



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, 2022 through December 31, 2022

Published August 26, 2024

Report No. 1035404



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

August 26, 2024

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

Report on Financial Statements and Federal Single Audit

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

We are issuing this report in order to provide information on the Agency's financial activities and 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, 2022 through December 31, 2022

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

Internal Control over Financial Reporting:

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

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

Federal Awards

Internal Control over Major Programs:

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

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

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

Identification of Major Federal Programs

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

<u>ALN</u>	<u>Program or Cluster Title</u>
93.778	Medicaid Cluster - Medical Assistance Program

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

The Agency did not qualify as a low-risk auditee under the Uniform Guidance.

SECTION II – FINANCIAL STATEMENT FINDINGS

See Finding 2022-001.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

SCHEDULE OF AUDIT FINDINGS AND RESPONSES

Lewis Mason Thurston Area Agency on Aging January 1, 2022 through December 31, 2022

2022-001 The Agency's internal controls were inadequate for ensuring accurate financial reporting

Background

State and federal agencies, the Council of Governments and the public rely on information included in the financial statements and reports to make decisions. Management is responsible for designing and following internal controls that provide reasonable assurance its financial reporting is reliable and the financial statements and notes to financial statements are accurate. The Agency prepares its financial statements in accordance with the cash-basis accounting method prescribed by the State Auditor's Office's *Budgeting, Accounting and Reporting System* (BARS) Manual.

Our audit identified deficiencies in internal controls over accounting and financial reporting that affected the Agency's ability to produce reliable financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses as a finding.

Description of Condition

We found the following deficiencies in internal controls that represent a material weakness:

- The Agency's process for preparing the financial statements, notes and supplementary information was ineffective for ensuring they were accurate and complete, and that the Agency correctly classified amounts based on the general ledger and supporting records.
- The Agency does not have a process to identify and apply all BARS Manual updates for reporting its lease obligations.

Cause of Condition

The Agency did not dedicate the time and resources needed to establish effective internal controls over the financial statement review process. The Agency experienced turnover in key positions, and new staff had to learn existing processes and procedures and catch up on the work backlog. Internal controls were less effective during this transition.

Effect of Condition

The material weakness in internal controls resulted in the following errors:

- The Agency did not report the Medical Assistance Program federal expenditures on the Schedule of Expenditures of Federal Awards, resulting in it understating program expenditures by \$8,343,766. This understatement, once corrected, created a new major program that we needed to audit. Without this correction, we would not have met required audit coverage.
- The Agency misclassified awards on the Schedule of Expenditures of Federal Awards as direct and did not report amounts passed through to subrecipients.
- The Agency understated revenues and other increases on the financial statements by \$670,224, and understated expenditures and other decreases by \$55,876.
- The Agency did not properly implement new lease reporting requirements. As a result, the Agency understated the Schedule of Liabilities by \$3,538,878.

We identified other less significant errors during our audit. The Agency corrected the financial statement errors noted above.

Recommendation

We recommend the Agency strengthen internal controls over its processes for preparing and reviewing the financial statements to ensure the statements and schedules submitted for audit are accurate, complete and comply with the BARS Manual. We also recommend the Agency dedicate sufficient resources and provide adequate training for staff to gain the resources and technical knowledge necessary to understand and accurately report the Agency's financial activities.

Agency's Response

The agency identifies that there were some struggles preparing the 2022 financial statements as most of the information needed was found either on different spreadsheets or in the accounting software at the time. With the changeover in Fiscal Staffing, a new CFO came in June 2023 and found that there was a backlog in billings, the accounting software was not originally set up correctly and found it very challenging to pull the necessary information to prepare the financial statements. The CFO reached out to the SAO technical team for assistance in

pulling together the necessary information for the financials. At the conclusion of the 2022 audit, the Agency is prepared to submit the financials to begin the 2023 audit. Since the CFO has gathered the necessary information for 2022, she knows the location of what is needed for 2023.

Auditor's Remarks

We thank the Agency for its cooperation throughout the audit and the steps it is taking to address these concerns. We will review the status of the Agency's corrective action during our next audit.

Applicable Laws and Regulations

Government Auditing Standards, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

The *Budgeting, Accounting and Reporting System* (BARS) Manual, 3.1.3, Internal Control, requires each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objectives.

RCW 43.09.200, Local government accounting – Uniform system of accounting, requires the State Auditor to prescribe the system of accounting and reporting for all local governments.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Lewis Mason Thurston Area Agency on Aging January 1, 2022 through December 31, 2022

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

Audit Period: January 1, 2021 through December 21, 2021	Report Ref. No.: 1032856	Finding Ref. No.: 2021-001
Finding Caption: The Agency lacked adequate internal controls over financial reporting to ensure compliance with timely annual report submissions.		
Background: The Agency did not submit the required annual report within 150 days of fiscal year-end for 2021. The Agency filed its 2021 annual report 315 days late. We recommended the Agency establish controls to ensure timely annual report filing in the previous three audits, with the 2018, 2019, and 2021 annual reports being filed 55, 71 and 288 days beyond their respective deadlines.		
Status of Corrective Action: (check one) See the 2019-2022 Accountability Audit Report for the re-issued finding: 2022-001 The Agency lacked adequate internal controls over financial reporting to ensure compliance with timely annual report submissions. <input type="checkbox"/> Fully Corrected <input checked="" type="checkbox"/> Partially Corrected <input type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid		
Corrective Action Taken: <i>The Agency is working on getting everything current to allow financial statements to be submitted on time. Currently with each year being behind, the current years continue to follow. At the conclusion of the 2022 audit, the 2023 audit will begin allowing the 2024 audit to be on time.</i>		

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, 2022 through December 31, 2022

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Lewis Mason Thurston Area Agency on Aging, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Agency's financial statements, and have issued our report thereon dated August 20, 2024.

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

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2022-001, that we consider to be material weaknesses.

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*.

AGENCY'S RESPONSE TO FINDINGS

Government Auditing Standards requires the auditor to perform limited procedures on the Agency's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

Pat McCarthy, State Auditor

Olympia, WA

August 20, 2024

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, 2022 through December 31, 2022

Council of Governments
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, 2022. 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, 2022.

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 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. 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 over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other

purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy, State Auditor

Olympia, WA

August 20, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Lewis Mason Thurston Area Agency on Aging January 1, 2022 through December 31, 2022

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Unmodified and Adverse Opinions

We have audited the financial statements of the Lewis Mason Thurston Area Agency on Aging, as of and for the year ended December 31, 2022, and the related notes to the financial statements, as listed in the financial section of our report.

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

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the Lewis Mason Thurston Area Agency on Aging, and its changes in cash and investments, for the year ended December 31, 2022, on the basis of accounting described in Note 1.

Adverse Opinion on U.S. GAAP

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Lewis Mason Thurston Area Agency on Aging, as of December 31, 2022, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

Basis for Unmodified and Adverse Opinions

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

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

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the Agency in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Matters of Emphasis

As discussed in Note 10 to the financial statements, in 2022, the Agency adopted new accounting guidance for presentation and disclosure of leases as required by the BARS Manual. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible for the design, 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 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
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Agency's financial statements. The 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). The Schedule

of Liabilities is also presented for purposes of additional analysis, as required by the prescribed BARS manual. These schedules are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2024 on our consideration of the Agency's internal control over financial reporting and on the tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

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Pat McCarthy, State Auditor

Olympia, WA

August 20, 2024

FINANCIAL SECTION

Lewis Mason Thurston Area Agency on Aging January 1, 2022 through December 31, 2022

FINANCIAL STATEMENTS

Fund Resources and Uses Arising from Cash Transactions – 2022
Notes to Financial Statements – 2022

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Liabilities – 2022
Schedule of Expenditures of Federal Awards – 2022
Notes to the Schedule of Expenditures of Federal Awards – 2022

**Lewis Mason Thurston Area Agency on Aging
Fund Resources and Uses Arising from Cash Transactions
For the Year Ended December 31, 2022**

Beginning Cash and Investments

308	Beginning Cash and Investments	4,570,604
388 / 588	Net Adjustments	-

Revenues

310	Taxes	-
320	Licenses and Permits	-
330	Intergovernmental Revenues	9,678,931
340	Charges for Goods and Services	-
350	Fines and Penalties	-
360	Miscellaneous Revenues	49,148
Total Revenues:		9,728,079

Expenditures

510	General Government	-
520	Public Safety	-
530	Utilities	-
540	Transportation	-
550	Natural/Economic Environment	-
560	Social Services	9,655,030
570	Culture and Recreation	-
Total Expenditures:		9,655,030
Excess (Deficiency) Revenues over Expenditures:		73,049

Other Increases in Fund Resources

391-393, 596	Debt Proceeds	176,282
397	Transfers-In	-
385	Special or Extraordinary Items	-
381, 382, 389, 395, 398	Other Resources	-
Total Other Increases in Fund Resources:		176,282

Other Decreases in Fund Resources

594-595	Capital Expenditures	-
591-593, 599	Debt Service	482,849
597	Transfers-Out	-
585	Special or Extraordinary Items	-
581, 582, 589	Other Uses	-
Total Other Decreases in Fund Resources:		482,849

Increase (Decrease) in Cash and Investments: (233,518)

Ending Cash and Investments

50821	Nonspendable	-
50831	Restricted	5,349,416
50841	Committed	402,058
50851	Assigned	1,101,622
50891	Unassigned	(2,516,010)
Total Ending Cash and Investments		4,337,086

The accompanying notes are an integral part of this statement.

Lewis Mason Thurston Area Agency on Aging (LMTAAA)
Notes to Financial Statements
For the Year Ending December 31, 2022

Note 1 – Summary of Significant Accounting Policies

The Lewis Mason Thurston Council of Governments dba Lewis Mason Thurston Area Agency on Aging (LMTAAA) was incorporated in 1976 and operates under the laws of the state of Washington applicable to Council of Governments. LMTAAA is a special purpose local government and is 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 serve its clients and bring about this system.

The LMTAAA reports financial activity in accordance with the *Cash Basis Budgeting, Accounting and Reporting System* (BARS) Manual prescribed by the State Auditor’s Office under the authority of Washington State law, Chapter [43.09](#) RCW. This manual prescribes a financial reporting framework that differs from Generally Accepted Accounting Principles (GAAP) in the following manner:

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

A. Fund Accounting

Financial transactions of the government are reported in individual funds. Each fund uses a separate set of self-balancing accounts that comprises its cash and investments, revenues, and expenditures. The government’s resources are allocated to and accounted for in individual funds depending on their intended purpose. Each fund is reported as a separate column in the financial statements, except for fiduciary funds, which are presented by fund types. The total column is presented as “memo only” because any interfund activities are not eliminated. The following fund types are used:

Governmental Fund Types:

General Fund

This fund is the only operating fund of the government. It accounts for all financial resources except those required or elected to be accounted for in another fund.

B. Basis of Accounting and Measurement Focus

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

In accordance with state law the LMTAAA also recognizes expenditures paid during twenty days after the close of the fiscal year for claims incurred during the previous period.

C. Cash and Investments

See Note 4 – Deposits and Investments

D. Capital Assets

Capital assets are assets with an initial individual cost of more than \$5000 and an estimated useful life of more than one year. Capital assets and inventory are recorded as capital expenditures when purchased.

E. Compensated Absences

Alternative Leave may be accumulated up to 360 hours and is payable upon separation or retirement. Upon separation or retirement employees do receive payment for unused alternative leave. Payments are recognized as expenditures when paid.

F. Long-Term Debt

See Note 5 – Long-term Debt.

G. Restricted, Committed, Assigned and Unassigned Balances – Ending Cash and Investments

Beginning and ending cash and Investments are reported as restricted, committed, assigned or unassigned.

Restricted - Title 19 & Aging Network	3,718,711
Restricted - Medicaid Transformation Demonstration	302,234
Restricted - Working Capital Advance from DSHS	1,328,471
Committed – Employees Compensated Absences	313,047
Committed – Special Assistance Fund	49,275
Committed – Employees Health Reimbursement Account	39,736
Assigned – Contingency Fund	950,000
Assigned - Area Plan Support	144,726
Assigned – Employees Flexible Spending Account	4,102
Assigned - HRA	2,793
Unassigned Balance/(Deficit)	-2,516,010
Total Cash & Investments, 12/31/2022	4,337,213

Note 2 – Budget Compliance

The LMTAAA’s adopted budget is the Area Plan Budget, which is required by the Older Americans Act (OAA) and which serves as the operating budget for the calendar year; it is non-contractual. Other budgets adopted between the LMTAAA and ALTSA set contractual limits on how much will be reimbursed by budget category by ALTSA for state and federal programs.

The Area Agency on Aging’s budget requirements are mandated primarily by ALTSA and the OAA. 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 ALTSA. 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 2021 through September 2022). Because of the pandemic, some of those federal and state timeframes were 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.

The appropriated and actual expenditures for the legally adopted budgets were as follows:

Fund	2022 Area Plan Budget	Actual Expenditures	Variance
General Fund	12,697,192	10,137,879	2,559,313

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

Note 3 – COVID-19 Pandemic

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of the deadly new virus known as COVID-19. Precautionary measures to slow the spread of the virus continued throughout 2021. These measures included limitations on business operations, public events, gatherings, travel, and in-person interactions.

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

As of May 2023, it appears that the Public Health Emergency as well as the Major Disaster Declaration has expired. These funds have been extended through 9/30/2024.

Note 4 – Deposits and Investments

Investments are reported at original cost. Cash and investments by type at December 31, 2022 are as follows:

Type of Deposit or Investment	LMTAAA’s Own Deposits and Investments
Thurston County Investment Pool	\$ 4,219,991
Bank Deposits	\$ 115,297
Gift Cards on Hand	\$ 1,895
Petty Cash on Hand	\$ 30
Total Cash	\$ 4,337,213

In accordance with State law, the LMTAAA has entered into a formal agreement with the district'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).

The LMTAAA has just one governmental fund. Any interest earned on investments is credited to the LMTAAA general fund.

Investments in Thurston County Investment Pool

The LMTAAA is a voluntary participant in the Thurston County Investment Pool (TCIP), an external investment pool operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather; oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. Investments in the TCIP are reported at fair value, which, as of 12/31/2022, is reporting at an unrealized loss from book value of 5.5204%. The TCIP does not impose any restrictions on participant withdrawals.

Note 5 – Long-Term Debt

The accompanying Schedule of Liabilities provides more details of the outstanding debt and liabilities of the LMTAAA and summarizes the LMTAAA debt transactions for year ended December 31, 2022.

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

Note 6 – Pension Plans

A. State Sponsored Pension Plans

Substantially all LMTAAA full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans Public Employees' Retirement System (PERS).

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, a department within the primary government of the State of Washington, issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information for each plan.

The DRS ACFR may be downloaded from the DRS website at www.drs.wa.gov.

On June 30, 2022, the LMTAAA’s proportionate share of the collective net pension liabilities (assets), was as follows:

Plan	Employer Contributions	Allocation %	Liability (Asset)
PERS 1	\$153,898.46	0.025111%	\$699,182
PERS 2/3	\$163,799.77	0.032837%	\$(1,217,852)

Only the net pension liabilities are reported on the Schedule 09.

Note 7 – Risk Management

Lewis-Mason-Thurston AAA is a member of the Enduris Washington (Pool). 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. The Pool 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. For the Pool’s fiscal year ending August 31, 2022, there were 547 Enduris members representing a broad array of special purpose districts throughout the state.

The Enduris’ program provides for various forms of joint self-insurance and reinsurance coverage for its members: Liability coverage, which includes: General Liability, Automobile Liability, Public Officials’ Errors and Omissions liability, Terrorism liability and Employment Practices liability; Property coverage, which includes: Building and Contents, Mobile Equipment, Boiler and Machinery, and Business Interruption/Extra Expense; Automobile Physical Damage coverage; Cyber coverage; Crime blanket coverage; Named Position coverage; and an Identity Fraud reimbursement program. Pollution coverage is provided on a “claims made” coverage form. All other coverage is provided on an “occurrence” coverage form.

Members are responsible for a coverage deductible or co-pay on each covered loss. Each policy year members receive a Memorandum of Coverage (MOC) outlining the specific coverage, limits, and deductibles/co-pays that are applicable to them. In certain cases, the Pool may allow members to elect to participate in the programs at limits, coverage, deductibles, and co-pays that are specific to their needs. Enduris is responsible for payment of all covered losses above the member retention, up to the Pool self-insured retention (SIR). Enduris acquires excess/reinsurance from unrelated insurance companies to cover losses above the Pool’s SIR up to the coverage maximum limit of liability. The tables below (2021) reflect the Pool’s SIR, reinsurance limits and member deductibles/co-pays by coverage type.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
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Liability:

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
Comprehensive General Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Automobile Liability	Per Occurrence	\$1 million	\$20 million	\$1,000 - \$100,000
Public Officials Errors and Omissions Liability	Each Wrongful Act Member Aggregate	\$1 million	\$20 million \$20 million	\$1,000 - \$100,000
Terrorism Liability ⁽²⁾	Per Occurrence Pool Aggregate	\$500,000 \$1 million	\$0 Fully funded by Pool	\$1,000 - \$100,000
Employment Practices Liability	Per Occurrence Member Aggregate	\$1 million	\$20 million \$20 million	20% Copay ⁽³⁾

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible

(2) Terrorism liability is fully funded by the Pool i.e. no excess/reinsurance is procured.

(3) Members pay a 20% co-pay of costs up to a maximum of \$100,000. By meeting established guidelines, the co-pay may be waived.

Property ⁽²⁾:

Buildings and Contents	Per Occurrence	\$250,000	\$800 million	\$1,000 - \$250,000
Mobile Equipment	Per Occurrence	\$250,000	\$800 million	\$1,000 - \$250,000
Boiler and Machinery ⁽³⁾	Per Occurrence	Varies	\$100 million	Varies
Business Interruption (BI)/ Extra Expense (EE) ⁽⁴⁾	Per Occurrence	\$250,000	\$100 million (BI)/ \$50 million (EE)	\$1,000 - \$250,000
Sublimit ⁽⁵⁾ :				
Flood	Per Occurrence	\$250,000	\$50 million (shared by Pool members)	\$1,000 - \$250,000
Earthquake	Per Occurrence	5%; \$500,000 maximum	\$10 million (shared by Pool members)	\$1,000 - \$250,000
Terrorism Primary	Per Occurrence Pool Aggregate	\$250,000	\$100 million/ Pool member \$200 million	\$1,000 - \$250,000
Terrorism Excess	Per Occurrence APIP Per Occurrence APIP Aggregate	\$500,000	\$600 million/Pool member \$1.2 billion/APIP \$1.4 billion/APIP	\$0
Automobile Physical Damage⁽⁶⁾	Per Occurrence	\$25,000; \$100,000 for Emergency Vehicles	\$800 million	\$250 - \$1,000
Crime Blanket⁽⁷⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Named Position⁽⁸⁾	Per Occurrence	\$50,000	\$1 million	\$1,000
Cyber⁽⁹⁾	Each Claim APIP Aggregate	\$100,000	\$2 million \$25 million	20% Copay
Identity Fraud Expense Reimbursement⁽¹⁰⁾	Member Aggregate	\$0	\$25,000	\$0

(1) Members may request or be required to pay a higher deductible than the minimum for certain coverage and certain types of losses require a specific co-pay or deductible.

Coverage	Coverage Type	Pool Self-Insured Retention	Excess/ Reinsurance Limits	Member Deductibles/ Co-Pays ⁽¹⁾
(2)	Property coverage for each member is based on detailed property schedule. Scheduled items are covered to the extent of the cost of repair or replacement pursuant to the excess/reinsurance policy terms. Under the Alliant Property Insurance Program (APIP) Reinsurance carriers cover insured losses over \$250,000 to the limit of \$800 million except for certain types of sub-limited property losses such as flood, earthquake, and terrorism.			
(3)	Boiler and Machinery self-insured retention for the Pool varies depending on motor horsepower.			
(4)	Business Interruption/ Extra expense coverage is based on scheduled revenue generating locations/operations. A limited number of members schedule and the rest are limited to \$500,000 of coverage with a \$2.5 million Pool maximum for undeclared exposure. The waiting period (deductible) is typically 24 hours but there are exceptions specific to the type of exposure covered.			
(5)	This sublimit list is simplified and is not all-inclusive. In addition, sub-limits are often shared or aggregated by all pool members and, in a few cases, are shared by all APIP members. Deductibles often vary by coverage sub-limit.			
(6)	Auto Physical Damage coverage includes comprehensive, named perils and collision. Coverage for each member is based on a detail vehicle schedule.			
(7)	Crime Blanket coverage (also referred to as "Employee Dishonesty Coverage with Faithful Performance" of \$2,500 is provided to each member. Member's may elect to "buy-up" the level of coverage from \$5,000 to \$1 million.			
(8)	Named Position coverage is optional. Members may elect to schedule various employees, directors, and commissioners, with individual limits of between \$5,000 and \$1 million.			
(9)	Cyber coverage is included under the Pool's Property program. Members are subject to a 20% co-pay per loss and the Pool's SIR is tiered between \$50,000 and \$100,000 depending on the insured/members property TIV with an 8 hour waiting period. By meeting established guidelines, the co-pay may be waived. The reinsurance maximum limit of liability is \$2 million, with various declared sub-limits.			
(10)	Identity Fraud Expense Reimbursement coverage is purchased by Enduris. Member claims do not have a deductible. There is a \$25,000 limit per member.			

Members make an annual contribution to fund the Pool. Since Enduris is a cooperative program, there is joint liability among the participating members. There were no claim settlements in excess of the insurance coverage in any of the last three policy years.

Upon joining the Pool, members are contractually obligated to remain in the Pool for a minimum of one year and must give notice 60 days before renewal in order to terminate participation. The Interlocal Governmental Agreement (formerly known as the Master Agreement) is automatically renewed each year unless provisions for withdrawal or termination are applied. 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 Interlocal Governmental Agreement.

There were no other losses or settlements paid in 2022.

Note 8 – 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 Cash and Investments Balance for employees' Health Reimbursement Account and Assigned Cash and Investments 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 9 – Joint Ventures, Component Units(s), and related Parties

The Agency is considered a jointly governed organization (Council of Governments) formed by the Lewis, Mason, and Thurston counties. Each County provides one Commissioner to be appointed to LMTAAA’s board.

Note 10 – Leases

1. During the year ended 2022, LMTAAA adopted guidance for the presentation and disclosure of leases, as required by the BARS manual. This requirement resulted in the addition of a lease liability reported on the Schedule of Liabilities.

The Agency leases buildings from MPH Holdings and Gedora Leasing Company for \$36,985 and \$2,300, respectively, per month under lease agreements that range from 5 to 15 years. The leases began in 2018 and 2019, and will end in 2028 and 2029, and include options to cancel after the first 5 or 10 years.

The Agency leases 5 copiers from De Lage Landen for \$953 per month under 5-year lease agreements.

2. The total amount paid for leases in the current reporting period and future lease payments for each of the five subsequent years and in the two-year increment thereafter.

The total amount paid for leases in 2022 was \$482,848. As of December 31, 2022, the future lease payments are as follows:

Year ended December 31	Total
2023	\$482,848
2024	\$481,026
2025	\$474,606
2026	\$471,417
2027	\$471,417
2028-2029	\$684,254
Total	\$3,065,568

**Lewis Mason Thurston Area Agency on Aging
Schedule of Liabilities
For the Year Ended December 31, 2022**

ID. No.	Description	Due Date	Beginning Balance	Additions	Reductions	Ending Balance
Revenue and Other (non G.O.) Debt/Liabilities						
259.12	Compensated Absences		329,463	31,055	-	360,518
263.84	Working Capital from DSHS	6/30/2023	1,507,748	176,282	-	1,684,030
264.30	Pension Liability		330,588	368,594	-	699,182
263.57	Lewis County Building	3/19/2028	-	465,071	75,417	389,654
263.57	Mason County Building	9/15/2028	-	184,000	27,600	156,400
263.57	Thurston County Building	10/1/2029	-	2,855,100	368,400	2,486,700
263.57	Sharp Copiers (B&W and color) MX 754 & 5070	9/24/2024	-	17,738	6,652	11,086
263.57	Sharp Copier MX 2651	10/16/2024	-	2,619	953	1,666
263.57	Sharp Copier MX 6071 x 2	10/30/2025	-	14,350	3,827	10,523
Total Revenue and Other (non G.O.) Debt/Liabilities:			2,167,799	4,114,809	482,849	5,799,759
Total Liabilities:			2,167,799	4,114,809	482,849	5,799,759

**Lewis Mason Thurston Area Agency on Aging
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN 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 DSHS)	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	2169-97598	9,859	-	9,859	9,859	
Aging Cluster								
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS)	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	2169-97598	441,659	-	441,659	384,015	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS)	COVID 19 - Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	2069-80588	239,476	-	239,476	127,672	3
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS)	COVID 19 - Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	2169-30875	52,604	-	52,604	47,445	3
Total ALN 93.044:				733,739	-	733,739	559,132	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS)	Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	2169-97598	515,603	-	515,603	464,043	

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, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN 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 DSHS)	Nutrition Services Incentive Program	93.053	2169-97598	119,838	-	119,838	119,838	3
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS)	Nutrition Services Incentive Program	93.053	2269-38390	67,914	-	67,914	67,914	3
Total ALN 93.053:				187,752	-	187,752	187,752	
Total Aging Cluster:				1,437,094	-	1,437,094	1,210,927	
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF	COVID 19 - Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	2169-23659	-	1,932	1,932	-	3
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS)	National Family Caregiver Support, Title III, Part E	93.052	2169-97598	164,490	-	164,490	148,041	
Medicaid Cluster								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS)	Medical Assistance Program	93.778	2169-20173, 2269-36951, 2269-43426	8,343,766	-	8,343,766	-	4, 6
Total Medicaid Cluster:				8,343,766	-	8,343,766	-	

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, 2022**

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
Total Federal Awards Expended:				9,955,209	1,932	9,957,141	1,368,827	

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, 2022

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 cash 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. Such expenditures are recognized following the cost principals contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principals, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – NUTRITION SERVICES INCENTIVE PROGRAM

Nutrition Services Incentive Program (NSIP) funds are awarded to the State of Washington, and subsequently to the 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 Case Management & Nursing Services, Core Services Contract Management and DDD Nursing. Revenues are based on a unit rate for Case Management & Nursing Services and Core Services Contract Management.

NOTE 5 – 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 6 – COMMINGLED MEDICAL ASSISTANCE PROGRAM FUNDS

The Medical Assistance Program expenditures are comingled with federal and state funds, where each portion cannot be identified. Due to this circumstance the Agency has reported all 2022 state and federal expenditures for the Medical Assistance Program on the Schedule of Expenditures of Federal Awards as prescribed by BARS 4.14.5.220.



**LEWIS-MASON-THURSTON
AREA AGENCY ON AGING**

LMTAAA.org

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**CORRECTIVE ACTION PLAN FOR FINDINGS REPORTED UNDER
UNIFORM GUIDANCE**

**Lewis Mason Thurston Area Agency on Aging
January 1, 2022 through December 31, 2022**

This schedule presents the corrective action planned by the Agency for findings reported in this report 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).

Finding ref number: 2022-001	Finding caption: The Agency’s internal controls were inadequate for ensuring accurate financial reporting
Name, address, and telephone of Agency contact person: Sabrina Dean, Chief Financial Officer 2404 Heritage Court Olympia, 98502 (360) 339-6544	
Corrective action the auditee plans to take in response to the finding: (If the auditee does not concur with the finding, the auditee must list the reasons for non-concurrence). <i>The Agency is working on new software that will streamline and accurately assist with the financial reporting. This software has an implementation date of 1/1/2025.</i>	
Anticipated date to complete the corrective action: 1/1/2025	

ABOUT THE STATE AUDITOR'S OFFICE

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

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

In fulfilling our mission to provide citizens with independent and transparent examinations of how state and local governments use public funds, we hold ourselves to those same standards by continually improving our audit quality and operational efficiency, and by developing highly engaged and committed employees.

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