



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

Greater Columbia Behavioral Health Organization

Benton County

For the period July 1, 2015 through June 30, 2016

Published March 27, 2017

Report No. 1018836





Office of the Washington State Auditor
Pat McCarthy

March 27, 2017

Board of Directors
Greater Columbia Behavioral Health Organization
Kennewick, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the Greater Columbia Behavioral Health Organization's financial statements and compliance with federal laws and regulations.

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

Sincerely,

Pat McCarthy
State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Greater Columbia Behavioral Health Organization Benton County July 1, 2015 through June 30, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the Greater Columbia Behavioral Health Organization are summarized below in accordance with Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Financial Statements

We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities and each major fund in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

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

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 Organization's compliance with requirements applicable to its major federal program.

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

Identification of Major Federal Programs:

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

<u>CFDA No.</u>	<u>Program or Cluster 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 the Uniform Guidance, was \$750,000.

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

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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 Organization Benton County July 1, 2015 through June 30, 2016

Board of Directors
Greater Columbia Behavioral Health Organization
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 Organization, Benton County, Washington, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated March 24, 2017.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit of the financial statements, we considered the Organization'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 Organization'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 Organization's financial statements are free from material misstatement, we performed tests of the Organization'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 Organization'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 Organization'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.



Pat McCarthy

State Auditor

Olympia, WA

March 24, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH THE UNIFORM GUIDANCE**

**Greater Columbia Behavioral Health Organization
Benton County
July 1, 2015 through June 30, 2016**

Board of Directors
Greater Columbia Behavioral Health Organization
Kennewick, Washington

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

We have audited the compliance of the Greater Columbia Behavioral Health Organization, Benton County, Washington, with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2016. The Organization's major federal programs are identified in the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Organization'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 Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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, 2016.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE


Management of the Organization 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 Organization'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 the Uniform Guidance, 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 Organization'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.

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

Pat McCarthy

State Auditor

Olympia, WA

March 24, 2017

INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

Greater Columbia Behavioral Health Organization Benton County July 1, 2015 through June 30, 2016

Board of Directors
Greater Columbia Behavioral Health Organization
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 Organization, Benton County, Washington, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Organization'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 Organization'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 Organization'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 Organization, as of June 30, 2016, 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

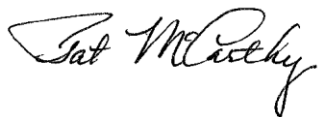
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 through 20 and pension plan information on pages 45 through 48 be presented to supplement the basic financial statements. Such information, although not a part of 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 Organization's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). This 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 24, 2017 on our consideration of the Organization'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 Organization's internal control over financial reporting and compliance.



Pat McCarthy

State Auditor

Olympia, WA

March 24, 2017

FINANCIAL SECTION

Greater Columbia Behavioral Health Organization Benton County July 1, 2015 through June 30, 2016

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2016

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2016

Statement of Activities – 2016

Balance Sheet – Governmental Funds – 2016

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position –
2016

Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental
Funds – 2016

Reconciliation of Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balance to the Statement of Activities – 2016

Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual –
2016

Notes to Financial Statements – 2016

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability – PERS 1 – 2016

Schedule of Employer Contributions – PERS 1 – 2016

Schedule of Proportionate Share of the Net Pension Liability – PERS 2 and 3 – 2016

Schedule of Employer Contributions – PERS 2 and 3 – 2016

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2016

Notes to the Schedule of Expenditures of Federal Awards – 2016

Management Discussion and Analysis

Greater Columbia Behavioral Health Benton County July 1, 2015 through June 30, 2016

Greater Columbia Behavioral Health (GCBH) administration's discussion and analysis offers readers a narrative overview and analysis of financial activities for the fiscal year ended June 30, 2016.

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 10 Behavioral Health Organizations. (BHO)

Behavioral Health Organizations were created by legislative action to administer the integration of the publicly funded behavioral health system in Washington State. On April 1, 2016 GCBH assumed responsibility for managing both Mental Health (MH) and Substance Use Disorder (SUD) contracts within its 10 county catchment area.

The integration process has had its challenges. The number of contracts administered by GCBH doubled with integration.

The majority of these new service providers had little or no experience submitting Electronic Health Records (EHR). Prior to April 1, SUD providers submitted claims directly to the state using a web-based, fee-for-service billing system. Some new service providers have been slow to invest in personnel and infrastructure needed to submit EHR.

BHO staffing has been kept to a minimum. The number of full time staff at GCBH has only been increased by 3 since becoming a BHO. The number of full time employees at GCBH went from 22 in 2015 to 25 full time staff during 2016.

Total Revenue for GCBH only increased 4% from \$87,812,715 during FY15 to \$91,483,548 during FY16. Medicaid, the largest source of revenue for GCBH, rose slightly from \$78 million during FY15, to just over \$79 million during FY16. The state imposed funding cuts for Mental Health treatment that coincided with integration of SUD treatment.

State-Only revenue, the BHO's second largest revenue source increased with the intergeration of SUD into the BHO. Again, reductions to MH state only dollars were implemented in April 2016 to coincide with additional SUD state-only revenue at

integration. Total State-Only revenue increased to \$10.9 million for FY16, from the \$8.8 million during FY15.

Payments to the BHO provider network did increase substantially during fiscal year 2016. Non-Medicaid or State-Only payments to the provider network increased from \$5.5 million during FY15 to just under \$6.4 million during FY16. A 14% increase from the prior year.

Medicaid treatment dollars paid to the provider network decreased 5% from \$68.5 million during FY15, to just over \$64.5 million during FY16.

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 2016. 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 2016 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 2016.

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, functional changes to GCBH and its mission will need to be considered.

The Total Net Position of GCBH increased from \$6.7 million at the end of FY15, just over \$10.2 million at the close of FY16.

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 2016, the capital expenditures made by GCBH included the purchase of two new vehicles (2016 Taurus and 2016 Tahoe), Interior and Exterior Painting, and 2 additional servers. (Total cost \$106,145)

Condensed GCBH Statement of Net Position

	<u>FY16</u>	<u>FY15</u>
Current Assets	\$11,306,166	\$ 7,773,548
Capital Assets	<u>656,449</u>	<u>652,551</u>
Total Assets	\$11,962,615	\$ 8,426,099
Deferred Outflows	\$ 209,658	\$ 57,509
Total Liabilities	\$ 1,916,644	\$ 1,509,304
Deferred Inflows	\$ 26,780	\$ 182,841
Net Position:		
Net Investment in Capital Asset	656,449	652,551
Restricted Net Position	9,553,380	6,119,892
Unrestricted Net Position	<u>19,020</u>	<u>19,020</u>
Total Net Position	\$ 10,228,849	\$ 6,791,463

Statement of Activities

The Statement of Activities reports the revenue earned and expenditures made by GCBH during FY16 and FY15. Total Revenue increased by 4% from \$87.8 million in FY15 to just over \$91.4 million during FY16.

Total Expenses, on the other hand, showed a 5% decrease from \$92.6 million during FY15, to just over \$88 million during the FY16.

Condensed GCBH Statement of Activities

	<u>FY16</u>	<u>FY15</u>
Revenue	\$ 91,483,548	\$87,812,715
(Less) Expenditures	<u>(88,046,162)</u>	<u>(92,645,919)</u>
Change in Net Position	3,437,386	(4,833,204)
Prior Period Adjustment:		(1,272,646)
Ending Net Position	\$ 10,228,849	\$ 6,791,463

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, 2016.

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, 2016, the GCBH general fund reported a total fund balance of \$11,306,166 compared to the prior year fund balance of \$7,595,330.

GENERAL FUND BUDGETARY HIGHLIGHTS

GCBH is on a bi-annual budget cycle (every two years). The majority of BHO 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, BHO 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 improves.

The final revenue and expenditure budget for FY16-FY17 equals \$211,376,673. This amount reflects just over a 34% increase from the FY14-FY15 operating budget which was approved at \$157,304,186. The majority of this increase can be attributed to increased Medicaid participation and the integration of SUD with MH.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

GCBH owns and maintains a small number of capital assets. These assets include land, a building, and four (4) 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 Health Care Authority (HCA). Through a variety of contracts with HCA, GCBH administers the publically funded behavioral health service system within a ten (10) county region.

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, 2016

	Governmental Activities
	General Fund
<u>ASSETS</u>	
Current Assets	
Cash and Equivalents	\$ 11,104,366
Due From Other Government Units	201,800
TOTAL CURRENT ASSETS	11,306,166
Non-Current Assets	
Capital Assets not being depreciated	
Land	73,350
Capital Assets (Net of Depreciation)	
Building and Equipment	583,099
Total Capital Assets	656,449
TOTAL ASSETS	\$ 11,962,615
Deferred Outflows Related To Pensions	
Deferred Outflows (FY16)	\$ 209,658
Total Deferred Outflows	\$ 209,658
Current Liabilities	
Payables	\$ 205,301
Compensated Absences	102,548
TOTAL CURRENT LIABILITIES	307,849
Net Pension Liability	1,608,795
TOTAL LIABILITIES	\$ 1,916,644
Deferred Inflows Related To Pensions	
Deferred Inflows (FY16)	\$ 26,780
TOTAL DEFERRED INFLOWS	\$ 26,780
Net Position	
Net Investment in Capital Asset	656,449
Restricted Net Position	9,553,380
Unrestricted Net Position	19,020
TOTAL NET POSITION	\$ 10,228,849

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

GREATER COLUMBIA BEHAVIORAL HEALTH
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	Program Revenue			Net (Expense) Revenue & changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activity	Business Type Activities	Total
<u>Governmental Activities:</u>						
Mental & Physical Health	\$ 88,046,162	\$ 79,622,659	\$ 11,837,256	\$ 3,413,753	\$	3,413,753
Total Governmental Activities	88,046,162	79,622,659	11,837,256	3,413,753	-	3,413,753
<u>Business-Type Activities:</u>						
Total Business-Type Activities						
Total Primary Government	\$ 88,046,162	\$ 79,622,659	\$ 11,837,256	3,413,753	-	3,413,753
<u>General Revenues</u>						
Investment Earnings				10,156		10,156
Miscellaneous				13,477		13,477
Transfers						
Total General Revenues & Transfers				23,633	-	23,633
Change in Net Position				3,437,386	-	3,437,386
Net Position-Beginning				6,791,463		6,791,463
Net Position-Ending				\$ 10,228,849	\$	10,228,849

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

GREATER COLUMBIA BEHAVIORAL HEALTH
BALANCE SHEET-GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Total
<u>Assets</u>		
Current Assets		
Cash and Equivalents	\$ 11,104,366	\$ 11,104,366
Due From Other Government Units	201,800	201,800
Total Current Assets	<u>\$ 11,306,166</u>	<u>\$ 11,306,166</u>
 <u>Liabilities and Deferred Inflows of Resources and Fund Balances</u>		
Current Liabilities		
Accounts/Vouchers Payable	\$ 205,301	\$ 205,301
Due To Other Government Units	-	-
Total Current Liabilities	<u>205,301</u>	<u>205,301</u>
 Fund Balance		
Committed	19,020	19,020
Restricted	11,081,845	11,081,845
Total Fund Balance	<u>11,100,865</u>	<u>11,100,865</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,306,166</u>	<u>\$ 11,306,166</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

**Greater Columbia Behavioral Health
Benton County
July 1, 2015 through June 30, 2016**

Total fund balance as shown on the Governmental Fund Balance Sheet is **\$11,100,865** compared with **\$10,228,849** listed as the total Net Position on the Statement of Net Position. This is a difference of **(\$872,016)**.

The reconciling items are as follows: Capital Assets (net of depreciation) in the amount of **\$656,449** are shown on the Statement of Net Position and not on the Governmental Fund Balance Sheet.

Deferred Outflows of **\$209,658** related to pensions are included on the Statement of Net Position, but not on the Governmental Fund Balance Sheet.

Compensated Absences in the amount of **(\$102,548)** are reported as a liability on the Statement of Net Position, but not on the Governmental Fund Balance Sheet.

A Net Pension Liability **(\$1,608,795)** is reflected on the Statement of Net Position, but not on the Governmental Fund Balance Sheet.

Deferred Inflows **(\$26,780)** related to pensions are reflected on the Statement of Net Position, but not on the Governmental Fund Balance Sheet

\$656,449+\$209,658-\$102,548-\$1,608,795-\$26,780= (\$872,016).

GREATER COLUMBIA BEHAVIORAL HEALTH
STATEMENT OF REVENUES, EXPENDITURES
and CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For the Fiscal Year Ended June 30, 2016

	General Fund 2016 Actual	Total Governmental Funds 2016 Actual
<u>REVENUES</u>		
Intergovernmental Revenue		
330 Intergovernmental Revenue	\$ 11,837,256	\$ 11,837,256
Charges for Goods and Services		
340 Charges for Goods and Services	79,622,659	79,622,659
Miscellaneous Revenues		
360 Miscellaneous	23,633	23,633
TOTAL REVENUE	\$ 91,483,548	\$ 91,483,548
<u>EXPENDITURES</u>		
564 Mental and Physical health	87,871,868	87,871,868
594 Capital Outlays	106,145	106,145
TOTAL EXPENDITURES	\$ 87,978,013	\$ 87,978,013
Excess of Revenues Over (Under) Expenditures	3,505,535	3,505,535
Net Change in Fund Balance	3,505,535	3,505,535
Fund Balance - Beginning 7/1/2015	7,595,330	7,595,330
Fund Balance - Ending 6/30/2016	\$ 11,100,865	\$ 11,100,865

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

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

**Greater Columbia Behavioral Health
Benton County
July 1, 2015 through June 30, 2016**

The net change in fund balance as shown on Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance is **\$3,505,535**. The Change in Net Position on the Statement of Activities equals **\$3,437,386**. This represents a difference of **\$68,149**.

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 do not depreciate assets. In addition, the Statement of Activities expenses the change in liability for compensated absences from the prior year. Also the Statement of Activities reflects additional expenditures related to pension activities which are not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance.

The total represents the amount of depreciation reported for fiscal year 2016, minus capital outlays during the fiscal year, plus the net change in compensated absences, plus the increased pension expense.

(\$102,246 - \$106,145 + \$21,596+\$50,452=\$68,149).

GREATER COLUMBIA BEHAVIORAL HEALTH
STATEMENT OF REVENUES, EXPENDITURES and CHANGES IN FUND BALANCE
BUDGET to ACTUAL
For the Fiscal Year Ended June 30, 2016

	Original FY16-17 Budget	Final FY16-17 Budget	Fiscal Year 2016 Actual	Fiscal Year 2017 Actual	Combined FY16-FY17 Actual	Variance Favorable (Unfavorable)
REVENUES						
Intergovernmental Revenue						
330 Intergovernmental Revenue	\$ 26,414,845	\$ 28,904,845	\$ 11,837,256	\$ -	\$ 11,837,256	\$ 17,067,589
Charges for Goods and Services						
340 Charges for Goods and Services	182,255,828	182,255,828	79,622,659	-	79,622,659	102,633,169
Miscellaneous Revenues						
360 Miscellaneous	216,000	216,000	23,633	-	23,633	192,367
TOTAL REVENUE	208,886,673	211,376,673	91,483,548	-	91,483,548	119,893,125
EXPENDITURES						
564 Mental and Physical Health	208,799,673	211,241,073	87,871,868	-	87,871,868	123,369,205
594 Capital Outlays	87,000	135,600	106,145	-	106,145	29,455
TOTAL EXPENDITURES	\$ 208,886,673	\$ 211,376,673	87,978,013	-	\$ 87,978,013	\$ 123,398,660
Excess of Revenues Over (Under) Expenditures			3,505,535	-		
Net Change in Fund Balance			3,505,535	-		
Fund Balance						
Beginning 7/1/2015 & 7/1/2016			7,595,330	-		
Fund Balance						
Ending 6/30/2016 & 6/30/2017			\$ 11,100,865	\$ -		

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

Notes to Financial Statements

Greater Columbia Behavioral Health Benton County July 1, 2015 through June 30, 2016

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 BHO is organized under RCW 71.24, Community Behavioral Health Services Act, and RCW 39.34, Inter-local Cooperation Act, to manage the delivery of comprehensive behavioral 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. Basis of Presentation -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 BHO 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 2016, 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 – Compensated Absences

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. Budgetary Information

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 Positions

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, 2016, GCBH was holding \$11,104,366 in surplus cash and cash equivalents. Of this amount, \$7,004,366 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. Compensated Absences – (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, 2016, GCBH was liable for \$89,200 in vacation pay, \$81 in compensatory time, and \$13,266 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, 2016.

9. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of all state sponsored pension plans and additions to/deductions from those plans' fiduciary net position have been determined on the same basis as they are reported by the Washington State Department of Retirement Systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 **\$11,100,865** compared to **\$10,228,849** reported as Total Net Position on the Statement of Net Position. This is a difference of **(\$872,016)**.

The reconciling items are as follows: Capital Assets (net of depreciation) in the amount of \$656,449 Deferred Outflows resulting from pension activities \$209,658 and Compensated Absences in the amount of (\$102,548) are shown on the Statement of Net Position and not on the Governmental Fund Balance Sheet. In addition, a net pension liability of (\$1,608,795) and Deferred Inflows of (\$26,780) are also listed on the statement of net position, but not on the governmental fund balance sheet.

$\$656,449 + \$209,658 - \$102,548 - \$1,608,795 - 26,780 = (\$872,016)$.

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 \$3,505,535. The change in net position on the Statement of Activities equals \$3,437,386. This represents a difference of **\$68,149**.

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 do 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 **\$68,149**.

The total represents the amount of depreciation reported for Fiscal Year 2016, less capital outlays during the fiscal year, plus the net change in compensated absences, plus the net adjustment for pension activities **(\$102,246- \$106,145 + \$21,596+\$50,452= \$68,149)**.

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, 2016.

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 2016. Total interest income for Fiscal Year 2016 was reported at **\$10,156**.

Due from Other Governmental Units in the amount of **\$144,009** are Mental Health Federal Block Grant Funds, **\$25,829** are Mental Health PATH Grant Funds, **\$13,162** are FYSPRT Grant Funds due from the State of Washington, and **\$18,800** are ITA Judicial Billings due from Other Washington State BHO'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, 2016.

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

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, 2016, 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, 2016.

For The Period Ended June 30, 2016

Category:	Year	Basis	Additions	Deletions	Historical	Accum	Depreciation	Remaining	Remaining
						Depreciation	Expense	Basis	Basis (Sum)
			2016	2016	Cost	Pre 2016	2016	YE FY16	YE FY16
Non-Depreciable:									
Land	2002	73,350	-	-	73,350	-	-	\$ 73,350	\$ 73,350
Depreciable:									
Building		836,436	16,138	-	852,574	450,888	42,461	359,226	
Building									359,226
Office Equipment		6,846	-	-	6,846	6,846		-	
Computer Equipment		324,326	21,466	-	345,792	148,662	48,935	148,195	
Equipment									148,195
Vehicles		32,465	68,541	-	101,006	14,477	10,851	75,678	
Vehicles									75,678
		<u>1,273,423</u>	<u>106,145</u>	<u>-</u>	<u>1,379,568</u>	<u>620,873</u>	<u>102,246</u>	<u>656,449</u>	<u>656,449</u>

Note 7 - Pension Plans

The following table represents the aggregate pension amounts for all plans subject to the requirements of GASB 68 for the year 2016:

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ 1,608,795
Pension assets	\$ 0
Deferred outflows of resources	\$ 209,658
Deferred inflows of resources	\$ 26,780
Pension expense/expenditures	\$ 224,612

State Sponsored Pension Plans

Substantially all Greater Columbia Behavioral Health full-time and qualifying part-time employees participate in one of the following statewide retirement systems administered by the Washington State Department of Retirement Systems, under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans. The state Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems (DRS), a department within the primary government of the State of Washington, issues a publicly available comprehensive annual financial report (CAFR) that includes financial statements and required supplementary information for each plan. The DRS CAFR may be obtained by writing to:

Department of Retirement Systems
Communications Unit
P.O. Box 48380
Olympia, WA 98540-8380

Or the DRS CAFR may be downloaded from the DRS website at www.drs.wa.gov.

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of the Supreme, Appeals and Superior Courts; employees of the legislature; employees of district and municipal courts; employees of local governments; and higher education employees not participating in higher education retirement programs. PERS is comprised of three separate pension plans for membership purposes. PERS plans 1 and 2 are defined benefit plans, and PERS plan 3 is a defined benefit plan with a defined contribution component.

PERS Plan 1 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service. The AFC is the average of the member's 24 highest consecutive service months. Members are eligible for retirement from active status at any age with at least 30 years of service, at age 55 with at least 25 years of service, or at age 60 with at least five years of service. Members retiring from active status prior to the age of 65 may receive actuarially reduced benefits. Retirement benefits are actuarially reduced to reflect the choice of a survivor benefit. Other benefits include duty and non-duty disability payments, an optional cost-of-living adjustment (COLA), and a one-time duty-related death benefit, if found eligible by the Department of Labor and Industries. PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions - The **PERS Plan 1** member contribution rate is established by State statute at 6 percent. The employer contribution rate is developed by the Office of the State Actuary and includes an administrative expense component that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 1 employer contribution rates. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
July 2015 through June 2016	11.18%	6.00%

* For employees participating in JBM, the contribution rate was 12.26%

The actual contributions made by GCBH to the plan were \$13,286 for the year ended June 30, 2016.

PERS Plan 2/3 provides retirement, disability and death benefits. Retirement benefits are determined as two percent of the member's average final compensation (AFC) times the member's years of service for Plan 2 and 1 percent of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. There is no cap on years of service credit. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 members who have 30 or more years of service credit and are at least 55 years old can retire under one of two provisions:

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

PERS Plan 2/3 members hired on or after May 1, 2013 have the option to retire early by accepting a reduction of five percent for each year of retirement before age 65. This option is available only to those who are age 55 or older and have at least 30 years of service credit. PERS Plan 2/3 retirement

benefits are also actuarially reduced to reflect the choice of a survivor benefit. Other PERS Plan 2/3 benefits include duty and non-duty disability payments, a cost-of-living allowance (based on the CPI), capped at three percent annually and a one-time duty related death benefit, if found eligible by the Department of Labor and Industries. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. PERS Plan 3 members choose their contribution rate upon joining membership and have a chance to change rates upon changing employers. As established by statute, Plan 3 required defined contribution rates are set at a minimum of 5 percent and escalate to 15 percent with a choice of six options. Employers do not contribute to the defined contribution benefits. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions - The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The Plan 2/3 employer rates include a component to address the PERS Plan 1 UAAL and an administrative expense that is currently set at 0.18 percent. Each biennium, the state Pension Funding Council adopts Plan 2 employer and employee contribution rates and Plan 3 contribution rates. The PERS Plan 2/3 required contribution rates (expressed as a percentage of covered payroll) for 2016 were as follows:

PERS Plan 2/3		
Actual Contribution Rates:	Employer 2/3	Employee 2*
July 2015 through June 2016	11.18%	6.12%
Employee PERS Plan 3		varies

* For employees participating in JBM, the contribution rate was 15.30%

The actual contributions made by GCBH to the plan were \$171,620 for the year ended June 30, 2016.

Actuarial Assumptions

The total pension liability (TPL) for each of the DRS plans was determined using the most recent actuarial valuation completed in 2016 with a valuation date of June 30, 2015. The actuarial assumptions used in the valuation were based on the results of the Office of the State Actuary's (OSA) *2007-2012 Experience Study*.

Additional assumptions for subsequent events and law changes are current as of the 2015 actuarial valuation report. The TPL was calculated as of the valuation date and rolled forward to the measurement date of June 30, 2016. Plan liabilities were rolled forward from June 30, 2015, to June 30, 2016, reflecting each plan's normal cost (using the entry-age cost method), assumed interest and actual benefit payments.

- **Inflation:** 3% total economic inflation; 3.75% salary inflation
- **Salary increases:** In addition to the base 3.75% salary inflation assumption, salaries are also expected to grow by promotions and longevity.
- **Investment rate of return:** 7.5%

Mortality rates were based on the RP-2000 report's Combined Healthy Table and Combined Disabled Table, published by the Society of Actuaries. OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Discount Rate

The discount rate used to measure the total pension liability for all DRS plans was 7.5%.

To determine that rate, an asset sufficiency test included an assumed 7.7% long-term discount rate to determine funding liabilities for calculating future contribution rate requirements. (All plans use 7.7% except LEOFF 2, which has assumed 7.5%). Consistent with the long-term expected rate of return, a 7.5% future investment rate of return on invested assets was assumed for the test. Contributions from plan members and employers are assumed to continue being made at contractually required rates (including PERS 2/3, PSERS 2, SERS 2/3, and TRS 2/3 employers, whose rates include a component for the PERS 1, and TRS 1 plan liabilities). Based on these assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.5% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on DRS pension plan investments of 7.5% was determined using a building-block-method. The *Washington State Investment Board (WSIB)* used a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) to develop each major asset class. Those expected returns make up one component of WSIB's capital market assumptions. WSIB uses the capital market assumptions and their target asset allocation to simulate future investment returns at various future times. The long-term expected rate of return of 7.5% approximately equals the median of the simulated investment returns over a 50-year time horizon.

Estimated Rates of Return by Asset Class

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2016, are summarized in the table below. The inflation component used to create the table is 2.2% and represents WSIB's most recent long-term estimate of broad economic inflation.

Asset Class	Target Allocation	% Long-term Expected Real Rate of Return Arithmetic
Fixed Income	20%	1.70%
Tangible Assets	5%	4.40%
Real Estate	15%	5.80%
Global Equity	37%	6.60%
Private Equity	23%	9.60%
	100%	

Sensitivity of NPL

The table below presents the BHO's proportionate share* of the net pension liability calculated using the discount rate of 7.5%, as well as what the BHO's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
PERS 1	961,788	\$797,569	\$656,248
PERS 2/3	1,493,614	\$811,226	(\$422,290)

Pension Plan Fiduciary Net Position

Detailed information about the State's pension plans' fiduciary net position is available in the separately issued DRS financial report.

Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At June 30, 2016, GCBH reported a total pension liability of \$ 1,608,795 for its proportionate share of the net pension liabilities as follows:

	Liability
PERS 1	\$797,569
PERS 2/3	\$811,226

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

	Proportionate Share 6/30/15	Proportionate Share 6/30/16	Change in Proportion
PERS 1	.013711%	.014851%	.000114
PERS 2/3	.014915%	.016112%	.001197

Employer contribution transmittals received and processed by DRS for the fiscal year ended June 30, 2015 and June 30, 2016 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by DRS in the *Schedules of Employer and Non-employer Allocations* for all plans except LEOFF 1.

The collective net pension liability was measured as of June 30, 2016, and the actuarial valuation date on which the total pension liability is based was as of June 30, 2015, with update procedures used to roll forward the total pension liability to the measurement date.

Pension Expense

For the year ended June 30, 2016 GCBH recognized pension expense as follows:

	Pension Expense
PERS 1 (GCBH Contributions)	\$ 99,529
PERS 2/3(GCBH Contributions)	125,083
TOTAL	\$ 224,612

Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the BHO reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PERS 1	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Net difference between projected and actual investment earnings on pension plan investments	\$20,082	
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$	\$
TOTAL	\$20,082	\$

PERS 2 & 3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 43,197	(\$26,780)
Net difference between projected and actual investment earnings on pension plan investments	\$99,271	
Changes of assumptions	\$ 8,385	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$38,724	\$
Contributions subsequent to the measurement date	\$	\$
TOTAL	\$ 189,577	(\$26,780)

Deferred outflows of resources related to pensions resulting from the BHO's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	PERS 1
2017	\$(4,944)
2018	\$(4,944)
2019	\$18,443
2020	\$11,528
2021	
Total	\$20,082

Year ended June 30:	PERS 2/3
2017	\$12,745
2018	\$12,745
2019	\$87,898
2020	\$49,408
2021	
Total	\$162,797

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, 2016 the portion of plan assets applicable to GCBH was \$459,912.18.

Note 9 - Risk Management

Greater Columbia Behavioral Health (BHO) 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, 2016, there are 524 Enduris members representing a broad array of special purpose districts throughout the state. Enduris provides property and liability coverage as well as risk management services and other related administrative services.

Members make an annual contribution to fund Enduris and share in the self-insured retention of the jointly purchased excess and/or reinsurance coverage. The self-insured retention is:

- \$1,000,000 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 a 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 a property loss.
- Enduris is responsible for the \$4,000 deductible on boiler and machinery loss.

Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis to cover all losses over the deductibles as shown on the policy maximum limits. Liability coverage is for all lines of liability coverage including Public Official's Liability. The Property coverage is written on an "all risk", blanket basis using current Statement of Values. The Property coverage includes but is not limited to mobile equipment, boiler and machinery, electronic data processing equipment, business interruption, course of construction and additions, property in transit, fine arts, cyber and automobile physical damage to insured vehicles. Liability coverage limit is \$20 million per occurrence and property coverage limit is \$1 billion per occurrence. Enduris offers crime coverage up to a limit of \$1 million per occurrence.

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

The contract requires members to continue membership for a period of not less than one (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, 2016, the following changes occurred in Compensated Absences:

	Beginning Balance 07/01/15	Additions	Reductions	Ending Balance 06/30/16	Due Within One Year
Governmental Activities: Compensated Absences	\$80,952	\$21,596	\$0	\$102,548	\$102,548

Note 12 – Fund Balance

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.

Unassigned Fund Balance indicates that portion of the total fund balance which remains available for future appropriation. GCBH had 19,020 Unrestricted Net Position at the close of Fiscal Year 2016.

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 behavioral health services under the GCBH/DSHS contracts.

BHSC 2016-2017 states GCBH must "maintain the existence of a minimum Inpatient Reserves of 4% and a maximum 6.5% of the contractor's annual payment, with an optional Operating Reserves not to exceed 10.6% of annual payment" (\$10.9 mil. X 6.5%=\$708,500 and \$10.9 mil. x 10.6%=\$1,155,400)

PIHP 2016-2017 (Exhibit D) states GCBH must "maintain a risk and inpatient reserve of the contractor's annual Medicaid premium payment at Minimum of 7.6% and Maximum of 13.9% for the contract period. With an optional Operating Reserve at a Minimum of 6.1% and Maximum of 12.4%." (Between \$79 mil x 7.6% = \$6 million up to \$79 mil. X 13.9% = \$10.98 million)

A. Committed Fund Balance

The General Fund had a total of \$19,020 in Committed Fund Balance as of June 30, 2016.

Non-Medicaid Capital Account	\$19,020
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Committed Fund Balance as of July 1, 2015	\$19,020
Increases in Restricted Reserves	
Decreases in Restricted Reserves	
Committed Fund Balance as of June 30, 2016	\$19,020

B. Restricted Fund Balance

The General Fund had a total of \$11,081,845 in Restricted Fund Balance as of June 30, 2016.

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

Non-Medicaid Operating Account	\$ 285,875
Non-Medicaid Inpatient Hospitalization Account	550,062
Medicaid Inpatient Hospitalization Account	6,100,000
PIHP Fluctuating Account	2,881,005
Non-Medicaid Fluctuating Account	<u>1,264,903</u>

Restricted Fund Balance (6/30/16) \$11,081,845

Restricted Fund Balance as of July 1, 2015	\$7,576,310
Increases in Restricted Reserves	3,505,536
Decreases in Restricted Reserves	
Restricted Fund Balance as of June 30, 2016	\$ 11,081,845

C. Unassigned Fund Balance

The General Fund did not have an Unassigned Fund Balance on June 30, 2016.

Unassigned Fund Balance as of July 1, 2015	\$0
Increases in Unassigned Fund Balance	
Decreases in Unassigned Fund Balance	
Unassigned Fund Balance as of June 30, 2016	\$0

Note 14-Change in Accounting Principles

None

Note 15-Fraud and Abuse

In November 2015, GCBH began an investigation of fraud and abuse at one of the service providers. GCBH notified the appropriate parties and the case is now being handled by special investigators with the Attorney General's office. The case remains an open and on-going.

Note 16-Behavioral Health Organization (BHO)

At midnight, March 31, 2016 Greater Columbia Behavioral Health (GCBH), the Regional Support Network (RSN) ended operations. On April 1, 2016 GCBH began operations Behavioral Health Organization (BHO). GCBH retained its governance structure and the name did not change.

Note 17-Full Accrual (GASB)

Under GASB, an entity is required to report all expenditures using the full accrual method of accounting. GCBH reports on a full accrual basis of accounting for both revenue and expenditures in most cases.

GCBH does have specific reporting requirements in contract that requires GCBH to close its books a very short time after the close of a fiscal year. GCBH is required to prepare and submit a fully reconciled Revenue and Expense Report to DSHS 30 days after the end of each fiscal year.

This reduced timeline for closing out each fiscal year means a small number of expenditures may carry over into the next fiscal year. These amounts are not material nor do they impact the accuracy of financial information included in this report.

Greater Columbia Behavioral Health
Schedule of Proportionate Share of the Net Pension Liability

PERS 1

As of June 30 , 2016
Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	%	0.013711%	0.014851%							
Employer's proportionate share of the net pension liability	\$	717,213	797,569							
TOTAL	\$									
Employer's covered employee payroll	\$	110,860	118,836							
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	646.95%	672%							
Plan fiduciary net position as a percentage of the total pension liability	%	59.10%	57%							

Greater Columbia Behavioral Health
Schedule of Employer Contributions

PERS 1

As of June 30, 2016

Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contributions	\$ 63,014	84,219								
Contributions in relation to the contractually required contributions	\$ (63,014)	(84,219)								
Contribution deficiency (excess)	\$ 0									
Covered Employer Payroll	\$ 110,860	118,836								
Contributions as a percentage of covered employee payroll	% 56.84%	85.82%								

Greater Columbia Behavioral Health
Schedule of Proportionate Share of the Net Pension Liability

PERS 2/3
As of June 30, 2016
Last 10 Fiscal Years *

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Employer's proportion of the net pension liability (asset)	%	0.014915%	0.016112%							
Employer's proportionate share of the net pension liability	\$	532,921	811,226							
TOTAL	\$									
Employer's covered employee payroll	\$	1,351,356	1,540,606							
Employer's proportionate share of the net pension liability as a percentage of covered employee payroll	%	39.44%	53%							
Plan fiduciary net position as a percentage of the total pension liability	%	89.20%	89%							

Greater Columbia Behavioral Health
Schedule of Employer Contributions

PERS 2/3

As of June 30, 2016

Last 10 Fiscal Years*

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually required contributions	\$ 66,439	93,014								
Contributions in relation to the contractually required contributions	\$ (66,439)	(93,014)								
Contribution deficiency (excess)	\$ 0									
Covered Employer Payroll	\$ 1,351,356	1,540,606								
Contributions as a percentage of covered employee payroll	% 4.92%	6%								

GREATER COLUMBIA BEHAVIORAL HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Fiscal Year Ended June 30, 2016

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	Passed Through to Subrecipients	Program Match
Dept of Health & Human Services / SAMHSA / Passed through Washington State DSHS	Projects for	93.150	1369-83129	5,938	-	5,938	5,938	-
	Assistance in	93.150	1369-83130	2,815	-	2,815	2,815	1,036
	Transition from	93.150	1469-22439	9,206	-	9,206	9,206	3,390
	Homelessness	93.150	1469-22448	16,559	-	16,559	16,559	7,280
	(PATH)	93.150	1569-50541	29,597	-	29,597	29,597	5,925
		93.150	1569-50544	23,982	-	23,982	23,982	9,715
		93.150	1669-60574	5,575	-	5,575	5,575	2,337
TOTAL CFDA 93.150				99,836	-	99,836	99,836	31,952
Dept of Health & Human Services / CMS / Passed	Money Follows the Person	93.791	1369-78251	-	-	-	-	-
TOTAL CFDA 93.791				-	-	-	-	-
Dept of Health & Human Services / SAMHSA / Passed through Washington State DSHS	Block Grants for Community Mental Health Services (Mental Health Block Grant -MHBG)	93.958	1369-76921-01	22,737	-	22,737	22,737	-
		93.958	1569-43762	466,258	-	466,258	466,258	-
		93.958	1569-43762	136,111	-	136,111	136,111	-
		93.958	1669-57882	117,429	-	117,429	117,429	-
		93.958	1669-57882	26,581	-	26,581	26,581	-
TOTAL CFDA 93.958				769,116	-	769,116	769,116	-
Human Services / Passed through Washington State DSHS				868,952	-	868,952	868,952	31,952

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.

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