



CARTER COUNTY HEALTH DEPARTMENT

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2018

Jones & Associates CPAs, PSC

2024 Shadybrook Lane, Lexington, KY 40502 (859) 687-0303

Certified Public Accountants

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JONES & ASSOCIATES CPAs, PSC

2024 SHADYBROOK LANE, LEXINGTON, KY 40502 (859) 687-0303

CERTIFIED PUBLIC ACCOUNTANTS

Board of Health
Carter County Health Department
Grayson, Kentucky

Independent Auditor's Report

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the *Administrative Reference* established by the Commonwealth of Kentucky, Cabinet for Health and Family Services, Department for Public Health, Division of Administration and Financial Management as described in Note 2. 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 opinions 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 of 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 opinions.

**Board of Health
Carter County Health Department
Independent Auditor's Report
(Continued)**

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

As described in Note 2, the financial statements are prepared by the Carter County Health Department, on the basis of the financial reporting provisions of the *Administrative Reference*, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Commonwealth of Kentucky. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 2 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 Carter County Health Department as of June 30, 2018, and the respective changes in financial position for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balance arising from cash transactions, of the Carter County Health Department, as of June 30, 2018, and the respective cash receipts and cash disbursements for the year then ended in accordance with the financial reporting provisions of the *Administrative Reference* as described in Note 2 and the respective budgetary comparison.

Other Matters

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018, on our consideration of the Carter County Health Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial

**Board of Health
Carter County Health Department
Independent Auditor's Report
(Continued)**

Other Reporting Required by *Government Auditing Standards* (Continued)

reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Carter County Health Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Carter County Health Department's internal control over financial reporting and compliance.

Respectfully submitted,

Jones & Associates CPAs, PSC

Jones & Associates CPAs, PSC
Certified Public Accountants
Lexington, Kentucky

October 29, 2018

FINANCIAL STATEMENTS

**Carter County Health Department
Statement of Assets, Liabilities, and Fund Balance - Cash Basis
June 30, 2018**

Assets

Current assets

Cash \$ 500,552

Total current assets \$ 500,552

Total assets \$ 500,552

Liabilities and fund balance

Liabilities

Current liabilities

Payroll and payroll withholdings \$ 7,116

Total current liabilities \$ 7,116

Total liabilities \$ 7,116

Fund balance

Restricted - Federal \$ 8,197

Restricted - State 32,847

Restricted - Fees 8,876

Unrestricted 443,516

Total fund balance \$ 493,436

Total liabilities and fund balance \$ 500,552

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

Carter County Health Department
Statement of Revenues, Expenditures, and Changes in Fund Balance - Cash Basis
For the Year Ended June 30, 2018

Revenues		
State	\$	243,696
Federal		322,964
Local tax appropriations		278,354
Service fees		<u>186,100</u>
Total revenues	\$	<u>1,031,114</u>
Expenditures		
Salaries	\$	422,575
Part-time salaries		27,667
Fringe benefits		334,327
Independent contracts		3,200
Office administration		52,134
Travel		12,101
Space occupancy		19,295
Medical supplies		22,001
Other		<u>22,461</u>
Total expenditures	\$	<u>915,761</u>
Revenues over (under) expenditures	\$	115,353
Adjustments to fund balance		
Prior year funds used		<u>(4,512)</u>
Net change in fund balance	\$	110,841
Fund balance - Beginning of year	\$	<u>382,595</u>
Fund balance - End of year	\$	<u><u>493,436</u></u>

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

**Carter County Health Department
Statement of Revenues and Expenditures
Budget to Actual - Cash Basis
For the Year Ended June 30, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
State	\$ 240,859	\$ 232,551	\$ 243,696	\$ 11,145
Federal	326,276	326,276	322,964	(3,312)
Local tax appropriations	278,320	278,320	278,354	34
Service fees	<u>212,045</u>	<u>212,045</u>	<u>186,100</u>	<u>(25,945)</u>
Total revenues	<u>\$ 1,057,500</u>	<u>\$ 1,049,192</u>	<u>\$ 1,031,114</u>	<u>\$ (18,078)</u>
Expenditures				
Salaries	\$ 449,036	\$ 449,036	\$ 422,575	\$ (26,461)
Part-time salaries	57,275	57,275	27,667	(29,608)
Fringe benefits	373,880	365,572	334,327	(31,245)
Independent contracts	29,848	29,848	3,200	(26,648)
Office administration	40,993	40,993	52,134	11,141
Travel	19,289	19,289	12,101	(7,188)
Space occupancy	19,037	19,037	19,295	258
Medical supplies	12,261	12,261	22,001	9,740
Other	<u>55,879</u>	<u>55,879</u>	<u>22,461</u>	<u>(33,418)</u>
Total expenditures	<u>\$ 1,057,498</u>	<u>\$ 1,049,190</u>	<u>\$ 915,761</u>	<u>\$ (133,429)</u>
Revenues over (under) expenditures	<u>\$ 2</u>	<u>\$ 2</u>	<u>\$ 115,353</u>	<u>\$ 115,351</u>

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

**Carter County Health Department
Statement of Changes in Fund Balance - Cash Basis
For the Year Ended June 30, 2018**

	<u>Restricted Fund Balance Federal</u>	<u>Restricted Fund Balance State</u>	<u>Restricted Fund Balance Fees</u>	<u>Unrestricted Fund Balance</u>
Fund balance, June 30, 2017	\$ 11,953	\$ 756	\$ 3,054	\$ 366,832
2016-17 restricted fund used in current year - federal	(3,756)			
2016-17 restricted fund used in current year - state		(756)		
Excess 2017-18 revenues over expenditures - state restricted funds		32,847		
Excess 2017-18 revenues over expenditures - restricted fees			5,822	
Excess 2017-18 revenues expenditures - unrestricted funds				<u>76,684</u>
Fund Balance, June 30, 2018	<u>\$ 8,197</u>	<u>\$ 32,847</u>	<u>\$ 8,876</u>	<u>\$ 443,516</u>

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

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

Note 1. Nature of the Organization

The Carter County Health Department (the Health Department) is an independent local health department. It is under the guidance of the Kentucky Cabinet for Health and Family Services, Department for Public Health. The Health Department provides environmental and medical services to the people of Carter County.

Note 2. Summary of Significant Accounting Policies

The Health Department maintains its records using the regulatory basis of accounting, in accordance with the *Administrative Reference* established by the Kentucky Cabinet for Health and Family Services, Department for Public Health, Division of Administration and Financial Management. As a result, revenues are recognized when received, rather than when earned, and expenses are recognized when paid, rather than when the liability is incurred.

Federal and state revenues for services are recognized as received and are based in some instances upon reimbursement reports filed by the Health Department for eligible services and are subject to adjustments based upon federal and state agency audits as to eligibility of recipients and the computation of reimbursable costs.

Source of Funds: Revenue sources of the Health Department are divided into four groups as follows:

State – includes restricted and unrestricted state grant funds

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

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

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

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

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

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

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

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

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

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

Note 2. Summary of Significant Accounting Policies *(Continued)*

The Health Department adopts an annual budget prepared in accordance with the cash basis of accounting. The Carter County Board of Health, which oversees the Health Department, also adopts annual Program Plans, which state the goals the Health Department intends to accomplish during the year in regard to its various programs.

Note 3. Cash

The Health Department maintains its deposits with a depository institution insured by the Federal Deposit Insurance Corporation (FDIC). As of June 30, 2018, the amounts on deposit at the depository institution were under collateralized by as much as \$250,623. Additionally, on April 3, 2018, the amounts on deposit at the depository institution were under collateralized by as much as \$278,154.

Note 4. Fund Balances

Amounts in restricted fund balance are restricted to the program which generated the excess revenues. These amounts will be carried forward to the next fiscal year, will be paid back to the state or federal government, or transferred to unrestricted fund balance. During the current year, restricted funds in the amount of \$4,512 were transferred to current operations. According to 902 KAR 8:170, Section 3 (c), any excess unrestricted fund balance at the end of the fiscal year shall require the Health Department to submit a plan for use of such excess.

Note 5. Related Party

The Health Department shares a common board membership with the Carter County Public Health Taxing District (the Taxing District). For fiscal year 2018, the Health Department received \$278,320 of local tax appropriations from the Taxing District.

Note 6. Risk Management

The Health Department is exposed to various forms of loss of assets associated with the risks of fire, personal liability, theft, vehicle accidents, errors and omissions, fiduciary responsibility, etc. Each of these risk areas are covered through the purchase of commercial insurance which includes workers' compensation insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

Note 7. Pension Plan

The Health Department participates in the Kentucky Employees Retirement System (KERS), a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous duty positions of any state department, board, or agency directed by Executive Order to participate in KERS.

The plan issues separate financial statements which may be obtained by request from Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601.

Plan Description – KERS provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members in certain circumstances. The plan provides plan members with benefits through a pension trust and an insurance trust. The pension trust provides retirement, disability, and death benefits. The insurance trust provides health insurance or other postemployment benefits

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

Note 7. Pension Plan (Continued)

Plan Description (Continued)

(OPEB). Benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – Grandfathered plan members are required to contribute 5% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 are required to contribute 6% of wages for non-hazardous job classifications. Participating employers are required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with the actuarial basis adopted by the Board. For the year ended June 30, 2018, participating employers contributed 49.47% (41.06% to the pension fund and 8.41% to the insurance fund) of each employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of the Kentucky Retirement System are financed through employer contributions and investment earnings.

Plan members who began participating on, or after, January 1, 2014, are required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month into their own account. Plan members contribute 5% of their wages to their own account and 1% to the health insurance fund. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

For the year ending June 30, 2018, employees of the Health Department contributed \$20,738 to the Kentucky Retirement System. The Health Department contributed \$189,518 (\$157,300 for the pension fund and \$32,218 for the insurance fund) in matching payments to KERS, which does not include \$15,503 of matching payments paid in July 2018 for June 2018.

Pension Liabilities, Expense, Deferred Outflows and Deferred Inflows of Resources – At June 30, 2018, the Health Department's proportionate share of the net pension liability was \$4,288,552. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Health Department's proportion of the net pension liability was based on a projection of the Health Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2017, the Health Department's proportionate share was .032%, which was a decrease of .009% of its proportionate share measured at June 30, 2016.

OPEB Liabilities – At June 30, 2018, the Health Department estimates that its total unfunded liability is approximately \$812,319 based upon its proportionate share of the total OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Health Department's proportion of the net OPEB liability was based on a projection of the Health Department's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The Health Department's proportionate share at June 30, 2017 was .032%.

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

Note 8. Contingencies

The Health Department receives funding from federal and state government agencies. These funds are to be used for designated purposes only. For government agency grants, if the grantors' review indicates that the funds have not been used for the intended purpose, the grantors may request a refund of monies advanced or refuse to reimburse the Organization for its disbursements. The amount of such future refunds and unreimbursed disbursements, if any, is not expected to be significant. Continuation of the Health Department's grant programs is predicated upon the grantors' satisfaction that the funds provided are being spent as intended and the grantors' intent to continue their programs.

Note 9. Subsequent Events

The Health Department has evaluated subsequent events through October 29, 2018, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**Carter County Health Department
Schedule of Revenues by Reporting Area
For the Year Ended June 30, 2018**

	REVENUES								
	State	Federal	Local Tax Appropriations	Service Fees	Total Revenue	Total Costs	Department Carryover	Program Excess (Deficit)	
Revenues									
Environmental									
Food	500	\$ 37,611	\$	\$ 3,479	\$ 400	\$ 41,490	\$	\$	
Public facilities	520			5,251	425	5,676		5,676	
General sanitation	540			34,182		34,182		34,182	
Onsite sewage	560			29,445	28,655	58,100		58,100	
Total environmental		\$ 37,611	\$	\$ 72,357	\$ 29,480	\$ 139,448	\$ 139,448	\$	
Medical									
Preventative and presenting problems	700	\$	\$	\$	\$	\$	\$	\$	
Dental	712	1,330			6,456	7,786	5,091	2,695	
Laboratory, testing, and radiology	718								
Zika preparedness and response	726		136	1,915		2,051	2,051		
Needle exchange program	727		6,075	1,481	9,253	16,809	16,809		
Passport referrals	741			225	219	444	444		
HANDS GF services	752			125		125	125		
Humana vitality	758				11,272	11,272	6,905	4,367	
HANDS federal home visit	760		64,410	18,650		83,060	83,060		
School age dental	762						(354)	354	
Hepatitis A outbreak	764	40,000				40,000	8,483	31,517	
MCH coordinator	766		41,769	12,126	800	54,695	54,695		
Competitive home visiting	767						3,756	3,756	
PHEP special projects	771			52		52	52		
Child fatality prevention	774		117	130		247	247		
Pediatric adolescent visits	800		250	21,280	27,702	49,232	49,232		
Family planning	802	108	3,863	5,902	7,157	17,030	17,030		
WIC	804		131,235	29,709		160,944	160,944		
Tuberculosis	806		50	16,880	4,065	20,995	20,995		
Sexually transmitted diseases	807			1,100	689	1,789	1,789		
Adult full charge	809	6,622		2,469		9,091	9,847	756	
Adult visits and follow-up	810			39,375	4,654	44,029	44,029		
Cancer screening and follow-up	813		131	1,798	497	2,426	2,426		
Bio-terrorism area a	821		21,973	5,017		26,990	26,990		
Tobacco	836	8,087		295		8,382	8,382		
Healthy homes	850			13		13	13		
HANDS	853	3,640		25,742	83,342	112,724	112,724		
HANDS training	878	35,961		2,225		38,186	38,186		
Core public health	890				90	90		90	
Medicaid match	891						(2,087)	2,087	
Total medical		\$ 95,748	\$ 270,009	\$ 186,509	\$ 156,196	\$ 708,462	\$ 671,864	\$ 4,512	\$ 41,110
Administrative									
Allocable direct	895	\$ 109,581	\$ 49,199	\$ 19,488	\$ 424	\$ 178,692	\$ 104,449	\$	\$ 74,243
Total administrative		\$ 109,581	\$ 49,199	\$ 19,488	\$ 424	\$ 178,692	\$ 104,449	\$	\$ 74,243
Total revenues		\$ 242,940	\$ 319,208	\$ 278,354	\$ 186,100	\$ 1,026,602	\$ 915,761	\$ 4,512	\$ 115,353

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

Carter County Health Department
Schedule of Direct Costs by Reporting Area
For the Year Ended June 30, 2018

	Salaries	Part-Time Salaries	Fringe Benefits	Independent Contracts	Office Administration	Travel	Space Occupancy	Medical Supplies	Other	Total Direct Costs
Direct costs paid										
Environmental										
Food	500	\$ 19,675	\$ 10,073	\$	\$	\$ 560	\$	\$	\$	\$ 30,308
Public facilities	520	2,639	1,351		26	179				4,195
General sanitation	540	16,102	8,244		39	604				24,989
Onsite sewage	560	27,105	13,876			1,769				42,750
Total environmental		\$ 65,521	\$ 33,544	\$	\$ 65	\$ 3,112	\$	\$	\$	\$ 102,242
Medical										
Preventative and presenting problems	700	\$ 68,685	\$ 33,835	\$	\$	\$ 76	\$	\$ 898	\$	\$ 103,494
Dental	712	1,590	784							2,374
Laboratory, testing, and radiology	718	3,266	1,609	170				1,491		6,536
Zika preparedness and response	726								2,051	2,051
Needle exchange program	727	5,040	2,621					5,814		13,475
Passport referrals	741	198	102							300
HANDS GF services	752					59				59
Humana vitality	758	1,896	986					2,740		5,622
HANDS federal home visit	760	28,684	15,879			1,596			133	56,160
School age dental	762	(162)	(84)							(246)
Hepatitis A outbreak	764							8,483		8,483
MCH coordinator	766	22,930	11,922			141			4,338	39,331
Competitive home visiting	767	1,616	841			180				2,637
PHEP special projects	771								52	52
Child fatality prevention	774	50	27						130	207
Pediatric adolescent visits	800				193					193
Family planning	802	177	91	280				672		1,220
WIC	804	730	378		25	33		500	83	1,749
Tuberculosis	806							682		682
Sexually transmitted diseases	807									
Adult full charge	809	3,016	1,568		1,156				1,887	7,627
Adult visits and follow-up	810	15,992	8,315							24,307
Cancer screening and follow-up	813	59	30							89
Bio-terrorism area a	821	11,266	5,857		1,077	464		563	199	19,426
Tobacco	836	2,719	1,413		17				2,307	6,456
Healthy homes	850									
HANDS	853	30,526	17,582		3,750	3,973			475	73,898
HANDS training	878	15,798	8,215		1,617	2,103				27,733
Core public health	890									
Medicaid match	891								(2,087)	(2,087)
Total medical		\$ 214,076	\$ 27,450	\$ 111,981	\$ 450	\$ 7,835	\$ 8,625	\$ 21,843	\$ 9,568	\$ 401,828
Indirect cost allocation										
Indirect cost allocation - space	897	\$	\$	\$	\$	\$	\$ 19,295	\$	\$	\$ 19,295
Indirect cost allocation - departmental	898	65,592	41,396		42,512	364			11,955	161,819
Indirect cost allocation - clinic	899	56,338	29,651	2,750	945			158	929	90,771
Indirect cost allocation - medical	900	19,951	12,612							32,780
Indirect cost allocation - environmental	901	1,097	694		777				9	2,577
Total indirect cost allocation		\$ 142,978	\$ 217	\$ 84,353	\$ 2,750	\$ 44,234	\$ 364	\$ 19,295	\$ 158	\$ 307,242
Administrative										
Allocable direct	895	\$	\$ 104,449	\$	\$	\$	\$	\$	\$	\$ 104,449
Total administrative		\$	\$ 104,449	\$	\$	\$	\$	\$	\$	\$ 104,449
Total direct costs paid		\$ 422,575	\$ 27,667	\$ 334,327	\$ 3,200	\$ 52,134	\$ 12,101	\$ 19,295	\$ 22,461	\$ 915,761

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

**Carter County Health Department
Schedule of Indirect Costs by Reporting Area
For the Year Ended June 30, 2018**

	<u>Space</u>	<u>Depart- mental</u>	<u>Clinic</u>	<u>Medical</u>	<u>Environ- mental</u>	<u>Allocation</u>	<u>Total Indirect Costs</u>
Indirect costs paid							
Environmental							
Food	500	\$ 231	\$ 10,177	\$	\$ 774	\$	\$ 11,182
Public facilities	520	13	1,364		104		1,481
General sanitation	540	231	8,329		633		9,193
Onsite sewage	560	264	14,020		1,066		15,350
Total environmental	\$ 739	\$ 33,890	\$	\$	\$ 2,577	\$	\$ 37,206
Medical							
Preventative and presenting problems	700	\$ 11,907	\$ 34,184	\$ 86,650	\$ 8,758	\$ (244,993)	\$ (103,494)
Dental	712	33	791		203	1,690	2,717
Laboratory, testing, and radiology	718	824	1,626	4,121	417	(13,524)	(6,536)
Zika preparedness and response	726						
Needle exchange program	727	8	2,647		679		3,334
Passport referrals	741	13	104		27		144
HANDS GF services	752	66					66
Humana vitality	758	33	995		255		1,283
HANDS federal home visit	760	66	21,360		5,474		26,900
School age dental	762		(86)		(22)		(108)
Hepatitis A outbreak	764						
MCH coordinator	766	231	12,046		3,087		15,364
Competitive home visiting	767	53	850		216		1,119
PHEP special projects	771						
Child fatality prevention	774	7	26		7		40
Pediatric adolescent visits	800	7				49,032	49,039
Family planning	802	7	92		25	15,686	15,810
WIC	804	66	384		98	158,647	159,195
Tuberculosis	806	6				20,307	20,313
Sexually transmitted diseases	807					1,789	1,789
Adult full charge	809	230	1,584		406		2,220
Adult visits and follow-up	810	99	8,402		2,153	9,068	19,722
Cancer screening and follow-up	813		31		8	2,298	2,337
Bio-terrorism area a	821	131	5,917		1,516		7,564
Tobacco	836	132	1,429		365		1,926
Healthy homes	850	13					13
HANDS	853	4,598	27,247		6,981		38,826
HANDS training	878	26	8,300		2,127		10,453
Core public health	890						
Medicaid match	891						
Total medical	\$ 18,556	\$ 127,929	\$ 90,771	\$ 32,780	\$	\$	\$ 270,036
Total indirect costs	\$ 19,295	\$ 161,819	\$ 90,771	\$ 32,780	\$ 2,577	\$	\$ 307,242
Less: Indirect cost allocation	19,295	161,819	90,771	32,780	2,577		307,242
Total indirect costs paid	\$	\$	\$	\$	\$	\$	\$

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

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

JONES & ASSOCIATES CPAs, PSC

2024 SHADYBROOK LANE, LEXINGTON, KY 40502 (859) 687-0303

CERTIFIED PUBLIC ACCOUNTANTS

Board of Health
Carter County Health Department
Grayson, KY

Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards*

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 Carter County Health Department as of and for the year ended June 30, 2018, and related notes to the financial statements, which collectively comprise the Carter County Health Department's basic financial statements and have issued our report thereon dated October 29, 2018.

Our report disclosed that, as described in Note 2 to the financial statements, the Carter County Health Department prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws in accordance with the financial reporting provision of the *Administrative Reference* established by the Commonwealth of Kentucky, Cabinet for Health and Family Services, Department for Public Health, Division of Administration and Financial Management, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Carter County Health Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Carter County Health Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Carter County Health Department's internal control.

A *deficiency* in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompanying Schedule of Findings to be a significant deficiency: 2018 – 02.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses. We consider the following deficiency described in the accompanying Schedule of Findings to be a material weakness: 2018 – 01.

**Board of Health
Carter County Health Department
Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of the Financial Statements
Performed in Accordance with *Government Auditing Standards***
(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Carter County Health Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed the following instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings: 2018 – 02.

Carter County Health Department's Responses to Findings

The Carter County Health Department's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. Those responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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.

Respectfully submitted,

Jones & Associates CPAs, PSC

Jones & Associates CPAs, PSC
Certified Public Accountants
Lexington, Kentucky

October 29, 2018

**Carter County Health Department
Schedule of Findings
June 30, 2018**

INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

Finding Number 2018 – 01

Condition: The Health Department cannot fully segregate the record-keeping, custodial, and authorization functions of its internal controls due to the size of its staff.

Criteria: Generally accepted accounting principles require that management design internal control to provide reasonable assurance that unauthorized acquisition, use, or disposition of assets will be prevented or timely detected and corrected. A fundamental concept in a good system of internal control is segregation of duties.

Effect: The risk of errors or fraud occurring and not being prevented or detected in a timely manner increases when accounting functions are not adequately segregated and sufficient controls are not in place.

Recommendation: We realize that the Health Department cannot fully segregate duties with the number of employees available. However, management and the board should be aware of this issue and continue to develop policies and procedures that segregate accounting functions as much as possible. This policy should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets.

Response: Due to budget constraints, we will be unable to correct this. However, we will work with the Board of Health to strengthen controls where possible.

Finding Number 2018 – 02

Condition: Purchase orders were not adequately completed and approved.

Criteria: According to generally accepted accounting principles, *the Kentucky Revised Administrative Reference*, 902 KAR 8:165, Section 3, and the *Administrative Reference* of the Kentucky Cabinet for Health and Family Services, Department for Public Health, Division of Administrative and Financial Management, health departments are required to have an effective internal control program in place to protect public funds, public property, and provide assurance to the Carter County Board of Health and the citizens of Carter County that operations are accomplished in accordance with legal, regulatory, ethical and generally accepted accounting practices or requirements of the Kentucky Department for Public Health.

Effect: Purchase orders are completed to assure that purchases are allowable and necessary and that sufficient funds exist to cover the items to be ordered. The Health Department's failure to approve purchase orders presents the opportunity for someone to order something not allowable or to order something for which funds were not available.

Recommendation: To improve the internal controls over the process, the Health Department needs to complete and approve all purchase orders prior to ordering or purchasing items.

Response: We will work to correct this issue.

**Carter County Health Department
Audit Adjustments
June 30, 2018**

There are no proposed audit adjustments.