

**HIGH PLAINS MENTAL HEALTH CENTER**

Financial Statements With Independent Auditors' Report

For the Years Ended December 31, 2014 and 2013

**HIGH PLAINS MENTAL HEALTH CENTER**  
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**TABLE OF CONTENTS**

Independent Auditors' Report .....	1
Management's Discussion and Analysis .....	4
Balance Sheets .....	10
Statements of Revenues, Expenses and Change in Net Position .....	11
Statements of Cash Flows .....	12
Notes to Financial Statements .....	14
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	24

**Supplementary Information**

Statement 1 – Balance Sheets and Statements of Revenues, Expenditures and Change in Net Position – Actual and Budget	
<b>General Fund</b>	
1-1 General Fund .....	26
<b>Special Revenue Funds</b>	
1-2 State Child Adolescent Fund .....	28
1-3 Mental Health Reform Fund .....	30
1-4 Mental Health Reform Children Fund .....	32
1-5 Mental Health Reform Hospital Closure Fund .....	33
1-6 Family Centered System Fund .....	34
1-7 Smart Start Services Fund .....	35
1-8 Governor's Mental Health Initiative Fund .....	36
1-9 Regional Recovery Centers Fund .....	38
Statement 2 – Statement of Net Assets and Statement of Activities – High Plains Mental Health Center Endowment Association, Inc. ....	40
Schedule of Findings and Responses .....	41
Summary Schedule of Prior Audit Findings .....	42
Schedule of Expenditures of Federal and State Awards .....	43
Notes to Schedule of Expenditures of Federal and State Awards .....	44
Schedule of Revenues and Expenditures – Budget and Actual – Grants .....	45



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Certified  
Public  
Accountants

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
**High Plains Mental Health Center**  
Hays, Kansas

We have audited the accompanying financial statements of **High Plains Mental Health Center**, which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of revenues, expenses, and changes in net position, 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.

### Auditors' Responsibility

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

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

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

### Basis for Qualified Opinion

The financial statements do not include the required annual cost and long-term obligations of High Plains Mental Health Center's other postemployment benefits as required by Governmental Auditing Standards Board Statements Number 43 and 45. Accounting principles generally accepted in the United States of America require the financial data for these other postemployment benefits be reported in the financial

statements. The amount by which this departure would affect the assets, liabilities, net assets, revenues and expenses is not reasonably determinable.

### **Opinion**

In our opinion, except for the matter described in the “Basis for Qualified Opinion”, the financial statements referred to above present fairly, in all material respects, the financial position of **High Plains Mental Health Center** as of December 31, 2014, and the respective changes in financial position and its cash flows thereof for the year then ended in conformity 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 the management’s discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise **High Plains Mental Health Center’s** basic financial statements. The individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Kansas Department for Aging and Disability Services and is also not a required part of the basic financial statements.

The individual fund financial statements and the supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2015, on our consideration of **High Plains Mental Health Center’s** internal control over financial

reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 **High Plains Mental Health Center's** internal control over financial reporting and compliance.

*Adams, Brown, Beran & Ball, Chartered*

**ADAMS, BROWN, BERAN & BALL, CHTD.**

Certified Public Accountants

March 26, 2015

## HIGH PLAINS MENTAL HEALTH CENTER

### Management's Discussion and Analysis

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The discussion and analysis of **High Plains Mental Health Center's** financial performance provides an overview of the Center's financial activities for the year ended December 31, 2014. Please read in conjunction with the Center's financial statements, which begin after this.

#### FINANCIAL HIGHLIGHTS

The assets of **High Plains Mental Health Center** exceeded its liabilities at December 31, 2014 by \$6,115,032. Of this, \$2,124,762 is unrestricted and available to meet the Center's ongoing obligations. Total net position decreased by 2.74% as a result of this year's operations.

**High Plains Mental Health Center's** funding is a mixture of federal, state, local, self-pay and insurance sources. The largest portion (65%) is from fees for services, which includes all third party and self-pay payments. The second largest revenue source is from the state; those funds include Mental Health Reform and State Aid (24%). The majority of that money comes from the Kansas Department for Aging and Disability Services' community mental health funds. Local funding from the 20 counties comprises 8% of the Center's total revenue. The remaining funds not attributable to the primary sources are 3% of the revenue.

The State of Kansas put most Medicaid services, as well as Healthwave 21, into a plan called KanCare beginning January 1, 2013. Three managed care organizations were awarded contracts to administer those health care programs. The companies are United HealthCare with Optum managing the mental health benefits, Amerigroup, and Sunflower Health Plan with Cenpatico managing the mental health services.

Medicaid Managed Care will continue to have ongoing and increasing impacts on **High Plains Mental Health Center** over the coming years, beyond those we have already seen. Currently, the Center is paid by Medicaid Managed Care on a fee for service basis. We anticipate that model of payment will change and evolve, as it has in other states, to a model where this is a capitated payment, case rate, or other alternative flat payment arrangement. There have been discussions between **High Plains Mental Health Center**, as well as the Association of Community Mental Health Centers of Kansas, with all of the managed care companies about these alternate payments. The Center continues to work with a national consultation group and their management team on developing operational responses to successfully function within these alternate payment models. Medicaid represents 72% of the patient service revenue, but Medicaid patients represent a much smaller portion of our caseload. Therefore, it is important we keep in balance the Medicaid business and the non-Medicaid business in considering these changes. The development of Medicaid Health Homes and the Center contracting with all three MCOs has resulted in a relatively small organizational expansion. We had anticipated that the Health Home program would be expanded beyond the original population of Medicaid members with Serious Mental Health issues to include Medicaid members who don't necessarily have mental health issues. However, there is significant doubt about whether the state will move forward with this expansion.

In recent years, **High Plains Mental Health Center** has seen reductions in state funding under the mental health reform contract to partially fund the state Medicaid plan and cuts to help balance the State's budget. The chart below represents those changes in funding over the past several years. Approximately \$300,000 was restored in FY 2013, but the future of continued funding is uncertain.

Though the reductions in mental health reform funding initially were to help the State implement the new Medicaid State plan, subsequent cuts were a direct result of the State's financial struggles and attempts to balance budgets. The State of Kansas has indicated mental health reform funding is focused on a more specific population and prioritized those to be served; however, advocates and others have made it clear that their expectation is that CMHCs continue to provide all services to all individuals who need such services regardless of ability to pay. This policy gap or difference leaves **High Plains Mental Health Center** at some disadvantage as to where to prioritize services and where to consider elimination of some previously considered "mandated" services. With our experience in 2014 where expenditure growth

**HIGH PLAINS MENTAL HEALTH CENTER**  
Management's Discussion and Analysis

outpaced growth in patient service revenue, we have continued to contemplate and plan for changes in the way we deliver services to the population of patients who use subsidy funding, those outside of the SPMI and SED populations who do not have third party insurance.

High Plains Mental Health Center Analysis of Funding								
4-Mar-15								
	Mental Health Reform	State Aid	Governor's Mental Health Initiative	Regional Recovery Centers	Family Centered System of Care	Total	Annual Increases (Decreases)	Mental Health Reform Increases (Decreases)
FY 2007	\$ 2,235,193	\$ 736,306			\$ 186,681	\$ 3,158,180		
FY 2008	\$ 2,005,479	\$ 736,306			\$ 186,681	\$ 2,928,466	\$ (229,714)	\$ (229,714)
FY 2009	\$ 1,845,171	\$ 736,306			\$ 189,063	\$ 2,770,540	\$ (157,926)	\$ (160,308)
FY 2010	\$ 1,382,062	\$ 736,306			\$ 189,063	\$ 2,307,431	\$ (463,109)	\$ (463,109)
FY 2011	\$ 1,027,307	\$ 736,306			\$ 189,063	\$ 1,952,676	\$ (354,755)	\$ (354,755)
FY 2012	\$ 1,027,307	\$ 736,306			\$ 189,316	\$ 1,952,929	\$ 253	\$ -
FY 2013	\$ 1,320,858	\$ 736,306			\$ 189,316	\$ 2,246,480	\$ 293,551	\$ 293,551
FY 2014	\$ 1,025,248	\$ 736,307	\$ 293,552	\$ 179,863	\$ -	\$ 2,234,970	\$ (11,510)	\$ (295,610)
FY 2015	\$ 1,025,248	\$ 736,306	\$ 293,552	\$ 179,863	\$ -	\$ 2,234,969	\$ (1)	\$ -
FY2016 Estimated	\$ 1,025,248	\$ 736,306	\$ 293,552	\$ 179,863	\$ -	\$ 2,234,969	\$ (1)	\$ -
Cummulative Increases (Decreases)					\$ (923,212)	\$ (1,209,945)		
Cummulative Incr (Decr) as a % of Total State Funding					-29.23%			
Cummulative Incr (Decr) of MHR as % of MHR Funding						-54.13%		

The Center is implementing the use of CAFAS assessments and the DLA 20 to aid in determining the level of services each patient will need. Collaborative documentation is being implemented to involve the patient in providing more direct input into the documentation of the services he/she has received as well as decrease the amount of non-direct service time staff have to spend doing documentation. Another strategy is to expand or bundle services to patients especially when traveling significant distances. Staff have received motivational interviewing training to assist in engaging patients in treatment.

The Center continues to use the information analytics consultation service with MTM services and Scott Lloyd to aid in making decisions based on solid data analysis. This comprehensive analytics service allows for the transfer of encounter data and other significant information to assess internal efficiencies and accountabilities and make adjustment in policies, procedures and approaches to maximize service efficiency and revenue, within the context of such issues as Medicaid changing. Mr. Lloyd, the principle with MTM, is well known nationally and has experience helping mental health centers nationwide deal with evolving reimbursement and regulatory environments.

In December 2014, seeing a downward trend in patient service revenues and increasing costs during the second half of the year, management engaged the technical assistance team from the Association of Community Mental Health Centers of Kansas. That team was comprised of the Executive Directors of 5 other CMHCs who reviewed financial and operational data, and did an onsite visit. The Center asked the team to help identify ways to address the trend of increasing costs, declining service hours and declining patient service revenue. Subsidy dollars, such as county funding, Mental Health Reform funding and State Aid, have provided the funding in previous years to maintain a balanced budget; however that constant funding was not enough to cover the increasing costs. Reduced Mental Health Reform funding since 2008 has challenged the Center to rely on patient service revenue. However, most of the services provided actually cost the Center more to deliver than the patient service revenue generated for those services.

A sliding scale fee is provided to patients based on their ability to pay and neither Medicaid nor other insurance coverage pays for the entire cost of services delivered. The write offs for sliding scale fee reductions and the provider write offs for insurance companies exceed the total subsidy funding.

## HIGH PLAINS MENTAL HEALTH CENTER

### Management's Discussion and Analysis

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During 2014, the Center delivered 3,000 less hours of rehabilitation services and 1,400 more therapy and medication service hours than in the prior year. Rehabilitation services generate a positive margin and generally help to underwrite therapy and medication services.

The Technical Assistance team has delivered a report to management and has identified ways to effectively utilize and manage the limited subsidy funding available and to shift the focus on providing more of the services that come closer to covering their cost. Two examples include returning to previous levels of rehabilitation services delivered and moving to group based therapy for outpatient services when there is not a third party payor. Other areas of opportunity include improving efficiency and productivity to reach national benchmark levels and to explore different service models for medication services such as "just in time scheduling".

The Affordable Care Act that has been passed on the Federal level potentially has impacts on the Center both in terms of our patient service revenue streams as well as on our business operations. Kansas, so far, has decided to not expand Medicaid, as have 22 other states. It was assumed that states, under ACA, would expand Medicaid to increase the percentage of individuals who were insured in the country. However, Kansas, because it has a 33% threshold for Medicaid, creates a situation where a large proportion of patients we see will (1) not be eligible for Medicaid (unless it is expanded) and (2) likely may not be eligible for some of the subsidies under ACA to assist them in purchasing insurance through healthcare exchanges. Obviously, there was potential in this Federal public policy change; however, the positive impacts on the Center may not come to fruition. Management continues to monitor these issues and position the Center to be ready to serve individuals in the exchange and a larger number of Medicaid patients.

The Center's accounts receivable is a concern both in the area of self-pay and in terms of Medicaid MCO payments. We continue to fine tune our processes to focus on self-pay patients actively being responsible and expected to be responsible to pay their share of the cost of care. We are looking at additional resources to help manage the Medicaid accounts receivable. Additionally, in terms of overall patient service revenue, we continue to pursue increased efficiency within the organization with more and more holding service delivery staff accountable to national standards of productivity and thereby impacting the overall cost of service positively and the revenue over expense in a positive fashion.

In previous years, the Center's Board and administration worked with counties on the development of a county funding formula. The Center recognizes that at times counties are unable in total to increase funding due to economic conditions. However, over the years, counties have questioned what a "fair share" or equitable funding amount would be for counties and a six factor formula was developed. The model is updated annually and is currently used to develop county funding budget requests including requests for calendar years 2014 and 2015.

On the long term horizon, there is a question of whether governmental funding will continue to be as large of a player in support of the Center's operations. We are looking at strategies for private fundraising including training in a fundraising model with a proven track record. The Center has budgeted for those costs in 2015 to aid in accessing private funds. Other long term capital funding options for facilities are also being explored. The Center has several facility issues for the long term including the one story building at the Hays main office, Goodland branch office, and the Norton branch office. We have begun some discussions with the US Department of Agriculture Rural Housing about potential long term capital loans to update these properties.

In consideration of the multiple internal and external challenges and changing environment, **High Plains Mental Health Center** staff and Board undertake to develop strategic planning initiatives to plan for and monitor both the changing context internally and externally as well as develop modified strategic interventions to successfully serve the mission of the Center. These are documented with a Strategic Plan approved by the Governing Board annually. The Center also has developed a Strategic Management Dashboard that reviews key organizational metrics to help assess and monitor the

## HIGH PLAINS MENTAL HEALTH CENTER Management's Discussion and Analysis

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implementation of the Strategic Plan and to aid in making business and operational adjustments throughout the year.

Challenges for the coming year include uncertainties with Medicaid managed care and uncertain or limited Medicaid revenues, managing community and customer expectations with limited resources, limited subsidies for the uninsured populations and healthcare reform. Strategies include delivering the service intensity and access to services to match the patients' needs and continue to operate within the resources available, in particular development of a "benefit plan" to manage subsidy dollars used to treat those without insurance, focusing on providing group therapy and other modified kinds and amounts of services. Strategies also include continuing to develop internal efficiencies and to develop and implement mechanisms to manage services, resources, service demands and costs within the constraints of resources available. Positioning the Center for health care payment reform and integration with physical health systems is an additional strategy for the coming year.

The Center recognizes the overall trend to reduce governmental spending on the Federal, State and County levels. In order to meet the needs of the Center, the development of new programs or capital campaigns, it is clear that alternative fundraising efforts will be needed. The High Plains Mental Health Center Endowment Association, Inc. is a related entity that can raise funds for **High Plains Mental Health Center**. The budget for 2015 includes costs to implement a proven fundraising model to help meet those needs.

On the horizon, the issue of discussions about consolidation of various public and quasi-public entities has been occurring. The Regional Recovery Center concept proposed and implemented by the state has had very mixed impacts. We see that we are a region unto ourselves and that we have seen little benefit from the Regional Recovery Center concept. We do see the potential for other types of consolidations and partnerships. Our recent re-expansion into the substance abuse treatment arena offers some of these possibilities. There are other potential consolidations and partnerships that may have potential with other mental health centers in varying levels of sharing of services, resources, operations and functions.

**High Plains Mental Health Center's** personnel costs total 77% (\$7,391,065) of the Center's total operating expenditures. Providing competitive wages for professional and support staff continues to be an on-going challenge for the Center. The Center has provided raises in 2014 based on performance and has continued incentive programs to reward staff that exceed their performance expectations. The Center routinely reviews the fringe benefits offered to employees and have enhanced those benefits over several years. However, wages continue to be on the lower side for comparable positions in the community, region and state.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The balance sheets and statements of revenues, expenses and change in net position on pages 10 through 11 provide information about the activities of the Center as a whole and present a longer-term view to the Center's finances. Fund financial statements start on page 26. For governmental activities, these statements tell how these services were financed in the short-term as well as what remains for future spending. Fund financial statements also report the Center's operations in more detail than the government wide statements by providing information about the Center's most significant funds.

### **REPORTING THE CENTER AS A WHOLE**

#### **The Balance Sheets and the Statements of Revenues, Expenses and Change in Net Position**

Our analysis of the Center as a whole begins on page 10. One of the most important questions asked about the Center's finances is "Is the Center as a whole better off or worse off as a result of the year's activities?" The Balance Sheets and the Statements of Revenues, Expenses and Change in Net Position report information about the Center as a whole and about its activities that helps answer this question.

**HIGH PLAINS MENTAL HEALTH CENTER**  
Management's Discussion and Analysis

These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the Center's net position and changes in it. Think of the Center's net position - the difference between assets and liabilities - as one way to measure the Center's financial health or financial position. Over time, increases or decreases in the Center's net position are one indicator of whether financial health is improving or deteriorating.

**REPORTING THE CENTER'S MOST SIGNIFICANT FUNDS**

**Fund Financial Statements**

The fund financial statements begin on page 26 and provide detailed information about the most significant funds. The Center's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can regularly be converted to cash. The governmental fund statements provide a short-term view of the Center's general operations and the services it provides.

**THE CENTER AS A WHOLE**

**TABLE 1  
BALANCE SHEETS**

	<u>2014</u>	<u>2013</u>
Current Assets	\$ 5,139,430	5,418,596
Capital Assets	2,412,843	2,362,698
Other Assets	<u>161,798</u>	<u>67,574</u>
<b>Total Assets</b>	<b><u>\$ 7,714,071</u></b>	<b><u>7,848,868</u></b>
Current Liabilities	\$ 426,357	430,731
Other Liabilities	<u>1,172,682</u>	<u>1,130,970</u>
Total Liabilities	<u>1,599,039</u>	<u>1,561,701</u>
Invested in Capital Assets, Net of Related Debt	2,400,209	2,357,772
Restricted	1,476,382	1,477,649
Designated for Subsequent Year's Expenditures	20,116	5,953
Unrealized Gain on Investments	93,563	21,325
Unrestricted	<u>2,124,762</u>	<u>2,424,468</u>
Total Net Position	<u>6,115,032</u>	<u>6,287,167</u>
<b>Total Liabilities and Net Position</b>	<b><u>\$ 7,714,071</u></b>	<b><u>7,848,868</u></b>

**HIGH PLAINS MENTAL HEALTH CENTER**  
Management's Discussion and Analysis

**TABLE 2**  
**STATEMENTS OF REVENUES, EXPENSES AND CHANGE IN NET POSITION**

	<u>2014</u>	<u>2013</u>
Total Operating Revenues	\$ <b>7,672,785</b>	7,675,091
Total Operating Expenses	<u><b>(9,543,498)</b></u>	<u>(9,066,854)</u>
<b>Operating Loss</b>	<b>(1,870,713)</b>	(1,391,763)
Net Nonoperating Revenues (Expenses)	<u><b>1,590,852</b></u>	<u>1,493,751</u>
<b>Increase (Decrease) in Net Position</b>	<b>(279,861)</b>	101,988
<b>Net Position, Beginning of Year</b>	<b>6,287,167</b>	6,291,308
<b>Increase (Decrease) in Restricted for Encumbrances</b>	<b>14,163</b>	(127,454)
<b>Unrealized Gain on Investments</b>	<u><b>93,563</b></u>	<u>21,325</u>
<b>Net Position, End of Year</b>	<u><b>\$ 6,115,032</b></u>	<u>6,287,167</u>

**Capital Asset Administration**

Capital Assets

At the end of 2014, the Center had \$2,412,843 invested in capital assets less depreciation.

**TABLE 3**  
**CAPITAL ASSETS AT YEAR-END (NET OF DEPRECIATION)**

	<u>2014</u>	<u>2013</u>
Land	\$ <b>95,701</b>	\$ 95,701
Building	<b>3,818,565</b>	3,617,971
Equipment	<b>2,339,698</b>	2,278,489
Furniture and Fixtures	<b>304,627</b>	311,292
Library Materials	<b>12,679</b>	12,934
Accumulated Depreciation	<u><b>( 4,158,427)</b></u>	<u>( 3,953,689)</u>
<b>Net Capital Assets</b>	<u><b>\$ 2,412,843</b></u>	<u>\$ 2,362,698</u>

**CONTACTING THE CENTER'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, board members and creditors with a general overview of the Center's finances. The report is also designed to show the Center's accountability for the money it receives.

Further questions concerning this report or the financial status of **High Plains Mental Health Center** should be directed to Joan Wilhelm's office at 208 East 7<sup>th</sup>, Hays, Kansas (785) 628-2871.

  
**Joan Wilhelm**  
 Director of Operations and Finance  
 High Plains Mental Health Center

**HIGH PLAINS MENTAL HEALTH CENTER**

Balance Sheets

December 31, 2014 and 2013

	<b>2014</b>	<b>2013</b>
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash	\$ 4,135,598	4,323,165
Accounts Receivable, Net of Allowance	845,098	871,663
Grants Receivable	-	42,500
Due From Other Governments	1,694	8,840
Prepaid Expenses	157,040	172,428
<b>Total Current Assets</b>	<b>5,139,430</b>	<b>5,418,596</b>
<b>Capital Assets</b>		
Land	95,701	95,701
Buildings	3,818,565	3,617,971
Equipment	2,339,698	2,278,489
Furniture and Fixtures	304,627	311,292
Library Materials	12,679	12,934
<b>Total Capital Assets</b>	<b>6,571,270</b>	<b>6,316,387</b>
Accumulated Depreciation	<b>(4,158,427)</b>	<b>(3,953,689)</b>
<b>Net Capital Assets</b>	<b>2,412,843</b>	<b>2,362,698</b>
<b>Other Assets</b>		
Land	31,008	31,008
Investment - Woodhaven Apartments, L.P.	125,790	31,566
Investment - Colby House, L.P.	5,000	5,000
<b>Total Other Assets</b>	<b>161,798</b>	<b>67,574</b>
<b>Total Assets</b>	<b>\$ 7,714,071</b>	<b>7,848,868</b>
<b><u>LIABILITIES</u></b>		
<b>Current Liabilities</b>		
Accounts Payable	\$ 53,762	71,794
Accrued Wages, Benefits and Payroll Taxes	372,595	358,937
<b>Total Current Liabilities</b>	<b>426,357</b>	<b>430,731</b>
<b>Long-Term Liabilities</b>		
Accrued Paid Leave	247,067	241,518
Extended Illness Days and Comp Time	925,615	889,452
<b>Total Long-Term Liabilities</b>	<b>1,172,682</b>	<b>1,130,970</b>
<b>Total Liabilities</b>	<b>1,599,039</b>	<b>1,561,701</b>
<b><u>NET POSITION</u></b>		
Invested in Capital Assets, Net of Related Debt	2,400,209	2,357,772
Restricted for		
Encumbrances	20,116	5,953
Board Designations	1,476,382	1,477,649
Unrealized Gain on Investments	93,563	21,325
Unrestricted	2,124,762	2,424,468
<b>Total Net Position</b>	<b>6,115,032</b>	<b>6,287,167</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 7,714,071</b>	<b>7,848,868</b>

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

**HIGH PLAINS MENTAL HEALTH CENTER**  
 Statements of Revenues, Expenses and Change in Net Position  
 For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b><u>REVENUES</u></b>		
<b>Operating Revenues</b>		
Patient Services	\$ 6,078,662	5,998,607
Other Services	38,940	33,947
Federal Grants and Contracts	55,301	56,331
State Grants and Contracts	1,443,362	1,533,088
Local Grants	1,084	-
Management Fees	35,106	35,999
Sales and Rentals	20,330	17,119
<b>Total Operating Revenues</b>	<b>7,672,785</b>	<b>7,675,091</b>
<b><u>EXPENSES</u></b>		
<b>Operating Expenses</b>		
Personnel	7,391,065	7,031,942
Professional and Legal Fees	229,091	203,628
Dues	27,963	29,964
Insurance	187,876	175,824
Public Information	40,579	43,987
Travel and Meeting	277,352	269,898
Professional Resources	12,477	8,756
Supplies	141,334	121,283
Postage	45,241	39,903
Leases and Rentals	118,847	113,815
Service Agreements	132,008	117,299
Utilities	230,005	227,451
Repairs and Maintenance	56,110	55,323
Bad Debt	286,262	280,050
Depreciation	367,288	347,731
<b>Total Operating Expenses</b>	<b>9,543,498</b>	<b>9,066,854</b>
<b>Net Operating Loss</b>	<b>(1,870,713)</b>	<b>(1,391,763)</b>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>		
State Aid	736,307	736,304
County Appropriations	778,907	743,717
Electronic Health Records Incentive	63,750	-
Donations	2,919	7,847
Cash Long/(Short)	(12)	(5)
Gain From Sale of Assets	13,184	4,402
Miscellaneous Revenue	33,135	40,060
Recovery of Bad Debts	7,034	8,442
Interest on Investments	9,562	12,622
Bank Service Charges	(5,788)	(5,690)
Credit Card Processing Fees	(4,907)	(2,763)
Collection Bureau	(16,495)	(18,853)
Miscellaneous Expense	(26,744)	(32,332)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>1,590,852</b>	<b>1,493,751</b>
<b>Change in Net Position</b>	<b>(279,861)</b>	<b>101,988</b>
<b>Net Position, Beginning of Year</b>	<b>6,287,167</b>	<b>6,291,308</b>
Increase (Decrease) in Restricted for Encumbrances	14,163	(127,454)
Unrealized Gain on Investments	93,563	21,325
<b>Net Position, End of Year</b>	<b>\$ 6,115,032</b>	<b>6,287,167</b>

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

**HIGH PLAINS MENTAL HEALTH CENTER**  
 Statements of Cash Flows  
 For the Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b>Cash Flows From Operating Activities</b>		
Patient Services	\$ 5,861,465	5,634,683
Grants and Contracts	1,499,747	1,589,419
Payments to Employees	(7,335,695)	(6,959,653)
Payments to Suppliers	(1,495,072)	(1,396,587)
Other Receipts	94,376	87,065
<b>Net Cash Used by Operating Activities</b>	<u>(1,375,179)</u>	<u>(1,045,073)</u>
<b>Cash Flows From Investing Activities</b>		
Interest on Investments	9,562	12,622
<b>Cash Flows From Noncapital Financing Activities</b>		
State Aid	736,307	736,304
County Appropriations	786,053	736,218
Electronic Health Records Incentive	63,750	-
Donations	2,919	(2,153)
Other Receipts	40,157	48,497
Payments to Suppliers	(54,595)	(48,045)
<b>Net Cash Provided by Noncapital Financing Activities</b>	<u>1,574,591</u>	<u>1,470,821</u>
<b>Cash Flows From Capital and Related Financing Activities</b>		
Purchase of Capital Assets	(410,726)	(559,615)
Sale of Assets	14,185	5,441
<b>Net Cash Used by Capital and Related Financing Activities</b>	<u>(396,541)</u>	<u>(554,174)</u>
<b>Net Decrease in Cash</b>	<u>(187,567)</u>	<u>(115,804)</u>
<b>Cash - Beginning of Year</b>	<u>4,323,165</u>	<u>4,438,969</u>
<b>Cash - End of Year</b>	<u>\$ 4,135,598</u>	<u>4,323,165</u>

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

**HIGH PLAINS MENTAL HEALTH CENTER**  
 Statements of Cash Flows  
 For the Years Ended December 31, 2014 and 2013

	2014	2013
<b>Reconciliation of Net Operating Loss to Net Cash Used by Operating Activities</b>		
<b>Net Operating Loss</b>	<b>\$ (1,870,713)</b>	(1,391,763)
<b>Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities</b>		
Depreciation	<b>367,288</b>	347,731
Changes in Operating Assets and Liabilities		
(Increase) Decrease in		
Accounts Receivable	<b>26,565</b>	(41,374)
Grants Receivable	<b>42,500</b>	(42,500)
Prepaid Expenses	<b>15,388</b>	(14,818)
Increase (Decrease) in		
Accounts Payable	<b>(11,577)</b>	10,594
Accrued Expenses	<b>19,207</b>	46,903
Extended Illness Days and Comp Time	<b>36,163</b>	40,154
<b>Net Cash Used by Operating Activities</b>	<b>\$ <u>(1,375,179)</u></b>	<u>(1,045,073)</u>

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

## HIGH PLAINS MENTAL HEALTH CENTER

Notes to Financial Statements

December 31, 2014 and 2013

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of **High Plains Mental Health Center**, relating to the funds included in the accompanying financial statements, conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governments (GASB 34 Edition), and by the Financial Accounting Standards Board, when applicable. The following is a summary of such significant policies.

#### **Financial Reporting Entity**

The Center is established by Kansas statutes as a quasi-governmental organization and is operated and licensed as a community mental health center under the laws and regulations enumerated under K.S.A. 19-4001 et. seq. The purpose of the Center is to provide mental health services and education to the community and 20 participating counties in Western Kansas.

In evaluating how to define the Center for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14 and GASB Statement No. 61. The basic, but not the only, criteria for including a potential component unit within the reporting entity are the governing body's ability to influence financial decisions and economic impact. The most significant manifestation of this ability is financial interdependency. Other manifestations of this influence by the Center may include, but are not limited to, the selection of governing authority, the designation of management and the ability to significantly influence operations and accountability for fiscal matters. The other criteria used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Center is able to exercise oversight responsibilities. The Center has the following component unit that is blended in the financial statements.

High Plains Mental Health Center Endowment Association, Inc. is a not-for-profit corporation organized under the laws of the State of Kansas. The purpose of the Endowment is to act generally in the raising of funds for the needs and purposes of **High Plains Mental Health Center**. The board of directors is the same board as that of the Center's. The Endowment is a blended component unit of the Center and its financial information has been blended in the Center's financial statements. Contact the Center's administrative office for additional information.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 these estimates.

#### **Government-Wide and Fund Financial Statements**

The government-wide financial statements, i.e. the balance sheets and the statements of revenues, expenses and change in net position, report financial information for the Center as a whole excluding fiduciary activities.

The statements of revenues, expenses and change in net position reports the direct expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to

## HIGH PLAINS MENTAL HEALTH CENTER

Notes to Financial Statements

December 31, 2014 and 2013

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capture the expenses and program revenues associated with a distinct functional activity. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include charges for services which report fees, fines and forfeitures, and other charges to users of the Center's services operating grants which finance annual operating activities and investment income. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Separate financial statements are provided for proprietary funds.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

### **Fund Financial Statements**

For financial statement reporting purposes, the Center is considered a special-purpose government engaged only in business-type activities. Accordingly, the Center's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned and expenses are recognized in the period incurred, regardless of the timing of related cash flows.

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 activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The Center reports the following major proprietary funds: General Fund, State Child Adolescent Fund, and Mental Health Reform Fund.

The Center reports the following non-major proprietary funds: Mental Health Reform Children Fund, Mental Health Reform Hospital Closure Fund, Family Centered System Fund, Smart Start Services Fund, Governor's Mental Health Initiative Fund and Regional Recovery Centers Fund.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to clients for services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Center's policy to use restricted resources first, and then unrestricted resources as needed.

### **Encumbrances**

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the proprietary funds. Encumbrances outstanding at year-end are reported as reservations of fund

## HIGH PLAINS MENTAL HEALTH CENTER

Notes to Financial Statements

December 31, 2014 and 2013

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balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

### **Budgetary Information**

The Center is not subject to the legal annual operating budget requirements, but is controlled by the use of an internal budget established by the governing body. The internal budget is the source of the budget amounts listed in the supplementary information.

### **Revenue Classification**

The Center has classified its revenues as either operating or nonoperating according to the following criteria:

Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) patient services, (2) federal and state grants and contracts, and (3) management fees.

Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as donations, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state aid, county appropriations, and interest on investments.

### **Accounts Receivable**

Accounts receivable consists of patient services and coverage plans. Accounts receivable are recorded net of estimated allowance for uncollectible amounts.

Management determines the adequacy of the allowance for doubtful accounts based upon review of the aged accounts receivable. Amounts determined uncollectible are charged to the allowance account and removed from accounts receivable.

The allowance for uncollectible amounts for coverage plan accounts receivable is determined on the net realized insurance billings based on a historical average net realization rate. The coverage plan uncollectible amount was \$388,688 and \$300,404 as of December 31, 2014 and 2013, respectively.

The allowance for uncollectible amounts for self-pay accounts receivable is computed as 100% of all accounts receivable over 180 days for which no activity has taken place in the past 60 days. The amount reported in self-pay accounts receivable is reduced by both sliding scale fee discounts and special fees prior to booking the receivable. The self-pay uncollectible amount was \$51,582 and \$29,818 as of December 31, 2014 and 2013, respectively.

Grants receivable include amounts due from the University of Kansas. Due from other governments includes amounts due from counties.

The Endowment has a policy to grant loans to qualified individuals for the cost of education in a field of study related to mental health services. The Endowment has loans outstanding to two individuals as of December 31, 2014 in the amount of \$31,292, as well as other accounts receivable of \$2,677.

### **Prepaid Expenses**

In both government-wide and fund financial statements, payments made to vendors for goods or services that will benefit periods beyond the current year, are recorded as inventory or prepaid items when they are deemed material and it is considered appropriate. Currently, the Center does not have inventory that is deemed material.

## HIGH PLAINS MENTAL HEALTH CENTER

Notes to Financial Statements

December 31, 2014 and 2013

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### Capital Assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental columns of the government-wide financial statements. Capital assets are defined by the Center as assets with an initial, individual cost of \$1,000 or more and an estimated useful life of three years or greater. These assets are valued at historical cost, estimated historical cost if actual cost is not available, and estimated fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The sale or disposal of capital assets is recorded by removing cost and accumulated depreciation from the accounts and charging the resulting gain or loss to income.

Capital assets of proprietary funds are capitalized and depreciated over the remaining useful lives of the related capital asset categories, as applicable.

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Buildings	15 to 40 years
Equipment	5 to 15 years
Furniture and Fixtures	5 to 15 years
Library Materials	5 to 10 years

### Net Position

The Center has, by Board action, established reserves to be used for assigned purposes. When an expense is incurred for which both assigned and unassigned net position are available, it is the Center's policy to utilize unassigned net position.

A capital replacement reserve has been established as part of the assigned net position. This reserve has been designated for building improvement, building replacement and equipment replacement. The continuing education reserve is designated to be used for professional staff education. The Center has included a provision for future unemployment benefits based on taxable wages paid to the Center's employees. The Center has elected to act as a reimbursing employer under the provision of the State Unemployment Security law. The provision allows the Center to reimburse the State for benefits paid to former employees of the Center rather than submitting quarterly contributions based on a contribution rate and payroll. Reimbursements to the State reduce the reserve in the year paid. The capital expansion reserve will be utilized for acquiring facilities for branch offices and equipping these facilities. The reserve will also be used for other building acquisition and furnishing these acquisitions as needs dictate.

A balance of \$20,116 has been restricted for encumbrances as of December 31, 2014.

The Board has also implemented a policy that the Center will attempt to maintain a cash reserve of \$1,500,000 to protect the Center against unexpected budget cuts and contingencies. The amount estimated for the operation reserve is detailed in Note 2.

## HIGH PLAINS MENTAL HEALTH CENTER

Notes to Financial Statements

December 31, 2014 and 2013

The Board has limited reserves as follows:

Capital Replacement Reserve	\$ 1,000,000
Capital Expansion Reserve	1,000,000
Unemployment Self Insurance	100,000

The Center has designated the following amounts to each reserve for 2014:

Reserve – Capital Replacement	\$ 1,000,000
Reserve – Continuing Education	11,916
Reserve – Unemployment Self Insurance	100,000
Reserve – Capital Expansion	364,466
Encumbrances	<u>20,116</u>
Total	<u>\$ 1,496,498</u>

### Cash

For purposes of the statements of cash flows, the Center considered all unrestricted, highly liquid deposits with original maturities of three months or less as cash.

### Income Taxes

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, income taxes are not provided for in the financial statements.

The Endowment is also exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, therefore, income taxes are not provided for in the financial statements.

### Compensated Absences

The Center has adopted a PTO (Paid Time Off) and an EIT (Extended Illness Time) policy. All employees who work 20 hours per week or more shall earn PTO. These hours are placed in a PTO account in the employee's name and are used to provide income when the employee is absent from work for a variety of reasons, such as vacation, short-term illness (three days or less), illness of family members, to attend funerals, etc. Full-time employees accrue PTO at the rate of 18 to 24 days a year depending on salary level and years of service. PTO cannot accumulate in excess of 40 work days. The Center will reimburse an employee for 75% of his or her unused PTO upon termination of employment. Accumulated Paid Time Off reported in these financial statements totaled \$247,067 at December 31, 2014.

EIT (Extended Illness Time) is the second part of the paid time off plan and represents a form of short-term disability benefit for employees when they are off work because of their own illness or disability and whose illness or disability continues beyond three days. EIT also includes disabilities caused by pregnancy, childbirth, or other related medical conditions. Unlike PTO, EIT is paid only if an employee is ill for more than three consecutive working days. PTO must be used for the first three days of illness. Full-time employees shall accrue EIT at the rate of .5 days per month. An employee may accumulate up to 120 days of EIT. Accumulated EIT is forfeited at termination of employment. Accumulated EIT approximated \$912,855 at December 31, 2014.

The Center's comp time policy states that comp time will be considered for professional staff time spent after regular work hours in center activities after adjustment for vacation time earned over one month and subject to the approval of the supervisor. Comp time cannot be accumulated for more than five days and is forfeited at termination of employment. Accumulated comp time was \$12,760 at December 31, 2014.

## HIGH PLAINS MENTAL HEALTH CENTER

Notes to Financial Statements

December 31, 2014 and 2013

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### NOTE 2 – CASH

#### Deposits

K.S.A. 9-1401 establishes the depositories which may be used by **High Plains Mental Health Center**. The statute requires banks eligible to hold the Center's funds have a main or branch bank in the county in which the Center 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 Center has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Center's investments 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 Center has no investment policy that would further limit its investment choices.

#### Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Center's deposits may not be returned to it. State statutes require the Center'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 Center does not use "peak periods". All deposits were legally secured at December 31, 2014.

At December 31, 2014, the Center's carrying amount of deposits and cash on hand, excluding the Endowment, was \$3,908,383 and the bank balance was \$3,937,988. The bank balance was held by 17 banks, which does not result in a concentration of credit risk. Of the bank balance, \$2,297,687 was covered by federal depository insurance and \$1,640,301 was collateralized with securities held by pledging financial institutions' agents in the Center's name.

Cash balances at year end for the Endowment were as follows:

Demand Deposit – Sunflower Bank	\$	25,412
Time Deposits – Sunflower Bank		30,273
Time Deposits – First Kansas Bank		103,145
Time Deposits – Commerce Bank		<u>68,385</u>
<b>Total Cash</b>	\$	<u>227,215</u>

The carrying amount and bank balance of the Endowment's deposits were \$227,215 at December 31, 2014. The entire amount of the bank balance was covered by federal depository insurance.

#### Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Center will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The Center had no investments at December 31, 2014.

## HIGH PLAINS MENTAL HEALTH CENTER

Notes to Financial Statements

December 31, 2014 and 2013

### NOTE 3 – INVESTMENTS

High Plains Mental Health Center Endowment Association, Inc. received a 20% limited partnership and a 1% general partnership interest in Woodhaven Apartments, L.P. as a contribution. The amount recognized as an investment was equal to the fair value of the interest at the time of receipt.

The Association purchased a 99.99% limited partnership interest in the Colby House, L.P.. The Association uses the equity method to account for this interest. Under the equity method, the Association's investment is increased for investments, capital contributions, and for its proportionate share of the Colby House's earnings, and is decreased by distributions from Colby House and for its proportionate share of Colby House's losses. At December 31, 2014, the Association's investment consisted of \$5,000 in partners' capital. There has been no material change in the underlying assets of the investment for the years since inception. The amount recorded on the financial statements is at cost and is reflective of the Association's initial 99.99 percent share investment.

#### Fair Value Measurements

Accounting guidance establishes the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of fair value hierarchy are described below.

#### Level 1

Quoted prices in active markets for identical assets or liabilities.

#### Level 2

Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full-term of the assets or liabilities.

#### Level 3

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table presents assets measured at fair value by classification within the fair value hierarchy as of December 31, 2014 and 2013:

		Fair Value Measurements Using			
		Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>2014</b>					
Investments	– Woodhaven Apartments, L.P.	\$ 125,790	-	-	125,790
<b>2013</b>					
Investments	– Woodhaven Apartments, L.P.	31,566	-	-	31,566

**HIGH PLAINS MENTAL HEALTH CENTER**

Notes to Financial Statements  
December 31, 2014 and 2013

The carrying values of cash, receivables, prepaid expenses, accounts payable, and accrued liabilities approximate their fair values due to the relatively short periods to maturity of these items or because they are receivable or payable on demand.

**NOTE 4 – CAPITAL ASSETS**

The following is a summary of changes in the various capital asset categories for the year ended December 31, 2014.

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Business-type Activities</b>				
<b>Non-Depreciable Capital Assets</b>				
Land	\$ 95,701	-	-	95,701
<b>Depreciable Capital Assets</b>				
Buildings	3,617,971	200,594	-	3,818,565
Equipment, Furniture, and Fixtures	2,589,781	217,839	(163,295)	2,644,325
Library Materials	12,934	-	(255)	12,679
<b>Total Depreciable Capital Assets</b>	6,220,686	418,433	(163,550)	6,475,569
<b>Less Accumulated Depreciation</b>	<u>(3,953,689)</u>	<u>(367,288)</u>	<u>162,550</u>	<u>(4,158,427)</u>
<b>Depreciable Capital Assets, Net of Accumulated Depreciation</b>	<u>2,266,997</u>	<u>51,145</u>	<u>(1,000)</u>	<u>2,317,142</u>
<b>Capital Assets, Net of Accumulated Depreciation</b>	\$ <u><u>2,362,698</u></u>	<u><u>51,145</u></u>	<u><u>(1,000)</u></u>	<u><u>2,412,843</u></u>

**NOTE 5 – LEASES**

**Operating Leases**

**High Plains Mental Health Center** is obligated under certain operating leases. Operating leases do not give rise to property rights or lease obligations and, therefore, the results of the lease agreements are not reflected in the Center's account groups.

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of December 31, 2014.

<u>Inception/ Expiration Date</u>	<u>Description</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Total</u>
10-10/1/19	Van Doren Family Trust	\$ 69,000	69,000	69,000	69,000	5,750	281,750
8-11/8-16	Hadley Redevelopment, LLC	11,130	7,420	-	-	-	18,550
7-14/6-16	Hadley Redevelopment, LLC	31,746	15,873	-	-	-	47,619

**HIGH PLAINS MENTAL HEALTH CENTER**  
Notes to Financial Statements  
December 31, 2014 and 2013

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**NOTE 6 – COMPLIANCE WITH CONTRACTUAL REQUIREMENTS**

The Kansas Department for Aging and Disability Services requires **High Plains Mental Health Center** to analyze its cash reserves and to provide justification for any reserves in excess of six months operating expenses. For 2014, the Center is in compliance with this requirement. The Center participates in numerous other state and federal grant programs, which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Center has not complied with the rules and regulations governing the grants, refunds of any money received may be required. In the opinion of the Center's management, any liability for reimbursement, which may arise as the result of such audits, is not believed to be material.

**NOTE 7 – DEFERRED COMPENSATION PLAN**

**High Plains Mental Health Center** sponsors a deferred compensation plan under Internal Revenue Code Section 403(b). Permanent and part-time employees are eligible to participate under the plan. The employee is responsible for the amount of deferred compensation to be contributed. The Center is not required to make any contributions.

**NOTE 8 – DEFINED BENEFIT PENSION PLAN**

Plan Description

**High Plains Mental Health Center** 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. 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 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 5% 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 9 – OTHER POST EMPLOYMENT BENEFITS**

As provided by K.S.A. 12-5040, **High Plains Mental Health Center** allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Center 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 these financial statements.

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. The premium is paid in full by the insured.

## HIGH PLAINS MENTAL HEALTH CENTER

Notes to Financial Statements

December 31, 2014 and 2013

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### NOTE 10 – RISK MANAGEMENT

**High Plains Mental Health Center** carries commercial insurance for risks of loss, including property, general liability, automobile, workmen's compensation, linebacker coverage, malpractice, and employee dishonesty. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### NOTE 11 – LITIGATION

**High Plains Mental Health Center** is party to various legal proceedings which normally occur in governmental operations. The legal proceedings are not likely to have a material financial impact on the funds of the Center.

### NOTE 12 – INTERFUND TRANSFERS

A summary of interfund transfers by fund type is as follows:

From	To	Amount
General Fund	Governor's Mental Health Initiative Fund	\$ 19,988
General Fund	Mental Health Reform Fund	2,028,249
General Fund	Smart Start Services Fund	75
Mental Health Reform Fund	General Fund	660
Regional Recovery Centers Fund	General Fund	1,684
State Child Adolescent Fund	General Fund	189,168

### NOTE 13 – CONTINGENCY

**High Plains Mental Health Center** receives a substantial amount of revenues from government grants, all of which are subject to audit by the state government. The ultimate determination of amounts received under these programs generally is based upon allowable costs reported to and audited by the government. Until such audits have been completed and final settlement reached, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

The Center constructed a new building in Osborne during 2005 with assistance from the City of Osborne, the Economic Development Committee and Osborne County. Land was provided by the City of Osborne at no cost to the Center as long as the Center made improvements with a value of at least \$316,000 and continues to provide services in that location for 10 years. The groundbreaking ceremony took place on April 9, 2005. Construction was completed and staff moved into the new facility on December 30, 2005. The Center has continued to provide services at this location through December 31, 2014.

The Endowment makes loans to qualifying individuals for educational costs as a way to provide incentive to them to pursue a career in mental health services. If individuals do not satisfactorily meet the requirements of the loan agreements, they are obligated to pay the loans back to the Endowment. As with any financing arrangement, there exists a risk of default by the individuals to whom the loans are made. Management has made no estimate of the amount of loss likely to be incurred as a result of defaults for loans outstanding as of December 31, 2014.

### NOTE 14 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 26, 2015, which is the date the financial statements were available to be issued.



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Certified  
Public  
Accountants

**INDEPENDENT AUDITORS' 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  
**High Plains Mental Health Center**  
Hays, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **High Plains Mental Health Center**, as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2015. The report on the audited financial statements was qualified because it did not include the required annual cost and long-term obligations of the other postemployment benefits as required by Governmental Auditing Standards Board Statements Number 43 and 45 and accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control was for the limited purpose described 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 **High Plains 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

**High Plains Mental Health Center**

Page 2

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**

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

*Adams, Brown, Beran & Ball, Chartered*

**ADAMS, BROWN, BERAN & BALL, CHTD.**

Certified Public Accountants

March 26, 2015

**HIGH PLAINS MENTAL HEALTH CENTER**

Supplementary Information

HIGH PLAINS MENTAL HEALTH CENTER  
General Fund  
Balance Sheets  
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash	\$ 1,763,083	1,911,937
Accounts Receivable, Net of Allowance for Uncollectibles	746,855	769,170
Grants Receivable	-	42,500
Due From Other Governments	1,694	8,840
Prepaid Expenses	152,945	168,333
<b>Total Current Assets</b>	<b>2,664,577</b>	<b>2,900,780</b>
<b>Capital Assets</b>		
Land	95,701	95,701
Buildings	3,440,308	3,246,346
Equipment	1,910,589	1,991,453
Furniture and Fixtures	163,801	173,329
Library Materials	12,240	12,240
<b>Total Capital Assets</b>	<b>5,622,639</b>	<b>5,519,069</b>
Accumulated Depreciation	<b>(3,565,444)</b>	<b>(3,523,370)</b>
<b>Net Capital Assets</b>	<b>2,057,195</b>	<b>1,995,699</b>
<b>Total Assets</b>	<b>\$ 4,721,772</b>	<b>4,896,479</b>
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b>Liabilities</b>		
Accounts Payable	\$ 41,532	53,809
Accrued Wages	145,739	144,057
Accrued Payroll Liabilities and Benefits	473,923	456,398
<b>Total Liabilities</b>	<b>661,194</b>	<b>654,264</b>
<b>Net Position</b>		
Reserved for Encumbrances	20,116	5,953
Unreserved	4,040,462	4,236,262
<b>Total Net Position</b>	<b>4,060,578</b>	<b>4,242,215</b>
<b>Total Liabilities and Net Position</b>	<b>\$ 4,721,772</b>	<b>4,896,479</b>

See independent auditors' report.

**HIGH PLAINS MENTAL HEALTH CENTER**  
**General Fund**

Statements of Revenues, Expenditures and Change in Net Position - Budget and Actual  
For the Year Ended December 31, 2014  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014			2013 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
<b>REVENUES</b>				
<b>Operating Revenues</b>				
Patient Services	\$ 5,835,000	5,468,948	(366,052)	5,364,678
Other Services	30,000	38,940	8,940	33,947
State Grants and Contracts	10,000	-	(10,000)	85,000
Sales and Rentals	15,500	20,330	4,830	17,119
<b>Total Operating Revenues</b>	<b>5,890,500</b>	<b>5,528,218</b>	<b>(362,282)</b>	<b>5,500,744</b>
<b>EXPENSES</b>				
<b>Operating Expenses</b>				
Personnel	3,950,603	3,635,834	314,769	4,026,469
Professional and Legal Fees	190,400	218,014	(27,614)	200,630
Dues	39,700	27,963	11,737	29,964
Insurance	152,600	169,060	(16,460)	155,853
Public Information	34,250	40,504	(6,254)	43,987
Travel and Meeting	225,850	140,198	85,652	174,492
Professional Resources	5,550	10,390	(4,840)	8,028
Supplies	120,155	116,716	3,439	104,495
Postage	41,750	45,138	(3,388)	39,903
Leases and Rentals	113,540	77,293	36,247	74,197
Service Agreements	117,300	122,317	(5,017)	112,316
Utilities	231,100	184,746	46,354	189,298
Repairs and Maintenance	51,000	51,960	(960)	47,334
<b>Total Operating Expenses</b>	<b>5,273,798</b>	<b>4,840,133</b>	<b>433,665</b>	<b>5,206,966</b>
<b>Net Operating Income</b>	<b>616,702</b>	<b>688,085</b>	<b>(795,947)</b>	<b>293,778</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
State Aid	736,306	736,307	1	736,304
County Appropriations	766,104	778,907	12,803	743,717
Electronic Health Record Incentive	30,000	63,750	33,750	-
Donations	500	2,689	2,189	4,187
Gain (Loss) From Sale of Assets	-	419	419	4,329
Miscellaneous	500	28,283	27,783	27,995
Recovery of Bad Debts	5,000	7,034	2,034	8,442
Interest	15,000	9,258	(5,742)	11,983
Bad Debt Expense	(231,400)	(286,262)	54,862	(280,050)
Miscellaneous Expense	(34,500)	(48,068)	13,568	(46,682)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>1,287,510</b>	<b>1,292,317</b>	<b>141,667</b>	<b>1,210,225</b>
<b>Income Before Other Financing Sources (Uses)</b>	<b>1,904,212</b>	<b>1,980,402</b>	<b>(654,280)</b>	<b>1,504,003</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	191,512	191,512	1,094,387
Transfers Out	-	(2,048,312)	(2,048,312)	(1,309,350)
<b>Net Other Financing Sources (Uses)</b>	<b>-</b>	<b>(1,856,800)</b>	<b>(1,856,800)</b>	<b>(214,963)</b>
<b>Change in Net Position</b>	<b>1,904,212</b>	<b>123,602</b>	<b>(2,511,080)</b>	<b>1,289,040</b>
<b>Net Position - Beginning of Year</b>	<b>4,242,215</b>	<b>4,242,215</b>	<b>-</b>	<b>3,378,942</b>
<b>Net Position - End of Year</b>	<b>6,146,427</b>	<b>4,365,817</b>	<b>(2,511,080)</b>	<b>4,667,982</b>
<b>Adjustments for GAAP</b>				
Increase (Decrease) in Reserve for Encumbrances	-	14,163	14,163	(120,834)
Depreciation Expense	(309,522)	(319,402)	9,880	(304,933)
<b>Net Adjustments for GAAP</b>	<b>(309,522)</b>	<b>(305,239)</b>	<b>24,043</b>	<b>(425,767)</b>
<b>Net Position Per Client</b>	<b>\$ 5,836,905</b>	<b>4,060,578</b>	<b>(2,487,037)</b>	<b>4,242,215</b>

See independent auditors' report.

**HIGH PLAINS MENTAL HEALTH CENTER**  
**State Child Adolescent Fund**  
Balance Sheets  
December 31, 2014 and 2013

	2014	2013
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash	\$ 2,144,962	2,175,809
Accounts Receivable, Net of Allowance for Uncollectibles	58,500	61,912
<b>Total Current Assets</b>	<b>2,203,462</b>	2,237,721
<b>Capital Assets</b>		
Buildings	2,051	2,051
Equipment	79,676	59,330
Furniture and Fixtures	1,832	1,832
Library Materials	439	694
<b>Total Capital Assets</b>	83,998	63,907
Accumulated Depreciation	(82,662)	(61,103)
<b>Net Capital Assets</b>	<b>1,336</b>	2,804
<b>Total Assets</b>	<b>\$ 2,204,798</b>	2,240,525
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b>Liabilities</b>		
Accounts Payable	\$ 409	3,976
<b>Net Position</b>		
Unreserved	2,204,389	2,236,549
<b>Total Liabilities and Net Position</b>	<b>\$ 2,204,798</b>	2,240,525

See independent auditors' report.

**HIGH PLAINS MENTAL HEALTH CENTER**  
**State Child Adolescent Fund**

Statements of Revenues, Expenditures and Change in Net Position - Budget and Actual  
For the Year Ended December 31, 2014  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	<b>2014</b>		Variance Positive (Negative)	2013 Actual
	Original and Final Budget	Actual		
<b><u>REVENUES</u></b>				
<b>Operating Revenues</b>				
Patient Services	\$ 700,000	<b>609,714</b>	(90,286)	633,929
<b><u>EXPENSES</u></b>				
<b>Operating Expenses</b>				
Personnel	425,262	<b>423,513</b>	1,749	443,408
Professional and Legal Fees	-	<b>516</b>	(516)	270
Insurance	8,000	<b>7,599</b>	401	8,230
Travel and Meeting	10,100	<b>6,766</b>	3,334	4,779
Professional Resources	100	-	100	-
Supplies	2,900	<b>1,337</b>	1,563	2,064
Leases and Rentals	5,600	<b>6,469</b>	(869)	21,829
Utilities	3,500	<b>4,344</b>	(844)	4,258
Repairs and Maintenance	100	-	100	-
<b>Total Operating Expenses</b>	455,562	<b>450,544</b>	5,018	484,838
<b>Net Operating Income</b>	244,438	<b>159,170</b>	(95,304)	149,091
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>				
Bad Debt Expense	(30,000)	-	(30,000)	-
Miscellaneous Expense	(50)	<b>(66)</b>	16	(45)
<b>Net Nonoperating Revenues (Expenses)</b>	(30,050)	<b>(66)</b>	(29,984)	(45)
<b>Income Before Other Financing Sources (Uses)</b>	214,388	<b>159,104</b>	(125,288)	149,046
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers In	-	-	-	6,557
Transfers Out	-	<b>(189,168)</b>	(189,168)	(197,605)
<b>Net Other Financing Sources (Uses)</b>	-	<b>(189,168)</b>	(189,168)	(191,048)
<b>Change in Net Position</b>	214,388	<b>(30,064)</b>	(314,456)	(42,002)
<b>Net Position - Beginning of Year</b>	2,236,549	<b>2,236,549</b>	-	2,282,284
<b>Net Position - End of Year</b>	2,450,937	<b>2,206,485</b>	(314,456)	2,240,282
<b>Adjustments for GAAP</b>				
Depreciation Expense	(3,638)	<b>(2,096)</b>	1,542	(3,733)
<b>Net Position Per Client</b>	\$ 2,447,299	<b>2,204,389</b>	(312,914)	2,236,549

See independent auditors' report.

**HIGH PLAINS MENTAL HEALTH CENTER**  
**Mental Health Reform Fund**  
Balance Sheets  
December 31, 2014 and 2013

	2014	2013
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Accounts Receivable, Net of Allowance for Uncollectibles	\$ 5,804	3,043
Prepaid Expenses	3,376	3,376
<b>Total Current Assets</b>	<b>9,180</b>	<b>6,419</b>
<b>Capital Assets</b>		
Buildings	376,206	369,574
Equipment	349,434	227,706
Furniture and Fixtures	138,994	136,132
<b>Total Capital Assets</b>	<b>864,634</b>	<b>733,412</b>
Accumulated Depreciation	(510,321)	(369,215)
<b>Net Capital Assets</b>	<b>354,313</b>	<b>364,197</b>
<b>Total Assets</b>	<b>\$ 363,493</b>	<b>370,616</b>
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b>Liabilities</b>		
Accounts Payable	\$ 9,130	6,288
<b>Net Position</b>		
Unreserved	354,363	364,328
<b>Total Liabilities and Net Position</b>	<b>\$ 363,493</b>	<b>370,616</b>

See independent auditors' report.

**HIGH PLAINS MENTAL HEALTH CENTER**  
**Mental Health Reform Fund**  
 Statements of Revenues, Expenditures and Change in Net Position - Budget and Actual  
 For the Year Ended December 31, 2014  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	<b>2014</b>			2013 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
<b><u>REVENUES</u></b>				
<b>Operating Revenues</b>				
Federal Grants and Contracts	\$ -	55,301	55,301	56,331
State Grants and Contracts	1,025,248	969,947	(55,301)	936,572
Management Fee	35,500	35,106	(394)	35,999
<b>Total Operating Revenues</b>	<b>1,060,748</b>	<b>1,060,354</b>	<b>(394)</b>	<b>1,028,902</b>
<b><u>EXPENSES</u></b>				
<b>Operating Expenses</b>				
Personnel	2,943,297	2,859,296	84,001	2,101,950
Professional and Legal Fees	500	4,313	(3,813)	1,584
Insurance	12,320	11,217	1,103	11,742
Public Information	-	56	(56)	-
Travel and Meeting	42,750	95,775	(53,025)	57,152
Professional Resources	500	878	(378)	662
Supplies	13,675	19,374	(5,699)	12,488
Postage	200	104	96	-
Leases and Rentals	1,700	26,457	(24,757)	13,476
Service Agreements	3,400	9,630	(6,230)	4,934
Utilities	32,550	34,438	(1,888)	28,191
Repairs and Maintenance	3,100	3,241	(141)	7,726
<b>Total Operating Expenses</b>	<b>3,053,992</b>	<b>3,064,779</b>	<b>(10,787)</b>	<b>2,239,905</b>
<b>Net Operating Loss</b>	<b>(1,993,244)</b>	<b>(2,004,425)</b>	<b>10,393</b>	<b>(1,211,003)</b>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>				
Gain (Loss) From Sale of Assets	-	12,765	12,765	(328)
Miscellaneous Expense	(200)	(105)	(95)	(13)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(200)</b>	<b>12,660</b>	<b>12,670</b>	<b>(341)</b>
<b>Loss Before Other Financing Sources (Uses)</b>	<b>(1,993,444)</b>	<b>(1,991,765)</b>	<b>23,063</b>	<b>(1,211,344)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers In	-	2,028,249	2,028,249	1,244,858
Transfers Out	-	(660)	(660)	(478)
<b>Net Other Financing Sources (Uses)</b>	<b>-</b>	<b>2,027,589</b>	<b>2,027,589</b>	<b>1,244,380</b>
<b>Change in Net Position</b>	<b>(1,993,444)</b>	<b>35,824</b>	<b>2,050,652</b>	<b>33,036</b>
<b>Net Position - Beginning of Year</b>	<b>364,328</b>	<b>364,328</b>	<b>-</b>	<b>364,092</b>
<b>Net Position - End of Year</b>	<b>(1,629,116)</b>	<b>400,152</b>	<b>2,050,652</b>	<b>397,128</b>
<b>Adjustments for GAAP</b>				
Depreciation Expense	(31,840)	(45,789)	13,949	(32,800)
<b>Net Position Per Client</b>	<b>\$ (1,660,956)</b>	<b>354,363</b>	<b>2,064,601</b>	<b>364,328</b>

See independent auditors' report.

**HIGH PLAINS MENTAL HEALTH CENTER**  
**Mental Health Reform Children Fund**  
 Balance Sheets  
 December 31, 2014 and 2013

		<u>2014</u>	2013
<b><u>ASSETS</u></b>			
<b>Current Assets</b>	\$	-	-
<b><u>NET POSITION</u></b>			
<b>Net Position</b>			
Unreserved	\$	-	-

**Mental Health Reform Children Fund**  
 Statements of Revenues, Expenditures and Change in Net Position - Budget and Actual  
 For the Year Ended December 31, 2014  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	<u>2014</u>			
	Original and Final Budget	<u>Actual</u>	Variance Positive (Negative)	2013 Actual
<b><u>REVENUES</u></b>				
<b>Operating Revenues</b>				
State Grants and Contracts	\$ -	-	-	35,838
<b><u>EXPENSES</u></b>				
<b>Operating Expenses</b>				
Personnel	-	-	-	39,422
Professional and Legal Fees	-	-	-	40
Utilities	-	-	-	131
<b>Total Operating Expenses</b>	-	-	-	39,593
<b>Net Operating Loss</b>	-	-	-	(3,755)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers Out	-	-	-	(32,519)
<b>Change in Net Position</b>	-	-	-	(36,274)
<b>Net Position - Beginning of Year</b>	-	-	-	36,293
<b>Net Position - End of Year</b>	-	-	-	19
<b>Adjustments for GAAP</b>				
Depreciation Expense	-	-	-	(19)
<b>Net Position Per Client</b>	\$ -	-	-	-

See independent auditors' report.

**HIGH PLAINS MENTAL HEALTH CENTER**  
**Mental Health Reform Hospital Closure Fund**  
Balance Sheets  
December 31, 2014 and 2013

		<u>2014</u>	2013
<b><u>ASSETS</u></b>			
<b>Current Assets</b>	\$	-	-
<b><u>NET POSITION</u></b>			
<b>Net Position</b>			
Unreserved	\$	-	-

**Mental Health Reform Hospital Closure Fund**  
Statements of Revenues, Expenditures and Change in Net Position - Budget and Actual  
For the Year Ended December 31, 2014  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	<u>2014</u>			
	Original and Final Budget	<u>Actual</u>	Variance Positive (Negative)	2013 Actual
<b><u>REVENUES</u></b>				
<b>Operating Revenues</b>				
State Grants and Contracts	\$ -	-	-	144,312
<b><u>EXPENSES</u></b>				
<b>Operating Expenses</b>				
Personnel	-	-	-	34,244
Travel and Meeting	-	-	-	4,116
Supplies	-	-	-	150
Utilities	-	-	-	680
<b>Total Operating Expenses</b>	-	-	-	39,190
<b>Net Operating Income</b>	-	-	-	105,122
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers Out	-	-	-	(862,804)
<b>Change in Net Position</b>	-	-	-	(757,682)
<b>Net Position - Beginning of Year</b>	-	-	-	761,468
<b>Net Position - End of Year</b>	-	-	-	3,786
<b>Adjustments for GAAP</b>				
Depreciation Expense	-	-	-	(3,786)
<b>Net Position Per Client</b>	\$ -	-	-	-

See independent auditors' report.

**HIGH PLAINS MENTAL HEALTH CENTER**  
**Family Centered System Fund**  
Balance Sheets  
December 31, 2014 and 2013

	2014	2013
<b><u>ASSETS</u></b>		
<b>Current Assets</b>	\$ -	-
	-	-
<b><u>NET POSITION</u></b>		
<b>Net Position</b>		
Unreserved	\$ -	-
	-	-

**Family Centered System Fund**  
Statements of Revenues, Expenditures and Change in Net Position - Budget and Actual  
For the Year Ended December 31, 2014  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014			
	Original and Final Budget	Actual	Variance Positive (Negative)	2013 Actual
<b><u>REVENUES</u></b>				
<b>Operating Revenues</b>				
State Grants and Contracts	\$ -	-	-	94,658
	-	-	-	94,658
<b><u>EXPENSES</u></b>				
<b>Operating Expenses</b>				
Personnel	-	-	-	120,240
Travel and Meeting	-	-	-	11,669
Supplies	-	-	-	485
Service Agreements	-	-	-	6
Utilities	-	-	-	1,937
	-	-	-	134,337
<b>Total Operating Expenses</b>	-	-	-	134,337
<b>Net Operating Loss</b>	-	-	-	(39,679)
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>				
Gain (Loss) From Sale of Assets	-	-	-	400
	-	-	-	400
<b>Loss Before Other Financing Sources (Uses)</b>	-	-	-	(39,279)
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers In	-	-	-	46,553
Transfers Out	-	-	-	(4,479)
	-	-	-	42,074
<b>Net Other Financing Sources (Uses)</b>	-	-	-	42,074
<b>Change in Net Position</b>	-	-	-	2,795
<b>Net Position - Beginning of Year</b>	-	-	-	(334)
<b>Net Position - End of Year</b>	-	-	-	2,461
<b><u>Adjustments for GAAP</u></b>				
Depreciation Expense	-	-	-	(2,461)
	-	-	-	(2,461)
<b>Net Position Per Client</b>	\$ -	-	-	-

See independent auditors' report.

**HIGH PLAINS MENTAL HEALTH CENTER**  
**Smart Start Services Fund**  
 Balance Sheets  
 December 31, 2014 and 2013

	2014	2013
<b><u>ASSETS</u></b>		
<b>Current Assets</b>	\$ <u>          -</u>	<u>          -</u>
<b><u>NET POSITION</u></b>		
<b>Net Position</b>		
Unreserved	\$ <u>          -</u>	<u>          -</u>

**Smart Start Services Fund**  
 Statements of Revenues, Expenditures and Change in Net Position - Budget and Actual  
 For the Year Ended December 31, 2014  
 (With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014			
	Original and Final Budget	Actual	Variance Positive (Negative)	2013 Actual
<b><u>REVENUES</u></b>				
<b>Operating Revenues</b>				
Local Grants	\$ <u>          -</u>	<u>      1,084</u>	<u>      (1,084)</u>	<u>          -</u>
<b><u>EXPENSES</u></b>				
<b>Operating Expenses</b>				
Professional Resources	-	<u>      1,129</u>	<u>      (1,129)</u>	<u>          -</u>
Supplies	<u>          -</u>	<u>          30</u>	<u>          (30)</u>	<u>          -</u>
<b>Total Operating Expenses</b>	<u>          -</u>	<u>      1,159</u>	<u>      (1,159)</u>	<u>          -</u>
<b>Net Operating Loss</b>	<u>          -</u>	<u>      (75)</u>	<u>          75</u>	<u>          -</u>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers In	<u>          -</u>	<u>          75</u>	<u>          75</u>	<u>          -</u>
<b>Change in Net Position</b>	<u>          -</u>	<u>          -</u>	<u>          150</u>	<u>          -</u>
<b>Net Position - Beginning of Year</b>	<u>          -</u>	<u>          -</u>	<u>          -</u>	<u>          -</u>
<b>Net Position - End of Year</b>	\$ <u>          -</u>	<u>          -</u>	<u>          150</u>	<u>          -</u>

See independent auditors' report.

**HIGH PLAINS MENTAL HEALTH CENTER**  
**Governor's Mental Health Initiative Fund**

Balance Sheets  
December 31, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
<b>Current Assets</b>	\$ -	-
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b>Liabilities</b>		
Accounts Payable	\$ 1,333	1,267
<b>Net Position</b>		
Unreserved	<u>(1,333)</u>	<u>(1,267)</u>
<b>Total Liabilities and Net Position</b>	<u>\$ -</u>	<u>-</u>

See independent auditors' report.

**HIGH PLAINS MENTAL HEALTH CENTER  
Governor's Mental Health Initiative Fund**

Statements of Revenues, Expenditures and Change in Net Position - Budget and Actual  
For the Year Ended December 31, 2014  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	2014		Variance Positive (Negative)	2013 Actual
	Original and Final Budget	Actual		
<b><u>REVENUES</u></b>				
<b>Operating Revenues</b>				
State Grants and Contracts	\$ 293,552	<b>293,552</b>	-	146,776
<b><u>EXPENSES</u></b>				
<b>Operating Expenses</b>				
Personnel	265,042	<b>284,437</b>	19,395	159,046
Professional and Legal Fees	-	<b>707</b>	707	152
Travel and Meeting	17,100	<b>23,443</b>	6,343	11,318
Supplies	100	<b>1,017</b>	917	246
Utilities	3,700	<b>3,988</b>	288	2,132
<b>Total Operating Expenses</b>	<b>285,942</b>	<b>313,592</b>	<b>27,650</b>	<b>172,894</b>
<b>Net Operating Loss</b>	<b>7,610</b>	<b>(20,040)</b>	<b>(27,650)</b>	<b>(26,118)</b>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>				
Miscellaneous Expense	-	<b>14</b>	14	-
<b>Loss Before Other Financing Sources (Uses)</b>	<b>7,610</b>	<b>(20,054)</b>	<b>(27,664)</b>	<b>(26,118)</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers In	-	<b>19,988</b>	19,988	24,851
<b>Change in Net Position</b>	<b>7,610</b>	<b>(66)</b>	<b>(7,676)</b>	<b>(1,267)</b>
<b>Net Position - Beginning of Year</b>	<b>(1,267)</b>	<b>(1,267)</b>	<b>-</b>	<b>-</b>
<b>Net Position - End of Year</b>	<b>\$ 6,343</b>	<b>(1,333)</b>	<b>(7,676)</b>	<b>(1,267)</b>

See independent auditors' report.

HIGH PLAINS MENTAL HEALTH CENTER  
Regional Recovery Centers Fund  
Balance Sheets  
December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
<b><u>ASSETS</u></b>		
<b>Current Assets</b>		
Cash	\$ 338	-
Prepaid Expenses	<u>719</u>	<u>719</u>
<b>Total Assets</b>	<u>\$ 1,057</u>	<u>719</u>
<b><u>LIABILITIES AND NET POSITION</u></b>		
<b>Liabilities</b>		
Accounts Payable	\$ 1,389	1,051
<b>Net Position</b>		
Unreserved	<u>(332)</u>	<u>(332)</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 1,057</u>	<u>719</u>

See independent auditors' report.

**HIGH PLAINS MENTAL HEALTH CENTER  
Regional Recovery Centers Fund**

Statements of Revenues, Expenditures and Change in Net Position - Budget and Actual  
For the Year Ended December 31, 2014

(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

	<b>2014</b>			2013 Actual
	Original and Final Budget	Actual	Variance Positive (Negative)	
<b><u>REVENUES</u></b>				
<b>Operating Revenues</b>				
State Grants and Contracts	\$ 179,863	<b>179,863</b>	-	89,932
<b><u>EXPENSES</u></b>				
<b>Operating Expenses</b>				
Personnel	128,745	<b>151,823</b>	23,078	67,008
Professional and Legal Fees	-	<b>135</b>	135	48
Public Information	-	<b>19</b>	19	-
Travel and Meeting	6,350	<b>11,170</b>	4,820	6,371
Professional Resources	-	<b>80</b>	80	66
Supplies	1,750	<b>2,860</b>	1,110	1,356
Leases and Rentals	-	<b>8,628</b>	8,628	4,314
Service Agreements	-	<b>61</b>	61	44
Utilities	3,400	<b>2,489</b>	(911)	823
Repairs and Maintenance	-	<b>910</b>	910	263
<b>Total Operating Expenses</b>	<b>140,245</b>	<b>178,175</b>	<b>37,930</b>	<b>80,293</b>
<b>Net Operating Income</b>	<b>39,618</b>	<b>1,688</b>	<b>(37,930)</b>	<b>9,639</b>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>				
Miscellaneous Expense	-	<b>(4)</b>	(4)	-
<b>Income Before Other Financing Sources (Uses)</b>	<b>39,618</b>	<b>1,684</b>	<b>(37,934)</b>	<b>9,639</b>
<b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers Out	-	<b>(1,684)</b>	(1,684)	9,971
<b>Change in Net Position</b>	<b>39,618</b>	<b>-</b>	<b>(39,618)</b>	<b>(332)</b>
<b>Net Position - Beginning of Year</b>	<b>(332)</b>	<b>(332)</b>	<b>-</b>	<b>-</b>
<b>Net Position - End of Year</b>	<b>\$ 39,286</b>	<b>(332)</b>	<b>(39,618)</b>	<b>(332)</b>

See independent auditors' report.

**HIGH PLAINS MENTAL HEALTH CENTER**  
**High Plains Mental Health Center Endowment Association, Inc.**  
Statement of Net Assets  
December 31, 2014 and 2013

<u>ASSETS</u>	<u>2014</u>	<u>2013</u>
<b>Current Assets</b>		
Cash	\$ 227,215	235,419
Accounts Receivable, Net of Allowance for Uncollectibles	33,969	37,538
<b>Total Current Assets</b>	<b>261,184</b>	<b>272,957</b>
<b>Other Assets</b>		
Land	31,008	31,008
Investment - Woodhaven Apartments, L.P.	125,790	31,566
Investment - Colby House, L.P.	5,000	5,000
<b>Total Other Assets</b>	<b>161,798</b>	<b>67,574</b>
<b>Total Assets</b>	<b>\$ 422,982</b>	<b>340,531</b>
<u>LIABILITIES AND EQUITY</u>		
<b>Liabilities</b>		
Accounts Payable	\$ -	5,405
<b>Equity</b>		
Unreserved	422,982	335,126
<b>Total Liabilities and Equity</b>	<b>\$ 422,982</b>	<b>340,531</b>

**High Plains Mental Health Center Endowment Association, Inc.**  
Statement of Activities  
For the Year Ended December 31, 2014  
(With Comparative Actual Totals for the Prior Year Ended December 31, 2013)

<u>EXPENSES</u>	<u>2014</u>	<u>2013</u>
<b>Operating Expenses</b>		
Professional and Legal Fees	\$ 5,405	905
<b>Net Operating Loss</b>	<b>5,405</b>	<b>905</b>
<b><u>NONOPERATING REVENUES (EXPENSES)</u></b>		
Donations	230	3,660
Interest	304	639
Miscellaneous Expense	(836)	(833)
<b>Net Nonoperating Revenues (Expenses)</b>	<b>(302)</b>	<b>3,466</b>
<b>Change in Equity</b>	<b>(5,707)</b>	<b>2,561</b>
<b>Equity - Beginning of Year</b>	<b>335,126</b>	<b>311,240</b>
Unrealized Gain on Investments	93,563	21,325
<b>Equity - End of Year</b>	<b>\$ 422,982</b>	<b>335,126</b>

See independent auditors' report.

**HIGH PLAINS MENTAL HEALTH CENTER**  
Schedule of Findings and Responses  
For the Year Ended December 31, 2014

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**A. SUMMARY OF AUDIT RESULTS**

1. The auditors' report expresses a qualified opinion on the financial statements of **High Plains Mental Health Center**.
2. The Independent Auditors' 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* did not identify any deficiencies in internal control over financial reporting that are considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of **High Plains Mental Health Center** were disclosed during the audit.

**B. FINDINGS AND RESPONSES – FINANCIAL STATEMENTS AUDIT**

No reportable conditions were identified.

**C. COMPLIANCE REQUIREMENTS PER AGREEMENT FOR PARTICIPATING COMMUNITY MENTAL HEALTH CENTER CONSOLIDATED CONTRACT – MHCC 14-009 AND MHCC 15-009**

No material findings or questioned costs were disclosed per the Agreement for Participating Community Mental Health Center Consolidated Contract – MHCC 14-009 and MHCC 15-009 as required per the SRS Recipient Monitoring letter dated July 9, 2009 and the contracts for MHCC 14-009 and MHCC 15-009 dated July 25, 2013 and July 31, 2014, respectively.

**HIGH PLAINS MENTAL HEALTH CENTER**  
Summary Schedule of Prior Audit Findings  
For the Year Ended December 31, 2014

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No material findings or questioned costs for the year ended December 31, 2013 are required to be disclosed.

**HIGH PLAINS MENTAL HEALTH CENTER**  
Schedule of Expenditures of Federal and State Awards  
For the Year Ended December 31, 2014

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Agency or Pass-through Number	Federal Expenditures	State Expenditures
<b>U.S. Department of Health and Human Services</b>				
<b>Passed Through Kansas Department for Aging and Disability Services</b>				
Block Grants for Community Mental Health Services	93.958	MHRC 14-009	\$ 27,651	-
Block Grants for Community Mental Health Services	93.958	MHRC 15-009	27,650	-
Mental Health Reform			-	969,947
Governor's Mental Health Initiative			-	293,552
State Aid			-	736,307
<b>Passed Through Compass Behavioral Health</b>				
Regional Recovery Center			-	179,863
<b>Total Expenditures of Federal and State Awards</b>			<b>\$ 55,301</b>	<b>2,179,669</b>

See accompanying notes to schedule of expenditures of federal and state awards.

**HIGH PLAINS MENTAL HEALTH CENTER**  
Notes to Schedule of Expenditures of Federal and State Awards  
For the Year Ended December 31, 2014

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal and state awards includes the federal and state grant activity of **High Plains Mental Health Center**, and is presented on the accrual basis of accounting in compliance with the GASB 34 reporting model.

**HIGH PLAINS MENTAL HEALTH CENTER**  
Schedule of Revenues and Expenditures  
Budget and Actual - Grants  
December 31, 2014

<b>FEDERAL FUNDS</b>	CFDA	Budget	Actual	
			1/1/14 to 06/30/14	7/1/14 to 12/31/2014
<b>MENTAL HEALTH BLOCK GRANT</b>				
Revenue	93.958	\$ 27,651	27,651	-
		27,650	-	27,650
Total Revenue		\$ 55,301	27,651	27,650
Expenditures		\$ 55,301	27,651	27,650
<b>STATE FUNDS</b>				
<b>MENTAL HEALTH REFORM</b>				
Revenue		\$ 484,974	484,974	-
		484,973	-	484,973
Total Revenue		\$ 969,947	484,974	484,973
Expenditures		\$ 969,947	484,974	484,973
<b>GOVERNOR'S MENTAL HEALTH INITIATIVE</b>				
Revenue		\$ 146,776	146,776	-
		146,776	-	146,776
Total Revenue		\$ 293,552	146,776	146,776
Expenditures		\$ 293,552	146,776	146,776
<b>REGIONAL RECOVERY CENTER</b>				
Revenue		\$ 89,932	89,932	-
		89,931		89,931
Total Revenue		\$ 179,863	89,932	89,931
Expenditures		\$ 179,863	89,932	89,931
<b>STATE AID</b>				
Revenue		\$ 368,153	368,153	-
		368,154	-	368,154
Total Revenue		\$ 736,307	368,153	368,154
Expenditures		\$ 736,307	368,153	368,154

See accompanying notes to schedule of expenditures of federal and state awards.