



Office of the Washington State Auditor  
Pat McCarthy

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

# **Northwest Regional Council**

**For the period January 1, 2021 through December 31, 2021**

*Published July 5, 2022*

Report No. 1030717



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

July 5, 2022

Board of Directors  
Northwest Regional Council  
Bellingham, Washington

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

Please find attached our report on the Northwest Regional Council's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy, State Auditor  
Olympia, WA

***Americans with Disabilities***

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Northwest Regional Council January 1, 2021 through December 31, 2021

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

The results of our audit of the Northwest Regional Council are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

#### Financial Statements

We issued an unmodified opinion on the fair presentation of the Agency’s financial statements in accordance with its regulatory basis of accounting. Separately, we issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared using a basis of accounting other than GAAP.

##### Internal Control over Financial Reporting:

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

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

#### Federal Awards

##### Internal Control over Major Programs:

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

We issued an unmodified opinion on the Agency’s compliance with requirements applicable to each of its major federal programs.

We reported no findings that are required to be disclosed in accordance with 2 CFR 200.516(a).

## **Identification of Major Federal Programs**

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
93.044	Aging Cluster – Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers
93.044	Aging Cluster – COVID-19 Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers
93.045	Aging Cluster – Special Programs for the Aging, Title III, Part C, Nutrition Services
93.045	Aging Cluster – COVID-19 Special Programs for the Aging, Title III, Part C, Nutrition Services
93.053	Aging Cluster – Nutrition Services Incentive Program

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by the Uniform Guidance, was \$750,000.

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

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

None reported.

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

None reported.

## INDEPENDENT AUDITOR'S REPORT

### Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

#### **Northwest Regional Council January 1, 2021 through December 31, 2021**

Board of Directors  
Northwest Regional Council  
Bellingham, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Northwest Regional Council, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Agency's financial statements, and have issued our report thereon dated June 27, 2022.

We issued an unmodified opinion on the fair presentation of the Agency's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the Agency using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

As discussed in Note 3 to the 2021 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Agency is unknown. Management's plans in response to this matter are also described in Note 3.

## REPORT ON 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) as a basis for designing 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 above 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 or significant deficiencies may exist that were not identified.

## REPORT ON 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 its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

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

## PURPOSE OF THIS REPORT

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

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Pat McCarthy, State Auditor

Olympia, WA

June 27, 2022



## INDEPENDENT AUDITOR'S REPORT

### Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

#### Northwest Regional Council January 1, 2021 through December 31, 2021

Board of Directors  
Northwest Regional Council  
Bellingham, Washington

### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

#### Opinion on Each Major Federal Program

We have audited the compliance of the Northwest Regional Council, with the types of compliance requirements identified as subject to audit 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, 2021. The Agency's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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, 2021.

#### Basis for Opinion on Each Federal Program

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)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Agency and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Agency's compliance with the compliance requirements referred to above.

### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Agency's federal programs.

### **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Agency's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Agency's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Agency's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;

- Obtain an understanding of the Agency's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the Agency's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## REPORT ON 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

## Purpose of this Report

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

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

Pat McCarthy, State Auditor

Olympia, WA

June 27, 2022

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Northwest Regional Council January 1, 2021 through December 31, 2021**

Board of Directors  
Northwest Regional Council  
Bellingham, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of Northwest Regional Council for the year ended December 31, 2021, and the related notes to the financial statements, as listed in the table of contents.

### **Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the Northwest Regional Council has prepared these financial statements to meet the financial reporting requirements of state law using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the Northwest Regional Council, and its changes in cash and investments, for the year ended December 31, 2021, on the basis of accounting described in Note 1.

### **Adverse Opinion on U.S. GAAP**

In our opinion, because of the significance of the matter discussed below, the accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Northwest Regional Council, as of December 31, 2021, or the changes in financial position or cash flows thereof for the year then ended.

## **Basis for Unmodified and Adverse Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit unmodified and adverse opinions.

## **Matter Giving Rise to Adverse Opinion on U.S. GAAP**

As described in Note 1 of the financial statements, the financial statements are prepared by the Agency on the basis of the financial reporting provisions of state law using accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the BARS manual. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonable determinable, are presumed to be material and pervasive.

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. The effects on the financial statements of the variances between GAAP and the accounting practices the Agency used, as described in Note 1, although not reasonably determinable, are presumed to be material. As a result, we are required to issue an adverse opinion on whether the financial statements are presented fairly, in all material respects, in accordance with GAAP.

## **Matters of Emphasis**

As discussed in Note 3 to the 2021 financial statements, the full extent of the COVID-19 pandemic's direct or indirect financial impact on the Agency is unknown. Management's plans in response to this matter are also described in Note 3. Our opinion is not modified with respect to this matter.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the *Budgeting, Accounting and Reporting System* (BARS) manual prescribed by the State Auditor described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Governmental Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed;

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's financial statements. The 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). The Schedule of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

### **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2022 on our consideration of the Agency's internal control over financial reporting and on the 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 the effectiveness of the Agency's internal control over financial reporting or on



compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

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Pat McCarthy, State Auditor

Olympia, WA

June 27, 2022

## **FINANCIAL SECTION**

### **Northwest Regional Council January 1, 2021 through December 31, 2021**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2021  
Fiduciary Fund Resources and Uses Arising from Cash Transactions – 2021  
Notes to Financial Statements – 2021

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

Schedule of Liabilities – 2021  
Schedule of Expenditures of Federal Awards – 2021  
Notes to the Schedule of Expenditures of Federal Awards – 2021

**Northwest Regional Council**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended December 31, 2021**

**Beginning Cash and Investments**

308	Beginning Cash and Investments	3,122,104
388 / 588	Net Adjustments	-

**Revenues**

320	Licenses and Permits	-
330	Intergovernmental Revenues	10,930,076
340	Charges for Goods and Services	10,845,866
350	Fines and Penalties	-
360	Miscellaneous Revenues	20,443
Total Revenues:		21,796,385

**Expenditures**

560	Social Services	21,735,574
Total Expenditures:		21,735,574
Excess (Deficiency) Revenues over Expenditures:		60,811

**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	43,009
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		43,009

**Other Decreases in Fund Resources**

594-595	Capital Expenditures	-
591-593, 599	Debt Service	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		-

**Increase (Decrease) in Cash and Investments:** **103,820**

**Ending Cash and Investments**

50821	Nonspendable	-
50831	Restricted	2,725,950
50841	Committed	75,000
50851	Assigned	-
50891	Unassigned	424,974
<b>Total Ending Cash and Investments</b>		<b>3,225,924</b>

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

**Northwest Regional Council**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2021**

**Note 1 - Summary of Significant Accounting Policies**

The Northwest Regional Council (NWRC) was incorporated in March 1971 and operates under the laws of the state of Washington applicable to a municipal corporation. The NWRC is a special purpose local government and provides health and social services. NWRC serves as the Area Agency on Aging (AAA) for Island, San Juan, Skagit, and Whatcom Counties. The NWRC is governed by a council of governments made up of eight elected officials, two from each member county.

The NWRC reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW. This manual prescribes a financial reporting framework that differs from generally accepted accounting principles (GAAP) in the following manner:

- Financial transactions are recognized on a cash basis of accounting as described below.
- Component units are required to be disclosed but are not included in the financial statements.
- Government-wide statements, as defined in GAAP, are not presented.
- All funds are presented, rather than a focus on major funds.
- The *Schedule of Liabilities* is required to be presented with the financial statements as supplementary information.
- Supplementary information required by GAAP is not presented.
- Ending balances are presented using classifications that are similar to the ending balance classification in GAAP.

A. Fund Accounting

The general fund is the operating fund of the NWRC. It accounts for all financial resources of the NWRC.

B. Basis of Accounting and Measurement Focus

Financial statements are prepared using the cash basis of accounting and measurement focus. Revenues are recognized when cash is received, and expenditures are recognized when paid.

In accordance with state law, and using the same open period as its treasurer, the NWRC also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

### C. Cash and Investments

See Note 4 - *Deposits and Investments*.

### D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5,000 and an estimated useful life more than one year. Capital assets and inventory are recorded as capital expenditures when purchased.

### E. Compensated Absences

Vacation leave may accumulate up to 288 hours per employee and is payable upon separation or retirement.

Sick leave may accumulate up to 696 hours. Any employee accruing more than 600 hours of sick leave on January 1 of each year shall exchange 4 hours of sick leave for 1 additional hour of vacation leave up to a maximum of an additional 24 hours vacation leave per year.

Upon achieving 20 years or more longevity, any employee accruing more than 600 hours of sick leave on January 1 of each year shall exchange 2.1 sick leave hours for 1 compensated hour deposited in their Retirement Health Savings (RHS) account, up to a maximum of 45.714 compensated hours per year.

Upon separation or retirement employees do not receive payment for unused sick leave except under the following circumstances. Upon retiring under Public Employees' Retirement System (PERS) and/or separation from the NWRC after 20 years or more longevity, an employee with 80 hours or more of sick leave will receive the monetary equivalent of 52 percent of an employee's accrued sick leave contributed to the employee's RHS account. An employee who chooses not to enroll in a RHS account will forfeit accrued eligible sick leave.

Payments for compensated absences are recognized as expenditures when paid.

### F. Long-Term Debt

See Note 5 – *Long-Term Debt*

### G. Restricted and Committed Portion of Ending Cash and Investments

Beginning and Ending Cash and Investments are reported as restricted or committed when it is subject to restrictions on use imposed by external parties or due to internal commitments established by resolution of the NWRC Governing Board. When expenditures that meet restrictions are incurred, the NWRC intends to use the most restricted resources first.

Restrictions and commitments of Ending Cash and Investments consist of the following:

<b>Nature of Restriction or Commitment</b>	<b>Amount</b>
Committed by NWRC Resolution No. 08-05 for Unemployment Self-Insurance	\$ 75,000
Restricted by terms of contract with Department of Social and Health Services for:	
Working Advance	\$ 1,326,376
TXIX Medicaid for Aging Network Programs	\$ 742,783
Medicaid Transformation Demonstration Project	\$ 656,791
<b>Total</b>	<b>\$ 2,800,950</b>

## **Note 2 - Budget Compliance**

By policy and as permitted by the by-laws, the NWRC adopts annual agency-wide budgets by resolution. The NWRC operates one fund, the general fund.

The Executive Director is authorized to transfer budgeted amounts between line items and funding sources, however, any revisions that alter the total expenditures or that affect the number of authorized employee positions or salary ranges must be approved by the NWRC Governing Board by resolution.

The annual expenditure budget is adopted on the same basis of accounting as used for financial reporting.

Budgeted and actual expenditures for the adopted budget were as follows:

<b>Fund</b>	<b>Final Budget Amount</b>	<b>Actual Expenditures</b>	<b>Variance</b>
General Fund	\$22,733,873	\$21,735,580	\$998,293

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

## **Note 3 – COVID-19 Pandemic**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. Precautionary measures to slow the spread of

the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

The services provided by the NWRC are considered “essential” under the Governor’s order. The NWRC has revised its services to deliver as much as possible without in-person contact. Almost all staff are working from home. At risk clients have been identified and contingency plans reviewed and updated. To date revenues have not been negatively affected. The NWRC has received significant funding to assist older people in its region affected by the pandemic including additional Older Americans Act funding authorized by the Families First Coronavirus Response Act (FFCRA), the Coronavirus Aide Relief and Economic Security Act (CARES), and the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA).

The length of time these measures will continue to be in place, and the full extent of the financial impact on the NWRC is unknown at this time.

#### **Note 4 – Deposits and Investments**

Investments are reported at original cost. Deposits and investments by type at December 31, 2021 are as follows:

Type of Deposit or Investment	NWRC’s Own Deposits and Investments
Bank Deposits	\$992,432
Whatcom County Investment Pool	\$2,233,492
<b>Total</b>	<b>\$3,225,924</b>

It is the NWRC’s policy to invest all temporary cash surpluses. The NWRC has just one governmental fund. Any interest earned on investments is credited to the NWRC general fund.

#### Investments in Whatcom County Investment Pool

The NWRC is a voluntary participant in the Whatcom County Investment Pool (the WCIP), an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather, oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The WCIP is administered by the County Treasurer on a daily amortized cost basis. The NWRC reports its investment in the pool at original cost, which is the same as the value of the pool per share. Rules governing the WCIP, including liquidity fees and redemption gates as may be applicable, are defined in the WCIP Operating Terms and Conditions and the Whatcom County Treasurer’s Office Investment Policy. These documents may be downloaded from the Whatcom County website at [www.whatcomcounty.us/332/Investments](http://www.whatcomcounty.us/332/Investments).

### Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in event of a failure of a depository financial institution, the NWRC would not be able to recover deposits. The NWRC's deposits are mostly covered by federal depository insurance (FDIC) or through the Whatcom County Treasurer by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commission (PDPC).

Investments in the WCIP are not insured or guaranteed by FDIC or any other governmental agency. Whatcom County's investment policy requires that all deliverable securities will be settled delivery versus payment, which ensures that securities are deposited at a third party, such as a safekeeping and custodian bank acting as an agent for Whatcom County. A signed safekeeping and custodial agreement(s) shall be entered into with a federally regulated financial institution, currently Wells Fargo Institutional Retirement and Trust.

### **Note 5 – Long-Term Debt**

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the NWRC and summarizes the NWRC's debt transactions for year ended December 31, 2021.

The NWRC contracts with Washington State Department of Social and Health Services (DSHS) for provision of a long-term working advance. The amount of this advance is determined upon the annual submittal of Documentation of Funds as required by DSHS Office of Accounting Services.

### **Note 6 – OPEB Plans**

The NWRC is a participating employer in the state's Public Employees Benefits Board (PEBB) program, a defined benefit plan administered by the Washington State Health Care Authority. The plan provides medical, dental, and life insurance benefits for public employees and retirees and their dependents on a pay-as-you-go basis. The plan provides other postemployment benefits (OPEB) benefits through both explicit and implicit subsidies. The explicit subsidy is a set dollar amount that lowers the monthly premium paid by members over the age of 65 enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy annually. The implicit subsidy results from the inclusion of active and non-Medicare eligible retirees in the same pool when determining premiums. There is an implicit subsidy from active employees since the premiums paid by retirees are lower than they would have been if the retirees were insured separately. The NWRC had 115 active plan members and 5 retired plan members as of December 31, 2021. As of December 31, 2021, the NWRC's total OPEB liability was \$4,544,162 as calculated using the alternative measurement method. The NWRC contributed \$1,795,756 to the plan for the year ended December 31, 2021.

### **Note 7 – Pension Plans**



Substantially all NWRC full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), 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 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

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

At June 30, 2021 (the measurement date of the plans), the NWRC's proportionate share of the collective net pension liabilities, as reported on the Schedule of Liabilities, was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1 UAAL	\$339,136	0.045529%	\$556,016
PERS 2/3	\$554,077	0.058492%	\$ (5,826,744)

## Note 8 – Risk Management

The NWRC maintains insurance against most normal hazards except for unemployment compensation benefits where it has elected to be self-insured. All claims are processed by independent claims managers.

Based on the history of claims for unemployment compensation, the NWRC established a resolution to reserve \$75,000 for probable claims. The Employment Security Department (ESD) processes claims and bills the NWRC for the actual claims as a reimbursable employer. Total unemployment compensation claims paid in 2021 were \$5,392.

The NWRC deals directly with the insurance broker HUB International Northwest LLC for purchasing commercial insurance. The NWRC maintains policies for the following insurance coverage:

Coverage Type	Name of Insurer	Policy Limits	
		Per Event	Aggregate
General and Comprehensive Liability	Philadelphia Indemnity Insurance Company	\$ 1,000,000	\$ 3,000,000
Commercial Umbrella Liability	Philadelphia Indemnity Insurance Company	\$ 3,000,000	\$ 3,000,000
Director's and Officer's Insurance	Great American Insurance Company	\$ 5,000,000	\$ 5,000,000
Professional Liability	Philadelphia Indemnity Insurance Company	\$ 1,000,000	\$ 3,000,000
Cyber, Security & Privacy, Media Liability	Lloyds of London/Beazley Group	\$ 1,000,000	\$ 1,000,000
Automobile Liability (Hired and Non-Owned)	Philadelphia Indemnity Insurance Company	\$ 1,000,000	\$ 1,000,000
Workers' Compensation and Employers' Liability (Stop Gap)	Philadelphia Indemnity Insurance Company	\$ 1,000,000	\$ 3,000,000

The Professional Liability policy covers staff members who are responsible for authorizing or arranging direct services to eligible clients.

The NWRC also has Public Official Bonds in the amount of \$50,000 each for employees authorized to sign checks or authorize electronic payments and Notary Surety Bonds in the amount of \$10,000 each for employees authorized to perform notary services for the NWRC.

No claims were paid in 2021 against the NWRC's commercial insurance policies or bonds.

## Note 9 – Contingencies and Litigations

Along with several other entities and individuals involved in providing health care in the Whatcom County Jail, three employees of the NWRC have been named in two separate lawsuits involving the deaths of two individuals while they were housed at the jail. All three employees were acting within the scope of their positions in the NWRC's Jail Health program and are covered under the NWRC's Professional Liability insurance policy. One of these cases was recently settled for an amount well within insurance coverage, and the second is expected to do so as well. Likewise, Jail health staff were called to testify in a lawsuit brought forth by an employee of the previous mental health services provider. Whatcom County has arranged for insurance to cover all counsel to defend NWRC and is covering all related costs. It is expected any settlement will fall well within the limits of coverage.

Lastly, an ongoing lawsuit between a private citizen and LifeCare Centers of America has also named staff at NWRC, along with numerous other entities and individuals in the region. Our staff have had no

interaction with this citizen, nor is he connected to our programs. Our insurance company, Great American Insurance, has arranged legal representation for this case.

**Northwest Regional Council  
Schedule of Liabilities  
For the Year Ended December 31, 2021**

<b>ID. No.</b>	<b>Description</b>	<b>Due Date</b>	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences		456,144	21,457	-	477,601
263.84	DSHS Working Advance	7/1/2022	1,283,367	43,009	-	1,326,376
264.30	Net Pension Liability		2,186,886	-	1,630,870	556,016
264.40	OPEB Liability		4,609,146	-	64,984	4,544,162
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>8,535,543</b>	<b>64,466</b>	<b>1,695,854</b>	<b>6,904,155</b>
<b>Total Liabilities:</b>			<b>8,535,543</b>	<b>64,466</b>	<b>1,695,854</b>	<b>6,904,155</b>

**Northwest Regional Council**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via WA DSHS)	Senior Farmers Market Nutrition Program	10.576	2069-80755	13,769	-	13,769	13,769	3
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DSHS)	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	2069-69037, 2169-97591	4,031	-	4,031	-	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DSHS)	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	2069-69037, 2169-97591	6,037	-	6,037	-	
<b>Aging Cluster</b>								
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DSHS)	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	2069-69037, 2169-97591	464,510	-	464,510	-	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DSHS)	COVID 19 - Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	2069-80546	665,195	-	665,195	397,540	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DSHS)	COVID 19 - Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	2169-97591	15,758	-	15,758	15,758	
<b>Total CFDA 93.044:</b>				<b>1,145,463</b>	<b>-</b>	<b>1,145,463</b>	<b>413,298</b>	

The accompanying notes are an integral part of this schedule.

**Northwest Regional Council**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2021**

Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DSHS)	Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	2069-69037, 2169-97591	829,660	-	829,660	739,226	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DSHS)	COVID 19 - Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	2069-80546	194,516	-	194,516	194,516	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DSHS)	COVID 19 - Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	2169-97591	239,858	-	239,858	215,873	
<b>Total CFDA 93.045:</b>				<b>1,264,034</b>	<b>-</b>	<b>1,264,034</b>	<b>1,149,615</b>	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DSHS)	Nutrition Services Incentive Program	93.053	2069-69037, 2169-97591	384,092	-	384,092	384,092	
<b>Total Aging Cluster:</b>				<b>2,793,589</b>	<b>-</b>	<b>2,793,589</b>	<b>1,947,005</b>	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DSHS)	COVID 19 - Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	2069-84881	34,213	-	34,213	-	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DSHS)	National Family Caregiver Support, Title III, Part E	93.052	2069-69037, 2169-97591	256,096	-	256,096	-	

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

**Northwest Regional Council**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2021**

Expenditures							
Federal Agency (Pass-Through Agency)	Federal Program	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DSHS)	COVID 19 - National Family Caregiver Support, Title III, Part E	93.052	2069-80546	12,363	-	12,363	-
		Total CFDA 93.052:		268,459	-	268,459	-
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DSHS)	Medical Assistance Program	93.778	2069-80755, 2169-20180	2,523,230	-	2,523,230	259,906
		Total Medicaid Cluster:		2,523,230	-	2,523,230	259,906
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via WA DSHS)	Money Follows the Person Rebalancing Demonstration	93.791	2069-80755, 2169-20180	6,570	-	6,570	454
		Total Federal Awards Expended:		5,649,898	-	5,649,898	2,221,134

The accompanying notes are an integral part of this schedule.

**Northwest Regional Council**  
**Northwest Washington Area Agency on Aging**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2021**

Note 1 – Basis of Accounting

This Schedule is prepared on the same basis of accounting as the NWRC's financial statements. The NWRC uses the cash basis method of accounting.

Note 2 – Federal De Minimis Indirect Cost Rate

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

Note 3 – Noncash Awards

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

Note 4 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the NWRC's portion, are more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



Note 5 – Title XIX

Title XIX Medicaid is a health care program jointly funded by federal and state governments. The NWRC receives payments for TXIX Case Management, Nursing Services and Core Services Contract Management on a unit rate basis. The federal portion of these revenues reported are calculated based on information provided by the pass-through agency at the time this Schedule is prepared.

Note 6 – Donated Personal Protective Equipment (PPE)

The NWRC received donated PPE for the COVID-19 pandemic response. The fair market value of the donated PPE for the year ended December 31, 2021 is \$12,830. This amount is not reflected in the federally funded portion of the programs on this Schedule and is unaudited.

## ABOUT THE STATE AUDITOR'S OFFICE

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

We work with state agencies, local governments and the public to achieve our vision of increasing trust in government by helping governments work better and deliver higher value.

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