

Shawnee County Health Agency  
(A Special Revenue Fund of Shawnee County, Kansas)

Basic Financial Statements  
With Supplementary Information

Year Ended December 31, 2015

Together With  
Independent Auditor's Report

SHAWNEE COUNTY HEALTH AGENCY  
(A SPECIAL REVENUE FUND OF SHAWNEE COUNTY, KANSAS)

BASIC FINANCIAL STATEMENTS  
WITH SUPPLEMENTARY INFORMATION

Year ended December 31, 2015

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## INDEPENDENT AUDITOR'S REPORT

To the Members of the Shawnee County Health Agency  
Community Health Center Board and the Shawnee County  
Board of Commissioners:

We have audited the accompanying financial statements of the Shawnee County Health Agency (the Agency), a special revenue fund of Shawnee County, Kansas, (the County) as of and for the year ended December 31, 2015, and the related notes to the financial statements, as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Shawnee County Health Agency, a special revenue fund of Shawnee County, Kansas, as of December 31, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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## **Emphasis of Matter**

As discussed in Note 1, the financial statements present only the Shawnee County Health Agency, a special revenue fund of Shawnee County, Kansas, and do not purport to, and do not, present fairly the financial position of the Shawnee County, Kansas, as of December 31, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

## **Other Information**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that budgetary comparison information on page 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management, Discussion & Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Government 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. Our opinion on the basic financial statements is not affected by this omitted information.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the Agency's financial statements as a whole. The schedule of expenditures by program is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures by program is the responsibility of management and is 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 June 27, 2016, on our consideration of the County'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 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 County's internal control over financial reporting and compliance.

Kansas City, Kansas  
June 27, 2016

*Coshun Head Vick & Co., P.A.*

**SHAWNEE COUNTY HEALTH AGENCY  
(A SPECIAL REVENUE FUND OF SHAWNEE COUNTY, KANSAS)**

**Balance Sheet**

**December 31, 2015**

**Assets:**

Cash and short-term investments	\$ 4,552,056
Accounts receivable-patients, net of allowance of \$40,537	290,366
Due from other governments	<u>653,575</u>
 Total assets	 <u><u>\$ 5,495,997</u></u>

**Liabilities:**

Accounts payable	\$ 163,997
Accrued liabilities	147,227
Unearned revenue	<u>53,109</u>
 Total liabilities	 <u><u>364,333</u></u>

**Fund balance:**

Restricted:	
Health, welfare and education	506,594
Assigned:	
Health, welfare and education	<u>4,625,070</u>
 Total fund balance	 <u><u>5,131,664</u></u>
 Total liabilities and fund balance	 <u><u>\$ 5,495,997</u></u>

**SHAWNEE COUNTY HEALTH AGENCY  
(A SPECIAL REVENUE FUND OF SHAWNEE COUNTY, KANSAS)**

**Statement of Revenues, Expenditures and  
Changes in Fund Balances**

**For the Year Ended December 31, 2015**

<b>Revenues:</b>	
Intergovernmental	\$ 4,168,364
Net patient service revenue, other charges for services and reimbursements	2,526,040
Other	<u>122</u>
Total revenues	<u>6,694,526</u>
<b>Expenditures:</b>	
Health and welfare:	
Personal services	7,721,302
Contractual services	1,286,503
Commodities	711,005
Capital outlay	26,800
Miscellaneous	<u>190</u>
Total expenditures	<u>9,745,800</u>
Deficiency of revenues under expenditures	<u>(3,051,274)</u>
<b>Other financing sources (uses):</b>	
Transfer in	4,343,190
Transfer out	<u>(350,000)</u>
Total other financing sources (uses)	<u>3,993,190</u>
Change in fund balance	941,916
Fund balance, beginning of year	<u>4,189,748</u>
Fund balance, end of year	<u><u>\$ 5,131,664</u></u>

See accompanying notes to financial statements

SHAWNEE COUNTY HEALTH AGENCY  
(A SPECIAL REVENUE FUND OF SHAWNEE COUNTY, KANSAS)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

1 - Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

The Shawnee County Health Agency (the Agency) is funded by, and operates as a special revenue fund of, Shawnee County, Kansas (the County).

The financial statements present only the Agency (a special revenue fund of Shawnee County, Kansas) and do not purport to, and do not, present fairly the financial position of Shawnee County, Kansas as of December 31, 2015, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America. The financial statements of the County have been audited and reported on separately.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The accounting and financial reporting treatment applied is determined by its measurement focus. The Agency is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows, current liabilities, and deferred inflows generally are included on the balance sheet. The operating statement presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance.

The Agency utilizes the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter (typically 60 days) to be used to pay current liabilities. Expenditures are recorded when a liability is incurred.

Deposits and Investments

The cash balances of substantially all the County's funds are pooled and invested by the Financial Administrator for the purpose of increasing earnings through investment activities. These pooled investments consist primarily of demand deposits, repurchase agreements, non-negotiable certificates of deposit and money market instruments. Certificates of deposit are carried at cost because they are not affected by market rate changes. Money market instruments are carried at fair value. The Agency's portion of the pool's fair value is presented as "cash and short-term investments". Earnings on the pooled funds are apportioned and paid or credited to the County funds required to accumulate earnings based on their average monthly balances. If a particular County fund is not required to account for its own earnings by law or regulation, the earnings are allocated to the General Fund. During the year ended December 31, 2015 no interest was paid or credited to the Agency.

SHAWNEE COUNTY HEALTH AGENCY  
(A SPECIAL REVENUE FUND OF SHAWNEE COUNTY, KANSAS)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

Accounts Receivable-Patients

Patient receivables, where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate for contractual adjustments or discounts provided to third-party payors.

Patient receivables due directly from the patients are carried at the original charge for the service provided less amounts covered by third-party payors and less an estimated allowance for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts, by historical experience applied to an aging of accounts and by considering the patient's financial history, credit history and current economic conditions. Patient receivables are written off to bad debt when deemed uncollectible. Recoveries of receivables previously written off are recorded as revenue when received.

Unearned Revenue

Unearned revenue represents grant monies received in advance of the period earned.

Deferred Outflows/Inflows of Resources

In addition to assets, the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then. Currently, the Agency does not have any deferred outflows.

In addition to liabilities, the balance sheet will sometimes reported a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Currently, the Agency does not have any deferred inflows.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Use of Estimates

The preparation of financial statements in conformity with the modified accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



SHAWNEE COUNTY HEALTH AGENCY  
(A SPECIAL REVENUE FUND OF SHAWNEE COUNTY, KANSAS)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

Fund Balances

The Agency reports fund balance in the following classification:

- (1) Non-Spendable – This consists of amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
- (2) Restricted – This consists of amounts where constraints are placed on the use of those resources which are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.
- (3) Committed – This consists of amounts which can only be used for specific purposes pursuant to constraints imposed by formal ordinance of the Board of County Commissioners.
- (4) Assigned – This consists of amounts which are constrained by Agency management's intent to be used for a specific purpose but are neither formally restricted by external sources nor committed by Board of County Commissioners action.
- (5) Unassigned – This consists of the residual fund balance that does not meet the requirements for the non-spendable, restricted, committed, or assigned classifications. A positive unassigned fund balance is only possible in the general fund.

For programs with multiple revenue sources, the Agency uses restricted resources first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

Encumbrances

There was no outstanding encumbrances at December 31, 2015.

2 - Interfund Activity

The County allocates a portion of its ad valorem taxes and assessments to the Agency fund as well as other funds for support and grant matching purposes. For the year ended December 31, 2015, the County transferred \$4,343,190 from tax allocations.

The Agency reimburses the County for its portion of indirect costs incurred by the County as well as for its portion of employee benefits. The amounts reimbursed to the County were \$350,000 for the year ended December 31, 2015.

SHAWNEE COUNTY HEALTH AGENCY  
(A SPECIAL REVENUE FUND OF SHAWNEE COUNTY, KANSAS)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

3 - Employees' Retirement System

**Plan Descriptions** - Shawnee County participates in the Kansas Public Employees Retirement System (KPERS) and the Kansas Police and Fireman's Retirement System (KP&F). Both are part of a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS and KP&F issue a publicly available joint financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at [www.kpers.org](http://www.kpers.org) or by writing to KPERS (611 S. Kansas Avenue, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

**Benefits Provided** – KPERS provides benefits, life insurance, disability income benefits, and death benefits. Benefits are established by statute and may only be changed by the Kansas Legislature. Members (except police and fireman) with ten or more years of credited service, may retire as early as age 55 (police and fireman may be age 50 with 20 years of credited service), with an actuarially reduced monthly benefit. Normal retirement is at age 65, age 62 with ten years of credited serviced, or whenever an employee's combined age and years of credited service equal 85 (police and fireman' normal retirement ages are age 60 with 15 years of credited service, age 55 with 20 years, age 50 with 25 years, or any age with 36 years of service).

Monthly retirement benefits are based on a statutory formula that includes final average salary and years of service. When ending employment, members may withdraw their contributions from their individual accounts, including interest. Members who withdraw their accumulated contributions lose all rights and privileges of membership. The accumulated contributions and interest are deposited into and disbursed from the membership accumulated reserve fund as established by K.S.A. 74-4922.

Member employees choose one of seven payment options for their monthly retirement benefits. At retirement a member may receive a lump-sum payment of up to 50% of the actuarial present value of the member's lifetime benefit. His or her monthly retirement benefit is then permanently reduced based on the amount of the lump sum. Benefit increases, including ad hoc post-retirement benefit increases, must be passed into law by the Kansas Legislature. Benefit increases are under the authority of the Legislature and the Governor of the State of Kansas.

The 2012 Legislature made changes affecting new hires, current member employees and employers. A new KPERS 3 cash balance retirement plan for new hires starting January 1, 2015, was created. Normal retirement age for KPERS 3 is 65 with five years of service or age 60 with 30 years of service. Early retirement is available at age 55 with ten years of service, with a reduced benefit. Monthly benefit options are an annuity benefit based on the account balance at retirement.

For all pension coverage groups, the retirement benefits are disbursed from the retirement benefit payment reserve fund as established by K.S.A. 74-4922.

SHAWNEE COUNTY HEALTH AGENCY  
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NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

**Contributions** – K.S.A. 74-4919 and K.S.A. 74-4920 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate at 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. K.S.A. 74-4975 establishes the Police and Firemen (KP&F) member-employee contribution rate at 7.15% of covered salary. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2, KPERS 3 and KP&F be determined based on the results of each annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 0.85% contribution rate for the Death and Disability Program) and the statutory contribution rate was 9.48% for KPERS and 21.36% for KP&F for the fiscal year ended December 31, 2015. Contributions to the pension plan from the County were \$3,756,524 for KPERS and \$1,340,397 for KP&F for the year ended December 31, 2015.

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

At December 31, 2015, the County reported a liability of \$30,117,254 for KPERS and \$8,840,983 for KP&F for its proportionate share of the KPERS' collective net pension liability. The collective net pension liability was measured by KPERS as of June 30, 2015, and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of December 31, 2014, which was rolled forward to June 30, 2015. The County's proportion of the collective net pension liability was based on the ratio of the County's actual contributions to KPERS and KP&F, relative to the total employer and nonemployer contributions of the KPERS and KP&F for the fiscal year ended June 30, 2015. The contributions used exclude contributions made for prior service, excess benefits and irregular payments. Additional information and disclosures of the County's pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources are included in Shawnee County's December 31, 2015 notes to the basic financial statements.

SHAWNEE COUNTY HEALTH AGENCY  
(A SPECIAL REVENUE FUND OF SHAWNEE COUNTY, KANSAS)  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2015

4 - Agreement

In June 2015, the County entered into an agreement to lease a health clinic building for a term of one year through June 14, 2016 unless terminated by either party upon a thirty (30) day notice. Rental payments under the agreement are payable in monthly payments of \$20,331.

5 - Subsequent Events

The Agency has evaluated subsequent events through June 27, 2016, the date the financial statements were available to be issued.

The Shawnee County Community Health Center (Health Center) operations will be transitioned to GraceMed Health Clinic, Inc. (GraceMed), a private nonprofit service provider. In 2015, the County Commission notified the Health Resources and Services Administration (HRSA) of their intent to relinquish Health Center's federal grant funds and enable another entity to assume operations of the health center. GraceMed has been notified that they have been awarded the HRSA federal grant funds and effective July 1, 2016 will assume responsibility for the operations of the Health Center.

# Required Supplementary Information

**SHAWNEE COUNTY HEALTH AGENCY  
(A SPECIAL REVENUE FUND OF SHAWNEE COUNTY, KANSAS)**

**Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended December 31, 2015**

	Original and Final Amended Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (negative)
<b>Revenues:</b>			
Intergovernmental	\$ 3,469,020	\$ 4,168,364	\$ 699,344
Charges for services	3,881,707	2,526,040	(1,355,667)
Miscellaneous	-	122	122
Total revenues	<u>7,350,727</u>	<u>6,694,526</u>	<u>(656,201)</u>
<b>Expenditures:</b>			
Current:			
Health, welfare and education	11,607,070	9,745,564	1,861,506
Total expenditures	<u>11,607,070</u>	<u>9,745,564</u>	<u>1,861,506</u>
Excess of revenues over (under) expenditures	(4,256,343)	(3,051,038)	1,205,305
<b>Other financing sources (uses)</b>			
Transfers in	4,343,190	4,343,190	-
Transfers out	(350,000)	(350,000)	-
Total other financing sources (uses)	<u>3,993,190</u>	<u>3,993,190</u>	<u>-</u>
Change in fund balances	<u>\$ (263,153)</u>	942,152	<u>\$ 1,205,305</u>
Fund balance, beginning of year		<u>4,189,512</u>	
Fund balance - end of year - budget basis		5,131,664	
Adjustments:			
Encumbrances		-	
Fund balance - end of year - GAAP basis		<u>\$ 5,131,664</u>	
Net change in fund balance - budget basis		\$ 942,152	
Adjustments:			
Encumbrances - beginning of year		(236)	
Encumbrances - end of year		-	
Net change in fund balance - GAAP basis		<u>\$ 941,916</u>	

# Supplementary Information

**SHAWNEE COUNTY HEALTH AGENCY  
(A SPECIAL REVENUE FUND OF SHAWNEE COUNTY, KANSAS)**

**Schedule of Expenditures by Program**

**For the Year Ended December 31, 2015**

<b>Administrative Services:</b>	
Personal services	\$ 1,643,959
Contractual services	356,145
Commodities	55,027
Miscellaneous	190
	<u>2,055,321</u>
<b>Environmental Health:</b>	
Personal services	543,389
Contractual services	17,662
Commodities	15,093
	<u>576,144</u>
<b>Public Health Outreach:</b>	
Personal services	77,134
Contractual services	3,576
	<u>80,710</u>
<b>Communicable Disease Control:</b>	
Personal services	338,908
Contractual services	17,318
Commodities	12,157
	<u>368,383</u>
<b>Primary Care:</b>	
Personal services	3,184,372
Contractual services	384,449
Commodities	310,811
Capital outlay	11,164
	<u>3,890,796</u>
<b>Public Health and Family Services:</b>	
Personal services	1,933,540
Contractual services	507,353
Commodities	317,917
Capital outlay	15,636
	<u>2,774,446</u>
<b>Total expenditures</b>	<u><u><b>\$ 9,745,800</b></u></u>