



Office of the Washington State Auditor  
Pat McCarthy

## Financial Statements and Federal Single Audit Report

# Olympic Area Agency on Aging

For the period January 1, 2023 through December 31, 2023

*Published September 23, 2024*

Report No. 1035617



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

September 23, 2024

Council of Governments  
Olympic Area Agency on Aging  
Port Townsend, Washington

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

Please find attached our report on the Olympic 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

***Americans with Disabilities***

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# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Olympic Area Agency on Aging January 1, 2023 through December 31, 2023

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

The results of our audit of the Olympic 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 identified 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 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>ALN</u>	<u>Program or Cluster Title</u>
93.391	COVID-19 – Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises
93.778	Medicaid Cluster – Medical Assistance Program

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

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

## SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

## SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

See Finding 2023-001.

## SCHEDULE OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### Olympic Area Agency on Aging January 1, 2023 through December 31, 2023

#### **2023-001    The Agency did not have adequate internal controls for ensuring compliance with federal subrecipient monitoring requirements.**

<b>Assistance Listing Number and Title:</b>	93.391 – COVID-19 Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises
<b>Federal Grantor Name:</b>	Department of Health and Human Services
<b>Federal Award/Contract Number:</b>	N/A
<b>Pass-through Entity Name:</b>	Washington State Department of Health
<b>Pass-through Award/Contract Number:</b>	CBO26651, CBO26652
<b>Known Questioned Cost Amount:</b>	\$0
<b>Prior Year Audit Finding:</b>	N/A

#### ***Background***

The purpose of the Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises program is to lead and coordinate efforts to reduce COVID-19 related health disparities at the community level, improve and increase testing and contact tracing for rural populations, and improve local capacity and services to prevent and control COVID-19 infection and transmission among rural and underserved populations.

The Agency spent \$323,844 in 2023 in program funds to cover expenditures related to advancing health equity among high-risk populations. The program funds included \$264,669 passed through to five subrecipients through seven subawards to fulfill components of the program's objectives.

Federal regulations require recipients to establish and follow internal controls that ensure compliance with program requirements. These controls include understanding program requirements and monitoring the effectiveness of established controls.

When the Agency passes on federal funds to subrecipients, federal regulations require the Agency to ensure every subaward agreement clearly identifies that it is a federal award and includes the applicable federal requirements. Federal regulations require the Agency to report 14 federal award identification elements in each subaward agreement. When passing federal funding to subrecipients, federal regulations require the Agency to monitor the subrecipients and ensure they comply with the federal award's terms and conditions.

### *Description of Condition*

Our audit found the Agency's internal controls were ineffective for ensuring it included all 14 required elements in its subaward agreements. All subawards were missing the following elements:

- Federal Award Identification Number
- Federal award date
- Subaward budget period start and end date
- Assistance Listing Number and program title

Additionally, two of the subawards were also missing the subrecipient's Unique Entity Identifier.

We consider this deficiency in internal controls to be a significant deficiency.

### *Cause of Condition*

While the Agency has a subaward template, staff responsible for creating the template did not have adequate training or understanding of these requirements and did not dedicate the necessary time and resources to creating and reviewing the template to ensure it included all required elements.

### *Effect of Condition*

When subaward agreements do not include the required information, subrecipients are at an increased risk of not knowing they received federal funding and therefore need to comply with specific program requirements, which could lead subrecipients to spend the funds for unallowable purposes or not receive required single audits.

The Agency did not provide evidence that it subsequently shared the missing federal award information with the five subrecipients.

## ***Recommendation***

We recommend the Agency ensure it includes all required elements in federally funded subaward agreements.

## ***Agency's Response***

*The Agency takes seriously their responsibility for managing Federal Grant Funds and accordingly will make sure that in the future subrecipient contracts will have the specific elements required by Federal Uniform Guidance in their subcontracts. The agency will institute a Contract Review Checklist and approval process that includes the 14 required elements in the Federal guidance CFR 200.332 in order to clearly identify the source of federal funds in each subaward agreement. The checklist elements will include:*

- *Federal Award Identification Number (FAIN)*
- *Federal Award Date*
- *Subaward budget period start and end date*
- *Assistance Listing Number and Program Title*

*The completed checklist will be reviewed and approved by the Administrative Director or Contracts Director before finalizing the subrecipient agreement.*

*In addition, the Olympic Area Agency on Aging will require contracts and program staff managing federal grants to attend Federal Uniform Guidance Grants Training.*

## ***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***

Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), section 516, Audit findings, establishes reporting requirements for audit findings.



Title 2 CFR Part 200, Uniform Guidance, section 303, Internal controls, describes the requirements for auditees to maintain internal controls over federal programs and comply with federal program requirements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 935, Compliance Audits, paragraph 11.

Title 2 CFR Part 200, Uniform Guidance, section 332, Requirements for passthrough entities, establishes subrecipient monitoring and management requirements for pass through entities.

## 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*

#### **Olympic Area Agency on Aging January 1, 2023 through December 31, 2023**

Council of Governments  
Olympic Area Agency on Aging  
Port Townsend, 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 Olympic Area Agency on Aging, as of and for the year ended December 31, 2023, 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 17, 2024.

### **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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

Our consideration of internal control was for the limited purpose described 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.

Given these limitations, during our audit we did not identify any deficiencies in internal control 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*.

## 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

September 17, 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

#### **Olympic Area Agency on Aging January 1, 2023 through December 31, 2023**

Council of Governments  
Olympic Area Agency on Aging  
Port Townsend, Washington

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

#### **Opinion on Each Major Federal Program**

We have audited the compliance of the Olympic 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, 2023. 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, 2023.

#### **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. However, we identified certain deficiencies in internal control over compliance, described in the accompanying Schedule of Federal Award Findings and Questioned Costs as Finding 2023-001 that we consider to be a significant deficiency.

### Agency's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Agency's response to the internal control over compliance findings identified in our audit described in the accompanying Schedule of Federal Award Findings and Questioned Costs. The Agency's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## 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

September 17, 2024

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Olympic Area Agency on Aging January 1, 2023 through December 31, 2023**

Council of Governments  
Olympic Area Agency on Aging  
Port Townsend, 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 Olympic Area Agency on Aging, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Olympic Area Agency on Aging, as of December 31, 2023, 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.

### **Matters of Emphasis – Correction of Prior Year Misstatement**

As discussed in Note 13 to the financial statements, the 2022 financial statements have been restated to correct a misstatement. 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 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 financial section of our report 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 as a whole.

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated September 17, 2024 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, 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 17, 2024

## **FINANCIAL SECTION**

### **Olympic Area Agency on Aging January 1, 2023 through December 31, 2023**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2023

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2023

Statement of Activities – 2023

Governmental Funds Balance Sheet – 2023

Reconciliation of the Balance Sheet to the Statement of Net Position – 2023

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2023

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance  
of Governmental Funds to the Statement of Activities – 2023

Notes to Financial Statements – 2023

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Budgetary Comparison Schedule – General Fund – 2023

Schedule of Changes in Total Liability and Related Ratios – PEBB – 2023

Schedule of Proportionate Share of Net Pension Liability (Asset) – PERS 1, PERS 2/3 –  
2023

Schedule of Employer Contributions – PERS 1, PERS 2/3 – 2023

Notes to Required Supplementary Information – Pension – 2023

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

Schedule of Expenditures of Federal Awards – 2023

Notes to the Schedule of Expenditures of Federal Awards – 2023

**Olympic Area Agency on Aging (O3A)**  
Management's Discussion and Analysis for the  
Year Ended December 31, 2023

Olympic Area Agency on Aging (O3A) offers this narrative overview and analysis of our financial activities for the year ended December 31, 2023. We present this information in conjunction with the information included in our financial statements, which follow.

**Financial Highlights**

- At the end of the year, total assets and deferred outflows of resources for the O3A exceeded its liabilities and deferred inflows of resources by \$4,699,899 in 2023 compared to \$1,892,562 as restated for 2022 (reported as total net position). The change in net position is primarily the result of an increase in cash and cash equivalents.
- At the end of the year, O3A's fund balance for Governmental Funds was \$7,715,461 for 2023 and \$6,070,789 for 2022. Later in this discussion is a reconciliation between the Government-wide net position (includes pension adjustments) and our Governmental Funds fund balance.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to O3A's basic financial statements. Following the MD&A are the Agency's basic financial statements, which consist of 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 required and other supplementary information.

O3A has only one governmental fund; it does not operate any activities that would be defined as either proprietary funds or fiduciary funds.

**Government-wide financial statements** - The government-wide financial statements are designed to provide the reader with a broad overview of the Agency's finances.

The statement of net position presents information on the total of O3A's assets and deferred outflows of resources, as well as the total of O3A's liabilities and deferred inflows of resources, with the difference between the two totals reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of O3A is improving or deteriorating.

The statement of activities presents information showing how net position changed during the 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 be related to cash flows in future fiscal periods (e.g. uncollected revenues and earned but unused 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. O3A, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the agency are considered to be governmental funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund 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 year. Such information may be useful in evaluating a government's near-term financing requirements.

**Olympic Area Agency on Aging (O3A)**  
Management's Discussion and Analysis for the  
Year Ended December 31, 2023

**Government-wide Financial Analysis**

**Statement of Net Position**

As noted earlier, net position may serve over time as a useful indicator of O3A's financial position. At the end of 2023, O3A's net position was \$4,699,899 as compared to \$1,892,562 as restated for 2022. This represented an increase of \$2,807,337. The change in net position is primarily the result of an increase in cash and cash equivalents.

The following is a condensed version of the Government-wide Statement of Net Position for the past two years:

**Olympic Area Agency on Aging's Net Position**

	<u>2023</u>	<u>2022*</u>	<u>Change</u>	<u>% Change</u>
<b>Assets</b>				
Current and other assets	\$ 10,051,648	\$ 7,655,836	\$ 2,395,812	31.3%
Capital assets, net	<u>323,761</u>	<u>452,627</u>	<u>(128,866)</u>	<u>-28.5%</u>
<b>Total Assets</b>	<u>10,375,409</u>	<u>8,108,463</u>	<u>2,266,946</u>	<u>28.0%</u>
 <b>Deferred outflows of resources</b>	 <u>1,192,241</u>	 <u>1,317,155</u>	 <u>(124,914)</u>	 <u>-9.5%</u>
 <b>Liabilities</b>				
Other Liabilities	927,742	450,408	477,334	106.0%
Long Term Liabilities	<u>5,102,877</u>	<u>5,908,061</u>	<u>(805,184)</u>	<u>-13.6%</u>
<b>Total liabilities</b>	<u>6,030,619</u>	<u>6,358,469</u>	<u>(327,850)</u>	<u>-5.2%</u>
 <b>Deferred inflows</b>	 <u>837,132</u>	 <u>1,174,587</u>	 <u>(337,455)</u>	 <u>-28.7%</u>
 Net Investment in Capital Assets	(22,810)	(30,625)	7,815	-25.5%
Restricted	7,187,042	5,526,536	1,660,506	30.0%
Unrestricted	<u>(2,464,333)</u>	<u>(3,603,349)</u>	<u>1,139,016</u>	<u>-31.6%</u>
<b>Net Position</b>	<u>\$ 4,699,899</u>	<u>\$ 1,892,562</u>	<u>\$ 2,807,337</u>	<u>148.3%</u>

\*Restated with changes for OPEB for comparative purposes

Current and other assets consist of cash, cash equivalents, prepaid expenses net pension assets, and accounts receivable from governments. Capital assets consist of right to use lease assets. Other liabilities consist of accounts payable to vendors and accrued expenses. Long-term liabilities consist of accrued vacation, accrued sick leave, net pension liability, OPEB liability lease liability, and an advance from the Department of Social and Health Services (DSHS). Total assets increased from 2022 to 2023 in the amount of \$2.3 million dollars or 28.0%. The largest increase was from an increase in cash and cash equivalents of \$2 million dollars. This increase was slightly offset by the decrease in right to use lease assets of \$129 thousand. The \$805 thousand dollar decrease in the Long-term liabilities is due mainly to a decrease in OPEB liability of \$523 thousand, a decrease in long term lease liabilities of \$137 thousand and a decrease in compensated absences of \$88 thousand.

**Olympic Area Agency on Aging (O3A)**  
Management's Discussion and Analysis for the  
Year Ended December 31, 2023

**Statement of Activities (Changes in Net Position)**

Before adjusting for the prior period adjustment related to Other Post employment Benefits (OPEB), the Agency's change in Net Position increased by \$2,790,685. The following is a condensed version of the Statement of Activities for O3A. The full statement is a tabular depiction of the relationship of revenues and expenses.

**Olympic Area Agency on Aging's Changes in Net Position**

<b><u>REVENUES</u></b>	<b><u>2023</u></b>	<b><u>2022*</u></b>	<b><u>Change</u></b>	<b><u>% Change</u></b>
Program Revenue				
Charges for Services	\$ 2,162,762	\$ 2,020,385	\$ 142,377	7.0%
Operating Grants and Contributions	10,094,527	8,597,856	1,496,671	17.4%
General Revenue				
Unrestricted investment earnings	168,890	19,794	149,096	753.2%
Total revenue	<u>12,426,179</u>	<u>10,638,035</u>	<u>1,788,144</u>	<u>16.8%</u>
<b><u>EXPENSES</u></b>				
Social services	<u>9,635,494</u>	<u>8,901,323</u>	<u>734,171</u>	<u>8.2%</u>
Total operational expenditures	<u>9,635,494</u>	<u>8,901,323</u>	<u>734,171</u>	<u>8.2%</u>
Change in net position	2,790,685	1,736,712	1,053,973	60.7%
Net Position beginning of the year	1,892,562	3,240,116	(1,347,554)	-41.6%
Prior period adjustment*	16,652	(3,084,266)	3,100,918	100.0%
Net Position end of the year	<u>\$ 4,699,899</u>	<u>\$ 1,892,562</u>	<u>\$ 2,807,337</u>	<u>148.3%</u>

\*Restated with changes for OPEB for comparative purposes

Revenues have increased from 2022 to 2023 by approximately \$1.8 million dollars. There is an increase in the Charges for Services of \$142 thousand and an increase of \$1.5 million dollars for Operating Grants and Contributions. The increase in Operating Grants and Contributions is primarily due to increased ARPA funding.

Expenses increased by \$734 thousand from 2022 to 2023. This is the result of increases in program costs and the net impact of transactions involving OPEB of \$521 thousand.

**Governmental Fund Analysis**

The general fund is the only operating fund of O3A. Within that fund, O3A accounts separately for transactions related to case management, contract management, the Medicaid transformation demonstration and proceeds from intergovernmental loans (DSHS advance). At the end of the year, the general fund balance was \$7,715,461 in 2023 compared to \$6,070,789 in 2022. Of this amount, \$5,868 is non-spendable, representing prepaid expenses. Additionally, \$967,459 is restricted for the Medicaid Transformation Demonstration (MTD) program, \$4,848,328 is restricted for programs that impact State Medicaid usage, \$1,355,345 is restricted for the DSHS working advance, \$52,047 is committed for unemployment compensation and \$486,414 is unassigned and can be used to fund the ongoing operations of O3A.

**Olympic Area Agency on Aging (O3A)**  
Management's Discussion and Analysis for the  
Year Ended December 31, 2023

The difference between the government-wide net position of \$4,699,899 and governmental general fund balance of \$7,715,461 in 2023 is described in detail on the Reconciliation of the Balance Sheet to the Statement of Net Position.

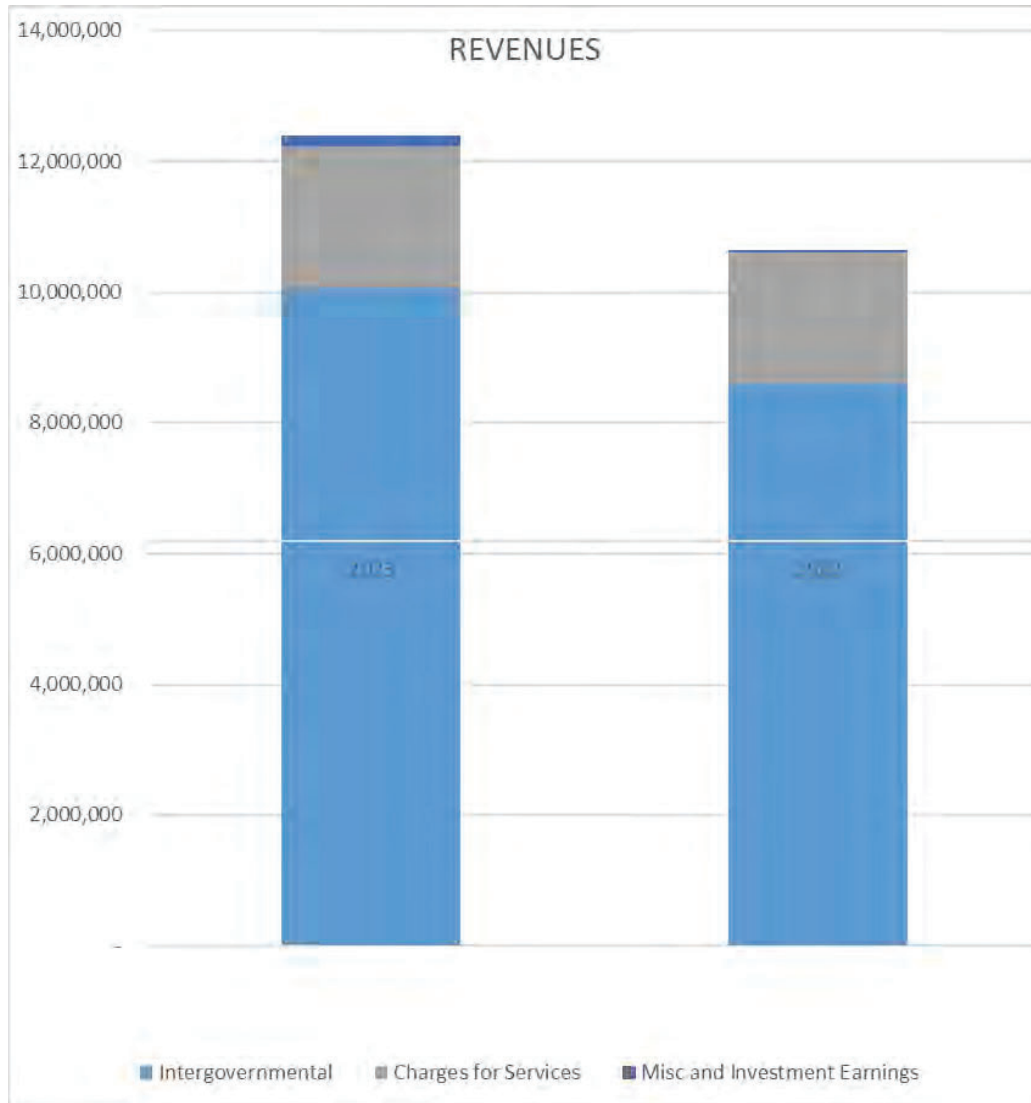
Revenues have increased from 2022 to 2023 by approximately \$1.8 million. There is an increase in charges for services of \$141 thousand, along with an increase of \$1.5 million for Intergovernmental Revenue. The intergovernmental revenue increase is a result primarily from American Rescue Plan Act (ARPA) funding from the Federal and State governments as well as an increase in the title nineteen case management nursing services of \$550 thousand dollars.

Expenses at the fund level are trending higher, increasing by \$945 thousand from 2022 to 2023. This is the result of increased spending of ARPA funding and higher payroll costs across all programs.

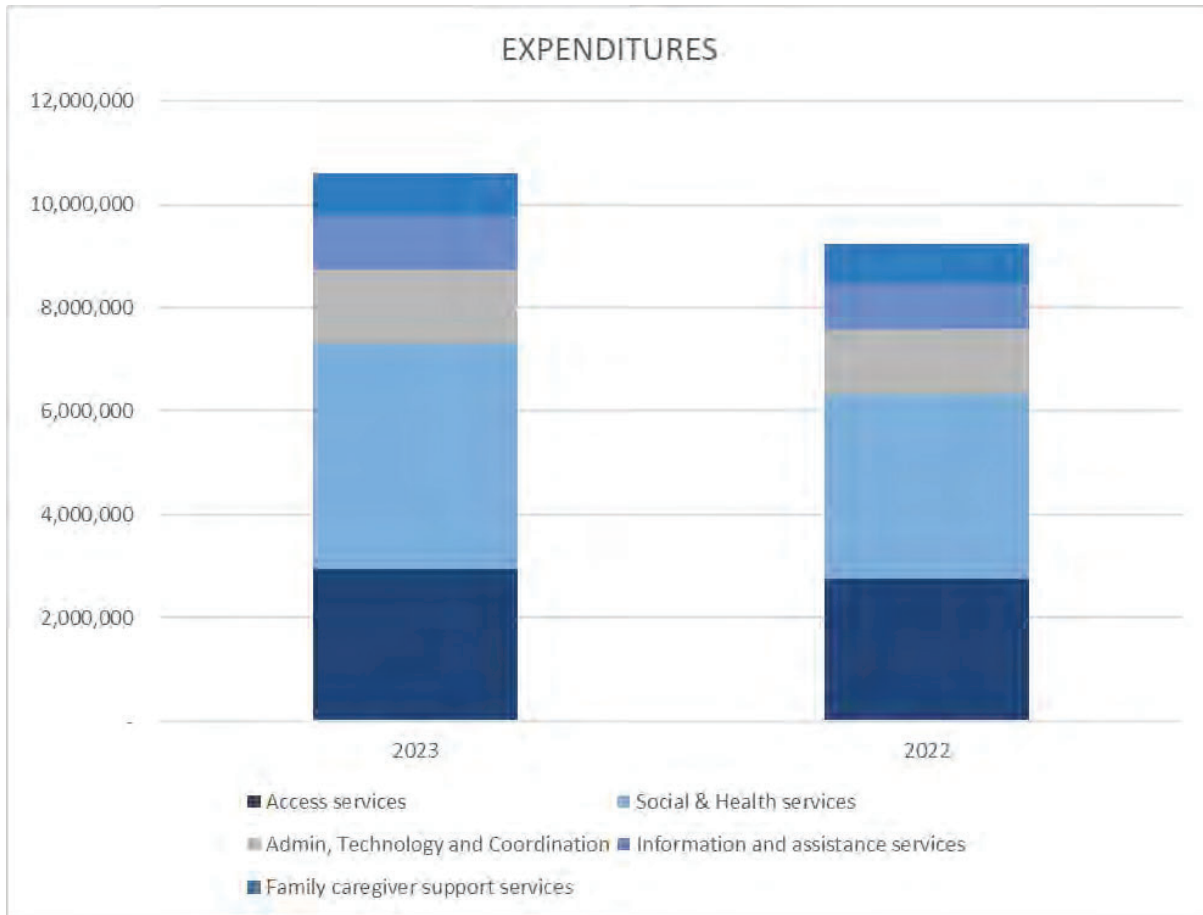
<b>Statement of Revenues, Expenditures and Changes in Fund Balance</b>				
	<b>2023</b>	<b>2022</b>	<b>Change</b>	<b>% Change</b>
<b><u>REVENUES</u></b>				
Intergovernmental	\$ 10,062,910	\$ 8,599,818	\$ 1,463,092	17.0%
Charges for Services	2,156,066	2,014,938	141,128	7.0%
Miscellaneous	6,696	5,447	1,249	22.9%
Investment Earnings	168,890	19,794	149,096	753.2%
Total revenue	12,394,562	10,639,997	1,754,565	16.5%
<b><u>EXPENDITURES</u></b>				
Access services	2,942,283	2,751,029	191,254	7.0%
Social & Health services	4,355,801	3,570,020	785,781	22.0%
Admin, Technology and Coordination	1,449,361	1,276,179	173,182	13.6%
Information and assistance services	1,040,921	852,681	188,240	22.1%
Family caregiver support services	804,705	795,190	9,515	1.2%
Capital Outlay	-	431,701	(431,701)	-100.0%
Debt Service	156,819	128,200	28,619	22.3%
Total operational expenditures	10,749,890	9,805,000	944,890	9.6%
Excess of revenues over expenditures	1,644,672	834,997	809,675	97.0%
Proceeds from intergovernmental loan	-	183,642	(183,642)	-100.0%
Proceeds from lease	-	431,701	(431,701)	-100.0%
Net change in fund balance	1,644,672	1,450,340	194,332	13.4%
Fund balance beginning of the year	6,070,789	4,620,449	1,450,340	31.4%
Fund balance end of the year	\$ 7,715,461	\$ 6,070,789	\$ 1,644,672	27.1%



**Olympic Area Agency on Aging (O3A)**  
Management's Discussion and Analysis for the  
Year Ended December 31, 2023



**Olympic Area Agency on Aging (O3A)**  
Management's Discussion and Analysis for the  
Year Ended December 31, 2023



**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide financial statements.

**Other required information**

In addition to this discussion and analysis, these reports also present required supplementary information on budgetary comparisons, net pension liability, and pension contributions.

**Budget Highlights**

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

**Olympic Area Agency on Aging (O3A)**  
Management's Discussion and Analysis for the  
Year Ended December 31, 2023

The budgetary comparison schedule is located after the notes to the financial statements. Differences between the original budget and the final budget reflect adjustments to incorporate changes in available funding for specific activities. Federal fund contracts have a 21 month spend out period. Unused state funds are available for use until June 30, no carry forward is allowed.

### Capital Assets

During the fiscal year the Agency recognized lease assets as reflected in the following schedule:

	<u>2023</u>	<u>2022</u>	<u>Change</u>	<u>% Change</u>
<b><u>CAPITAL ASSETS</u></b>				
Right to use assets				
Buildings	\$ 590,373	\$ 590,373	\$ -	0.0%
Accumulated amortization	(266,612)	(137,746)	(128,866)	93.6%
Total amortizable capital assets, net	<u>\$ 323,761</u>	<u>\$ 452,627</u>	<u>\$ (128,866)</u>	<u>-28.5%</u>

For more information see Note 1.E.6. and Note 7 of the notes to the financial statements.

### Long Term Debt

Government-Wide noncurrent liabilities consist of net pension liability of \$591 thousand, OPEB liability of \$2.6 million, compensated absences of \$223 thousand, lease liability of \$347 thousand, and the advance from DSHS of \$1.4 million. See Note 9 for more discussion.

### Economic Factors and Next Year's Budgets and Rates

State revenue forecasts for the 2023-2024 biennium are positive. Construction and real estate activity have slowed slightly across the state, but retail sales and property taxes came in higher than forecasted.

The State Federal contract with ALTSA had an increase in the Case Management rate for SFY 2023 and a reduced caseload requirement, resulting in additional revenue and an ability to spend more time per client and retain case workers. The agency received pandemic funding from the State to match the Federal ARP funding, as well as new funding for care transitioning of clients leaving hospital care situations. The agency will likely spend out all the pandemic funding in 2024. Additional nutrition funding also flowed from the State in 2023 and the agency expects to receive more nutrition funding in 2024.

O3A's Older American's Act (OAA) funding contract has been fairly flat, but the Agency does anticipate cuts in the fiscal year 2024. The funding formula is re-assessed every 10 years for Area Agencies on Aging and reflects population shifts statewide; as a result, some of our OAA funding will decrease in the future, most likely in the 9% range. This represents approximately a \$150,000 cut in funding. The agency expects to utilize agency reserves and additional state funding to help mitigate the funding decline in the Older American's Act funding.

For 2023 the Agency used the American Rescue Plan funding. The agency also received grants from the Department of Health related to improving Rural Health Equity – this was one-time pandemic related funding and is expected to spend out by the end of 2024.

The agency has substantial reserves and will use them to maintain services that were expanded during the pandemic to help older Americans living in the rural and remote regions we serve while addressing equity, diversity and inclusion.

**Olympic Area Agency on Aging (O3A)**  
Management's Discussion and Analysis for the  
Year Ended December 31, 2023

In 2024, the agency will be gearing up for the implementation of the WA Cares program, which will begin to provide services in 2026 to the citizens of Washington State. The first program of its kind in the nation, these services will be available to people who cannot perform 3 of 5 activities of daily living.

The impacts of our aging population, along with recent inflation and the implementation of WA Cares will create an ever growing need for years to come for the services that O3A provides.

**Request for Information**

This financial report is designed to provide a general overview of O3A'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 the Chief Financial Officer, 2200 W Sims Way, Unit 100, Port Townsend, WA 98368.

**Olympic Area Agency on Aging**

## Statement of Net Position

December 31, 2023

**ASSETS**

Cash and cash equivalents	\$ 4,136,978
Accounts receivable - due from other governments	4,537,547
Prepaid expenses	5,868
Right to use lease asset - net	323,761
Net pension asset	1,371,255
Total assets	<u>10,375,409</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows related to OPEB	23,270
Deferred outflows related to pensions	1,168,971
Total deferred outflows	<u>1,192,241</u>

**LIABILITIES**

Liabilities	
Accounts payable	675,308
Other accrued liabilities	248,294
Unearned revenue	4,140
Noncurrent liabilities	
Due within one year	218,893
Due in more than one year	1,752,312
OPEB liability	2,540,490
Net pension liability	591,182
Total liabilities	<u>6,030,619</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to pensions	837,132
Total deferred inflows of resources	<u>837,132</u>

**NET POSITION**

Net investment in capital assets	(22,810)
Restricted - medicaid transformation demonstration	967,459
Restricted - title XIX	4,848,328
Restricted - pension	1,371,255
Unrestricted	(2,464,333)
Total net position	<u>\$ 4,699,899</u>

**Olympic Area Agency on Aging**  
Statement of Activities - Governmental Activities  
For the Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants	Capital Grants and Contributions	
Social services	\$ 9,635,494	\$ 2,162,762	\$ 10,094,527	\$ -	2,621,795
Total governmental activities	\$ 9,635,494	\$ 2,162,762	\$ 10,094,527	\$ -	2,621,795
General revenues					
		Investment earnings		168,890	
		Change in net position		2,790,685	
		Net position, beginning		4,976,828	
		Prior period adjustment		(3,067,614)	
		Net position, ending		\$ 4,699,899	\$

**Olympic Area Agency on Aging**

Balance Sheet

Governmental Funds

December 31, 2023

**ASSETS**

Cash and cash equivalents	\$	4,136,978
Accounts receivable - due from other governments		4,537,547
Prepaid expenses		5,868
Total assets		<u>8,680,393</u>

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND  
BALANCES**

**LIABILITIES**

Current liabilities:		
Accounts payable		675,308
Other accrued liabilities		248,294
Unearned revenue		4,140
Total liabilities		<u>927,742</u>

**DEFERRED INFLOWS OF RESOURCES**

Unavailable revenue		37,190
Total deferred inflows of resources		<u>37,190</u>

**FUND BALANCES**

Nonspendable (prepaid expenses)		5,868
Restricted (medicaid transformation demonstration)		967,459
Restricted (title XIX)		4,848,328
Restricted (DSHS working advance)		1,355,345
Committed (unemployment compensation)		52,047
Unassigned		486,414
Total fund balances		<u>7,715,461</u>

<b><u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u></b>	<b>\$</b>	<b><u>8,680,393</u></b>
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**Olympic Area Agency on Aging**  
Reconciliation of the Balance Sheet to the Statement of Net Position  
Governmental Funds  
December 31, 2023

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	<b>2023</b>
Fund Balance	\$ 7,715,461
Amounts reported for governmental activities in the statement of net position are different because:	
Right to use lease assets are not financial resources and therefore are not reported in the funds	323,761
Deferred inflows are not available to pay for current-period expenditures and, therefore are deferred in the funds	37,190
Long-term lease liabilities are not due and payable in the current period, therefore, they are not reported in the funds	(346,571)
Advances for DSHS for working capital are not due and payable in the current period, therefore, they are not reported in the funds	(1,355,345)
Long-term liabilities are not due and payable in the current period, and therefore, not reported in the funds	
Compensated Absences	(222,750)
Other items related to pension and OPEB activity that are not financial resources therefore, not reported in the funds	
OPEB Liability	(2,587,029)
OPEB Deferred Outflows	23,270
Pension Deferred Outflows	1,168,971
Net Pension Liability	(591,182)
Pension Deferred Inflows	(837,132)
Net Pension Asset	1,371,255
Net position of governmental activities	\$ <u>4,699,899</u>



**Olympic Area Agency on Aging**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds - General Fund  
For the Year Ended December 31, 2023

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**REVENUES**

Intergovernmental Revenue	\$ 10,062,910
Charges for Services	2,156,066
Miscellaneous	6,696
Investment earnings	168,890
Total Revenues	<u>12,394,562</u>

**EXPENDITURES**

Access services	2,942,283
Social and health services	4,355,801
Administration	1,449,361
Information and assistance services	1,040,921
Family caregiver support services	804,705
Debt service	
Interest	20,138
Principal	136,681
Total expenditures	<u>10,749,890</u>

Net change in fund balance	1,644,672
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Fund balance - beginning of year	6,070,789
<b>Fund balance - end of year</b>	<b>\$ <u><u>7,715,461</u></u></b>

**Olympic Area Agency on Aging**  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of  
Governmental Funds to the Statement of Activities  
Governmental Funds  
For the Year Ended December 31, 2023

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	<b>2023</b>
Net change in fund balance for governmental funds	\$ 1,644,672
Amounts reported for governmental activities in the statement of net position are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as grant revenues in the fund	31,617
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	
Capital lease amortization expense	(145,518)
Capital lease debt payments	136,681
Compensated absences expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	88,020
Net effect of transactions involving OPEB items	520,507
Net effect of transactions involving pension items	514,706
Net position of governmental activities	\$ <u>2,790,685</u>

**Olympic Area Agency on Aging**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2023**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Olympic Area Agency on Aging (O3A or the Agency) 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**

O3A was organized in 1975 under the laws of the Revised Code of Washington (RCW), Chapter 39.34, an Interlocal Cooperation Act. It serves as the Area Agency on Aging for the member counties of Clallam, Grays Harbor, Jefferson and Pacific. The Agency is now governed by a council of four county commissioners (the COG), one from each of the member counties, plus a designated alternate.

The purpose of the organization is to assist in the development of a comprehensive and coordinated service system for senior citizens and adults with disabilities. Its major functions relate to the funding, coordinating and planning of these activities, as well as advocating for the needs of these individuals.

**B. Government-Wide and Fund Financial Statements**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The Agency's policy is to allocate indirect costs to a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirement or a particular function or segment.

Separate fund financial statements are provided for governmental funds.

**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. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants 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. Grant revenues are considered to be available if they are collected within 120 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due. The general (or current expense) fund is the operating fund of O3A.

**Olympic Area Agency on Aging**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2023**

**D. Budgetary Information**

The Olympic Area Agency on Aging prepares four budgets annually: 1) the Area Plan which budgets all activities on a calendar year basis and is non-contractual; 2) the State/Federal budget which is on the state fiscal year and is contractual; 3) the Older Americans Act (OAA) budget which is on a calendar year and is contractual; and 4) the internal operations budget which is non-contractual. All budgets are prepared on the modified accrual basis.

Area Plan, State/Federal and OAA budget requirements are mandated by the Aging & Long-Term Support Administration (AL TSA), Department of Social and Health Services (DSHS). The State/Federal and OAA budgets, as adopted, constitute the legal authority for expenditures. In general, transfers or revisions are allowed up to 10 percent of the total budget, but supplemental or additional appropriations must be approved by AL TSA. The operating budget and any updates are approved by the O3A's Council of Governments (COG). Budgeted expenditures can only exceed budgeted revenues when there is a surplus in the unrestricted fund balance or when the excess expenditures meet the constraints of the restricted fund balance.

The budget amounts shown in the financial statements are the final authorized amounts as revised during the year and approved by O3A's COG. The financial statements contain the original and final budget information. The original budget is the first complete appropriated budget. The final budget is the original budget adjusted by all reserves, transfers, allocations, supplemental appropriations, and other legally authorized changes applicable for the year.

**E. Assets, Liabilities, Deferred Outflows/Inflows, Fund Balances and Net Position**

**1. Cash and Cash Equivalents**

The Agency considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Cash and cash equivalents are reported at fair value or amortized costs, see Note 2.

**2. Accounts Receivable**

Amounts due from other governments are considered to be fully collectible and are stated at gross.

**3. Prepaid Expenses**

O3A accounts for prepaid expenses using the consumption method. The purchase is reported as an asset and the recognition of the expenditure is deferred until the period in which the expense is actually incurred.

**4. Private Placement Debt/ DSHS Advance**

The Agency has a private placement debt obligation with DSHS. The amount due consists of a two-month working capital cash advance from DSHS to cover operating expenditures, including payments to providers. This debt is secured by DSHS contracts and funding. There is no scheduled repayment of this debt.

**Olympic Area Agency on Aging**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2023**

5. Deferred Outflows/Inflows of Resources

Deferred outflows and inflows of resources are transactions that result in the consumption or acquisition of net assets in one period, and yet, are applicable to future periods. In other words, the recognition of revenues and expenses are deferred until the future period to which the inflows and outflows are related. In the Statement of Net Position, O3A has deferred outflows of resources and deferred inflows of resources related to both pensions and OPEB. See Note 4 and Note 5, respectively, for more information. Additionally, in the governmental fund Balance Sheet, O3A has deferred inflows of resources related to grant funding. Grant funding earned but not received within 120 days of the end of the fiscal year are considered unavailable revenue.

6. Lease Liability and Right to Use Asset

Lease Liability consists of amounts recorded in compliance with GASB 87, *Leases*. The Government has recorded the Lease Liability and associated Intangible, right to use, asset.

At the commencement of a lease, the Agency initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over the same useful lives as the asset category of the underlying assets. If the assets life is equivalent to the lease term, the Agency's right to use asset is amortized over the life of the lease from implementation through lease term end.

Governmental funds recognize a capital outlay and other financing source at the commencement of a new lease. Lease payments in governmental funds are reported as lease principal and lease interest expenditures.

Key estimates and judgements related to lease include how the Agency determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Agency uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Agency generally uses its incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Agency is reasonably certain to exercise.

The Agency monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

See Note 8 for more information.

**Olympic Area Agency on Aging**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2023**

7. Compensated Absences

Compensated absences are absences for which employees will be paid, such as annual (vacation) and sick leave. Annual leave, which is payable upon resignation, retirement or death, is accrued when earned and is recorded in the government-wide financial statements using the termination method. Up to 200 hours of annual leave may be carried over to the next calendar year. Upon resignation or retirement, any outstanding sick leave is lost and therefore is not accrued in the government-wide financial statements.

8. Pensions

For purposes of measuring the net pension liability, net pension asset, 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.

For purposes of calculating the restricted net position related to the net pension asset, the Agency includes the net pension asset only.

9. Other Post Employment Benefits (OPEB)

For purposes of measuring the OPEB liability, deferred outflows of resources, deferred inflows of resources and OPEB expense, the Agency has relied on the Washington State Actuary's Office. The Agency purchases health insurance from the Health Care Authority, who allows retirees to purchase benefits at a subsidized rate. See Note 5 for more information.

10. Other Accrued Liabilities

Other accrued liabilities consist of accrued wages and accrued employee benefits.

11. Fund Balance Classification and Details

As required under GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Agency's fund balance is classified according to the relative strength of the spending constraints placed on the purpose for which resources can be used:

*Nonspendable* fund balance includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Management has classified prepaid expenditures as being nonspendable as this item is not expected to be converted to cash.

*Restricted* fund balance have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation. Management has classified the fund balance related to the Medicaid Transformation Demonstration as restricted, as well as the Fund Balance related to Title XIX funding.

*Committed* fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action (resolution) of the Agency's COG, which is

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the Agency's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the COG removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. Management has classified the Agency's reserve for unemployment compensation as committed.

*Unassigned* fund balance is the residual fund balance for the general fund. It also represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

O3A policy reserves the right to selectively spend unassigned resources first and to defer the use of the other classified funds.

**NOTE 2 – DEPOSITS AND INVESTMENTS**

O3A uses the office of the Jefferson County Treasurer as their fiscal agent. As such, the County Treasurer provides treasury functions for O3A, including holding funds in an investment account.

Statutes authorize O3A to invest in obligations of the U.S. Treasury, U.S. Agencies, and instrumentality's, banker's acceptances, repurchase agreements, county investment pool and the state treasurer's investment pool. The O3A is also authorized to enter into reverse repurchase agreements but did not participate in these investments during 2023.

**Deposits**

*Custodial credit risk (deposits).* Custodial risk for deposits is the risk that, in the event of a bank failure, the government's deposits may not be returned. O3A has not adopted a policy that addresses deposit custodial risk; however, the O3A's deposits are covered by Federal depository insurance (FDIC) or by collateral held in a multiple financial institution collateral pool administered by the Washington Public Deposit Protection Commissioner (PDPC). In the event of a bank failure, claims for O3A's deposits would be satisfied by the FDIC or from the sale of collateral held in the PDPC pool.

O3A does not have a deposit policy for custodial credit risk. The bank balances held by Jefferson County are not exposed to custodial credit risks.

**Investments Jefferson County Investment Pool**

The Agency is a participant in the Jefferson County Investment Pool, an external investment pool. operated by the County Treasurer. The pool is not rated or registered with the SEC. Rather; oversight is provided by the County Finance Committee in accordance with RCW 36.48.070. The Agency reports its investment in the pool at amortized cost, which is the same as the value of the pool per share. The pool does not impose liquidity fees or redemption gates on participant withdrawals. The Jefferson County Investment Pool does not have a credit rating and had a weighted average maturity of 17 days as of December 31, 2023.

As of December 31, 2023, the Agency has invested \$3,335,383 in the Jefferson County Investment Pool.



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**NOTE 3 – Related Parties**

O3A has identified the following related parties:

1. Washington Department of Social and Human Services (DSHS) – O3A's cognizant agency provides legal authority to operate. DSHS is the major source of funding and provides O3A with a working capital advance equal to 2 months of operating expenditures. In accordance with the agreement, DSHS evaluates the advance yearly and decides whether to increase or decrease it.
2. Clallam County – Member of the Interlocal Government Agreement that formed O3A. Provides one member and one alternate to our Council of Governments (COG).
3. Jefferson County - Member of the Interlocal Government Agreement that formed O3A. Provides one member and one alternate to our Council of Governments (COG).
4. Grays Harbor County - Member of the Interlocal Government Agreement that formed O3A. Provides one member and one alternate to our Council of Governments (COG).
5. Pacific County - Member of the Interlocal Government Agreement that formed O3A. Provides one member and one alternate to our Council of Governments (COG).

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

**NOTE 4 - PENSION PLANS**

The following table represents the aggregate pension amounts for all plans for the year 2023:

<b>Aggregate Pension Amounts - All Plans</b>	
Pension liabilities	\$ 591,182
Pension assets	1,371,255
Deferred outflows of resources	1,168,971
Deferred inflows of resources	837,132
Pension expense/expenditures	(50,169)

**State Sponsored Pension Plans**

Substantially all Agency 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 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](http://www.drs.wa.gov).



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**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: Plan 1, Plan 2/3 and Plan 3. Plan 1 accounts for the defined benefits of Plan 1 members. Plan 2/3 accounts for the defined benefits of Plan 2 members and the defined benefit portion of benefits for Plan 3 members. Plan 3 accounts for the defined contribution portion of benefits for Plan 3 members. Although employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

**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. PERS Plan 1 retirement benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). 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 fiscal year 2023 were as follows:

<b>PERS Plan 1</b>			
<b>Actual</b>	<b>Contribution</b>	<b>Employer</b>	<b>Employee</b>
<b>Rates</b>			
January – June 2023			
PERS Plan 1		6.36%	6.00%
Plan 1 UAAL		3.85%	
Administrative Fee		0.18%	
	<b>Total</b>	<b>10.39%</b>	<b>6.00%</b>
July – August 2023			
PERS Plan 1		6.36%	6.00%
Plan 1 UAAL		2.85%	
Administrative Fee		0.18%	
	<b>Total</b>	<b>9.39%</b>	<b>6.00%</b>
September – December 2023			
PERS Plan 1		6.36%	6.00%
Plan 1 UAAL		2.97%	
Administrative Fee		0.20%	

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<b>Total</b>	<b>9.53%</b>	<b>6.00%</b>
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**PERS Plan 2/3** provides retirement, disability and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. 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 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service.

Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

**PERS Plan 3** defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. 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 rates are adopted by the Pension Funding Council, and are subject to change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

As established by Chapter 41.34 RCW, Plan 3 defined contribution rates are set at a minimum of 5% and a maximum of 15%. PERS Plan 3 members choose their contribution rate from six options when joining membership and can change rates only when changing employers. Employers do not contribute to the defined contribution benefits.

The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for fiscal year 2023 were as follows:

<b>PERS Plan 2/3</b>		
<b>Actual Contribution Rates</b>	<b>Employer 2/3</b>	<b>Employee 2</b>
January – June 2023		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>10.39%</b>	<b>6.36%</b>
July – August 2023		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	.18%	
Employee Pers Plan 3		Varies
<b>Total</b>	<b>9.39%</b>	<b>6.36%</b>

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September - December 2023		
PERS Plan 2/3	6.36%	6.36%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Employee PERS Plan 3		Varies
<b>Total</b>	<b>9.53%</b>	<b>6.36%</b>

The Authority's actual PERS plan contributions were \$161,753 to PERS Plan 1 and \$302,784 to PERS Plan 2/3 for the year ended December 31, 2023.

**Actuarial Assumptions**

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2023 with a valuation date of June 30, 2022. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2013-2018 Demographic Experience Study* and the *2021 Economic Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2022 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2023. Plan liabilities were rolled forward from June 30, 2022, to June 30, 2023, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 2.75% total economic inflation; 3.25% salary inflation
- **Salary increases:** In addition to the base 3.25% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.00%

Mortality rates were developed using the Society of Actuaries' Pub. H-2010 mortality rates, which vary by member status (e.g. active, retiree, or survivor), as the base table. 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 of 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 their lifetime.

The actuarial results reflect the following changes in assumptions and methods since the last valuation:

Method changes

Methods did not change from the prior contribution rate setting June 30, 2021 Actuarial Valuation Report (AVR).

**Discount Rate**

The discount rate used to measure the total pension liability for all DRS plans was 7.0 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 7.0 percent was used to determine the total liability.

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**Long-Term Expected Rate of Return**

The long-term expected rate of return on the DRS pension plan investments of 7.0 percent was determined using a building-block-method. In selecting this assumption, the 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 at various future times.

**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, 2023 are summarized in the table below. The inflation component used to create the table is 2.20 percent and represents the WSIB's most recent long-term estimate of broad economic inflation.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>% Long-Term Expected Real Rate of Return Arithmetic</b>
Fixed Income	20%	1.50%
Tangible Assets	7%	4.70%
Real Estate	18%	5.40%
Global Equity	32%	5.90%
Private Equity	23%	8.90%
	<b>100%</b>	

**Sensitivity of the Net Pension Liability/(Asset)**

The table below presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.0 percent) or 1-percentage point higher (8.0 percent) than the current rate.

	<b>1% Decrease 6.00%</b>	<b>Current Rate 7.00%</b>	<b>1% Increase 8.00%</b>
PERS 1	825,926	591,182	386,306
PERS 2/3	1,491,405	(1,371,255)	(3,723,111)

**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, 2023, the Authority reported its proportionate share of the net pension liabilities or assets as follows

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Plan	Liability or (Asset)
PERS 1	\$ 591,182
PERS 2/3	(1,371,255)

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

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	0.02328%	0.02590%	0.00262%
PERS 2/3	0.03044%	0.03346%	0.00301%

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 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.

**Pension Expense**

For the year ended December 31, 2023, the Authority recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 79,962
PERS 2/3	(130,132)
TOTAL	(50,169)

**Deferred Outflows of Resources and Deferred Inflows of Resources**

At December 31, 2023, the Agency 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
Net difference between projected and actual investment earnings on pension plan investments	\$ -	\$ (66,688)
Contributions subsequent to the measurement date	68,584	-
TOTAL	\$ 68,584	\$ (66,688)

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<b>PERS 2/3</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 279,323	\$ (15,321)
Net difference between projected and actual investment earnings on pension plan investments	-	(516,772)
Changes of assumptions	575,700	(125,480)
Changes in proportion and differences between contributions and proportionate share of contributions	96,490	(112,871)
Contributions subsequent to the measurement date	148,874	-
<b>TOTAL</b>	<b>\$ 1,100,387</b>	<b>\$ (770,444)</b>

<b>TOTAL ALL PLANS</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 279,323	\$ (15,321)
Net difference between projected and actual investment earnings on pension plan investments	-	(583,460)
Changes of assumptions	575,700	(125,480)
Changes in proportion and differences between contributions and proportionate share of contributions	96,490	(112,871)
Contributions subsequent to the measurement date	217,458	-
<b>TOTAL</b>	<b>\$ 1,168,971</b>	<b>\$ (837,132)</b>

Deferred outflows of resources related to pensions resulting from the Authority contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2024. 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:	<b>PERS 1</b>	<b>PERS 2/3</b>
2024	\$ (45,372)	\$ (240,867)
2025	(57,060)	(302,320)
2026	35,182	433,690
2027	562	153,748
2028	-	143,756
Thereafter	-	(6,938)

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**NOTE 5 – OPEB**

The following table represents the aggregate OPEB amounts for all plans for the year 2023:

<u>Aggregate OPEB amounts - All Plans</u>	
	2023
OPEB Liabilities	\$ 2,587,029
Deferred outflows of resources	23,270
OPEB Expense	472,368

**OPEB Plan Description**

The Agency administers a Post-Retirement Health Care Program under a single-employer defined benefit Other Post Employment Benefit (OPEB) plan. This plan is administered by the Health Care Authority (HCA) per RCW 41.05.065, the Public Employees Benefits Board (PEBB) created within the HCA, is authorized to design benefits and determine the terms and conditions of employee and retired employee participation and coverage, including establishment of eligibility criteria for both active and retired employees. PEBB programs include medical, dental, life and long-term disability. Benefits are offered to retirees at a subsidized rate.

The benefits are provided in accordance with a substantive plan, in which the plan terms are understood by the employers and plan member, but not formalized in a contract or plan document. The PEBB retiree OPEB plan is available to employees who elect to continue coverage and pay the administratively established premiums at the time they retire under the provisions of the retirement system to which they belong.

At December 31, 2023, the membership in the plan consisted of the following:

Inactive employees or beneficiaries currently receiving benefits	3
Inactive employees entitled to but not yet receiving benefits	0
Active employees	<u>75</u>
Total	<u><u>78</u></u>

The plan is funded on a pay-as-you-go basis and there are no assets accumulated in a qualifying trust.

**Assumptions and Other Input**

The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about retirement ages, mortality and the healthcare cost trend. The actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The Agency's total OPEB liability of \$2,587,029 was measured as of June 30, 2023 with a valuation date of June 30, 2023. The alternative method permitted under GASB 75 was used to calculate the liability instead of an actuarial valuation. The Entry Age actuarial cost method and the recognized immediately amortization method were used in this calculation. There are no assets in this plan, therefore, no asset valuation method was used.



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The total OPEB liability was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement period, unless otherwise specified, at June 30, 2023:

Discount rate - Beginning of Measurement Year	3.54%
Discount Rate - End of Measurement Year	3.65%
Projected Salary Changes	3.25% + service based increases
Healthcare Trend Rates	Initial rate ranges from about 2-16%, reaching an ultimate rate of approximately 3.8% in 2075.
Inflation Rate	2.35%
Post-Retirement Participation Percentage	60%
Percentage with Spouse Coverage	45%

The source of the discount rate is the Bond Buyer General Obligation 20 Bond Municipal Index.

Mortality rates were based on the Pub. H-2010 healthy and disabled tables. The Society of Actuaries publishes this document. The Washington State Actuary applied offsets to the base table and recognized future improvements in mortality by projections using RPEC MP-2017 long-term rates. No age offset was applied. 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.

Specific assumptions are as follows:

It was assumed that three fourths of members will select a Uniform Medical Plan (UMP) and one quarter will select a Kaiser Permanente (KP) plan. The specific assumptions are as follows:

- UMP pre and post Medicare costs and premiums are equal to the Uniform Medical Plan Classic.
- The KP pre-Medicare costs and premiums are 40/60 blend of KP classic and KP WA value.
- The KP post-Medicare costs and premiums are equal to KP WA Medicare.

The estimated retirement service for each active cohort was based on the average entry age of 35, with a minimum service of 1 year. For example, an age 47 member is assumed to have 12 years of service. Service is a component of benefit eligibility.



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Assumptions for retirement, disability, termination and mortality are consistent with the 2022 PEBB OPEB Actuarial Valuation Report (AVR). For simplicity, the only change made was as follows:

- Based on an average expected retirement age of approximately 65, the plan applied active mortality rates for ages less than 65 and retiree mortality rates were applied for ages 65+.

Each cohort is assumed to be a 50/50 male/female split. It was assumed that a 45% likelihood that current and future retirees cover a spouse. It was further assumed that eligible spouses are the same age as the primary member. Age-based cohorts are based upon the overall distribution of state employees and retirees that participate in PEBB.

Dental benefits are not included when including the Total OPEB Liability, as dental benefits are not material.

**Sensitivity Rates**

GASB 75 requires an analysis of the impact of changing the Healthcare Trend and Discount rate assumptions by 100 basis points. The following tables present the total OPEB liability of the District at December 31, 2023, adjusted for that assumption change.

Health Care Trend Rate Sensitivity

	Current	
1% Decrease	Discount Rate	1% Increase
\$ 2,159,074	\$ 2,587,029	\$ 3,130,405

Discount Rate Sensitivity

	Current Health	
1% Decrease	Care Trend	1% Increase
	Rate	
\$ 3,061,939	\$ 2,587,029	\$ 2,204,092

**Changes in the Total OPEB Liability**

At the measurement date June 30, 2023, the changes in the total OPEB liability are as follows:

	<u>12/31/2023</u>
Service cost	\$ 110,738
Interest Cost	113,135
Changes in assumptions	(696,241)
Benefit payments	(51,094)
Net change in total OPEB liability	(523,462)
Total OPEB liability - beginning	<u>3,110,491</u>
Total OPEB liability - ending	<u>\$ 2,587,029</u>

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The Agency reported \$472,368 as OPEB expense for the calendar year 2023.

At December 31, 2023, the Agency reported deferred outflows of resources only for deferred outflows subsequent to the measurement date in the amount of \$23,270. This will be recognized as reduction of the OPEB liability in the period ending December 31, 2024.

**NOTE 6 - RISK MANAGEMENT**

O3A maintains insurance policies against most normal hazards and has elected to be self-insured for unemployment insurance.

The Agency is a member of the Association of Washington Cities Risk Management Service Agency (AWC RMSA). Chapter 48.62 RCW authorizes the governing body of any one or more governmental entities to form together into or join a pool or organization for the joint purchasing of insurance, and/or joint self-insuring, and/or joint hiring or contracting for risk management services to the same extent that they may individually purchase insurance, self-insure, or hire or contract for risk management services. An agreement to form a pooling arrangement was made pursuant to the provisions of Chapter 39.34 RCW, the Interlocal Cooperation Act. The AWC RMSA was formed on January 1, 1989, when 32 municipalities in the State of Washington joined by signing an Interlocal Governmental Agreement to pool their self-insured losses and jointly purchase insurance and administrative services. As of December 31, 2023, 106 entities participate in the AWC RMSA pool.

The AWC RMSA allows members to establish a program of joint insurance and provides risk management services to all members. All coverages, with the exception of pollution liability, are on an occurrence basis. The AWC RMSA provides all risk property, comprehensive crime, general liability, automobile liability, police liability, public officials' liability, employee fidelity and faithful performance, pollution liability, cyber liability, and equipment breakdown insurance coverage. Equipment breakdown is included with the property insurance carrier. Pollution and cyber liability coverages are stand-alone policies which the AWC RMSA procures for its members. The AWC RMSA allows members with airports to group purchase airport liability coverage, and members with drones to group purchase property and liability coverage.

Members pay an annual assessment to the AWC RMSA. The AWC RMSA is responsible for payment of all covered causes of loss against the jurisdiction above the stated retention. All members in the AWC RMSA have \$15 million in both per occurrence and aggregate liability limits. AWC RMSA is self-insured for its Self-Insured Retention (SIR) of \$500,000, per occurrence, and is reinsured by National League of Cities Mutual Insurance Company (NLC MIC) for the additional \$500,000. \$9.5 million in excess liability coverage limits is provided through an excess liability policy purchased from National League of Cities Mutual Insurance Company (NLC MIC). The \$5 million in excess liability coverage limits above the first layer of excess coverage is purchased from Hallmark Specialty Insurance Company. Since AWC RMSA is a cooperative program, there is joint liability among the participating members. The property reinsurance coverage is purchased through NLC MIC and excess property coverage is purchased through AIG Specialty Insurance Company and CHUBB. In 2023, AWC RMSA carried a retention of \$300,000, NLC MIC reinsures up to \$3 million, AIG Specialty Insurance Company provides excess insurance up to \$50 million, and CHUBB provides the remaining limits up to a total of \$250 million. All commercial policies have been purchased through the pool's Broker of Record, Aon.

Members contract to remain in the AWC RMSA pool for a minimum of one year and must give a one-year notice before terminating participation. Even after termination, a member is still responsible for contributions to the Pool for any unresolved, unreported, and in-process claims for the period they were signatory to the Interlocal Governmental Agreement.

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The AWC RMSA establishes a loss fund for both reported and unreported insured events, which includes estimates of both future payments of losses and related claim adjustment expenses.

In accordance with WAC 200.100.02023, the AWC RMSA is governed by a board of directors, which is comprised of elected officials of participating members.

Insurance settlements have not exceeded insurance coverage in the past three years.

Based on O3A's history of claims for unemployment compensation, the COG established an unemployment compensation fund. At December 31, 2023, the Agency estimated the maximum liability for probable losses at \$52,047 and is included in Other accrued liabilities on the financial statements.

**NOTE 7 – CAPITAL ASSETS**

Capital assets activity for the year ended December 31, 2023 was as follows:

	<b>Beginning Balance 1/1/2023</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance 12/31/2023</b>
<i>Right to use assets, being amortized:</i>				
Right to use asset				
Buildings	\$ 590,373	\$ -	\$ -	\$ 590,373
Total right to use assets being depreciated	590,373	-	-	590,373
<i>Less accumulated amortization for:</i>				
Intangible - Right to use asset				
Buildings	137,746	128,866	-	266,612
Total accumulated amortization	137,746	128,866	-	266,612
Total right to use assets, being depreciated, net	452,627	(128,866)	-	323,761
 Total capital assets, net	 \$ 452,627	 \$ (128,866)	 \$ -	 \$ 323,761

**NOTE 8 – LEASES**

At December 31, 2023, the Government used its lease policy to evaluate financial agreements that are potential leases in which the Government serves as the lessee. At December 31, 2023, the Government has the following lease payables in which it is acting as Lessee:

<b>Lease Type</b>	<b>Start Date</b>	<b>Term</b>	<b>Extensions up to:</b>	<b>Lease Payable at 12/31/2023</b>
Commercial Rent	6/1/2022	1 Year	Two Years	\$ 27,890
Commercial Rent	1/1/2022	1 Year	5 Years	22,597
Commercial Rent	1/1/2022	5 Years	None	278,901
Commercial Rent	7/1/2022	2 Years	5 Years	17,183
Total: \$				346,571

**Olympic Area Agency on Aging**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2023**

The Government's schedule of future payments included in the measurement of the lease payable is as follows:

	Leases		
	Principal	Interest	Total
2024 \$	129,680	\$ 13,542	\$ 143,222
2025	108,500	7,892	116,392
2026	108,391	2,827	111,218
Total \$	<u>346,571</u>	<u>\$ 24,261</u>	<u>\$ 370,832</u>

**NOTE 9 – CHANGES IN LONG-TERM LIABILITIES**

During the year ended December 31, 2023, the following changes occurred in long-term liabilities:

	Restated Beginning Balance 1/1/23	Additions	Reductions	Ending Balance 12/31/23	Due Within One Year
<b>Governmental Activities:</b>					
Net pension liability	\$ 648,201	\$ -	\$ 57,019	\$ 591,182	\$ -
OPEB	3,110,491	-	523,462	2,587,029	46,539
Compensated absences	310,772	-	88,022	222,750	42,674
Lease liability	483,252	-	136,681	346,571	129,680
Direct borrowing, due to other governmental units	1,355,345	-	-	1,355,345	-
Total long-term liabilities	<u>\$ 5,908,061</u>	<u>\$ -</u>	<u>\$ 805,184</u>	<u>\$5,102,877</u>	<u>\$ 218,893</u>

For the direct borrowing, Due to other government units, there are no terms for repayment of this advance, however, the agreement can be terminated with at least a thirty (30) calendar days' written notice, in which case the advance would be repaid to DSHS.

**NOTE 10 – RESTRICTED COMPONENT OF NET POSITION**

The government-wide statement of net position reports \$7,187,042 of restricted net position at December 31, 2023. This amount relates to the Medicaid Transformation Demonstration (MTD), Title XIX funds, and the Net Pension Asset. The MTD and XIX funds are also subject to legally enforceable restrictions from the Agency's cognizant entity.

The working capital from DSHS is a cash advance, equal to the liability of the funds advanced to the Agency, and no fund balance is reported on the government-wide statement of net position for these funds.

**NOTE 11 – CONTINGENCIES AND LITIGATIONS**

The Agency participates in a number of federal and state assisted programs. These grants are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. Agency management believes that such disallowances, if any, will be immaterial.

**Olympic Area Agency on Aging**  
**Notes to Financial Statements**  
**For the Year Ended December 31, 2023**

The Agency is at times a defendant in various legal actions and claims which arise during the normal course of business. In the opinion of management, the outcomes of these matters are either adequately covered by insurance or would not materially affect the financial statements.

**NOTE 12 - COVID-19 Pandemic**

In February 2020, the Governor of the state of Washington declared a state of emergency in response to the spread of COVID-19. In the months following the declaration, precautionary measures to slow the spread of the virus were ordered. These measures included limitations on business operations, public events, gatherings, travel, masking was mandated in office and during in-person interactions.

During 2023, mandatory in-office masking was eliminated and most business operations returned to normal. Staffing shortages continued.

Stimulus funding continued to be spent by O3A from the Federal and State government to address social isolation and nutrition during 2023. New service models for Senior Nutrition were developed and spending increased to address nutritional deserts in our region.

Due to high inflation of 2022-2023 and the aging population of our region, more clients continue to require assistance and access to senior nutrition. Once the pandemic funding has been spent, the agency plans on using reserves to continue expanded service levels as the need of our service population has not diminished.

**NOTE 13 – Prior Period Adjustment**

The Agency recognized a prior period adjustment to decrease accumulated amortization by \$16,652, or 12% of current year amortization expense. This correction is related to the prior year implementation of Governmental Accounting Standards Board Statement number 87, leases.

The Agency recognized a prior period adjustment to add OPEB liability from 2022 of \$(3,084,266). This correction is related to the prior year switch to the Health Care Authority as the provider of employment benefits. The comparative condensed statement of activities and statement of net position in the management's discussion and analysis has the 2022 column restated for comparative purposes.

**Olympic Area Agency on Aging**  
**Budgetary Comparison Schedule**  
**General Fund**  
For the Year Ended December 31, 2023

	<b>Original &amp; Final Budget</b>	<b>Actual</b>	<b>Variance to Final Budget</b>
Budgetary fund balance, January 1	\$ 6,070,789	\$ 6,070,789	\$ -
Revenues:			
Older Americans act budget	1,568,647	1,628,057	59,410
State/Federal	6,711,827	7,086,564	374,737
Other & ARPA	3,332,292	3,679,941	347,649
Total revenue	<u>\$11,612,766</u>	<u>12,394,562</u>	<u>781,796</u>
Expenditures:			
Access services	3,864,383	2,942,283	922,100
Social and health services	4,247,408	4,355,801	(108,393)
Administration	1,448,946	1,449,361	(415)
Information and assistance services	910,942	1,040,921	(129,979)
Family caregiver support services	899,808	804,705	95,103
Lease service	-	156,819	(156,819)
Total expenditures	<u>11,371,487</u>	<u>10,749,890</u>	<u>621,597</u>
Excess of revenues over expenditures	\$241,279	1,644,672	1,403,393
Budgetary fund balance, December 31	<u>\$ 6,312,068</u>	<u>\$ 7,715,461</u>	<u>\$ 1,403,393</u>

OLYMPIC AREA AGENCY ON AGING  
REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS  
SCHEDULE OF CHANGES IN TOTAL LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED DECEMBER 31, 2023  
LAST TEN CALENDAR YEARS

Total OPEB liability	2023	2022
Service cost	\$ 110,738	\$ 195,297
Interest	113,135	84,183
Changes in experience data and assumptions	(696,241)	(847,122)
Benefit payments	(51,094)	(47,624)
Net change in total OPEB liability	(523,462)	(615,266)
Total OPEB liability beginning	3,110,491	3,725,757
Total OPEB liability ending	<u>\$ 2,587,029</u>	<u>\$ 3,110,491</u>
Covered employee payroll	3,927,453	3,879,873
Total OPEB liability as a percentage of covered employee payroll	65.9%	80.2%

Notes to schedule

1. Changes of assumptions

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2022	3.54%
2023	3.65%

2. The Agency implemented GASB 75 in 2022, as a result of being applicable through subsidy with a change in benefits provider (HCA) therefore no data is presented before then. Eventually, ten years of data will be presented.

3. There are no assets accumulated in a trust that meets the criteria of GASB 75, to pay related benefits.

# REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

## Olympic Area Agency on Aging Schedule of Proportionate Share of the Net Pension Liability (Asset) PERS 1 As of June 30 Last 10 Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.025898%	\$ 591,182	\$ 4,643,507	12.73%	80.16%
2022	0.023280%	648,201	4,218,230	15.37%	76.56%
2021	0.027125%	331,260	3,785,100	8.75%	88.74%
2020	0.025433%	897,922	3,733,275	24.05%	68.64%
2019	0.024601%	945,996	3,573,430	26.47%	67.12%
2018	0.026565%	1,186,402	3,501,850	33.88%	63.22%
2017	0.027322%	1,296,450	3,035,626	42.71%	61.24%
2016	0.021981%	1,180,483	2,712,030	43.53%	57.03%
2015	0.023614%	1,235,232	2,565,721	48.14%	59.10%
2014	0.024722%	1,245,382	2,567,458	48.51%	61.19%



# REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

## Olympic Area Agency on Aging Schedule of Proportionate Share of the Net Pension Liability (asset) PERS 2/3 As of June 30 Last 10 Fiscal Years

Year Ended June 30,	Employer's proportion of the net pension liability (asset)	Employer's proportionate share of the net pension liability (asset)	Employer's covered payroll	Employer's proportionate share of the net pension liability (asset) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.033456%	\$ (1,371,255)	\$ 4,643,507	-29.53%	107.02%
2022	0.030443%	(1,129,064)	4,218,230	-26.77%	106.73%
2021	0.033792%	(3,366,227)	3,740,693	-89.99%	120.29%
2020	0.031257%	399,759	3,665,181	10.91%	97.22%
2019	0.029002%	281,708	3,441,408	8.19%	97.77%
2018	0.031189%	532,524	3,212,774	16.58%	95.77%
2017	0.032021%	1,112,577	2,912,537	38.20%	90.97%
2016	0.025579%	1,287,882	2,596,677	49.60%	85.82%
2015	0.027647%	987,843	2,565,721	38.50%	89.20%
2014	0.028977%	585,730	2,567,458	22.81%	93.29%

**REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans**

**Olympic Area Agency on Aging**  
Schedule of Employer Contributions  
PERS 1  
For the Year Ended December 31  
Last 10 Fiscal Years

Year Ended December 31,	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
	\$	\$	\$	\$	
2023	161,753	(161,753)	-	4,760,758	3.40%
2022	165,692	(165,692)	-	4,410,657	3.76%
2021	170,429	(170,429)	-	3,952,888	4.31%
2020	182,724	(182,724)	-	3,724,304	4.91%
2019	189,499	(189,499)	-	3,665,252	5.17%
2018	187,377	(187,377)	-	3,508,013	5.34%
2017	163,894	(163,894)	-	3,167,771	5.17%
2016	144,834	(144,834)	-	2,881,443	5.03%
2015	120,832	(120,832)	-	2,607,680	4.63%
2014	108,891	(108,891)	-	2,563,505	4.25%

# REQUIRED SUPPLEMENTARY INFORMATION - State Sponsored Plans

## Olympic Area Agency on Aging Schedule of Employer Contributions PERS 2/3 For the Year Ended December 31 Last 10 Fiscal Years

Year Ended December 31, .	Statutorily or contractually required contributions	Contributions in relation to the statutorily or contractually required contributions	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
2023	\$ 302,784	\$ (302,784)	\$ -	\$ 4,760,758	6.36%
2022	280,518	(280,518)	-	4,410,657	6.36%
2021	279,899	(279,899)	-	3,934,148	7.11%
2020	290,900	(290,900)	-	3,672,972	7.92%
2019	274,718	(274,718)	-	3,555,822	7.73%
2018	253,381	(253,381)	-	3,378,305	7.50%
2017	209,097	(209,097)	-	3,042,528	6.87%
2016	172,128	(172,128)	-	2,762,861	6.23%
2015	140,471	(140,471)	-	2,607,680	5.39%
2014	122,503	(122,503)	-	2,563,505	4.78%

**Olympic Area Agency on Aging**  
Notes to Required Supplementary Information - Pension

For the Year Ended December 31  
Last 10 Fiscal Years

**\*Note 1:** Information Provided

There were no changes of benefit terms, significant changes in the employees covered under the benefit terms or in the use of different assumptions.

**Note 2:** Covered payroll

Covered payroll has been presented in accordance with GASB 82, Pension Issues. Covered payroll includes all payroll on which a contribution is based.

**Note 3:** Change in contribution rate

Rates in effect during the periods covered by the Required Supplemental Information are below:

**PERS 1**

<u>From this</u> <u>Date</u>	<u>Through</u> <u>this Date</u>	<u>Rate</u>
9/1/2013	6/30/2015	9.21%
7/1/2015	6/30/2017	11.18%
7/1/2017	8/31/2018	12.70%
9/1/2018	6/30/2019	12.83%
7/1/2019	8/31/2020	12.86%
9/1/2020	6/30/2021	12.97%
7/1/2021	8/31/2022	10.25%
9/1/2022	6/30/2023	10.39%
7/1/2023	8/31/2023	9.39%
9/1/2023	current	9.53% **

\*\* Employer contribution rate includes an administrative expense rate of 0.20%

**PERS 2/3**

<u>From this</u> <u>Date</u>	<u>Through</u> <u>this Date</u>	<u>Rate</u>
9/1/2013	6/30/2015	9.21%
7/1/2015	6/30/2017	11.18%
7/1/2017	8/31/2018	12.70%
9/1/2018	6/30/2019	12.83%
7/1/2019	8/31/2020	12.86%
9/1/2020	6/30/2021	12.97%
7/1/2021	8/31/2022	10.25%
9/1/2022	6/30/2023	10.39%
7/1/2023	8/31/2023	9.39%
9/1/2023	current	9.53% **

\*\* Employer contribution rate includes an administrative expense rate of 0.20%

**Olympic Area Agency on Aging  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2023**

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		
FOOD AND NUTRITION SERVICE, AGRICULTURE, DEPARTMENT OF (via DSHS)	Senior Farmers Market Nutrition Program	10.576	2269-43431	14,043	-	14,043	12,640	1,2,3, 4
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS)	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	93.041	2369-46210	3,547	-	3,547	-	1,2,4
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	2269-38384	16,766	-	16,766	-	1,2,4
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	2369-46210	24,493	-	24,493	-	1,2,4
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS)	COVID 19 - Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	2169-30891	1,316	-	1,316	-	1,2,4
<b>Aging Cluster</b>		<b>Total ALN 93.043:</b>		<b>42,575</b>	<b>-</b>	<b>42,575</b>	<b>-</b>	

The accompanying notes are an integral part of this schedule.

**Olympic Area Agency on Aging  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2023**

				Expenditures				
Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients	Note
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	2269-38384	123,084	-	123,084	35,243	1,2,4
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	2369-46210	662,827	-	662,827	94,861	1,2,4
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	2169-30891	106,185	-	106,185	1,527	1,2,4
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	2269-38384	241,641	-	241,641	216,382	1,2,4
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	2369-46210	175,005	-	175,005	159,909	1,2,4
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS)	COVID 19 - Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	2169-30891	237,174	-	237,174	213,459	1,2,4

The accompanying notes are an integral part of this schedule.

**Olympic Area Agency on Aging  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2023**

Expenditures								
Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Passed through to Subrecipients	Note
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS)	COVID 19 - Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	2169-30891	134,428	-	134,428	120,986	1,2,4
		Total ALN 93.045:			788,248	-	788,248	710,735
		93.053	2269-38384	80,055	-	80,055	80,055	1,2,4
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS)	Nutrition Services Incentive Program	93.053	2369-46210	1,561	-	1,561	1,561	1,2,4
		Total ALN 93.053:			81,616	-	81,616	
		Total Aging Cluster:			1,761,960	-	1,761,960	923,983
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS)	Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	2069-84882	30,058	-	30,058	23,030	1,2,4
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS)	National Family Caregiver Support, Title III, Part E	93.052	2369-46210	72,399	-	72,399	-	1,2,4

The accompanying notes are an integral part of this schedule.

**Olympic Area Agency on Aging  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2023**

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)	National Family Caregiver Support, Title III, Part E	93.052	2269-38384	205,699	-	205,699	-	1,2,4
	ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS)	93.052	2169-97590	20,978	-	20,978	-	1,2,4
ADMINISTRATION FOR COMMUNITY LIVING (ACL), HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS)	COVID 19 - National Family Caregiver Support, Title III, Part E	93.052	2169-30891	26,603	-	26,603	-	1,2,4
	Total ALN 93.052:			325,679	-	325,679	-	
CENTERS FOR DISEASE CONTROL AND PREVENTION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DOH)	COVID 19 - Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	CBO26651	115,707	-	115,707	103,562	1,2,4
	COVID 19 - Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Crises	93.391	CBO26652	208,137	-	208,137	161,108	1,2,4
Total ALN 93.391:			323,844	-	323,844	264,670		

The accompanying notes are an integral part of this schedule.



**Olympic Area Agency on Aging  
Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2023**

Federal Agency (Pass-Through Agency)	Federal Program	Expenditures					Passed through to Subrecipients	Note
		ALN Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total		
<b>Medicaid Cluster</b>								
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS)	Medical Assistance Program	93.778	2369-49980	1,328,071	-	1,328,071	-	1,2,4
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS)	Medical Assistance Program	93.778	2269-43431	1,321,672	-	1,321,672	-	1,2,4
		<b>Total Medicaid Cluster:</b>		<b>2,649,743</b>	<b>-</b>	<b>2,649,743</b>	<b>-</b>	
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS)	Money Follows the Person Rebalancing Demonstration	93.791	2369-49980	9,247	-	9,247	-	1,2,4
CENTERS FOR MEDICARE AND MEDICAID SERVICES, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via DSHS)	Money Follows the Person Rebalancing Demonstration	93.791	2269-43431	7,438	-	7,438	-	1,2,4
		<b>Total ALN 93.791:</b>		<b>16,685</b>	<b>-</b>	<b>16,685</b>	<b>-</b>	
		<b>Total Federal Awards Expended:</b>		<b>5,168,134</b>	<b>-</b>	<b>5,168,134</b>	<b>1,224,323</b>	

The accompanying notes are an integral part of this schedule.

**Olympic Area Agency on Aging (O3A)**  
Notes to the Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2023

Note 1 – Basis of Accounting

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the Olympic Area Agency on Aging's (O3A) financial statements. O3A use the modified accrual basis of accounting.

Note 2 – Indirect Cost Rate

The O3A has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note 3 – Noncash Award

The amount of food vouchers reported on the Schedule is the value of \$12,640 received by the O3A during current year and priced as prescribed by Washington Aging & Long-term Support Administration.

Note 4 – Program Costs

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the O3A's portion, may be more than shown. Such expenditures, as applicable, are recognized following either the cost principles in the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.



## Olympic Area Agency on Aging

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

#### Olympic Area Agency on Aging January 1, 2023 through December 31, 2023

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).

<b>Finding ref number:</b> 2023-001	<b>Finding caption:</b> The Agency did not have adequate internal controls for ensuring compliance with federal subrecipient monitoring requirements
<b>Name, address, and telephone of Agency contact person:</b> Corena Stern 2200 W. Sims Way Unit 100 Port Townsend, WA 98368 (360) 379-5064	
<b><i>Corrective action the auditee plans to take in response to the finding:</i></b> <i>The Agency takes seriously their responsibility for managing Federal Grant Funds and accordingly will make sure that in the future subrecipient contracts will have the specific elements required by Federal Uniform Guidance in their subcontracts. The agency will institute a Contract Review Checklist and approval process that includes the 14 required elements in the Federal guidance CFR 200.332 in order to clearly identify the source of federal funds in each subaward agreement. The checklist elements will include:</i> <ul style="list-style-type: none"> <li><i>Federal Award Identification Number (FAIN)</i></li> <li><i>Federal Award Date</i></li> <li><i>Subaward budget period start and end date</i></li> <li><i>Assistance Listing Number and Program Title</i></li> </ul> <i>The completed checklist will be reviewed and approved by the Administrative Director or Contracts Director before finalizing the subrecipient agreement.</i> <i>In addition, the Olympic Area Agency on Aging will require contracts and program staff managing federal grants to attend Federal Uniform Guidance Grants Training.</i>	
<b>Anticipated date to complete the corrective action:</b> December 31, 2024	

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