



**Washington State Auditor's Office**

**Troy Kelley**

**Integrity • Respect • Independence**

**Financial Statements and Federal Single Audit  
Report**

**Greater Columbia Behavioral Health  
Regional Support Network  
(Greater Columbia Behavioral Health)**

**Benton County**

**For the period July 1, 2013 through June 30, 2014**

**Published March 23, 2015**

**Report No. 1013802**





## Washington State Auditor Troy Kelley

March 23, 2015

Board of Directors  
Greater Columbia Behavioral Health  
Kennewick, Washington

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

Please find attached our report on the Greater Columbia Behavioral Health'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  
OLYMPIA, WA

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## FEDERAL SUMMARY

### **Greater Columbia Behavioral Health Benton County July 1, 2013 through June 30, 2014**

The results of our audit of the Greater Columbia Behavioral Health 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 each major fund.

##### **Internal Control Over Financial Reporting:**

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

We noted no instances of noncompliance that were material to the financial statements of the 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 qualified as a low-risk auditee under OMB Circular A-133.

# 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*

## **Greater Columbia Behavioral Health Benton County July 1, 2013 through June 30, 2014**

Board of Directors  
Greater Columbia Behavioral Health  
Kennewick, Washington

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Greater Columbia Behavioral Health, Benton County, Washington, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Network's basic financial statements, and have issued our report thereon dated March 11, 2015.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit 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 the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

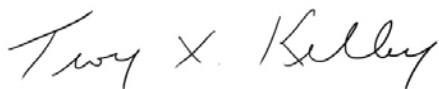
## COMPLIANCE AND OTHER MATTERS

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*.

## 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  
OLYMPIA, WA

March 11, 2015

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB  
CIRCULAR A-133**

**Greater Columbia Behavioral Health  
Benton County  
July 1, 2013 through June 30, 2014**

Board of Directors  
Greater Columbia Behavioral Health  
Kennewick, Washington

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

We have audited the compliance of the Greater Columbia Behavioral Health, Benton 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 June 30, 2014. 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 June 30, 2014.

## **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.

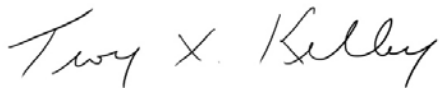
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 black ink that reads "Troy X. Kelley". The signature is written in a cursive, flowing style.

TROY KELLEY  
STATE AUDITOR  
OLYMPIA, WA

March 11, 2015

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

## **Greater Columbia Behavioral Health Benton County July 1, 2013 through June 30, 2014**

Board of Directors  
Greater Columbia Behavioral Health  
Kennewick, Washington

### **REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Greater Columbia Behavioral Health, Benton County, Washington, as of and for the year ended June 30, 2014, 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 audit. We conducted our audit 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 each major fund of the Greater Columbia Behavioral Health, as of June 30, 2014, and the respective changes in financial position thereof, and the budgetary comparison for the General Fund, for the year 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 21 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 audit was 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 March 11, 2015 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  
OLYMPIA, WA

March 11, 2015

## **FINANCIAL SECTION**

### **Greater Columbia Behavioral Health Benton County July 1, 2013 through June 30, 2014**

#### **REQUIRED SUPPLEMENTARY INFORMATION**

Management's Discussion and Analysis – 2014

#### **BASIC FINANCIAL STATEMENTS**

Statement of Net Position – 2014

Balance Sheet – Governmental Funds – 2014

Reconciliation of Balance Sheet Governmental Funds to Statement of Net Position –  
2014

Statement of Activities – 2014

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental  
Funds – 2014

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of  
Governmental Funds to Statement of Activities – 2014

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual –  
2014

Notes to Financial Statements – 2014

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

Schedule of Expenditures of Federal Awards – 2014

Notes to the Schedule of Expenditures of Federal Awards – 2014

# **Management Discussion and Analysis**

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## **Greater Columbia Behavioral Health Benton County July 1, 2013 through June 30, 2014**

Greater Columbia Behavioral Health Administration's (GCBH) discussion and analysis offers readers a narrative overview and analysis of financial activities for the fiscal year ended June 30, 2014.

We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, and in the financial statements and notes to the financial statements (which immediately follow this discussion).

### **FINANCIAL HIGHLIGHTS**

Greater Columbia Behavioral Health (GCBH) was formed by an inter-local agreement pursuant to RCW 71.24.300. Currently comprised of 10 Southeastern Washington Counties, GCBH operates as a quazi-governmental agency. GCBH is licensed in the State of Washington to operate as one of only 11 Regional Support Networks (RSN).

An RSN, as an entity, was created by legislative action to manage the publicly funded mental health system in Washington State.

Federal Healthcare legislation which took effect mid-way through Fiscal Year 2014 has had a profound impact on GCBH and its network of service providers.

The number of "covered lives" served by the GCBH system increased from a monthly average of 160,000 Medicaid eligible consumers during the first six months of FY14, to over 200,000 covered lives on the final month of the fiscal year.

Medicaid, the largest source of revenue for GCBH, rose significantly from \$41.8 million during FY13, to over \$51 million during FY14.

Unfortunately, the vast majority of the new revenue was received during the final 4-6 months of the fiscal year. Because of this, Medicaid payments to the provider network only increased by 4% going from \$38 million during FY13 to just over \$40 million in FY14.

State-Only revenue, the RSN's second largest revenue source also increased during the fiscal year going from \$10.5 million in FY13 to \$11.2 million during FY14. \$1.2 million of this amount was received as a pass through for the expansion of a crisis triage facility, so actual State-Only revenue paid by the State to serve GCBH Non-Medicaid eligible consumers was reduced by \$500,000 during FY14.

Non-Medicaid or State-Only payments to the provider network decreased from \$7.9 million during FY13 to just under \$6.5 million during FY14. A 17% decrease from the prior year.

Fiscal Year 2014 brought to close the first 12 months of the 24 month contract cycle GCBH has with the State of Washington. The full impact of Medicaid expansion on the public mental health system has yet to be realized. During the next 12 months, GCBH will likely see an even greater increase in revenue.

Current legislation has RSNs taking over Chemical Dependency (CD) service contracts starting in FY16. These contracts, currently managed at the county level with State-only funding, will be shifted to Medicaid. This shift in service delivery could increase GCBH revenues again by anywhere from 25% to 40%.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to GCBH's 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**

There are two government-wide financial statements designed to provide readers with a broad overview of GCBH's finances in a manner similar to a private-sector business. New accounting rules require governmental agencies to distinguish functions 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 GCBH's activities are considered governmental activities and are dedicated to providing mental health services within our catchment area. The Statement of Net Position presents information on all of GCBH's assets and liabilities, with the difference between the two reported as net position. This statement serves as a useful indicator of whether the financial position of Greater Columbia is improving or deteriorating. However, this is just one indicator of the financial health of the organization. Another indicator is the Statement of Activities which illustrates how GCBH's net position changed during 2014. All changes in net position are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires revenues be reported when earned and expenses are reported when goods or services are received, regardless of the timing of the cash flow. Items such as uncollected taxes, unpaid vendor invoices for items received in 2014 and earned but unused vacation leave, will be included in the statement of activities as revenue and expense, though the cash associated with these items will not be received or distributed in 2014.

### **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources that have been segregated from specific activities or objectives. GCBH, like other state and local governments, is required to use fund accounting. Because GCBH is an organization dedicated to a single purpose, it only uses the Governmental Fund type. Governmental Funds are used to account for most, if not all, of a government's tax-supported activities.



## **Governmental Funds**

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

Governmental funds are used to account for essentially the same function reported as governmental activities in the Government-wide Financial Statements. However, unlike Government-wide Financial Statements' use of accrual accounting, 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, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the Government-wide Financial Statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide reconciliation to the governmental activities column in the government-wide statements in order to facilitate this comparison.

GCBH maintains budgetary controls over its operating funds. As stated above, GCBH has only one fund, the General Fund. Because of this, there is substantial similarity between the Governmental Funds Financial Statements and the Government-wide Financial Statements. However, the above discussion of accrual vs. non-accrual reporting explains the minor differences that may be found.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in the report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Statement of Net Position

Though net position may serve over time as a useful indicator of a typical government's financial position, GCBH, on the other hand, is not a typical government entity.

GCBH experienced a massive increase in revenue during the last six months of FY14.

This rapid growth led to a 62% increase in the Total Net Position of GCBH at the end of FY14.

The Total Net Position of GCBH increased from \$4.8 million at the end of FY13, to just over \$12.8 million at the close of Fiscal Year 2014.

The Statement of Net Position also includes the value of Capital Assets owned by GCBH. These assets reflect the historical cost of all GCBH land, buildings, and equipment (net of accumulated depreciation).

For fiscal year 2014, the only capital expenditures made by GCBH were to replace the business office carpeting. (Total cost \$20,138)

### Condensed GCBH Statement of Net Position

	<u>FY14</u>	<u>FY13</u>
Current Assets	\$12,744,022	\$4,615,750
Capital Assets	<u>517,326</u>	<u>567,930</u>
<b>Total Assets</b>	<b>\$13,261,348</b>	<b>\$5,183,680</b>
 <b>Total Liabilities</b>	 <b>\$ 364,035</b>	 <b>\$ 342,785</b>
 Net Assets:		
Invested in Capital Assets	517,326	567,930
Committed Assets	19,020	19,020
Restricted Assets	12,360,967	4,151,054
Unrestricted Assets	<u>102,891</u>	<u>102,891</u>
<b>Total Net Position</b>	<b>\$12,897,313</b>	<b>\$4,840,895</b>

### **Statement of Activities**

The Statement of Activities reports the revenue earned and expenditures made by GCBH during FY13 and FY14. Total revenue increased by 20% from \$54.7 million in FY13 to just over \$66 million during FY14.

Total expenses, on the other hand, only showed a slight increase from \$57.5 million during FY13, to just over \$57.9 million during the FY14.

### **Condensed GCBH Statement of Activities**

	<b><u>FY14</u></b>	<b><u>FY13</u></b>
Revenue	\$66,027,833	\$54,674,156
(Less) Expenditures	<u>57,960,966</u>	<u>57,494,378</u>
Change in Net Position	8,066,867	(2,820,222)
Prior Period Adjustment:	(10,449)	
<b>Ending Net Position</b>	<b>\$12,897,313</b>	<b>\$ 4,840,895</b>

### **FINANCIAL ANALYSIS OF THE GCBH FUNDS**

As noted earlier, GCBH uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. GCBH only has one fund, the general fund, and it is a governmental type fund.

### **Governmental Funds Balance Sheet Analysis**

The Balance Sheet is an analysis of GCBH's General Fund assets and liabilities as of June 30, 2014.

### **GCBH General Fund**

The focus of the GCBH general fund is to provide information on near-term inflows, outflows, and balance of spendable resources. As of June 30, 2014, the GCBH general fund reported a total fund balance of \$12,448,689 compared to the prior year fund balance of \$4,338,851.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

GCBH is on a bi-annual budget cycle (every two years). Budgeting revenue for an RSN does have its share of challenges. The majority of RSN revenue is generated via a Medicaid Prepaid Inpatient Health Plan (PIHP) contract. These monthly PIHP payments are paid on a per-member per-month (PMPM) basis. Ironically, in difficult economic times, RSN revenue will increase as more people seek out public assistance. The opposite can occur when the economy improves. Less and less people tend to require (or qualify) for Medicaid assistance as their own personal situation gets better.

Since 2008, GCBH has consistently seen increases to its Medicaid population of 2-3% each year. During FY14, this all changed with federal healthcare legislation. In just 6 short months, the GCBH Medicaid population jumped by nearly 25%.

The final revenue and expenditure budget for FY14-FY15 equals \$112,929,000. This amount reflects a 1% increase from the FY12-FY13 operating budget which was approved at \$111,138,000. At the time the FY14-FY15 budget was adopted, there was a great deal of uncertainty about the impact Medicaid expansion would have on GCBH.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

GCBH owns and maintains a small number of capital assets. These assets include land, a building, and three (3) vehicles. In addition, GCBH also maintains a network of computers and servers used to store, receive, and submit confidential medical records to the state. The GCBH board of directors has determined only assets purchased with a value greater than \$5,000 per item will be considered a capital purchase for reporting purposes.

### **Long-Term Debt**

GCBH has no long-term debt.

## **ECONOMIC FACTORS**

GCBH serves at the pleasure of the State and Federal governments who provide funding through the Washington State Department of Social and Health Services (DSHS). Through a variety of contracts with DSHS, GCBH administers the publically funded mental health service system within a ten (10) county catchment area.

Implementation of the affordable care act has and will provide GCBH with a wide variety of new opportunities for growth during the next 3-5 years.

### **Requests for Information**

This financial report is designed to provide a general overview of GCBH's 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:

Troy D. Wilson, Chief Financial Officer  
Greater Columbia Behavioral Health  
101 North Edison Street  
Kennewick WA 99336  
(509)735-8681

GREATER COLUMBIA BEHAVIORAL HEALTH  
STATEMENT OF NET POSITION  
June 30, 2014

	<b>Governmental Activities</b>
	<b>General Fund</b>
<b><u>ASSETS</u></b>	
<b>Current Assets</b>	
Cash and Equivalents	\$ 12,735,977
Due From Other Government Units	8,045
<b>TOTAL CURRENT ASSETS</b>	<b>12,744,022</b>
<b>Non-Current Assets</b>	
<b>Capital Assets not being depreciated</b>	
Land	73,350
<b>Capital Assets (Net of Depreciation)</b>	
Building and Equipment	443,976
<b>Total Capital Assets</b>	<b>517,326</b>
<b>TOTAL ASSETS</b>	<b>\$ 13,261,348</b>
<b><u>LIABILITIES AND FUND BALANCE</u></b>	
<b>Current Liabilities</b>	
Payables	\$ 147,721
Due to Other Government Units	147,612
Compensated Absences	68,702
<b>TOTAL CURRENT LIABILITIES</b>	<b>364,035</b>
<b>TOTAL LIABILITIES</b>	<b>364,035</b>
<b>Net Position</b>	
Invested in Capital Assets (Net of Depreciation)	517,326
Committed Assets	19,020
Restricted Net Assets	12,360,967
<b>TOTAL NET POSITION</b>	<b>\$ 12,897,313</b>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**GREATER COLUMBIA BEHAVIORAL HEALTH**  
**BALANCE SHEET-GOVERNMENTAL FUNDS**  
June 30, 2014

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	<b>General Fund</b>	<b>Total</b>
<b><u>Assets</u></b>		
<b>Current Assets</b>		
Cash and Equivalents	\$ 12,735,977	\$ 12,735,977
Due From Other Government Units	8,045	8,045
<b>Total Current Assets</b>	<b>\$ 12,744,022</b>	<b>\$ 12,744,022</b>
<b><u>Liabilities and Deferred Inflows of Resources and Fund Balances</u></b>		
<b>Current Liabilities</b>		
Accounts/Vouchers Payable	\$ 147,721	\$ 147,721
Due To Other Government Units	147,612	147,612
<b>Total Current Liabilities</b>	295,333	295,333
<b>Fund Balance</b>		
Committed	19,020	19,020
Restricted	12,429,669	12,429,669
<b>Total Fund Balance</b>	12,448,689	12,448,689
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 12,744,022</b>	<b>\$ 12,744,022</b>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

**Reconciliation of Balance Sheet Governmental Funds to Statement of Net  
Position**

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**Greater Columbia Behavioral Health  
Benton County  
July 1, 2013 through June 30, 2014**

Total fund balance as shown on the Governmental Fund Balance Sheet is **\$12,448,689** compared with **\$12,897,313** listed as the total Net Position on the Statement of Net Position. This is a difference of **\$448,624**.

The reconciling items are as follows: Capital Assets (net of depreciation) in the amount of **\$517,326** are shown on the Statement of Net Position and not on the Governmental Fund Balance Sheet. Compensated Absences in the amount of **\$68,702** are reported as a liability on the Statement of Net Position, but not on the Governmental Fund Balance Sheet. (**\$517,326 - \$68,702 = \$448,624**).



**GREATER COLUMBIA BEHAVIORAL HEALTH  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

	Program Revenue			Net (expense) Revenue & changes in Net Position		
	Charges for Services	Grants & Fees Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activity	Business Type Activities	Total
<b><u>Governmental Activities:</u></b>						
Mental & Physical Health	\$ 57,960,966	\$ 51,416,638	\$ 13,662,161	\$ 7,117,833	\$	7,117,833
<b>Total Governmental Activities</b>	<b>57,960,966</b>	<b>51,416,638</b>	<b>13,662,161</b>	<b>7,117,833</b>	<b>-</b>	<b>7,117,833</b>
<b><u>Business-Type Activities:</u></b>						
<b>Total Business-Type Activities</b>						
<b>Total Primary Government</b>	<b>\$ 57,960,966</b>	<b>\$ 51,416,638</b>	<b>\$ 13,662,161</b>	<b>7,117,833</b>	<b>-</b>	<b>7,117,833</b>
<b><u>General Revenues</u></b>						
Investment Earnings				4,909		4,909
Miscellaneous				944,125		944,125
<b>Transfers</b>						
<b>Total General Revenues &amp; Transfers</b>				<b>949,034</b>	<b>-</b>	<b>949,034</b>
<b>Change in Net Position</b>				<b>8,066,867</b>	<b>-</b>	<b>8,066,867</b>
<b>Net Position-Beginning</b>				4,840,895		4,840,895
<b>Prior Period Adjustment (FY13)</b>				(10,449)		(10,449)
<b>Net Position-Ending</b>				<b>\$ 12,897,313</b>	<b>\$</b>	<b>12,897,313</b>

**SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS**

GREATER COLUMBIA BEHAVIORAL HEALTH  
STATEMENT OF REVENUES, EXPENDITURES  
and CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
For the Fiscal Year Ended June 30, 2014

	General Fund 2014 Actual	Total Governmental Funds 2014 Actual
<b><u>REVENUES</u></b>		
<u>Intergovernmental Revenue</u>		
330 Intergovernmental Revenue	\$ 13,662,161	\$ 13,662,161
<u>Charges for Goods and Services</u>		
340 Charges for Goods and Services	51,416,638	51,416,638
<u>Miscellaneous Revenues</u>		
360 Miscellaneous	949,034	949,034
 <b>TOTAL REVENUE</b>	 <b>\$ 66,027,833</b>	 <b>\$ 66,027,833</b>
 <b><u>EXPENDITURES</u></b>		
564 Mental and Physical health	57,897,857	57,897,857
594 Capital Outlays	20,138	20,138
 <b>TOTAL EXPENDITURES</b>	 <b>\$ 57,917,995</b>	 <b>\$ 57,917,995</b>
 Excess of Revenues Over (Under) Expenditures	8,109,838	8,109,838
Net Change in Fund Balance	8,109,838	8,109,838
<b>Fund Balance - Beginning 7/1/2013</b>	<b>4,338,851</b>	<b>4,338,851</b>
 <b>Fund Balance - Ending 6/30/2014</b>	 <b>\$ 12,448,689</b>	 <b>\$ 12,448,689</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**Reconciliation of Statement of Revenues, Expenditures and Changes in  
Fund Balance of Governmental Funds to Statement of Activities**

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**Greater Columbia Behavioral Health  
Benton County  
July 1, 2013 through June 30, 2014**

The net change in fund balance as shown on Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance is \$8,109,838. The Change in Net Position on the Statement of Activities equals \$8,066,867. This represents a difference of **\$42,971**.

Revenue is the same under both reporting methods. However, expenditures are different because the Statement of Activities capitalizes assets and reports depreciation. The Statement of Revenues, Expenditures and Changes in Fund Balance expense assets during the year purchased and does not depreciate assets. In addition, the Statement of Activities expenses the change in liability for compensated absences from the prior year. The difference between these two statements equals **\$42,971**.

The total represents the amount of depreciation reported for fiscal year 2014, minus capital outlays during the fiscal year, plus the net change in compensated absences ( $\$60,295 - \$20,138 + \$2,814 = \$42,971$ ).

GREATER COLUMBIA BEHAVIORAL HEALTH  
STATEMENT OF REVENUES, EXPENDITURES and CHANGES IN FUND BALANCE  
BUDGET to ACTUAL  
For the Fiscal Year Ended June 30, 2014

	Original FY14-15 Budget	Final FY14-15 Budget	Fiscal Year 2014 Actual	Fiscal Year 2015 Actual	Combined FY14-FY15 Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Intergovernmental Revenue	\$ 25,724,000	\$ 25,724,000	\$ 13,662,161	\$ -	13,662,161	\$ 12,061,839
Charges for Goods and Services	87,000,000	87,000,000	51,416,638	-	51,416,638	35,583,362
Miscellaneous Revenues	205,000	205,000	949,034	-	949,034	(744,034)
360 Miscellaneous						-
<b>TOTAL REVENUE</b>	<b>112,929,000</b>	<b>112,929,000</b>	<b>66,027,833</b>	<b>-</b>	<b>66,027,833</b>	<b>46,901,167</b>
<b>EXPENDITURES</b>						
564 Mental and Physical Health	112,869,000	112,869,000	57,897,857	-	57,897,857	54,971,143
594 Capital Outlays	60,000	60,000	20,138	-	20,138	39,862
<b>TOTAL EXPENDITURES</b>	<b>\$ 112,929,000</b>	<b>\$ 112,929,000</b>	<b>57,917,995</b>	<b>-</b>	<b>57,917,995</b>	<b>55,011,005</b>
Excess of Revenues Over (Under) Expenditures			8,109,838	-		
Net Change in Fund Balance			8,109,838	-		
<b>Fund Balance Beginning 7/1/2013 &amp; 7/1/2014</b>			4,338,851	-		
<b>Fund Balance Ending 6/30/2014 &amp; 6/30/2015</b>			<b>\$ 12,448,689</b>	<b>\$ -</b>		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

## **Notes to Financial Statements**

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### **Greater Columbia Behavioral Health Benton County July 1, 2013 through June 30, 2014**

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

The financial statements of Greater Columbia Behavioral Health 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**

Greater Columbia Behavioral Health (GCBH) was formed in 1989 under an inter-local agreement between Asotin, Benton, Columbia, Franklin, Garfield, Kittitas, Klickitat, Skamania, Walla Walla, Whitman, and Yakima Counties. Skamania County withdrew its membership in GCBH during fiscal year 2013. The RSN 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 GCBH ten (10) county catchment area. GCBH funding is provided through contractual agreement with the Washington State Department of Social and Health Services (DSHS).

**GCBH has no component units.**

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

Separate fund financial statements are provided for governmental funds. Information for the governmental fund is presented using a major fund presentation. This format presents individual columns for funds with significant activity. The remaining funds are presented in aggregate in a single column.

#### **GOVERNMENTAL FUND:**

Government-wide financial statements consist of the Statement of Net Position and the Statement of Activities. These statements report information on all of the non-fiduciary activities of the primary government and its component unit. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separate from business-type activities, which rely to a significant extent on fees and charges for support.

The GCBH Regional Support Network (RSN) has only one fund, the General Fund. All activities are reported in that fund.

The Statement of Activities demonstrates the degree to which the expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Fund financial statements are used to report additional and more detailed information about the primary government. Separate financial statements would be provided for government wide funds, proprietary funds and fiduciary funds, even though the latter are excluded from the Government-wide Financial Statements. Major individual governmental funds and major individual enterprise funds would be reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement preparation**

The Government-wide Financial Statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Under this measurement focus, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

All governmental funds are presented using the flow of “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 as soon enough thereafter to pay liabilities of the current period. For this purpose, GCBH considers revenues to be available if they are collected within thirty (30) days of the end of the 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. For fiscal year 2014, GCBH timed the maturity of its investments to occur within days of the year end thus no investment interest was accrued. Other revenues such as sales based taxes, licenses, fines and fees are not considered susceptible for accrual since they are not generally measurable until received. Expenditures are generally recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

See Note 1 E 5 - Accumulated Unpaid Vacation, Compensatory Time and Sick Leave

GCBH reports the following major governmental fund: The General Fund

The General Fund is GCBH's primary and only operating fund. It is used to account for all activities of the government unit.

**D. Budget and Budgetary Accounting**

**1. Scope of Budget**

A biennial appropriated budget is adopted by GCBH on the modified accrual basis of accounting. There are no differences between the budgetary basis and generally accepted accounting principles. Budgetary accounts are integrated in fund ledgers for revenue and expenditure accounts; the financial statements only include budgetary comparisons over a complete biennium.

The biennial appropriated budget is adopted at the fund level where expenditures may not exceed appropriations for the fund as a whole. Subsidiary revenue and expenditure accounts are used to compare the budgeted amounts with actual revenues and expenditures. Appropriations lapse at the end of a biennium.

2. Procedures for Adopting the Original Budget

GCBH budget procedure is mandated by RCW 71.24 and WAC 275-57. A biennial budget is adopted by GCBH Board of Directors by resolution.

3. The GCBH Chief Financial Officer is authorized to transfer budgeted amounts between line items; however any revisions that alter the total expenditures of a fund, or that affect the number of authorized employee positions, salary ranges, hours or other conditions of employment, or capital expenditures must be approved by the Board of Directors.

**E. Assets, Liabilities, Fund Balance, Net Assets or Equities**

1. Cash and Cash Equivalents

GCBH is required to maintain all cash accounts with the Benton County Treasurer. These amounts are either held on behalf of GCBH as cash for operations or invested in short-term investments. On June 30, 2014, GCBH was holding \$12,735,977 in surplus cash and cash equivalents. Of this amount, \$8,635,977 was held for operations and the remaining \$4,100,000 was held as 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.

2. Temporary Investments – (See Item 1. Cash and Cash Equivalents)

3. Due From and To Other Governmental Units and Counties - (See Note 4B)

These accounts include amounts due to or from counties and other governmental units for grants, entitlements, and advances.

4. Capital Assets and Depreciation – (See Note 6)

5. Accumulated Unpaid Vacation, Compensatory Time and Sick Leave – (See Note 11)

Accumulated Unpaid Vacation, Compensatory time and sick leave are not recorded on the balance sheet. Vacation pay, which may be accumulated up to 240 hours, is payable upon resignation, retirement, or death. Compensatory time is earned by full-time non-exempt employees for hours worked in excess of 40 hour per week and may be accumulated up to 40 hours. Compensatory time is payable upon request. Sick leave may accumulate up to 1040 hours. Sick leave is paid out at fifty percent (50%) on unused sick leave balances upon voluntary termination or retirement for those employees employed prior to February 1, 1993. Employees hired on/or after February 1, 1993, who regularly retire under the GCBH retirement program, shall receive payment for twenty-five percent (25%) of their unused sick leave. Such payment shall be limited to employees with five (5) or more years of service and shall not exceed two thousand dollars (\$2,000.00). As of June 30, 2014, GCBH was liable for \$59,269 in vacation pay, \$302 in compensatory time, and \$9,131 in sick pay.

6. Fund Reserves and Designations (See Note 12)

Fund equity is recognized as fund balance in governmental fund types. Certain fund equity may be reserved for a specific future use, or to denote unavailability for current operations. Designations of fund balance represent tentative management plans that are subject to change.

7. Inventories and Repayments

GCBH does not carry inventories. All supplies are considered expensed when purchased. Prepayments made for services that will benefit future periods are recorded as prepaid items in government-wide statements.

8. Long-Term Debt

GCBH had no outstanding long-term debt as of June 30, 2014.

**F. Revenues, Expenditures and Expenses**

Under the modified-accrual basis of accounting:

Grants are considered measurable and available to the extent that expenditures have been incurred. Other intergovernmental revenues are considered measurable and available when earned.

All other revenues are either not measurable or considered not available until collected.

Expenditures are generally recognized when incurred.

**Note 2 - 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 Funds' Balance Sheet includes reconciliation between fund balances — total governmental funds and net position — governmental activities reported in the Government-wide Statement of Net Position.

Total fund balance as shown on the Governmental Fund Balance Sheet is \$12,448,689 compared to \$12,897,313 reported as Total Net Position on the Statement of Net Position. This is a difference of \$448,624. The reconciling items are as follows: Capital Assets (net of depreciation) in the amount of \$517,326 and Compensated Absences in the amount of \$68,702 are shown on the Statement of Net Position and not on the Governmental Fund Balance Sheet. ( $\$517,326 - \$68,702 = \$448,624$ ).



**B. Explanation of Certain Differences between the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities**

The Governmental Funds' Statement of Revenues, Expenditures, and Changes in Fund Balances includes reconciliation between net changes in fund balance – total governmental funds and changes in net position of governmental activities as reported in the Government-wide Statement of Activities.

The net change in fund balances as shown on the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance is \$8,109,838. The change in net position on the Statement of Activities equal \$8,066,867. This represents a difference of **\$42,971**.

Revenue is the same under both reporting methods. However, expenditures are different because the Statement of Activities capitalizes assets and reports depreciation. The Statement of Revenues, Expenditures and Changes in Fund Balance expense assets in the year purchased and does not depreciate assets. In addition, the Statement of Activities expenses the change in liability for compensated absences from the prior year. The difference between these two statements equals \$42,971. The total represents the amount of depreciation reported for fiscal year 2014, less capital outlays during the fiscal year, plus the net change in compensated absences **(\$60,295- \$20,138 + \$2,814= \$42,971)**.

**Note 3 – Stewardship, Compliance and Accountability**

There have been no material violations of finance-related legal or contractual provisions, and there have been no expenditures exceeding legal appropriations in any of the funds of GCBH. (See Note 1 D)

**Note 4 - Deposits and Investments**

**A. Deposits and Investments**

GCBH had no long-term investments as of June 30, 2014.

**B. Receivables**

Accrued interest receivable consists of amounts earned on investments at the end of the year. Efforts were made to schedule the maturity of all GCBH investments on or within 5 days of fiscal year end. As a result, no interest income has been accrued for fiscal year 2014. Total interest income for fiscal year 2014 was reported at **\$4,909**.

Due from Other Governmental Units in the amount of **\$8,045** are ITA Judicial Billings due from Other Washington State RSN's.

## **Note 5 - Intergovernmental Grants and Entitlements**

The accompanying Schedule of State Financial Assistance provides a listing of all federal programs in which GCBH participates and summarizes GCBH grant transactions for the period ending June 30, 2014.

Prepaid Inpatient Health Plan (PIHP) funding refers to intergovernmental revenue which has been received based on a capitation rate schedule. PIHP (Medicaid) and State-Only funding are not included on the Schedule of Expenditures of Federal Awards.

## **Note 6 - Capital Assets and Depreciation**

Major expenditures for capital assets, including capital leases and major repairs that increase useful lives, are capitalized. Capital assets are defined as assets with an initial, individualized cost of \$5,000 or more. Maintenance, repairs, and minor renewals are accounted for as expenditures when incurred.

General capital assets are long-lived assets of GCBH. When purchased, leased, or constructed, such assets are recorded as expenditures in the governmental fund and capitalized in the capital asset account group. Depreciation of capital assets is not recorded in governmental funds. Straight-line depreciation is calculated for the purpose of determining the book value of the capital assets at year-end.

As of June 30, 2014, GCBH had no capital leases.

The following is a summary of changes in the value of GCBH capital assets for the period ended June 30, 2014.

### **For The Period Ended June 30, 2014**

<u>Category:</u>	Basis	Additions 2014	Deletions 2014	Historical Cost	Accum Depreciation Pre 2014	Depreciation Expense 2014	Remaining Basis YE FY14	Remaining Basis (Sum) YE FY14
<u>Non-Depreciable:</u>								
Land	73,350	-	-	73,350	-	-	\$ 73,350	\$ 73,350
<u>Depreciable:</u>								
Building	798,948	20,138	-	819,086	368,614	40,451	410,021	
Building								410,021
Office Equipment	6,846	-	-	6,846	6,846	-	-	
Computer Equipment	146,515	-	-	146,515	92,716	19,844	33,955	
Equipment								33,955
Vehicles	50,421	-	-	50,421	50,421	-	-	
Vehicles								-
	1,076,080	20,138	-	1,096,218	518,597	60,295	517,326	517,326

## **Note 7 - Pension Plans**

Substantially all GCBH full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing multiple-employer public employee defined benefit and defined contribution retirement plans.

The 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 from the address below or by accessing the DRS website:

Department of Retirement Systems  
Communications Unit  
P.O. Box 48380  
Olympia, WA 98504-8380  
[www.drs.wa.gov](http://www.drs.wa.gov)

The following disclosures are made pursuant to GASB Statement Number 27, *Accounting for Pensions by State and Local Government Employers* and No 50 *Pension Disclosures, an Amendment of GASB Statements Number 25 and Number 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, 2013:**

Retirees and Beneficiaries Receiving Benefits	85,328
Terminated Plan Members Entitled to But Not Yet Receiving Benefits	31,047
Active Plan Members Vested	150,706
Active Plan Members Nonvested	101,191
<b>Total</b>	<b>368,272</b>

### **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.

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, 2014, are as follows:

Members Not Participating in JBM:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
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.

Both Greater Columbia Behavioral Health and the employees made the required contributions. Greater Columbia Behavioral Health's required contributions for the years ended December 31 were as follows:

	<b>PERS Plan 1</b>	<b>PERS Plan 2</b>	<b>PERS Plan 3</b>
2014	\$ 9,469	\$102,850	\$ 5,581
2013	\$ 7,350	\$ 70,738	\$ 6,142
2012	\$ 7,243	\$ 66,065	\$11,529



### **Note 8 - Deferred Compensation Plan**

GCBH offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. This plan is with the National Association of Counties Deferred Compensation Program. The plan, available to all eligible employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

Compensation deferred under the plan and all income attributable to the plan is solely the property of GCBH. GCBH rights to this property are subject only to the claims of GCBH creditors until paid to the employee or other beneficiary and are not restricted to the benefit provisions under the plan.

At June 30, 2014 the portion of plan assets applicable to GCBH was \$267,995.59.

### **Note 9 - Risk Management**

Greater Columbia Behavioral Health is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW. Two (2) counties and two (2) cities in the State of Washington joined together by signing an Interlocal Governmental Agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2014, there are 491 Enduris members representing a broad array of special purpose districts throughout the state.

Enduris members share in the self-insured retention, jointly purchase excess and/or reinsurance coverage and provide risk management services and other related administrative services. Enduris provides "per occurrence" based policies for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, and automobile physical damage to insured vehicles. Boiler and machinery coverage is included on a blanket limit of \$100 million for all members. Enduris offers employee dishonesty coverage up to a liability limit of \$1,000,000.

Members make an annual contribution to fund Enduris. Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis:

\$1,000,000 deductible on liability loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$999,000 on liability loss;

\$250,000 deductible on property loss - the member is responsible for the first \$1,000 of the deductible amount of each claim, while Enduris is responsible for the remaining \$249,000 on property loss. Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Insurance carriers cover all losses over the deductibles as shown to the policy maximum limits. Since Enduris is a cooperative program, there is a joint liability among the participating members.



The contract requires members to continue membership for a period of not less than one (1) year and must give notice 60 days before terminating participation. The Master Agreement (Intergovernmental Contract) is automatically renewed after the initial one (1) full fiscal year commitment. Even after termination, a member is still responsible for contribution to Enduris for any unresolved, unreported and in-process claims for the period they were a signatory to the Master Agreement.

Enduris is fully funded by its member participants. Claims are filed by members with Enduris and are administered in house.

A Board of Directors consisting of seven (7) board members governs Enduris. Its members elect the Board and the positions are filled on a rotating basis. The Board meets quarterly and is responsible for conducting the business affairs of Enduris.

#### **Note 10 - Contingencies and Litigation**

GCBH 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 terms of the grants. GCBH management believes that such disallowances, if any, would be immaterial.

#### **Note 11 – Changes in Compensated Absences**

During the year ended June 30, 2014, the following changes occurred in Compensated Absences:

	Beginning Balance 07/01/13	Additions	Reductions	Ending Balance 06/30/14	Due Within One Year
Governmental Activities: Compensated Absences	\$65,888	\$107,075	\$104,261	\$68,702	\$68,702

#### **Note 12 – Fund Equity**

Fund equity, the difference between fund assets and liabilities, is classified as "Fund Balance." Fund Balance is classified as either "restricted" or "unassigned". Restricted Fund Balance indicates an amount that is either inappropriate for expenditure without board approval or legally segregated for a specific future use within GCBH contracts.

All revenue and expenditures made on behalf of GCBH are segregated, thus the entire Fund Equity is considered Restricted.

Unassigned Fund Balance indicates that portion of the total fund balance which remains available for future appropriation. GCBH had no "Unassigned" Fund Equity at the close of Fiscal Year 2014.

## Reservations of Fund Balance

Each Reserve Fund at GCBH was established through formal action by the GCBH Board of Directors.

GCBH committed and restricted reserves also must retain their identity specific to their source. (PIHP vs Non-Medicaid) PIHP Reserves can only be accessed to cover costs associated with Medicaid types of claims.

In addition, GCBH maintains an approved reserve policy which describes each reserve account by name. (FM812-Reserves). The policy provides the basis for each reserve account and the limitations placed on use. In addition to meeting cash flow requirements, these reserves provide financial protection against excessive costs associated with providing mental health services under the GCBH/DSHS contracts. *State Mental Health Contracts (SMHC 2011-13 amended for 14-15 and PIHP 2011-13 amended for 14-15)*

SMHC 2011-13 amended for 14-15 states GCBH must "ensure the existence of an inpatient reserve at 5% of the contractor's annual payment". (\$11 mil. X .05=\$550K)

PIHP 2011-13 amended for 14-15 states GCBH must "maintain a risk and inpatient reserve of the contractor's annual Medicaid premium payment at 7.8% for FY14". (\$51 mil. X .078=\$4 mil.)

### A. Committed Fund Balance

The General Fund had a total of \$19,020 in Committed Fund Balance as of June 30, 2014.

Non-Medicaid Capital Account \$19,020

Committed Fund Balance as of July 1, 2013	\$19,020
Increases in Restricted Reserves	
Decreases in Restricted Reserves	
Committed Fund Balance as of June 30, 2014	\$19,020

### B. Restricted Fund Balance

The General Fund had a total of \$12,429,669 in Restricted Fund Balance as of June 30, 2014.

The following reserve accounts have been combined and accounted for as Restricted:

Non-Medicaid Operating Account	\$ 285,875
Non-Medicaid Inpatient Hospitalization Account	550,000
Medicaid Inpatient Hospitalization Account	4,100,000
Medicaid Fluctuating Account	4,045,845
Non-Medicaid Fluctuating Account	<u>3,447,949</u>
 Restricted Fund Balance (6/30/14)	 \$ 12,429,669

Restricted Fund Balance as of July 1, 2013	\$4,151,054
Increases in Restricted Reserves	8,278,615
Decreases in Restricted Reserves	
Restricted Fund Balance as of June 30, 2014	\$12,429,669

C. Unassigned Fund Balance

The General Fund did not have an Unassigned Fund Balance on June 30, 2014.

Unassigned Fund Balance as of July 1, 2013	\$168,779
Increases in Unassigned Fund Balance	
Decreases in Unassigned Fund Balance	-\$168,779
Unassigned Fund Balance as of June 30, 2014	\$0

**Note -13 Prior Period Adjustment-Statement of Net Position**

During preparation of the Fiscal Year 2014 Financial Statements, an error was discovered in the General Fixed Asset account group. Actual depreciation had been understated during prior reporting periods.

General Fixed Assets have since been corrected and the net impact resulted in a prior period adjustment to the Fiscal Year 2014 Statement of net Position.

FY13 Ending Net Position (As reported)	\$4,840,895
Fiscal Year 2014 Change in Net Position	8,066,867
Prior Period Adjustment: (Net of Depreciation)	<u>(\$10,449)</u>
FY14 Ending Net Position	\$12,897,313

This adjustment was only minor and had no material effect on the final Net Position of GCBH.

GREATER COLUMBIA BEHAVIORAL HEALTH  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Fiscal Year Ended June 30, 2014

1	2	3	4	5			6
Federal Agency Name / Office / Pass- Through Agency Name	Federal Program Name	CFDA Number	Other Award Number	From Pass- Through Awards	From Direct Awards	Total	Program Match
Dept of Health & Human Services / SAMHSA / Passed through Washington State DSHS	Projects for	93.150	1169-34804	2,841	-	2,841	-
	Assistance in	93.150	1269-59273	42,014	-	42,014	9,882
	Transition from	93.150	1369-83129	5,720	-	5,720	20,396
	Homelessness	93.150	1269-59274	32,515	-	32,515	11,969
	(PATH)	93.150	1369-83130	7,511	-	7,511	2,765
<b>TOTAL CFDA 93.150</b>				<b>90,601</b>	<b>\$ -</b>	<b>90,601</b>	<b>45,012</b>
Dept of Health & Human Services / CMS / Passed through Washington State DSHS	Roads to	93.791	1269-53728	476	-	476	-
	Community	93.791	1369-78251	1,409	-	1,409	-
	Living (RCL)						
<b>TOTAL CFDA 93.791</b>				<b>\$ 1,885</b>	<b>\$ -</b>	<b>1,885</b>	<b>\$ -</b>
Dept of Health & Human Services / SAMHSA / Passed through Washington State DSHS	Mental Health	93.958	1169-35588	28,227	-	28,227	-
	Block Grant (MHBG)	93.958	1369-76921	602,362	-	602,362	-
<b>TOTAL CFDA 93.958</b>				<b>\$ 630,589</b>	<b>\$ -</b>	<b>\$ 630,589</b>	<b>\$ -</b>
<b>Total Department of Health &amp; Human Services / Passed through Washington State DSHS</b>				<b>\$ 723,075</b>	<b>\$ -</b>	<b>\$ 723,075</b>	<b>\$ 45,012</b>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

## NOTES TO SCHEDULE OF FEDERAL AWARDS

### **Note 1 – Basis of Accounting**

Expenditures of program specific grants performed by sub-recipients of Greater Columbia Behavioral Health are generally recognized to the extent Greater Columbia Behavioral Health has made reimbursement to the sub-recipient.

In prior reporting periods, Mental Heath Federal Block Grant (**CFDA 93.958**) had recognized expenditures in the period in which costs were incurred by the sub-recipient. In October 2005, the Washington State Department of Health and Human Services directed Greater Columbia Behavioral Health to only recognize expenditures to the extent Greater Columbia Behavioral Heath had made actual reimbursement.

### **Note 2- Federal Award Expenditures**

The amount shown as current year expenditures represents only the federal grant portion of the costs. Entire program cost, including Greater Columbia Behavioral Health's portion or sub-contractor portion, may be more than shown.

## 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 to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

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.

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 as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

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

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