

JUNCTION CITY - GEARY COUNTY HEALTH DEPARTMENT

**FINANCIAL STATEMENT
WITH INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2012

**JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS**

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INDEPENDENT AUDITORS' REPORT

To the Board of Health
Junction City – Geary County Health Department
Junction City, Kansas 66441

Report on the Financial Statement

We have audited the accompanying summary statement of cash receipts, expenditures, and unencumbered cash balances of the Junction City – Geary County Health Department (Department), a municipality, as of and for the year ended December 31, 2012, and the related notes to the financial statement, which collectively comprise the Department's basic financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. 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*. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor judgment, including the assessment of the risks of material misstatement of the financial statement, 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 statement 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 statement.

We believe that our audit provides a reasonable basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the Department to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances

between the regulatory 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.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Department, as of December 31, 2012, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Department as of December 31, 2012, and the aggregate receipts and expenditures for the year then ended, in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the summary statement of receipts, expenditures, and unencumbered cash (basic financial statement) as a whole. The schedule of regulatory basis receipts and expenditures and the schedule of receipts and expenditures--actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The accompanying schedule of expenditures of federal awards (see Single Audit Section in the table of contents) is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statement. 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 statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statement as a whole on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *government Auditing Standards*, we have also issued our report dated August 29, 2013, on our consideration of the Department's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Department's internal control over financial reporting and compliance.

Pottberg, Gassman & Hoffman, Chartered

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas
August 29, 2013

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

REGULATORY BASIS

FOR THE YEAR ENDED DECEMBER 31, 2012

<u>Funds</u>	<u>Beginning</u> <u>Unencumbered</u> <u>Cash Balance</u>	<u>Prior Year</u> <u>Canceled</u> <u>Encumbrances</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending</u> <u>Unencumbered</u> <u>Cash Balance</u>	<u>Add</u> <u>Outstanding</u> <u>Encumbrances</u> <u>and Accounts</u> <u>Payable</u>	<u>Ending</u> <u>Cash Balance</u>
Governmental Type Funds:							
General Fund	\$ 1,290,414	-	1,525,830	1,557,402	1,258,842	194	1,259,036
Total Reporting Entity	\$ 1,290,414	-	1,525,830	1,557,402	1,258,842	194	1,259,036

Composition of Cash:

Cash on Hand	\$ 125
Checking Accounts	63,243
Savings Account	945,668
Certificates of Deposit	250,000
Total Reporting Entity	\$ 1,259,036

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

**JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2012**

Note 1- Summary of Significant Accounting Policies

Financial Reporting Entity

On July 1, 1949 the respective commissions of Junction City and Geary County Kansas created the Joint Board of Health per K.S.A. 65-205. Joint Resolution/Ordinance (Geary County Resolution 6192H and Junction City Ordinance S-2515) specifies the organization, operation, jurisdiction, powers and duties of the Joint Board of Health. The Junction City – Geary County Health Department (the Department) offers preventive, educational, environmental and other general health services to the residents of Junction City and Geary County. The Department is primarily supported through federal and state grants, city and county appropriations and client service revenues. The building in which the Department is housed is owned by Geary County, as well as the major furniture and fixtures.

Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific regulations, restrictions, or limitations. Certain funds contain restricted cash because their use is limited by debt covenants, statutory requirements, grant requirements or are held in a fiduciary or agency capacity.

The following types of funds comprise the financial activities of the Department for the year of 2012:

General – The General Fund is the main operating fund of the Department. This fund is used to account for all financial resources not accounted for in other funds and is therefore, unrestricted.

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America.

The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Department has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Department to use the regulatory basis of accounting.

Budgetary Information

The Department is not required to adopt a legal budget. Therefore, no budgetary comparison is prepared as a financial statement. The Board approves an estimated budget each year as required by the Joint Resolution/Ordinance which is used by management to internally monitor expenditures and is presented as supplementary information in Schedule 2.

Date of Management's Review

Management has evaluated the effects on the financial statement of subsequent events occurring through August 20, 2013 which is the date at which the financial statement was available to be issued.

**JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2012**

Note 2 - Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Department. The statute requires banks eligible to hold the Department's funds have a main or branch bank in the county in which the Department is located, or in an adjoining county if such 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 Department has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Department's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Department has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the Department may invest in any 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 Department's deposits may not be returned to it. State statutes require the Department'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 Department has no designated "peak periods." All deposits were legally secured at December 31, 2012.

At December 31, 2012, the Department's carrying amount of deposits, including certificates of deposit, was \$1,259,036 and the Bank balance was \$1,311,780. The bank balance was held by three banks. Of these bank balances, \$743,707 was covered by federal depository insurance and \$568,073 was collateralized with securities held by the pledging financial institutions' agents in the Department's name. The balance at one bank in excess of federal depository insurance corporation limits was more than 5% of total bank balances resulting in a concentration of credit risk as per GASBS 40, paragraph 11.

Note 3 – Compensated Absences

The Department's policy is to recognize the costs of compensated absences when actually paid.

Vacation leave:

The Department's policy regarding vacation leave allows employees to accumulate vacation time based on years of continuous service. Full-time employees working at least 37.5 hours per week accrue paid Annual leave time as follows:

Years of Employment	Accrual Rate (hours/month)		Maximum Accrual (hours)	
	<u>37.5</u>	<u>40.0</u>	<u>37.5</u>	<u>40.0</u>
Less than one	5.75	6		
1 to 10	9.5	10	150	160
10 to 15	11.25	12	180	192
Over 15	15	16	225	240

**JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2012**

Note 3 – Compensated Absences (Continued)

Upon termination of employment an employee is entitled to be paid for unused accrued vacation leave. The amount of accrued vacation payable at December 31, 2012 was \$38,987.

Sick leave:

Full-time employees working at least 37.5 hours per week will earn sick leave pay as follows:

Years of Employment	Accrual Rate (hours/month)	
	<u>37.5</u>	<u>40.0</u>
Less than one year	3.75	4
After one year	7.5	8

Upon retirement, an employee is paid for one-third of the accrued leave up to a maximum of 60 days. The amount of accrued sick leave payable for employees eligible for retirement at December 31, 2012 was \$36.

Note 4 – Grants

The Department receives a substantial amount of its support from federal, state and local grants. A significant reduction in the level of this support, if this were to occur, may have an effect on the Department's programs and activities. Grants and awards require the fulfillment of certain conditions as set forth in each grant agreement. Failure to fulfill the conditions could result in the return of the funds to the grantor. Although that is a possibility, the Board deems the contingency remote.

Note 5 – Defined Benefit Pension Plan

Plan description. The Department participates in the Kansas Public Employees Retirement System (KPERs) a cost-sharing, multiple-employer defined benefit pension plan as provided by Kansas law. 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. Those reports may be obtained by writing to KPERs (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-419 and K.S.A. 74-49,210 establish the KPERs member-employee contribution rates. Effective July 1, 2009 KPERs has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERs member-employee contribution rate at 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERs is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

Note 6 – Deferred Compensation Plan

The Department offers its employees a deferred compensation plan created in accordance with the Internal Revenue Code section 457. The plan is administrated by Nationwide Retirement Solutions. The plan is available to all employees, and permits them to defer a portion of their salary until future years.

**JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT
JUNCTION CITY, KANSAS
NOTES TO FINANCIAL STATEMENT
DECEMBER 31, 2012**

Note 7 – Risk Management

The Junction City – Geary County Health Department is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Department has been unable to obtain property and liability insurance at a cost it considered to be economically justifiable. For this reason, the Department through Geary County joined together with other counties in the State to participate in Kansas County Association Multi-Line Pool (KCAMP), a public entity risk pool currently operating as a common risk management and insurance program for participating members.

Geary County pays an annual premium to KCAMP for its property and liability insurance coverage. The agreement to participate provides that KCAMP will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the self-insured amount for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by KCAMP management. The Department reimburses Geary County for its portion of the workers compensation premium. Geary County carries commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 8 – Litigation

There were no legal actions involving the Junction City – Geary County Health Department as of December 31, 2012.

Note 9 – Compliance

The Department is currently in compliance with the Joint Resolution/Ordinance amended September 19, 2005 concerning the basis of accounting and auditing of grants.

SUPPLEMENTAL INFORMATION

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

GENERAL FUND

Cash Receipts:

Grants	\$ 802,585
City - County Appropriations	493,067
Client Receipts	96,407
Contract Services	25,587
Health Insurance Receipts	55,028
School Reimbursements	11,125
Medicaid Reimbursements	11,377
Medicare Reimbursements	15,649
Donations	1,217
Rent	1,120
Other Reimbursements and Miscellaneous Receipts	6,902
Interest	5,766
Total Cash Receipts	<u>1,525,830</u>

Expenditures:

Advertising	5,299
Airfare	2,710
Auto and Truck	5,022
Bank Service Charges	1,123
Building Maintenance	1,542
Capital Expenditures	26,774
Clothing Allowance	488
Contract Services	10,788
Dues	581
Educational / Promotional	17,519
Equipment Maintenance and Repair	9,462
Equipment Rental	981
Insurance - Bonding	305
Insurance - Disability	2,961
Insurance - Health	129,645
Insurance - Life	1,174
Insurance - Liability	693
Janitorial	29,914
Laboratory Fees	12,169
Legal and Accounting	13,750
Lodging	4,857
Medical Supplies	55,311
Mileage	3,817
Miscellaneous	1,988
Office Supplies	16,432
Subtotal	<u>355,305</u>

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

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2012

GENERAL FUND

Expenditures from page #9	\$ 355,305
Payroll Taxes	70,960
Postage	6,658
Printing	4,431
Professional Services	14,400
Registration and Fees	8,319
Rent	19,050
Resource Material	83
Retirement	73,056
Salaries	949,771
Subscriptions	2,801
Subsistence	3,800
Supplies	11,836
Taxi Service	1,898
Telephone	8,261
Utilities	20,557
Workers Compensation	6,216
Total Expenditures	<u>1,557,402</u>
Receipts Over (Under) Expenditures	(31,572)
Unencumbered Cash, January 1	<u>1,290,414</u>
Unencumbered Cash, December 31	<u>\$ 1,258,842</u>

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

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

Schedule 2

Page 1 of 2

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>GENERAL FUND</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Grants	\$ 802,585	670,160	132,425
City - County Appropriations	493,067	547,363	(54,296)
Client Receipts	96,407	99,315	(2,908)
Contract Services	25,587	25,870	(283)
Health Insurance Receipts	55,028	36,137	18,891
School Reimbursements	11,125	22,250	(11,125)
Medicaid Reimbursements	11,377	10,729	648
Medicare Reimbursements	15,649	3,800	11,849
Donations	1,217	1,100	117
Rent	1,120	3,200	(2,080)
Other Reimbursements and Miscellaneous Receipts	6,902	23,832	(16,930)
Interest	5,766	11,448	(5,682)
Total Cash Receipts	<u>1,525,830</u>	<u>1,455,204</u>	<u>70,626</u>
Expenditures:			
Advertising	5,299	5,500	(201)
Airfare	2,710	1,300	1,410
Auto and Truck	5,022	6,825	(1,803)
Bank Service Charges	1,123	1,200	(77)
Building Maintenance	1,542	3,450	(1,908)
Capital Expenditures	26,774	18,000	8,774
Clothing Allowance	488	600	(112)
Computer Hardware / Software	-	1,000	(1,000)
Contract Services	10,788	8,500	2,288
Dues	581	500	81
Educational / Promotional	17,519	18,835	(1,316)
Equipment Maintenance and Repair	9,462	6,524	2,938
Equipment Rental	981	1,200	(219)
Insurance - Bonding	305	305	-
Insurance - Disability	2,961	3,000	(39)
Insurance - Health	129,645	111,735	17,910
Insurance - Life	1,174	1,122	52
Insurance - Malpractice and Liability	693	600	93
Janitorial	29,914	29,400	514
Laboratory Fees	12,169	6,823	5,346
Legal and Accounting	13,750	8,200	5,550
Lodging	4,857	3,234	1,623
Medical Supplies	55,311	44,745	10,566
Mileage	3,817	5,167	(1,350)
Miscellaneous	1,988	550	1,438
Office Supplies	16,432	13,500	2,932
Subtotal	<u>355,305</u>	<u>301,815</u>	<u>53,490</u>

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

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

Schedule 2
Page 2 of 2

SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2012

<u>GENERAL FUND</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Expenditures from page #10	\$ 355,305	301,815	53,490
Payroll Taxes	70,960	68,942	2,018
Postage	6,658	4,847	1,811
Printing	4,431	3,695	736
Professional Services	14,400	15,200	(800)
Registration and Fees	8,319	7,845	474
Rent	19,050	18,050	1,000
Resource Material	83	500	(417)
Retirement	73,056	68,868	4,188
Salaries	949,771	892,923	56,848
Subscriptions	2,801	2,500	301
Subsistence	3,800	6,878	(3,078)
Supplies	11,836	13,973	(2,137)
Taxi Service	1,898	4,500	(2,602)
Telephone	8,261	8,668	(407)
Utilities	20,557	20,800	(243)
Vehicle Purchase	-	5,000	(5,000)
Workers Compensation	6,216	10,200	(3,984)
Total Expenditures	<u>1,557,402</u>	<u>1,455,204</u>	<u>102,198</u>
Receipts Over (Under) Expenditures	<u>\$ (31,572)</u>	<u>-</u>	<u>(31,572)</u>

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

SINGLE AUDIT SECTION

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Grantor/Program Title	Federal CFDA Number	Grant Number	Federal Expenditures
U.S. Department of Agriculture			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	WIC FFY 12 WIC FFY 13	\$ 229,658 75,607
Total U.S. Department of Agriculture			<u>305,265</u>
U.S. Department of Labor			
Passed Through Heartland Works, Topeka, KS WIA Youth Activities	17.259	SFY 12 SFY 13	7,333 11,296
Total U.S. Department of Labor			<u>18,629</u>
U.S. Department of Health and Human Services			
Passed Through Kansas Department of Health and Environment Public Health Emergency Preparedness	93.069	PHEP 11-12 PHEP 12-13 Regional 12 Regional 13	16,400 22,150 7,640 1,409
			<u>47,599</u>
Family Planning Services	93.217	SFY 12 SFY 13	41,992 43,609
			<u>85,601</u>
Immunization Cooperative Agreements	93.268	IAP 12 IAP 13	583 4,317
			<u>4,900</u>
Child Care and Development Block Grant	93.575	SFY 12 SFY 13	9,790 5,497
			<u>15,287</u>
Medical Assistance Program	93.778	Medicaid; Title XIX Healthy Families 13 TP TCM SFY 12 TP TCM SFY 12	18,000 18,000 34,500 20,250
			<u>90,750</u>
Preventive Health and Health Services Block Grant	93.991	CDRR 13	<u>1,516</u>
Maternal and Child Health Services Block Grant to States	93.994	SFY 12 SFY 13	18,226 18,552
			<u>36,778</u>
Total U.S. Depart of Health and Human Services			<u>282,431</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 606,325</u>

JUNCTION CITY – GEARY COUNTY HEALTH DEPARTMENT

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Junction City – Geary County Health Department (the Department) under programs of the federal government for the year ended December 31, 2012. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Department, it is not intended to and does not present the financial position or changes in the financial position of the Department.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported using the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, the same basis as the financial statements accompanying this schedule.



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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 Health
Junction City – Geary County Health Department
Junction City, Kansas 66441

We have audited, 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*, the summary statement of receipts, expenditures, and unencumbered cash of Junction City – Geary County Health Department (Department) as of and for the year ended December 31, 2012, and have issued our report thereon dated August 29, 2013.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department'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 misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 the Department'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

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statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Department'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 Department's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pottberg, Gassman & Hoffman, Chartered.

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas
August 29, 2013



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE OF ITS MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY OMB CIRCULAR A-133**

To the Board of Health
Junction City – Geary County Health Department
Junction City, Kansas 66441

Report on Compliance for the major Federal Program

We have audited the Junction City – Geary County Health Department's (Department) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on the Department's major federal program for the year ended December 31, 2012. The Department's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grant agreements applicable to its major federal program.

Auditor Responsibility

Our responsibility is to express an opinion on compliance for the Department's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; Kansas Municipal Audit Guide; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program occurred. An audit includes examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Department's compliance.

Opinion on the Major Federal Program

In our opinion, Junction City – Geary County Health Department complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2012.

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Report on Internal Control over Compliance

Management of the Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Department's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on its major federal program and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of *OMB Circular A-133*. Accordingly, this report is not suitable for any other purpose.

Pottberg, Gassman & Hoffman, Chtd.

Pottberg, Gassman & Hoffman, Chartered
Manhattan, Kansas

August 29, 2013

JUNCTION CITY–GEARY COUNTY HEALTH DEPARTMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2012

SECTION I – SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statement of Junction City – Geary County Health Department.
2. No significant deficiencies were disclosed during the audit of the financial statement and no material weaknesses are reported in the **Report on Internal Control over Financial Reporting and on Compliance and Other Matters based on an Audit of Financial Statement Performed in Accordance with Government Auditing Standards**.
3. No instances of noncompliance material to the financial statement of Junction City – Geary County Health Department were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit and no material weaknesses were reported in the **Independent Auditor's Report on Compliance of its Major Program and on Internal Control over Compliance Required by OMB Circular A-133**.
5. The auditors' report on compliance for the major federal award program for the Junction City – Geary County Health Department expresses an unqualified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 in this schedule.
7. The program tested as a major program was US Department of Agriculture, Special Supplemental Nutrition Program for Women, Infants and Children, WIC Program CFDA 10.557.
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. The Junction City – Geary County Health Department did not qualify as a low-risk auditee.

SECTION II – FINANCIAL STATEMENT AUDIT FINDINGS

None reported.

SECTION III – MAJOR FEDERAL AWARD PROGRAM FINDINGS AND QUESTIONED COSTS

None reported.

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

2011-1

- Criteria – Preparation of the schedule of expenditures of federal awards (SEFA) requires adjustment of reimbursements received for amounts received from prior years and for amounts not yet received.
- Condition – Management prepared SEFA detailed expenditures of \$567,632.

JUNCTION CITY-GEARY COUNTY HEALTH DEPARTMENT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS **FOR THE YEAR ENDED DECEMBER 31, 2012**

- Context - In testing internal controls over financial reporting as required by government auditing standards, the grant income for a reimbursement based grant was used for the amount of grant expenditures.
- Effect – Federal award expenditures on the SEFA were understated by \$50,751.
- Cause – Due to program cash disbursements paid from Department funds , when grant does not cover 100% of costs, reimbursements received during 2011 were used as the amount of expenditures rather than reimbursements requested for 2011.
- Recommendation – Management should complete a reconciliation with monthly grant reports to ensure SEFA reports expenditures and not reimbursements received.
- Response – Accountant formulated an excel spreadsheet for all grants received showing expenditures for each grant and period in the format required for the Schedule of Expenditures of Federal Awards. No material exceptions were noted in the 2012 audit.