

Allen County Health Department
Financial Statements
Fiscal Year Ended June 30, 2018

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Allen County Health Department

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Independent Auditor's Report

To the Board of Directors

Allen County

Health Department

Report on the Financial Statements

We have audited the accompanying financial statements of Allen 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 19, 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 19, 2018

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

Assets

Cash and cash equivalents	<u>\$ 463,774</u>
Total Assets	<u><u>\$ 463,774</u></u>

Liabilities and Fund Balance

Liabilities

Administrative fee liability	\$ 18,545
Payroll liabilities	<u>5,346</u>
Total Liabilities	23,891

Fund Balance

Unrestricted	408,948
Restricted	<u>30,935</u>
Total Fund Balance	<u>439,883</u>

Total Liabilities and Fund Balance	<u><u>\$ 463,774</u></u>
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See accompanying notes.

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

Revenues	
State funds	\$ 332,590
Federal funds	332,311
Local funds	600,526
Service fees	668,625
Interest income	3,609
Unrestricted carryover	<u>191,753</u>
Total Revenues	2,129,414
Expenditures	
Compensation	937,575
Fringe benefits	690,177
Independent contracts	771
Travel	11,021
Occupancy	36,560
Office administration	53,774
Medical supplies	53,169
Automotive	9,879
Other	204,327
Capital expenditures	<u>63,230</u>
Total Expenditures	<u>2,060,483</u>
Excess of revenues over expenditures	68,931
Fund Balance, Beginning of Year (Restated)	<u>585,072</u>
Less: Prior year income carryovers included in current year revenue:	
Unrestricted carryover	(191,753)
State funds	(194)
Service fees	<u>(22,173)</u>
	<u>(214,120)</u>
Fund Balance, End of Year	<u>\$ 439,883</u>

See accompanying notes.

Allen County Health Department
Notes to Financial Statements
June 30, 2018

Note A – Nature of Organization and Operations

Allen 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 Allen County. The Department is governed by the Allen County Board of Health (the Board) which consists of representatives of Allen 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.

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

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 \$463,774 and the combined banking institutions' balance was \$488,310. The difference of \$24,536 between the Department's deposit balance and the banking institutions' balance results from outstanding checks. The Allen County Public Health Taxing District also had \$367,094 of deposits with the same financial institution for a total of \$855,404 of deposits. Of the banking institutions' balance, \$250,000 was covered by Federal depository insurance. Securities pledged as collateral for deposits totaled \$1,830,794 and are held in the name of the financial institution and pledged to the District.

Note D - Investments

According to KRS 41.240(4), local health departments may invest and reinvest money subject to their control and jurisdiction in only the following:

- a. Obligations of the United States and of its agencies and instrumentalities. Such investments may be accomplished through repurchase agreements reached with national or state banks chartered in Kentucky.
- b. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities.
- c. Any savings and loan association insured by an agency of the government of the United States up to the amount insured.
- d. Interest -bearing deposits in state or national banks chartered in Kentucky and insured by an agency of the government of the United States up to the amount insured, and in larger amounts providing such bank shall pledge as security, obligations as permitted by KRS 41.240(4), having a quoted market value at least equal to any uninsured deposits.
- e. No other investments or reinvestments shall be authorized.

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates of investments will adversely affect the fair value of an investment. The Department does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Department's credit risk follows the requirements of KRS 41.240(4).

At June 30, 2018, the Department held \$233,858 in certificates of deposit, which were included in the cash and cash equivalents balance.

No major decline in market values has occurred since year-end.

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

Note E – Fair Value and Measurement - Investments

The Department categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 are significant unobservable inputs.

Level 1: Quoted prices (unadjusted) of identical assets or liabilities in active markets that an entity has the ability to access as of the measurement date, or observable inputs.

Level 2: Significant other observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Department has the following recurring fair value measurements as of June 30, 2018:

Certificates of deposit of \$233,858 are valued using quoted market prices (Level 1 inputs).

The Department has no Level 2 or Level 3 inputs.

Note F – 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.

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

Note F – Defined Benefit Pension Plan (Continued)

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

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

The employer and each employee contribute a percentage of the employee's creditable compensation. Creditable compensation consists of all wages includable on the employee's Federal Form W-2, Wage and Tax statement, under the heading "Wages, Tips, and Other Compensation". There are two exceptions of payment of wages not included in creditable compensation: (1) the lump-sum compensatory leave payments to employees in Tier 2 and 3 and (2) vacation payout at termination. The employer total contribution rate for FY17 was 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 \$451,254. This amount includes the pension and insurance contributions.

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

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 .0568 percent, an increase from the prior year proportionate share of .0556 percent. The Department's share of the net pension liability at June 30, 2017 was calculated based on three discount rates as follows:

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

Note F – Defined Benefit Pension Plan (Continued)

Net Pension Liability (Continued):

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	\$ 6,711,592	\$ 7,608,458	\$ 8,687,134

The Department’s net employer pension expense for the fiscal year ended June 30, 2017 was \$1,220,183. 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.

Ten-year historical trend information showing the KERS’ progress in accumulating sufficient assets to pay benefits when due (as well as financial statements and other required supplementary information) is presented in the Kentucky Employees Retirement System’s Annual Financial Report (which is a matter of public record). The most recent actuarial valuation is as of June 30, 2016. Such report may be obtained by writing to the Kentucky Retirement System, 1260 Louisville Road, Perimeter Park West, Frankfort, Kentucky 40601. The Commonwealth’s Comprehensive Annual Financial Report should also be referred to for additional disclosures related to the KERS.

Note G – 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 \$105,457.

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 F) 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 \$274,915. Based on the employer’s contribution rate of 49.47%, the retirement contribution liability at June 30, 2018 was \$136,001.

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

Note H – Postemployment Benefit 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

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 .0568 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	\$ 1,238,607	\$ 1,441,162	\$ 1,684,892

Assumption	1% Decrease In Healthcare Cost Trend Rate	Current Healthcare Cost Trend Rate	1% Increase In Healthcare Cost Trend Rate
Net OPEB Liability	\$ 1,224,521	\$ 1,441,162	\$ 1,713,193

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

Note H – Postemployment Benefit Other Than Pension Liability (Continued)

The Department’s total employer health plan expense for the fiscal year ended June 30, 2017 was \$142,964. 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 I – Related Parties

The Allen 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 Allen County Public Health Taxing District assessed a tax rate of \$0.055 per \$100 on real property and tangible property. During the 2018 fiscal year the Allen County Public Health Taxing District remitted \$600,000 to the Department; this amount is included as “Local funds” revenue on the Statement of Revenues, Expenditures and Changes in Fund Balance.

Note J – Restatement of Beginning Fund Balance

The beginning fund balance as of July 1, 2017 was restated due to \$387 of unspent grant monies being returned to the Kentucky State Treasurer. The amount was received in prior years and returned during fiscal year 2018.

Fund Balance, Beginning of Year (July 1, 2017)	\$ 585,459
Prior Year Grant Monies Unspent and Returned to the State	<u>(387)</u>
Restated Fund Balance, Beginning of Year (July 1, 2017)	<u><u>\$ 585,072</u></u>

Supplementary Information

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

	500	520	540	560	700	712	718	725	726
	Food Service	Public Facilities	General Sanitation	Onsite Sewage	Preventive Presenting Problems	Personal Dental Services	Lab/ Testing/ Radiology	KWSCP Pink County Outreach	Zika Preparedness and Response
Revenues									
State funds	\$ 29,416	\$ 2,630	\$	\$	\$	\$ 1,361	\$	\$	\$
Federal funds									5,160
Local funds		5,947	6,522	27,116				1,026	
Service fees			8,586	47,400		3,345			
Interest income									
Unrestricted carryover									
Total revenues	<u>29,416</u>	<u>8,577</u>	<u>15,108</u>	<u>74,516</u>	<u>-</u>	<u>4,706</u>	<u>-</u>	<u>1,026</u>	<u>5,160</u>
Expenditures									
Direct									
Compensation	13,668	4,182	7,087	34,765	166,989		4,083	466	2,468
Fringe benefits	7,421	2,272	3,846	18,879	75,260		1,922	247	1,317
Independent contracts							270		
Travel	263		16	725					
Occupancy									
Office administration			41	480	609				
Medical supplies					25,971		10,938		
Automotive									
Other	83			271	85	980	150		230
Capital expenditures									
Total direct	<u>21,435</u>	<u>6,454</u>	<u>10,990</u>	<u>55,120</u>	<u>268,914</u>	<u>980</u>	<u>17,363</u>	<u>713</u>	<u>4,015</u>
Indirect allocation	7,981	2,123	4,118	19,396	283,307		6,825	313	1,060
Resource based allocation					(552,221)	720	(24,188)		
Total expenditures	<u>29,416</u>	<u>8,577</u>	<u>15,108</u>	<u>74,516</u>	<u>-</u>	<u>1,700</u>	<u>-</u>	<u>1,026</u>	<u>5,075</u>
Excess of revenues over expenditures	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 3,006</u>	<u>\$</u>	<u>\$</u>	<u>\$ 85</u>

See accompanying Independent's Auditor's Report.

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

	<u>736</u>	<u>748</u>	<u>752</u>	<u>756</u>	<u>758</u>	<u>766</u>	<u>767</u>	<u>769</u>	<u>774</u>
	Healthy Communities	Student School Contract	Hands GF Services	Personal Resp Edu Prog (PREP)	Humana Vitality	MCH Coordinator	Competitive Home Visiting	ECW	Child Fatality Prevention
Revenues									
State funds	\$	\$	\$ 43,890	\$	\$	\$	\$	\$	\$
Federal funds	13,095			774		22,940			1,000
Local funds	4,595	45,961	29,082	149		4,202	601	8,683	1,030
Service fees					11,220				
Interest income									
Unrestricted carryover									
Total revenues	<u>17,690</u>	<u>45,961</u>	<u>72,972</u>	<u>923</u>	<u>11,220</u>	<u>27,142</u>	<u>601</u>	<u>8,683</u>	<u>2,030</u>
Expenditures									
Direct									
Compensation	5,633	23,512	36,447	225	3,786	9,528		3,813	971
Fringe benefits	2,993	12,319	19,456	23	1,671	5,080		1,937	518
Independent contracts									
Travel	268		231						21
Occupancy									
Office administration			240					1,295	
Medical supplies					865				
Automotive									
Other	6,140		250	423	2	7,777			50
Capital expenditures									
Total direct	<u>15,034</u>	<u>35,831</u>	<u>56,624</u>	<u>671</u>	<u>6,324</u>	<u>22,385</u>	<u>-</u>	<u>7,045</u>	<u>1,560</u>
Indirect allocation	2,656	10,130	16,348	252	1,965	4,757	601	1,638	470
Resource based allocation									
Total expenditures	<u>17,690</u>	<u>45,961</u>	<u>72,972</u>	<u>923</u>	<u>8,289</u>	<u>27,142</u>	<u>601</u>	<u>8,683</u>	<u>2,030</u>
Excess of revenues over expenditures	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 2,931</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

See accompanying Independent's Auditor's Report.

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

	800	801	802	803	804	805	806	807	809
	Pediatric Adolescent Visits	Childhood Immunization Service	Family Planning Sterilizations	Maternity Services & Activity	WIC	MCH Nutrition & Group	Tuberculosis Visits & Activity	Sexually Transmitted Disease	Full Charge Adults
Revenues									
State funds	\$	\$	\$ 99	\$	\$	\$	\$	\$	\$ 13,914
Federal funds	250		6,606		124,454	5,446	1,330		
Local funds	118,857	3,273	10,507	192	60,830	2,839	4,870	13,752	
Service fees	108,993		12,872	107		3,567	1,142	3,551	4,056
Interest income	3,609								
Unrestricted carryover									
Total revenues	231,709	3,273	30,084	299	185,284	11,852	7,342	17,303	17,970
Expenditures									
Direct									
Compensation	952	1,633	1,286	84	2,004	56	1,274	3,454	7,717
Fringe benefits	173	871	617	46	1,070	6	680	1,844	4,120
Independent contracts									
Travel	692				18				191
Occupancy									
Office administration									
Medical supplies			5,665				1,101	3	
Automotive									
Other					70				1,882
Capital expenditures									
Total direct	1,817	2,504	7,568	130	3,162	62	3,055	5,301	13,910
Indirect allocation	478	769	591	47	1,101	33	679	1,658	3,692
Resource based allocation	229,414		21,925	122	181,021	11,757	3,608	10,344	368
Total expenditures	231,709	3,273	30,084	299	185,284	11,852	7,342	17,303	17,970
Excess of revenues over expenditures	\$	\$	\$	\$	\$	\$	\$	\$	\$

See accompanying Independent's Auditor's Report.

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

	810	811	813	818	821	826	833	836	837
	Adult Visits & Follow-up	Lead Poisoning Prevention	Breast & Cervical Cancer	Community Based Services	Bioterrorism (Focus Area A)	Comm Early Childhood Council	Breast Feeding Promotion	American Lung Assoc of KY	Abstinence
Revenues									
State funds	\$	\$	\$	\$	\$	\$	\$	\$ 4,507	\$
Federal funds			2,269		18,201		48,532		3,890
Local funds	48,548	35	35,296	1,392	9,162		5,460	478	997
Service fees	35,163		10,286			36,075			
Interest income									
Unrestricted carryover									
Total revenues	83,711	35	47,851	1,392	27,363	36,075	53,992	4,985	4,887
Expenditures									
Direct									
Compensation	2,519		4,400		4,940	969	16,630	2,190	1,500
Fringe benefits	1,345		2,351		2,474	517	8,879	1,169	154
Independent contracts			501						
Travel					677		747	393	
Occupancy									
Office administration					3,948	523			
Medical supplies									
Automotive									
Other				1,392	6,054	33,546	19,299	175	2,121
Capital expenditures					5,500				
Total direct	3,864	-	7,252	1,392	23,593	35,555	45,555	3,927	3,775
Indirect allocation	1,283	21	2,047		3,770	520	8,437	1,058	1,112
Resource based allocation	78,564	14	38,552						
Total expenditures	83,711	35	47,851	1,392	27,363	36,075	53,992	4,985	4,887
Excess of revenues over expenditures	\$	\$	\$	\$	\$	\$	\$	\$	\$

See accompanying Independent's Auditor's Report.

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

	840	853	858	878	890	891	892	894	895
	Breastfeeding Peer Counselor	Special Project Hands	Supplemental School Health	Hands Admin Trainers	Core Public Health	Medicaid Match	Minor Restricted	Capital	Allocable Leave & Fringes
Revenues									
State funds	\$	\$ 1,510	\$	\$ 12,538	\$	\$	\$	\$	\$ 222,725
Federal funds	20,671								57,693
Local funds	2,303		63,046	3,656	2,326	77,511	282		
Service fees		89,199	293,023		40				
Interest income									
Unrestricted carry over			134,023					57,730	
Total revenues	<u>22,974</u>	<u>90,709</u>	<u>490,092</u>	<u>16,194</u>	<u>2,366</u>	<u>77,511</u>	<u>282</u>	<u>57,730</u>	<u>280,418</u>
Expenditures									
Direct									
Compensation	12,133	43,042	240,273	8,329	1,152				3
Fringe benefits	1,861	22,976	120,615	860	615				217,507
Independent contracts									
Travel	52	599	2,230	1,283					
Occupancy									
Office administration	983	240	4,440		34				
Medical supplies			8,626						
Automotive									
Other	144	3,331	2,704			77,511	282		
Capital expenditures								57,730	
Total direct	<u>15,173</u>	<u>70,188</u>	<u>378,888</u>	<u>10,472</u>	<u>1,801</u>	<u>77,511</u>	<u>282</u>	<u>57,730</u>	<u>217,510</u>
Indirect allocation	7,801	20,521	111,204	5,722	565				(1)
Resource based allocation									
Total expenditures	<u>22,974</u>	<u>90,709</u>	<u>490,092</u>	<u>16,194</u>	<u>2,366</u>	<u>77,511</u>	<u>282</u>	<u>57,730</u>	<u>217,509</u>
Excess of revenues over expenditures	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 62,909</u>

See accompanying Independent's Auditor's Report.

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

	<u>897</u>	<u>898</u>	<u>899</u>	<u>901</u>	
	Space Indirect	Departmental Administration	Clinic Clerical	General Environmental Admin	Totals
Revenues					
State funds	\$	\$	\$	\$	\$ 332,590
Federal funds					332,311
Local funds					600,526
Service fees					668,625
Interest income					3,609
Unrestricted carryover					191,753
Total revenues	-	-	-	-	2,129,414
Expenditures					
Direct					
Compensation		117,809	143,519	2,084	937,575
Fringe benefits		76,157	66,843	1,266	690,177
Independent contracts					771
Travel		2,615			11,021
Occupancy	36,560				36,560
Office administration		39,540	1,401		53,774
Medical supplies					53,169
Automotive		9,879			9,879
Other		36,821	2,138	416	204,327
Capital expenditures					63,230
Total direct	36,560	282,821	213,901	3,766	2,060,483
Indirect allocation	(36,560)	(282,821)	(213,901)	(3,766)	-
Resource based allocation					-
Total expenditures	-	-	-	-	2,060,483
Excess of revenues over expenditures	\$	\$	\$	\$	\$ 68,931

See accompanying Independent's Auditor's Report.

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

	Actual	(Unaudited) Budget	Positive (Negative) Variance
Revenues			
State funds	\$ 332,590	\$ 333,777	\$ (1,187)
Federal funds	332,311	300,551	31,760
Local funds	600,526	700,000	(99,474)
Service fees	668,625	726,408	(57,783)
Interest income	3,609	1,200	2,409
Unrestricted carryover	191,753	-	191,753
Total Revenues	2,129,414	2,061,936	67,478
Expenditures			
Compensation	937,575	961,910	24,335
Fringe benefits	690,177	662,847	(27,330)
Independent contracts	771	50,106	49,335
Travel	11,021	8,600	(2,421)
Occupancy	36,560	34,000	(2,560)
Office administration	53,774	53,240	(534)
Medical supplies	53,169	59,800	6,631
Automotive	9,879	10,500	621
Other	204,327	160,670	(43,657)
Capital expenditures	63,230	-	(63,230)
Total Expenditures	2,060,483	2,001,673	(58,810)
Excess of Revenues Over Expenditures	\$ 68,931	\$ 60,263	\$ 8,668

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
Allen 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 Allen 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 19, 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.

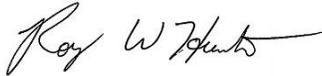
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* (Continued)

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 19, 2018

Management Letter Comments

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

Management Letter Comments:

No current year management letter comments were noted.

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

No prior year management letter comments were noted.