



Office of the Washington State Auditor
Pat McCarthy

Financial Statements and Federal Single Audit Report

North Sound Behavioral Health Administrative Services Organization

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

Published October 17, 2024

Report No. 1035768



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

October 17, 2024

Board of Directors
North Sound Behavioral Health Administrative Services Organization
Mount Vernon, Washington

Report on Financial Statements and Federal Single Audit

Please find attached our report on the North Sound Behavioral Health Administrative Services 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 activities and condition.

Sincerely,

Pat McCarthy, State Auditor
Olympia, WA

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

North Sound Behavioral Health Administrative Services Organization January 1, 2023 through December 31, 2023

SECTION I – SUMMARY OF AUDITOR’S RESULTS

The results of our audit of the North Sound Behavioral Health Administrative Services 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 basic financial statements of the governmental activities and each major fund in accordance with accounting principles generally accepted in the United States of America (GAAP).

Internal Control over Financial Reporting:

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

We noted no instances of noncompliance that were material to the financial statements of the 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 each of its major federal programs.

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 programs were selected as major programs in our audit of compliance in accordance with the Uniform Guidance.

<u>ALN</u>	<u>Program or Cluster Title</u>
93.958	Block Grants for Community Mental Health Services
93.958	COVID-19 Block Grants for Community Mental Health Services
93.959	Block Grants for Prevention and Treatment of Substance Abuse
93.959	COVID-19 Block Grants for Prevention and Treatment of Substance Abuse

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

The Organization did not qualify 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

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*

North Sound Behavioral Health Administrative Services Organization January 1, 2023 through December 31, 2023

Board of Directors

North Sound Behavioral Health Administrative Services Organization

Mount Vernon, 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 North Sound Behavioral Health Administrative Services Organization, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements, and have issued our report thereon dated October 10, 2024.

REPORT ON 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 above and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

REPORT ON COMPLIANCE AND OTHER MATTERS

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

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

PURPOSE OF THIS REPORT

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

A handwritten signature in black ink, reading "Pat McCarthy". The signature is fluid and cursive, with the first name "Pat" and last name "McCarthy" clearly distinguishable.

Pat McCarthy, State Auditor

Olympia, WA

October 10, 2024

INDEPENDENT AUDITOR'S REPORT

Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance

North Sound Behavioral Health Administrative Services Organization January 1, 2023 through December 31, 2023

Board of Directors
North Sound Behavioral Health Administrative Services Organization
Mount Vernon, Washington

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM

Opinion on Each Major Federal Program

We have audited the compliance of the North Sound Behavioral Health Administrative Services Organization, with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2023. The Organization's major federal programs are identified in the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the 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 December 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination on the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

Performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances;
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed; and
- We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

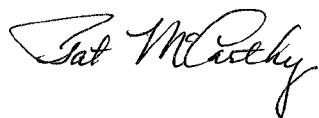
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed. Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. However, this report is a matter of public record and its distribution is not limited. It also serves to disseminate information to the public as a reporting tool to help citizens assess government operations.



Pat McCarthy, State Auditor

Olympia, WA

October 10, 2024

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

North Sound Behavioral Health Administrative Services Organization January 1, 2023 through December 31, 2023

Board of Directors
North Sound Behavioral Health Administrative Services Organization
Mount Vernon, Washington

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the North Sound Behavioral Health Administrative Services Organization, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the financial section of our report.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the North Sound Behavioral Health Administrative Services Organization, as of December 31, 2023, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Performing an audit in accordance with GAAS and *Government Auditing Standards* includes the following responsibilities:

- Exercise professional judgment and maintain professional skepticism throughout the audit;
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed;
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements;

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time; and
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 supplementary information is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated October 10, 2024 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 the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

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

October 10, 2024

FINANCIAL SECTION

North Sound Behavioral Health Administrative Services Organization January 1, 2023 through December 31, 2023

REQUIRED SUPPLEMENTARY INFORMATION

Management's Discussion and Analysis – 2023

BASIC FINANCIAL STATEMENTS

Statement of Net Position – 2023

Statement of Activities – 2023

Balance Sheet – Governmental Funds – 2023

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

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

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

Statement of Revenues, Expenditures and Changes In Fund Balance – Budget and Actual
General Fund – 2023

Notes to Financial Statements – 2023

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of Net Pension Liability – PERS 1 & PERS 2/3 – 2023

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

SUPPLEMENTARY AND OTHER INFORMATION

Schedule of Expenditures of Federal Awards – 2023

Notes to the Schedule of Expenditures of Federal Awards – 2023

North Sound Behavioral Health Administrative Services Organization

MANAGEMENT'S DISCUSSION AND ANALYSIS

North Sound Behavioral Health Administrative Services Organization (North Sound BH-ASO) discussion and analysis offers readers of our financial statements a narrative overview and analysis of our financial activities for the fiscal year ended December 31, 2023. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements (which immediately follow this discussion). We are a joint venture between five counties, and we have eight American Indian tribes in our region.

The North Sound Regional Support Network did a business conversion in 2016 to become the North Sound Behavioral Health Organization LLC. We changed our name and business structure because we added the public substance use disorder business for our five-county region. The state government passed Second Substitute Senate Bill 6312 on April 4, 2014. This bill directs the integration of mental health and substance use disorder treatment. On April 1, 2016, North Sound BHO took over the responsibility to fund both outpatient and residential substance use disorder treatment services with our state managed care contract.

In October 2017, the Counties Executive Authorities Committee (Board) voted to become a mid-adopter and become a "Behavioral Health Administrative Service Organization" (BH-ASO). This transition happened on July 1, 2019. The North Sound BH-ASO is a behavioral health crisis service agency and administers a few of the other state and grant funded services. North Sound BH-ASO does not have a Medicaid service contract with the state of Washington. The North Sound BH-ASO contracts with five Apple Health Managed Care Organizations (MCOs) to provide Medicaid crisis services to their members.

FINANCIAL HIGHLIGHTS

Total expenditures are \$5,593,512 more in 2023 compared to 2022 on the statement of revenues and expenditures. Total revenues are \$3,474,067 higher than the prior year on the same statements. Ending fund balance increased to \$16,740,359 in 2023 from \$14,192,087 in 2022.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to North Sound BH-ASO'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 the North Sound BH-ASO's finances in a manner similar to a private-sector business. The 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 North Sound BH-ASO's activities are considered governmental activities and are dedicated to providing behavioral health services to the community. The statement of net position presents information on all North Sound BH-ASO's assets and liabilities, with the difference between the two reported as net position. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the North Sound BH-ASO is improving or deteriorating. However, this is just one indicator of the financial health of the organization. Other indicators include the statement of activities information showing how North Sound BH-ASO's net position changed during 2023. 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 that revenues be reported when they are earned, and expenses are reported when the goods and services are received, regardless of the timing of the cash flow. Items such as unpaid vendor invoices for items received in 2023 and earned but unused vacation leave and a portion of sick leave, will be included in the statement of activities as revenue and expense, even though the cash associated with these items will not be received or distributed in 2023.

Fund Financial Statements

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

Governmental Funds

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

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. 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 financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the governmental activity's column in the government-wide statements in order to facilitate this comparison.

The North Sound BH-ASO maintains budgetary controls over its operating funds. As stated above, North Sound BH-ASO 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.

Proprietary Funds

North Sound BH-ASO has no proprietary funds.

Fiduciary Funds

North Sound BH-ASO has no fiduciary funds.

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 this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

As noted earlier, Net Position may serve over time as a useful indicator of a government's financial position. Refer to Table 1 when reading the following analysis of Net Position. North Sound BH-ASO's Net Position total was \$16,999,718 at December 31, 2023 compared to \$13,900,826 at December 31, 2022. Please note the net position has increased by \$3,098,892.

Table 1: Summary of Net Position 2023 versus 2022		
As of December 31, 2023		
	2022	2023
Current Assets	\$19,074,475	\$23,266,739
Non-Current Assets	900,324	1,107,865
Total Assets	\$19,974,799	\$24,374,604

Deferred outflow of Resources	\$574,608	\$479,819
Total Deferred outflow of Resources	\$574,608	\$479,819
Current Liabilities	\$5,002,992	\$6,657,309
Non-Current Liabilities	869,205	679,819
Total Liabilities	\$5,872,197	\$7,337,128
Deferred Inflow of Resources	\$766,384	\$517,583
Total Deferred Inflow of Resources	\$766,384	\$517,583
Net Position:		
Investment in Capital Assets	\$3,852	\$270,749
Restricted Net Pension Asset	514,297	581,603
Restricted Legislative Provisos	8,733,074	9,912,649
Unrestricted	4,649,602	6,234,711
Total Net Position	\$13,900,826	\$16,999,712

North Sound BH-ASO's total assets are \$24,374,604 at December 31, 2023. The majority of North Sound BH-ASO assets were accounted for in cash, and cash equivalents. At December 31, 2023, the North Sound BH-ASO had outstanding liabilities of \$7,337,128, a majority of which is due within a year. Included in liabilities in the table is \$4,180,377 in accounts payable and \$2,346,002 due to other governmental units.

The deferred outflow of resources decreased to \$479,819 in 2023 from \$574,608 in 2022 due to the pension adjustment. The Deferred inflow of resources decreased from \$766,384 in 2022 to \$517,583 in 2023.

Statement of Activities

Refer to Table 2 when reading the following analysis of the Statement of Activities. North Sound BH-ASO's total net position increased by \$3,098,892 in 2023 compared to an increase of \$4,834,861 in 2022. Governmental revenue increased in 2023 by \$3,144,912 and expenses increased by \$5,210,035 compared to 2022.

Table 2: Summary of Statement of Activities		
For the Year Ended December 31, 2023		
	2022	2023
Governmental Activities		
Governmental Revenues	\$42,290,010	\$45,434,922
Governmental Expenses	37,517,855	42,727,896
Net Governmental Activities	\$4,772,155	\$2,707,025
General Revenues		
Investment Earnings	\$50,181	\$391,411
Miscellaneous Revenue	12,525	450
Total General Revenue	\$62,706	\$391,861
Change in Net Position	\$4,834,861	\$3,098,886
Net Position - Beginning	\$9,065,965	\$13,900,826
Net Position - Ending	\$13,900,826	\$16,999,712

FINANCIAL ANALYSIS OF THE NORTH SOUND BH-ASO FUNDS

As noted earlier, North Sound BH-ASO uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. North Sound BH-ASO only has one fund, the General Fund, and it is a governmental type of fund.

Governmental Funds Balance Sheet Analysis

The Balance Sheet is an analysis of North Sound BH-ASO's General Fund assets and liabilities as of December 31, 2023.

North Sound BH-ASO General Fund

The focus of North Sound BH-ASO's general fund is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of December 31, 2023, North Sound BH-ASO's general fund reported a fund balance of \$16,740,359 compared to the prior year of \$14,192,087.

GENERAL FUND BUDGETARY HIGHLIGHTS

The original adopted operating budget for the North Sound BH-ASO was \$43,365,760 for revenue and expense. (see Statement of Revenue Expenditures and Change in fund Balance – Budget to Actual for more information.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

North Sound BH-ASO has some computer equipment recorded as capital assets. The total net book value at December 31, 2023 is \$270,749.

* Reference the accompanying notes to the financial statements for more information.

Long-Term Debt

North Sound had no long-term debt during 2023.

ECONOMIC FACTORS

North Sound BH-ASO serves at the pleasure of the state, federal and local governments who provide funding through the Washington Health Care Authority (HCA). Our role is to serve the clients in our five-county region. The North Sound BHO transitioned to an ASO on July 1, 2019. The BHO was supposed to close out on December 31, 2019, at that time Health Care Authority (HCA) had not issued its final closeout report so the books of the BHO still remained open. Final BHO closeout happened during 2021. For financial statement reporting purposes the BHO and ASO are considered to be the same reporting entity.

Requests for Information

This financial report is designed to provide a general overview of North Sound BH-ASO'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:

Darrell Heiner, Senior Accountant
North Sound Behavioral Health Administrative Services Organization
2021 East College Way, Suite 101
Mount Vernon, WA 98273
360-416-7013

Visit our website at <http://www.nsbhaso.org/>

Basic Financial Statements

Basic Financial Statements

The basic financial statements and note disclosures comprise the minimum acceptable fair presentation in conformity with Generally Accepted Accounting Principles (GAAP). Basic financial statements are designed to be “liftable” from the Financial Section of the Annual Financial Report for widespread distribution to users requiring less detailed information than is contained in the full Annual Report. Basic Financial Statements include:

Government-wide Financial Statements

(1) Government-wide Statement of Net Position – presents information on all North Sound BH-ASO governmental and business-type assets and liabilities, with the difference reported as net position.

(2) Government-wide Statement of Activities – presents information on all North Sound BH-ASO governmental and business-type revenues and expenses, with the difference reported as change in net position.

Fund Financial Statements

(3) Balance Sheet – Governmental Funds – presents the balance sheets for major funds and aggregated amounts for all other governmental funds.

(4) Reconciliation of the Balance Sheet to the Government-wide Statement of Net Position.

(5) Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds - presents information for each major fund and aggregated information for all other governmental funds.

(6) Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-wide Statement of Activities.

(7) Statement of Revenues, Expenditures and Changes in Fund Balance – Budget

(GAAP Basis) and Actual – presents budget information, along with actual results, on separate statements for each major fund which has a legally adopted budget.

(8) Notes to Financial Statements – presents disclosure and further detail information to assist the reader in a better understanding of the financial statements and the data presented with them.

NORTH SOUND BEHAVIORAL HEALTH ADMINISTRATIVE SERVICES
ORGANIZATION

Statement of Net Position

December 31, 2023

		Governmental Activities General Fund
<u>ASSETS</u>		
Current Assets		
	Cash	\$ 9,041,585
	Cash Equivalents	9,433,287
	Deposits	10,633
	Miscellaneous Receivables	983,211
	Accrued Interest	37,928
	Due From Other Gov't Units	3,760,095
	TOTAL CURRENT ASSETS	\$ 23,266,739
Non-current Assets		
	Net Pension Asset	\$ 581,603
	Lease Assets, Net	255,513
	Capital Assets being Depreciated	443,316
	Less: Accumulated Depreciation	(172,567)
	Net Assets Being Depreciated	270,749
	TOTAL NON-CURRENT ASSETS	\$ 1,107,865
	TOTAL ASSETS	\$ 24,374,604
<u>Deferred outflow of Resources</u>		
	Deferred outflows - Pension	479,819
	TOTAL DEFERRED OUTFLOW OF RESOURCES	\$ 479,819
<u>LIABILITIES</u>		
Current Liabilities		
	Lease Liability - Current	\$ 130,929
	Accounts Payable	4,180,377
	Due To Other Gov't Units	2,346,002
	TOTAL CURRENT LIABILITIES	\$ 6,657,309
Non-current Liabilities		
	Lease Liability - Non-Current	\$ 144,318
	Compensated Absences	284,697
	Net Pension Liability	250,804
	Total Non-current Liabilities	\$ 679,819
	TOTAL LIABILITIES	\$ 7,337,128
<u>Deferred inflow of Resources</u>		
	Deferred inflows - Pension	517,583
	TOTAL DEFERRED INFLOW OF RESOURCES	\$ 517,583
Net Position		
	Net Investment in Capital Assets	\$ 270,749
	Restricted Net Pension Asset	581,603
	Restricted Legislative Provisos	9,912,649
	Unrestricted	6,234,711
	TOTAL Net Position	\$ 16,999,712

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

NORTH SOUND BEHAVIORAL HEALTH ADMINISTRATIVE SERVICES ORGANIZATION

Statement Of Activities For The Year Ended December 31, 2023

	Program Revenue				Net (expense) Revenue & Changes in Net Position		
	Charges for service		Grants & Fees		Primary Government		
	Expenses		Operating Grants and Contributions	Capital Grants & Contributions	Governmental Activity	Business Type Activities	Total
<u>Governmental Activities:</u>							
Mental & Physical Health	\$42,727,896	38,173,603	7,261,319	-	2,707,025	-	2,707,025
Total Governmental Activities	\$42,727,896	- \$ 38,173,603	\$ 7,261,319	-	\$ 2,707,025	- \$	2,707,025
<u>Business-Type Activities:</u>							
Total Business-Type Activities	-	-	-	-	-	-	-
Total Primary Government	\$42,727,896	- \$ 38,173,603	\$ 7,261,319	-	\$ 2,707,025	- \$	2,707,025
<u>General Revenues</u>							
Investment Earnings					\$ 391,411	\$	391,411
Miscellaneous					450		450
Total General Revenue					\$ 391,861	- \$	391,861
Change in Net Position					\$ 3,098,886	\$	3,098,886
Net Position-Beginning					13,900,826		13,900,826
Net Position-Ending					\$ 16,999,712	\$	16,999,712

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

**NORTH SOUND BEHAVIORAL HEALTH ADMINISTRATIVE
SERVICES ORGANIZATION**

**Balance Sheet
Governmental Funds**

December 31, 2023

	General Fund	Total Governmental Funds
<u>ASSETS</u>		
Assets		
Cash	\$ 9,041,585	\$ 9,041,585
Cash Equivalents	9,433,287	9,433,287
Deposits	10,633	10,633
Accrued Interest	37,928	37,928
Miscellaneous Receivable	983,211	983,211
Due From Other Gov't Units	3,760,095	3,760,095
TOTAL ASSETS	\$ 23,266,739	\$ 23,266,739
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities		
Accounts Payable	\$ 4,180,377	\$ 4,180,377
Due To Other Gov't Units	2,346,002	2,346,002
TOTAL LIABILITIES	\$ 6,526,380	\$ 6,526,380
<u>Fund Balance</u>		
Restricted Fund Balance	9,912,649	9,912,649
Unassigned Fund Balance	6,827,710	6,827,710
TOTAL FUND BALANCE	\$ 16,740,359	\$ 16,740,359
Total Liabilities and Fund Balances	\$ 23,266,739	\$ 23,266,739

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

North Sound Behavioral Health Administrative Services Organization

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position for the Year Ended December 31, 2023

Total fund balance as shown on the Governmental Statement Balance Sheet is \$16,740,359 compared to \$16,999,712 shown on the Statement of Net Position. This is a difference of \$259,353.

Reconciling items include:

Compensated absences in the amount of \$284,697. This is not shown on the Balance Sheet of the Governmental Funds but is part of the Statement of Net Position.

Pension related items are not included in the Balance Sheet but are part of the Statement of Net Position. The deferred outflows of revenue related to the pension are \$479,819, the deferred inflows are \$517,583, the net pension asset is \$581,603 and the net pension liability in the amount of \$250,804.

The capital assets net of accumulated depreciation in the amount of \$270,749 are shown on the Statement of Net Position and not on the Balance Sheet.

Lease liability and Lease Assets are not included in the Balance Sheet but are included in the Statement of Net Position. Lease Assets is \$255,513 and Lease Liability is \$275,247

The difference between the statements is $\$259,353 = -284,697 + 479,819 - 517,583 + 581,603 - 250,804 + 270,749 + 255,513 - 275,247$.

**NORTH SOUND BEHAVIORAL HEALTH ADMINISTRATIVE SERVICES
ORGANIZATION**

**Statement of Revenues, Expenditures
and Changes In Fund Balance
Governmental Funds
For the Year Ended December 31, 2023**

	General Fund 2023	Total Governmental Funds 2023
<u>REVENUES</u>		
<u>Intergovernmental Revenue</u>		
Direct Federal Grants	\$ 341,175	\$ 341,175
Indirect Federal Grants	6,920,143	6,920,143
<u>Charges for Service</u>		
Charges for Service	38,173,603	38,173,603
<u>Miscellaneous Revenues</u>		
Investment Interest	391,411	391,411
Miscellaneous Revenues	450	450
TOTAL REVENUES	\$ 45,826,783	\$ 45,826,783
<u>EXPENDITURES</u>		
<u>Current:</u>		
Behavioral Health	43,278,511	43,278,511
TOTAL EXPENDITURES	\$ 43,278,511	\$ 43,278,511
Excess of Revenues Over (Under) Expenditures	\$ 2,548,272	\$ 2,548,272
Net Change in Fund Balance	\$ 2,548,272	\$ 2,548,272
Fund Balance - Beginning 1/1/23	\$ 14,192,087	\$ 14,192,087
Fund Balance - Ending 12/31/23	\$ 16,740,359	\$ 16,740,359

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

North Sound Behavioral Health Administrative Services Organization

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities for the Year Ended December 31, 2023

The net change in fund balances as shown on Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance is \$2,548,272. The change in net position on the Statement of Activities equals \$3,098,886. This represents a difference of \$550,614.

Reconciling items are:

The revenues are the same under both reporting methods. However, the expenditures are different because the statement of activities capitalizes assets and uses depreciation. The governmental funds expense assets in the year purchased and do not depreciate assets. Capital expense was 300,832 and the depreciation expense for the year ended 2023 is \$33,936.

Leases are handled differently under both methods. The Statement of Revenues recognizes lease payments as interest and debt payment, the debt payment amount being \$120,603. The Statement of Activities recognizes the same interest expense but amortizes the capitalized Lease. Amortization expenses was \$126,661.

Another difference in reporting is the change in compensated absences from \$297,144 at December 31, 2022 to \$284,697 at December 31, 2023. The decrease of \$12,446 is recognized as an expense in the Statement of Activities. Compensated absences represent the vacation and some sick leave pay off amount at year end.

The Statement of Activities recognizes additional pension expense per GASB 68 and the governmental funds do not. The additional pension expense is (\$277,326).

Rounding -4.

The total difference between the statements is $\$550,614 = -300,832 + 33,936 - 120,603 + 126,661 - 12,446 - 277,326 - 4$.

NORTH SOUND BEHAVIORAL HEALTH ADMINISTRATIVE SERVICES ORGANIZATION

Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual General Fund Year Ended December 31, 2023

<u>REVENUES</u>	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<u>Intergovernmental Revenue</u>				
Direct Federal Grants	333,333	333,333	\$ 341,175	7,842
Indirect Federal Grants	7,137,927	7,137,927	6,920,143	(217,784)
<u>Charges for Service</u>				
Charges for Service	35,884,500	35,884,500	38,173,603	2,289,103
<u>Miscellaneous Revenues</u>				
Investment Interest	10,000	10,000	391,411	381,411
Miscellaneous Revenues	0	0	450	450
<u>TOTAL REVENUE</u>	\$ 43,365,760	\$ 43,365,760	\$ 45,826,783	\$ 2,461,023
<u>EXPENDITURES</u>				
Behavioral Health	43,365,760	45,365,760	43,278,511	2,087,249
<u>TOTAL EXPENDITURES</u>	\$ 43,365,760	\$ 45,365,760	\$ 43,278,511	\$ 2,087,249
Excess of Revenues Over (Under) Expenditures	\$ -	\$ (2,000,000)	\$ 2,548,272	\$ 4,548,272
Net Change in Fund Balance	\$ -	\$ (2,000,000)	\$ 2,548,272	\$ 4,548,272
Fund Balance - Beginning 1/1/23	\$ 14,192,087	\$ 14,192,087	\$ 14,192,087	\$ -
Fund Balance Ending - 12/31/23	\$ 14,192,087	\$ 12,192,087	\$ 16,740,359	\$ 4,548,272

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

NORTH SOUND BEHAVIORAL HEALTH ADMINISTRATIVE SERVICES ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 1 - Summary Of Significant Accounting Policies

The financial statements of North Sound Behavioral Health Administrative Services Organization (North Sound BH-ASO) have been prepared in conformity with generally accepted accounting principles (GAAP), as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The chart of accounts conforms to the Budgeting, Accounting, and Reporting Systems (BARS) prescribed by the office of the State Auditor, to promote uniformity among the cities and counties of Washington resulting in better comparability. The significant accounting policies are described below.

A. Reporting Entity

State Senate Bill 5400, regionalizing mental health services in Washington State was passed and signed into law in May 1989. This bill allowed geographical areas to jointly provide mental health services to the combined populations. In October 1989, an Interlocal Agreement was approved by Island County, San Juan County, Skagit County, Snohomish County, and Whatcom County creating the North Sound Regional Support Network (NSRSN). In March 1990, the State Legislature provided funding for the NSRSN to begin operations on January 1, 1991. The NSRSN first had financial activity in October 1990.

During 2016, the North Sound Regional Support Network changed their entity status and name to the North Sound Behavioral Health Organization in February 2016. We did a business conversion to a limited liability corporation and changed the name to North Sound Behavioral Health Organization. On April 1, 2016, the North Sound BHO started administering the public substance use disorder contracts along with the public Mental Health contracts for our five-county region.

In October 2017, the Counties Executive Authorities Committee (Board) voted to become a mid-adopter and become a "Behavioral Health Administrative Service Organization" (BH-ASO). This transition happened on July 1, 2019. The North Sound BH-ASO is a behavioral health crisis service agency and administers a few of the other state and grant funded services. North Sound BH-ASO does not have a Medicaid service contract with the state of Washington. The North Sound BH-ASO contracts with five Apple Health Managed Care Organizations (MCOs) to provide Medicaid crisis services to their members.

The North Sound BH-ASO does not have any component units.

B. Basis of Presentation - Government-Wide and Fund Financial Statements

Government-wide financial statements consist of the statement of net position and the statement of activities. These statements report information on all the non-fiduciary activities of the primary government. 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 North Sound BH-ASO only has one fund, the general 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.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the North Sound BH-ASO considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. The North Sound BH-ASO considers property taxes as available if they are collected within 60 days after the year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

NORTH SOUND BEHAVIORAL HEALTH ADMINISTRATIVE SERVICES ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

See Note 1 E 9 Compensated Absences.

The North Sound BH-ASO reports the following major governmental fund: The General Fund is the North Sound BH-ASO'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

The annual budget for North Sound BH-ASO is adopted in accordance with the provisions of the Revised Code of Washington (RCW), as interpreted by the Budgeting, Accounting, and Reporting System (BARS) of the State of Washington, and on a basis consistent with generally accepted accounting principles. The annual appropriated budget is adopted at the fund level. All appropriations lapse after the close of each fiscal year. All expenditures incurred prior to year-end, but not paid until this thirty-day period, are considered expenditures against the budget for the prior year and are reported as accounts payable.

2. Procedure for Adopting the Original Budget

On or before December 1 of each year, a budget is prepared showing for each object, actual expenditures for the prior year, current year estimated, and requested appropriations for the next fiscal year. A proposed budget is presented to the Board of Directors and public. After public meetings and Advisory Board approval a recommended budget is brought to the Board of Directors for approval. The Board of Directors approves the recommended budget on or before December 31st of each year and it becomes the adopted budget.

3. Amending the Budget

The Executive Director is authorized to approve budget transfers between appropriation units (sub-object of expenditure). However, the following circumstances require Board of Directors approval:

Revisions that affect the appropriation units of salaries and wages or capital outlay. Revisions that create new salaried positions. Revisions that establish new programs. Revisions that delete ongoing programs. Revisions that alter the total expenditure of the budget. The budget amounts shown in the financial statements are the final authorized amounts revised during 2023.

E. Assets, Liabilities, Fund Balance, Net Position

1. Cash and Equivalents

At December 31, 2023, \$1,994 is on deposit at Banner Bank for our petty cash and advanced travel. The employee flexible spending account had a balance of \$ 60,969 at December 31, 2023. Cash and Cash equivalents on hand at the County Treasurer's office is \$ 18,474,878. Cash Equivalents are invested in the state treasurer's investment pool and money market funds. Cash equivalents are short-term, highly liquid investments that are readily convertible to a known amount of cash and mature within three months. These amounts are classified on the Balance Sheet or in the statement of Net Position as cash and cash equivalents.

In accordance with GASB 79, qualifying short-term investments in general 2a7-like pools, money market investment and other investment with a remaining maturity of one year or less at the time of purchase are amortized at cost. All other investments are stated at fair value. For additional investment information see Note 2 B.

2. Temporary Investments – See Note 2 B.

3. Receivables and Payables

Receivables are due from private companies including not for profit agencies and individuals. Due from other governments include amounts due from other government agencies. Interest Receivable consists of amounts earned on investments at the end of the year and fair value changes in accordance with GASB 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, are included.

Payables are owed to individuals, private companies including not for profit agencies. Due to other governments include amounts owed to government agencies for services.

NORTH SOUND BEHAVIORAL HEALTH ADMINISTRATIVE SERVICES ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

4. Inventories and Prepayments

The North Sound BH-ASO 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.

5. Capital Assets – See Note 2 D, Capital Assets

Capital assets include information technology equipment and lease hold improvements. The North Sound BH-ASO defines capital assets as assets with an initial, individual cost of more than \$7,500 and an estimated useful life in excess of one year.

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

Information Technology Equipment – 3 to 20 years

Lease hold improvements – over the life of the lease (For more information see Note 4.)

Machinery and Equipment – 5 to 15 years

6. Leases

The North Sound BH-ASO is a lessee for noncancelable leases. The North Sound BH-ASO recognizes a lease liability and an intangible right-to-use lease asset in the government-wide and proprietary fund financial statements. The North Sound BH-ASO recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the North Sound BH-ASO initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized using the straight-line basis over its useful life.

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

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

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

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

7. Deferred Inflows of Resources

The deferred inflow of resources for the North Sound BH-ASO is to account for amounts for which revenue recognition criteria have not been met. This is the portion of the state's pension funding system that relates to North Sound BH-ASO.

NORTH SOUND BEHAVIORAL HEALTH ADMINISTRATIVE SERVICES ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

8. Deferred Outflows of Resources

Deferred outflow of resources is a consumption of net assets by the government that is applicable to a future reporting period. This is the portion of the state's pension funding system that relates to the North Sound BH-ASO.

9. Compensated Absences

Compensated absences are absences for which employees will be paid, such as vacation and sick leave. It is the North Sound BH-ASO's policy to permit employees to accumulate earned but unused vacation leave benefits. All vacation pay is accrued when incurred in the government-wide fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The non-current portion for governmental funds is not reported in the governmental fund statements and represents a reconciling item between the fund and government-wide presentations.

Employees receive vacation pay, which may be accumulated up to a maximum of 30 days, is payable upon resignation, retirement, or death. Sick leave may accumulate up to a maximum of 120 days. An employee leaving the North Sound BH-ASO is entitled to be paid for unused vacation and 25% of sick leave after completion of five years of service. Employee benefit payout for 2023 was \$284,697 including estimated benefits.

10. Long-Term Debt - See Note 3

11. Fund Equity

Fund equity is recognized as fund balance in governmental fund types. Fund equity is classified by the nature of the restriction on future use. The following are classifications of fund balance; non-spendable, restricted, committed, assigned, unassigned.

Non-spendable Fund Balance – The portion of net resources that cannot be spent because either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - That portion of net resources that contains limitations imposed by creditors, grantors, contributors, or laws and regulations of other governments or enabling legislation. At December 31, 2023 North Sound BH-ASO had \$9,912,649 in restricted fund balance, this amount is due to un-spent legislative provisos and can only be spent for allowed expenditures.

Committed Fund Balance – Are amounts that are to be used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

Assigned fund balance - Funds set aside by the governing body for a specific purpose. The North Sound BH-ASO Executive has the authority to restrict and un-restrict the funds.

Unassigned Fund Balance - The residual net resources in excess of Non-spendable, Restricted, Committed and Assigned. See Note 9 for more information.

12. Pensions

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

For the purposes of calculating the restricted net position related to the net pension asset, the North Sound BH-ASO includes the net pension only.

NOTE 2 – Deposits and Investments

NORTH SOUND BEHAVIORAL HEALTH ADMINISTRATIVE SERVICES ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

A. Deposits

The North Sound BH-ASO utilizes the services of the Skagit County Treasurer. All deposits are covered by Federal deposit insurance corporation (FDIC) and also covered by the Washington State Public Deposit Protection Commission (PDPC). The PDPC protection is in the nature of collateral and not insurance, pursuant to Governmental Accounting Standards Board of Statement No. 3.

As of December 31, 2023, the North Sound BH-ASO held the following deposits and short-term investments operating within the parameters outlined in GASB 79 and qualifying to be reported at amortized cost: state investment pool \$9,433,287, petty cash \$62,963. The deposit shown on the balance sheet in the amount of \$10,633 is a damage deposit required for the office-building lease.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of the counterparty to an investment transaction North Sound BH-ASO would not be able to recover the value of the investment or collateral securities. North Sound BH-ASO has no custodial credit risk as of December 31, 2023.

The North Sound BH-ASO does not hold investments for other local governments, individuals, or private organizations. Statutes authorize the County, acting as an agent of the North Sound BH-ASO, to invest in obligations of the U.S. Treasury and its instrumentalities, banker's acceptances issued in the secondary market, primary certificates of deposit issued by Washington State qualified public depositories as defined under Chapter 39.58 of the Revised Code of Washington, and the State Treasurer's investment pool.

B. Investments Measured at Fair Value

The North Sound BH-ASO measures and reports investments at fair value using the valuation input hierarchy established by generally accepted accounting principles, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable.
- Level 3: Unobservable inputs for an asset or liability.

At December 31, 2023, the North Sound BH-ASO had no investments.

C. Receivables

Accrued interest receivable consists of amounts earned on investments at the end of the year. At the end of 2023, the accrued interest receivable is \$37,928.

Accounts receivable are \$983,211. They consist of amounts owed from private individuals or organizations for goods and services including amounts owed for which billings have not been prepared. Most of our accounts receivable are from the billing of ITA Judicial fees and accrued MCO payments.

Due from other governmental units, the amount of \$3,760,095 represents grant funds that were owed but not received by year-end. Most of the amounts owed were from Washington State Health Care Authority and some were from other Behavioral Health organizations.

D. Capital Assets and Depreciation

1. General Policies

Major expenditures for capital assets, including capital leases and major repairs that increase useful lives are capitalized. Maintenance, repairs, and minor renewals are accounted for as expenditures or expenses when incurred. All capital assets are valued at historical cost (or estimated cost, where historical cost is not known). The North Sound BH-ASO has acquired certain assets with funding provided by federal financial assistance programs. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these

NORTH SOUND BEHAVIORAL HEALTH ADMINISTRATIVE SERVICES ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

assets, however, the North Sound BH-ASO has sufficient legal interest to accomplish the purposes for which the assets were acquired and has included such assets within the applicable account group.

2. Capital Assets

Our capitalization policy is to capitalize assets that have a useful life of more than one year and cost more than \$7,500. See note 1 D 5.

A summary of changes in capital assets follows:

	Balance 1/1/23	Additions	Deletions	Balance 12/31/23
Capital Assets being depreciated:				
Machinery & Equipment	\$ 517,449	\$ 300,832	\$ (374,965)	\$ 443,316
Less accumulated depreciation	\$ (513,597)	\$ (33,935)	\$ 374,965	\$ (172,567)
Total Capital assets, net	\$ 3,852	\$ 266,897	\$ 0	\$ 270,749

NOTE 3 – Long Term Debt

The long-term debt the North Sound BH-ASO has are compensated absences (see note 1 D-9), leases (see note 4) and pension liabilities (see note 5).

Type of Debt	Beginning Balance 1/1/23	New Issue	Redeemed	Ending Balance 12/31/23
Lease Liability – non-current	\$ 395,851	\$	\$ 120,604	\$ 275,247
Compensated Absences	\$ 297,144	\$ 37,296	\$ 49,743	\$ 284,697
Pension Liabilities	\$ 296,814	\$	\$ 46,010	\$ 250,804
Total	\$ 989,809	\$ 37,296	\$ 216,357	\$ 810,748

NOTE 4 – Leases

The North Sound BH-ASO leases the office building and other equipment under noncancelable operating leases. The following is a summary of changes in leased assets at December 31, 2023.

	Balance 1/1/23	Additions	Reductions	Balance 12/31/22
Leased assets being amortized:				
Building	\$ 498,553	\$	\$	\$ 498,553
Equipment	\$ 10,114	\$	\$	\$ 10,114
Total Leased Assets being amortized	\$ 508,667	\$	\$	\$ 508,667
Less accumulated amortization	\$ (126,493)	\$ (126,661)	\$	\$ (253,154)
Total Leased assets, net	\$ 382,174	\$ (126,661)	\$ 0	\$ 255,513

NORTH SOUND BEHAVIORAL HEALTH ADMINISTRATIVE SERVICES ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
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The future minimum lease payments are as follows:

Year ending December 31	Principal	Interest	Total
2024	\$ 130,929	\$ 10,789	\$ 141,718
2025	\$ 141,908	\$ 3,993	\$ 145,901
2026	\$ 2,220	\$ 70	\$ 2,290
2027	\$ 190	\$ 1	\$ 191
Total	\$ 275,247	\$ 14,853	\$ 290,100

NOTE 5 – Pensions – State Sponsored (DRS) Plans

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

Aggregate Pension Amounts – All Plans	
Pension liabilities	\$ (250,804)
Pension assets	\$ 581,603
Deferred outflows of resources	\$ 479,819
Deferred inflows of resources	\$ (517,583)
Pension expense/expenditures	\$ (70,065)

State Sponsored Pension Plans

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

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

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

Public Employees' Retirement System (PERS)

PERS members include elected officials; state employees; employees of local governments; and higher education employees not participating in higher education retirement programs.

PERS is composed 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 employees can be a member of only Plan 2 or Plan 3, the defined benefits of Plan 2 and Plan 3 are accounted for in the same pension trust fund. All assets of Plan 2/3 may legally be used to pay the defined benefits of any Plan 2 or Plan 3 members or beneficiaries.

PERS Plan 1 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% 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. PERS Plan 1 retirement

NORTH SOUND BEHAVIORAL HEALTH ADMINISTRATIVE SERVICES ORGANIZATION
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benefits are actuarially reduced if a survivor benefit is chosen. Members retiring from active status prior to the age of 65 may also receive actuarially reduced benefits. Other benefits include an optional cost-of-living adjustment (COLA). PERS 1 members were vested after the completion of five years of eligible service. The plan was closed to new entrants on September 30, 1977.

Contributions

The **PERS Plan 1** member contribution rate is established by State statute at 6%. The employer contribution rate is developed by the Office of the State Actuary, adopted by the Pension Funding Council and is subject to change by the legislature. The PERS Plan 1 required contribution rates (expressed as a percentage of covered payroll) for 2023 were as follows:

PERS Plan 1		
Actual Contribution Rates:	Employer	Employee*
January – June		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	3.85%	
Administrative Fee	0.18%	
Total	10.39%	6.00%
July – August		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.85%	
Administrative Fee	0.18%	
Total	9.39%	6.00%
September – December		
PERS Plan 1	6.36%	6.00%
PERS Plan 1 UAAL	2.97%	
Administrative Fee	0.20%	
Total	9.53%	6.00%

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

PERS Plan 2/3 provides retirement, disability, and death benefits. Retirement benefits are determined as 2% of the member's AFC times the member's years of service for Plan 2 and 1% of AFC for Plan 3. The AFC is the average of the member's 60 highest-paid consecutive service months. Members are eligible for retirement with a full benefit at 65 with at least five years of service credit. Retirement before age 65 is considered an early retirement. PERS Plan 2/3 members who have at least 20 years of service credit and are 55 years of age or older, are eligible for early retirement with a benefit that is reduced by a factor that varies according to age for each year before age 65. PERS Plan 2/3 retirement benefits are actuarially reduced if a survivor benefit is chosen. Other PERS Plan 2/3 benefits include a COLA based on the CPI, capped at 3% annually. PERS 2 members are vested after completing five years of eligible service. Plan 3 members are vested in the defined benefit portion of their plan after ten years of service; or after five years of service if 12 months of that service are earned after age 44.

PERS Plan 3 defined contribution benefits are totally dependent on employee contributions and investment earnings on those contributions. Members are eligible to withdraw their defined contributions upon separation. Members have multiple withdrawal options, including purchase of an annuity. PERS Plan 3 members are immediately vested in the defined contribution portion of their plan.

Contributions

The **PERS Plan 2/3** employer and employee contribution rates are developed by the Office of the State Actuary to fully fund Plan 2 and the defined benefit portion of Plan 3. The rates are adopted by the Pension Funding Council and are subject to

NORTH SOUND BEHAVIORAL HEALTH ADMINISTRATIVE SERVICES ORGANIZATION
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change by the Legislature. The employer rate includes a component to address the PERS Plan 1 Unfunded Actuarial Accrued Liability (UAAL).

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

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

PERS Plan 2/3			
Actual Contribution Rates:	Employer 2/3	Employee 2*	Employee 3**
January – June			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	3.85%		
Administrative Fee	0.18%		
Total	10.39%	6.36%	
July – August			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.85%		
Administrative Fee	0.18%		
Total	9.39%	6.36%	
September - December			
PERS Plan 2/3	6.36%	6.36%	Varies
PERS Plan 1 UAAL	2.97%		
Administrative Fee	0.20%		
Total	9.53%	6.36%	

* For employees participating in JBM, the contribution rate was 15.90%.

** For employees participating in JBM, the minimum contribution rate was 7.50%

The North Sound BH-ASO's actual PERS plan contributions were \$71,960 to PERS Plan 1 and \$135,301 to PERS Plan 2/3 for the year ended December 31, 2023.

Actuarial Assumptions

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

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

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

NORTH SOUND BEHAVIORAL HEALTH ADMINISTRATIVE SERVICES ORGANIZATION
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Mortality rates were developed using the Society of Actuaries' Pub. H-2020 mortality rates, which vary by member status (e.g., active, retiree, or survivor), as the base table. OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society Actuaries, to project mortality rates for every year after the 2010 base table. Mortality rates are applied on a generational basis; meaning, each member is assumed to receive additional mortality improvements in each future year throughout his or her lifetime.

Methods did not change from the prior contribution rate setting June 30, 2021, Actuarial Valuation Report (AVR). OSA did make an assumption change to adjust TRS Plan 1 assets, LEOFF Plan 1/2 assets, and LEOFF participant data to reflect certain material changes occurring after the June 30, 2022, measurement date.

Discount Rate

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

To determine that rate, an asset sufficiency test was completed to test whether each pension plan's fiduciary net position was sufficient to make all projected future benefit payments for current plan members. Based on OSA's assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return of 7.0% was used to determine the total liability.

Long-Term Expected Rate of Return

The long-term expected rate of return on the DRS pension plan investments of 7.0% was determined using a building-block-method. In selecting this assumption, the OSA reviewed the historical experience data, considered the historical conditions that produced past annual investment returns and considered Capital Market Assumptions (CMA's) and simulated expected investment returns provided by the Washington State Investment Board (WSIB). The WSIB uses the CMA's and their target asset allocation to simulate future investment returns at various future times.

Estimated Rates of Return by Asset Class

The table below summarizes the 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, 2021. The inflation component used to create the table is 2.2% and represents the 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%	1.5%
Tangible Assets	7%	4.7%
Real Estate	18%	5.4%
Global Equity	32%	5.9%
Private Equity	23%	8.9%
	100%	

Sensitivity of the Net Pension Liability/(Asset)

The table below presents the North Sound BH-ASO's proportionate share* of the net pension liability calculated using the discount rate of 7%, as well as what the North Sound BH-ASO'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%) or 1-percentage point higher (8%) than the current rate.

NORTH SOUND BEHAVIORAL HEALTH ADMINISTRATIVE SERVICES ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
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	1% Decrease (6%)	Current Discount Rate (7%)	1% Increase (8%)
PERS 1	\$ 350,392	\$ 250,804	\$ 163,887
PERS 2/3	\$ 632,563	\$ (581,603)	\$ (1,579,117)

Pension Plan Fiduciary Net Position

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

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

At June 30, 2023, the North Sound BH-ASO reported its proportionate share of the net pension liabilities as follows:

	Liability (or Asset)
PERS 1	\$ 250,804
PERS 2/3	\$ (581,603)

At June 30, the North Sound BH-ASO's proportionate share of the collective net pension liabilities was as follows:

	Proportionate Share 6/30/22	Proportionate Share 6/30/23	Change in Proportion
PERS 1	% .010660	% .010987	% .000327
PERS 2/3	% .013867	% .014190	% .000323

Employer contribution transmittals received and processed by the DRS for the fiscal year ended June 30, 2023 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in the *Schedules of Employer and Non-employer Allocations* for all plans except LEOFF 1.

Pension Expense

For the year ended December 31, 2023, the North Sound BH-ASO recognized pension expense as follows:

	Pension Expense
PERS 1	\$ 8,789
PERS 2/3	\$ (78,855)
TOTAL	\$ (70,065)

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2023, the North Sound BH-ASO 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	\$	\$ (28,292)
Changes of assumptions	\$	\$
Changes in proportion and differences between contributions and proportionate share of contributions	\$	\$
Contributions subsequent to the measurement date	\$ 31,738	\$
TOTAL	\$ 31,738	\$ (28,292)

NORTH SOUND BEHAVIORAL HEALTH ADMINISTRATIVE SERVICES ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

PERS 2 & 3	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 118,472	\$ (6,498)
Net difference between projected and actual investment earnings on pension plan investments	\$	\$ (219,183)
Changes of assumptions	\$ 244,177	\$ (53,221)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 16,576	\$ (210,389)
Contributions subsequent to the measurement date	\$ 68,856	\$
TOTAL	\$ 448,081	\$ (489,291)

Total for all Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 118,472	\$ (6,498)
Net difference between projected and actual investment earnings on pension plan investments	\$	\$ (247,475)
Changes of assumptions	\$ 244,177	\$ (53,221)
Changes in proportion and differences between contributions and proportionate share of contributions	\$ 16,576	\$ (210,389)
Contributions subsequent to the measurement date	\$ 100,594	\$
TOTAL	\$ 479,819	\$ (517,583)

Deferred outflows of resources related to pensions resulting from the North Sound BH-ASO's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	PERS 1
2024	\$ (19,249)
2025	\$ (24,207)
2026	\$ 14,926
2027	\$ 238
2028	\$
Thereafter	\$
Total	\$ (28,292)

Year ended December 31:	PERS 2/3
2024	\$ (148,141)
2025	\$ (186,797)
2026	\$ 123,632
2027	\$ 37,791
2028	\$ 62,246
Thereafter	\$ 1,203
Total	\$ (110,066)

NORTH SOUND BEHAVIORAL HEALTH ADMINISTRATIVE SERVICES ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

Deferred Compensation

The North Sound BH-ASO offers its employees two deferred compensation programs created in accordance with Internal Revenue Code Section 457. The plan administrators are Mass Mutual Retirement Services and the Department of Retirement Services.

NOTE 6 - Risk Management

North Sound BH-ASO is a member of the Enduris Washington (Pool). Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. Enduris was formed July 10, 1987 pursuant to the provisions of Chapter 48.62 RCW, Chapter 200-100 WAC, and Chapter 39.34 RCW when two (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. For the Pool's fiscal year ending August 31, 2023, there are 518 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 self-insured retention on liability loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$999,000 on a liability loss.

\$250,000 self-insured retention on property loss - the member is responsible for the first \$1,000 of the amount of each claim, while Enduris is responsible for the remaining \$249,000 on a property loss. For property losses related to boiler and machinery Enduris is responsible for the first \$4,000 of the claim.

Enduris acquires reinsurance from unrelated insurance companies on a "per occurrence" basis to cover all losses over the self-insured retentions 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 \$800 million 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. The Pool's 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 7 - Contingences And Litigation

North Sound BH-ASO has recorded in its financial statements all material liabilities. In the opinion of management, the North Sound BH-ASO's insurance policy is adequate to pay all known or pending claims. Grant funds are subject to audit by the grantors or their representatives. Such audits could result in requests for reimbursement to grantor agencies for expenditures disallowed under the terms of the grants. North Sound BH-ASO management believes that such disallowances, if any, will be immaterial.

NORTH SOUND BEHAVIORAL HEALTH ADMINISTRATIVE SERVICES ORGANIZATION
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023

NOTE 8 – Subsequent Events

In February 2020, the Governor of the State of Washington declared a state of emergency in response to the spread of a new virus, COVID-19. In the weeks following the declaration, precautionary measures went in to place to slow the spread of the virus. Because we are an essential business, we instituted social distancing at the office, closed the staff lunchroom and supplied disinfectant wipes and hand sanitizer to all staff. Ultimately, we closed our facility on March 18, 2020 when it became evident the virus was continuing to spread at a rapid rate in our region. We instituted a telework policy for all staff. Operations continue remotely M-F, 8AM-5PM and will continue until the organization determines it is safe to open the office.

We have not suffered any financial losses and do not anticipate any at this point in the pandemic. However, we are being cautious in our budgeting for the next fiscal year due to the State's anticipated shortfall in revenues. We are in the early stages of planning for the re-opening of the office, taking into account staff concerns and overall business needs.

REQUIRED SUPPLEMENTARY INFORMATION For State Sponsored Plans (PERS, SERS, PSERS, TERS, LEOFF)

North Sound Behavioral Health Administrative Services Organization
Schedule of Proportionate Share of the Net Pension Liability (Asset)

PERS 1
As of June 30, 2023
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	20XX
Employer's proportion of the net pension liability (asset)	0.010987%	0.010660%	0.010498%	0.017883%	0.023533%	0.024345%	0.023908%	0.017726%	0.014286%	
Employer's proportionate share of the net pension liability (asset)	\$ 250,804	296,814	128,205	631,366	904,927	1,087,256	1,134,453	951,970	747,291	
Covered payroll	\$ 1,977,506	1,733,923	1,622,363	1,644,339	4,160,197	3,255,033	3,015,005	2,134,043	1,637,624	
Employer's proportionate share of the net pension liability as a percentage of covered payroll	12.68%	17.12%	7.90%	38.40%	21.75%	33.40%	37.63%	44.61%	45.63%	
Plan fiduciary net position as a percentage of the total pension liability	80.16%	76.56%	88.74%	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION For State Sponsored Plans (PERS, SERS, PSERS, TERS, LEOFF)

North Sound Behavioral Health Administrative Services Organization
Schedule of Employer Contributions
PERS 1
For the year ended December 31, 2023
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	20XX
Statutorily or contractually required contributions	\$ 71,960	68,901	71,206	74,904	171,194	166,194	154,248	124,238	80,003	
Contributions in relation to the statutorily or contractually required contributions	71,960	68,901	71,206	74,904	171,194	166,194	154,248	124,238	80,003	
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Covered payroll	\$ 2,127,375	1,833,715	1,660,542	1,561,360	3,400,424	3,282,342	3,160,622	2,604,581	1,842,035	
Contributions as a percentage of covered payroll	3.38%	3.76%	4.29%	4.80%	5.03%	5.06%	4.88%	4.77%	4.34%	

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION For State Sponsored Plans (PERS, SERS, PSERS, TERS, LEOFF)

North Sound Behavioral Health Administrative Services Organization
Schedule of Proportionate Share of the Net Pension Liability (Asset)
PERS 2/3
As of June 30, 2023
Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	20XX
Employer's proportion of the net pension liability (asset)	0.014190%	0.013867%	0.013500%	0.022172%	0.030402%	0.031108%	0.030753%	0.022688%	0.018457%	
Employer's proportionate share of the net pension liability (asset)	\$ (581,603)	(514,297)	(1,344,817)	283,567	295,307	531,141	1,068,520	1,142,323	659,479	
Covered payroll	\$ 1,977,506	1,733,923	1,622,363	1,644,339	4,160,197	3,255,033	3,015,005	2,134,043	1,637,624	
Employer's proportionate share of the net pension liability as a percentage of covered payroll	-29.41%	-29.66%	-82.89%	17.25%	7.10%	16.32%	35.44%	53.53%	40.27%	
Plan fiduciary net position as a percentage of the total pension liability	107.02%	106.73%	120.29%	97.22%	97.77%	95.77%	90.97%	85.82%	86.20%	

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

REQUIRED SUPPLEMENTARY INFORMATION For State Sponsored Plans (PERS, SERS, PSERS, TERS, LEOFF)

North Sound Behavioral Health Administrative Services Organization
Schedule of Employer Contributions

PERS 2/3

For the year ended December 31, 2023

Last 10 Fiscal Years*

	2023	2022	2021	2020	2019	2018	2017	2016	2015	20XX
Statutorily or contractually required contributions	\$ 135,301	116,625	118,521	123,660	259,223	246,175	213,801	162,266	102,506	
Contributions in relation to the statutorily or contractually required contributions	135,301	116,625	118,521	123,660	259,223	246,175	213,801	162,266	102,506	
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Covered payroll	\$ 2,127,375	1,833,715	1,660,542	1,561,360	3,400,424	3,282,342	3,160,622	2,604,581	1,842,035	
Contributions as a percentage of covered payroll	6.36%	6.36%	7.14%	7.92%	7.62%	7.50%	6.76%	6.23%	5.56%	

Notes to Schedule:

*Until a full 10-year trend is compiled, only information for those years available is presented.

North Sound Behavioral Health Administrative Services Organization
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	Projects for Assistance in Transition from Homelessness (PATH)	93.150	K6319	159,749	-	159,749	159,749	
	Projects for Assistance in Transition from Homelessness (PATH)	93.150	K6742	10,769	-	10,769	-	
	Projects for Assistance in Transition from Homelessness (PATH)	93.150	K7195	40,589	-	40,589	40,589	
Total ALN 93.150:				211,107	-	211,107	200,338	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	COVID 19 - Emergency Grants to Address Mental and Substance Use Disorders During COVID-19	93.665	K4755	63,000	-	63,000	-	

The accompanying notes are an integral part of this schedule.

North Sound Behavioral Health Administrative Services Organization
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	Opioid STR	93.788	K6997	12,727	-	12,727	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	Opioid STR	93.788	K6453	106,766	-	106,766	-	
			Total ALN 93.788:	119,493	-	119,493	-	
HEALTH RESOURCES AND SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF	Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement	93.912		-	341,175	341,175	309,257	3
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	Block Grants for Community Mental Health Services	93.958	K4949-05	88,902	-	88,902	88,902	

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North Sound Behavioral Health Administrative Services Organization
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	Block Grants for Community Mental Health Services	93.958	K6897	97,249	-	97,249	97,249	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care authority)	Block Grants for Community Mental Health Services	93.958	K4949-05	581,145	-	581,145	45,228	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care authority)	Block Grants for Community Mental Health Services	93.958	K6897	690,355	-	690,355	39,292	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	Block Grants for Community Mental Health Services	93.958	K6897 Co-Responder	62,037	-	62,037	-	

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North Sound Behavioral Health Administrative Services Organization
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	COVID 19 - Block Grants for Community Mental Health Services	93,958	K4949	333,580	-	333,580	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	COVID 19 - Block Grants for Community Mental Health Services	93,958	K4949 - PPT	22,258	-	22,258	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	Block Grants for Community Mental Health Services	93,958	K4949 - Peer	102,236	-	102,236	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	Block Grants for Community Mental Health Services	93,958	K6897	77,805	-	77,805	-	

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North Sound Behavioral Health Administrative Services Organization
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	Block Grants for Community Mental Health Services	93.958	K6897 - Peer	42,222	-	42,222	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	Block Grants for Community Mental Health Services	93.958	K6178	102,720	-	102,720	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	Block Grants for Community Mental Health Services	93.958	K6751	74,997	-	74,997	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	Block Grants for Community Mental Health Services	93.958	K6914	114,000	-	114,000	-	
Total ALN 93.958:				2,389,506	-	2,389,506	270,671	

The accompanying notes are an integral part of this schedule.

North Sound Behavioral Health Administrative Services Organization
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K4949-05	1,659,599	-	1,659,599	751,400	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K6897	1,766,663	-	1,766,663	671,015	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K6897 Co-Responder	25,000	-	25,000	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	COVID 19 - Block Grants for Prevention and Treatment of Substance Abuse	93.959	K4949	507,496	-	507,496	-	

The accompanying notes are an integral part of this schedule.

North Sound Behavioral Health Administrative Services Organization
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2023

Federal Agency (Pass-Through Agency)	Federal Program	ALN Number	Other Award Number	Expenditures			Passed through to Subrecipients	Note
				From Pass- Through Awards	From Direct Awards	Total		
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	COVID 19 - Block Grants for Prevention and Treatment of Substance Abuse	93.959	K4949 - PPT	7,246	-	7,246	-	
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES ADMINISTRATION, HEALTH AND HUMAN SERVICES, DEPARTMENT OF (via State of Washington Health Care Authority)	Block Grants for Prevention and Treatment of Substance Abuse	93.959	K6897	171,034	-	171,034	-	
Total ALN 93.959:				4,137,038	-	4,137,038	1,422,415	
Total Federal Awards Expended:				6,920,144	341,175	7,261,319	2,202,681	

The accompanying notes are an integral part of this schedule.

NORTH SOUND BEHAVIORAL HEALTH ADMINISTRATIVE SERVICES ORGANIZATION
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2023

NOTE 1 – BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the same basis of accounting as the North Sound BH-ASO's financial statements. The North Sound BH-ASO uses the modified accrual basis of accounting for government funds.

Note 2 – INDIRECT COST RATE

The North Sound BH-ASO has elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance on our direct federal grant CFDA 93.912. It is not being taken on any other grant.

Note 3 – PROGRAM COSTS

The amounts shown as current year expenditures represent only the federal grant portion of the program costs. Entire program costs, including the Sound Behavioral Organization's portion, are more than shown. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

ABOUT THE STATE AUDITOR'S OFFICE

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

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

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

As an agency, the State Auditor's Office has the independence necessary to objectively perform audits, attestation engagements and investigations. Our work is designed to comply with professional standards as well as to satisfy the requirements of federal, state and local laws. The Office also has an extensive quality control program and undergoes regular external peer review to ensure our work meets the highest possible standards of accuracy, objectivity and clarity.

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