

Grayson County Health Department

Financial Statements

Fiscal Year Ended June 30, 2017

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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, 2017, which comprise the statements of assets, liabilities and fund balance as of June 30, 2017 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, 2017, 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, 2017, 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

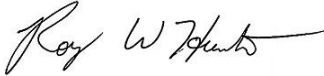
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The Schedule of Revenues and Expenditures by Cost Center and the Schedule of Revenues and Expenditures – Actual vs Budget are presented for 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 6, 2017 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 6, 2017

**Grayson County Health Department
Statement of Assets, Liabilities and Fund Balance
June 30, 2017**

Assets

Cash	\$ 441,880
Total Assets	<u>\$ 441,880</u>

Liabilities and Fund Balance

Liabilities

Administrative fee liability	\$ 2,828
Payroll withholdings	<u>3,157</u>
Total Liabilities	5,985

Fund Balance

Unrestricted	333,426
Restricted	<u>102,469</u>
Total Fund Balance	<u>435,895</u>

Total Liabilities and Fund Balance	<u>\$ 441,880</u>
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See accompanying notes.

Grayson County Health Department
Statement of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2017

Revenues	
State funds	\$ 360,915
Federal funds	267,898
Local funds	275,044
Service fees	443,098
Interest income	492
	<hr/>
Total Revenues	1,347,447
Expenditures	
Compensation	584,702
Fringe benefits	384,720
Independent contracts	3,763
Travel	11,123
Occupancy	33,415
Office administration	65,130
Medical supplies	20,673
Automotive	5,212
Other	44,607
	<hr/>
Total Expenditures	1,153,345
Excess of revenues over expenditures	194,102
Fund Balance, Beginning of Year	<hr/> 305,262
Less: Prior year income carryovers included in current year revenue:	
State funds	(35,390)
Federal funds	(6,078)
Service fees	(22,001)
	<hr/>
	(63,469)
	<hr/>
Fund Balance, End of Year	\$ 435,895
	<hr/> <hr/>

See accompanying notes.

Grayson County Health Department
Notes to Financial Statements
June 30, 2017

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 Uniform Guidance - 2 CFR part 200, Appendices III–VII. 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, 2017

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, 2017, the carrying amount of the Department's deposits was \$441,880 and the combined banking institutions' balance was \$450,932. The difference of \$9,052 between the Department's deposit balance and the banking institutions' balance results from outstanding checks. Of the banking institutions' balance, \$250,000 was covered by Federal depository insurance. Securities pledged as collateral for deposits totaled \$594,312 and are held in the name of the financial institution and pledged to the District.

Note D – Defined Benefit Pension Plan

Plan Description: 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.

Benefits Provided: KERS provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

All regular full-time employees of the Authority/Corporation are covered by KERS. A regular full-time employee is an employee that averages one hundred or more hours per month over a calendar or fiscal year. KERS consist of three tiers:

Tier 1: Participation prior to September 1, 2008

Tier 2: Participation on or after September 1, 2008 to December 31, 2013

Tier 3: Participation on or after January 1, 2014

For Tiers 1 and 2, the benefit paid is based on the following formula: Final Compensation X Benefit Factor X Years of Service = Annual Benefit. For Tier 3, the benefit paid is based on the member's accumulated account balance at the time of retirement.

In 2013, all Cost of Living Adjustments (COLA's) were eliminated unless the State Legislature so authorizes on a biennial basis and either (1) the system is over 100% funded or (2) the Legislature appropriates sufficient funds to prepay the increased liability for the COLA.

Contributions: Kentucky statutes set the rates for employer and employee contributions. Contributions rates can only be modified by the state legislature.

The employer and each employee contribute a percentage of the employee's creditable compensation. Creditable compensation consists of all wages includable on the employee's Federal Form W-2, Wage and Tax statement, under the heading "Wages, Tips, and Other Compensation". There are two exceptions of payment of wages not included in creditable compensation: (1) the lump-sum compensatory leave payments to employees in Tier 2 and 3 and (2) vacation payout at termination. The employer total contribution rate for FY17 was 48.59% comprised of 40.24% for pension contributions and 8.35% for insurance contributions. The employee's contribution rates are as follows: Tier 1 - 5%, Tier 2 and 3 - 6%.

Grayson County Health Department
Notes to Financial Statements (Continued)
June 30, 2017

Note D – Defined Benefit Pension Plan (Continued)

Contributions (Continued): 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 after September 1, 2008 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, 2017 totals \$234,992. This amount includes the pension and insurance contributions.

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.

Pension Costs and Benefit Obligation: 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.

The most recent actuarial valuation and determination of pension benefit obligation were performed as of June 30, 2016. The pension benefit obligation at June 30, 2016 for the System, as a whole, determined through an actuarial valuation performed as of that date was \$13,379,781,165. 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 \$1,980,292,118, leaving \$11,399,489,047 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 net pension liability at June 30, 2016 was \$3,178,854. The Department’s total employer pension expense for the fiscal year ended June 30, 2016 was \$335,273. 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.

Grayson County Health Department
Notes to Financial Statements (Continued)
June 30, 2017

Note D – Defined Benefit Pension Plan (Continued)

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.

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, 2016. 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.

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, 2017 is not recorded.

The vacation and compensated hours earned are subject to cash payment upon termination of employment. At June 30, 2017, the value of vacation and compensated hours was a \$61,510.

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, 2017, the value of sick hours earned was \$133,474. Based on the employer's contribution rate of 48.59%, the retirement contribution liability at June 30, 2017 was \$64,855.

Grayson County Health Department
Notes to Financial Statements (Continued)
June 30, 2017

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 2017 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, 2017

	500	520	540	560	700	718	725	726	736
	Food Service	Public Facilities	General Sanitation	Onsite Sewage	Preventive Presenting Problems	Lab/ Testing/ Radiology	KWSCP Pink County Outreach	Zika Preparedness and Reponse	CHAT
Revenues									
State funds	\$ 43,428	\$	\$	\$	\$	\$	\$	\$	\$
Federal funds							12,078	3,001	
Local funds	5,039	35,301	57,303				2,178	1,681	52
Service fees	4,710		2,300	86,830					
Interest income	492								
Total revenues	53,669	35,301	59,603	86,830			14,256	4,682	52
Expenditures									
Direct									
Compensation	15,338	10,206	17,185	19,374	86,542		1,268	2,294	26
Fringe benefits	6,521	4,340	7,305	8,235	34,078		643	1,161	13
Independent contracts					480	239			
Travel									
Occupancy									
Office administration								142	
Medical supplies					6,724	836			
Automotive									
Other	739			204		200	11,381		
Total direct	22,598	14,546	24,490	27,813	127,824	1,275	13,292	3,597	39
Indirect allocation	31,071	20,755	35,113	39,368	112,886	34	964	1,085	13
Resource based allocation					(240,710)	(1,309)			
Total expenditures	53,669	35,301	59,603	67,181	(127,824)	(1,275)	14,256	4,682	52
Excess of revenues over expenditures	\$	\$	\$	\$ 19,649	\$	\$	\$	\$	\$

See accompanying Independent's Auditor's Report.

Grayson County Health Department
Schedule of Revenues and Expenditures By Cost Center (Continued)
Year Ended June 30, 2017

	<u>752</u>	<u>758</u>	<u>766</u>	<u>767</u>	<u>774</u>	<u>800</u>	<u>802</u>	<u>803</u>	<u>804</u>
	<u>Hands GF</u>	<u>Human</u>	<u>MCH</u>	<u>Competitive</u>	<u>Child</u>	<u>Pediatric/</u>	<u>Family</u>	<u>Maternity</u>	
	<u>Services</u>	<u>Vitality</u>	<u>Coordinator</u>	<u>Home</u>	<u>Fatality</u>	<u>Adolsecent</u>	<u>Planning</u>	<u>Services</u>	
				<u>Visiting</u>	<u>Prevention</u>			<u>& Activity</u>	<u>WIC</u>
Revenues									
State funds	\$ 87,643	\$	\$	\$	\$	\$ 4,689	\$ 9,146	\$ 4,611	\$ 7,850
Federal funds			14,816	33,290	210	1,875	5,681		145,326
Local funds	1,253		170			44			
Service fees	22,702	30,965				5,591	15,857	18	
Interest income									
Total revenues	<u>111,598</u>	<u>30,965</u>	<u>14,986</u>	<u>33,290</u>	<u>210</u>	<u>12,199</u>	<u>30,684</u>	<u>4,629</u>	<u>153,176</u>
Expenditures									
Direct									
Compensation	53,529	8,869	7,013	10,183	92	1,128	461		342
Fringe benefits	19,456	4,493	3,553	3,360	45	573	127		157
Independent contracts							397	1,587	
Travel	2,943	86	43	734					
Occupancy									
Office administration									
Medical supplies		6,873					5,650		174
Automotive									
Other	3,240	2,649	380	2,000					396
Total direct	<u>79,168</u>	<u>22,970</u>	<u>10,989</u>	<u>16,277</u>	<u>137</u>	<u>1,701</u>	<u>6,635</u>	<u>1,587</u>	<u>1,069</u>
Indirect allocation	32,430	4,875	3,997	6,442	48	708	256		233
Resource based allocation						9,790	23,793	3,042	151,874
Total expenditures	<u>111,598</u>	<u>27,845</u>	<u>14,986</u>	<u>22,719</u>	<u>185</u>	<u>12,199</u>	<u>30,684</u>	<u>4,629</u>	<u>153,176</u>
Excess of revenues over expenditures	<u>\$</u>	<u>\$ 3,120</u>	<u>\$</u>	<u>\$ 10,571</u>	<u>\$ 25</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

See accompanying Independent's Auditor's Report.

Grayson County Health Department
Schedule of Revenues and Expenditures By Cost Center (Continued)
Year Ended June 30, 2017

	806	807	809	810	813	818	821	823	836
	Tuberculosis Visits & Activity	Sexually Transmitted Disease	Diabetes Services	Adult Visits & Follow-up	Breast & Cervical Cancer	Community Based Services 79	Bioterrorism Focus - A Preparedness	Bioterrorism (Focus Area E)	Tobacco Cessation
Revenues									
State funds	\$ 1,620	\$	\$ 6,150	\$	\$	\$	\$	\$	\$ 4,754
Federal funds	50				1,366		8,545	3,326	
Local funds	13,035	3,603		1,664	6,465	30,456	1,939		391
Service fees	4,922	3,464		14,211	4,636				
Interest income									
Total revenues	19,627	7,067	6,150	15,875	12,467	30,456	10,484	3,326	5,145
Expenditures									
Direct									
Compensation			1,382	170		14,337	3,732	1,335	1,632
Fringe benefits			701	85		7,262	1,890	676	826
Independent contracts					1,060				
Travel									78
Occupancy						1,464	2,178		91
Office administration									
Medical supplies					35				
Automotive									
Other						(395)		102	928
Total direct	-	-	2,083	255	1,095	22,668	7,800	2,113	3,555
Indirect allocation	17		1,323	81	68	7,788	2,684	1,119	1,590
Resource based allocation	19,610	7,067		15,539	11,304				
Total expenditures	19,627	7,067	3,406	15,875	12,467	30,456	10,484	3,232	5,145
Excess of revenues over expenditures	\$	\$	\$ 2,744	\$	\$	\$	\$	\$ 94	\$

See accompanying Independent's Auditor's Report.

Grayson County Health Department
Schedule of Revenues and Expenditures By Cost Center (Continued)
Year Ended June 30, 2017

	837	853	890	891	892	895	897	898	899
	Abstinence	HANDS	Core Assessment - Policy Dev.	Medicaid Match	Minor Restricted	Allocable Leave & Fringes	Space Indirect	Departmental Administration	Clinic Clerical
Revenues									
State funds	\$	\$ 40,127	\$	\$	\$	\$ 150,897	\$	\$	\$
Federal funds	1,365					36,969			
Local funds		14,140	6,290	2,768		91,272			
Service fees		242,906				3,986			
Interest income									
Total revenues	1,365	297,173	6,290	2,768	-	283,124	-	-	-
Expenditures									
Direct									
Compensation	200	140,937	3,069			2	5,510	88,267	36,499
Fringe benefits	101	50,795	1,555			125,589	472	52,152	16,602
Independent contracts									
Travel	90	5,812						899	427
Occupancy							33,415		
Office administration		10,760						38,361	8,102
Medical supplies									381
Automotive									
Other	70	5,462	13	2,768	(355)			8,283	5,919
Total direct	461	213,766	4,637	2,768	(355)	125,591	39,397	187,962	67,930
Indirect allocation	893	83,407	1,653				(39,397)	(187,962)	(67,930)
Resource based allocation									
Total expenditures	1,354	297,173	6,290	2,768	(355)	125,591	-	-	-
Excess of revenues over expenditures	\$ 11	\$	\$	\$	\$ 355	\$ 157,533	\$	\$	\$

Grayson County Health Department
Schedule of Revenues and Expenditures By Cost Center (Continued)
Year Ended June 30, 2017

	<u>900</u>	<u>901</u>	
	Medical Indirect	Environmental Indirect	Totals
Revenues			
State funds	\$	\$	\$ 360,915
Federal funds			267,898
Local funds			275,044
Service fees			443,098
Interest income			492
Total revenues			<u>1,347,447</u>
Expenditures			
Direct			
Compensation	48	53,732	584,702
Fringe benefits	28	31,926	384,720
Independent contracts			3,763
Travel		11	11,123
Occupancy			33,415
Office administration		4,032	65,130
Medical supplies			20,673
Automotive		5,212	5,212
Other		623	44,607
Total direct	<u>76</u>	<u>95,536</u>	<u>1,153,345</u>
Indirect allocation	(76)	(95,536)	-
Resource based allocation			-
Total expenditures			<u>1,153,345</u>
Excess of revenues over expenditures	<u>\$</u>	<u>\$</u>	<u>\$ 194,102</u>

See accompanying Independent's Auditor's Report.

Grayson County Health Department
Schedule of Revenues and Expenditures by Actual vs. Budget
Year Ended June 30, 2017

	Actual	(Unaudited) Budget	Positive (Negative) Variance
Revenues			
State funds	\$ 360,915	\$ 332,536	\$ 28,379
Federal funds	267,898	268,756	(858)
Local funds	275,044	275,000	44
Service fees	443,098	375,371	67,727
Interest income	492		492
	<hr/>	<hr/>	<hr/>
Total Revenues	1,347,447	1,251,663	95,784
Expenditures			
Compensation	584,702	560,041	(24,661)
Fringe benefits	384,720	407,359	22,639
Independent contracts	3,763	15,260	11,497
Travel	11,123	9,700	(1,423)
Occupancy	33,415	43,250	9,835
Office administration	65,130	64,943	(187)
Medical supplies	20,673	31,043	10,370
Automotive	5,212	8,000	2,788
Other	44,607	50,028	5,421
	<hr/>	<hr/>	<hr/>
Total Expenditures	1,153,345	1,189,624	36,279
	<hr/>	<hr/>	<hr/>
Excess of Revenues Over Expenditures	\$ 194,102	\$ 62,039	\$ 132,063

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, 2017, 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 6, 2017.

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 6, 2017

Management Letter Comments

**Grayson County Health Department
Management Letter Comments
Year Ended June 30, 2017**

Management Letter Comments:

No current year management letter comments were noted.

**Grayson County Health Department
Management Letter Comments
Year Ended June 30, 2017**

Management Letter Comments:

No prior year management letter comments were noted.