

Washington State Auditor's Office
Financial Statements and Federal Single Audit Report

**Southwest Washington Behavioral Health
Regional Support Network
Clark County**

Audit Period
October 1, 2012 through December 31, 2013

Report No. 1012078

Issue Date
June 16, 2014



Washington State Auditor
Troy Kelley

Independence • Respect • Integrity



Washington State Auditor Troy Kelley

June 16, 2014

Board of Appointed Representatives
Southwest Washington Behavioral Health Regional Support Network
Vancouver, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Southwest Washington Behavioral Health Regional Support Network's financial statements and compliance with federal laws and regulations.

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

Sincerely,

TROY KELLEY
STATE AUDITOR

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Federal Summary

Southwest Washington Behavioral Health Regional Support Network Clark County January 1, 2013 through December 31, 2013

The results of our audit of the Southwest Washington Behavioral Health Regional Support Network are summarized below in accordance with U.S. Office of Management and Budget Circular A-133.

FINANCIAL STATEMENTS

An unmodified opinion was issued on the financial statements of the governmental activities and the General Fund.

Internal Control Over Financial Reporting:

- ***Significant Deficiencies:*** We identified 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 Network.

FEDERAL AWARDS

Internal Control Over Major Programs:

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

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

We reported no findings that are required to be disclosed under section 510(a) of OMB Circular A-133.

Identification of Major Programs:

The following was a major program during the period under audit:

<u>CFDA No.</u>	<u>Program Title</u>
93.958	Block Grants for Community Mental Health Services

The dollar threshold used to distinguish between Type A and Type B programs, as prescribed by OMB Circular A-133, was \$300,000.

The Network did not qualify as a low-risk auditee under OMB Circular A-133.

Schedule of Audit Findings and Responses

Southwest Washington Behavioral Health Regional Support Network Clark County October 1, 2012 through December 31, 2013

1. **The Network should improve internal controls over accounting and financial statement preparation to ensure accurate reporting.**

Background

The Network was formed through an inter-local agreement between Clark, Cowlitz and Skamania counties and began operations on October 1, 2012. The Network prepares its financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Network management is responsible for designing and following internal controls that provide reasonable assurance regarding the reliability of financial reporting. Our audit identified deficiencies in internal controls over financial reporting that could affect the Network's ability to produce reliable financial statements.

Description of Condition

We identified the following deficiencies in internal controls over financial reporting that, when taken together, represent a significant deficiency:

- Network staff did not adequately research how to appropriately record nonroutine transactions on the financial statements.
- Although the Network has a review process for the prepared financial statements, the review is not sufficiently detailed to ensure the financial statements are accurate.

Cause of Condition

Staff responsible for financial statement preparation had not previously compiled a complete financial reporting package and although processes were in place to prepare financial reports, the Network did not have sufficient time for the full development of internal controls to ensure accurate financial statement preparation and review.

Effect of Condition

We found the following errors in the Network's original financial statements:

- Network's financial statements reported \$11.8 million and \$1.9 million as operating revenues that should have been recorded as an extraordinary item in 2012 and 2013, respectively. The amounts represent reserves transferred from Clark County establishing the newly created Network.
- Network's financial statements reported \$2.2 million as operating revenue in 2013 that should have been reported as an extraordinary item and a receivable in 2012. This transaction represents the transfer of reserves from Cowlitz County. The Network waited until the reserves were transferred in 2013 to record the transaction; however, since the obligation was established in 2012 the accounts receivable should have been recorded at the end of 2012.
- An \$84,000 receivable was not recorded on the 2012 financial statements related to the funding Skamania County was obligated to contribute to the newly formed Network under the inter-local agreement. The county paid a portion of this balance in 2013; however, it still owed \$24,900 at year end. This amount was not recorded as a receivable on the 2013 statements.

With the exception of the last item noted, these errors were subsequently corrected by the Network.

Recommendation

We recommend the Network strengthen internal controls and dedicate the resources necessary to ensure the following:

- Staff adequately research and seek technical guidance for transactions to ensure the financial statements are prepared in compliance with GAAP.
- A knowledgeable and detailed review of the financial statements is completed to ensure they are complete and accurate.

Network's Response

The Network acknowledges the classification error of the extraordinary item and plans to strengthen its internal controls by completing the following steps.

1. *Establish an audit start date that will provide sufficient time for internal annual financial report review.*
2. *Contract with an independent certified public accounting firm to complete a disclosure checklist on the Network's annual financial report prior to submitting to the State Auditor's Office.*

The Network appreciated the support and time provided by the State Auditor's Office.

Auditor's Remarks

We appreciate the Network's commitment to resolve this finding and thank the Network for its cooperation and assistance during the audit. We will review the corrective action taken during our next regular audit.

Applicable Laws and Regulations

Government Auditing Standards, December 2011 Revision, paragraph 4.23 states:

4.23 When performing GAGAS financial audits, auditors should communicate in the report on internal control over financial reporting and compliance, based upon the work performed, (1) significant deficiencies and material weaknesses in internal control; (2) instances of fraud and noncompliance with provisions of laws or regulations that have a material effect on the audit and any other instances that warrant the attention of those charged with governance; (3) noncompliance with provisions of contracts or grant agreements that has a material effect on the audit; and (4) abuse that has a material effect on the audit.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, as follows:

.07 For purposes of generally accepted auditing standards, the following terms have the meanings attributed as follows:

Material weakness. A deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Significant deficiency. 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.

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

**Southwest Washington Behavioral Health Regional Support Network
Clark County
October 1, 2012 through December 31, 2013**

Board of Appointed Representatives
Southwest Washington Behavioral Health Regional Support Network
Vancouver, 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 the General Fund of the Southwest Washington Behavioral Health Regional Support Network, Clark County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Network's basic financial statements, and have issued our report thereon dated May 30, 2014.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audits of the financial statements, we considered the Network's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Network's internal control. Accordingly, we do not express an opinion on the effectiveness of the Network'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 Network's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be

material weaknesses or significant deficiencies 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Audit Findings and Responses as Finding 1 that we consider to be significant deficiencies.

COMPLIANCE AND OTHER MATTERS

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

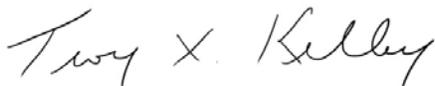
The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

NETWORK'S REPOSE TO FINDINGS

The Network's response to the findings identified in our audit is described in the accompanying Schedule of Audit Findings and Responses. The Network's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

PURPOSE OF THIS REPORT

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Network'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 Network'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.



TROY KELLEY
STATE AUDITOR

May 30, 2014

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

Southwest Washington Behavioral Health Regional Support Network Clark County January 1, 2013 through December 31, 2013

Board of Appointed Representatives
Southwest Washington Behavioral Health Regional Support Network
Vancouver, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

We have audited the compliance of the Southwest Washington Behavioral Health Regional Support Network, Clark County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013. The Network's major federal programs are identified in the accompanying Federal Summary.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Network's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Network's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Network's compliance.

Opinion on Each Major Federal Program

In our opinion, the Network 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, 2013.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the Network is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Network's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Network's internal control over compliance.

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

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

PURPOSE OF THIS REPORT

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. 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 cursive script that reads "Troy X. Kelley".

TROY KELLEY
STATE AUDITOR

May 30, 2014

Independent Auditor's Report on Financial Statements

Southwest Washington Behavioral Health Regional Support Network Clark County

October 1, 2012 through December 31, 2013

Board of Appointed Representatives
Southwest Washington Behavioral Health Regional Support Network
Vancouver, Washington

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Southwest Washington Behavioral Health Regional Support Network, Clark County, Washington, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Network's basic financial statements as listed on page 14.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Southwest Washington Behavioral Health Regional Support Network, as of December 31, 2013 and 2012, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 20 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Network's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This schedule is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2014 on our consideration of the Network's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Network's internal control over financial reporting and compliance.



TROY KELLEY
STATE AUDITOR

May 30, 2014

Financial Section

Southwest Washington Behavioral Health Regional Support Network Clark County October 1, 2012 through December 31, 2013

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2013 and 2012

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2013

Statement of Net Position – 2012

Statement of Activities – 2013

Statement of Activities – 2012

Balance Sheet – Governmental Funds – 2013

Balance Sheet – Governmental Fund – 2012

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental
Funds – 2013

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental
Funds – 2012

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities – 2013

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities – 2012

Statement of Revenues, Expenditures and Changes in Fund Balances Compared to
Budget (GAAP Basis) and Actual – General Fund – 2013

Statement of Revenues, Expenditures and Changes in Fund Balances Compared to
Budget (GAAP Basis) and Actual – General Fund – 2012

Notes to Financial Statements – 2013 and 2012

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2013

Notes to the Schedule of Expenditures of Federal Awards – 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Southwest Washington Behavioral Health's (SWBH) discussion and analysis is a narrative overview of the SWBH financial activities for the years ended December 31, 2012 and 2013. The information presented here should be read in conjunction with the financial statements and notes to the financial statements that follow.

FINANCIAL HIGHLIGHTS

- SWBH opened for operation on October 1, 2012. The 2012 statement of activities covers only three months.
- SWBH's assets exceeded its liabilities at December 31, 2013 and 2012 by \$16.0 million and \$14.5 million, respectively.
- Net investment in capital assets is not a significant amount of net position, with a value of \$93,141 at December 31, 2013. No net position was invested in capital assets at December 31, 2012.
- Of the remaining net assets, \$10.8 and \$9.8 million at December 31, 2013 and 2012, respectively, may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction.
- SWBH's total net position showed an increase of \$1.5 million, or 10% during 2013.
- As of December 31, 2013, SWBH's governmental fund reported an ending fund balance of \$16.1 million. Nearly 34% of this total amount, \$5.4 million is available for spending at the government's discretion. Similarly, \$4.1 million or 28% is available for spending at the government's discretion at December 31, 2012.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provides an introduction and overview to the Southwest Washington Behavioral Health's (SWBH) basic financial statements. This information will assist users in interpreting the basic statements. We will also provide other financial discussion and analysis of certain plans, projects and trends necessary for understanding the full context of the financial condition of SWBH.

Basic Financial Statements

The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and, 3) notes to the financial statements.

Government-wide financial statements

Government-wide financial statements provide readers with a broad overview of SWBH's finances in a manner similar to a private-sector business, distinguishing functions of SWBH that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). All of SWBH's activities are considered governmental activities and are dedicated to providing mental health services to the community.

The statement of net position presents information on all of the Southwest Washington Behavioral Health's assets and liabilities, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business.

The statement of activities presents information showing how the government's net position changed during the reporting period. All changes in net position are reported using the accrual basis of accounting which requires that revenues are reported when they are earned and expenses are reported when the goods and services are received. Items such as unpaid vendor invoices for items received by year end, and earned but unused vacation leave and a portion of sick leave will be included in the statement of activities as revenue and expense, even though the cash associated with these items will not be received or distributed by year end.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The SWBH, like other state and local governments, uses fund accounting for compliance with finance-related legal requirements. Because SWBH is an organization dedicated to a single purpose, it has only one category of funds, the Governmental Fund type. Governmental funds are used to account for most, if not all, of a government's tax-supported activities.

Governmental funds

SWBH has only one fund under this category, called the General Fund. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present SWBH's financial data for its General Fund.

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

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements accrual basis focus, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This gives readers a better understanding of the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the governmental activities column in the government-wide statements, facilitating this comparison.

SWBH maintains budgetary controls over its operating fund. Budgetary controls ensure compliance with legal provisions embodied in the annual appropriated budget. Governmental fund budgets are established in accordance with state law.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided, and are an integral part of the government-wide and fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Management considers the financial position of SWBH to have increased since inception. As noted earlier, changes in net position may serve as a useful indicator of a government's financial position. SWBH net position totaled \$16,028,517 and \$14,491,126 at December 31, 2013 and 2012, respectively.

Net Position

	Governmental Activities 2013	Governmental Activities 2012
Current and other assets	\$ 21,796,018	\$ 20,821,082
Capital assets (net of accumulated depreciation)	93,141	-
TOTAL ASSETS	<u>21,889,159</u>	<u>20,821,082</u>
Long-term liabilities	82,362	24,271
Other liabilities	<u>5,778,280</u>	<u>6,305,685</u>
TOTAL LIABILITIES	<u>5,860,642</u>	<u>6,329,956</u>
NET POSITION		
Net investment in capital assets	93,141	-
Restricted	5,096,771	4,673,121
Unrestricted	<u>10,838,605</u>	<u>9,818,005</u>
TOTAL NET POSITION	<u>\$ 16,028,517</u>	<u>\$ 14,491,126</u>

Net position representing resources that are subject to external restrictions on how they may be used equate to 32% and 32% at December 31, 2013 and 2012, respectively.

The remaining balance, unrestricted net position, of \$10,838,605 (2013) and \$9,818,005 (2012) represents the amount that may be used to meet SWBH's ongoing obligations.

The smallest portion of SWBH net position (less than one percent) reflects its net investment in capital assets. SWBH capital assets are used to provide services to citizens. Consequently, these assets are not available for future spending.

At December 31, 2013, SWBH reports positive balances in all three categories of net position, for the government as a whole.

Statement of Activities

SWBH total net position increased by over \$1.5 million in 2013. In its initial three months of operations, SWBH total net position increased by \$14.5 million. A summary version of the Statement of Activities is shown in the following table. The following table depicts the relationship of revenues and expenses for SWBH governmental activities.

	Change in Net Position	
	Governmental Activities 2013	Governmental Activities 2012
	<u> </u>	<u> </u>
Revenues:		
Program revenues:		
Charges for services	\$ 35,650,457	\$ 449,432
Operating grants and contributions	10,744,596	10,759,537
Capital grants and contributions	-	-
General revenues:		
Unrestricted investment earnings	51,040	24,434
Total revenues	<u>46,446,093</u>	<u>11,233,403</u>
Expenses:		
Social Services	46,837,722	10,830,807
Total expenses	<u>46,837,722</u>	<u>10,830,807</u>
Increase/(Decrease) in net position	(391,629)	402,596
Extraordinary Event-RSN Transfer	<u>1,929,020</u>	<u>14,088,530</u>
Net position - beginning	<u>14,491,126</u>	<u>-</u>
Net position - ending	<u>\$ 16,028,517</u>	<u>\$ 14,491,126</u>

Governmental Activity Analysis

The SWBH’s net position increased by \$14.5 million at the end of the first three months of operations. This mainly represents transfer reserves from Clark RSN, Cowlitz RSN, and Greater Columbia RSN. During 2013, the net position increased \$1.5 million as further reserves were received after the final reconciliation at Clark County. Further analysis over revenues and expenses is not warranted as the 2013 operations contain twelve months and the 2012 activity represents three months.

The largest component of other assets represents cash and cash equivalents. This increased \$3.6 million between 2013 and 2012. This increase represents realization of revenues exceeding expenses. Other liabilities are mainly made up of accounts payable. This decreased from \$6.3 million at the end of 2012 to \$5.6 million at the end of 2013.

FINANCIAL ANALYSIS OF SWBH FUNDS

Governmental Funds Analysis

SWBH has one governmental fund.

The General Fund is the chief operating and only fund of SWBH. At the end of the 2013 fiscal year, unassigned fund balance of the general fund was \$5.4 million. At the end of 2012, the unassigned fund balance of the general fund was \$4.1 million. As a measure of the general fund’s liquidity, it may be useful to compare the total fund balance to total fund expenditures. At the end of 2013, the total fund balance of \$16,072,646 is 34 of total general fund expenditures. Likewise, at the end of 2012, the total fund balance of \$14,531,578 is 135% of total general fund expenditures.

The General Fund had an increase in fund balance of 11% at the close of 2013.

GENERAL FUND BUDGETARY HIGHLIGHTS

SWBH budgets on a biennial basis. The biennium ended at December 31, 2013. General Fund revenues came in at 76% of the anticipated budget, while expenditures were 93% of the budget. The variance was due to the extraordinary event being budgeted as revenue.

Differences between the original budget and the final amended are a result of a three month budget supplemental as the original budget was for October 2012 through September 2013.

Significant variances between the General Fund final amended budget and actual results include:

- Intergovernmental revenue and Charges for services varied dramatically due to a BARS coding change that was implemented January 1, 2013.
- The expenditures had a savings in its budget of \$4.3 million due to a lower number of services provided than budgeted.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

SWBH's investment in capital assets, including construction in progress for its governmental as of December 31, 2013, was \$93,141 (net of accumulated depreciation). This investment in capital assets consists of equipment and software.

	Governmental Activities	
	12/31/2013	12/31/2012
Machinery and equipment	\$ 46,507	\$ -
Intangibles	46,634	-
Total	<u>\$ 93,141</u>	<u>\$ -</u>

Additional information on the SWBH capital assets can be found in the Notes to the Financial Statements.

Long-Term Debt

SWBH has no long-term debt other than compensated absences which can be find in the Notes to the financial Statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Several factors were considered and affected the preparation of SWBH 2014 budget.

- With Medicaid expansion beginning in 2014, SWBH estimated a 25% increase in eligibles in the region and a 20% increase in Medicaid revenue.
- SWBH anticipates the reduction of \$791,206 in annual funding from Clark County DCS on July 1, 2014.

- SWBH anticipates an annual increase in rates for providers that deliver services on a fee-for-service basis.
- With Medicaid expansion the state reduced the non-Medicaid state funding in our contract by \$1.4 million in 2014.
- With the passage of 2SSB 6312, SWBH anticipates expanding its responsibility for the management of mental health and chemical dependency services in our region.

Requests for Information

This financial report is designed to provide a general overview of the SWBH finances for all those with an interest. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Southwest Washington Behavioral Health, P.O. Box 664, Vancouver, WA 98666.

SOUTHWEST WASHINGTON BEHAVIORAL HEALTH

Statement of Net Position

December 31, 2013

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 19,442,222
Receivables (Net of Allowance for Uncollectible)	844,025
Prepaid Items	1,509,771
Capital Assets Net of Accumulated Depreciation:	93,141
Total Assets	<u>21,889,159</u>
Liabilities:	
Accounts Payable and Other Current Liabilities	5,723,372
Noncurrent Liabilities:	
Due within One Year	54,908
Due in More than One Year	82,362
Total Liabilities	<u>5,860,642</u>
Net Position:	
Net Investment in Capital Assets	93,141
Restricted for:	
Mental Health	5,096,771
Unrestricted	10,838,605
Total Net Position	<u>\$ 16,028,517</u>

The notes to the financial statements are an integral part of this statement

SOUTHWEST WASHINGTON BEHAVIORAL HEALTH

Statement of Net Position

December 31, 2012

	Governmental Activities
Assets:	
Cash and Cash Equivalents	\$ 15,850,603
Receivables (Net of Allowance for Uncollectible)	3,633,232
Prepaid Items	1,337,247
Total Assets	<u>20,821,082</u>
Liabilities:	
Accounts Payable and Other Current Liabilities	6,289,504
Noncurrent Liabilities:	
Due within One Year	16,181
Due in More than One Year	24,271
Total Liabilities	<u>6,329,956</u>
Net Position:	
Restricted for:	
Mental Health	4,673,121
Unrestricted	9,818,005
Total Net Position	<u>\$ 14,491,126</u>

The notes to the financial statements are an integral part of this statement

SOUTHWEST WASHINGTON BEHAVIORAL HEALTH
Statement of Activities
For the Year Ended December 31, 2013

Functions/Programs	Program Revenues			Charges for Services	Expenses	Net (Expense) Revenue and Changes in Net Position			
	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities			Governmental Activities	Total		
PRIMARY GOVERNMENT									
Governmental Activities:									
Social Services	10,744,596	-	(442,669)	35,650,457	46,837,722	-	51,040	1,929,020	51,040
TOTAL GOVERNMENTAL ACTIVITIES	10,744,596	-	(442,669)	35,650,457	46,837,722	-	51,040	1,980,060	1,980,060
Total Primary Government	<u>10,744,596</u>	<u>-</u>	<u>(442,669)</u>	<u>35,650,457</u>	<u>46,837,722</u>	<u>-</u>	<u>51,040</u>	<u>1,980,060</u>	<u>1,980,060</u>
General Revenues:									
Unrestricted Investment Earnings									
Extraordinary Item									
Total General Revenues									
Change in Net Position									
Net Position - Beginning									
Net Position - Ending									

The notes to the financial statements are an integral part of this statement

SOUTHWEST WASHINGTON BEHAVIORAL HEALTH
Statement of Activities
For the Three Months Ended December 31, 2012

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
PRIMARY GOVERNMENT						
Governmental Activities:						
Social Services	\$ 10,830,807	\$ 449,432	\$ 10,759,537	\$ -	\$ 378,162	\$ 378,162
TOTAL GOVERNMENTAL ACTIVITIES	10,830,807	449,432	10,759,537	-	378,162	378,162
Total Primary Government	\$ 10,830,807	\$ 449,432	\$ 10,759,537	\$ -	\$ 378,162	\$ 378,162
General Revenues:						
Unrestricted Investment Earnings					\$ 24,434	\$ 24,434
Extraordinary Item-RSN					14,088,530	14,088,530
Total General Revenues					14,112,964	14,112,964
Change in Net Position					14,491,126	14,491,126
Net Position - Beginning					-	-
Net Position - Ending					14,491,126	14,491,126

The notes to the financial statements are an integral part of this statement

SOUTHWEST WASHINGTON BEHAVIORAL HEALTH

Governmental Fund

Balance Sheet

December 31, 2013

	<u>General Fund</u>
Assets:	
Cash and Cash Equivalents	\$ 19,442,222
Accounts Receivable (net)	500,310
Due from Other Governmental Units	343,715
Prepayments	1,509,771
Total Assets	<u>\$ 21,796,018</u>
Liabilities and Fund Balances:	
Liabilities:	
Accounts Payable	\$ 5,565,989
Other Accrued Liabilities-Wages Payable	157,383
Total Liabilities	<u>5,723,372</u>
Fund Balances:	
Restricted	5,096,771
Assigned-PIHP Operating Reserve	4,324,142
Assigned-State Operating Reserve	1,229,677
Unassigned	5,422,056
Total Fund Balances	<u>16,072,646</u>
Total Liabilities and Fund Balances	<u>21,796,018</u>
 Amounts reported for governmental activities in the statement of net position are different because (See Note II also):	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	93,141
Other long-term assets are not available to pay for current-period expenditures and, therefore are not reported in the funds (Compensated Absences)	(137,270)
Net position of governmental activities	<u>\$ 16,028,517</u>

The notes to the financial statements are an integral part of this statement

SOUTHWEST WASHINGTON BEHAVIORAL HEALTH

Governmental Fund

Balance Sheet

December 31, 2012

	<u>General Fund</u>
Assets:	
Cash and Cash Equivalents	\$ 15,850,603
Investments	
Accounts Receivable (net)	791,770
Due from Other Governmental Units	2,841,462
Prepayments	1,337,247
Total Assets	<u>\$ 20,821,082</u>
Liabilities and Fund Balances:	
Liabilities:	
Accounts Payable	\$ 6,181,308
Other Accrued Liabilities-Wages Payable	108,196
Total Liabilities	<u>6,289,504</u>
Fund Balances:	
Restricted	4,673,121
Assigned-PIHP Operating Reserve	4,579,397
Assigned-State Operating Reserve	1,213,165
Unassigned	4,065,895
Total Fund Balances	<u>14,531,578</u>
Total Liabilities and Fund Balances	<u>20,821,082</u>

Amounts reported for governmental activities in the statement of net position are different because (See Note II also):

Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds (Compensated Absences)	(40,452)
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Net position of governmental activities	<u>\$ 14,491,126</u>
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The notes to the financial statements are an integral part of this statement

SOUTHWEST WASHINGTON BEHAVIORAL HEALTH
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Year Ended December 31, 2013

	<u>General Fund</u>
Revenues:	
Intergovernmental Revenue	10,744,596
Charges for Services	35,650,430
Interest Earnings	51,040
Miscellaneous	27
Total Revenues	46,446,093
Expenditures:	
Current	
Social Services	46,726,567
Capital Outlay	107,478
Total Expenditures	46,834,045
Excess (Deficiency) of Revenues Over (Under) Expenditures	(387,952)
Special Items:	
Final Transfer of Reserve Funds	1,929,020
Net Change in Fund Balances	1,541,068
Fund Balance at Beginning of Year	14,531,578
Fund Balance at End of Year	\$ 16,072,646

The notes to the financial statements are an integral part of this statement

SOUTHWEST WASHINGTON BEHAVIORAL HEALTH
 Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balances
 For the Three Months Ended December 31, 2012

	<u>General Fund</u>
Revenues:	
Intergovernmental Revenue	
Indirect Federal Grants	\$ 187,654
State Grants	2,469,118
Intergovernmental Fee for Service	8,102,765
Charges for Services	449,432
Interest Earnings	24,434
Total Revenues	11,233,403
Expenditures:	
Current	
Social Services	10,790,355
Total Expenditures	10,790,355
Excess (Deficiency) of Revenues Over (Under) Expenditures	443,048
Extraordinary Items:	
RSN Funding from Other Counties	14,088,530
Net Change in Fund Balances	14,531,578
Fund Balance at Beginning of Year	-
Fund Balance at End of Year	\$ 14,531,578

The notes to the financial statements are an integral part of this statement

SOUTHWEST WASHINGTON BEHAVIORAL HEALTH
Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
Year Ended December 31, 2013

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds:	\$ 1,541,068
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expenses. This is the amount by which capital outlays exceeded depreciation in the current period.	93,141
Some 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.	(96,818)
Change in net position of governmental activities	<u>\$ 1,537,391</u>

The notes to the financial statements are an integral part of this statement

SOUTHWEST WASHINGTON BEHAVIORAL HEALTH

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities
For the Three Months Ended December 31, 2012

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds: \$ 14,531,578

Some 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. (40,452)

Change in net position of governmental activities \$ 14,491,126

The notes to the financial statements are an integral part of this statement

SOUTHWEST WASHINGTON BEHAVIORAL HEALTH

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances
Compared to Budget (GAAP Basis) and Actual
For the Biennium Ended December 31, 2013

	Budgeted Amounts		Actual Amount	Variance with Final Budget
	Original 2012/13 Budget	Final 2012/13 Budget		
Revenues:				
Intergovernmental	61,905,570	73,949,582	21,504,133	(52,445,449)
Charges for Services	1,303,511	1,772,011	36,099,862	34,327,851
Interest Earnings	100,000	125,000	75,474	(49,526)
Miscellaneous	-	-	27	27
Total Revenues	<u>63,309,081</u>	<u>75,846,593</u>	<u>57,679,496</u>	<u>(18,167,097)</u>
Expenditures:				
Current				
Social Services	48,085,542	61,899,411	57,516,922	4,382,489
Capital Outlay			107,478	(107,478)
Total Expenditures	<u>48,085,542</u>	<u>61,899,411</u>	<u>57,624,400</u>	<u>4,275,011</u>
Excess (Deficiency) of Revenues Over (under) Expenditures	15,223,539	13,947,182	55,096	(13,892,086)
Extraordinary Items:				
RSN Transfer	-	-	16,017,550	16,017,550
Net Change in Fund Balance	<u>15,223,539</u>	<u>13,947,182</u>	<u>16,072,646</u>	<u>2,125,464</u>
Fund Balances at Beginning of Biennium	-	-	-	-
Fund Balances at End of Biennium	<u>\$ 15,223,539</u>	<u>\$ 13,947,182</u>	<u>\$ 16,072,646</u>	<u>\$ 2,125,464</u>

The notes to the financial statements are an integral part of this statement

SOUTHWEST WASHINGTON BEHAVIORAL HEALTH
 General Fund
 Statement of Revenues, Expenditures and Changes in Fund Balances
 Compared to Budget (GAAP Basis) and Actual
 For the Three Months Ended December 31, 2012

	<u>Budgeted Amounts</u>		Actual Three Months Ended	Variance with Final Budget
	Original 2012/13 Budget	Final 2012/13 Budget		
Revenues:				
Intergovernmental	61,905,570	73,949,582	10,759,537	(63,190,045)
Charges for Services	1,303,511	1,772,011	449,432	(1,322,579)
Fines and Forfeits	-	-	-	-
Interest Earnings	100,000	125,000	24,434	(100,566)
Contributions/Donations	-	-	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>63,309,081</u>	<u>75,846,593</u>	<u>11,233,403</u>	<u>(64,613,190)</u>
Expenditures:				
Current				
Social Services	48,085,542	61,899,411	10,790,355	51,109,056
Capital Outlay	-	-	-	-
Total Expenditures	<u>48,085,542</u>	<u>61,899,411</u>	<u>10,790,355</u>	<u>51,109,056</u>
Excess (Deficiency) of Revenues Over (under) Expenditures	15,223,539	13,947,182	443,048	(13,504,134)
Special Items:				
RSN Transfer	-	-	14,088,530	14,088,530
Net Change in Fund Balance	<u>15,223,539</u>	<u>13,947,182</u>	<u>14,531,578</u>	<u>584,396</u>
Fund Balances at Beginning of Biennium	-	-	-	-
Fund Balances at End of Year	<u>\$ 15,223,539</u>	<u>\$ 13,947,182</u>	<u>\$ 14,531,578</u>	<u>\$ 584,396</u>

The notes to the financial statements are an integral part of this statement

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The Southwest Washington Behavioral Health (SWBH) was formed July 16, 2012, through an inter-local agreement between Washington's Clark, Cowlitz and Skamania counties. SWBH opened for business on October 1, 2012. SWBH is organized under RCW 71.24, Community Mental Health Services Act, and RCW 39.34, Inter-local Cooperation Act, to manage the delivery of comprehensive mental health services throughout the SWBH three county catchment areas.

SWBH is governed by a three member Board. The Board is responsible for establishing SWBH policy, assessing community public health needs, approving the annual budget, and reviewing ongoing activities of SWBH. Members of the Board are elected officials representing counties in the area. Each of the three counties has authority to appoint one member to the SWBH Board of Directors.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

SWBH has only one fund, the General Fund, which accounts for governmental activities. All activities are reported in that fund. The 2012 financials represent the first three months of operations and the 2013 financials encompass a full year.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are separate financial statements reporting additional and more detailed information about the primary government. In addition, separate financial statements would be provided for governmental funds, proprietary funds, and fiduciary funds, (even though the latter are excluded from the government-wide financial statements) if SWBH had more than one fund.

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.

Basis of accounting refers to the point at which revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental fund financial statements report the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. In most cases, revenues susceptible to accrual are earned interest, certain charges for services, and intergovernmental revenues, such as grants, where program expenditures are the prime factor for determining reimbursement. All other revenue items are considered to be measurable and available only when cash is received by SWBH. 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 and claims and judgments are recorded only when payment is due. Currently SWBH only has compensated absences as long-term debt.

SWBH reports its one and only major governmental fund. The general fund is SWBH's operating fund. It accounts for all financial resources of the general government.

D. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

1. Cash and cash equivalents and investments

SWBH is required to maintain all cash and investment accounts with the Clark County, WA, Treasurer. These amounts are either held on behalf of SWBH as cash for operations or invested in short-term investments. As required by state law, all investments of the county's funds are obligations of the U.S. Government, or deposits with Washington State banks and savings and loan institutions. See Note IV(A).

2. Receivables and payables

Receivables due from other governments include amounts due from grantors for grants issued for specific programs. The recognition of hospital inpatient payables, as required by DSHS/MHD, is recognized in the month when they are billed by the Medical Assistance Administration. The hospitals have up to twelve months to bill and the state may take years to process and bill SWBH.

3. Prepaid Items

The prepaid expense represents the initial one twelfth payment to contractors to provide adequate cash flow until service data is received. This payment is reconciled at the end of the contract year.

4. Capital assets

Capital assets include equipment. SWBH defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Any improvement with a cost greater than \$15,000 and an estimated useful life greater than two years is also capitalized.

When capital assets are purchased, they are capitalized and depreciated in the government-wide financial statements. Capital assets are recorded as expenditures of the current period in the government fund financial statements. Capital assets are valued at cost where historical records are available and at an estimated historical cost where no records exist. Donated capital assets are valued at their estimated fair value on the date received. Improvements to capital assets that materially add to the value or extend the life of the asset are capitalized. Other repairs and normal maintenance are not capitalized. Equipment is depreciated using the straight line method over the following estimated useful lives:

<u>Asset Category</u>	<u>Useful Life</u>
Vehicles	5-8 years
Office Equipment	5-10 years
Computer Equipment	3-5 years
Software	5 years

See Note IV(C).

5. Compensated absences

It is SWBH policy to permit employees to accumulate earned but unused vacation/sick leave benefits. All vacation/sick pay is accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in the governmental fund only if they have matured, for example, as a result of employee resignations and retirements. The non-current portion for governmental funds is not reported in the governmental fund statements and it represents a reconciling item between the fund and government-wide presentations. Employees receive vacation pay, which may be accumulated up to a maximum of 240 hours, which is payable upon resignation, retirement or death. Sick leave may accumulate up to a maximum of 1,000 hours. An employee leaving SWBH due to retirement or layoff is entitled to be paid for unused vacation and 25% of sick leave after completion of six months and five years of service respectively. Employee leave and sick benefit accrued liability for 2012 and 2013 was \$40,452 and \$137,270, respectively including estimated benefits.

6. Deferred inflow of resources

The deferred inflow of resources for SWBH is to account for amounts for which revenue recognition criteria have not been met. The funds are associated with obligations that are allocated to specific contracts but have not been spent or earned.

7. Fund balance classifications

Assets in excess of liabilities are reported as fund balances and are segregated into separate classifications indicating the extent to which SWBH is bound to honor constraints on the specific purposes for which those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or are legally or contractually required to be maintained intact.

Restricted: Fund balance is reported as *restricted* when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. State contract requires reserves for risk and inpatient services for the individuals served by SWBH. These percentages are currently 14% for the PIHP contract and 4.9% for the State contract.

Committed: Fund balance is reported as *committed* when the SWBH passes a resolution that places specific constraints on how the resources may be used. The Board can modify or rescind the ordinance at any time through passage of an additional ordinance.

Assigned: Fund balance is reported as *assigned* when the Board assigns amounts for a specific purpose. SWBH policy establishing this authorization is to adopt a resolution.

Unassigned: Fund balance reported as unassigned represent net resources in excess of nonspendable, restricted, committed and assigned fund balance.

When both restricted and unrestricted resources are available, SWBH's policy is to use unrestricted resources first, and then restricted resources, as they are needed.

NOTE II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between *fund balance—total governmental funds* and *net position—governmental activities* as reported in the government-wide statement of net position.

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances—total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

Another element of that reconciliation states that “Some 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.” The details of this 2013 difference are as follows:

Compensated Absences	\$ <u>(96,818)</u>
Net adjustment to decrease <i>net changes in fund balances—total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	\$ <u><u>(96,818)</u></u>

NOTE III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

1. Scope of Budget

Biennial appropriated budget is adopted for the general fund on the accrual basis of accounting, and appropriations for the general fund lapse at the end of the biennium.

2. Amending the Budget

The finance manager is authorized to transfer budget amounts within the approved expenditure budget however, any revisions that alter the total expenditures of SWBH must be approved by board

The budget amounts showing the financial statements are the final authorized amounts as revised during the biennium.

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 biennium.

NOTE IV. DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The Clark County Treasurer is empowered by the State to act as fiduciary for the County and other taxing districts, which includes the deposit and prudent investment of public funds as legally prescribed by the laws of the State of Washington. The Clark County Treasurer acts as fiduciary for SWBH and administers an investment pool in which SWBH participates. This pool is not registered with the Securities and Exchange Commission. Regulatory oversight is provided by the Clark County Treasurer's Office Finance Committee, which by statute consists of the Treasurer, the Auditor and the Chair of the Board of County Commissioners. The pool is not rated. The committee approves the investment policy and makes all appropriate rules and regulations to carry out the provisions of RCW 36.48.010 through 36.48.060. The fair value of SWBH's position in the pool is the same as the value of the pool shares.

Qualified bank depositories are those specified by the Washington Public Deposit Protection Commission. Investments may be made in the form of banker's acceptances, U.S. Treasury bills and certain other government agency obligations. Clark County policy dictates that all investment instruments other than certificates of deposit and the Washington State Investment Pool be transacted on the delivery versus payment basis.

SWBH's interest in the pool at December 31, 2012 and 2013 was \$15,850,603 and \$19,442,222 respectively which is stated at fair value. Investments in the County's pool are not subject to categorization because specific instruments cannot be distinguished between those participating in the pool.

B. RECEIVABLES AND PAYABLE BALANCES

Receivables for SWBH, including the applicable allowance for uncollectible accounts, are shown as follows:

<u>2012</u>	<u>Accounts Receivable</u>	<u>Due from Other Gov'ts</u>	<u>Total</u>
General Fund	\$ 791,770	\$ 2,841,462	\$ 3,633,232
Net Receivables	<u>\$ 791,770</u>	<u>\$ 2,841,462</u>	<u>\$ 3,633,232</u>

<u>2013</u>	<u>Accounts Receivable</u>	<u>Due from Other Gov'ts</u>	<u>Total</u>
General Fund	\$ 500,310	\$ 343,715	\$ 844,025
Net Receivables	<u>\$ 500,310</u>	<u>\$ 343,715</u>	<u>\$ 844,025</u>

Payables were as follows:

2012	Vendors	Salaries and Benefits	Total
General Fund	\$ 6,181,308	\$ 108,196	\$ 6,289,504
Net Payables	\$ 6,181,308	\$ 108,196	\$ 6,289,504

2013	Vendors	Salaries and Benefits	Total
General Fund	\$ 5,565,989	\$ 157,383	\$ 5,723,372
Net Payables	\$ 5,565,989	\$ 157,383	\$ 5,723,372

C. CAPITAL ASSETS

For the period ending December 31, 2012 SWBH had no capital assets. A summary of capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance 1/1/2013	Increases	Decreases	Ending Balance 12/31/2013
Governmental activities:				
Capital assets, being depreciated/amortized				
Machinery and equipment	-	53,666	-	53,666
Intangibles	-	53,812	-	53,812
Total assets being depreciated/amortized	-	107,478	-	107,478
Less accumulated depreciation/amortization for:				
Machinery and equipment	-	7,159	-	7,159
Intangibles	-	7,178	-	7,178
Total accumulated depreciation	-	14,337	-	14,337
Total capital assets, being depreciated, net	-	93,141	-	93,141
Governmental activities, capital assets, net	\$ -	\$ 93,141	\$ -	\$ 93,141

D. RESTRICTED ASSETS

The balances of the restricted asset accounts in the general fund are as follows for December 31, 2012:

	<u>Amount</u>
PIHP Risk/Inpatient Reserve	\$ 4,234,827
State Inpatient Reserve	438,294
	<u>\$ 4,673,121</u>

The balances of the restricted asset accounts in the general fund are as follows for December 31, 2013:

	<u>Amount</u>
PIHP Risk/Inpatient Reserve	\$ 4,656,768
State Inpatient Reserve	440,003
	<u>\$ 5,096,771</u>

E. LONG-TERM DEBT

CHANGES IN LONG-TERM LIABILITIES

The following is a summary of long-term debt changes as of December 31, 2012 and 2013:

<u>Governmental activities</u>	<u>10/1/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2012</u>	<u>Due Within One Year</u>
Compensated absences		\$ 40,452	\$ -	\$ 40,452	\$ 16,181
Governmental activity long-term liabilities		\$ 40,452	\$ -	\$ 40,452	\$ 16,181

<u>Governmental activities</u>	<u>1/1/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/2013</u>	<u>Due Within One Year</u>
Compensated absences	\$ 40,452	\$ 96,818	\$ -	\$ 137,270	\$ 54,908
Governmental activity long-term liabilities	\$ 40,452	\$ 96,818	\$ -	\$ 137,270	\$ 54,908

NOTE V. OTHER DISCLOSURES

A. RISK MANAGEMENT

SWBH is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; on-the-job injuries to employees; and natural disasters. SWBH purchases commercial excess insurance to cover specific risks and individuals. Coverage limits and deductibles at December 31, 2013 are as follows:

<u>Coverage</u>	<u>Coverage Limits</u>	<u>Deductible</u>
Property Insurance - Contents	\$ 130,000	\$ 500
Workers' Compensation	Statutory	
General Liability	\$ 5,000,000	\$ 10,000
Executive - Directors and Officers	\$ 1,000,000	\$ -
Errors and Omission	\$ 3,000,000	\$ 25,000

There have been no significant reductions in insurance coverage from coverage in the prior year and settled claims have not exceeded coverage.

B. EMPLOYEE RETIREMENT SYSTEMS AND PENSION PLANS

Substantially all SWBH 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 retirement plans. The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to: Department of Retirement Systems, Communications Unit, P.O. Box 48380, Olympia, WA 98504-8380; or it may be downloaded from the DRS website at www.drs.wa.gov. The following disclosures are made pursuant to GASB Statements 27, *Accounting for Pensions by State and Local Government Employers* and 50, *Pension Disclosures, an Amendment of GASB Statements 25 and 27*.

Public Employees' Retirement System (PERS) Plans 1, 2, and 3

Plan Description

The Legislature established PERS in 1947. Membership in the system includes: elected officials; state employees; employees of the Supreme, Appeals, and Superior courts; employees of legislative committees; employees of district and municipal courts; and employees of local governments.

Membership also includes higher education employees not participating in higher education retirement programs. Approximately 49 percent of PERS salaries are accounted for by state employment. PERS retirement benefit provisions are established in Chapters 41.34 and 41.40 RCW and may be amended only by the State Legislature.

PERS is a cost-sharing multiple-employer retirement system comprised of three separate plans for membership purposes: Plans 1 and 2 are defined benefit plans and Plan 3 is a defined benefit plan with a defined contribution component.

PERS members who joined the system by September 30, 1977 are Plan 1 members. Those who joined on or after October 1, 1977 and by either, February 28, 2002 for state and higher education employees, or August 31, 2002 for local government employees, are Plan 2 members unless they exercised an option to transfer their membership to Plan 3. PERS members joining the system on or after March 1, 2002 for state and higher education employees, or September 1, 2002 for local government employees have the irrevocable option of choosing membership in either PERS Plan 2 or Plan 3. The option must be exercised within 90 days of employment. Employees who fail to choose within 90 days default to Plan 3.

PERS is comprised of and reported as three separate plans for accounting 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 members can only be a member of either Plan 2 or Plan 3, the defined benefit portions of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of this Plan 2/3 may legally be used to pay the defined benefits of any of the Plan 2 or Plan 3 members or beneficiaries, as defined by the terms of the plan. Therefore, Plan 2/3 is considered to be a single plan for accounting purposes.

PERS Plan 1 and Plan 2 retirement benefits are financed from a combination of investment earnings and employer and employee contributions. Employee contributions to the PERS Plan 1 and Plan 2 defined benefit plans accrue interest at a rate specified by the Director of DRS. During DRS' Fiscal Year 2013, the rate was five and one-half percent compounded quarterly. Members in PERS Plan 1 and Plan 2 can elect to withdraw total employee contributions and interest thereon, in lieu of any retirement benefit, upon separation from PERS-covered employment.

PERS Plan 1 members are vested after the completion of five years of eligible service.

PERS Plan 1 members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with 25 years of service, or at age 60 with at least 5 years of service. Plan 1 members retiring from inactive status prior to the age of 65 may receive actuarially reduced benefits.

The monthly benefit is 2 percent of the average final compensation (AFC) per year of service, but the benefit may not exceed 60 percent of the AFC. The AFC is the monthly average of the 24 consecutive highest-paid service credit months.

PERS Plan 1 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

Plan 1 members may elect to receive an optional COLA that provides an automatic annual adjustment based on the Consumer Price Index. The adjustment is capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 1 provides duty and non-duty disability benefits. Duty disability retirement benefits for disablement prior to the age of 60 consist of a temporary life annuity. The benefit amount is \$350 a month, or two-thirds of the monthly AFC, whichever is less. The benefit is reduced by any workers' compensation benefit and is payable as long as the member remains disabled or until the member attains the age of 60, at which time the benefit is converted to the member's service retirement amount.

A member with five years of covered employment is eligible for non-duty disability retirement. Prior to the age of 55, the benefit amount is 2 percent of the AFC for each year of service reduced by 2 percent for each year that the member's age is less than 55. The total benefit is limited to 60 percent of the AFC and is actuarially reduced to reflect the choice of a survivor option. Plan 1 members may elect to receive an optional COLA amount (based on the Consumer Price Index), capped at 3 percent annually. To offset the cost of this annual adjustment, the benefit is reduced.

PERS Plan 2 members are vested after the completion of five years of eligible service. Plan 2 members are eligible for normal retirement at the age of 65 with five years of service. The monthly benefit is 2 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest- paid service months. There is no cap on years of service credit; and a cost-of-living allowance is granted (based on the Consumer Price Index), capped at 3 percent annually.

PERS Plan 2 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 reduced benefit. The benefit is reduced by an early retirement factor (ERF) that varies according to age, for each year before age 65.

PERS Plan 2 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions, if hired prior to May 1, 2013:

- With a benefit that is reduced by 3 percent for each year before age 65; or
- With a benefit that has a smaller (or no) reduction (depending on age) that imposes stricter return-to-work rules.

PERS Plan 2 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of 5 percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service.

PERS Plan 2 retirement benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 3 has a dual benefit structure. Employer contributions finance a defined benefit component and member contributions finance a defined contribution component. As established by Chapter 41.34 RCW, employee contribution rates to the defined contribution component range from 5 percent to 15 percent of salaries, based on member choice. Members who do not choose a contribution rate default to a 5 percent rate. There are currently no requirements for employer contributions to the defined contribution component of PERS Plan 3.

PERS Plan 3 defined contribution retirement benefits are dependent upon the results of investment activities. Members may elect to self-direct the investment of their contributions. Any expenses incurred in conjunction with self-directed investments are paid by members. Absent a member's self-direction, PERS Plan 3 contributions are invested in the Retirement Strategy Fund that assumes the member will retire at age 65.

For DRS' Fiscal Year 2013, PERS Plan 3 employee contributions were \$99.0 million, and plan refunds paid out were \$69.4 million.

The defined benefit portion of PERS Plan 3 provides members a monthly benefit that is 1 percent of the AFC per year of service. The AFC is the monthly average of the 60 consecutive highest-paid service months. There is no cap on years of service credit, and Plan 3 provides the same cost-of-living allowance as Plan 2.

Effective June 7, 2006, PERS 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 twelve months of that service are earned after age 44; or after five service credit years earned in PERS Plan 2 by June 1, 2003. Plan 3 members are immediately vested in the defined contribution portion of their plan.

Vested Plan 3 members are eligible for normal retirement at age 65, or they may retire early with the following conditions and benefits:

- If they have at least ten service credit years and are 55 years old, the benefit is reduced by an ERF that varies with age, for each year before age 65.
- If they have 30 service credit years and are at least 55 years old, and were hired before May 1, 2013, they have the choice of a benefit that is reduced by 3 percent for each year before age 65; or a benefit with a smaller (or no) reduction factor (depending on age) that imposes stricter return-to-work rules.

- If they have 30 service credit years, are at least 55 years old, and were hired after May 1, 2013, they have the option to retire early by accepting a reduction of 5 percent for each year before age 65.

PERS Plan 3 benefits are actuarially reduced to reflect the choice, if made, of a survivor option.

PERS Plan 2 and Plan 3 provide disability benefits. There is no minimum amount of service credit required for eligibility. The Plan 2 monthly benefit amount is 2 percent of the AFC per year of service. For Plan 3, the monthly benefit amount is 1 percent of the AFC per year of service. These disability benefit amounts are actuarially reduced for each year that the member's age is less than 65, and to reflect the choice of a survivor option. There is no cap on years of service credit, and a cost-of-living allowance is granted (based on the Consumer Price Index) capped at 3 percent annually.

PERS members meeting specific eligibility requirements have options available to enhance their retirement benefits. Some of these options are available to their survivors.

A one-time duty-related death benefit is provided to the beneficiary or the estate of a PERS member who dies as a result of injuries sustained in the course of employment, or if the death resulted from an occupational disease or infection that arose naturally and proximately out of the member's covered employment, if found eligible by the Department of Labor and Industries.

From January 1, 2007 through December 31, 2007, judicial members of PERS were given the choice to elect participation in the Judicial Benefit Multiplier (JBM) Program enacted in 2006. Justices and judges in PERS Plan 1 and Plan 2 were able to make an irrevocable election to pay increased contributions that would fund a retirement benefit with a 3.5 percent multiplier. The benefit would be capped at 75 percent of AFC. Judges in PERS Plan 3 could elect a 1.6 percent of pay per year of service benefit, capped at 37.5 percent of AFC.

Newly elected or appointed justices and judges who chose to become PERS members on or after January 1, 2007, or who had not previously opted into PERS membership, were required to participate in the JBM Program.

There are 1,176 participating employers in PERS. Membership in PERS consisted of the following as of the latest actuarial valuation date for the plans of June 30, 2012:

Retirees and Beneficiaries Receiving Benefits	82,242
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	30,515
Active Plan Members Vested	106,317
Active Plan Members Nonvested	44,273
Total	263,347

Funding Policy

Each biennium, the state Pension Funding Council adopts PERS Plan 1 employer contribution rates, PERS Plan 2 employer and employee contribution rates, and PERS Plan 3 employer contribution rates. Employee contribution rates for Plan 1 are established by statute at 6 percent for state agencies and local government unit employees, and at 7.5 percent for state government elected officials. The employer and employee contribution rates for Plan 2 and the employer contribution rate for Plan 3 are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit

portion of Plan 3. Under PERS Plan 3, employer contributions finance the defined benefit portion of the plan and member contributions finance the defined contribution portion. The Plan 3 employee contribution rates range from 5 percent to 15 percent.

As a result of the implementation of the Judicial Benefit Multiplier Program in January 2007, a second tier of employer and employee rates was developed to fund, along with investment earnings, the increased retirement benefits of those justices and judges that participate in the program

The methods used to determine the contribution requirements are established under state statute in accordance with Chapters 41.40 and 41.45 RCW.

The required contribution rates expressed as a percentage of current-year covered payroll, as of December 31, 2013, are as follows:

Members Not Participating in JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer*	9.21%**	9.21%**	9.21%***
Employee	6.00%****	4.92%****	*****

* The employer rates include the employer administrative expense fee currently set at 0.18%.

** The employer rate for state elected officials is 13.73% for Plan 1 and 9.21% for Plan 2 and Plan 3.

*** Plan 3 defined benefit portion only.

**** The employee rate for state elected officials is 7.50% for Plan 1 and 4.92% for Plan 2.

***** Variable from 5.0% minimum to 15.0% maximum based on rate selected by the PERS 3 member.

Members Participating in JBM:

	<u>PERS Plan 1</u>	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
Employer-State Agency*	11.71%	11.71%	11.71%**
Employer-Local Gov't Units*	9.21%	9.21%	9.21%**
Employee-State Agency	9.76%	9.80%	7.50%***
Employee-Local Gov't Units	12.26%	12.30%	7.50%***

* The employer rates include the employer administrative expense fee currently set at .18%.

**Plan 3 defined benefit portion only.

***Minimum rate.

Both SWBH and the employees made the required contributions. The SWBH required contributions for the years ended December 31 were as follows:

	<u>PERS Plan 2</u>	<u>PERS Plan 3</u>
2013	\$174,647	\$69,218
2012	\$32,687	\$13,496

C. FEDERAL FINANCIAL ASSISTANCE

The SWBH recorded the following federal grant revenues for 2012.

Federal Catalog No.	Government	Program	Amount
93.958	Aging and Disability Services	MHBG	\$123,017
93.950	Aging and Disability Services	PATH	<u>30,137</u>
Total Federal Financial Assistance			\$153,154

The SWBH recorded the following federal grant revenues for 2013.

Federal Catalog No.	Government	Program	Amount
93.958	Aging and Disability Services	MHBG	\$548,156
93.950	Aging and Disability Services	PATH	<u>85,864</u>
Total Federal Financial Assistance			<u>\$634,020</u>

D. CONTINGENT LIABILITIES

The SWBH 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. SWBH management believes that such disallowances, if any, will be immaterial.

E. OPERATING LEASES

The SWBH is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in SWBH's statement of net position. Increases in rent, if any, are contingent upon the consumer price index at defined intervals.

The following is a schedule by years of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2013:

<u>Year Ending December 31</u>	<u>Total</u>
2014	\$ 500,971
2015	507,591
2016	427,552
2017	<u>285,228</u>
Total minimum payments required	<u>\$ 1,721,342</u>

Total minimum payments required at December 31, 2012 and 2013 respectively were \$93,693 and \$428,595. Total rent expense for the year ended December 31, 2012 and 2013 was \$14,943 and \$66,881 respectively.

F. RELATED PARTY TRANSACTIONS

SWBH was formed by interlocal agreements between Clark, Cowlitz, and Skamania counties. Below are the related party agreements that were active in 2013.

1. Clark County:
Crisis Services (\$2,078,046), Mental Health Coordinator (\$70,513), Center for Community Health Facility Lease (\$65,020), Human Resources and Benefits (\$24,000), IT services through May of 2013 (\$83,760), Auditor Services for the 2012-13 biennium (\$192,321), Treasurer Services (\$0).
2. Cowlitz County:
A county liaison position (\$79,882) and the Ocean Beach Highway office lease (\$1,861).
3. Skamania County:
A county liaison position (\$70,085) and contract for mental health services provided in Skamania County (\$680,708).

G. Extraordinary Item

In 2012, a Joint Regional Support Network was formed by Clark, Cowlitz and Skamania Counties in accordance with Revised Code of Washington (RCW) title 71.24 which authorizes a group of counties to enter a joint operating agreement to form a regional support network for the establishment of regional systems of care.

Both Clark and Cowlitz Counties agreed to transfer its reserve balances as of 09/30/12 to SWBH per the Interlocal agreement.

In 2012, Clark County transferred \$11,876,000 and Cowlitz County transferred \$2,212,530 to SWBH. In 2013, Clark County transferred the remaining \$1,929,020.

SOUTHWEST WASHINGTON BEHAVIORAL HEALTH RSN										Schedule 16
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS										
For the Year Ended December 31, 2013										
Federal Agency Name/ Pass-Through Agency Name	Federal Program Name	Federal CFDA Number	Other Identification Number	From Pass- Through Awards	Expenditures From Direct Awards	Total Amount	Footnote Reference			
Department of Health and Human Services Substance Abuse and Mental Health Services Administration/pass through from Aging and Disability Services Administration	Block Grants for Community Mental Health Services	93.958	1269-61103, 1369-76934	548,156	-	548,156	3			
Department of Health and Human Services Substance Abuse and Mental Health Services Administration/pass through from Aging and Disability Services Administration	Projects for Assistance in Transition from Homelessness (PATH)	93.150	1269-61086,1269- 61092,1269-72554, 1269-62026	85,864	-	85,864	2,3			
TOTAL FEDERAL AWARDS EXPENDED						\$ 634,020	\$ -	\$ 634,020		

The accompanying notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

**SOUTHWEST WASHINGTON BEHAVIORAL HEALTH RSN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013**

Note 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting as the organization uses the accrual basis of accounting.

Note 2 - PROGRAM COSTS

The amounts shown as current expenditures represent only the federal portion of the program costs.

Note 3 - AMOUNTS AWARDED TO SUBRECIPIENTS

Included in the total amount expended for these programs is \$634,020 that were passed through to subrecipients that administered their own projects.



ABOUT THE STATE AUDITOR'S OFFICE

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

We work with our audit clients and citizens as an advocate for government accountability. As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

The State Auditor's Office employees are located around the state to deliver services effectively and efficiently.

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

The results of our work are widely distributed through a variety of reports, which are available on our Web site and through our free, electronic subscription service.

We take our role as partners in accountability seriously. We provide training and technical assistance to governments and have an extensive quality assurance program.

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Deputy Director of Local Audit
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