

CENTRAL KANSAS MENTAL HEALTH CENTER  
Salina, Kansas

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

For the Years Ended December 31, 2012 and 2011

CLUBINE AND RETTELE, CHARTERED  
Certified Public Accountants  
Salina, Kansas

CENTRAL KANSAS MENTAL HEALTH CENTER  
SALINA, KANSAS

For the Years Ended December 31, 2012 and 2011

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**INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
and Management of  
Central Kansas Mental Health Center  
Salina, Kansas 67401

**Report on the Financial Statements**

We have audited the accompanying financial statements of Central Kansas Mental Health Center, which comprise the statements of net position as of December, 31, 2012 and 2011, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements.

**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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, prescribed by the Director of Accounts and Reports, Department of Administration of the State of Kansas. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 controls. 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 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 net position of business-type activities of Central Kansas Mental Health Center as of December 31, 2012 and 2011, and the respective changes in its net position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 5-7 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquires, 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.

### *Other Information*

Our audits were conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the Central Kansas Mental Health Center's financial statements. The accompanying Schedules 1 through 5 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 7, 2013 on our consideration of the Central Kansas Mental Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement 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 Central Kansas Mental Health Center's internal control over financial reporting and compliance.

Clubine & Rettele, Chartered



Salina, Kansas  
May 7, 2013

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&  
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CHARTERED**

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**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**

To the Board of Directors  
Central Kansas Mental Health Center  
Salina, Kansas 67401

We have audited the financial statements of Central Kansas Mental Health Center, as of and for the years ended December 31, 2012 and 2011, and have issued our report thereon dated May 7, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, prescribed by the Director of Accounts and Reports, Department of Administration of the State of Kansas.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Central Kansas Mental Health Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Central Kansas Mental Health Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Central Kansas Mental Health Center'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 entity's financial statement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

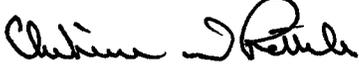
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Central Kansas Mental Health Center's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

This report is intended solely for the information and use of the Board of Directors, management, federal and state awarding agencies and pass-through entities, and the Division of Accounts and Reports of the State of Kansas and is not intended to be and should not be used by anyone other than these specified parties.

Clubine and Rettele, Chartered

A handwritten signature in black ink, appearing to read "Clubine Rettele". The signature is written in a cursive style with a large initial 'C' and 'R'.

Salina, Kansas  
May 7, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS CENTRAL KANSAS MENTAL HEALTH CENTER

The management of CKMHC provides readers of the 2012 audited financial statement this narrative summary and analysis of the financial activities for the year ending December 31, 2012.

### Financial Highlights

#### Revenue

- CKMHC remained a "fee for service" health care provider in 2012 while participating in a capped agreement with the Kansas Medicaid managed care entity (Kansas Health Solutions). The statewide community mental health centers' management of care kept the total under the aggregate cap and all service was ultimately reimbursable. However, some of the revenue finally available in 2012 may have been generated in 2011. The Medicaid revenue is best understood by looking at 2011 and 2012 together. Medicaid is approximately 85% of the 2012 fee for service income as reported.
- Fees for service are generated as follows: 30% outpatient, psychiatric/medical and emergency services; 25% community based services for adults; 45% community based services for youth and families; and an immaterial amount for education and consultation. An explanation for this distribution includes that nearly all youth in Kansas who need community based services for their serious mental health conditions have a payer source, primarily Medicaid, which includes a federal waiver.
- Subsidy is most heavily required for outpatient, emergency and community based services for adults.
- The respective five counties aggregate contribution increased 1.4% over 2011 and is 4.6% of 2012 revenue. These funds are used as subsidy for a sliding fee schedule and permit all residents of each county access to the services which are provided by CKMHC. Residents are not denied medically necessary services because of inability to pay.
- The state subsidy through contract is 10.5% of revenue. The actual dollar amount was \$25,701 more than 2011 as the legislature approved a modest increase to replace previous cuts in "Mental Health Reform" dollars for fiscal year 2013 (July 2012 to June 2013).
- Overall, the reported revenue was 5.8% greater than expenses in 2012, \$362,427. This revenue was 1.4% greater than revenue in 2011.

#### Expenses:

- Personnel costs constitute 82.3% of the total 2012 expenditure: wages equal 61.4% of total expense; health insurance 11.6%; payroll taxes 4.4%; and KPERS 4.8%. (Employer health insurance cost increased 5% in July 2012. Payroll taxes did not change. Unemployment rate was reduced from 0.23% in 2011 to 0.1% in 2012. Total benefit costs are

subject to change as individual wages increase as employees come and go, or there are rate changes.)

- Total expenditures for 2012 were 0.9% over that of 2011 and were operationally 6.7% under budget, which contributed to the net income.
- Expenses are driven by an intention to never “waste”, but to be resourceful, efficient and creative without being short sighted regarding needed purchases. The expense budget is prudent and conservative, and must at least match the market on personnel expenses. Retention of trained, experienced staff at all levels is paramount.

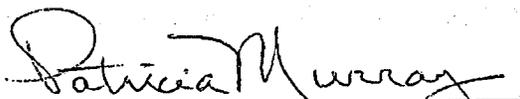
Assets:

- CKMHC has sufficient undesignated cash reserve to carry operations for over 6 months and has no capital debt.

2013 Future Opportunities

- CKMHC expects to transition to a new Executive Director with the retirement of the current director after 25 years (mid year 2013). This offers adjustment and opportunity.
- The continued theme of health care is one of partnership, integration, and connection. CKMHC remains open to opportunities of contracts, co-location, shared funding, new innovation, etc. when mutually beneficial, and improves client care and outcomes.
- Improved utilization and innovation of the use of technology in the provision of services and the measurement of outcomes is desired. This will include shared data with the Kansas Health Information Network, etc.
- Improved work with clients, families, staff and other resources to increase diversion from residential, hospital, emergency department levels of care, specifically reduce rapid readmission to facilities. Increasing access, crisis response and lower levels of intervention in-order to provide care “sooner” will be desirable.
- To the extent resources permit, expand education and prevention efforts via Mental Health First Aid classes and other evidence based practices.

Condensed Financial Information	2012	2011
Total Assets	<u>\$7,623,146</u>	<u>\$7,459,750</u>
Total Liabilities	\$373,444	\$520,125
Deferred Revenue	\$22,500	\$74,851
Total Fund Equity	<u>7,227,202</u>	<u>6,864,774</u>
Total Liabilities and Fund Equity	<u>\$7,623,146</u>	<u>\$7,459,750</u>
Revenues		
State Aid	\$299,404	\$299,404
County Tax	307,348	303,175
Grants	512,141	513,276
Fees for Service	5,438,051	5,340,923
Interest Income	18,126	21,416
Miscellaneous	52,316	56,707
Total Revenues	<u>\$6,627,386</u>	<u>\$6,534,901</u>
Expenses		
Personnel Services	\$5,268,454	\$5,154,030
Client Services	327,650	370,832
Other	668,855	684,696
Total Expenses	<u>\$6,264,959</u>	<u>\$6,209,558</u>
Excess of Revenues over Expenses	<u>\$362,427</u>	<u>\$325,343</u>

  
 Patricia Murray, Executive Director

  
 Sheila Srna, Director of Finance

CENTRAL KANSAS MENTAL HEALTH CENTER  
Salina, Kansas

Exhibit I

STATEMENTS OF NET POSITION

ASSETS

	December 31,	
	<u>2012</u>	<u>2011</u>
Current Assets		
Cash on hand	\$ 876	\$ 676
Cash in banks	2,472,062	2,194,734
Certificates of Deposit	985,638	972,109
Certificates of Deposit - Designated for fixed assets	200,000	200,000
Accounts receivable	337,855	295,990
Prepaid expense	93,463	91,237
Beneficial interest in assets held by Greater Salina Community Foundation	15,628	13,863
Interest receivable	<u>2,531</u>	<u>2,888</u>
Total Current Assets	<u>4,108,053</u>	<u>3,771,497</u>
Property and Equipment		
Land	645,481	645,481
Building and improvements	4,522,449	4,524,803
Furnishings and equipment	740,019	857,331
Technology	1,002,623	992,349
Landscaping	<u>25,644</u>	<u>25,644</u>
	6,936,216	7,045,608
Less - Accumulated depreciation	<u>3,421,124</u>	<u>3,357,355</u>
Total Property and Equipment	<u>3,515,092</u>	<u>3,688,253</u>
Total Assets	<u>\$ 7,623,145</u>	<u>\$ 7,459,750</u>

LIABILITIES AND NET POSITION

Current Liabilities		
Accounts payable	\$ 54,159	\$ 88,521
Accrued payroll	<u>319,284</u>	<u>431,604</u>
Total Current Liabilities	<u>373,443</u>	<u>520,125</u>
Deferred Inflows of Resources		
Funds advanced for future restricted purposes	<u>22,500</u>	<u>74,851</u>
Net Position		
Unrestricted		
Designated for fixed assets	200,000	200,000
Undesignated	<u>7,027,202</u>	<u>6,664,774</u>
Total Net Position	<u>7,227,202</u>	<u>6,864,774</u>
Total Liabilities and Net Position	<u>\$ 7,623,145</u>	<u>\$ 7,459,750</u>

SEE THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS  
WHICH ARE AN INTEGRAL PART HEREOF.

CENTRAL KANSAS MENTAL HEALTH CENTER  
Salina, Kansas

Exhibit II

STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION

For the Year Ended December 31,

	<u>2012</u>	<u>2011</u>
Revenues		
Patient service revenue, net (Note 1)	\$ 5,438,051	\$ 5,340,923
Other Revenues		
Payments from counties	307,348	303,175
State aid	299,404	299,404
Grants	512,141	513,276
Workshop/teaching revenue	14,785	15,439
Interest	18,126	21,416
Net unrealized gain (loss) on investment	1,764	(202)
Miscellaneous revenue	35,767	41,470
Total Other Revenues	<u>1,189,335</u>	<u>1,193,978</u>
Total Revenues	<u>6,627,386</u>	<u>6,534,901</u>
Expenditures		
Salaries	3,848,162	3,788,416
Salary benefit	729,056	696,724
Consultations	68,417	74,215
Payroll taxes	277,459	278,522
KPERs contribution	298,991	271,382
Rent	11,442	10,812
Repairs and maintenance	29,791	28,760
Computer costs	165,025	188,599
Copier maintenance and fees	8,087	8,333
Contracted services	24,504	26,010
Phone	19,314	23,333
Postage	9,229	9,687
Professional development	18,560	16,012
Professional licenses and dues	3,305	2,749
Mileage	133,680	135,061
Vehicle maintenance	6,597	4,122
Advertising	9,087	7,707
Office supplies	14,299	14,802
Program supplies	7,767	11,486
Audit and legal	8,523	7,150
Insurance	85,260	83,384
Utilities	55,541	57,220
Dues, subscriptions and licenses	19,758	19,355
Center business and meetings	7,829	9,502
Expenditures for clients	186,203	224,285
Depreciation	214,027	211,930
Other costs	5,045	-
Total Expenditures	<u>6,264,959</u>	<u>6,209,558</u>
Excess Revenues over Expenditures	362,427	325,343
Net Position at Beginning of Year	<u>6,864,774</u>	<u>6,539,431</u>
Net Position at End of Year	<u>\$ 7,227,202</u>	<u>\$ 6,864,774</u>

SEE THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS  
WHICH ARE AN INTEGRAL PART HEREOF.

CENTRAL KANSAS MENTAL HEALTH CENTER  
Salina, Kansas

Exhibit III

STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,	
	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Cash received for services	\$ 6,513,280	\$ 6,946,446
Interest received	18,483	21,069
Cash paid to suppliers and employees	<u>(6,194,795)</u>	<u>(5,925,790)</u>
Net Cash Provided by Operating Activities	<u>336,968</u>	<u>1,041,725</u>
Cash Flows From Investing Activities		
Purchase of property and equipment	(45,912)	(47,925)
Purchase of Investments	<u>(13,529)</u>	<u>(114,849)</u>
Net Cash Used by Investing Activities	<u>(59,441)</u>	<u>(162,774)</u>
Net Increase in Cash	277,528	878,951
Cash at Beginning of Year	<u>2,195,410</u>	<u>1,316,459</u>
Cash at End of Year	<u>\$ 2,472,938</u>	<u>\$ 2,195,410</u>

RECONCILIATION OF EXCESS REVENUES OVER EXPENDITURES TO  
NET CASH PROVIDED BY OPERATING ACTIVITIES

Excess Revenues under Expenditures - Exhibit II	\$ <u>362,427</u>	\$ <u>325,343</u>
Adjustments to reconcile excess revenues over (under) expenditures to net cash used by operating activities		
Depreciation	214,027	211,930
Unrealized (gain) loss on investment	(1,764)	202
Decrease (Increase) in accounts receivable	(41,865)	357,686
Increase in prepaid expenses	(2,226)	(13,033)
Decrease (increase) in interest receivable	357	(347)
Loss on disposal of property and equipment	5,045	222
Increase (Decrease) in accounts payable	(34,362)	31,433
Increase (Decrease) in accrued payroll	(112,320)	53,438
Increase (decrease) in deferred revenue	<u>(52,351)</u>	<u>74,851</u>
Total Adjustments	<u>(25,459)</u>	<u>716,382</u>
Net Cash Provided by Operating Activities	<u>\$ 336,968</u>	<u>\$ 1,041,725</u>

SEE THE ACCOMPANYING NOTES TO THE FINANCIAL STATEMENTS  
WHICH ARE AN INTEGRAL PART HEREOF.

CENTRAL KANSAS MENTAL HEALTH CENTER  
Salina, Kansas

NOTES TO FINANCIAL STATEMENTS  
December 31, 2012 and 2011

1. Summary of significant accounting policies

A. Reporting Entity

The Central Kansas Mental Health Center is an agency of the board of county commissioners of Ellsworth, Dickinson, Lincoln, Ottawa and Saline Counties, Kansas, established for the purpose of furnishing mental health services to the five-county area under K.S.A. 19-4001 et. seq., and as such, is not a municipality subject to the cash basis law, K.S.A. 10-1011 et. seq. The Central Kansas Mental Health Center is a not-for-profit organization as described in Section 501 (c) (3) of the Internal Revenue Code. Application for tax-exempt status was approved July 29, 1993.

Serving on the Governing Board of the Central Kansas Mental Health Center, Salina, Kansas, for the year ended December 31, 2012, were the following:

Julie Lemmons - Chairperson  
Jim Hughes - Vice Chairperson  
Diana Shaft - Secretary  
Doris White - Treasurer  
Clara McCoy  
Sheila Biggs  
Bill Peterson  
Glennace Kirn  
Ruth McCurry  
Randy Duncan  
John Reynolds

Serving as employed administrator for the Governing Board during the year ended December 31, 2012, was the following:

Patricia Murray, ACSW - Executive Director

Serving on the Governing Board of the Central Kansas Mental Health Center, Salina, Kansas, for the year ended December 31, 2011, were the following:

Bill Peterson - Chairperson  
Sheila Biggs - Vice Chairperson  
Marge Mintun - Secretary  
Doris White - Treasurer  
Clara McCoy  
Jim Hughes  
Diana Shaft  
Glennace Kirn  
Ruth McCurry  
Jerry Fowler  
Julie Lemons

Serving as employed administrator for the Governing Board during the year ended December 31, 2011, was the following:

Patricia Murray, ACSW - Executive Director

CENTRAL KANSAS MENTAL HEALTH CENTER  
Salina, Kansas

NOTES TO FINANCIAL STATEMENTS (CONT.)  
December 31, 2012 and 2011

B. Summary of significant accounting policies of the Central Kansas Mental Health Center are as follows:

1. The Central Kansas Mental Health Center prepares its financial statements on the accrual method of accounting in accordance with generally accepted accounting principles.
2. Cash on hand, in checking, and in money market accounts are considered to be cash and cash equivalents. The Central Kansas Mental Health Center considers these funds available for current operations. Investments are recorded at cost and are held in federally insured institutions with an original maturity date in excess of 3 months.
3. Fixed assets are stated at cost. Fixed assets donated are valued at readily determinable fair values at their fair market value at the time of the donation. Depreciation is computed using the straight-line method based on estimated useful lives as follows:

Building and Improvements	5 - 40 years
Furnishings and Equipment	5 - 10 years
Technology	3 - 5 years
Landscaping	20 years

4. Patient service revenue is reported net of discounts, estimated based on aged trial balances, which are classified by the type of payer, historical collection trends, the current economic environment, other relevant factors and bad debts. Grant revenue is reported in the period of allotment by the State of Kansas.
5. An operating budget is not required, however yearly budgets are prepared and adopted by the Board of Directors.

2. Deposits and Investments

Cash and cash equivalents at December 31, were comprised of the following:

	2012	2011
Cash on hand	\$ 876	\$ 676
First Bank Kansas, Salina, KS		
Checking account (Payroll) - 10140	6,384	13,805
Checking account - 10108	24,646	15,084
Checking account - 7194951	36,848	34,704
First Bank Kansas, Salina, KS		
Money Market Account	2,404,184	2,131,141
Totals	\$ 2,472,938	\$ 2,195,410

K.S.A. 9-1401 establishes the depositories which may be used by the Government. The statute requires banks eligible to hold the Government's fund have a main or branch bank in the county in which the Government is located, or in an adjoining county if such an institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Government has no other policies that would further limit interest rate risk.

CENTRAL KANSAS MENTAL HEALTH CENTER  
Salina, Kansas

NOTES TO FINANCIAL STATEMENTS (CONT.)  
December 31, 2012 and 2011

2. Deposits and Investments (Cont.)

K.S.A. 9-1401 limits the Government's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institution; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Government has no other policies that would further limit its investment choices.

Certificates of Deposit at December 31, were comprised of the following:

	2012	2011
First Bank Kansas, Salina, KS		
Certificates of deposit	\$ 1,085,638	\$ 972,083
Bank of Tescott		
Certificate of deposit	100,000	200,026
Totals	\$ 1,185,638	\$ 1,172,109
Undesignated	\$ 985,638	\$ 972,109
Designated for fixed assets	200,000	200,000
Totals	\$ 1,185,638	\$ 1,172,109

*Concentration of credit risk.* State statutes place no limit on the amount of the Government may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk - deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Government's deposits may not be returned to it. State Statutes require the Government's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Governments has not designated a "peak period." All deposits were legally secured at December 31, 2012.

Deposits. At year-end, the carrying amount of the Central Kansas Mental Health Center's deposits, including certificates of deposit, was \$3,658,376 The bank balance was \$3,659,505. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, \$350,000 was covered by FDIC insurance, and \$3,309,505 was collateralized with pledged securities held by the pledging financial institutions agents in Central Kansas Mental Health Center's name.

3. Greater Salina Community Foundation

Central Kansas Mental Health Center transferred \$10,000 to the Greater Salina Community Foundation in 2000. Distributions from the Greater Salina Community Foundation will be made in the manner consistent with its policies and procedures. The Greater Salina Community Foundation was given variance power over the assets. The assets are recorded at fair market value at December 31, 2012 and 2011 as determined by the Greater Salina Community Foundation.

CENTRAL KANSAS MENTAL HEALTH CENTER  
Salina, Kansas

NOTES TO FINANCIAL STATEMENTS (CONT.)  
December 31, 2012 and 2011

4. Compensated Absences

As of December 31, 2012 and 2011, the following amounts had been accumulated and remain unpaid:

	2012	2011
Paid Time-Off Leave	\$ 137,877	\$ 142,083
Extended Leave	568,556	526,626
Totals	\$ 706,433	\$ 668,709

Paid time-off leave has been accrued on the December 31, 2012 and 2011 financial statements. Extended leave is not reimbursed if an employee terminates for any reason other than retirement, and in the case of retirement, is reimbursed at a rate of \$15.00 per hour up to a limit of 600 hours.

5. Defined Benefit Pension Plan

*Plan Description.*

The Central Kansas Mental Health Center participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100; Topeka, KS 66603) or by calling 1-888-275-5737.

*Funding Policy.*

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier I. As of December 31, 2012, the Center had 36 employees classified as Tier 2, contributing at a rate of 6%. The employer collects and remits member-employee contributions according to the provisions of section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rate be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the contribution rates for KPERS employers. The employer rate established for calendar year 2012 was 7.34%. The Central Kansas Mental Health Center employer contributions to KPERS for the years ending December 31, 2012, 2011, and 2010 were \$298,991, \$271,382, and \$246,986, respectively, equal to the statutory required contributions for each year.

6. Employee Benefits

The Central Kansas Mental Health Center adopted a cafeteria plan which covers employees upon employment. Ongoing employees declare intent to participate in the plan before January 1 of each year. The benefits that are available include health care reimbursement, dependent care assistance and insurance premium expense. This plan is administered by an outside entity.

The Central Kansas Mental Health Center offers its employees a 403b plan. Participation is voluntary. The Center does not match any contributions.

CENTRAL KANSAS MENTAL HEALTH CENTER  
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NOTES TO FINANCIAL STATEMENTS (CONT.)  
December 31, 2012 and 2011

7. Other Post Employment Benefits

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Center makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. While the insured pays the full amount of the applicable premium, conceptually, the Center is subsidizing the insured because each participant is charged a level premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

8. Financial Statement Reporting

The preparation of financial statements in conformity with generally accepted accounting principles 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.

9. Deferred Revenue

The Central Kansas Mental Health Center periodically receives payments from grants and other governmental aid in advance for reimbursement to finance expenditures incurred in administering programs and services.

10. Subsequent Events

The Center's management has evaluated events and transactions occurring after December 31, 2012 through May 7, 2013. The aforementioned date represents the date the financial statements were available to be issued.

CENTRAL KANSAS MENTAL HEALTH CENTER  
Salina, Kansas

Schedule 1

GRANT STATEMENTS OF REVENUES AND EXPENDITURES

For the Year Ended December 31, 2012

<u>Award Number</u>		<u>Revenues</u>	<u>Expenditures</u>
Kansas Department of Social and Rehabilitation			
<u>Award Number</u>	<u>Program</u>		
DBHS-SA-11-04/12-04	SAMHDD	\$ 299,404	\$ 299,404
MHCC 003	SAMHDD	164,762	164,762
MHCC	SAMHDD	230,571	230,571
SHF-DBHS 47347-2012	SAMHDD	21,425	21,425
PATH-11-003	SAMHDD	20,395	20,395
PATH KDADS 47347-2013	SAMHDD	<u>14,842</u>	<u>14,842</u>
TOTALS		<u>\$ 751,399</u>	<u>\$ 751,399</u>

CENTRAL KANSAS MENTAL HEALTH CENTER  
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Schedule 2

STATEMENTS OF REVENUES, EXPENDITURES AND BUDGET

For the Year Ended December 31, 2012

(With Comparative Actual Totals for the Prior Year Ended December 31, 2011)

	Prior Year Actual	Current Year		Variance Over (Under)
		Actual	Budget	
Revenues				
Patient Service Revenue, Net	\$ 5,340,923	\$ 5,438,051	\$ 5,320,000	\$ 118,051
Other Revenues				
Payments from counties	303,175	307,348	307,347	1
State aid	299,404	299,404	299,404	-
Grants	513,276	512,141	526,134	(13,993)
Workshop/teaching revenue	15,439	14,785	16,000	(1,215)
Interest	21,416	18,126	23,000	(4,874)
Net unrealized gain (loss) on investment	(202)	1,764	-	1,764
Miscellaneous revenue	41,470	35,767	41,500	(5,733)
Total Other Revenues	1,193,978	1,189,335	1,213,385	(24,050)
<b>Total Revenues</b>	<b>6,534,901</b>	<b>6,627,386</b>	<b>6,533,385</b>	<b>94,001</b>
Operating Expenditures				
Salaries	3,788,416	3,848,162	3,898,090	(49,928)
Consultations	74,215	68,417	75,000	(6,583)
Payroll taxes, KPERS, and benefits	1,246,628	1,305,506	1,523,135	(217,629)
Rent	10,812	11,442	13,000	(1,558)
Repairs and maintenance	28,760	29,791	35,000	(5,209)
Computer costs	188,599	165,025	200,000	(34,975)
Copier maintenance and fees	8,333	8,087	10,000	(1,913)
Contracted services	26,010	24,504	27,000	(2,496)
Phone	23,333	19,314	25,000	(5,686)
Postage	9,687	9,229	14,000	(4,771)
Professional development	16,012	18,560	20,000	(1,440)
Professional licenses and dues	2,749	3,305	3,000	305
Mileage	135,061	133,680	138,000	(4,320)
Vehicle maintenance	4,122	6,597	6,000	597
Advertising	7,707	9,087	13,000	(3,913)
Office supplies	14,802	14,299	21,000	(6,701)
Program supplies	11,486	7,767	14,000	(6,233)
Audit and legal	7,150	8,523	8,500	23
Insurance	83,384	85,260	90,000	(4,740)
Utilities	57,220	55,541	65,000	(9,459)
Dues, subscriptions and licenses	19,355	19,758	22,000	(2,242)
Center business and meetings	9,502	7,829	12,300	(4,471)
Expenditures for clients	224,285	186,203	228,630	(42,427)
Depreciation	211,930	214,027	250,000	(35,973)
Other costs	-	5,045	-	5,045
<b>Total Operating Expenditures</b>	<b>6,209,558</b>	<b>6,264,959</b>	<b>6,711,655</b>	<b>(446,697)</b>
<b>Excess Revenues Under Expenditures</b>	<b>\$ 325,343</b>	<b>\$ 362,427</b>	<b>\$ (178,270)</b>	<b>\$ 540,698</b>

CENTRAL KANSAS MENTAL HEALTH CENTER  
Salina, Kansas

Schedule 3

CAPITAL EXPENDITURES  
For the Year Ended December 31, 2012

Furnishings and Equipment	
Commercial Water Heater for Crossroads Building	\$ 4,288
18" Poulan Gas Hedge Trimmer	144
Lateral 5-drawer File Cabinet	150
Toshiba Phone	475
Toshiba Phone Expansion Module	165
Blower 27.2CC	150
Bissell Vacuum Sweeper	99
Two HVAC Systems for the Martin Building	<u>7,678</u>
Total Furnishings and Equipment	<u>13,149</u>
Technology	
Netstandard	252
Dell R710 Server Upgrades with Warranty	8,625
Laptop with webcam and Headset	971
Fortigate 110C Firewall and Web Filter with 3 Year Support	4,402
Professional Service for Server Installation	2,450
Firewall Installation	908
5 - Acer Widescreen LCD Monitors	400
Proofpoint Spam Detection Software	2,802
Computer Interface Module	225
Copier, Scanner and Fax Machine	9,217
5 - Acer 20" Widescreen LCD Monitors	500
Procurve Switch	<u>223</u>
Total Technology	<u>30,975</u>
Buildings	
New Shingles on Outpatient Building	<u>1,787</u>
Total Capital Expenditures	<u>\$ 45,911</u>

CENTRAL KANSAS MENTAL HEALTH CENTER  
Salina, Kansas

Schedule 4

CAPITAL EXPENDITURES  
For the Year Ended December 31, 2011

Furnishings and Equipment	
Installation of New Zone Control System	\$ 4,899
Phone System Upgrade	12,630
40 Gallon Water Heater	714
Wii System - CBS Programs	805
10 Loveseats for Outpatient Offices	<u>4,029</u>
Total Furnishings and Equipment	<u>23,077</u>
Technology	
Conversion Time	3,240
Database Licenses	8,940
1 - Acer Black 21.5" Widescreen LCD Monitor	575
1 - Acer Black 23" Backlight LCD Monitor	150
8 - Acer 20" Backlight LCD Monitors	800
Proofpoint Encrytion Software	10,785
3 - Acer 20" Widescreen LCD Monitor	<u>357</u>
Total Technology	<u>24,847</u>
Total Capital Expenditures	<u>\$ 47,924</u>

CENTRAL KANSAS MENTAL HEALTH CENTER  
Salina, Kansas

Schedule 5

INSURANCE AND FIDELITY BOND COVERAGE  
December 31, 2012

	<u>Amount of Coverage</u>	<u>Co-Insurance Percentage</u>
Employee Dishonesty Coverage	\$ 50,000	
Forgery	50,000	
Professional Liability		
Each claim	1,000,000	
Total limit	3,000,000	
Commercial General Liability		
Mental Health Professional Liability		
Each claim	1,000,000	
Total limit	3,000,000	
Commercial General Liability		
Bodily Injury or Property Damage	1,000,000	
Personal Injury/Advertising Injury	3,000,000	
Fire Legal Liability	50,000	
Umbrella coverage		
Each claim	2,000,000	
Total limit	2,000,000	
Worker's Compensation and Employer's liability		
Bodily injury - Accident	500,000	
Bodily injury - Disease/limit	500,000	
Bodily injury - Disease/employee	500,000	
Commercial Property		
Buildings	4,577,267	100%
Personal Property	312,422	100%
Business Income - Basic	2,500,000	
Business Auto		
Liability	1,000,000	
Uninsured motorist	1,000,000	