# Lincoln Trail District Health Department Financial Statements

Year Ended June 30, 2019

# **Lincoln Trail District Health Department**

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#### **Independent Auditor's Report**

To the Board of Directors

Lincoln Trail District Health Department

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

We have audited the accompanying statement of assets, liabilities and fund balance, and the statement of revenues, expenditures, and changes in fund balance of the Lincoln Trail District Health Department (the "District") as of and for the year ended June 30, 2019, and the related notes to the 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 accounting practices prescribed or permitted by the Kentucky Cabinet for Health and Family Services (CHFS), Department for Public Health (DPH) to demonstrate compliance with the DPH's regulatory basis of accounting and budget laws. 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.

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#### **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 District, on the basis of accounting practices prescribed or permitted by the Kentucky Cabinet for Health and Family Services, Department for Public Health (DPH) to demonstrate compliance with the DPH's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United State of America.

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 above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District, as of June 30, 2019, 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 above present fairly, in all material respects, the fund balance of the District, as of June 30, 2019, and the revenues, expenditures and change in fund balance for the year then ended, in accordance with the basis of the accounting practices prescribed or permitted by the Cabinet for Health and Family Services, Department for Public Health 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 District'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 Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements.

The Schedule of Revenues and Expenditures by Cost Center, Schedule of Revenues and Expenditures - Actual vs. Budget and the Schedule of Expenditures of Federal Awards 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 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 Revenues and Expenditures by Cost Center, Schedule of Revenues and Expenditures - Actual vs. Budget and the Schedule of Expenditures of Federal Awards are fairly stated in all material respect in relation to the basic financial statements as a whole.

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

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# Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2019 on our consideration of the District'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 the effectiveness of 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 District's internal control over financial reporting and compliance.

Lexington, Kentucky October 29, 2019

# **Lincoln Trail District Health Department Statement of Assets, Liabilities and Fund Balance June 30, 2019**

# Assets

Cash	\$ 5,895,359
Total Assets	\$ 5,895,359
Liabilities and Fund Balance	
Liabilities	
State administrative fee liability	\$ 14,243
Payroll withholdings	 20,810
Total Liabilities	35,053
Fund Balance	
Unrestricted	3,983,232
Restricted	
Program services	 1,877,074
Total Fund Balance	5,860,306
Total Liabilities and Fund Balance	\$ 5,895,359

# Lincoln Trail District Health Department Statement of Revenues, Expenditures and Changes in Fund Balance Year Ended June 30, 2019

Revenues	
State funds	\$ 2,596,363
Federal funds	1,646,547
Local funds	3,147,256
Service fees	1,819,318
Interest income	715
Unrestricted Carryover	434,635
Total Revenues	9,644,834
Expenditures	
Compensation	4,007,667
Fringe benefits	2,703,543
Independent contracts	23,049
Travel	39,185
Occupancy	169,124
Office administration	399,010
Capital expenditures	19,213
Medical supplies	82,373
Automotive	137,276
Other	1,447,610
Total Expenditures	 9,028,050
Excess of Revenues Over Expenditures	616,784
Fund Balance, beginning of year	6,068,621
Less: Prior year income carryovers included in current year revenue	
and fund balance payout	
Service fees	(370,317)
Unrestricted carryover	(434,635)
State restricted carryover	(20,147)
	(825,099)
Fund Balance, end of year	\$ 5,860,306

#### **Note A - Nature of Organization and Operations**

Lincoln Trail District Health Department (the "District") was established in 1981 as set forth in Kentucky Revised Statute KRS 212.850 to provide health services through the county health centers in the counties of Hardin, Nelson, Larue, Washington, Marion and Meade. The District is governed by the Lincoln Trail District Board of Health (the "Board"), which consists of representatives of the six counties as set forth in KRS 212.850. The District is exempt from federal and state income taxes.

## Note B - Summary of Significant Accounting Policies

- 1. <u>Basis of Accounting</u>: The District prepares its financial statements on the 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 District uses the indirect cost allocation plan developed by the CHFS which is allowable under the requirements of the Uniform Guidance. Fixed assets are recorded as expenses when paid and are not capitalized. Also, in accordance with policy established by the CHFS, the District has not adopted the financial reporting standards of Government Accounting Standards Board (GASB) 34 and GASB 54.
- 2. <u>Source of Funds</u>: Revenue sources of the District 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. <u>Estimates</u>: 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. <u>Subsequent Events</u>: Subsequent events for the District 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

The District's cash consists of amounts deposited in both interest and non-interest-bearing accounts. As of June 30, 2019, the carrying amount of the District's deposits was \$5,895,359 and the combined banking institutions' balance was \$6,090,196. The difference of \$194,837 between the District's deposit balance and the banking institutions' balance results from deposits in transit and outstanding checks. Of the banking institutions' balance, the Federal Deposit Insurance Corporation (FDIC) fully insures all accounts of the District up to \$250,000. Securities pledged as collateral for deposits totaling \$6,169,851 are held in the name of the financial institution and pledged to the District at June 30, 2019. There were no uncollateralized balances.

#### Note D - Defined Benefit Pension Plan

#### **General Information**

#### 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. Under the provisions of KRS 61.645, the Kentucky Retirement Systems Board of Trustees administers the KERS.

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, 2018. This report may be obtained from the Kentucky Retirement Systems website at <a href="https://kyret.ky.gov">https://kyret.ky.gov</a>. The Commonwealth's Comprehensive Annual Financial Report should also be referred to for additional disclosures related to the KERS.

In addition to the KERS, the District'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 District 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 District, 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.

#### 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 District 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.

#### **Note D - Defined Benefit Pension Plan (Continued)**

#### **General Information (Continued)**

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 fiscal year ended June 30, 2019 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%.

The employer is responsible for additional contributions if pension spiking occurs. Pension spiking may be deemed to have occurred for certain large compensation increases in the five years immediately preceding retirement. Kentucky Revised Statute 61.598 requires the last participating employer, for employees retiring on or after January 1, 2014, to pay for any additional actuarial costs resulting from annual increases in an employee's creditable compensation greater than ten percent over the employee's last five fiscal years of employment that are not a direct result of a bona fide promotion or career advancement.

The District's contributions for the year ended June 30, 2019 total \$1,381,410.

#### Actuarial Assumptions

The total pension liability per the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, as applied to all periods included in the measurement:

- Inflation 2.30%
- Salary Increases 3.05%
- Investment Rate of Return 5.25%

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.

The actuarial assumptions used in the June 30, 2019 actuarial valuation were based on the results of an actuarial experience study performed for the period from July 1, 2008 through June 30, 2013.

#### **Note D - Defined Benefit Pension Plan (Continued)**

#### **General Information (Continued)**

Actuarial Assumptions (Continued)

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.

The target asset allocation and best estimates of arithmetic long-term nominal rates of return for each major asset class are as follows:

	Target	Long-term Expected
Asset Class	Allocation	Real Rate of Return
U.S. Large Cap	8.50%	4.50%
U.S. Mid Cap	5.00%	4.50%
U.S. Small Cap	4.00%	5.50%
International Developed	12.50%	6.50%
Emerging Markets	5.00%	7.25%
Global Bonds	10.00%	3.00%
Global IG Credit	10.00%	3.75%
High Yield	3.00%	5.50%
Emerging Market Debt	4.00%	6.00%
Private Equity	10.00%	6.50%
Real Estate	5.00%	7.00%
Absolute Return	10.00%	5.00%
Real Return	10.00%	5.00%
Cash	3.00%	1.50%
	100.00%	5.13%

The long-term expected rate of return on plan assets is 5.13%, which was established by the Board of Trustees of the Kentucky Retirement Systems based on a blending of the factors described above.

#### **Note D - Defined Benefit Pension Plan (Continued)**

#### **General Information (Continued)**

Proportional Share of Net Pension Liability and Pension Expense

At June 30, 2019 the District's liability with respect to its estimated proportionate share of the collective net pension liability is \$33,035,272. The June 30, 2019 net pension liability has been measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's estimated proportionate share of the collective net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all employer participants, as actuarially determined. At June 30, 2019, the District's estimated proportionate share is .24% (as rounded). The District's proportionate share of pension expense at June 30, 2018 was \$2,575,029.

#### Discount Rate

The projection of cash flows used to determine the discount rate of 5.25% for the KERS Non-hazardous, and assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 25 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

Sensitivity of the District's Estimated Proportionate Share of the Collective Net Pension Liability to Changes in the Discount Rate

The following table presents the District's estimated proportionate share of the collective net pension liability calculated using the discount rate of 5.25%, as well as what the District's estimated proportionate share of the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower (4.25%) or one percentage point higher (6.25%) than the current discount rate.

	1.00%	Current	1.00%
	Decrease	Discount Rate	Increase
	(4.25%)	(5.25%)	(6.25%)
District's Estimated Proportionate Share			
of the Collective Net Pension Liability	\$ 37,634,735	\$ 33,035,272	\$ 29,204,496

#### Liability to KERS

At June 30, 2019 the liability to KERS, which represents the amount of employer contributions required to be funded as of year-end, totals \$11,305. Such amount is included within payroll withholdings per the accompanying Statement of Assets, Liabilities and Fund Balance.

#### **Note E - Compensated Absences**

Employees of the District earn vacation, sick and compensated hours monthly depending on job classification, length of service and other factors. Under the District's method of accounting as described in Note B, the liability for the value of the compensated absences earned as of June 30, 2019 is not recorded.

The vacation and compensated hours earned are subject to cash payment upon termination of employment. At June 30, 2019, the value of vacation and compensated hours was approximately \$410,000.

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 District is liable for the payment of the employer's share of the retirement contribution. At June 30, 2019, the value of sick hours earned was approximately \$838,000. Based on the employer's contribution rate of 49.47%, the retirement contribution liability at June 30, 2019 was approximately \$414,000.

## **Note F - Postemployment Benefits Other Than Pensions (OPEB)**

#### General Information about the OPEB Plan

#### Plan Description

Employees of the District are provided hospital and medical insurance through the Kentucky Retirement Systems' Insurance Fund (Insurance Fund), a cost-sharing multiple-employer defined benefit OPEB plan. The KRS was created by state statute under Kentucky Revised Statue Section 61.645. The KRS Board of Trustees is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can obtained by writing to Kentucky Retirement System, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646.

#### Benefits Provided

The Insurance Fund pays a prescribed contribution for whole or partial payment of required premiums to purchase hospital and medical insurance. The Insurance Fund pays the same proportion of hospital and medical insurance premiums for the spouse and dependents of retired hazardous members killed in the line of duty. As a result of House Bill 290 (2004 Kentucky General Assembly), medical insurance benefits are calculated differently for members who began participating on, or after, July 1, 2003. Once members reach a minimum vesting period of 10 years, non-hazardous employees whose participation began on, or after, July 1, 2003, earn \$10 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Hazardous employees whose participation began on, or after, July 1, 2003 earn \$15 per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon death of a hazardous employee, the employee's spouse receives \$10 per month for insurance benefits for each year of the deceased employee's earned hazardous service. This dollar amount is subject to adjustment annually, which is currently 1.5%, based upon Kentucky Revised Statutes. The Kentucky General Assembly reserves the right to suspend or reduce this benefit if, in its judgment, the welfare of the Commonwealth so demands.

#### Contributions

Contribution requirements of the participating employers are established and may be amended by the KRS Board of Trustees. The District's contractually required contribution rate for the year ended June 30, 2019 was 8.41% of covered payroll. Contributions to the Insurance Fund from the District were \$282,944 for the year ended June 30, 2019. Employees that entered the plan prior to September 1, 2008 are not required to contribute to the Insurance Fund. Employees that entered the plan after September 1, 2008 are required to contribute 1% of their annual creditable compensation which is deposited to an account created for the payment of health insurance benefits under 26 USC Section 401(h) in the Pension Fund (see Kentucky Administrative Regulation 105 KAR 1:420E).

#### Note F - Postemployment Benefits Other Than Pensions (OPEB) (Continued)

# OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2019, the District's proportionate share of the collective net OPEB liability was \$5,752,401 for its proportionate share of the collective net OPEB liability. The collective net OPEB liability was measured as of June 30, 2018 and the total OPEB liability used to calculate the collective net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the collective net OPEB liability and OPEB expense was determined using the employers' actual contributions for fiscal year 2018. This method is expected to be reflective of the employers' long-term contribution effort. At June 30, 2018, the District's proportion was .24% (rounded). For the year ended June 30, 2019, the District recognized OPEB expense of \$578,008. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

#### Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement unless otherwise specified:

Inflation	2.30%
Payroll Growth Rate	0.00%
Salary Increases	3.05%
Investment Rate of Return	6.25%
Healthcare Cost Trend Rates (Pre-65)	Initial trend starting at 7.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 12 years.
Healthcare Cost Trend Rates (Post-65)	Initial trend starting at 5.00% and gradually decreasing to an ultimate trend rate of 4.05% over a period of 10 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set-back four years for males) is used for the period after disability retirement.

The long-term expected rate of return was determined by using a building-block method in which best-estimate ranges of expected future real rate of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class are summarized in the tables below.

Note F - Postemployment Benefits Other Than Pensions (OPEB) (Continued)

# OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

	Long-term Expected	Target
Asset Class	Rate of Return	Allocation
U.S. Large Cap	4.50%	5.00%
U.S. Mid Cap	4.50%	6.00%
U.S. Small Cap	5.50%	6.50%
International Developed	6.50%	12.50%
Emerging Markets	7.25%	5.00%
Global Bonds	3.00%	4.00%
Global IG Credit	3.75%	2.00%
High Yield	5.50%	7.00%
Emerging Market Debt	6.00%	5.00%
Illiquid Credit	8.50%	10.00%
Private Equity	6.50%	10.00%
Real Estate	9.00%	5.00%
Absolute Return	5.00%	10.00%
Real Return	7.00%	10.00%
Cash	1.50%	2.00%
	6.09%	100.00%

#### Discount Rate

The discount rate used to measure the total OPEB liability was 5.86%. The discount rate is based on the expected rate of return on OPEB plan investments of 6.25% and a municipal bond rate of 3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System's actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System's trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

#### Note F - Postemployment Benefits Other Than Pensions (OPEB) (Continued)

# OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Sensitivity of the District's Proportionate Share of the Collective Net OPEB Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the collective net OPEB liability as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.86%) or 1 percentage point higher (6.86%) than the current discount rate:

		Current	
	1% Decrease (4.86%)	Discount Rate (5.86%)	1% Increase (6.86%)
Net OPEB Liability	\$ 6,749,230	\$ 5,752,401	\$ 4,922,786

Sensitivity of the District's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the collective net OPEB liability, as well as what the District's proportionate share of the collective net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1 percentage point lower or 1 percentage point higher than the current health care cost trend rates:

		Current Healthcare	
	1% Decrease	Trend Rate	1% Increase
Net OPEB Liability	\$ 4,890,742	\$ 5,752,401	\$ 6,788,672

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued KRS financial report.

Payables to the OPEB Plan

At June 30, 2019, the District reported a payable of \$2,316 (included in payroll liabilities amount on the Statement of Net Position) and for the outstanding amount of contributions to the OPEB plan required at the year ended June 30, 2019.

#### **Note G - Related Parties**

The Hardin, LaRue, Nelson, Marion, Meade and Washington County Public Health Taxing Districts were created pursuant to Kentucky Revised Statute (KRS) 212.750 to levy a special ad valorem tax for the purpose of providing funding for the district health department. The fiscal court of Nelson County has committed quarterly budget appropriations to fund the District. The District also receives reimbursements from the taxing districts for expenditures that the District pays on behalf of the taxing districts. These reimbursements are not included in the amount below.

# **Note G - Related Parties (Continued)**

The breakdown below shows the amounts received and available for use during fiscal year 2019.

# Related Party Revenue

Hardin County Taxing District	\$ 1,487,097
LaRue County Taxing District	154,150
Marion County Taxing District	271,764
Meade County Taxing District	331,892
Nelson County Fiscal Court	768,166
Washington County Taxing District	133,939
Total Amount Paid and Available During Fiscal Year 2018	\$ 3,147,008
Taxes Rates per \$100 (Real Estate and Tangible Property)	
Hardin County Taxing District	2.20%
LaRue County Taxing District	2.80%
Marion County Taxing District	3.00%
Meade County Taxing District	2.83%
Washington County Taxing District	2.91%

#### **Note H - Excess Unrestricted Fund Balance**

Health districts within the Commonwealth of Kentucky must comply with statutes that limit the amount of fund balance that the District is allowed to classify as unrestricted. As of June 30, 2019, the Lincoln Trail District Health Department had an excess unrestricted fund balance in the amount of \$1,097,135.



# Lincoln Trail District Health Department Schedule of Revenues and Expenditures by Cost Center Year Ended June 30, 2019

	500		500 520		540			560		700		712				
		Food Service	Public Facilities								Onsite Sewage		Preventive/ Presenting Problems		Dental Varnish	
Revenues																
State funds	\$	245,278	\$	-	\$	-	\$	-	\$	-	\$	-				
Federal funds		-		-		-		-		-		-				
Local funds		125,192		184,536		242,675		-		-		-				
Service fees		32,972		600		22,325		321,290		-		46				
Interest income		-		-		-		-		-		-				
Unrestricted carryover						-				-						
Total Revenues		403,442		185,136		265,000		321,290		-		46				
Expenditures																
Direct																
Compensation		119,249		52,745		78,264		79,582		387,026		-				
Fringe benefits		41,015		18,671		26,132		26,992		153,158		-				
Independent contracts		-		-		-		-		17,097		-				
Travel		302		158		1,261		3,890		1,366		-				
Occupancy		-		-		-		-		-		-				
Office administration		40		-		-		13,272		14		-				
Administrative charges		-		-		-		-		-		-				
Medical supplies		-		-		-		-		-		-				
Automotive		-		-		-		-		-		-				
Capital expenditures		-		-		-		-		-		-				
Other		411		925		-		5,303		-						
Total Direct		161,017		72,499		105,657		129,039		558,661		-				
Indirect allocation		242,425		112,637		159,343		179,688	1,	211,999		-				
Resource based allocation									(1,	770,660)						
Total Expenditures		403,442		185,136		265,000		308,727								
Excess of Revenues																
Over Expenditures	\$	-	\$	-	\$	-	\$	12,563	\$		\$	46				

Lincoln Trail District Health Department Schedule of Revenues and Expenditures by Cost Center (Continued) Year Ended June 30, 2019

	718	727	729	731	733	736	
	Laboratory/ Testing/ Radiology	Needle Exchange	ELC Regional Epidemiologist	Opiod Crisis Response	Preventive Dental Hygiene Team	Chat	
Revenues							
State funds	\$ -	\$ 7,027	\$ -	\$ -	\$ 16,708	\$ -	
Federal funds	-	12,932	539	43,163	-	15,245	
Local funds	-	30,305	117	3,951	-	-	
Service fees	-	-	-	-	1,001	9	
Interest income	-	-	-	-	-	-	
Unrestricted carryover							
Total Revenues	-	50,264	656	47,114	17,709	15,254	
Expenditures							
Direct							
Compensation	32,265	19,037	307	12,109	7,347	13,959	
Fringe benefits	13,368	8,151	140	5,189	3,155	-	
Independent contracts	1,638	-	-	-	1,000	-	
Travel	-	1,076	-	508	-	-	
Occupancy	-	_	-	-	-	-	
Office administration	-	-	-	1,591	584	1,330	
Administrative charges	_	_	-	-	_	-	
Medical supplies	8,482	9,064	-	-	_	_	
Automotive	-	-	_	-	294	_	
Capital expenditures	_	_	_	-	_	-	
Other		122		19,697	255		
Total Direct	55,753	37,450	447	39,094	12,635	15,289	
Indirect allocation	112,267	12,814	209	8,020	5,074	(35)	
Resource based allocation	(168,020)						
Total Expenditures		50,264	656	47,114	17,709	15,254	
Excess of Revenues							
Over Expenditures	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	

# Lincoln Trail District Health Department Schedule of Revenues and Expenditures by Cost Center (Continued) Year Ended June 30, 2019

	750		752		758		765		766		774	
	Accredita	ıtion		ands GF Services		Humana Vitality	P	obacco rogram eral Funds	MCH Coordinator		Child Fatality Prevention	
Revenues												
State funds	\$	-	\$	280,130	\$	-	\$	-	\$	-	\$	-
Federal funds		-		-		-		13,598		118,974		8,500
Local funds	100	,568		151,207		-		5,736		59,036		9,328
Service fees		-		-		118,866		-		605		8,000
Interest income		-		-		-		-		-		-
Unrestricted carryover	4	,012		-		-						
Total Revenues	104	,580		431,337		118,866		19,334		178,615		25,828
Expenditures												
Direct												
Compensation		,415		207,527		41,500		1,358		81,218		11,205
Fringe benefits	20	,314		66,665		16,990		580		34,793		4,803
Independent contracts		-		-		-		-		-		-
Travel		54		-		91		-		361		38
Occupancy		-		-		-		-		-		-
Office administration		159		-		1,995		5,592		-		-
Administrative charges		-		-		-		-		-		-
Medical supplies		-		-		23,615		-		-		-
Automotive		40		-		-		-		-		-
Capital expenditures		-		-		-		-		-		-
Other	5	,029		557		4,844		10,906		6,157		2,149
Total Direct	73	,011		274,749		89,035		18,436		122,529		18,195
Indirect allocation	31	,569		156,588		29,128		898		56,086		7,633
Resource based allocation				-		-						
Total Expenditures	104	,580_		431,337		118,163		19,334		178,615		25,828
Excess of Revenues Over Expenditures	\$	_	\$	_	\$	703	\$	-	\$	-	\$	-

Lincoln Trail District Health Department Schedule of Revenues and Expenditures by Cost Center (Continued) Year Ended June 30, 2019

	800		802 Family Planning		804	MCI	805 MCH Nutrition		806		807
	Pediatric/ Adolescen				WIC		& Group Activity		berculosis	Tra	exually ensmitted Disease
Revenues											
State funds	\$ -	\$	-	\$	-	\$	-	\$	47,294	\$	-
Federal funds	5,00	00	-		962,145		19,683		4,455		-
Local funds	162,75	59	-		375,955		8,285		75,445		109,483
Service fees	148,29	19	2,326		-		1,280		9,409		19,195
Interest income	71	.5	-		-		-		-		-
Unrestricted carryover					-						-
Total Revenues	316,77	73	2,326		1,338,100		29,248		136,603		128,678
Expenditures											
Direct											
Compensation	3,22	.2	-		5,869		6,254		16,714		5,576
Fringe benefits	1,23	30	-		1,667		2,682		7,152		2,385
Independent contracts	-		-		-		-		283		-
Travel	2	28	-		-		56		1,080		-
Occupancy	-		-		-		-		-		-
Office administration	2	27	-		265		-		1,073		-
Administrative charges	-		-		-		-		-		-
Medical supplies	-		-		2,150		-		2,956		-
Automotive	-		-		-		-		-		-
Capital expenditures	_		_		-		-		_		-
Other	1	6			45		10,690		930		-
Total Direct	4,52		-		9,996		19,682		30,188		7,961
Indirect allocation	2,24	16	_		6,866		7,030		15,365		4,323
Resource based allocation	310,00		736		1,321,238		2,536		91,050		116,394
Total Expenditures	316,77	<u>'3</u>	736		1,338,100		29,248		136,603		128,678
Excess of Revenues											
Over Expenditures	\$ -	\$	1,590	\$	-	\$		\$	-	\$	_

Lincoln Trail District Health Department Schedule of Revenues and Expenditures by Cost Center (Continued) Year Ended June 30, 2019

	809 Diabetes		810 Adult Visits & Follow-up		Lead Poisoning Prevention		Breast & Cervical Cancer		Community Based Programs		Planning & Readiness Assess	
Revenues												
State funds	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Federal funds		-		-		-		-		-		83,743
Local funds		482		90,060		5,205		-		598,294		30,022
Service fees		-		23,141		151		25		15,353		-
Interest income		-		-		-		-		-		-
Unrestricted carryover												
Total Revenues		482		113,201		5,356		25		613,647		113,765
Expenditures												
Direct												
Compensation		_		2,196		2,379		_		245,228		31,545
Fringe benefits		-		946		1,017		-		110,936		13,513
Independent contracts		-		681		-		-		310		-
Travel		-		-		24		-		2,276		497
Occupancy		-		_		-		-		-		-
Office administration		-		10		-		-		12,830		23,774
Administrative charges		-		_		-		-		-		-
Medical supplies		-		12,028		-		-		-		690
Automotive		-		-		-		-		7,877		588
Capital expenditures		-		_		-		-		-		-
Other		-								29,286		20,481
Total Direct		-		15,861		3,420		-		408,743		91,088
Indirect allocation		_		1,456		1,580		_		204,904		22,677
Resource based allocation		482		95,884		356						
Total Expenditures		482		113,201		5,356				613,647		113,765
Excess of Revenues Over Expenditures	\$	-	\$	-	\$	<u>-</u>	\$	25	\$		\$	-

Lincoln Trail District Health Department Schedule of Revenues and Expenditures by Cost Center (Continued) Year Ended June 30, 2019

	822		823		827		829		831		833	
	(	Bioterrorism (Focus Area B)		eillance & emiology		nfection Control		IHOP Grant		oloyee t - Coke	NAC	ССНО
Revenues												
State funds	\$	49,816	\$	-	\$	-	\$	-	\$	-	\$	-
Federal funds		44,550		7,126		-		-		-		-
Local funds		13,956		276		142,466		26,941		-		-
Service fees		-		-		-		263		95		596
Interest income		-		-		-		-		-		-
Unrestricted carryover				-		-				-		-
Total Revenues		108,322		7,402		142,466		27,204		95		596
Expenditures												
Direct												
Compensation		50,684		2,098		67,478		12,645		-		-
Fringe benefits		21,716		895		28,902		5,415		-		-
Independent contracts		-		-		-		-		-		-
Travel		-		-		-		66		-		-
Occupancy		-		-		-		-		-		-
Office administration		390		2,858		174		-		-		-
Administrative charges		-		-		-		-		-		-
Medical supplies		-		-		-		-		-		-
Automotive		48		-		-		-		-		-
Capital expenditures		-		-		-		-		-		-
Other				164		113		705		86		596
Total Direct		72,838		6,015		96,667		18,831		86		596
Indirect allocation		35,484		1,387		45,799		8,373		-		-
Resource based allocation												
Total Expenditures		108,322		7,402		142,466		27,204		86		596
Excess of Revenues Over Expenditures	\$	<u>-</u>	\$		\$		\$	-	\$	9	\$	

Lincoln Trail District Health Department Schedule of Revenues and Expenditures by Cost Center (Continued) Year Ended June 30, 2019

	]	836 obacco/ Health lucation	Cou	842 HIV nselling Festing	S	848 Iealthy Start In ay Care	853 Hands		858 olemental School Health	C	870 nmission hildren ec Needs
Revenues	Φ.	00.000	•	2 420	•		40.5.000	Φ.		Φ.	
State funds	\$	82,993	\$	3,439	\$	51,000	\$ 105,090	\$	-	\$	-
Federal funds		-		3,472		-	-		-		-
Local funds		23,631		-		16,129	133,939		-		-
Service fees		1,300		-		-	678,792		348,396		16,871
Interest income		-		-		-	-		-		-
Unrestricted carryover		-					 		-		
Total Revenues		107,924		6,911		67,129	917,821		348,396		16,871
Expenditures											
Direct											
Compensation		31,100		3,230		31,366	415,329		2,198		3,214
Fringe benefits		13,322		1,386		13,441	126,646		946		1,701
Independent contracts		_		_		_	-		_		-
Travel		2,069		_		95	2,253		_		_
Occupancy		-		-		_	-		_		5,722
Office administration		8,499		_		675	20,498		68		-
Administrative charges		_		_		_	-		_		_
Medical supplies		_		_		_	_		326		10
Automotive		_		_		184	23,621		53		_
Capital expenditures		_		_		_	-		_		_
Other		29,324				26	 4,911		343,349		
Total Direct		84,314		4,616		45,787	593,258		346,940		10,647
Indirect allocation		23,610		2,295		21,342	324,563		1,456		3,033
Resource based allocation		-		-			 		-		
Total Expenditures		107,924		6,911		67,129	 917,821		348,396		13,680
Excess of Revenues Over Expenditures	\$	-	\$	-	\$	-	\$ -	\$		\$	3,191

Lincoln Trail District Health Department Schedule of Revenues and Expenditures by Cost Center (Continued) Year Ended June 30, 2019

	879	879		880		EPSDT		890 Core		891		892
	HPP Co-ordin	ator		IS POE - rst Steps	Οι	itreach - assport		Public Health		edicaid Match		Minor stricted
Revenues												
State funds	\$	-	\$	742,500	\$	-	\$	-	\$	-	\$	-
Federal funds	32	,500		-		-		-		-		-
Local funds		724		20,713		-		11,427		115,611		2,307
Service fees		-		360		35,050		660		-		-
Interest income		-		-		-		-		-		-
Unrestricted carryover				-		-				347,378		
Total Revenues	33,	,224		763,573		35,050		12,087		462,989		2,307
Expenditures												
Direct												
Compensation		,793		341,809		7,708		5,083		-		-
Fringe benefits	6	,343		156,525		3,331		2,926		-		-
Independent contracts		-		2,040		-		-		-		-
Travel		-		13,583		1,703		-		-		-
Occupancy		-		-		-		-		-		-
Office administration		554		24,371		467		-		-		-
Administrative charges		-		-		-		-		-		-
Medical supplies		-		391		-		-		-		-
Automotive		-		585		58		-		-		-
Capital expenditures		-		-		-		-		-		-
Other		624		1,792		15,632				462,989		2,307
Total Direct	22	,314		541,096		28,899		8,009		462,989		2,307
Indirect allocation	10	,910		222,477		6,151		4,078		-		-
Resource based allocation				-		-						
Total Expenditures	33	,224		763,573		35,050		12,087		462,989		2,307
Excess of Revenues Over Expenditures	\$		\$	-	\$	-	\$	-	\$	-	\$	-

Lincoln Trail District Health Department Schedule of Revenues and Expenditures by Cost Center (Continued) Year Ended June 30, 2019

		894		895		897	898		899		900	
	(	Capital	I	Allocable Leave & Fringes		Space Indirect	Departmental Administration		Clinic Indirect		General Medical Administration	
Revenues												
State funds	\$	-	\$	965,088	\$	-	\$	-	\$	-	\$	-
Federal funds		-		270,922		-		-		-		-
Local funds		-		270,495		-		-		-		-
Service fees		-		12,042		-		-		-		-
Interest income		-		-		-		-		-		-
Unrestricted carryover		83,133		112								-
Total Revenues		83,133		1,518,659		-		-		-		-
Expenditures												
Direct												
Compensation		-		-		94,297		496,993		470,286		205,388
Fringe benefits		-		920,002		54,703		288,193		222,235		117,481
Independent contracts		-		-		-		-		-		-
Travel		-		-		46		3,277		1,459		1,228
Occupancy		-		-		162,898		374		-		-
Office administration		-		-		-		86,343		141,445		6,594
Administrative charges		-		-		-		-		-		-
Medical supplies		-		-		-		-		22,661		-
Automotive		-		-		1,879		25,270		125		15,852
Capital expenditures		19,213		-		-		-		-		-
Other		63,920						376,544		25,016		767
Total Direct		83,133		920,002		313,823	1	,276,994		883,227		347,310
Indirect allocation		-		-		(313,823)	(1	,276,994)		(883,227)		(347,310)
Resource based allocation												
Total Expenditures		83,133		920,002								
Excess of Revenues Over Expenditures	\$	<u>-</u>	\$	598,657	\$	<u>-</u>	\$		\$	<u>-</u>	\$	<u> </u>

# Lincoln Trail District Health Department Schedule of Revenues and Expenditures by Cost Center (Continued) Year Ended June 30, 2019

	901	
	General	
	Environmental	
	Administrative	Totals
Revenues		
State funds	\$ -	\$ 2,596,363
Federal funds	· -	1,646,547
Local funds	_	3,147,256
Service fees	_	1,819,318
Interest income	_	715
Unrestricted carryover		434,635
Total Revenues	-	9,644,834
Expenditures		
Direct		
Compensation	240,872	4,007,667
Fringe benefits	135,790	2,703,543
Independent contracts	-	23,049
Travel	340	39,185
Occupancy	130	169,124
Office administration	43,518	399,010
Administrative charges	-	-
Medical supplies	-	82,373
Automotive	60,802	137,276
Capital expenditures	-	19,213
Other	942	1,447,610
Total Direct	482,394	9,028,050
Indirect allocation	(482,394)	-
Resource based allocation		
Total Expenditures		9,028,050
Excess of Revenues		
Over Expenditures	\$ -	\$ 616,784

# Lincoln Trail District Health Department Schedule of Revenues and Expenditures - Actual vs. Budget Year Ended June 30, 2019

	Actual	Budget (Unaudited)	Positive (Negative) Budget
Revenues			
State funds	\$ 2,596,363	\$ 2,776,784	\$ (180,421)
Federal funds	1,646,547	1,489,563	156,984
Local funds	3,147,256	3,147,008	248
Service fees	1,819,318	1,515,134	304,184
Interest income	715	-	715
Unrestricted carryover	434,635		434,635
Total Revenues	9,644,834	8,928,489	716,345
Expenditures			
Compensation	4,007,667	3,823,467	(184,200)
Fringe benefits	2,703,543	3,005,061	301,518
Independent contracts	23,049	28,290	5,241
Travel	39,185	20,187	(18,998)
Occupancy	169,124	185,500	16,376
Office administration	399,010	269,201	(129,809)
Capital expenditures	19,213	-	(19,213)
Medical supplies	82,373	70,486	(11,887)
Automotive	137,276	119,660	(17,616)
Other	1,447,610	416,960	(1,030,650)
Total Expenditures	9,028,050	7,938,812	(1,089,238)
Excess of Revenues Over Expenditures	\$ 616,784	\$ 989,677	\$ (372,893)

# Lincoln Trail District Health Department Schedule of Expenditures of Federal Awards Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor Program Title	(	Federal CFDA Jumber	Entity Identifying Number	g Pass-though to Subrecipients		Federal penditures
U.S. Department of Agriculture						
Passed-through Kentucky Cabinet for Health and Family Services						
Special Supplemental Nutrition Program for Women, Infants and Children	*	10.557 10.557	1160018 1160019	\$	- -	\$ 416,768 674,460
Total U. S. Department of Agriculture					-	1,091,228
U.S. Department of Health and Human Services						
Passed-through Kentucky Cabinet for Health and Family Services						
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned -						
Cooperative Agreements		93.069	2140018			 12,111
					-	12,111
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned -						
Cooperative Agreements		93.074	2140016		-	4,154
		93.074	0214SUP17		-	76,463
		93.074	0214SUP17 0214SUP17		-	39,717 3,563
			2140017		_	17,896
		93.074	0215SUP17		_	3,563
		93.074	215SUP17		-	27,525
		93.074	2150016			1,575
					-	174,456
Tuberculosis Elimination & Laboratory Coop		93.116 93.116	10600OL19 10600OL20		-	3,878 577
		73.110	100000L20			 •
					-	4,455
Family Planning Services		93.217	11500OL18			 18,172
					-	18,172
Abstinence Education Program		93.235	1270018			19,609
					-	19,609

See accompanying independent auditor's report and the accompanying notes to this schedule.

#### Lincoln Trail District Health Department Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor Program Title	Federal CFDA Number	Entity Identifying Number	Pass-though to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services (Continued)				
e.s. Department of Iteath and Ituman services (continued)				
Passed-through Kentucky Cabinet for Health and Family Services				
Immunization Cooperative Agreements	93.268	10500OL16		5,000
			-	5,000
Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018				
Prevention and Public Health funds (PPHF)	93.305	0240OL18	-	565
	93.305	0240OL18	-	8,408
	93.305	0240OL19		4,625
			-	13,598
Epidemiology and Laboratory Capacity for Infectious				
Diseases (ELC)	93.323	1390019		539
			-	539
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health				
Crisis Response	93.354	2130019	-	43,163
•				43,163
The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity				
in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections				
Program (EIP) Cooperative Agreements;PPHF	93.521	1380018		61
			=	61
State Public Health Actions to Preven and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health financed in part by Prevention and Public Health Funding	93.757	2430418	-	30,008
State Public Health Actions to Preven and Control Diabetes, Heart Disease, Obesity and Associated Risk Factors and Promote School Health financed in part by Prevention and Public Health Funding	02 757	2430518		227
Treater Imaneed in part by Frevention and Fuone freath Funding	93.131	2730310		
			-	30,235
Preventive Health and Health Services Block Grant	93.758	1040017		6,094
			-	6,094

See accompanying independent auditor's report and the accompanying notes to this schedule.

## Lincoln Trail District Health Department Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2019

	Federal CFDA	Entity Identifying	Pass-though to	Federal
Federal Grantor/Pass-through Grantor Program Title	Number	Number	Subrecipients	Expenditures
U.S. Department of Health and Human Services (Continued)				
Passed-through Kentucky Cabinet for Health and Family Services				
Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned - Cooperative Agreements	93.889 93.889	2150017 2150018	<u>-</u>	8,881 4,975
			-	13,856
Kentucky Women's Cancer Screening Program	93.898	11100OL17		3,716
			-	3,716
HIV Care Formula Grants	93.917	1690019	-	351
			-	351
HIV Prevention Activities	93.940 93.940	14000OL18	-	6,466
	93.940	14000OL18 14000OL19	-	3,206 266
	93.940	14000OL19		6,466
			-	16,404
Preventive Health and Health Services Block Grant	93.991	1040018		9,247
			-	9,247
Maternal and Child Health Services	93.994	1120017	-	44,584
	93.994	1120017	-	4,000
	93.994 93.994	1120017 11200D118	-	8,237
	93.994	11200D118 11200D118	-	11,446 74,391
	93.994	11200D118	- -	4,500
	93.994	1120017	-	10,725
	93.994	1120017	-	22,033
	93.994	1120017	-	1,721
	93.994	1120017		2,615
			_	184,252
Total U. S. Department of Health and Human Services			-	555,319
<b>Total Expenditures of Federal Awards</b>			\$ -	\$ 1,646,547

<sup>\*</sup> Denotes major program.

See accompanying independent auditor's report and the accompanying notes to this schedule.

Lincoln Trail District Health Department Notes to the Schedule of Expenditures of Federal Awards Year Ended June 30, 2019

#### Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Lincoln Trail District Health Department and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the combined financial statements.

#### **Note B - Indirect Cost Rate**

The District did not elect to use the 10% de minims indirect cost rate. Instead, the District uses an indirect cost allocation plan that has been established by the Kentucky Cabinet for Health and Family Services, Department for Public Health.



# 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 Board of Directors Lincoln Trail District 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 Lincoln Trail District Health Department (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the District's basic financial statements, and have issued are report thereon dated October 29, 2019.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 over financial reporting 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 over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

MCM CPAs & Advisors LLP

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 District'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 29, 2019

MCM CPAS & ADVISORS LIP



# Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance

To the Board of Directors

Lincoln Trail District Health Department

#### Report on Compliance for Each Major Federal Program

We have audited Lincoln Trail District Health Department's (the "District") compliance with the type of compliance requirements described in the U.S. Office of Management and Budget (*OMB*) Compliance Supplement that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

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

Our responsibility is to express an opinion on compliance for the District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the District's compliance.

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# **Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance (Continued)**

#### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

# Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Lexington, Kentucky October 29, 2019

MCM CPAS & ADVISORS LIA

# Lincoln Trail District Health Department Schedule of Audit Findings and Questioned Costs Year Ended June 30, 2019

Section I Summary of Auditor's Results						
Financial Statements					Unmodified	_
Type of auditor's repo						
Internal control over	financial reporting					
Material weakness(es) identified?				yes	X	no
Significant deficiencies identified that are not				•		-
considered to be material weakness(es)?				yes	X	none reported
Noncompliance material to financial statements noted?				yes	X	no
Federal Awards						
Internal control over 1	major programs					
• Material weakness(es) identified?				yes	X	no
Significant deficiencies identified that are not						-
considered to be material weakness(es)?				yes	X	none reported
Type of auditor's report issued on compliance for major programs			•	Unmodified		
Any audit findings disclosed that are required to be reported						
in accordance with the Uniform Guidance.				yes	X	no
Identification of major	r programs:					
CFDA Number(s)	Name of Federal Program or Cluster					
10.557	Special Supplemental Nutrition Program for Women, Infants and Children					
Dollar threshold used to	o distinguish					
Between type A and type B programs		\$	750,000			
Auditee qualified as low-risk auditee?			X	yes		no
Section II Financial Statement Findings						
No matters were reported.						
Section III Federal Award Findings and Questioned Costs						

No matters were reported.

Lincoln Trail District Health Department Schedule of Audit Findings and Questioned Costs (Continued) Year Ended June 30, 2019

None.



Lincoln Trail District Health Department Response to Prior Year Management Letter Comments Year Ended June 30, 2019

There were no management letter comments for the prior year.

Lincoln Trail District Health Department Management Letter Comments Year Ended June 30, 2019

There were no management letter comments for the current year.