



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, 2020 through December 31, 2020

Published September 12, 2022

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

September 12, 2022

Board of Commissioners
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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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Lewis Mason Thurston Area Agency on Aging January 1, 2020 through December 31, 2020

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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 basic financial statements of the governmental activities and each major fund in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>CFDA No.</u>	<u>Program or Cluster Title</u>
93.044	Aging Cluster – Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers
93.044	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
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.

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*

Lewis Mason Thurston Area Agency on Aging January 1, 2020 through December 31, 2020

Board of Commissioners
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 and each major fund of the Lewis Mason Thurston Area Agency on Aging, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated September 6, 2022.

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*. However, we noted certain matters that we have reported to the management of the Agency in a separate letter dated September 6, 2022.

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.

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

September 6, 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

Lewis Mason Thurston Area Agency on Aging January 1, 2020 through December 31, 2020

Board of Commissioners
Lewis Mason Thurston Area Agency on Aging
Olympia, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the Lewis Mason Thurston Area Agency on Aging, 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, 2020. 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, 2020.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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

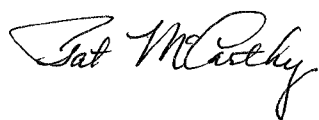
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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.



Pat McCarthy, State Auditor

Olympia, WA

September 6, 2022

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Lewis Mason Thurston Area Agency on Aging January 1, 2020 through December 31, 2020

Board of Commissioners
Lewis Mason Thurston Area Agency on Aging
Olympia, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Lewis Mason Thurston Area Agency on Aging, as of year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Lewis Mason Thurston Area Agency on Aging, as of December 31, 2020, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 opinions.

Responsibilities of Management 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, and for 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.

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 as a whole 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 *Government 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
- 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.

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 in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 supplementary information 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 September 6, 2022 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 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.

A handwritten signature in black ink that reads "Pat McCarthy". The signature is written in a cursive style with a large, stylized "P" and "M".

Pat McCarthy, State Auditor

Olympia, WA

September 6, 2022

FINANCIAL SECTION

Lewis Mason Thurston Area Agency on Aging January 1, 2020 through December 31, 2020

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2020

BASIC FINANCIAL STATEMENTS

Governmental Funds Balance Sheet – Statement of Net Position – 2020

Statement of Revenues, Expenditures and Changes in Fund Balances – Statement of
Activities – 2020

Notes to Financial Statements – 2020

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Information – General Fund – 2020

Schedule of Proportionate Share of the Net Pension Liability – PERS 1, PERS 2/3 – 2020

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2020

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2020

Notes to the Schedule of Expenditures of Federal Awards – 2020

Lewis Mason Thurston Area Agency on Aging January 1, 2020 through December 31, 2020

Management's Discussion and Analysis

We offer this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2020. 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 \$3,809,373 (reported as total net position); this is a \$1,369,328 increase over 2019.
- At the end of the fiscal year, the total fund balance for LMTAAA's governmental funds was \$6,602,266. That represents a \$1,112,676 increase for the year. Governmental funds' revenues exceeded expenditures by \$1,059,935.
- Much of that excess of agency revenues over expenditures in 2020 is due to Title XIX Case Management/Nursing Services and Core Services Contract Management revenues (based on a unit rate) being \$912,286 higher than the actual costs to provide these TXIX services and other agency costs. Year 4 of the Medicaid Transformation Demonstration waiver saw program revenue exceeding costs to provide those services by \$143,013 during 2020.
- In 2020 the working capital advance from DSHS remained at the same amount (no increase).
- Management decreased the assigned fund balance for contingency reserve to \$950,000 for 2020; unassigned fund balance for the general fund increased to \$279,523.
- Long-term liabilities for the government-wide statements increased by \$220,901 during the year, due to increases in both the net pension liability and compensated absences.
- As a result of implementing GASB 84, amounts that were previously reported as private purpose funds in separate fiduciary statements have been incorporated into the General Fund. The cumulative effect of this change in accounting principle has increased the General Fund balance and net position by \$50,441.

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, the General Fund. As noted above, in prior years the agency reported two private purpose trust funds.

The LMTAAA financial statements present the governmental funds statements in the left column and the government-wide statements in the far right column. No separate fund financial statements are included in this report. The adjustment columns are the reconciliation of the difference between the statements.

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 \$3,809,373 (reported as total net position). Of this amount, (\$1,007,307) 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, 2020**

Asset	
Current	\$7,105,251
Deposits	2,300

Capital Assets	54,036
Total Assets	\$7,161,587
Deferred Outflows of Resources	
Deferred Outflows Related to Pensions	\$634,639
Liabilities	
Current Liabilities	\$502,985
Noncurrent Liabilities	1,591,770
Net Pension Liability	1,312,355
Total Liabilities	\$3,407,110
Deferred Inflows of Resources	
Deferred Inflows Related to Pensions	\$579,743
Net Position:	
Net Investments in Capital Assets	\$54,036
Restricted	4,762,644
Unrestricted	(1,007,307)
Total Net Position	\$3,809,373

In 2020, the LMTAAA earned revenue by performing services on a contractual basis for the Department of Social and Health Services (98.7%) and the Multi-Service Center of Federal Way (0.7%), and from other sources (0.6%). 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 federal grants.

2020 revenues were higher than expenditures. Expenditures associated with Title XIX Case Management/Nursing program were lower than fees received on the unit rate basis.

The LMTAAA statement of activities reported an increase (reduction of deficit) of \$1,369,328 in Total Net Position in 2020.

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 \$6,602,266, with \$1,752,832 of it available to spend. The general fund balance increased by \$1,112,676 in calendar year 2020. The excess of revenues over expenditures was \$1,059,935 for 2020.

Lewis Mason Thurston Area Agency on Aging

Change in Governmental Fund Balance
For the Year Ended 12/13/20

Revenues:	
Federal Indirect Grant Revenue	\$5,448,213
State Grant Revenue	4,373,181
Other Revenue	62,732
Total Revenue	\$9,884,126
Other Financing Sources	\$0
Expenditures	
Current:	
Salaries	\$4,041,449
Benefits	1,466,103
Supplies	116,656
Rents and leases	493,723
Other	391,029
Provider subcontracts	2,307,818
Capital Outlays	7,413
Total Expenditures	\$8,824,191
Other Financing Uses	\$0
Change in Fund Balance	\$1,059,935
Fund Balance as of January 1	\$5,489,590
Cumulative change in accounting principle – GASB 84 – former fiduciary funds to the General Fund	50,441
Prior Period Adjustments – Prior Year Deposits	2,300
Fund Balance as of December 31	\$6,602,266

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 made. In addition,

unanticipated revenues and interest earnings are not budgeted, and may be expended according to program mandates or at the discretion of the agency.

Differences between the original budget and the final amended budget reflect initial anticipated funding amounts in the annual Area Plan budget versus final amended funding amounts and adjustments to incorporate changes in available funding contracts for specific activities. For 2020, this included significant COVID-19 Response funds not included in the Area Plan budget. Total actual revenues were less than budgeted amounts by \$1,130,296 due to underspending of several of the grants' specific line items during the year. Actual expenditures were also less than budgeted, by \$1,135,002, in large part due to vacancies in personnel. Local Contributions / reserves were used to cover \$119,496 of total operational costs; most of these were charged to Title XIX Medicaid Aging Network reserved fund balance.

Working Capital Advances: Long-term liability/restricted fund balance

In 2020, LMTAAA received no additional working capital advances from Washington State Department of Social and Health Services (DSHS) for State Fiscal Year 2021, keeping the total working capital advance at \$1,328,471. 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 annually and can be adjusted each year. For 2020 this is again presented as a long-term liability in the government-wide Statement of Net Position, but as a restricted fund balance in the governmental funds statements.

Economic Factors and Next Year's Budgets and Rates

- Original revenue forecasts for the 2019-21 Biennium reflected growth in State General Fund revenues. With the recognition of the COVID-19 pandemic and declared emergency, state revenue forecasts originally dropped significantly, but revenues, including COVID-19 relief funds, exceeded forecasted amounts.
- Employment within Washington State and the country as a whole originally significantly contracted as a result of the pandemic, but has since largely rebounded. We originally anticipated state funds to see cuts in both the 2019-21 supplemental and 2021-23 biennial budgets, but actually have seen increases.
- In the short term, federal funding has increased with Older Americans being a targeted group for federal relief efforts for the pandemic, particularly through the Families First Coronavirus Response Act and the Coronavirus Aid, Relief and Economic Security Act, both passed in 2020 and the Consolidated Appropriations Act and American Recovery Plan Act, both passed in 2021.

Since virtually all (nearly 99% in calendar year 2020) of LMTAAA's revenues are state or federal resources, LMTAAA council of government board members and management consider these and other 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, Olympia, WA 98502

Lewis Mason Thurston Area Agency on Aging
Governmental Funds Balance Sheet/Statement of Net Position
December 31, 2020

	Governmental Funds Balance Sheet	Adjustments	Government-wide Statement of Net Position
ASSETS			
Cash	2,917,603	-	2,917,603
Receivables	4,099,537		4,099,537
Gift Cards	1,615		1,615
Prepaid Expense	85,175		85,175
Deposits	-	2,300	2,300
Capital Assets (Net of Accum Depreciation and Amortization)	-	54,036	54,036
TOTAL ASSETS	7,103,930	56,336	7,160,266
DEFERRED OUTFLOWS OF RESOURCES			
Deferred Outflows of Resources - Pension	-	634,639	634,639
LIABILITIES			
Vouchers and Accounts Payable	437,847		437,847
Other current liabilities (HRA claims/current portion of Comp Abs)	65,138		65,138
Non-current liabilities:			
Due to Other Governments		1,328,471	1,328,471
Compensated Absences (not incl curr portion)		263,299	263,299
Net Pension Liability		1,312,355	1,312,355
Total Liabilities	502,985	2,904,126	3,407,111
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows of Resources - Pension		579,743	579,743
FUND BALANCES/NET POSITION			
Fund Balances			
Nonspendable:			
Prepaid Expenses	86,790	(86,790)	
Restricted For:			
TXIX Medicaid/Aging Network	3,131,939	(3,131,939)	
Medicaid Transformation Demonstration	302,234	(302,234)	
Cash Advance from DSHS	1,328,471	(1,328,471)	
Committed to:			
Compensated Absences	313,047	(313,047)	
Special Assistance Fund	49,275	(49,275)	
Employee Health Reimb. Account	12,159	(12,159)	
Assigned To:			
Contingency Reserve	950,000	(950,000)	
Area Plan Support	144,726	(144,726)	
Employee Flexible Spending Acct.	4,102	(4,102)	
Unassigned	279,523	(279,523)	
Total Fund Balances	6,602,266	(6,602,266)	
Total Liabilities and Fund Balances	7,105,251		
NET POSITION			
Net Investment in Capital Assets		54,036	54,036
Restricted		4,762,644	4,762,644
Unrestricted		(1,007,307)	(1,007,307)
Total Net Position		3,809,373	3,809,373

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, 2020

	Government-wide		
	General Fund	Adjustments	Statement of Activities
Expenditures:			
Current:			
Salaries	\$4,041,449	\$23,821	\$4,065,270
Benefits	1,466,103	(282,716)	1,183,387
Supplies	116,656		116,656
Rents and leases	493,723		493,723
Other	391,029	(2,281)	388,748
Provider subcontracts	2,307,818		2,307,818
Depreciation/Amortization	0	9,638	9,638
Capital Outlays	7,413	(7,413)	0
Total Expenditures	\$8,824,191	(\$258,951)	\$8,565,240
Revenues:			
Federal Indirect Grant Revenue	\$5,448,213		\$5,448,213
State Grant Revenue	4,373,181		4,373,181
Other Revenue	33,570		33,570
General Revenue	29,162		29,162
Total Revenue	\$9,884,126	\$0	\$9,884,126
Excess of Revenues over Expenditures	\$1,059,935	\$258,951	\$1,318,886
Fund Balances/Net position			
Beginning of the Year	5,489,590	(3,049,545)	2,440,045
Cumulative effect of change in accounting principle – GASB 84 – former fiduciary funds reclassified to General Fund	50,441		50,441
Prior Period Adj – Correct prior year deposit / rent errors	2,300	(2,300)	0
End of the Year	\$6,602,266	(\$2,792,894)	\$3,809,372

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, family caregivers and adults living with a disability. 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 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 the Council of Governments and 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 Statements of Net Position and Activities) report information on all of the 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. Direct expenses are those that are clearly identifiable with a specific function or segment. LMTAAA policy is not to allocate indirect costs to a specific function or segment.

Prior to 2020, LMTAAA reported two Fiduciary Funds, the Special Assistance Fund and Flexible Spending Account in the Statements of Fund Net Position and Changes in Net Position; these funds' activity and balances were not included in the government wide statements. With the implementation of GASB 84 in 2020, management determined to report both funds' activities as part of the General Fund, with the year-end balances shown as

Committed Fund Balances of the General Fund and the prior period change shown as a change in accounting principle.

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.

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

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. Contract line items overages are generally allowed up to 10 percent of the total budget, but supplemental appropriations and other major changes must be approved by

AL TSA. Starting in 2018, the annually awarded OAA contracts run for 21 months; from January of the contract year through September of the subsequent year (for example, January 2020 through September 2021). Because of the pandemic, some of those federal and state timeframes have been extended to two years and nine months.

Title XIX and state funded program budgets are generally for a state fiscal year (July through June), typically allow the 10 percent line item overage without approval, and typically are not carried forward if unspent.

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 4 provides funds for special training (No Wrong Door Business Case).

Title 7B provides funds for elder abuse prevention

Nutrition Services Incentive Program (NSIP) provides funds for the purchase of US grown 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.

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 Farmers Market Nutrition Program (SFMNP USDA) provides vouchers to seniors for use at farmers markets and basic food and nutrition education.

In 2020, as a result of the COVID-19 pandemic, additional funding sources, typically using OAA CFDA numbered programs but with more flexibility, were provided. For 2020, these included the:

Families First Coronavirus Response Act (FFCRA) which specifically provided funds for senior nutrition programs (OAA Title 3C1 and 3C2), with much more flexibility.

The Coronavirus Aid, Relief, and Economic Security Act (CARES) provided funds for emergent needs for supportive Services (OAA T 3B), senior nutrition (OAA 3C1 and 3C2), family caregiver (OAA T 3E) and elder abuse prevention (OAA T 7B).

Aging and Disability Resource Centers COVID-19 Response also provided emergent needs for a wide range of expenditures that would typically fall under supportive services (OAA T 3B).

State Awards

Senior Citizen Services Act (SCSA) provides a variety of social services. Some of its funded 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 caregivers when accessing services.

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

Senior Farmers Market Nutrition Program (SFMNP State) provides vouchers to seniors for use at farmers 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.

Long-Term Care Ombudsman program is to provide an independent channel for complaints from term care residents.

The Executive Director is authorized to approve most budgets and contracts, and approve the transfer of budgeted amounts between programs and/or funding sources of up to 15% of the total Area Plan Budget or up to a 15% variance in the amounts anticipated in the Area Plan Budget, or up to \$150,000 of new contracts or programs which are not anticipated within the Area Plan. The Council of Governments approves the Area Plan, the annual Area Plan Budget and budgets/contracts that exceed the Executive Director's authority as delineated above.

E. Assets, Liabilities and Equities

1. Cash

It is the LMTAAA's policy to invest all temporary cash surpluses. At December 31, 2020, the Thurston County Treasurer was holding \$2,837,437 in short-term residual investments of surplus cash. In addition, \$80,061 was deposited with TwinStar Credit Union for the Special Assistance Fund, Health Reimbursement Account, Flexible Spending Account, and Petty Cash. Earnings on the main bank account 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). Accounts held at TwinStar Credit Union are covered by federal depository insurance (NCUA).

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, 2020.

4. Prepaid Expenses

LMTAAA accounts for prepaid expenses (prepaid rents and insurance) 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 \$5,000 for equipment and leasehold improvements and an estimated useful life in excess of one year. Capitalized 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
Leasehold Improvements	remaining term of the lease

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. In 2020 \$49,748 was determined to be the current portion of Compensated Absences and is included on the Balance Sheet and Statement of Net Position as part of Other Current Liabilities.

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 \$86,790 includes prepaid rents, insurance expenses and other prepaid expenses.

Restricted fund balance of \$4,762,644 represents resources that are available to spend subject to externally enforceable legal restrictions on how they may be used. \$3,131,939 is restricted for Title XIX Medicaid or Aging Network Programs, \$302,234 is restricted for Medicaid Transformation Demonstration/MAC/TSOA, and \$1,328,471 is for Working Capital (Cash) Advance from DSHS. 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 of \$374,481 consists of 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, \$313,047 is committed for compensated absence/alternative leave accrual potential payout, \$49,275 is committed for the Special Assistance Fund (the SAF was classified as a fiduciary fund balance in 2019) and \$12,159 is committed for the employee Health Reimbursement Account (the HRA was classified as an assigned fund balance in 2019).

Assigned fund balance reflects a government's intended use of resources. The LMTAAA COG assigned a total of \$1,098,828. \$950,000 is assigned as a contingency reserve, \$144,726 is assigned to support programs specified in the LMTAAA Area Plan document and budget, and \$4,102 is money set aside to pay for future employee Flexible Spending Account claims (FSA was classified as a fiduciary fund in 2019). 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 of \$279,523 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 and Flexible Spending Accounts at the TwinStar Credit Union, the Agency also remits monthly payments for its Health Reimbursement to this latter account. Voluntary payroll deductions for the Flexible Spending Account benefit program are deposited into an insured account, also at TwinStar Credit Union.

B. INVESTMENTS

The Agency is a participant in the Thurston County Investment Pool, an external investment pool. The Agency reports its investment in the pool as the fair value amount, which is the same as the value of the pool per share. The responsibility for managing the pool resides with the County Treasurer. The Pool is established from the RCW 36.29 which authorizes the County Treasurer to invest the funds of participants. The County's investment policy is established by the County Finance Committee consisting of the County Treasurer, the County Auditor and the Chairman of the Board of County Commissioners. The object of the policy is to invest public funds in a manner which will provide maximum security with the highest investment return while meeting daily cash flow demands and conforming to all state and local statutes governing the investment of public funds.

The Thurston County Investment Pool does not have a credit rating and had a weighted average maturity of 1.91 years as of December 31, 2020.

Thurston County measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Quoted market prices for similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs for an asset or liability.

In accordance with State law, the LMTAAA has entered into a formal agreement with the agency's *ex officio* treasurer, Thurston County, to have all its funds not required for immediate expenditure to be invested in the Thurston County Investment Pool (TCIP).

As of December 31, 2020, LMTAAA had the following Investments:

Investment Type	Amount Invested	Fair Value
Thurston County Investment Pool	\$2,837,437	\$2,860,985

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, 2020 was as follows:

	Beg. Balances	Additions	Adjustments	Retirements	Ending Balances
Furniture, fixtures and equipment	39,738	0	(20)	0	39,718
Less accumulated depreciation	(29,065)	(3,956)	0	0	(33,021)
Furniture, fixtures, and equipment, Net	10,673	(3,956)	(20)	0	6,697
Leasehold Improvements	71,694	7,413	0	0	79,107
Less Accumulated Amortization	(26,087)	(5,681)	0	0	(31,768)
Leasehold Improvements, Net	45,607	1,732	0	0	47,339
NET TOTALS	56,280	(2,224)	(20)	0	54,036

NOTE 5 - PENSION PLANS

The following table represents the aggregate pension amounts for all plans for the year 2020:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ 1,312,355

Pension assets	\$ 0
Deferred outflows of resources	\$ 634,637
Deferred inflows of resources	\$ 579,739
Pension expense/expenditures	\$ 219,369

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 2020 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January – August 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Total	12.86%	6.00%
September – December 2020		
PERS Plan 1	7.92%	6.00%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Total	12.97%	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 is 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 2019 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
January – August 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.76%	
Administrative Fee	0.18%	
Employee PERS Plan 3		varies
Total	12.86%	7.90%
Sept. – December 2020		
PERS Plan 2/3	7.92%	7.90%
PERS Plan 1 UAAL	4.87%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
Total	12.97%	7.90%

* For employees participating in JBM, the contribution rate was 19.75%.

The LMTAAA's actual PERS plan contributions were \$190,075 to PERS Plan 1 and \$313,899 to PERS Plan 2/3 for the year ended December 31, 2020.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2020 with a valuation date of June 30, 2019. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Experience Study* and the *2019 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2019 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward

to the measurement date of June 30, 2020. Plan liabilities were rolled forward from June 30, 2019, to June 30, 2020, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.50% salary inflation
- **Salary increases:** In addition to the base 3.50% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.4%

Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. 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.

- OSA updated its demographic assumptions based on the results of its latest demographic experience study. See OSA's 2013-2018 Demographic Experience Study at leg.wa.gov/osa.
- OSA updated the Early Retirement Factors and Joint-and-Survivor factors used in its model to match the ones implemented by DRS on October 1, 2020. These factors are used to value benefits for members who elect to retire early and for survivors of members that die prior to retirement.
- The valuation includes liabilities and assets for Plan 3 members purchasing Total Allocation Portfolio annuities when determining contribution rates and funded status.
- OSA simplified its modeling of medical premium reimbursements for survivors of duty-related deaths in LEOFF 2.
- OSA changed its method of updating certain data items that change annually, including the public safety duty-related death lump sum and Washington state average wage. OSA set these values at 2018 and will project them into the future using assumptions until the next Demographic Experience Study in 2025. See leg.wa.gov/osa for more information on this method change.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.4 percent.

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's 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 7.4 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 7.4 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 (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's 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, 2020, 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%	2.20%
Tangible Assets	7%	5.10%
Real Estate	18%	5.80%
Global Equity	32%	6.30%
Private Equity	23%	9.30%
	100%	

Sensitivity of Net Pension Liability (Asset)

The table below presents the LMTAAA's proportionate share of the net pension liability calculated using the discount rate of 7.4 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 (6.4 percent) or 1-percentage point higher (8.4 percent) than the current rate.

	1% Decrease (6.4%)	Current Discount Rate (7.4%)	1% Increase (8.4%)
PERS 1	\$ 1,118,552	\$ 893,015	\$ 696,323
PERS 2/3	\$ 2,609,245	\$ 419,340	\$(1,384,048)

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, 2020, the LMTAAA reported a total pension liability of \$1,312,355 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	\$ 893,015
PERS 2/3	\$ 419,340

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

	Proportionate Share 6/30/19	Proportionate Share 6/30/20	Change in Proportion
PERS 1	0.021911%	0.025294%	0.003383%
PERS 2/3	0.028271%	0.032788%	0.004517%

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, 2020, and the actuarial valuation date on which the total pension liability (asset) is based was as of June 30, 2019, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended December 31, 2020, the LMTAAA recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 183,149
PERS 2/3	\$ 36,220
TOTAL	\$ 219,369

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2020, 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	\$	\$ (4,972)
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$ 93,568	\$
TOTAL	\$ 93,568	\$ (4,972)

PERS 2/3	Deferred Outflows of Resources	(Deferred Inflows of Resources)
Differences between expected and actual experience	\$ 150,118	\$ (52,553)
Net difference between projected and actual investment earnings on pension plan investments	\$	\$ (21,296)
Changes of assumptions	\$ 5,973	\$ (286,446)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 231,655	\$ (214,472)
Contributions subsequent to the measurement date	\$ 153,324	\$
TOTAL	\$ 541,070	\$ (574,767)

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, 2021. 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)
2021	\$ (22,563)
2022	\$ (710)
2023	\$ 6,885
2024	\$ 11,416
2025	\$
Thereafter	\$
Total	\$ (4,972)
Year ended December 31:	(PERS 2/3)
2021	\$ (180,397)
2022	\$ (47,987)
2023	\$ 1,058
2024	\$ 54,080
2025	\$ (13,197)
Thereafter	\$ (578)
Total	\$ (187,021)

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 when two counties and two 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, 2019, there were 547 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 self-insured retention on liability loss - the member is responsible for the first \$5,000 of the amount of each claim, while Enduris is responsible for the remaining \$995,000 on a liability loss.
- \$250,000 self-insured retention on property loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss. For property losses related to boiler and machinery Enduris is responsible for the first \$4,000 of the claim.

Enduris acquires reinsurance from unrelated insurance companies on a “per occurrence” basis to cover all losses over the self-insured retentions 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 \$800 million per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

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

The contract requires members to continue membership for a period of not less than one year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (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 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	Self-insured retention
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, Gedora Leasing and DeLage Landen are co-insured.

Property/Equipment Coverage	Amount of Coverage	Self-insured retention
Olympia office	\$ 462,885	\$ 1,000
Chehalis office	\$ 101,331	\$ 1,000
Shelton office	\$ 42,789	\$ 1,000
Total Property/Equipment covered	\$ 607,005	

LMTAAA paid \$5,000 in self-insurance retention for a liability claim in 2020

There were no other losses or settlements paid in 2020. 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 – 7 Fund Balances, DSHS has advanced working capital to the AAA in the amount of \$1,328,471. This amount did not increase in 2020. This is shown as a restricted fund balance on the governmental fund statements and as a long-term liability in the government-wide statements.

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 payout (as well as a current portion) in accordance with the bargaining agreement and agency policy.

See the table below for abbreviated long-term debt activity.

	Beginning Balances	Additions (Reductions)	Reclassified as current	Ending Balances
Compensated Absences	\$ 237,590	\$ 75,457	(\$ 49,748)	\$ 263,299
Working Capital Advance from DSHS	\$ 1,328,471	\$0	\$0	\$1,328,471
Pension Liability	\$ 1,117,164	\$ 195,191	\$0	\$1,312,355
TOTALS	\$ 2,683,225	\$ 270,648	(\$ 49,748)	\$2,904,125

NOTE 8 – LEASES

The LMTAAA leases its buildings and some equipment under operating leases. Total cost for such leases, including incidental or one time rental charges was \$493,723 for the year ended

December 31, 2020. The future minimum annual lease payments for contractual leases for the next five years are listed below:

<u>CYE 12/31</u>	<u>Amount</u>
2021	486,387
2022	486,387
2023	426,048
2024	394,676
2025	371,851

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 or monies otherwise set aside (Committed Fund Balance for employees' Health Reimbursement Account and Assigned Fund Balance for employees' Flexible Spending Account) 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

In recent years there have been 2 large claims made against LMTAAA. Both have been dismissed.

NOTE 10 – PRIOR PERIOD ADJUSTMENTS AND ACCOUNTING AND REPORTING CHANGES

<u>Prior Period Adjustment</u>	<u>Brief Description</u>	<u>Amount</u>	<u>Affecting / Where Shown</u>
Increase Fund Balance for prior			
Year's Rent / Deposits		\$2,300	Governmental and Agency-wide

As discussed in Note 1.E.7, LMTAAA, previous to 2020, recorded its Special Assistance Fund and Flexible Spending Account as Fiduciary funds. As the agency implemented GASB 84 these operations and existing (at the end of 2019) fund balances were brought into the LMTAAA General Fund. The resulting \$50,441 increase to the General Fund is noted as a cumulative change in accounting principle on the Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balances / Statement of Activities.

NOTE 11 – SUBSEQUENT EVENTS

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of a deadly new virus, COVID-19. In the weeks following the declaration, precautionary measures to slow the spread of the virus have been ordered. These measures include closing schools, colleges and universities, cancelling public events,

prohibiting public and private gatherings, and requiring people to stay home unless they are leaving for an essential function.

The services provided by LMTAAA were designated as essential services, so our services continued, with some modifications. Federal assistance legislation including the FFCRA and CARES acts were passed, both of which provided specific funding to Area Agencies on Aging. Additionally, some of the federal regulations relating to required services, in-home assessments, and other federal compliance requirements from our federal granting agencies, were temporarily waived or given additional flexibility.

LMTAAA did not see an immediate drop in revenues, as many governments did. In fact, because of the additional federal funding, the agency saw an increase in potential revenues in 2020. In 2021, additional federal COVID-19 relief programs, including the Consolidated Appropriations Act and American Recovery Plan Act, both subsequently passed are available to LMTAAA.

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

NOTE 12 – OTHER DISCLOSURES

LMTAAA has no significant commitments; does not have any issued debt, 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; and does not participate in any joint ventures.

Required Supplementary Information

Lewis Mason Thurston AAA
Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2020

	Original Budget	Final Amended Budget	Actual	Difference
Budgetary Fund Balance, January 1			\$5,489,590	\$566,773
Medicaid – Federal/State	\$5,679,072	\$5,939,173	\$6,169,782	\$230,609
State aging/other programs	2,150,145	2,003,658	1,724,303	(279,355)
Federal – OAA	1,830,428	1,825,959	662,512	(1,163,447)
Federal – COVID-19 Relief	0	1,153,099	1,173,706	20,607
Federal – USDA	22,863	10,902	13,886	2,984
Other awards & misc.	101,183	81,632	139,938	58,306
Local Contributions	175,503	175,503	119,496	(56,007)
Amounts Available for Appropriation	9,959,194	11,189,926	10,003,623	(1,186,303)
Salaries	4,418,468	4,418,468	4,041,449	377,019
Benefits	1,563,014	1,563,014	1,466,103	96,911
Supplies	151,646	151,646	116,656	34,990
Rentals and Leases	500,261	500,261	493,723	6,538
Other Direct Costs	743,230	743,230	391,029	352,201
Provider contracts	2,482,974	2,482,974	2,307,818	175,156
Capital Outlays	99,600	99,600	7,413	92,187
Total Charges to Appropriations	9,959,193	9,959,193	8,824,191	1,135,002
Budgetary Fund Balance, December 31			6,669,022	
Fund Balance Adjustments:				
Cumulative effect of change in accounting principle – GASB 84 – former fiduciary funds			50,441	
Prior Period Adjustment – Deposits/Rents			2,300	
Back out Local Contributions (Reserves) as Revenues & rounding			(119,497)	
Fund Balance, December 31			\$6,602,266	

Note: The original 2020 (Area Plan) Budget Revenues and Expenditures were approved by the Council of Governments and by DSHS ALTSA. Final Amended Budget revenue values are from signed contracts. Federal - OAA budgets are awarded starting on the calendar year. Federal – COVID-19 Relief budgets typically ran for multiple years. For OAA and COVID Relief budgets were based on amounts anticipated to be spent on CY2020. Federal – USDA budgets are based on federal fiscal years, and the remaining budgets are based on state fiscal years, with 50% from SFY2020 and 50% from SFY2021. 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*

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	% 0.025294%	0.021911%	0.025626%	0.021390%	0.026006%	0.026571%
Employer's proportionate share of the net pension liability	\$ 893,015	842,556	1,144,466	1,014,972	1,360,656	1,387,086
TOTAL	\$ 893,015	842,556	1,144,466	1,014,972	1,360,656	1,387,086
Employer's covered employee payroll	\$ 3,865,727	3,360,820	3,177,152	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	% 23.10%	25.07%	36.02%	34.49%	44.22%	49.40%
Plan fiduciary net position as a percentage of the total pension liability	% 68.64%	67.12%	63.22%	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*

	2020	2019	2018	2017	2016	2015
Employer's proportion of the net pension liability (asset)	% 0.032788%	0.028271%	0.032778%	0.027514%	0.033079%	0.034244%
Employer's proportionate share of the net pension liability	\$ 419,340	274,608	559,655	955,980	1,665,502	1,223,558
TOTAL	\$ 419,340	274,608	559,655	955,980	1,665,502	1,223,558
Employer's covered employee payroll	\$ 3,865,727	3,360,820	3,177,152	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	% 10.85%	8.17%	17.61%	32.48%	54.33%	43.58%
Plan fiduciary net position as a percentage of the total pension liability	% 97.22%	97.77%	95.77%	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*

	2020	2019	2018	2017	2016	2015
<u>Statutorily or contractually required contributions</u>	\$ 190,075	175,145	167,942	144,538	147,177	130,215
<u>Contributions in relation to the statutorily or contractually required contributions</u>	\$ (190,075)	(175,145)	(167,942)	(144,538)	(147,177)	(130,215)
<u>Contribution deficiency (excess)</u>	\$ 0	0	0	0	0	0
<u>Covered employer payroll</u>	\$ 3,963,365	3,546,715	3,316,914	2,947,733	3,070,429	2,964,101
<u>Contributions as a percentage of covered</u>	% 4.80%	4.94%	5.06%	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*

	2020	2019	2018	2017	2016	2015
Statutorily or contractually required contributions	\$ 313,899	274,066	248,714	202,695	190,569	167,253
Contributions in relation to the statutorily or contractually required contributions	\$ (313,899)	(274,066)	(248,714)	(202,695)	(190,569)	(167,253)
Contribution deficiency (excess)	\$ 0	0	0	0	0	0
Covered employer payroll	\$ 3,963,365	3,546,715	3,316,914	2,947,733	3,058,903	2,964,101
Contributions as a percentage of covered employee payroll	% 7.92%	7.73%	7.50%	6.88%	6.23%	5.64%

**Lewis Mason Thurston Area Agency on Aging
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020**

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 Washington State Department of Social and Health Services)	Senior Farmers Market Nutrition Program	10.576	1969-53057, 2069-80740	13,886	-	13,886	13,474	5
DEPARTMENTAL OFFICES, TREASURY, DEPARTMENT OF THE (via Washington State Department of Social and Health Services)	Coronavirus Relief Fund	21.019	2069-80392	18,354	-	18,354	-	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	1969-41465	3,936	-	3,936	3,936	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	2069-80588	2,047	-	2,047	2,047	
Total CFDA 93.041:				5,983	-	5,983	5,983	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	1969-41465	3,322	-	3,322	-	

The accompanying notes are an integral part of this schedule.

**Lewis Mason Thurston Area Agency on Aging
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
Aging Cluster								
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	1869-21046, 1969-41465	369,602	-	369,602	85,305	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	2069-80588	104,148	-	104,148	93,366	
		Total CFDA 93.044:	473,750	-	-	473,750	178,671	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	1969-41465, 2069-69030	153,918	-	153,918	138,527	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	2069-80588	944,425	-	944,425	849,983	
		Total CFDA 93.045:	1,098,343	-	-	1,098,343	988,510	

The accompanying notes are an integral part of this schedule.

**Lewis Mason Thurston Area Agency on Aging
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020**

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 Washington State Department of Social and Health Services)	Nutrition Services Incentive Program	93.053	1969-41465, 2069-69030	38,006	-	38,006	38,006	3	
			Total Aging Cluster:			1,610,099	-	1,610,099	1,205,187
			93.048	2069-84880	35,831	-	35,831	-	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.052	1969-41465, 2069-69030	93,728	-	93,728	8,248		
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	National Family Caregiver Support, Title III, Part E	93.052	2069-80588	68,902	-	68,902	60,261		
Total CFDA 93.052:				162,630	-	162,630	68,509		

The accompanying notes are an integral part of this schedule.

**Lewis Mason Thurston Area Agency on Aging
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020**

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 Washington State Department of Social and Health Services)	Medicare Enrollment Assistance Program	93.071	1869-42136	1,534	-	1,534	-	
Medicaid Cluster								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1969-53057, 2069-80740	2,246,821	-	2,246,821	-	4
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1969-54642	73,123	-	73,123	-	
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Medical Assistance Program	93.778	1969-59275, 2069-81935	6,581	-	6,581	-	
Total Medicaid Cluster:				2,326,525	-	2,326,525	-	

**Lewis Mason Thurston Area Agency on Aging
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2020**

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		
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Money Follows the Person Rebalancing Demonstration	93.791	1969-53057, 2069-80740	6,693	-	6,693	-	4
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Money Follows the Person Rebalancing Demonstration	93.791	1969-54642	128	-	128	-	
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via Washington State Department of Social and Health Services)	Money Follows the Person Rebalancing Demonstration	93.791	1969-59275, 2069-81935	19	-	19	-	
Total CFDA 93.791:				6,840	-	6,840	-	
Total Federal Awards Expended:				4,185,004	-	4,185,004	1,293,153	

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, 2020

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:

LMTAAA has not elected to use the 10-percent de minimis indirect cost rate allowed under Uniform Guidance. Each year LMTAAA prepares a written cost allocation plan and submits it to the Washington State Department of Social and Health Services. The cost allocation plan is used to allocate indirect costs. This allocation plan allows for indirect allocations based on relative value of expenditures of the programs being allocated to.

NOTE 7 – PERSONAL PROTECTIVE EQUIPMENT RECEIVED

As part of the response to COVID-19, in 2020 Lewis County Emergency Management and the Washington State Department of Social and Health Services Aging and Long-Term Support Administration provided the LMTAAA with Personal Protective Equipment (PPE) for our staff to use when serving our clients. Some or all of the funds used to acquire the PPE could have been federal. We estimate the amount of PPE received by LMTAAA in 2020 to have been \$661.

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