CITY-COWLEY COUNTY HEALTH DEPARTMENT

Arkansas City, Winfield, and Cowley County, Kansas

FINANCIAL STATEMENT

WITH

INDEPENDENT AUDITOR'S REPORT

December 31, 2023

VARNEY & ASSOCIATES, CPAs, LLC
Manhattan, Kansas

CITY-COWLEY COUNTY HEALTH DEPARTMENT
Arkansas City, Winfield, and Cowley County, Kansas
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March 14, 2024

VARNEY
& ASSOCIATES, CPAs, LLC

Board Members
City-Cowley County Health Department
Arkansas City, Winfield, and Cowley County, Kansas

Independent Auditor's Report

Adverse and Unmodified Opinions
We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of City-Cowley County Health Department (the Department), as of and for the year ended December 31, 2023, and the related notes to the financial statement.

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 and Unmodified Opinions section of our report, the accompanying 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, 2023, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting
In our opinion, the accompanying 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, 2023, 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* (KMAAG) described in Note 1.

Basis for Adverse and Unmodified Opinions
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and KMAAG. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to the Adverse Opinion on U.S. Generally Accepted Accounting Principles
As discussed in Note 1 of the financial statement, the financial statement is prepared by the Department on the basis of the financial reporting provisions of the KMAAG, 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.

Responsibilities of Management for the Financial Statement
Management is responsible for the preparation and fair presentation of the financial statement in accordance with KMAAG as described in Note 1; this includes determining regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that is free from material misstatement, whether due to fraud or error.

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

1501 Poyntz Avenue
Manhattan, KS 66502

785-537-2202 • fax 785-537-1877
http://www.varney.com

1020 Commercial St., Suite A
Emporia, KS 66801

Auditor's Responsibilities for the Audit of the Financial Statement

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds (Schedules 1, 2, and 3 as listed in the table of contents) are presented for purposes of additional analysis and are not required part of the basic financial statement; however, are required to be presented under the provisions of the KMAAG. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated in all material respects, in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Varney & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

CITY-COWLEY COUNTY HEALTH DEPARTMENT
Arkansas City, Winfield, and Cowley County, Kansas
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
Regulatory Basis
For the Year Ended December 31, 2023

	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
GOVERNMENTAL TYPE FUNDS							
General Fund							
General	$ 1,327,720	$ -	$ 1,807,805	$ 1,846,879	$ 1,288,646	$ 10,367	$ 1,299,013

Composition of Cash	
Petty cash	$ 400
Checking accounts	992,362
Certificates of Deposit	368,444
	$ 1,361,206
Less: Agency funds per Schedule 3	(62,193)
Total Reporting Entity (Excluding Agency Funds)	$ 1,299,013

The accompanying notes are an integral part of this financial statement.
See Independent Auditor's Report.

CITY-COWLEY COUNTY HEALTH DEPARTMENT
Arkansas City, Winfield, and Cowley County, Kansas
NOTES TO FINANCIAL STATEMENT
December 31, 2023

Note 1: Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

The City-Cowley County Health Department, Arkansas City, Winfield, and Cowley County, Kansas (the Department), is a quasi-governmental entity, organized and existing pursuant to K.S.A. 65-201, et seq. The Department provides health-related services to the residents of Cowley County and cities in the county. The Department is governed by a nine member Board of Directors. Five directors are appointed by Cowley County Commission, and one director each is appointed by the City of Winfield Commission, the City of Arkansas City Commission, the USD #471 Board of Education, and the USD #465 Board of Education.

The financial statement reflects all the funds relevant to the operations of the Department. The Department is considered a related municipal entity of Cowley County, a legally separate organization established to benefit the county and its constituents.

Basis of Presentation

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America - The *Kansas Municipal Audit and Accounting Guide* (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 balances 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 statutory basis of accounting.

Fund Descriptions

The following types of funds comprise the financial activities of the Department:

Governmental Funds

General Fund is used to account for all unrestricted resources except those required to be accounted for in another fund.

Agency Fund is used to report assets held by the municipal reporting entity in a purely custodial capacity (RISE Cowley Pathways for a Healthy Kansas, BlueCross BlueShield of Kansas grant, etc.).

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

The Department does not have tax levying powers and is not required to publish a budget. A budget is adopted annually by the Board of Directors for management purposes.

Note 3: 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 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 limits its investment choices.

Concentration of credit risk - Kansas statutes place no limits on the amount the Department 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 Department's deposits may not be returned to it. Kansas 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 did not utilize peak periods. All deposits were legally secured at December 31, 2023.

At December 31, 2023, the Department's carrying amount of deposits was $1,360,806 and the bank balance was $1,370,467. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, $500,000 was covered by federal depository insurance and the remaining $870,467 was collateralized with securities held by the pledging financial institutions' agents in the Department's name.

Note 4: Other Long-Term Obligations from Operations

Post-Employment Benefits

As provided by K.S.A. 12-540, the Department allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Department is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the Department makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Death and Disability Other Post-Employment Benefits

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended December 31, 2023.

Note 4: Other Long-Term Obligations from Operations (Continued)

Other Employment Benefits

Vacation and Compensatory Time - Noncontract employees - Employees earn vacation hours as summarized in the schedules below and earn compensatory time at the rate of 1.5 times the regular rate of pay for hours worked in excess of forty hours each work week with no maximum accumulation. Accumulated compensatory time and vacation days are paid to employees terminating in good standing, or because of retirement or death.

Full-time Department employees:

Continuous Years of Service	Monthly Accrual	Maximum Accumulation
0 - 5 years	8 hour/month	144 hours
5 - 10 years	10 hour/month	176 hours
More than 10 years	12 hour/month	192 hours

Employees who are working a minimum of half-time, but less than full-time:

Continuous Years of Service	Monthly Accrual	Maximum Accumulation
0 - 5 years	1 hour for every 22 hours worked	8 hours/month
5 - 10 years	1 hour for every 16 hours worked	10 hours/month

Sick leave - Noncontract employees - Full-time employees earn one day of paid sick leave per month, and half-time employees accrue one hour of paid sick leave for every twenty-two hours worked. Accrued sick leave may not exceed ninety days for full-time employees and forty-five days for part -time employees. Employees are not paid for unused sick leave upon termination of employment with the Department.

Contracted Employees - Contracted employees are exempt from this schedule and are paid for unused sick leave and accrued vacation days upon termination of employment with the Department per individual contract terms.

Shared leave - Employees are able to donate sick leave or accrued vacation to other employees who qualify under specific criteria and have prior administration approval.

Deferred Compensation Plan - The Department offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 401. The plan is available to all employees who qualify under the plan terms and permits employees to defer a portion of their salary until future years, or to contribute to a ROTH 403(b) plan. All contributions are funds by employee payroll deductions, and the Department does not provide matching contributions.

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 K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available 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 or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions

K.S.A. 74-4919 and K.S.A. 74-49,210 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 of 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. 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 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate (not including the 1% contribution rate for the Death and Disability Program) was 8.43%, respectively, for the fiscal year ended December 31, 2023. Contributions to the pension plan from the Department were $78,163 for the year ended December 31, 2023.

Net Pension Liability

At December 31, 2023, the Department's proportionate share of the collective net pension liability reported by KPERS was $768,379. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to June 30, 2023. The Organization's proportion of the net pension liability was based on the ratio of the Organization's contributions to KPERS, relative to the total employer and non-employer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2023. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

Note 6: Long-Term Debt

The Department had no long-term debt or capital lease activity during 2023, and had no long-term debt balances at December 31, 2023.

Note 7: Claims and Judgements

The Department participates in federal, state, and local programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Department may be required to reimburse the grant government. Department management believes that any disallowed expenditures based on future audits will not have a material effect on the financial position of the Department.

Note 8: Commitments

The Department does not own the buildings in which it operates. The Department leases the Winfield location from Cowley County for $1,500 per month, under a year to year renewable lease. The Arkansas City location is leased from the City of Arkansas City for $1 per year, under a one year lease, reviewed annually. The Department is responsible for any required maintenance or repairs of the property.

Note 9: Risk Management

The Department continues to carry commercial insurance to limit its exposure to the various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 10: Subsequent Events

Management has evaluated the effects on the financial statement of subsequent events occurring through March 14, 2024, which is the date of which the financial statement was available to be issued.

REGULATORY-REQUIRED SUPPLEMENTAL INFORMATION

CITY-COWLEY COUNTY HEALTH DEPARTMENT
Arkansas City, Winfield, and Cowley County, Kansas
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended December 31, 2023

Funds	Certified Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
Governmental Type Funds:					
General Fund:					
General					

City-Cowley County Health Department is not subject to the Kansas Budget Laws.

SCHEDULE 1

CITY-COWLEY COUNTY HEALTH DEPARTMENT
Arkansas City, Winfield, and Cowley County, Kansas
COMPARISON OF RECEIPTS AND EXPENDITURES - ACTUAL
For the Year Ended December 31, 2023

CASH RECEIPTS	
County appropriation	$ 280,500
Intergovernmental	772,233
Fees for service and donations	719,601
Interest	14,314
Other	21,157
Total Receipts	$ 1,807,805
EXPENDITURES	
Salaries	$ 865,356
Employee benefits	266,229
Contract labor	419
Medical contracts	17,759
Medical supplies	423,114
Rent	18,000
Postage	4,783
Employee development	1,605
Program items	80,659
Utilities	14,511
Maintenance	22,313
Software maintenance	3,986
Business insurance	21,157
Professional services - audit	13,600
Advertising and promotions	24,848
Supplies - office/building	13,241
Bank fees	3,269
Network/MIS	9,305
Memberships	2,821
Miscellaneous	3,360
Emergency response/Covid-19	15,488
Health Dept contingency fund	5,145
HOPE - KDADS	13,688
Capital outlay - Contingency Fund	2,223
Total Expenditures	$ 1,846,879
RECEIPTS OVER (UNDER) EXPENDITURES	$ (39,074)
UNENCUMBERED CASH - BEGINNING	1,327,720
UNENCUMBERED CASH - ENDING	$ 1,288,646

CITY-COWLEY COUNTY HEALTH DEPARTMENT
Arkansas City, Winfield and Cowley County, Kansas
AGENCY FUNDS
SUMMARY OF RECEIPTS AND DISBURSEMENTS
Regulatory Basis
For the Year Ended December 31, 2023

	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Pathways	$ 78,793	$ 50,313	$ 66,913	$ 62,193