

**LAWRENCE COUNTY
HEALTH DEPARTMENT
Louisa, Kentucky**

**FINANCIAL STATEMENTS
June 30, 2018**

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INDEPENDENT AUDITORS' REPORT

The Board of Health
Lawrence County Health Department
Louisa, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the Lawrence County Health Department (the Health Department) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Health Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the *Administrative Reference* established by the Commonwealth of Kentucky, Cabinet for Health and Family Services, Department for Public Health, Division of Administration and Financial Management as described in Note 1 to the financial statements. 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.

Auditors' 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.

Opinion

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

As described in Note 1, the financial statements are prepared by the Health Department, on the basis of the financial reporting provisions of the *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 the Commonwealth of Kentucky.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Health Department as of June 30, 2018, and the respective changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above, present fairly, in all material respects, the assets, liabilities and fund balances arising from cash transactions of the Lawrence County Health Department, as of June 30, 2018, and the respective cash receipts and cash disbursements, and budgetary results for the year then ended, in accordance with the financial reporting provisions of the *Administrative Reference* as described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Health Department’s basic financial statements. The supplementary schedules of revenues and direct and indirect costs by reporting area are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2018, on our consideration of the Health 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 solely 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 the effectiveness of the Health Department’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Department’s internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
October 5, 2018

LAWRENCE COUNTY HEALTH DEPARTMENT
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
REGULATORY BASIS
June 30, 2018

ASSETS

Current assets	
Cash and cash equivalents	\$ 281,313
Petty cash	<u>300</u>
Total current assets	281,613
Noncurrent assets	
Certificates of deposit	<u>195,456</u>
Total assets	<u>\$ 477,069</u>

LIABILITIES AND FUND BALANCE

Current liabilities	
Payroll withholdings and other payables	<u>\$ 10,439</u>
Fund balance	
Unrestricted	398,847
Restricted - State	36,387
Restricted - Federal	5,695
Restricted - Fees	<u>25,701</u>
Total fund balance	<u>466,630</u>
Total liabilities and fund balance	<u>\$ 477,069</u>

The accompanying notes are an integral
part of the financial statements.

LAWRENCE COUNTY HEALTH DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
REGULATORY BASIS - BUDGET TO ACTUAL
for the year ended June 30, 2018

	Budget	Actual	Over (under) Budget
REVENUES			
State	\$ 375,455	\$ 307,551	\$ (67,904)
Federal, direct and pass-through	420,892	487,305	66,413
Local	393,421	391,421	(2,000)
Service fees and other	467,700	459,283	(8,417)
Interest	-	854	854
Prior years funds used	<u>60,630</u>	<u>165,549</u>	<u>104,919</u>
 Total revenues	 <u>1,718,098</u>	 <u>1,811,963</u>	 <u>93,865</u>
EXPENDITURES			
Salaries and leave	738,700	760,801	22,101
Part-time	11,957	8,752	(3,205)
Fringe benefits	601,797	610,637	8,840
Contracts	46,375	37,120	(9,255)
Travel	17,886	20,200	2,314
Space occupancy	55,500	66,192	10,692
Office and administrative expense	59,200	72,595	13,395
Medical supplies	21,150	30,423	9,273
Automotive expenses	14,900	15,031	131
Other operating expenses	<u>74,100</u>	<u>105,225</u>	<u>31,125</u>
 Total expenditures	 <u>1,641,565</u>	 <u>1,726,976</u>	 <u>85,411</u>
 EXCESS OF REVENUES OVER (EXPENDITURES)	 76,533	 84,987	 8,454
Adjustments to fund balance			
Prior year funds used	<u>(60,630)</u>	<u>(165,549)</u>	<u>(104,919)</u>
 Net change in fund balance	 15,903	 (80,562)	 (96,465)
 FUND BALANCE - beginning of year	 <u>462,714</u>	 <u>547,192</u>	 <u>84,478</u>
 FUND BALANCE - END OF YEAR	 <u>\$ 478,617</u>	 <u>\$ 466,630</u>	 <u>\$ (11,987)</u>

The accompanying notes are an integral
part of the financial statements.

LAWRENCE COUNTY HEALTH DEPARTMENT
SUPPLEMENTARY SCHEDULE OF REVENUES BY REPORTING AREA
for the year ended June 30, 2018

		REVENUE					Total Revenues	Total Costs	Department Carryover	Program Excess (Deficit)
		State	Federal	Local	Service Fees	Interest				
Food	500	\$ 29,559	\$ -	\$ 16,534	\$ 100	\$ 468	\$ 46,661	\$ 46,661	\$ -	\$ -
Public Facilities	520	-	-	3,704	1,675	-	5,379	5,379	-	-
General Sanitation	540	-	-	7,272	250	-	7,522	7,522	-	-
OnSite Sewage	560	-	-	51,431	12,700	-	64,131	64,131	-	-
Other Environmental	590	-	-	58	-	-	58	58	-	-
Total Environmental		<u>29,559</u>	<u>-</u>	<u>78,999</u>	<u>14,725</u>	<u>468</u>	<u>123,751</u>	<u>123,751</u>	<u>-</u>	<u>-</u>
Preventative & Presenting Prob.	700	-	-	-	-	-	-	-	-	-
Oral Health	712	565	-	-	59	350	974	974	-	-
Laboratory/Testing/Radiology	718	-	-	-	-	-	-	-	-	-
Zika Preparedness and Response	726	-	6,840	-	-	-	6,840	6,840	-	-
Preventive Dental Hygiene Team	733	6,750	-	-	75,671	-	82,421	140,718	58,297	-
CHAT	736	-	19,852	1,895	-	-	21,747	21,747	-	-
HANDS GF Services	754	-	-	12	-	-	12	12	-	-
PREP	756	-	10,698	1,714	-	-	12,412	12,412	-	-
Humana Vitality	758	-	-	-	10,614	-	10,614	7,101	-	3,513
HANDS Federal Funding for Svcs.	760	-	196,270	-	-	-	196,270	219,051	22,781	-
Tobacco Program Federal Funds	765	-	12,415	3,946	-	-	16,361	16,361	-	-
MCH Coordinator	766	-	11,863	4,781	-	-	16,644	16,644	-	-
ECW	769	-	-	6,026	-	-	6,026	6,026	-	-
KCCSP - HB 265	770	-	-	-	-	-	-	244	244	-
Child Fatality Prevention	774	-	756	1,026	-	-	1,782	1,782	-	-
Pediatric/Adolescent Visits	800	-	250	129,371	76,080	36	205,737	205,737	-	-
Family Planning/Sterilizations	802	119	7,623	5,437	7,559	-	20,738	20,738	-	-
Maternity Visits & Activities	803	-	-	-	39	-	39	78	39	-
WIC	804	-	87,774	45,481	-	-	133,255	133,255	-	-
MCH Nutrition & Activity	805	-	1,960	267	-	-	2,227	2,227	-	-
Tuberculosis Visits & Activity	806	-	50	32,595	7,387	-	40,032	40,032	-	-
Sexually Transmitted Disease	807	-	-	5,630	424	-	6,054	6,054	-	-
Diabetes Services	809	23,180	-	-	4,001	-	27,181	26,520	-	661
Adult Services	810	-	-	61,437	19,238	-	80,675	80,675	-	-
Breast and Cervical Cancer	813	-	6,000	12,804	10,906	-	29,710	55,095	25,385	-
Community Based Programs	818	-	-	-	-	-	-	389	389	-
Preparedness Coordination	821	-	25,042	-	-	-	25,042	59,489	34,447	-
Medical Reserve Corp	823	-	5,466	-	-	-	5,466	9,032	3,566	-
DPP Strengthening Grant	826	-	-	-	-	-	-	56	56	-
Anthem Foundation Gifts Grant	828	-	-	-	4,500	-	4,500	237	-	4,263
MRC Building Funding Award	831	-	-	-	-	-	-	1,610	1,610	-
Tobacco Grant	836	19,027	-	-	1,507	-	20,534	20,541	7	-
Abstinence	837	-	12,551	-	-	-	12,551	12,642	91	-
Pathways	838	-	-	-	500	-	500	973	473	-
Breastfeeding Peer Counselors	840	-	23,655	-	-	-	23,655	25,974	2,319	-
Federal Diabetes Today	841	-	2,500	-	-	-	2,500	3,068	568	-
H.A.N.D.S	853	18,740	-	-	224,043	-	242,783	226,943	-	15,840
HANDS Admin - Trainer/TA	878	14,392	20	-	-	-	14,412	20,123	5,711	-
Core Pub Hlth-Vital Statistics	890	-	-	-	20	-	20	1,367	1,347	-
Medicaid Match	891	-	-	-	-	-	-	7,229	7,229	-
Total Medical		<u>82,773</u>	<u>431,585</u>	<u>312,422</u>	<u>442,548</u>	<u>386</u>	<u>1,269,714</u>	<u>1,409,996</u>	<u>164,559</u>	<u>24,277</u>
Minor Restricted		-	-	-	2,010	-	2,010	3,000	990	-
Capital		-	-	-	-	-	-	-	-	-
Allocable Direct		<u>195,219</u>	<u>55,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,939</u>	<u>190,229</u>	<u>-</u>	<u>60,710</u>
Total Administrative		<u>195,219</u>	<u>55,720</u>	<u>-</u>	<u>2,010</u>	<u>-</u>	<u>252,949</u>	<u>193,229</u>	<u>990</u>	<u>60,710</u>
Grand Total		<u>\$ 307,551</u>	<u>\$ 487,305</u>	<u>\$ 391,421</u>	<u>\$ 459,283</u>	<u>\$ 854</u>	<u>\$ 1,646,414</u>	<u>\$ 1,726,976</u>	<u>\$ 165,549</u>	<u>\$ 84,987</u>

LAWRENCE COUNTY HEALTH DEPARTMENT
SUPPLEMENTARY SCHEDULE OF DIRECT COSTS BY REPORTING AREA
for the year ended June 30, 2018

	DIRECT COSTS										Total Direct Costs	
	Salaries	Part-Time	Fringes	Contracts	Travel	Occupancy	Administration	Supplies	Automotive	Other		
Food	500	\$ 15,670	\$ 3,683	\$ 9,016	\$ -	\$ 56	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,425
Public Facilities	520	2,158	16	1,197	-	-	-	-	-	78	-	3,449
General Sanitation	540	2,931	8	1,624	-	-	-	-	-	8	-	4,571
OnSite Sewage	560	26,184	-	14,497	-	-	-	-	-	-	-	40,681
Other Environmental	590	26	-	12	-	-	-	-	-	-	-	38
Total Environmental		46,969	3,707	26,346	-	56	-	-	-	-	86	77,164
Preventative & Presenting Prob.	700	135,737	-	64,318	33,788	77	-	395	20,404	-	-	254,719
Oral Health	712	338	-	160	-	-	-	-	-	-	-	498
Laboratory/Testing/Radiology	718	3,501	-	1,657	463	-	-	4,829	-	200	-	10,650
Zika Preparedness and Response	726	-	-	-	-	-	-	1,416	-	-	5,424	6,840
Preventive Dental Hygiene Team	733	61,303	-	34,410	-	29	-	196	1,544	1,493	1,919	100,894
CHAT	736	4,933	-	2,768	-	254	-	97	-	-	9,895	17,947
HANDS GF Services	754	4	-	5	-	-	-	-	-	-	-	9
PREP	756	3,084	-	1,733	-	-	-	-	-	-	4,653	9,470
Humana Vitality	758	1,788	-	1,003	-	25	-	-	2,760	-	-	5,576
HANDS Federal Funding for Svcs.	760	89,465	-	50,218	-	1,132	-	-	-	3,257	10,934	155,006
Tobacco Program Federal Funds	765	1,267	-	709	-	-	-	1,978	-	-	11,630	15,584
MCH Coordinator	766	5,745	-	3,227	-	1,810	-	-	-	-	1,548	12,330
ECW	769	2,672	-	1,502	-	-	-	213	-	-	-	4,387
KCCSP - HB 265	770	-	-	-	-	-	-	-	244	-	-	244
Child Fatality Prevention	774	811	-	453	-	-	-	-	-	-	-	1,264
Pediatric/Adolescent Visits	800	-	-	-	-	-	-	-	-	-	-	-
Family Planning/Sterilizations	802	-	-	-	15	-	-	-	(3,297)	-	-	(3,282)
Maternity Visits & Activities	803	-	-	-	-	-	-	-	-	-	-	-
WIC	804	7,466	-	4,192	-	805	-	-	-	-	1,689	14,152
MCH Nutrition & Activity	805	1,005	-	562	-	-	-	-	-	-	-	1,567
Tuberculosis Visits & Activity	806	-	-	-	-	-	-	-	-	-	-	-
Sexually Transmitted Disease	807	-	-	-	-	-	-	-	-	-	-	-
Diabetes Services	809	10,368	-	5,820	-	867	-	150	-	-	831	18,036
Adult Services	810	1,386	-	777	-	-	-	-	-	-	-	2,163
Breast and Cervical Cancer	813	-	-	-	2,854	-	-	-	-	-	-	2,854
Community Based Programs	818	179	-	101	-	-	-	-	-	-	-	280
Preparedness Coordination	821	24,766	-	13,902	-	243	-	36	-	-	-	38,947
Medical Reserve Corp	823	3,802	-	2,136	-	-	-	-	-	-	-	5,938
DPP Strengthening Grant	826	-	-	-	-	-	-	-	-	-	-	-
Anthem Foundation Gifts Grant	828	-	-	-	-	-	-	-	-	-	237	237
MRC Building Funding Award	831	-	-	-	-	100	-	1,250	-	-	243	1,593
Tobacco Grant	836	5,557	-	3,117	-	299	-	146	3,493	-	3,934	16,546
Abstinence	837	3,426	-	1,921	-	640	-	-	-	-	3,808	9,795
Pathways	838	-	-	-	-	-	-	-	-	-	973	973
Breastfeeding Peer Counselors	840	5,359	4,830	3,458	-	1,385	-	433	-	-	73	15,538
Federal Diabetes Today	841	1,246	-	700	-	-	-	35	-	-	-	1,981
H.A.N.D.S	853	91,505	-	51,362	-	5,002	-	3,919	-	6,969	1,095	159,852
HANDS Admin - Trainer/TA	878	7,992	-	4,485	-	1,912	-	341	-	-	-	14,730
Core Pub Hlth-Vital Statistics	890	247	-	139	-	-	-	-	-	-	550	936
Medicaid Match	891	-	-	-	-	-	-	-	-	-	7,229	7,229
Total Medical		474,952	4,830	254,835	37,120	14,580	-	10,605	29,977	11,719	66,865	905,483
Minor Restricted	-	-	-	-	-	-	-	-	-	-	3,000	3,000
Capital	-	-	-	-	-	-	-	-	-	-	-	-
Allocable Direct	-	-	190,229	-	-	-	-	-	-	-	-	190,229
Total Administrative		-	-	190,229	-	-	-	-	-	-	3,000	193,229
Indirect Cost Allocation - Departmental	132,771	168	86,062	-	4,313	-	53,655	-	1,943	33,021	-	311,933
Indirect Cost Allocation - Environmental	3,290	47	2,138	-	-	-	13	-	1,269	-	-	6,757
Indirect Cost Allocation - Clinic	102,819	-	51,027	-	1,251	-	8,264	446	-	2,253	-	166,060
Indirect Cost Allocation - Medical	-	-	-	-	-	-	58	-	100	-	-	158
Indirect Cost Allocation - Space	-	-	-	-	-	66,192	-	-	-	-	-	66,192
Indirect Cost Allocation	238,880	215	139,227	-	5,564	66,192	61,990	446	3,312	35,274	-	551,100
GRAND TOTALS		\$ 760,801	\$ 8,752	\$ 610,637	\$ 37,120	\$ 20,200	\$ 66,192	\$ 72,595	\$ 30,423	\$ 15,031	\$ 105,225	\$ 1,726,976

**LAWRENCE COUNTY HEALTH DEPARTMENT
SUPPLEMENTARY SCHEDULE OF INDIRECT COSTS BY REPORTING AREA
for the year ended June 30, 2018**

		INDIRECT COSTS						Total
		Departmental	Environmental	Clinic	Medical	Space	Allocation	Indirect Costs
Food	500	\$ 12,069	\$ 2,631	\$ -	\$ -	\$ 3,536	\$ -	\$ 18,236
Public Facilities	520	1,313	287	-	-	330	-	1,930
General Sanitation	540	1,775	387	-	-	789	-	2,951
OnSite Sewage	560	15,815	3,448	-	-	4,187	-	23,450
Other Environmental	590	16	4	-	-	-	-	20
Total Environmental		<u>30,988</u>	<u>6,757</u>	<u>-</u>	<u>-</u>	<u>8,842</u>	<u>-</u>	<u>46,587</u>
Preventative & Presenting Prob.	700	70,169	-	161,884	40	14,149	(500,961)	(254,719)
Oral Health	712	175	-	-	-	254	47	476
Laboratory/Testing/Radiology	718	1,809	-	4,176	1	860	(17,496)	(10,650)
Zika Preparedness and Response	726	-	-	-	-	-	-	-
Preventive Dental Hygiene Team	733	37,541	-	-	21	2,262	-	39,824
CHAT	736	3,020	-	-	2	778	-	3,800
HANDS GF Services	754	3	-	-	-	-	-	3
PREP	756	1,887	-	-	1	1,054	-	2,942
Humana Vitality	758	1,094	-	-	1	430	-	1,525
HANDS Federal Funding for Svcs.	760	54,785	-	-	31	9,229	-	64,045
Tobacco Program Federal Funds	765	777	-	-	-	-	-	777
MCH Coordinator	766	3,519	-	-	1	794	-	4,314
ECW	769	1,638	-	-	1	-	-	1,639
KCCSP - HB 265	770	-	-	-	-	-	-	-
Child Fatality Prevention	774	496	-	-	-	22	-	518
Pediatric/Adolescent Visits	800	-	-	-	-	-	205,737	205,737
Family Planning/Sterilizations	802	-	-	-	-	-	24,020	24,020
Maternity Visits & Activities	803	-	-	-	-	-	78	78
WIC	804	4,574	-	-	2	1,528	112,999	119,103
MCH Nutrition & Activity	805	615	-	-	-	45	-	660
Tuberculosis Visits & Activity	806	-	-	-	-	66	39,966	40,032
Sexually Transmitted Disease	807	-	-	-	-	-	6,054	6,054
Diabetes Services	809	6,350	-	-	5	2,129	-	8,484
Adult Services	810	849	-	-	-	348	77,315	78,512
Breast and Cervical Cancer	813	-	-	-	-	-	52,241	52,241
Community Based Programs	818	109	-	-	-	-	-	109
Preparedness Coordination	821	15,166	-	-	9	5,367	-	20,542
Medical Reserve Corp	823	2,327	-	-	1	766	-	3,094
DPP Strengthening Grant	826	-	-	-	-	56	-	56
Anthem Foundation Gifts Grant	828	-	-	-	-	-	-	-
MRC Building Funding Award	831	-	-	-	-	17	-	17
Tobacco Grant	836	3,403	-	-	2	590	-	3,995
Abstinence	837	2,096	-	-	1	750	-	2,847
Pathways	838	-	-	-	-	-	-	-
Breastfeeding Peer Counselors	840	6,697	-	-	4	3,735	-	10,436
Federal Diabetes Today	841	761	-	-	-	326	-	1,087
H.A.N.D.S	853	56,032	-	-	32	11,027	-	67,091
HANDS Admin - Trainer/TA	878	4,894	-	-	3	496	-	5,393
Core Pub Hlth-Vital Statistics	890	159	-	-	-	272	-	431
Medicaid Match	891	-	-	-	-	-	-	-
Total Medical		<u>280,945</u>	<u>-</u>	<u>166,060</u>	<u>158</u>	<u>57,350</u>	<u>-</u>	<u>504,513</u>
Minor Restricted		-	-	-	-	-	-	-
Capital		-	-	-	-	-	-	-
Allocable Direct		-	-	-	-	-	-	-
Total Administrative		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Indirect Allocation		<u>(311,933)</u>	<u>(6,757)</u>	<u>(166,060)</u>	<u>(158)</u>	<u>(66,192)</u>	<u>-</u>	<u>(551,100)</u>
TOTAL		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

LAWRENCE COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Lawrence County Health Department (the Health Department) operates as a county health department under Kentucky Revised Statute (KRS) Chapter 212, governed by the Lawrence County Board of Health. The purpose of the Health Department is to improve the delivery of health services to the people of the county.

The Health Department records revenues and expenditures in accordance with the *Administrative Reference* established by the Commonwealth of Kentucky, Cabinet for Health and Family Services, Department for Public Health, Division of Administration and Financial Management which is a regulatory basis of accounting. This basis of accounting and financial reporting differs from generally accepted accounting principles in several areas. Accounts receivable for revenue earned, but not received, and accounts payable for expenses incurred, but unpaid, are not recorded. Inventories are not recorded but are expensed to the current period. Property, plant and equipment are not capitalized, and the related depreciation expense is not recognized; prepaid expenses and deferred revenues are not recorded.

Federal and state revenues for services are recognized as received and are based in some instances upon reimbursement reports filed by the Health Department for eligible services and are subject to adjustments based upon federal and state agency audits as to eligibility of recipients and the computation of reimbursable costs. As of October 5, 2018, no formal reports have been issued as a result of audits performed or in progress for the year ended June 30, 2018.

Source of Funds:

Revenue sources of the Health Department are divided into five groups as follows:

State - includes restricted and unrestricted state grant funds

Federal - includes federal grant funds passed through Cabinet for Health and Family Services

Local - includes funds from taxing districts, county and city appropriations, and donations from private sources

Service fees and other - includes funds from Medicaid and Medicare payments for services, self-pay, insurance payments, other pay for service, and interest received

Interest - includes interest received from bank accounts and investments

All transactions are recorded in the general fund except those related to environmental inspection and permit fees. These fees are treated as escrow funds and are deposited in an environmental checking account with a portion being disbursed to the state and a portion being disbursed to the Health Department. Revenue is recorded in the general fund when the portion disbursed to the Health Department is deposited in the operations checking account.

Funding restricted for specific programs in excess of those programs' allowed reimbursements or expenditures are recorded at year-end in the Fund Balance - Restricted.

The Health Department is directed by the State when to use restricted or unrestricted funds when an expenditure is incurred for purposes for which both restricted and unrestricted funds are available.

The Health Department uses an indirect cost allocation plan as approved by the Commonwealth of Kentucky, Cabinet for Health and Family Services, Department for Public Health, and is prepared in accordance with 2 CFR Part 200.

LAWRENCE COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional classifications are included in the supplementary information of the Health Department.

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Health Department has evaluated and considered the need to recognize or disclose subsequent events through October 5, 2018, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended June 30, 2018, have not been evaluated by the Health Department.

2. CASH

Under Kentucky Revised Statute 66.480, the Health Department are allowed to invest in obligations of the U.S. and of its agencies, obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes, The Health Department does not have a policy governing interest rate risk.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Health Department will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

The Health Department's deposits at June 30, 2018, were fully covered by federal depository insurance or by collateral held by the custodial banks in the Health Department's name. The Health Department's deposits at June 30, 2018, were secured as follows:

Total deposits	\$ 323,264
FDIC insurance	(250,000)
Collateral held by pledging bank	<u>(1,035,215)</u>
(Over) Collateralized	<u>\$ (961,951)</u>

**LAWRENCE COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

3. INVESTMENTS

The Health Department has investments in certificates of deposit. These investments are in accordance with Kentucky Revised Statute 66.480 as described in Note 2. The Health Department records investments at face value.

The Health Department's investments at June 30, 2018, were secured as follows:

Total investments	\$ 195,456
FDIC insurance	<u>(195,456)</u>
 (Over) Collateralized	 <u>\$ _____ -</u>

4. FUND BALANCE

Fund balance is restricted due to specific program restrictions. Fund balance is restricted as follows:

	State	Federal	Fees	Totals
726 - Zika Preparedness and Response	\$ -	\$ 20	\$ -	\$ 20
731 - H1N1	-	36	-	36
733 - Dental Hygiene	5,483	-	-	5,483
758 - Humana Vitality	-	-	21,331	21,331
760 - HANDS Federal Funding	-	2,309	-	2,309
761 - Oral Health Special Initiative	436	-	-	436
762 - School Age Dental	4,003	159	-	4,162
770 - KCCSP-HB 265	9,553	-	-	9,553
803 - Maternity Services and Activity	-	37	-	37
809 - Diabetes	661	-	-	661
826 - DPP Strengthening Grant	-	1,408	-	1,408
828 - UWNEK Mini Grant	-	-	4,263	4,263
831 - Special Project	-	1,633	-	1,633
836 - Tobacco	411	-	-	411
837 - Abstinence	-	18	-	18
838 - Pathways	-	-	107	107
839 - Missionary Clinic	-	75	-	75
853 - Special Project HANDS	<u>15,840</u>	<u>-</u>	<u>-</u>	<u>15,840</u>
 Total	 <u>\$ 36,387</u>	 <u>\$ 5,695</u>	 <u>\$ 25,701</u>	 <u>\$ 67,783</u>

LAWRENCE COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

5. ACCRUED TIME-OFF

The Health Department's accrued vacation and other potential compensated absences are not accrued as earned because the Health Department uses a regulatory basis of accounting. The Health Department records show a potential liability totaling approximately \$55,083 at June 30, 2018.

6. RISK MANAGEMENT

The Health Department is exposed to various risk of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. In addition to its general liability insurance, the Health Department also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

7. KENTUCKY EMPLOYEES' RETIREMENT SYSTEM PLAN

The Health Department is a participating employer of the Kentucky Employees' Retirement System (KERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Retirement Systems administers the KERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems website.

Plan Description – KERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides plan members with benefits through a pension trust and insurance trust. The pension trust provides retirement, disability, and death benefits. The insurance trust provides health insurance or other postemployment benefits (OPEB). Benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2018, grandfathered plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 were required to contribute 6.00% of wages for non-hazardous job classifications. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. For the year ended June 30, 2018, participating employers contributed 49.47% (41.06% to the pension fund and 8.41% to the insurance fund) of each non-hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

**LAWRENCE COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2018**

7. KENTUCKY EMPLOYEES' RETIREMENT SYSTEM PLAN (CONTINUED)

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% of wages to their own account and 1.00% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4.00% employer pay credit. The employer pay credit represents a portion of the employer contribution.

The Health Department contributed \$376,368 for the year ended June 30, 2018, or 100% of the required contribution. The contribution was allocated \$312,385 to the KERS pension fund and \$63,983 to the KERS insurance fund.

Pension Liabilities – At June 30, 2018, the Health Department estimates that its total unfunded liability would be approximately \$6,352,230, based upon its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Health Department's proportion of the net pension liability was based on a projection of the Health Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Health Department's proportion was .0047 percent, which was a decrease of .0010 percent from its proportion measured as of June 30, 2016.

OPEB Liabilities – At June 30, 2018, the Health Department estimates that its total unfunded liability would be approximately \$1,203,213 based upon its proportionate share of the total OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Health Department's proportion of the net OPEB liability was based on a projection of the Health Department's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The Health Department's proportionate share at June 30, 2017 was .0474 percent.

8. COMPLIANCE

The Health Department is in compliance with 902 KAR 8:170, Section 3, Subsection 3(c).

9. RELATED PARTY

The Health Department is related to the Lawrence County Public Health Taxing District by common Board members. The Lawrence County Board of Health sets the public health tax annually. A total of \$391,421 in the public health taxes were transferred from the Taxing District to the Health Department for the year ended June 30, 2018.

SUPPLEMENTARY INFORMATION

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

The Board of Health
Lawrence County Health Department
Louisa, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lawrence County Health Department (the Health Department) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Health Department's basic financial statements, and have issued our report thereon dated October 5, 2018. Our report contains an unmodified opinion on the regulatory basis of accounting in accordance with the *Administrative Reference*.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Health 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 Health Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Health 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.

RFH

RFH, PLLC
Lexington, Kentucky
October 5, 2018

**LAWRENCE COUNTY HEALTH DEPARTMENT
SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2018**

There are no prior audit findings to report.

**LAWRENCE COUNTY HEALTH DEPARTMENT
AUDIT ADJUSTMENTS
June 30, 2018**

There are no proposed audit adjustments.