



Office of the Washington State Auditor  
Pat McCarthy

## Financial Statements Audit Report

# Great Rivers Behavioral Health Organization

For the period July 1, 2019 through June 30, 2020

*Published April 3, 2025*

Report No. 1036895



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

April 3, 2025

Board of Directors  
Great Rivers Behavioral Health Organization  
Chehalis, Washington

**Report on Financial Statements**

Please find attached our report on the Great Rivers Behavioral Health Organization's financial statements.

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

***Americans with Disabilities***

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## SCHEDULE OF AUDIT FINDINGS AND RESPONSES

### Great Rivers Behavioral Health Organization July 1, 2019 through June 30, 2020

#### **2020-001 The Organization's internal controls over financial statement preparation were inadequate to ensure accurate and complete reporting.**

##### ***Background***

State and federal agencies, the Board of Directors and the public rely on the information included in the financial statements and reports to make decisions. Management is responsible for designing and following internal controls that provide reasonable assurance its financial reporting is reliable and the financial statements and notes to the financial statements are accurate.

The Organization prepares its financial statements in accordance with the cash-basis accounting method prescribed in the State Auditor's Office's *Budgeting, Accounting and Reporting System* (BARS) Manual.

Our audit found deficiencies in internal controls over accounting and financial reporting that affected the Organization's ability to produce reliable financial statements. *Government Auditing Standards* requires the State Auditor's Office to communicate material weaknesses as a finding.

##### ***Description of Condition***

We found the following deficiencies in internal controls that represent a material weakness. The Organization's internal controls were not:

- Adequate to ensure it prepared accurate financial statements, and did not appropriately consider the financial impact of the Organization's restructuring
- Sufficient to ensure it performed a thorough and meaningful secondary review of the annual report before submitting it for audit

### *Cause of Condition*

The Organization experienced significant turnover in key accounting and finance positions over the past several years. As a result, staff members were unable to dedicate sufficient time and resources to ensure on-time and accurate filing of financial reports. Additionally, due to this turnover, no staff members were available to perform a thorough and meaningful secondary review when the Organization filed the annual reports.

In addition, the Organization underwent restructuring starting in 2020 that resulted in the creation of new separate entities for which the Organization began acting in a fiduciary capacity. The Organization did not have adequate knowledge over the proper accounting when acting in this new fiduciary role.

### *Effect of Condition*

Our audit found the following errors. The Organization:

- Did not report financial transactions that were performed on behalf of other entities in a fiduciary nature. As a result, the Organization:
  - Overstated revenues by \$1,245,438
  - Understated expenditures that the Organization paid in a fiduciary capacity by \$4,114,728
  - Overstated ending cash by \$2,947,939
- Did not submit the required Statement of Fiduciary Fund Resources and Uses Arising from Cash Transactions even though the Organization has a fiduciary fund. This fund had the following activity during the audit period related to the Organization's flexible spending arrangements: revenues of \$12,876, expenditures of \$14,707 and ending cash of \$6,985.
- Understated miscellaneous revenues and overstated intergovernmental revenues by \$79,888 each
- Misclassified ending cash of \$30,852,582 as unassigned when it should have been reported as restricted

We also identified several errors in the notes to the financial statements that we communicated to management during the audit. The Organization only corrected the ending cash classification error as a result of our audit.

## ***Recommendation***

We recommend the Organization:

- Establish internal controls to ensure on-time, accurate and complete financial reporting in accordance with state law
- Dedicate adequate staff time and resources to perform comprehensive reconciliations and reviews to ensure that statements are accurate and fairly presented in accordance with the BARS Manual

## ***Organization's Response***

*In 2015/2016 HCA ordered the redirection of the then existing Regional Support Networks into Behavioral Health Organizations. In our situation that directive required the restructuring of our service area and the addition of counties in a new interlocal agreement. This restructure included involving Attorney's from Lewis, Cowlitz, Grays Harbor, Pacific and Wahkiakum Counties. That was a lengthy and complex process that in turn caused some confusion with the SAO as to which entity was to be audited (county or separate entity).*

*Subsequent statutory changes eliminated this organizational structure (Behavior Health Organizations) on 12/31/2019 which created the substantial issue of filing of these reports as all employees were redirected to other positions within other organizations along with institutional knowledge.*

*These unique circumstances are what contributed to the four issues noted as "Effect of Condition" in the Schedule of Audit Findings. We acknowledge that we did not report the fiduciary nature of financial transactions correctly that were paid on behalf of the new organizations that were created to carry on business as the dissolution of GRBHO occurred and the start of the various new entities began. However, it is noted that no funds were unaccounted for or missing within the various organization financial statements rather the revenues, expenditures and ending cash were misreported on the filing with the State SAO. A C-5 should have reflected these transactions.*

*We acknowledge your conditions; however given the detailed explanation above and also given that we are no longer in business, there is no reasonable corrective action. This organization no longer exists.*

## ***Auditor's Remarks***

We thank the Organization for its cooperation and assistance during the audit.

## *Applicable Laws and Regulations*

*Government Auditing Standards*, July 2018 Revision, paragraphs 6.40 and 6.41 establish reporting requirements related to significant deficiencies or material weaknesses in internal control, instances of fraud, and noncompliance with provisions of laws, regulations, contracts, or grant agreements.

The American Institute of Certified Public Accountants defines significant deficiencies and material weaknesses in its *Codification of Statements on Auditing Standards*, section 265, Communicating Internal Control Related Matters Identified in an Audit, paragraph 7.

RCW 43.09.200, Local government accounting – Uniform system of accounting, requires the State Auditor to prescribe the system of accounting and reporting for all local governments.

*Budgeting, Accounting and Reporting System (BARS) Manual*, 3.1.3, Internal Control, required each local government to establish and maintain an effective system of internal controls that provides reasonable assurance that the government will achieve its objective.

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

### Great Rivers Behavioral Health Organization July 1, 2019 through June 30, 2020

<b>Audit Period:</b> 2019-001	<b>Report Reference No.:</b> 1036890	<b>Finding Ref. No.:</b> 2019-001	<b>ALN(s):</b> 93.959
<b>Federal Program Name and Granting Agency:</b> Block Grants to Prevention and Treatment of Substance Abuse, U.S. Department of Health and Human Services		<b>Pass-Through Agency Name:</b> Washington State Department of Social and Health Services	
<b>Finding Caption:</b> The Organization had inadequate internal controls for ensuring compliance with federal requirements for subrecipient monitoring.			
<b>Background:</b> The Organization did not have internal controls in place for ensuring compliance with subrecipient monitoring requirements. Specifically, the Organization did not have adequate controls for ensuring subaward agreements included the required contract elements, and for ensuring it completed and documented the required risk assessments. Further, the Organization did not monitor subrecipients' activities to provide reasonable assurance that they administered the subawards in compliance with the subaward's terms and conditions. Additionally, the Organization did not ensure subrecipients received federal single audits when required and did not review subrecipients' audits when applicable.			
<b>Status of Corrective Action: (check one)</b> <input type="checkbox"/> Fully Corrected <input type="checkbox"/> Partially Corrected <input checked="" type="checkbox"/> Not Corrected <input type="checkbox"/> Finding is considered no longer valid			
<b>Corrective Action Taken:</b> <i>We know that our contracts always included all of the appropriate HCA mandated language regarding sub recipient monitoring required. To the best of our knowledge, our Contract Compliance Officer reviewed compliance of all contracts. Due to the closing of the business and subsequent releasing of all employees, records of the particular compliance activities could not be located, however the Accounting Manager does remember proper audits and reviews being done annually with contracted sub recipients. We have no corrective action</i>			



*plans because all Behavioral Health Organizations were abolished by state statute, Chapter 325, Washington Laws of 2019, which removed Behavioral Health Organizations from the law effective January 1, 2020. Great Rivers Behavioral Health Organization closed business effective December 31, 2019.*

## 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*

#### **Great Rivers Behavioral Health Organization July 1, 2019 through June 30, 2020**

Board of Directors  
Great Rivers Behavioral Health Organization  
Chehalis, 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 Great Rivers Behavioral Health Organization, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Organization's financial statements, and have issued our report thereon dated March 24, 2025.

We issued an unmodified opinion on the fair presentation of the Organization's financial statements in accordance with its regulatory basis of accounting. We issued an adverse opinion on the fair presentation with regard to accounting principles generally accepted in the United States of America (GAAP) because the financial statements are prepared by the Organization using accounting practices prescribed by state law and the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) manual described in Note 1, which is a basis of accounting other than GAAP. The effects on the financial statements of the variances between the basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

#### **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.

However, we identified certain deficiencies in internal control, as described in the accompanying Schedule of Audit Findings and Responses as Finding 2020-001, 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*.

## **ORGANIZATION'S RESPONSE TO FINDINGS**

*Government Auditing Standards* requires the auditor to perform limited procedures on the Organization's response to the findings identified in our audit and described in the accompanying Schedule of Audit Findings and Responses. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## PURPOSE OF THIS REPORT

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

March 24, 2025

# INDEPENDENT AUDITOR'S REPORT

## Report on the Audit of the Financial Statements

### **Great Rivers Behavioral Health Organization July 1, 2019 through June 30, 2020**

Board of Directors  
Great Rivers Behavioral Health Organization  
Chehalis, Washington

## **REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

### **Unmodified and Adverse Opinions**

We have audited the financial statements of the Great Rivers Behavioral Health Organization, as of and for the year ended June 30, 2020, and the related notes to the financial statements, as listed in the financial section of our report.

### **Unmodified Opinion on the Regulatory Basis of Accounting (BARS Manual)**

As described in Note 1, the Organization has prepared these financial statements to meet the financial reporting requirements of state law and accounting practices prescribed by the State Auditor's *Budgeting, Accounting and Reporting System* (BARS) Manual. Those accounting practices differ from accounting principles generally accepted in the United States of America (GAAP). The differences in these accounting practices are also described in Note 1.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the cash and investments of the Great Rivers Behavioral Health Organization, and its changes in cash and investments, for the year ended June 30, 2020, on the basis of accounting described in Note 1.

### **Adverse Opinion on U.S. GAAP**

The financial statements referred to above were not intended to, and in our opinion, they do not, present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Great Rivers Behavioral Health Organization, as of June 30, 2020, or the changes in financial position or cash flows thereof for the year then ended, because of the significance of the matter discussed below.

## **Basis for Unmodified and Adverse Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and *Government Auditing Standards*. 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 unmodified and adverse opinions.

## **Matter Giving Rise to Adverse Opinion on U.S. GAAP**

Auditing standards issued by the American Institute of Certified Public Accountants (AICPA) require auditors to formally acknowledge when governments do not prepare their financial statements, intended for general use, in accordance with GAAP. As described in Note 1 of the financial statements, the financial statements are prepared by the Organization in accordance with state law using accounting practices prescribed by the BARS Manual, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

## **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of state law and the BARS Manual described in Note 1. This includes determining that the basis of accounting is acceptable for the presentation of the financial statements in the circumstances. Management is also responsible 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 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
- We are required to 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.

## Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Organization's financial statements. The Schedule of Liabilities is presented for purposes of additional analysis, as required by the prescribed BARS manual. This schedule is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 March 24, 2025 on our consideration of the Organization's internal control over financial reporting and on the 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, reading "Pat McCarthy". The signature is written in a cursive, flowing style.

Pat McCarthy, State Auditor

Olympia, WA

March 24, 2025



## **FINANCIAL SECTION**

### **Great Rivers Behavioral Health Organization July 1, 2019 through June 30, 2020**

#### **FINANCIAL STATEMENTS**

Fund Resources and Uses Arising from Cash Transactions – 2020

Notes to Financial Statements – 2020

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

Schedule of Liabilities – 2020

**Great Rivers Behavioral Health Organization**  
**Fund Resources and Uses Arising from Cash Transactions**  
**For the Year Ended June 30, 2020**

**Beginning Cash and Investments**

308	Beginning Cash and Investments	46,064,595
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388 / 588	Net Adjustments	-
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**Revenues**

310	Taxes	-
-----	-------	---

320	Licenses and Permits	-
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330	Intergovernmental Revenues	43,381,685
-----	----------------------------	------------

340	Charges for Goods and Services	-
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350	Fines and Penalties	-
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360	Miscellaneous Revenues	663,069
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Total Revenues:		<u>44,044,754</u>
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**Expenditures**

510	General Government	-
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520	Public Safety	-
-----	---------------	---

530	Utilities	-
-----	-----------	---

540	Transportation	-
-----	----------------	---

550	Natural/Economic Environment	-
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560	Social Services	58,761,852
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570	Culture and Recreation	-
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Total Expenditures:		<u>58,761,852</u>
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Excess (Deficiency) Revenues over Expenditures:		<u>(14,717,098)</u>
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**Other Increases in Fund Resources**

391-393, 596	Debt Proceeds	-
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397	Transfers-In	-
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385	Special or Extraordinary Items	-
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381, 382, 389, 395, 398	Other Resources	12,876
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Total Other Increases in Fund Resources:		<u>12,876</u>
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**Other Decreases in Fund Resources**

594-595	Capital Expenditures	493,084
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591-593, 599	Debt Service	-
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597	Transfers-Out	-
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585	Special or Extraordinary Items	-
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581, 582, 589	Other Uses	14,707
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Total Other Decreases in Fund Resources:		<u>507,791</u>
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<b>Increase (Decrease) in Cash and Investments:</b>		<b><u>(15,212,013)</u></b>
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**Ending Cash and Investments**

50821	Nonspendable	-
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50831	Restricted	30,852,582
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50841	Committed	-
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50851	Assigned	-
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50891	Unassigned	-
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<b>Total Ending Cash and Investments</b>		<b><u>30,852,582</u></b>
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**GREAT RIVERS BEHAVIORAL HEALTH ORGANIZATION**  
**NOTE TO FINANCIAL STATEMENTS**  
**JULY 1, 2019 TO JUNE 30, 2020**

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

Great Rivers Behavioral Health Organization (GRBHO) reports financial activity using the revenue and expenditures classifications, statements and schedules contained in the Cash Basis Budgeting, Accounting and Reporting (BARS) manual and Supplementary Instructions published by the Department of Social and Health Services for Mental Health Programs. This basis of accounting and reporting is another comprehensive basis of accounting (OCBOA) that is prescribed by the State Auditor's Office under the authority of Washington State law, Chapter 43.09 RCW.

Great Rivers Behavioral Health Organization was created pursuant to an Interlocal Agreement ("the ILA") made and entered into on September 28, 2015, by and between Cowlitz, Grays Harbor, Wahkiakum, Pacific, and Lewis Counties. Great Rivers Behavioral Health Organization was created to carry out the responsibilities of a behavioral health organization as defined in RCW 71.24.045. Under the ILA, full implementation of all behavioral health organization functions started on April 1, 2016. On March 12, 2019, Cowlitz, Grays Harbor, Wahkiakum, Pacific, and Lewis Counties approved Amendment No. 1 to the Great Rivers Behavioral Health Organization Agreement, the effect of which was to convert Great Rivers Behavioral Health Organization to a Limited Liability Company under Chapter 25.15 RCW and in accord with the provisions of RCW 39.34.030(3)(b), to be known as "Great Rivers Behavioral Health Organization, LLC" ("Amendment No. 1). Amendment No. 1 also adopted the Operating Agreement for Great Rivers Behavioral Health Organization, LLC. Pursuant to Chapter 325, Washington Laws of 2019, effective January 1, 2020, the State of Washington adopted and integrated health care financing model and shifted most of the behavioral health care funding mechanisms to Managed Care Organizations (MCOs). The contracts between the Health Care Authority and Great Rivers BHO, LLC, terminated effective December 31, 2019, and those contracts were closed out during a "closeout period" extending from January 1, 2020, through June 30, 2020. Great Rivers BHO, LLC, continues to perform behavioral health related functions. Great Rivers, BHO, LLC, continues in business as a Washington State Limited Liability Company in good standing with the Corporations Division of the Washington State Secretary of State.

GRBHO first had financial activity in April of 2016. Great Rivers Behavioral Health Organization uses single-entry, cash basis accounting which is a departure from general accepted accounting principles (GAAP).

**a. Basis of Presentation – Fund Accounting**

The accounts of Great Rivers Behavioral Health Organization are organized on the basis of Governmental Funds, each of which is considered a separate accounting entity. Each fund is accounted for with a separate set of single-entry accounts that comprises its cash, investments, revenues and expenditures, as appropriate. Great Rivers Behavioral Health Organization principally utilizes the General (Current Expense) Fund. It accounts for all financial resources except those required or elected to be accounted for in another fund. One other fund is used. It is a Fiduciary fund which is an account for assets held by GRBHO as an agent on behalf of employees for Section 125 cafeteria flexible spending plan.

**b. Basis of Accounting**

Great Rivers Behavioral Health Organization (GRBHO) basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Revenues are recognized only when cash is received and expenditures are recognized when paid, including those properly chargeable against the report year(s) budget appropriations as required by state law. In accordance with state law GRBHO also recognizes expenditures paid up to twenty days after the close of the fiscal year for claims incurred during the previous period. Purchases of capital assets are expensed during the year acquired. There is no capitalization of capital assets, nor allocation of depreciation expense. Inventory is expensed when purchased. The basis of accounting described above represents a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

**c. Budgets**

Annual or biennial appropriated budgets are adopted on or before July 1, of each reporting period by the GRBHO Governing Board. The budget constitutes the legal authority for expenditures at that level. Biennial appropriations for these funds lapse at the fiscal year-end.

Budgetary accounts are integrated in fund journal and ledgers as appropriate for all funds. The financial statements include budgetary comparisons. Revenue and expenditure ledgers are used to compare the budgeted amounts against the actual revenues and expenditures as they occur. The budgets constitute the legal authority for expenditures at the fund level as a whole. Biennial appropriated budgets are adopted on the same basis of accounting as used for financial reporting. The appropriated revenue and actual expenditures for the legally adopted budgets were as follow:

BARS CODE		12 Month Budget 07/01/19-06/30/20	Fund Number And Name 001 Current Expense	
				07/01/19 - 06/30/20 Actuals
	Beginning Net Cash and Investments	46,160,598		46,064,595
	Revenues and Other Sources			
330	Intergovernmental	38,851,999		43,381,685
360	Miscellaneous	3,612,896		663,069
380	Sect 125 Contributions			12,876
	Total Revenues and Other Sources	42,464,895		44,044,754
	Total Resources	88,625,493		104,826,447
	Operating Expenditures:			
560	Mental and Physical Health	48,921,870		58,761,852
570	Culture and Recreational			
580	Sect 125 Paid Qualified Expenses			14,707
	Total Operating Expenditures	48,921,870		58,761,852
	Excess (Deficit) of Resources Over Uses	39,703,623		14,717,098

390	Nonrevenues (Except 384)			
590	Nonexpenditures (Except 584)			493,084
Ending Net Cash and Investments		39,703,623		30,852,582

The GRBHO CEO is authorized to change the budget, transfer budgeted amounts between object classes; however, any revision that alter the total expenditures of a fund, or that affect appropriation units of salaries and wages, personnel benefits or capital outlay as well as revisions that create new salaried positions, revisions that establish new programs, revisions that delete ongoing programs, revisions that alter the total expenditures of the budget must be approved by the Great Rivers Behavioral Health Organization Governing Board. GRBHO's contracts with DSHS require that Risk and Inpatient Reserves are set aside and maintained in the event costs providing mental health services exceed revenues. The levels of reserves are dictated by a contractual stipulated percent of prorated or budgeted annual revenues and therefore change per reporting period. In addition to the Reserves Funds above, the contract allows for Encumbered Reserves as well as Operating Reserves.

Intergovernmental Fee for Service represents DSHS Medicaid client payments. The actual amount was higher than budgeted as a result of larger numbers of Medicaid Enrolled clients coming into the system as a result of the poor economy and cuts to state funding which incentivized Non-Medicaid Clients to enroll in the Medicaid system as part of federal Healthcare Reform and the state Medicaid Expansion Program.

Decreases in Expenditures are largely due to DSHS related issues when billing for hospital expenses incurred by GRBHO clients but not billed and delayed special project implementation.

**d. Cash**

It is the policy of Great Rivers Behavioral Health Organization to invest all reasonable temporary cash surpluses. The amount is included in the net cash and investments shown on the statements of fund resources and uses arising from cash transactions. GRBHO utilizes Lewis County Treasurer to invest cash surpluses.

**e. Deposits**

Great River Behavioral Health Organization utilizes Lewis County Treasurer to deposit funds. The county maintains deposit relationships with local commercial banks and savings and loan banks. Lewis County Treasury deposits and certificates of deposit are covered by the Federal Deposit Insurance Corporation (FDIC) and/or The Washington Public Deposit Protection Commission.

**f. Investments**

The Lewis County Treasurer is the custodian for all GRBHO investments. All deposits and investments of GRBHO funds are obligations of the U.S. Government, the State Treasurer's Investment Pool, or deposits with Washington State banks and savings and loan institutions pursuant to the requirements of Washington State banks and savings and loan institutions pursuant to the requirements of Washington State law and Chapter 39.58 RCW (Please See Note 2).

**g. Derivatives and Similar Transactions**

GRBHO has not used, held or sold derivatives or similar instruments.

**h. Capital Assets**

Capital assets are long-lived assets of GRBHO and are recorded as expenditures when purchased.

j. **Compensated Absences**

Personal Time Off (PTO) is accrued and represents both vacation and sick time. The maximum accumulation at any time is two times the accrual rate. Employees begin accruing 16.66 hours per month and this increases based on years of service.

Accumulated PTO is payable based on years of service upon separation, appointment to an elected position or retirement.

j. **Long-Term Debt** -

GRBHO does not have any long term debt.

k. **Other Financing Sources Or Uses**

Other Financing Sources represent amounts from interest earnings and contributions to Section 125 plan. Other Financing Uses represent non expenditures for Evaluation and Treatment Center remodel that was a Grant from the Department of Commerce.

l. **Risk Management**

**Medical Insurance**

GRBHO offers all full time employees medical insurance through Washington County Insurance Fund which offers a PPO and High Deductible plan through Premiera Blue Cross.

**Workers Compensation**

Workers compensation obligations are being covered by paying premiums to Washington State Department of Labor and Industries.

**Business Insurance**

Great Rivers Behavioral Health Organization (GRBHO) has purchased commercial coverage and become a member of Enduris Washington for Comprehensive General Liability. Limits include General Liability - \$10,000,000, Professional Coverage - \$10,000,000, and Personal Injury - \$10,000,000.

***Financial Note to Enduris Member Financial Statements***

Great Rivers Behavioral Health Org is a member of Enduris. Chapter 48.62 RCW provides the exclusive source of local government entity authority to individually or jointly self-insure risks, jointly purchase insurance or reinsurance, and to contract for risk management, claims, and administrative services. The Pool 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 counties and two cities in the State of Washington joined together by signing an interlocal governmental agreement to fund their self-insured losses and jointly purchase insurance and administrative services. As of August 31, 2020, there are 547 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 the Pool and share in the self-insured retention. 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 joint liability among the participating members.

The contract requires members to remain in the Pool for a minimum of one 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 the Pool and are administered in house.

The Pool is governed by a Board of Directors which is comprised of seven board members. 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.

Enduris did not have any claim settlements that exceeded the limits in the last 3 years.

**m. Reserved Fund Balance**

GRBHO’s contracts with DSHS require that Risk and Inpatient Reserves are set aside and maintained in the event costs providing mental health services exceed revenues. The levels of reserves are dictated by a contractual stipulated percent of prorated or budgeted annual revenues and therefore change per reporting period. In addition, DSHS contract allows GRBHO a limited amount of Encumbered Reserves and Operating Reserves, where appropriate, which are used to supplement revenues in meeting budgeted expenditures. Encumbered Funds ending June 30, 2018 are a result of GRBHO client hospital costs not billed by DSHS.

<b>Reserve Balances</b>	<b><i>Reserve Balance as of June 30, 2019</i></b>	<b><i>Reserve Balance as of June 30, 2020</i></b>
<b>Restricted Reserves</b>		
Risk & Inpatient Reserves	\$ 11,904,797	\$ 0
Reserve for Encumbrances	23,563,114	0
Capital Reserve	34,000	0
<b>Total Restricted Reserve Balances</b>	<b>\$35,501,911</b>	<b>\$ 0</b>
Section 125/Revolving	8,815	6,984
<b>Total Resources</b>	<b>\$35,510,726</b>	<b>\$ 6,984</b>

Amounts of Total Resources as of June 30, 2020 may not equal those amounts from treasury and bank account due to non restricted funds and checks submitted to Treasury not included in Treasury Report. Management believes that such reconciled amounts, if any, will be immaterial.

## **NOTE 2– DEPOSITS & INVESTMENTS**

GRBHO cash and investments are:

**June 30, 2018    June 30, 2019    June 30, 2020**

Total cash, equivalents & investments    \$ **47,956,225**        \$ **46,064,595**        \$ **30,852,582**

Statutes authorize Lewis County, acting as an agent of the GRBHO, 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 Treasurers investment pool.

## **NOTE 3 – PENSION PLANS**

Substantially all GRBHO's full-time and qualifying part-time employees participate in the following statewide retirement systems administered by the Washington State Department of Retirement Systems (DRS), under cost-sharing, multiple-employer public employee defined benefit and defined contribution retirement plans: Public Employee's Retirement System Plan 1 and Plan 2/3.

The State Legislature establishes, and amends, laws pertaining to the creation and administration of all public retirement systems.

The Department of Retirement Systems, 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 obtained by writing to:

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

Also, the DRS ACFR may be downloaded from the DRS website at [www.drs.wa.gov](http://www.drs.wa.gov).

At June 30, 2020 (the measurement date of the plans), GRBHO's proportionate share of the collective net pension liabilities calculates as illustrated below, however it is reported as 0 on Schedule 9 as GRBHO was terminated as an organization 12/31/19.

[Table agrees to PEFI tool](#)

	<b>Employer Contributions</b>	<b>Allocation %</b>	<b>Liability (Asset)</b>
PERS 1	<b>\$254,894</b>	<b>.035170%</b>	<b>\$1,241,691</b>
PERS 2/3	<b>\$421,794</b>	<b>.045786%</b>	<b>\$ 585,577</b>

## **NOTE 4 - LITIGATION**



Dismissal of lawsuit. Cascade Evaluation and Treatment Center, LLC, a Washington Limited Liability Company v. Great Rivers Behavioral Health Organization, a Washington Limited Liability Company, Lewis County Superior Court Cause No. 20-2-00250-21. This lawsuit was filed in Lewis County Superior Court on March 6, 2020. Cascade Evaluation and Treatment Center, LLC, [hereinafter “Cascade”] asserted that Great Rivers BHO [hereinafter “Great Rivers”] owed it certain “startup funds” related to Cascade’s construction of an evaluation and treatment center.

A dispute arose between the parties with regard to the amount, if any, that Great Rivers owed to Cascade. There were lengthy negotiations between Cascade and Great Rivers regarding this lawsuit. Cascade and Great Rivers ultimately reached a settlement agreement. Great Rivers agreed to pay Cascade the sum of \$397,797.06 from HCA sequestered closeout funds and HCA agreed to the release of those funds to Cascade. An Agreed Order of Dismissal was entered in Lewis County Superior Court on or about the 25<sup>th</sup> day of April, 2022. The Order of Dismissal dismissed “the lawsuit” with prejudice as to all claims and all parties with each party bearing its own costs and attorney’s fees. There is no outstanding liability to Great Rivers regarding this lawsuit.

**Great Rivers Behavioral Health Organization**  
**Schedule of Liabilities**  
**For the Year Ended June 30, 2020**

<u>ID. No.</u>	<u>Description</u>	<u>Due Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
<b>Revenue and Other (non G.O.) Debt/Liabilities</b>						
259.12	Compensated Absences	6/30/2020	284,527	-	284,527	-
264.30	Net Pension Liability	6/30/2020	2,041,737	-	2,041,737	-
<b>Total Revenue and Other (non G.O.) Debt/Liabilities:</b>			<b>2,326,264</b>	<b>-</b>	<b>2,326,264</b>	<b>-</b>
<b>Total Liabilities:</b>			<b>2,326,264</b>	<b>-</b>	<b>2,326,264</b>	<b>-</b>

## 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.

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

The results of our work are available to everyone through the more than 2,000 reports we publish each year on our website, [www.sao.wa.gov](http://www.sao.wa.gov). Additionally, we share regular news and other information via an email subscription service and social media channels.

We take our role as partners in accountability seriously. The Office provides training and technical assistance to governments both directly and through partnerships with other governmental support organizations.

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