

**Grayson County Health Department**

**Financial Statements**

**Fiscal Year Ended June 30, 2018**

**DRAFT**

Roy W Hunter, CPA, PLLC  
1890 Star Shoot Parkway  
Suite 170-147  
Lexington, KY 40509

**Grayson County Health Department**

Table of Contents  
June 30, 2018

|   | <u>Page</u> |
|---|-------------|
| Independent Auditor's Report .....  | 1-3         |
| <b>Financial Statements</b>   |             |
| Statement of Assets, Liabilities and Fund Balance.....  | 4           |
| Statement of Revenues, Expenditures and Changes in Fund Balance.....  | 5           |
| Notes to Financial Statements .....   | 6-10        |
| <b>Supplementary Information</b>  |             |
| Schedule of Revenues and Expenditures by Cost Center .....  | 11-15       |
| Schedule of Revenues and Expenditures - Actual vs. Budget .....   | 16          |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on<br>Compliance and Other Matters Based on an Audit of Financial Statements<br>Performed in Accordance With <i>Government Auditing Standards</i> ..... | 17-18       |
| Audit Adjustment.....   | 19          |
| Management Letter Comments.....   | 20          |
| Prior Year Management Letter Comments .....   | 21          |

**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, 2018, which comprise the statements of assets, liabilities and fund balance as of June 30, 2018 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, 2018, 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, 2018, 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*

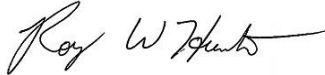
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department's basic financial statements. The Schedule of Revenues and Expenditures by Cost Center and the Schedule of Revenues and Expenditures – Actual vs Budget are presented for 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 18, 2018 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 18, 2018

DRAFT

**Grayson County Health Department  
Statement of Assets, Liabilities and Fund Balance  
June 30, 2018**

**Assets**

|              |                          |
|--------------|--------------------------|
| Cash         | <u>\$ 371,991</u>        |
| Total Assets | <u><u>\$ 371,991</u></u> |

**Liabilities and Fund Balance**

Liabilities

|                              |              |
|------------------------------|--------------|
| Administrative fee liability | \$ 3,995     |
| Payroll withholdings         | <u>1,713</u> |
| Total Liabilities            | 5,708        |

Fund Balance

|                                    |                          |
|------------------------------------|--------------------------|
| Unrestricted                       | 248,893                  |
| Restricted                         | <u>117,390</u>           |
| Total Fund Balance                 | <u>366,283</u>           |
| Total Liabilities and Fund Balance | <u><u>\$ 371,991</u></u> |

See accompanying notes.

**Grayson County Health Department  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Year Ended June 30, 2018**

|  |                          |
|--|--------------------------|
| Revenues   |                          |
| State funds  | \$ 271,403               |
| Federal funds  | 223,207                  |
| Local funds  | 355,728                  |
| Service fees   | 405,465                  |
| Interest income  | 550                      |
| Unrestricted carryover   | <u>118,620</u>           |
| Total Revenues   | 1,374,973                |
| Expenditures   |                          |
| Compensation   | 647,645                  |
| Fringe benefits  | 491,495                  |
| Independent contracts  | 3,784                    |
| Travel   | 13,344                   |
| Occupancy  | 37,707                   |
| Office administration  | 67,186                   |
| Medical supplies   | 20,796                   |
| Automotive   | 10,694                   |
| Other  | <u>32,226</u>            |
| Total Expenditures   | <u>1,324,877</u>         |
| Excess of revenues over expenditures                                 | 50,096                   |
| Fund Balance, Beginning of Year                                      | <u>435,895</u>           |
| Less: Prior year income carryovers included in current year revenue: |                          |
| State funds  | (733)                    |
| Service fees   | (355)                    |
| Unrestricted carryover   | <u>(118,620)</u>         |
|  | <u>(119,708)</u>         |
| Fund Balance, End of Year  | <u><u>\$ 366,283</u></u> |

See accompanying notes.

**Grayson County Health Department  
Notes to Financial Statements  
June 30, 2018**

**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.

**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, 2018, the carrying amount of the Department’s deposits was \$371,991 and the combined banking institutions’ balance was \$382,450. The difference of \$10,459 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 \$180,000 and are held in the name of the financial institution and pledged to the District.



**Grayson County Health Department**  
**Notes to Financial Statements (Continued)**  
**June 30, 2018**

**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 FY18 was 49.47% comprised of 41.06% for pension contributions and 8.41% for insurance contributions. The employee's contribution rates are as follows: Tier 1 - 5%, Tier 2 and 3 - 6%.

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, 2018 totals \$312,539. This amount includes the pension and insurance contributions.

**Grayson County Health Department**  
**Notes to Financial Statements (Continued)**  
**June 30, 2018**

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

*Contributions (Continued):* 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.

*Net Pension Liability:* The net pension liability is the total pension liability, less the amount of the plan’s fiduciary net position. The most recent actuarial valuation of the net pension liability was performed as of June 30, 2016 and rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2017. The net pension liability at June 30, 2017 for the System, as a whole, determined through an actuarial valuation performed as of that date was calculated based on three discount rates as follows:

| Assumption            | 1% Increase In Discount Rate | Current Discount Rate | 1% Decrease In Discount Rate |
|-----------------------|------------------------------|-----------------------|------------------------------|
| Discount Rate         | 6.25%                        | 5.25%                 | 4.25%                        |
| Net Pension Liability | \$ 11,810,153,309            | \$ 13,388,336,606     | \$ 15,286,444,750            |

The Kentucky Retirement System is required to determine the pro-rata share of each member for reporting in the member’s financial statements. At June 30, 2017, the Health Department's proportionate share of the Total Net Pension Liability was .0327 percent, an increase from the prior year proportionate share of .0279 percent. The Department’s share of the net pension liability at June 30, 2017 was calculated based on three discount rates as follows:

| Assumption            | 1% Increase In Discount Rate | Current Discount Rate | 1% Decrease In Discount Rate |
|-----------------------|------------------------------|-----------------------|------------------------------|
| Discount Rate         | 6.25%                        | 5.25%                 | 4.25%                        |
| Net Pension Liability | \$ 3,859,322                 | \$ 4,375,041          | \$ 4,995,304                 |

The Department’s total employer pension expense for the fiscal year ended June 30, 2017 was \$797,202. 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.

**Grayson County Health Department  
Notes to Financial Statements (Continued)  
June 30, 2018**

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

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, 2017. 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, 2018 is not recorded.

The vacation and compensated hours earned are subject to cash payment upon termination of employment. At June 30, 2018, the value of vacation and compensated hours was a \$27,466.

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, 2018, the value of sick hours earned was \$44,336. Based on the employer’s contribution rate of 49.47%, the retirement contribution liability at June 30, 2018 was \$21,933.

**Note F – Postemployment Benefits Other Than Pension Liability**

Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pension (OPEB)” required that the Kentucky Retirement System (KRS) determine the total OPEB liability related to the Kentucky Employees’ Health Plan that KRS administrates. The fully-insured premiums KRS pays for the Kentucky Employees’ Health Plan are blended rates based on the combined experience of active and retired members. Because the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 75 requires that the liability associated with this implicit subsidy be included in the calculation of the total OPEB liability. The net OPEB liability is the total OPEB liability, less the amount of the plan’s fiduciary net position. The most recent actuarial valuation of the net OPEB liability was performed as of June 30, 2016 and rolled-forward from the valuation date to the plan’s fiscal year end, June 30, 2017. The net OPEB liability at June 30, 2017 for the System, as a whole was calculated based on three discount rates and three healthcare cost trend rates as follows:

| Assumption         | 1% Increase In Discount Rate | Current Discount Rate | 1% Decrease In Discount Rate |
|--------------------|------------------------------|-----------------------|------------------------------|
| Discount Rate      | 6.83%                        | 5.83%                 | 4.83%                        |
| Net OPEB Liability | \$ 2,179,532,929             | \$ 2,535,962,243      | \$ 2,964,846,175             |

| Assumption         | 1% Decrease In Healthcare Cost Trend Rate | Current Healthcare Cost Trend Rate | 1% Increase In Healthcare Cost Trend Rate |
|--------------------|---|------------------------------------|---|
| Net OPEB Liability | \$ 2,154,746,815                          | \$ 2,535,962,243                   | \$ 3,014,646,108                          |

**Grayson County Health Department  
Notes to Financial Statements (Continued)  
June 30, 2018**

**Note F – Postemployment Benefits Other Than Pension Liability (Continued)**

As a result of GASBS No. 75 the Kentucky Retirement System required the pro-rata share of each member to be determined for reporting in the member’s financial statements. At June 30, 2017, the Health Department's proportion was .0327 percent. The Department’s share of the net pension liability at June 30, 2017 was calculated based on three discount rates and three healthcare trend rates as follows:

| Assumption         | 1% Increase In Discount Rate | Current Discount Rate | 1% Decrease In Discount Rate |
|--------------------|------------------------------|-----------------------|------------------------------|
| Discount Rate      | 6.83%                        | 5.83%                 | 4.83%                        |
| Net OPEB Liability | \$ 712,228                   | \$ 828,702            | \$ 968,852                   |

| Assumption         | 1% Decrease In Healthcare Cost Trend Rate | Current Healthcare Cost Trend Rate | 1% Increase In Healthcare Cost Trend Rate |
|--------------------|---|------------------------------------|---|
| Net OPEB Liability | \$ 704,128                                | \$ 828,702                         | \$ 985,126                                |

The Department’s total employer health plan expense for the fiscal year ended June 30, 2017 was \$82,208. 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.

**Note G – 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 2018 fiscal year the Grayson County Public Health Taxing District remitted \$355,728 to the Department; this amount is included as “Local funds” revenue on the Statement of Revenues, Expenditures and Changes in Fund Balance.

DRAFT

**Supplementary Information**

**Grayson County Health Department**  
**Schedule of Revenues and Expenditures By Cost Center**  
**Year Ended June 30, 2018**

|   | 500           | 520               | 540                | 560             | 700                            | 712             | 718                     | 726                            | 736        |
|---|---------------|-------------------|--------------------|-----------------|--------------------------------|-----------------|-------------------------|--------------------------------|------------|
|   | Food Service  | Public Facilities | General Sanitation | Onsite Sewage   | Preventive Presenting Problems | Dental Services | Lab/ Testing/ Radiology | Zika Preparedness and Response | CHAT       |
| <b>Revenues</b>                             |               |                   |                    |                 |                                |                 |                         |                                |            |
| State funds                                 | \$ 35,473     | \$                | \$                 | \$              | \$                             | \$ 43           | \$                      | \$                             | \$         |
| Federal funds                               |               |                   |                    |                 |                                |                 |                         | 3,756                          | 965        |
| Local funds                                 | 23,326        | 33,008            | 71,846             |                 |                                |                 |                         |                                | 13         |
| Service fees                                | 1,700         |                   |                    | 88,300          |                                | 19              |                         |                                |            |
| Interest income                             | 542           |                   |                    |                 |                                |                 |                         |                                |            |
| Unrestricted carry over                     |               |                   |                    |                 |                                |                 |                         |                                |            |
| <b>Total revenues</b>                       | <b>61,041</b> | <b>33,008</b>     | <b>71,846</b>      | <b>88,300</b>   |                                | <b>62</b>       |                         | <b>3,756</b>                   | <b>978</b> |
| <b>Expenditures</b>                         |               |                   |                    |                 |                                |                 |                         |                                |            |
| Direct                                      |               |                   |                    |                 |                                |                 |                         |                                |            |
| Compensation                                | 16,202        | 8,709             | 19,181             | 21,909          | 104,317                        |                 | 3,575                   | 1,093                          | 352        |
| Fringe benefits                             | 8,933         | 4,801             | 10,574             | 12,077          | 47,142                         |                 | 1,777                   | 682                            | 219        |
| Independent contracts                       |               |                   |                    |                 | 223                            |                 |                         |                                |            |
| Travel                                      |               |                   |                    |                 | 111                            |                 |                         |                                | 237        |
| Occupancy                                   |               |                   |                    |                 |                                |                 |                         |                                |            |
| Office administration                       |               |                   |                    | 86              | 38                             |                 |                         |                                |            |
| Medical supplies                            |               |                   |                    |                 | 7,919                          |                 | 4,014                   |                                |            |
| Automotive                                  |               |                   |                    |                 |                                |                 |                         |                                |            |
| Other                                       |               | 120               |                    |                 | 165                            | 36              | 358                     | 1,379                          |            |
| <b>Total direct</b>                         | <b>25,135</b> | <b>13,630</b>     | <b>29,755</b>      | <b>34,072</b>   | <b>159,915</b>                 | <b>36</b>       | <b>9,724</b>            | <b>3,154</b>                   | <b>808</b> |
| Indirect allocation                         | 35,906        | 19,378            | 42,091             | 47,850          | 137,996                        |                 | 4,188                   | 526                            | 170        |
| Resource based allocation                   |               |                   |                    |                 | (297,911)                      | 7               | (13,912)                |                                |            |
| <b>Total expenditures</b>                   | <b>61,041</b> | <b>33,008</b>     | <b>71,846</b>      | <b>81,922</b>   | <b>(159,915)</b>               | <b>7</b>        | <b>(9,724)</b>          | <b>3,680</b>                   | <b>978</b> |
| <b>Excess of revenues over expenditures</b> | <b>\$</b>     | <b>\$</b>         | <b>\$</b>          | <b>\$ 6,378</b> | <b>\$</b>                      | <b>\$ 19</b>    | <b>\$</b>               | <b>\$ 76</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, 2018**

|   | 752                  | 758               | 766                | 774                             | 800                      | 802                | 803                   | 804                           | 806                                  |
|---|----------------------|-------------------|--------------------|---------------------------------|--------------------------|--------------------|-----------------------|-------------------------------|--------------------------------------|
|   | Hands GF<br>Services | Human<br>Vitality | MCH<br>Coordinator | Child<br>Fatality<br>Prevention | Pediatric/<br>Adolescent | Family<br>Planning | Maternity<br>Services | WIC<br>Visits &<br>Activities | Tuberculosis<br>Visits &<br>Activity |
| <b>Revenues</b>                             |                      |                   |                    |                                 |                          |                    |                       |                               |                                      |
| State funds                                 | \$ 69,890            | \$                | \$                 | \$                              | \$                       | \$ 47              | \$                    | \$                            | \$                                   |
| Federal funds                               |                      |                   | 14,743             | 774                             | 250                      | 15,125             |                       | 144,415                       | 50                                   |
| Local funds                                 | 54,198               |                   | 3,131              | 1,699                           | 17,180                   | 28,075             | 2,037                 | 18,729                        | 19,696                               |
| Service fees                                |                      | 16,225            |                    |                                 | 6,673                    | 19,918             |                       |                               | 4,522                                |
| Interest income                             |                      |                   |                    |                                 |                          | 8                  |                       |                               |                                      |
| Unrestricted carry over                     |                      |                   |                    |                                 |                          |                    |                       |                               |                                      |
| <b>Total revenues</b>                       | <b>124,088</b>       | <b>16,225</b>     | <b>17,874</b>      | <b>2,473</b>                    | <b>24,103</b>            | <b>63,173</b>      | <b>2,037</b>          | <b>163,144</b>                | <b>24,268</b>                        |
| <b>Expenditures</b>                         |                      |                   |                    |                                 |                          |                    |                       |                               |                                      |
| Direct                                      |                      |                   |                    |                                 |                          |                    |                       |                               |                                      |
| Compensation                                | 58,036               | 3,251             | 6,567              | 967                             | 4,615                    | 832                |                       | 2,664                         | 974                                  |
| Fringe benefits                             | 24,355               | 1,771             | 3,838              | 605                             | 2,886                    | 504                |                       | 1,649                         | 609                                  |
| Independent contracts                       |                      |                   |                    |                                 |                          | 1,817              | 781                   |                               |                                      |
| Travel                                      | 2,282                | 37                | 94                 | 245                             |                          |                    |                       | 1,069                         | 150                                  |
| Occupancy                                   |                      |                   |                    |                                 |                          |                    |                       |                               |                                      |
| Office administration                       |                      |                   | 117                |                                 |                          |                    |                       | 140                           |                                      |
| Medical supplies                            |                      | 4,649             |                    |                                 |                          | 3,544              | 27                    |                               |                                      |
| Automotive                                  |                      |                   |                    |                                 |                          |                    |                       |                               |                                      |
| Other                                       |                      | 29                | 2,964              | 99                              |                          |                    |                       | 1,443                         | 71                                   |
| <b>Total direct</b>                         | <b>84,673</b>        | <b>9,737</b>      | <b>13,580</b>      | <b>1,916</b>                    | <b>7,501</b>             | <b>6,697</b>       | <b>808</b>            | <b>6,965</b>                  | <b>1,804</b>                         |
| Indirect allocation                         | 39,415               | 2,142             | 4,294              | 557                             | 2,224                    | 405                | 1,229                 | 1,310                         | 469                                  |
| Resource based allocation                   |                      |                   |                    |                                 | 14,378                   | 56,071             |                       | 154,869                       | 21,995                               |
| <b>Total expenditures</b>                   | <b>124,088</b>       | <b>11,879</b>     | <b>17,874</b>      | <b>2,473</b>                    | <b>24,103</b>            | <b>63,173</b>      | <b>2,037</b>          | <b>163,144</b>                | <b>24,268</b>                        |
| <b>Excess of revenues over expenditures</b> | <b>\$</b>            | <b>\$ 4,346</b>   | <b>\$</b>          | <b>\$</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, 2018**

|   | 807   | 809                  | 810               | 811                             | 813                            | 818                                | 821                                       | 823                               | 826                 |
|---|---|----------------------|-------------------|---------------------------------|--------------------------------|------------------------------------|---|-----------------------------------|---------------------|
|   | Sexually<br>Transmitted<br>Disease Services | Diabetes<br>Services | Adult<br>Services | Lead<br>Poisoning<br>Prevention | Breast &<br>Cervical<br>Cancer | Community<br>Based<br>Services 799 | Bioterrorism<br>Focus - A<br>Preparedness | Bioterrorism<br>(Focus<br>Area E) | Communicae<br>Grant |
| <b>Revenues</b>                             |   |                      |                   |                                 |                                |                                    |   |                                   |                     |
| State funds                                 | \$  | \$ 5,102             | \$                | \$                              | \$                             | \$                                 | \$  | \$                                | \$                  |
| Federal funds                               |   |                      |                   |                                 | 912                            |                                    | 13,217                                    | 3,129                             |                     |
| Local funds                                 | 7,872                                       |                      | 43,874            | 157                             | 9,019                          | 21,339                             |   |                                   |                     |
| Service fees                                | 3,238                                       |                      | 22,986            |                                 | 5,348                          |                                    |   |                                   | 3,000               |
| Interest income                             |   |                      |                   |                                 |                                |                                    |   |                                   |                     |
| Unrestricted carry over                     |   |                      |                   |                                 |                                | 27,414                             | 1,273                                     | 1,885                             |                     |
| <b>Total revenues</b>                       | <b>11,110</b>                               | <b>5,102</b>         | <b>66,860</b>     | <b>157</b>                      | <b>15,279</b>                  | <b>48,753</b>                      | <b>14,490</b>                             | <b>5,014</b>                      | <b>3,000</b>        |
| <b>Expenditures</b>                         |   |                      |                   |                                 |                                |                                    |   |                                   |                     |
| Direct                                      |   |                      |                   |                                 |                                |                                    |   |                                   |                     |
| Compensation                                | 749   | 1,092                | 11,438            | 36                              | 1,578                          | 21,846                             | 5,472                                     | 2,182                             |                     |
| Fringe benefits                             | 469   | 682                  | 7,153             | 24                              | 987                            | 13,662                             | 3,421                                     | 1,363                             |                     |
| Independent contracts                       |   |                      |                   |                                 | 963                            |                                    |   |                                   |                     |
| Travel                                      |   | 86                   |                   |                                 |                                |                                    | 226                                       |                                   |                     |
| Occupancy                                   |   |                      |                   |                                 |                                |                                    |   |                                   |                     |
| Office administration                       |   |                      |                   |                                 |                                |                                    | 1,676                                     |                                   |                     |
| Medical supplies                            |   |                      |                   |                                 |                                |                                    |   |                                   |                     |
| Automotive                                  |   |                      |                   |                                 |                                |                                    |   |                                   |                     |
| Other                                       |   | 189                  |                   | 80                              |                                | 298                                | 96  |                                   | 1,592               |
| <b>Total direct</b>                         | <b>1,218</b>                                | <b>2,049</b>         | <b>18,591</b>     | <b>140</b>                      | <b>3,528</b>                   | <b>35,806</b>                      | <b>10,891</b>                             | <b>3,545</b>                      | <b>1,592</b>        |
| Indirect allocation                         | 362   | 1,349                | 4,286             | 17                              | 761                            | 12,947                             | 3,599                                     | 1,469                             |                     |
| Resource based allocation                   | 9,530                                       |                      | 43,983            |                                 | 10,990                         |                                    |   |                                   |                     |
| <b>Total expenditures</b>                   | <b>11,110</b>                               | <b>3,398</b>         | <b>66,860</b>     | <b>157</b>                      | <b>15,279</b>                  | <b>48,753</b>                      | <b>14,490</b>                             | <b>5,014</b>                      | <b>1,592</b>        |
| <b>Excess of revenues over expenditures</b> | <b>\$</b>                                   | <b>\$ 1,704</b>      | <b>\$</b>         | <b>\$</b>                       | <b>\$</b>                      | <b>\$</b>                          | <b>\$</b>                                 | <b>\$</b>                         | <b>\$ 1,408</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, 2018**

|   | 836                  | 837           | 842                           | 853            | 890                                 | 891               | 892                 | 895                             | 897               |
|---|----------------------|---------------|-------------------------------|----------------|-------------------------------------|-------------------|---------------------|---------------------------------|-------------------|
|   | Tobacco<br>Cessation | Abstinence    | HIV<br>Testing/<br>Counseling | HANDS          | Core<br>Public Health<br>Assessment | Medicaid<br>Match | Minor<br>Restricted | Allocable<br>Leave &<br>Fringes | Space<br>Indirect |
| <b>Revenues</b>                             |                      |               |                               |                |                                     |                   |                     |                                 |                   |
| State funds                                 | \$ 6,987             |               | \$ 733                        | \$ 5,380       | \$                                  | \$                | \$                  | \$ 147,748                      | \$                |
| Federal funds                               |                      | 2,038         |                               |                |                                     |                   |                     | 23,833                          |                   |
| Local funds                                 |                      |               |                               | 529            |                                     |                   |                     |                                 |                   |
| Service fees                                |                      |               |                               | 233,150        |                                     |                   | 386                 |                                 |                   |
| Interest income                             |                      |               |                               |                |                                     |                   |                     |                                 |                   |
| Unrestricted carry over                     |                      |               | 544                           | 74,927         | 9,412                               | 1,936             | 1,229               |                                 |                   |
| <b>Total revenues</b>                       | <u>6,987</u>         | <u>2,038</u>  | <u>1,277</u>                  | <u>313,986</u> | <u>9,412</u>                        | <u>1,936</u>      | <u>1,615</u>        | <u>171,581</u>                  |                   |
| <b>Expenditures</b>                         |                      |               |                               |                |                                     |                   |                     |                                 |                   |
| Direct                                      |                      |               |                               |                |                                     |                   |                     |                                 |                   |
| Compensation                                | 1,623                | 601           | 453                           | 142,741        | 4,038                               |                   |                     |                                 | 10,781            |
| Fringe benefits                             | 1,015                | 375           | 282                           | 66,353         | 2,524                               |                   |                     | 133,410                         | 1,210             |
| Independent contracts                       |                      |               |                               |                |                                     |                   |                     |                                 |                   |
| Travel                                      | 350                  |               | 325                           | 4,300          |                                     |                   |                     |                                 |                   |
| Occupancy                                   |                      |               |                               |                |                                     |                   |                     |                                 | 37,707            |
| Office administration                       |                      |               |                               | 2,458          | 197                                 |                   |                     |                                 |                   |
| Medical supplies                            |                      |               |                               |                |                                     |                   |                     |                                 |                   |
| Automotive                                  |                      |               |                               |                |                                     |                   |                     |                                 |                   |
| Other                                       | 20                   | 380           |                               | 3,347          | 168                                 | 1,936             | 1,615               | 4,087                           |                   |
| <b>Total direct</b>                         | <u>3,008</u>         | <u>1,356</u>  | <u>1,060</u>                  | <u>219,199</u> | <u>6,927</u>                        | <u>1,936</u>      | <u>1,615</u>        | <u>137,497</u>                  | <u>49,698</u>     |
| Indirect allocation                         | 2,069                | 514           | 217                           | 94,787         | 2,485                               |                   |                     | (3)                             | (49,698)          |
| Resource based allocation                   |                      |               |                               |                |                                     |                   |                     |                                 |                   |
| <b>Total expenditures</b>                   | <u>5,077</u>         | <u>1,870</u>  | <u>1,277</u>                  | <u>313,986</u> | <u>9,412</u>                        | <u>1,936</u>      | <u>1,615</u>        | <u>137,494</u>                  | <u>-</u>          |
| <b>Excess of revenues over expenditures</b> | <u>\$ 1,910</u>      | <u>\$ 168</u> | <u>\$</u>                     | <u>\$</u>      | <u>\$</u>                           | <u>\$</u>         | <u>\$</u>           | <u>\$ 34,087</u>                | <u>\$</u>         |

**Grayson County Health Department**  
**Schedule of Revenues and Expenditures By Cost Center (Continued)**  
**Year Ended June 30, 2018**

|   | 898                            | 899                | 900                 | 901                       |            |
|---|--------------------------------|--------------------|---------------------|---------------------------|------------|
|   | Departmental<br>Administration | Clinic<br>Clerical | Medical<br>Indirect | Environmental<br>Indirect | Totals     |
| <b>Revenues</b>                             |                                |                    |                     |                           |            |
| State funds                                 | \$                             | \$                 | \$                  | \$                        | \$ 271,403 |
| Federal funds                               |                                |                    |                     |                           | 223,207    |
| Local funds                                 |                                |                    |                     |                           | 355,728    |
| Service fees                                |                                |                    |                     |                           | 405,465    |
| Interest income                             |                                |                    |                     |                           | 550        |
| Unrestricted carryover                      |                                |                    |                     |                           | 118,620    |
| <b>Total revenues</b>                       | -                              | -                  |                     |                           | 1,374,973  |
| <b>Expenditures</b>                         |                                |                    |                     |                           |            |
| Direct                                      |                                |                    |                     |                           |            |
| Compensation                                | 78,527                         | 51,715             | 5,171               | 54,358                    | 647,645    |
| Fringe benefits                             | 62,349                         | 26,357             | 4,121               | 43,316                    | 491,495    |
| Independent contracts                       |                                |                    |                     |                           | 3,784      |
| Travel                                      | 2,568                          | 999                | 243                 | 22                        | 13,344     |
| Occupancy                                   |                                |                    |                     |                           | 37,707     |
| Office administration                       | 47,983                         | 10,137             |                     | 4,354                     | 67,186     |
| Medical supplies                            |                                | 643                |                     |                           | 20,796     |
| Automotive                                  | 60                             |                    |                     | 10,634                    | 10,694     |
| Other                                       | 10,576                         | 1,013              |                     | 165                       | 32,226     |
| <b>Total direct</b>                         | 202,063                        | 90,864             | 9,535               | 112,849                   | 1,324,877  |
| Indirect allocation                         | (202,063)                      | (90,864)           | (9,535)             | (112,849)                 | -          |
| Resource based allocation                   |                                |                    |                     |                           | -          |
| <b>Total expenditures</b>                   | -                              |                    |                     |                           | 1,324,877  |
| <b>Excess of revenues over expenditures</b> | \$                             | \$                 | \$                  | \$                        | \$ 50,096  |

See accompanying Independent's Auditor's Report.

**Grayson County Health Department**  
**Schedule of Revenues and Expenditures by Actual vs. Budget**  
**Year Ended June 30, 2018**

|   | Actual           | (Unaudited)<br>Budget | Positive<br>(Negative)<br>Variance |
|---|------------------|-----------------------|------------------------------------|
| <b>Revenues</b>                             |                  |                       |                                    |
| State funds                                 | \$ 271,403       | \$ 303,987            | \$ (32,584)                        |
| Federal funds                               | 223,207          | 211,843               | 11,364                             |
| Local funds                                 | 355,728          | 355,000               | 728                                |
| Service fees                                | 405,465          | 413,360               | (7,895)                            |
| Interest income                             | 550              | -                     | 550                                |
| Unrestricted carryover                      | 118,620          | 19,240                | 99,380                             |
| <b>Total Revenues</b>                       | <b>1,374,973</b> | <b>1,303,430</b>      | <b>71,543</b>                      |
| <b>Expenditures</b>                         |                  |                       |                                    |
| Compensation                                | 647,645          | 630,047               | (17,598)                           |
| Fringe benefits                             | 491,495          | 475,251               | (16,244)                           |
| Independent contracts                       | 3,784            | 13,100                | 9,316                              |
| Travel                                      | 13,344           | 9,279                 | (4,065)                            |
| Occupancy                                   | 37,707           | 37,500                | (207)                              |
| Office administration                       | 67,186           | 55,126                | (12,060)                           |
| Medical supplies                            | 20,796           | 21,997                | 1,201                              |
| Automotive                                  | 10,694           | 5,500                 | (5,194)                            |
| Other                                       | 32,226           | 50,371                | 18,145                             |
| <b>Total Expenditures</b>                   | <b>1,324,877</b> | <b>1,298,171</b>      | <b>(26,706)</b>                    |
| <b>Excess of Revenues Over Expenditures</b> | <b>\$ 50,096</b> | <b>\$ 5,259</b>       | <b>\$ 44,837</b>                   |

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, 2018, and the related notes to the financial statements which collectively comprise the Department's basic financial statements, and have issued our report thereon dated October 18, 2018.

**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.

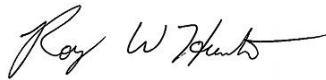
**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards (Continued)**

**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 18, 2018

**Grayson County Health Department  
 Audit Adjustment  
 Year Ended June 30, 2018**

| <u>Account Number</u>               | <u>Account Name</u>      | <u>Debit</u>    | <u>Credit</u>   |
|-------------------------------------|--------------------------|-----------------|-----------------|
| To correctly record an expenditure. |                          |                 |                 |
| 899-585-389                         | Client Clerical Other    | \$ 4,086        | \$ -            |
| 143000                              | State income tax payable |                 | 4,086           |
|                                     |                          | <u>\$ 4,086</u> | <u>\$ 4,086</u> |

DRAFT

**Management Letter Comments**

DRAFT

**Grayson County Health Department  
Management Letter Comments  
Year Ended June 30, 2018**

**Management Letter Comments:**

No current year management letter comments were noted.

DRAFT



**Grayson County Health Department  
Management Letter Comments  
Year Ended June 30, 2018**

**Management Letter Comments:**

No prior year management letter comments were noted.

DRAFT