

**Grayson County Health Department**

**Financial Statements**

**Fiscal Year Ended June 30, 2015**

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**Grayson County Health Department**

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## **Independent Auditor's Report**

To the Board of Directors  
**Grayson County**  
**Health Department**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Grayson County Health Department (the "Department") as of and for the year ended June 30, 2015, which comprise the statements of assets, liabilities and fund balance as of June 30, 2015 and the related statements of revenues, expenditures, and changes in fund balance for the year 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 conformity with the financial reporting prescribed by the Kentucky Cabinet for Health and Family Services, Department for Public Health, Division of Administration and Financial Management, Administrative Reference. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Independent Auditor's Report (Continued)**

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

As described in Note B, the financial statements are prepared by the Department, on the basis of the financial reporting provisions prescribed by the Kentucky Cabinet for Health and Family Services, Department for Public Health, Division of Administration and Financial Management, Administrative Reference, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of modified cash basis of accounting as prescribed by the Kentucky Cabinet for Health and Family Services (CHFS), Department for Public Health, Division of Administration and Financial Management, Administrative Reference.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note B and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

### **Adverse Opinion on U.S. Generally Accepted Accounting Principles**

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Department, as of June 30, 2015, the changes in its financial position, or, where applicable, its cash flows for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash balance of the Department, as of June 30, 2015, and the revenues, expenditures and change in fund balance for the year then ended, on the basis of the financial reporting provisions prescribed by the Kentucky Cabinet for Health and Family Services, Department for Public Health, Division of Administration and Financial Management, Administrative Reference as described in Note B.

### **Other Matters**

#### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The Schedule of Revenues and Expenditures by Cost Center and the Schedule of Revenues and Expenditures – Actual vs Budget are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Revenues and Expenditures by Cost Center and Schedule of Revenues and Expenditures – Actual vs. Budget are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Revenue and Expenditures by Cost Center and Schedule of Revenues and Expenditures – Actual vs. Budget are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Independent Auditor's Report (Continued)**

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2015 on our consideration of the Department'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 the Department's internal control over financial reporting and compliance.



Lexington, Kentucky  
October 7, 2015

**Grayson County Health Department**  
**Statement of Assets, Liabilities and Fund Balance**  
**June 30, 2015**

**Assets**

Cash and cash equivalents	<u>\$ 142,465</u>
Total Assets	<u><u>\$ 142,465</u></u>

**Liabilities and Fund Balance**

Liabilities

Administrative fee liability	\$ 197
Payroll withholdings	<u>7,070</u>
Total Liabilities	7,267

Fund Balance

Unrestricted	83,649
Restricted	<u>51,549</u>
Total Fund Balance	<u>135,198</u>
Total Liabilities and Fund Balance	<u><u>\$ 142,465</u></u>

See accompanying notes.

**Grayson County Health Department**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Year Ended June 30, 2015**

Revenues	
State funds	\$ 203,869
Federal funds	349,897
Local funds	275,309
Service fees	313,862
Interest income	<u>54</u>
Total Revenues	1,142,991
Expenditures	
Compensation	507,183
Fringe benefits	345,397
Independent contracts	6,315
Travel	12,090
Occupancy	42,195
Office administration	61,718
Medical supplies	28,370
Automotive	9,830
Other	<u>32,835</u>
Total Expenditures	<u>1,045,933</u>
Excess of revenues over expenditures	97,058
Fund Balance, Beginning of Year	<u>40,982</u>
Less: Prior year income carryovers included in current year revenue:	
State funds	<u>(2,842)</u>
	<u>(2,842)</u>
Fund Balance, End of Year	<u><u>\$ 135,198</u></u>

See accompanying notes.

**Grayson County Health Department**  
**Notes to Financial Statements**  
**June 30, 2015**

**Note A – Nature of Organization and Operations**

Grayson County Health Department (the Department) was established pursuant to Kentucky Revised Statute (KRS) 212.850 to provide health services through the county health department in Grayson County. The Department is governed by the Grayson County Board of Health (the Board) which consists of representatives of Grayson County as set forth in KRS 212.850. The Department is exempt from federal and state income taxes.

**Note B – Summary of Significant Accounting Policies**

1. Basis of Accounting - The Department prepares its financial statements on the modified cash basis of accounting as prescribed by the Kentucky Cabinet for Health and Family Services (CHFS), Department for Public Health, Division of Administration and Financial Management, Administrative Reference, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, revenues are recorded when received and expenditures are recorded when paid (the cash basis), with certain exceptions identified in the Administrative Reference. The Department uses the indirect cost allocation plan developed by CHFS in accordance with the requirement of OMB Circular A-87. Fixed assets are recorded as expenses when paid and are not capitalized. Also, in accordance with policy established by CHFS, the Department has not adopted the financial reporting standards of GASB 34 and GASB 54.
2. Source of Funds - Revenue sources of the Department are divided into four groups as follows:
  - State - includes restricted and unrestricted state grant funds.
  - Federal - includes federal grant funds passed through from CHFS.
  - Local - includes funds from taxing districts, county and city appropriations, and donations from private sources.
  - Service fees - includes funds from school board contracts, Medicaid and Medicare payments for services, self-pay, insurance payments, other pay for service and sale of surplus assets.
3. Accounting Estimates - The preparation of financial statements in conformity with accounting principles consistent with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
4. Subsequent Events – Subsequent events for the Department have been considered through the date of the Independent Auditor’s Report which represents the date the financial statements were available to be issued.



**Grayson County Health Department  
Notes to Financial Statements (Continued)  
June 30, 2015**

**Note C – Cash and Cash Equivalents**

The Department's cash and equivalents consist of amounts deposited in both interest and noninterest-bearing accounts. As of June 30, 2015, the carrying amount of the Department's deposits was \$142,465 and the combined banking institutions' balance was \$149,022. The difference of \$6,557 between the Department's deposit balance and the banking institutions' balance results from outstanding checks. Of the banking institutions' balance, 100% of the balance was covered by Federal depository insurance.

**Note D – Defined Benefit Pension Plan**

All employees averaging 100 or more hours per month over a calendar or fiscal year participate in the Kentucky Employees Retirement System (KERS) of the Commonwealth of Kentucky, which is a cost-sharing multiple-employer defined benefit pension plan. The KERS provides retirement, as well as health care, disability, and death benefits to plan members. The KERS provides for cost-of-living adjustments at the discretion of the Kentucky legislature. Benefits are established by State statute.

Covered employees hired before September 1, 2008, who retire at or after age 65 with a minimum of 48 months of credited service, are entitled to a retirement benefit equal to 1.97% to 2.20% of their final-average salary multiplied by their years of service. Final-average salary is the employee's average of the five fiscal years during which the employee had the highest average monthly salary. Benefits fully vest upon reaching five years of service. Vested employees may retire after 27 years of service and receive full retirement benefits at or after age 55 or 25 years of service and receive reduced retirement benefits.

Covered employees hired between September 1, 2008 and December 31, 2013, who retire at or after age 65 with a minimum of 60 months of credited service or when the employee's age (must be at least 57 years of age) plus their years of credited service equals at least 87 years, are entitled to a retirement benefit equal to 1.10% to 2.00% of their final-average salary multiplied by their years of service. Final-average salary is the employee's average of the last five full fiscal years. Employees may be eligible to receive reduced retirement benefits at age 60 with a minimum of 120 months of credited service.

The payroll for employees covered by the KERS for the year ended June 30, 2015 totals \$451,965. Covered employees are required by State statute to contribute 5.00% of their salary to the KERS (covered employees hired between September 1, 2008 and December 31, 2013 are required by State statute to contribute an additional 1.00% of their salary to fund the Kentucky Retirement Systems insurance fund). The Department is (for the year ended June 30, 2015) required by the same statute to contribute 38.77% of the covered employees' salaries.

**Grayson County Health Department**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

**Note D – Defined Benefit Pension Plan (Continued)**

Covered employees hired on or after January 1, 2015, are also eligible to participate in a Cash Balance Plan which requires employees to contribute, on a pre-tax basis, 5.00% of creditable compensation. Employee accounts are also credited with a 4.00% employer pay credit. In addition to the 5.00% employee contribution, covered employees are required by State statute to contribute an additional 1.00% of their salary to fund the Kentucky Retirement Systems insurance fund. At the end of each fiscal year interest is paid into each employee's account. The account is guaranteed the 4.00% interest credit on the employee's account balance as of June 30 of the previous fiscal year-end. The employee's account may be credited with additional interest if the five-year average investment return exceeds 4.00%. If an employee terminates his/her employment, the employee, if fully vested (fully vested upon reaching five years of service), is eligible to either take a refund of his/her accumulated account balance or, if the employee is eligible for retirement benefits, he/she may annuitize the account balance. If an employee terminates his/her employment prior to being fully vested and requests a refund, the employee is only eligible to receive his/her contributions plus the interest thereon, forfeiting the employer pay credit and the associated interest.

Retired employees receive certain health care benefits depending on length of service. In accordance with State statutes, such benefits are provided and advanced-funded on an actuarially determined basis through the KERS. As indicated above, covered employees hired between September 1, 2008 and December 31, 2013 are required by State statute to contribute an additional 1.00% of their salary to fund the Kentucky Retirement Systems insurance fund. The related employer contribution is included in the required employer contribution rates indicated above.

The Department's contribution requirement for the year ended June 30, 2015 totals \$175,227.

The risks of participating in a multiple-employer plan are different from a single-employer plan in the following two respects: (1) assets contributed to a multiple-employer plan by one employer may be used to provide benefits to employees of other participating employers and (2) if a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.

Ten-year historical trend information showing the KERS' progress in accumulating sufficient assets to pay benefits when due (as well as financial statements and other required supplementary information) is presented in the Kentucky Employees Retirement System's Annual Financial Report (which is a matter of public record). The most recent actuarial valuation is as of June 30, 2014. Such report may be obtained by writing to the Kentucky Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky 40601. The Commonwealth's Comprehensive Annual Financial Report should also be referred to for additional disclosures related to the KERS.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among KERS and employers.

**Grayson County Health Department**  
**Notes to Financial Statements (Continued)**  
**June 30, 2015**

**Note D – Defined Benefit Pension Plan (Continued)**

The most recent actuarial valuation and determination of pension benefit obligation were performed on June 30, 2014. The pension benefit obligation at June 30, 2014 for the System, as a whole, determined through an actuarial valuation performed as of that date was \$12,366,960,287. The System's net assets available for benefits on that date (valued using a five-year moving average of market value to book value) were \$2,951,853,977, leaving \$9,415,106,310 of unfunded pension benefit obligations. As a result of GASB No. 68, *Accounting and Financial Reporting for Pensions*, An Amendment of GASB Statement No. 27, the Kentucky Retirement System required the pro-rata share of each member to be determined for reporting in the member's financial statements. The Department's share of the pension liability for the fiscal year ended June 30, 2014 was \$2,644,000. The Department proportionate share of the pension expense at June 30, 2014 was \$200,000. These amounts do not appear in the financial statements since the financial statements are prepared on the modified cash basis of accounting as prescribed by the Kentucky Cabinet for Health and Family Services (CHFS), Department for Public Health, Division of Administration and Financial Management, Administrative Reference, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In addition to the KERS, the Department's employees are also eligible to participate in two deferred compensation plans sponsored by the Commonwealth. These plans are organized as a Section 457 plan and as a Section 401(k) plan under the Internal Revenue Code. Both plans permit employees to defer a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, or financial hardship. The Kentucky Public Employees Deferred Compensation Department issues a publicly available report that includes financial statements and other required supplementary information relative to the deferred compensation plans. Such report may be obtained by writing to the Kentucky Public Employees Deferred Compensation Department, 101 Sea Hero Road, Suite 110, Frankfort, Kentucky 40601. The Commonwealth's Comprehensive Annual Financial Report should also be referred to for additional disclosures related to the two deferred compensation plans.

**Note E – Compensated Absences**

Employees of the Department earn vacation, sick and compensated hours monthly depending on job classification, length of service and other factors. Under the Department's method of accounting as described in Note B, the liability for the value of the compensated absences earned as of June 30, 2015 is not recorded.

The vacation and compensated hours earned are subject to cash payment upon termination of employment. At June 30, 2015, the value of vacation and compensated hours was a \$45,017.

The sick hours earned are not subject to cash payment upon termination, but are subject to conversion into the employee's retirement account (see Note D) as creditable compensation. Upon such conversion, the Department is liable for the payment of the employer's share of the retirement contribution. At June 30, 2015, the value of sick hours earned was \$83,839. Based on the employer's contribution rate of 38.77%, the retirement contribution liability at June 30, 2015 was \$32,504.

**Grayson County Health Department  
Notes to Financial Statements (Continued)  
June 30, 2015**

**Note F – Related Parties**

The Grayson County Public Health Taxing District was created pursuant to Kentucky Revised Statute (KRS) 212.750 to levy a special ad valorem tax for the purpose of providing funding for the local Health Department. During the fiscal year under audit the Grayson County Public Health Taxing District assessed a tax rate of \$0.026 per \$100 on real property and \$0.03 per \$100 on tangible property. During the 2015 fiscal year the Grayson County Public Health Taxing District remitted \$275,000 to the Department; this amount is included as “Local funds” revenue on the Statement of Revenues, Expenditures and Changes in Fund Balance.

**Supplementary Information**

**Grayson County Health Department  
Schedule of Revenues and Expenditures By Cost Center  
Year Ended June 30, 2015**

	500	520	540	560	700	712	718	731	736
	Food Service	Public Facilities	General Sanitation	Onsite Sewage	Preventive Presenting Problems	Dental Services	Lab/ Testing/ Radiology	Ebola Coordination	CHAT
<b>Revenues</b>									
State funds	\$ 44,502	\$ 28,665	\$	\$	\$	\$	\$	\$	\$
Federal funds									482
Local funds		20,488	56,816			609		1,732	1,380
Service fees	60			59,617					
Interest income		21							
<b>Total revenues</b>	<b>44,562</b>	<b>49,174</b>	<b>56,816</b>	<b>59,617</b>		<b>609</b>		<b>1,732</b>	<b>1,862</b>
<b>Expenditures</b>									
Direct									
Compensation	10,854	12,365	14,260	14,432	99,288		2,417	753	115
Fringe benefits	5,080	5,789	6,676	6,757	44,778		1,204	474	73
Independent contracts					744		367		
Travel	161			751					
Occupancy									
Office administration									
Medical supplies					4,287		5,829		
Automotive									
Other	50						200		
<b>Total direct</b>	<b>16,145</b>	<b>18,154</b>	<b>20,936</b>	<b>21,940</b>	<b>149,097</b>		<b>10,017</b>	<b>1,227</b>	<b>188</b>
Indirect allocation	28,417	31,020	35,880	37,010	173,670		4,826	505	1,674
Resource based allocation					(322,767)	609	(14,843)		
<b>Total expenditures</b>	<b>44,562</b>	<b>49,174</b>	<b>56,816</b>	<b>58,950</b>		<b>609</b>		<b>1,732</b>	<b>1,862</b>
<b>Excess of revenues over expenditures</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 667</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

See accompanying Independent's Auditor's Report.

**Grayson County Health Department  
Schedule of Revenues and Expenditures By Cost Center (Continued)  
Year Ended June 30, 2015**

	758	766	767	768	771	774	800	802	803
	Human Vitality	MCH Coordinator	Competitive Home Visiting	Comp HV Start-up/Adm	PHEP Special Projects	Child Fatality Prevention	Pediatric/ Adolsecent	Family Planning	Maternity Services & Activity
<b>Revenues</b>									
State funds	\$	\$	\$	\$	\$	\$	\$	\$ 47	\$
Federal funds		12,923	93,379	8,593	5,202	28	1,406	23,983	
Local funds	(1)	2,995		1,619	2,651	12	18,617		5,293
Service fees	16,060						8,315	15,483	
Interest income									
<b>Total revenues</b>	<b>16,059</b>	<b>15,918</b>	<b>93,379</b>	<b>10,212</b>	<b>7,853</b>	<b>40</b>	<b>28,338</b>	<b>39,513</b>	<b>5,293</b>
<b>Expenditures</b>									
Direct									
Compensation	3,132	6,460	41,044		1,574		1,339	165	
Fringe benefits	1,972	4,069	17,976		993		844	25	
Independent contracts								229	3,562
Travel		86	3,171	247	70				
Occupancy									
Office administration				400	2,500				
Medical supplies	2,067							4,335	
Automotive									
Other	215		95	9,227	1,661				
<b>Total direct</b>	<b>7,386</b>	<b>10,615</b>	<b>62,286</b>	<b>9,874</b>	<b>6,798</b>		<b>2,183</b>	<b>4,754</b>	<b>3,562</b>
Indirect allocation	2,195	5,303	31,093	338	1,055	40	1,435	121	
Resource based allocation							24,720	20,962	1,731
<b>Total expenditures</b>	<b>9,581</b>	<b>15,918</b>	<b>93,379</b>	<b>10,212</b>	<b>7,853</b>	<b>40</b>	<b>28,338</b>	<b>25,837</b>	<b>5,293</b>
<b>Excess of revenues over expenditures</b>	<b>\$ 6,478</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 13,676</b>	<b>\$</b>

See accompanying Independent's Auditor's Report.

**Grayson County Health Department**  
**Schedule of Revenues and Expenditures By Cost Center (Continued)**  
**Year Ended June 30, 2015**

	804	805	806	807	809	810	813	818	821
	WIC	MCH Nutrition & Group	Tuberculosis Visits & Activity	Sexually Transmitted Disease	Diabetes Services	Adult Visits & Follow-up	Breast & Cervical Cancer	Community Based Services 79	Bioterrorism Focus - A Preparedness
<b>Revenues</b>									
State funds	\$	\$	\$	\$	\$ 20,560	\$	\$	\$	\$
Federal funds	149,453	396	50				1,270		13,217
Local funds	85,757	112	16,008	7,333			5,670	22,285	7,069
Service fees	5		5,871	4,410		15,039	7,349		
Interest income							33		
<b>Total revenues</b>	<b>235,215</b>	<b>508</b>	<b>21,929</b>	<b>11,743</b>	<b>20,560</b>	<b>15,039</b>	<b>14,322</b>	<b>22,285</b>	<b>20,286</b>
<b>Expenditures</b>									
Direct									
Compensation	262		22		2,238	150	292	7,312	7,303
Fringe benefits	149		14		1,411	95	185	4,606	4,584
Independent contracts			11				1,402		
Travel								44	252
Occupancy									
Office administration								4,380	638
Medical supplies									
Automotive									30
Other	69				55			(42)	22
<b>Total direct</b>	<b>480</b>		<b>47</b>		<b>3,704</b>	<b>245</b>	<b>1,879</b>	<b>16,300</b>	<b>12,829</b>
Indirect allocation	782	508	100	4	2,998	192	460	5,985	7,457
Resource based allocation	233,953		21,782	11,739		10,131	11,983		
<b>Total expenditures</b>	<b>235,215</b>	<b>508</b>	<b>21,929</b>	<b>11,743</b>	<b>6,702</b>	<b>10,568</b>	<b>14,322</b>	<b>22,285</b>	<b>20,286</b>
<b>Excess of revenues over expenditures</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 13,858</b>	<b>\$ 4,471</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

See accompanying Independent's Auditor's Report.



**Grayson County Health Department  
Schedule of Revenues and Expenditures By Cost Center (Continued)  
Year Ended June 30, 2015**

	823	826	836	842	853	883	890	891	892
	Bioterrorism (Focus Area 1)	Communica Grant	Tobacco Cessation	HIV Counseling & Testing	HANDS	EPSDT	Core Assessment - Policy Dev.	Medicaid Match	Minor Restricted
<b>Revenues</b>									
State funds	\$	\$	\$ 6,403	\$ 498	\$ 27,050	\$	\$	\$	\$
Federal funds	6,536	1,425							
Local funds	501		941			500	1,293	1,720	792
Service fees					178,103	2,525			
Interest income									
<b>Total revenues</b>	<b>7,037</b>	<b>1,425</b>	<b>7,344</b>	<b>498</b>	<b>205,153</b>	<b>3,025</b>	<b>1,293</b>	<b>1,720</b>	<b>792</b>
<b>Expenditures</b>									
Direct									
Compensation	3,033	12	2,336	7	82,171	1,046	469		
Fringe benefits	1,910	8	1,473	5	41,837	659	296		
Independent contracts									
Travel			4		6,739				
Occupancy									
Office administration					166				
Medical supplies									
Automotive									
Other		1,328	800		136			1,720	792
<b>Total direct</b>	<b>4,943</b>	<b>1,348</b>	<b>4,613</b>	<b>12</b>	<b>131,049</b>	<b>1,705</b>	<b>765</b>	<b>1,720</b>	<b>792</b>
Indirect allocation	2,094	8	2,731	91	67,715	1,320	528		
Resource based allocation									
<b>Total expenditures</b>	<b>7,037</b>	<b>1,356</b>	<b>7,344</b>	<b>103</b>	<b>198,764</b>	<b>3,025</b>	<b>1,293</b>	<b>1,720</b>	<b>792</b>
<b>Excess of revenues over expenditures</b>	<b>\$</b>	<b>\$ 69</b>	<b>\$</b>	<b>\$ 395</b>	<b>\$ 6,389</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**Grayson County Health Department**  
**Schedule of Revenues and Expenditures By Cost Center (Continued)**  
**Year Ended June 30, 2015**

	895	897	898	899	900	901	
	Allocable	Space	Departmental	Clinic	Medical	Environmental	Totals
	Leave & Fringes	Indirect	Administration	Clerical	Indirect	Indirect	
<b>Revenues</b>							
State funds	\$ 76,144	\$	\$	\$	\$	\$	\$ 203,869
Federal funds	31,554						349,897
Local funds	13,117						275,309
Service fees	1,025						313,862
Interest income							54
<b>Total revenues</b>	<b>121,840</b>						<b>1,142,991</b>
<b>Expenditures</b>							
Direct							
Compensation	4	4,522	68,468	69,399	625	49,314	507,183
Fringe benefits	70,784	3,158	47,771	34,905	408	34,429	345,397
Independent contracts							6,315
Travel			258	307			12,090
Occupancy		42,195					42,195
Office administration			48,299	1,182		4,153	61,718
Medical supplies			10,623	1,229			28,370
Automotive						9,800	9,830
Other			16,007			500	32,835
<b>Total direct</b>	<b>70,788</b>	<b>49,875</b>	<b>191,426</b>	<b>107,022</b>	<b>1,033</b>	<b>98,196</b>	<b>1,045,933</b>
Indirect allocation	(3)	(49,875)	(191,426)	(107,022)	(1,033)	(98,196)	
Resource based allocation							
<b>Total expenditures</b>	<b>70,785</b>						<b>1,045,933</b>
<b>Excess of revenues over expenditures</b>	<b>\$ 51,055</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$ 97,058</b>

See accompanying Independent's Auditor's Report.

**Grayson County Health Department**  
**Schedule of Revenues and Expenditures by Actual vs. Budget**  
**Year Ended June 30, 2015**

	Actual	(Unaudited) Budget	Positive (Negative) Variance
<b>Revenues</b>			
State funds	\$ 203,869	\$ 194,432	\$ 9,437
Federal funds	349,897	347,284	2,613
Local funds	275,309	325,683	(50,374)
Service fees	313,862	382,460	(68,598)
Interest income	54	70	(16)
	<hr/>	<hr/>	<hr/>
Total Revenues	1,142,991	1,249,929	(106,938)
<b>Expenditures</b>			
Compensation	507,183	609,031	101,848
Fringe benefits	345,397	417,588	72,191
Independent contracts	6,315	41,366	35,051
Travel	12,090	18,300	6,210
Occupancy	42,195	34,844	(7,351)
Office administration	61,718	46,795	(14,923)
Medical supplies	28,370	17,418	(10,952)
Automotive	9,830	6,100	(3,730)
Other	32,835	60,259	27,424
	<hr/>	<hr/>	<hr/>
Total Expenditures	1,045,933	1,251,701	205,768
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over Expenditures	\$ 97,058	\$ (1,772)	\$ 98,830
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

See accompanying Independent Auditor's Report.

Independent Auditor's 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 Members of the Board of the  
**Grayson County Health Department**

We have audited, 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, the financial statements of the Grayson County Health Department (Department), as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the Department's basic financial statements, and have issued are report thereon dated October 7, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Department's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect 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.

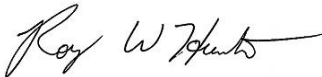
**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* (Continued)**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.



Lexington, Kentucky

October 7, 2015

## **Management Letter Comments**

**Grayson County Health Department  
Management Letter Comments  
Year Ended June 30, 2015**

**Management Letter Comments:**

No current year management letter comments were noted.

**Grayson County Health Department  
Management Letter Comments  
Year Ended June 30, 2015**

**Management Letter Comments:**

No prior year management letter comments were noted.