevention and Health Promotion Services	93.043	1769-79500	10,895	0	10,895	
Department of Health and Human Services, Administration for Community Living	Special Programs for the Aging_Title III, Part B_Grants for Supportive Services and Senior Centers	93.044	1769-79500	442,367	0	442,367	
Department of Health and Human Services, Administration for Community Living	Special Programs for the Aging_Title III, Part C_Nutrition Services	93.045	1769-79500	599,664	0	599,664	
Department of Health and Human Services, Administration for Community Living	National Family Caregiver Support, Title III, Part E	93.052	1769-79500	182,298	0	182,298	
Department of Health and Human Services, Administration for Community Living	Nutrition Services Incentive Program	93.053	1769-79500	129,859	0	129,859	3
Department of Health and Human Services,	Medicare Enrollment Assistance Program	93.071	1469-28492, 1769-20824	1,832	0	1,832	

The accompanying notes are an integral part of this schedule.

Administration for Community Living							
Department of Health and Human Services Centers for Medicare and Medicaid Services	Medical Assistance Program	93.778	1669-68463, 1769-93483	2,244,509	0	2,244,509	4
Department of Health and Human Services Centers for Medicare and Medicaid Services	Medical Assistance Program	93.778	1569-42821, 1769-96755	60,061	0	60,061	
Department of Health and Human Services Centers for Medicare and Medicaid Services	Medical Assistance Program	93.778	1669-67764, 1769-94538	15,469	0	15,469	
	TOTAL	**93.778**		**2,320,038**	**0**	**2,320,038**	
Department of Health and Human Services Centers for Medicare and Medicaid Services	Money Follows the Person Rebalancing Demonstration	93.791	1669-68463, 1769-93483	13,126	0	13,126	4
Department of Health and Human Services Centers for Medicare and Medicaid Services	Money Follows the Person Rebalancing Demonstration	93.791	1569-42821, 1769-96755	241	0	241	
Department of Health and Human Services Centers for Medicare and Medicaid Services	Money Follows the Person Rebalancing Demonstration	93.791	1669-67764, 1769-94538	101	0	101	
	TOTAL	**93.791**		**13,468**	**0**	**13,468**	
	TOTAL FEDERAL AWARDS EXPENDED					**3,718,254**	1,2

The accompanying notes are an integral part of this schedule.

LEWIS MASON THURSTON AREA AGENCY ON AGING
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 - BASIS OF ACCOUNTING

The schedule is prepared on the same basis of accounting as the Lewis Mason Thurston Area Agency on Aging's (LMTAAA) financial statements. The LMTAAA uses the modified accrual basis of accounting.

NOTE 2 - PROGRAM COSTS

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

NOTE 3 – NUTRITION SERVICES INCENTIVE PROGRAM

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

NOTE 4 – TITLE XIX

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

NOTE 5 – NONCASH AWARDS – SENIOR FARMER MARKET VOUCHERS

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

NOTE 6 – INDIRECT COST RATE:

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

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

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

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

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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