



CARTER COUNTY HEALTH DEPARTMENT
AUDITED FINANCIAL STATEMENTS
JUNE 30, 2019

Jones & Associates CPAs, PSC

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Certified Public Accountants

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CERTIFIED PUBLIC ACCOUNTANTS

Carter County 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, 2019, and the related notes to the financial statements, which collectively comprise the Carter County Health Department's 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.

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

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

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

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, 2019, 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, 2019, 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 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 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary Schedules of Revenues and Direct and Indirect Costs by Reporting Area are fairly stated in all material respects in relation to the 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 24, 2019, 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

**Carter County 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 24, 2019

Financial Statements

Carter County Health Department
Statement of Assets, Liabilities, and Fund Balance - Regulatory Basis
June 30, 2019

Assets

Current assets

Cash	\$	657,424
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Total current assets	\$	657,424
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Total assets	\$	657,424
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Liabilities and fund balance

Liabilities

Current liabilities

Payroll and payroll withholdings	\$	3,534
Administrative fees payable		2,009

Total current liabilities	\$	5,543
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Total liabilities	\$	5,543
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Fund balance

Restricted

Federal	\$	16,299
State		7,514
Fees		15,037

Unrestricted		613,031
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Total fund balance	\$	651,881
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Total liabilities and fund balance	\$	657,424
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The accompanying notes are an integral part of the financial statements.

Carter County Health Department
Statement of Revenues, Expenditures, and Changes in Fund Balance - Regulatory Basis
For the Year Ended June 30, 2019

Revenues

State	\$	211,606
Federal		333,703
Local tax appropriations		277,804
Service fees		211,545
		211,545

Total revenues \$ 1,034,658

Expenditures

Salaries	\$	379,977
Part-time salaries		32,058
Fringe benefits		277,523
Independent contracts		3,896
Office administration		14,384
Travel		16,610
Space occupancy		38,710
Medical supplies		38,685
Capital		8,463
Other		39,531
		39,531

Total expenditures \$ 849,837

Revenues over (under) expenditures \$ 184,821

Adjustments to fund balance

Prior year funds used		(26,376)
		(26,376)

Net change in fund balance \$ 158,445

Fund balance - Beginning of year 493,436

Fund balance - End of year \$ 651,881

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

**Carter County Health Department
Statement of Revenues and Expenditures
Budget to Actual - Regulatory Basis
For the Year Ended June 30, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues				
State	\$ 209,445	\$ 201,277	\$ 211,606	\$ 10,329
Federal	301,454	301,454	333,703	32,249
Local tax appropriations	277,788	277,788	277,804	16
Service fees	<u>146,324</u>	<u>146,324</u>	<u>211,545</u>	<u>65,221</u>
Total revenues	<u>\$ 935,011</u>	<u>\$ 926,843</u>	<u>\$ 1,034,658</u>	<u>\$ 107,815</u>
Expenditures				
Salaries	\$ 387,300	\$ 387,300	\$ 379,977	\$ (7,323)
Part-time salaries	64,213	64,213	32,058	(32,155)
Fringe benefits	329,123	320,955	277,523	(43,432)
Independent contracts	25,848	25,848	3,896	(21,952)
Office administration	32,016	32,016	14,384	(17,632)
Travel	15,716	15,716	16,610	894
Space occupancy	19,269	19,269	38,710	19,441
Medical supplies	11,304	11,304	38,685	27,381
Capital			8,463	8,463
Other	<u>50,192</u>	<u>50,192</u>	<u>39,531</u>	<u>(10,661)</u>
Total expenditures	<u>\$ 934,981</u>	<u>\$ 926,813</u>	<u>\$ 849,837</u>	<u>\$ (76,976)</u>
Revenues over (under) expenditures	<u>\$ 30</u>	<u>\$ 30</u>	<u>\$ 184,821</u>	<u>\$ 184,791</u>

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

**Carter County Health Department
Notes to the Financial Statements
June 30, 2019**

Note 1. Nature of the Department

The Carter County Health Department (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 Department provides environmental and medical services to the people of Carter County.

Note 2. Summary of Significant Accounting Policies

The 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 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.

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

State: includes restricted and unrestricted state grant funds;

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

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

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 Department. Revenue is recorded when the fee are disbursed and deposited to the Department's checking account.

Funding restricted for specific programs in excess of those programs' allowed reimbursements or expenditures are recorded at year-end in restricted fund balance.

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

The 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 Department.

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

**Carter County Health Department
Notes to the Financial Statements
June 30, 2019
(Continued)**

Note 2. Summary of Significant Accounting Policies (Continued)

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.

Note 3. Risk Management

The 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 4. Fund Balances

Restricted Fund Balance

Amounts in restricted fund balance are restricted to the cost center which generated the excess revenues. These amounts will be carried forward to the next fiscal year, paid back to the state or federal government, or transferred to unrestricted fund balance. During the current year, restricted funds in the amount of \$26,376 were transferred for use in current operations. Additionally, restricted funds in the amount of \$8,197 were released from restriction. As of June 30, 2019, restricted fund balance consists of the following:

<u>Cost Center</u>		<u>State</u>	<u>Federal</u>	<u>Fees</u>	<u>Total</u>
Dental	712	\$ 697	\$	\$ 1,365	\$ 2,062
Humana vitality	758			13,065	13,065
HANDS federal home visit	760		16,240		16,240
Hepatitis A outbreak	764	5,774			5,774
Child fatality prevention	774		59		59
Pediatric adolescent visits	800			342	342
Adult full charge	809	1,043			1,043
Core public health	890			265	265
Total		\$ 7,514	\$ 16,299	\$ 15,037	\$ 38,850

Excess Unrestricted Fund Balance

According to 902 KAR 8:170, Section 3 (c), any excess unrestricted fund balance at the end of the fiscal year shall require the Department to submit a plan for use of such excess. As of June 30, 2019, the Department had an excess unrestricted fund balance in the amount of \$176,281.

**Carter County Health Department
Notes to the Financial Statements
June 30, 2019
(Continued)**

Note 5. Related Party

The Department shares a common board membership with the Carter County Public Health Taxing District (District). For fiscal year 2019, the Department received \$277,788 of local tax appropriations from the District.

Note 6. Cash

The Department maintains its deposits with a depository institution insured by the Federal Deposit Insurance Corporation. As of June 30, 2019, the amounts on deposit at the depository institution were under collateralized by as much as \$29,200. Additionally, on April 24, 2019, the amounts on deposit at the depository institution were under collateralized by as much as \$70,236.

Note 7. Employee Retirement System Plan

Plan Description

Employees of the Department are provided a defined benefit pension plan and a health insurance, or other postemployment benefit, plan through the Kentucky Employees' Retirement System (KERS), a cost sharing multiple employer defined benefit pension plan administered by the Kentucky Retirement Systems (KRS). The KRS was created by state statute under Kentucky Revised Statute Section 61.645. The KRS Board of Trustees (Board) is responsible for the proper operation and administration of the KRS. The KRS issues a publicly available financial report that can be obtained by writing the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, Kentucky 40601, or by telephone at (502) 564-4646 or it may be found at the KRS website at www.kyret.ky.gov.

Benefits Provided

Kentucky Revised Statute Section 61.645 establishes the benefit terms and can be amended only by the Kentucky General Assembly (General Assembly). The chief legislative body may adopt the benefit terms permitted by statute. The plan provides for retirement, disability, and death benefits to plan members. The insurance trust provides health insurance or other postemployment benefits (OPEB). Benefits may be extended to beneficiaries of plan members under certain circumstances. Members are eligible to retire with an unreduced benefit at age 65 or after 27 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested or 25 years of service credit. Members vest with 5 years of service credit. Service-related disability benefits are provided after 5 years of service. Cost of living adjustments are provided at the discretion of the General Assembly.

KERS provides retirement, health insurance, death, and disability benefits to Plan employees and beneficiaries. Employees are vested in the Plan after 5 years of service. For retirement purposes, employees are grouped into 3 tiers based on hire date:

**Carter County Health Department
Notes to the Financial Statements
June 30, 2019
(Continued)**

Note 7. Employee Retirement System Plan (Continued)

Benefits Provided (Continued)

	<u>Participation Date</u>	<u>Benefit</u>	<u>Service Requirements</u>
Tier 1	Before September 1, 2008	Unreduced retirement	27 years service or 65 years old
		Reduced retirement	At least 5 years service and 55 years old or 25 years service and any age
Tier 2	September 1, 2008 to December 31, 2013	Unreduced retirement	At least 5 years service and 65 years old or age 57+ with sum of service plus age equal to 87+
		Reduced retirement	At least 10 years service and 60 years old
Tier 3	After December 31, 2013	Unreduced retirement	At least 5 years service and 65 years old or age 57+ with sum of service plus age equal to 87+
		Reduced retirement	Not available

The Insurance Fund provides healthcare benefits through payment of insurance premiums for retirees. The percentage of premiums paid is determined by a retiree's date of participation in the plan. For other postemployment benefit purposes, employees are grouped into 3 tiers based on hire date:

	<u>Participation Date</u>	<u>Benefit</u>	<u>Service Requirements</u>												
Tier 1	Before July 1, 2003	Recipient of a retirement allowance	<table border="0"> <tr> <td>Years of Service:</td> <td>Percentage of premium paid by KRS:</td> </tr> <tr> <td>Less than 4 years</td> <td>0%</td> </tr> <tr> <td>4 – 9 years</td> <td>25%</td> </tr> <tr> <td>10 – 14 years</td> <td>50%</td> </tr> <tr> <td>15 – 19 years</td> <td>75%</td> </tr> <tr> <td>20 or more years</td> <td>100%</td> </tr> </table>	Years of Service:	Percentage of premium paid by KRS:	Less than 4 years	0%	4 – 9 years	25%	10 – 14 years	50%	15 – 19 years	75%	20 or more years	100%
Years of Service:	Percentage of premium paid by KRS:														
Less than 4 years	0%														
4 – 9 years	25%														
10 – 14 years	50%														
15 – 19 years	75%														
20 or more years	100%														
Tier 2	After July 1, 2003 but before September 1, 2008	Recipient of a retirement allowance with at least 120 months of service at retirement	Monthly contribution of \$10 for each year of earned service increased by 1.50% each July 1												
Tier 3	After September 1, 2008	Recipient of a retirement allowance with at least 180 months of service at retirement	Monthly contribution of \$10 for each year of earned service increased by 1.50% each July 1												

Contributions

The contribution requirements of Plan members and the Department are established by state statute. Employee contributions for nonhazardous employees who began participating with the KRS prior to September 1, 2008, contribute 5% of their wages to the KRS. Those who began on or after September 1, 2008, contribute a total of 6% of their compensation to the KRS. One percent of each employee's contribution is deposited to the KRS

Carter County Health Department
Notes to the Financial Statements
June 30, 2019
(Continued)

Note 7. Employee Retirement System Plan *(Continued)*

Contributions *(Continued)*

Pension Fund 401(h) account for the payment of health benefits. If a member terminates his/her employment and applies to take a refund, the member is entitled to a full refund of contributions and interest in his/her account; however, the 1% percent contributed to the 401(h) account is non-refundable and is forfeited. Plan members who began participating on or after January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan.

Employer contribution rates for the fiscal year ending 2019 were adopted by the Board based on actuarially recommended rates. The required pension contribution rate for the year ended June 30, 2019 was 49.47% (41.06% to the pension fund and 8.41% to the insurance fund). The Department contributed 100% of the required contribution, based on management's determination of eligible participants as of June 30, 2019. The contribution was allocated \$132,041 to the KERS pension fund and \$27,044 to the KERS insurance fund.

Pension Liability

At June 30, 2019, the Department estimated its total unfunded liability would be approximately \$3,691,520 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, based on an expected total pension liability calculated as of that date using standard roll forward techniques applied to the total pension liability determined by an actuarial valuation as of June 30, 2017. The Department's proportion of the net pension liability was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. The Department's proportion at June 30, 2018 was 0.027136%, a decrease of .004896%. The liability is not recorded on the Department's financial statements in accordance with the regulatory basis of accounting used by the Department.

OPEB Liability

At June 30, 2019, the Department estimated its total unfunded liability would be approximately \$642,802 for its proportionate share of the total OPEB liability. The net OPEB liability was measured as of June 30, 2018, based on an expected total OPEB liability calculated as of that date using standard roll forward techniques applied to the total OPEB liability determined by an actuarial valuation as of June 30, 2017. The Department's proportion of the net OPEB liability was based on a projection of the Department's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. The Department's proportion, at June 30, 2018 was 0.027112%, a decrease of .004920%. The liability is not recorded on the Department's financial statements, in accordance with the regulatory basis of accounting used by the Department.

Actuarial Methods and Assumptions

The total pension and OPEB liabilities as of June 30, 2018, were based on an actuarial valuation date of June 30, 2017. The liabilities were rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles. The current actuary did not perform the actuarial valuation as of June 30, 2017 but did replicate the prior actuary's valuation results on the same assumption, methods, and data as of that date. The roll-forward is based on the results of that replication. Subsequent to the actuarial valuation date (June 30, 2017), but prior to the measurement date, the Board reviewed investment trends, inflation, and payroll growth historical trends. Based on this review, the Board

Carter County Health Department
Notes to the Financial Statements
June 30, 2019
(Continued)

Note 7. Employee Retirement System Plan *(Continued)*

Actuarial Methods and Assumptions *(Continued)*

adopted the following updated actuarial assumptions that were used in performing the actuarial valuation as of June 30, 2017, which were also used to determine the total pension and OPEB liabilities as of that date, for the plan as a whole:

	<u>Pension</u>	<u>OPEB</u>
Inflation	2.30%	2.30%
Salary increases	3.05%	3.05%
Investment rate of return	5.25%	6.25%

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 (setback 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 by the Board's actuary when the next experience investigation is conducted.

In general, the actuarial assumptions used were based on the results of an actuarial experience study for the period July 1, 2008 thru June 30, 2013. Regular experience studies are prepared every 5 years.

The long-term expected rate of return on plan investments for the June 30, 2018 valuation was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**Carter County Health Department
Notes to the Financial Statements
June 30, 2019
(Continued)**

Note 7. Employee Retirement System Plan (Continued)

Actuarial Methods and Assumptions (Continued)

<u>Asset Class</u>	<u>Pension</u>		<u>OPEB</u>	
	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>	<u>Target Allocation</u>
US equity	14.50%	17.50%	14.50%	17.50%
Non-US equity	13.75%	17.50%	13.75%	17.50%
Real estate	7.00%	5.00%	9.00%	5.00%
Absolute return	5.00%	10.00%	5.00%	10.00%
Real return	5.00%	10.00%	7.00%	10.00%
Private equity	6.50%	10.00%	6.50%	10.00%
Credit fixed	15.25%	17.00%	23.75%	24.00%
Global bonds	3.00%	10.00%	3.00%	4.00%
Cash	1.50%	3.00%	1.50%	2.00%
Total		<u>100.00%</u>		<u>100.00%</u>

Pension Discount Rate

The projection of cash flows used to determine the discount rate of 5.25% assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 27-year amortization period of the unfunded actuarial accrued liability. The discount rate determination does not use a municipal bond rate.

OPEB Discount Rate

The discount rate used to measure the total OPEB liability was 5.86%. The projection of cash flows used to determine the discount rate assumed that contributions will be made at statutorily required rates, actuarially determined. Based on this assumption, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Carter County Health Department
Notes to the Financial Statements
June 30, 2019
(Continued)**

Note 7. Employee Retirement System Plan (Continued)

Pension Expense

For the year ended June 30, 2019, the Department recognized pension expense of \$132,041.

OPEB Expense

For the year ended June 30, 2019, the Department recognized OPEB expense of \$27,044.

Total Pension Plan Assets, Liabilities, and Funded Status

The Plan's total pension liability was approximately \$15,608,221,000 and fiduciary net position was \$2,004,446,000 resulting in a net pension liability of \$13,603,775,000. Therefore, the Plan's net position as a percentage of the total pension liability was 12.8%.

Total OPEB Plan Assets, Liabilities, and Funded Status

The Plan's total OPEB liability was approximately \$3,262,117,000 and fiduciary net position was \$891,205,000 resulting in a net OPEB liability of \$2,370,912,000. Therefore, the Plan's net position as a percentage of the total OPEB liability was 27.3%.

Note 8. Compensated Absences

The Department's accrued vacation and other potential compensated absences are not accrued in the financial statements because the Department uses the regulatory basis of accounting. Employees of the Department accrue various amounts of vacation based on years of service and can rollover a maximum of 450 hours of vacation time. The Department's potential liability at June 30, 2019 is \$58,117.

Note 9. Subsequent Events

The Department has evaluated subsequent events through October 24, 2019, the date which the financial statements were available to be issued.

Supplementary Information

**Carter County Health Department
Schedule of Revenues by Cost Center
For the Year Ended June 30, 2019**

	Revenues							Program Excess (Deficit)
	State	Federal	Local Tax Appropriations	Service Fees	Total Revenue	Total Costs		
Revenues								
Environmental								
Food	500	\$ 44,338	\$ 687	\$ 300	\$ 45,325	\$ 45,325	\$	
Public facilities	520		4,364	440	4,804	4,804		
General sanitation	540		37,144		37,144	37,144		
Onsite sewage	560		18,434	23,555	41,989	41,989		
Total environmental		\$ 44,338	\$ 60,629	\$ 24,295	\$ 129,262	\$ 129,262	\$	
Medical								
Dental	712	\$ 1,831	\$	\$ 5,505	\$ 7,336	\$ 7,336	\$	
Needle exchange program	727		2,335	2,897	14,151	19,383	19,383	
Passport referrals	741			11	11	11	11	
Humana vitality	758			13,695	13,695	8,051	5,644	
HANDS federal home visit	760		122,908		122,908	106,668	16,240	
Hepatitis A outbreak	764	25,743			25,743	25,743		
MCH coordinator	766		18,154	6,222	24,376	24,376		
Competitive home visiting	767			45	45	45		
Child fatality prevention	774		1,083		1,083	1,024	59	
Pediatric adolescent visits	800		5,000		20,295	24,953	342	
Family planning	802	81	3,702	2,360	4,076	10,219	10,219	
WIC	804		108,051	15,670	123,721	123,721		
MCH nutrition & group activity	805			182	182	182		
Tuberculosis	806		50	17,127	3,019	20,196	20,196	
Sexually transmitted diseases	807			236	106	342	342	
Adult full charge	809	6,356			6,356	5,313	1,043	
Adult visits and follow-up	810			29,679	17,245	46,924	46,924	
Cancer screening and follow-up	813		544	807	38	1,389	1,389	
Bio-terrorism area a	821		26,202	7,409		33,611	33,611	
Tobacco	836	1,032		9		1,041	1,041	
HIV counseling	842		5		5	5	5	
HANDS	853	6,750		31,516	80,750	119,016	119,016	
HANDS training	878	31,107		2,800		33,907	33,907	
Core public health	890				175	175		175
Medicaid match	891			7,650		7,650	7,650	
Total medical		\$ 72,900	\$ 288,034	\$ 124,620	\$ 159,055	\$ 644,609	\$ 621,106	\$ 23,503
Administrative								
Capital	894	\$	\$	\$ 8,463	\$	\$ 8,463	\$ 8,463	\$
Allocable direct	895	94,368	45,669	84,092	28,195	252,324	91,006	161,318
Total administrative		\$ 94,368	\$ 45,669	\$ 92,555	\$ 28,195	\$ 260,787	\$ 99,469	\$ 161,318
Total revenues		\$ 211,606	\$ 333,703	\$ 277,804	\$ 211,545	\$ 1,034,658	\$ 849,837	\$ 184,821

**Carter County Health Department
Schedule of Direct Costs by Cost Center
For the Year Ended June 30, 2019**

	<u>Salaries</u>	<u>Part-Time Salaries</u>	<u>Fringe Benefits</u>	<u>Independent Contracts</u>	<u>Office Administration</u>	<u>Travel</u>
Direct costs paid						
Environmental						
Food	500	\$ 20,940	\$ 9,254	\$	\$	626
Public facilities	520	2,174	960		33	141
General sanitation	540	16,829	7,438		86	773
Onsite sewage	560	19,033	8,411		7	1,342
Total environmental	\$ 58,976	\$	\$ 26,063	\$	\$ 126	\$ 2,882
Medical						
Preventative and presenting problems	700	\$ 52,168	\$ 22,144	\$	31	41
Laboratory, testing, and radiology	718	3,814	1,618	103		
Needle exchange program	727	6,391	2,890		19	
Humana vitality	758	2,071	937			
HANDS federal home visit	760	33,511	14,088	16,571	90	2,307
Hepatitis A outbreak	764					
MCH coordinator	766	10,921	4,938			
Child fatality prevention	774	460	207			
Pediatric adolescent visits	800	186	84			
Family planning	802			336		
WIC	804	290	131			
Tuberculosis	806	157	71			
Adult full charge	809	707	319		1,800	
Adult visits and follow-up	810	5,161	2,333			74
Cancer screening and follow-up	813	78	35	207		
Bio-terrorism area a	821	14,396	6,509		516	575
Tobacco	836				927	
HANDS	853	29,616	16,736	15,073	8,148	4,952
HANDS training	878	13,899	6,285			2,999
Medicaid match	891					
Total medical	\$ 173,826	\$ 30,824	\$ 80,145	\$ 646	\$ 11,531	\$ 10,948
Indirect cost allocation						
Indirect cost allocation - Space	897	\$	\$	\$	\$	\$
Indirect cost allocation - Departmental	898	76,486	1,000	44,833	24,992	554
Indirect cost allocation - Clinic	899	54,580		26,033	3,250	1,291
Indirect cost allocation - Medical	900	14,775	234	8,664		
Indirect cost allocation - Environmental	901	1,334		779	770	
Total indirect cost allocation	\$ 147,175	\$ 1,234	\$ 80,309	\$ 3,250	\$ 27,053	\$ 554
Administrative						
Capital	894	\$	\$	\$	\$	\$
Allocable direct	895		91,006			
Total administrative	\$	\$	\$ 91,006	\$	\$	\$
Total direct costs paid	\$ 379,977	\$ 32,058	\$ 277,523	\$ 3,896	\$ 38,710	\$ 14,384

**Carter County Health Department
Schedule of Direct Costs by Cost Center
For the Year Ended June 30, 2019
(Continued)**

		<u>Space Occup- ancy</u>	<u>Medical Supplies</u>	<u>Other</u>	<u>Capital</u>	<u>Total Direct Costs</u>
Direct costs paid						
Environmental						
Food	500	\$	\$	\$	\$	\$ 30,820
Public facilities	520					3,308
General sanitation	540			322		25,448
Onsite sewage	560					28,793
Total environmental		\$	\$	\$ 322	\$	\$ 88,369
Medical						
Preventative and presenting problems	700	\$	\$ 836	\$	\$	\$ 75,220
Laboratory, testing, and radiology	718		1,218	240		6,993
Needle exchange program	727		4,993	216		14,509
Humana vitality	758		3,403	35		6,446
HANDS federal home visit	760			650		67,217
Hepatitis A outbreak	764		25,743			25,743
MCH coordinator	766					15,859
Child fatality prevention	774					667
Pediatric adolescent visits	800		269			539
Family planning	802		138			474
WIC	804					421
Tuberculosis	806		1,544			1,772
Adult full charge	809			1,520		4,346
Adult visits and follow-up	810		410			7,978
Cancer screening and follow-up	813					320
Bio-terrorism area a	821		131	368		22,495
Tobacco	836					927
HANDS	853			1,564		76,089
HANDS training	878			82		23,265
Medicaid match	891			7,650		7,650
Total medical		\$	\$ 38,685	\$ 12,325	\$	\$ 358,930
Indirect cost allocation						
Indirect cost allocation - Space	897	\$ 16,610	\$	\$	\$	\$ 16,610
Indirect cost allocation - Departmental	898			25,985		173,850
Indirect cost allocation - Clinic	899			899		86,053
Indirect cost allocation - Medical	900					23,673
Indirect cost allocation - Environmental	901					2,883
Total indirect cost allocation		\$ 16,610	\$	\$ 26,884	\$	\$ 303,069
Administrative						
Capital	894	\$	\$	\$	\$ 8,463	\$ 8,463
Allocable direct	895					91,006
Total administrative		\$	\$	\$	\$ 8,463	\$ 99,469
Total direct costs paid		\$ 16,610	\$ 38,685	\$ 39,531	\$ 8,463	\$ 849,837

**Carter County Health Department
Schedule of Indirect Costs by Cost Center
For the Year Ended June 30, 2019**

	<u>Space</u>	<u>Departmental</u>	<u>Clinic</u>	<u>Medical</u>	<u>Environmental</u>	<u>Allocation</u>	<u>Total Indirect Costs</u>
Indirect costs paid							
Environmental							
Food	500	\$ 199	\$ 13,282	\$	\$	1,024	\$ 14,505
Public facilities	520	11	1,379			106	1,496
General sanitation	540	199	10,674			823	11,696
Onsite sewage	560	194	12,072			930	13,196
Total environmental	\$ 603	\$ 37,407	\$	\$	\$ 2,883	\$	\$ 40,893
Medical							
Preventative and presenting problems	700	\$ 10,282	\$ 31,779	\$ 80,191	\$ 5,513	\$ (202,985)	\$ (75,220)
Dental	712	6				7,330	7,336
Laboratory, testing, and radiology	718	712	2,323	5,862	403	(16,293)	(6,993)
Needle exchange program	727	6	4,148		720		4,874
Passport referrals	741	11					11
Humana vitality	758	28	1,344		233		1,605
HANDS federal home visit	760	57	33,570		5,824		39,451
MCH coordinator	766	199	7,088		1,230		8,517
Competitive home visiting	767	45					45
Child fatality prevention	774	6	299		52		357
Pediatric adolescent visits	800	11	122		21	24,260	24,414
Family planning	802	6				9,739	9,745
WIC	804	114	188		33	122,965	123,300
MCH nutrition & group activity	805					182	182
Tuberculosis	806	6	103		18	18,297	18,424
Sexually transmitted diseases	807					342	342
Adult full charge	809	199	457		79	232	967
Adult visits and follow-up	810	85	3,348		581	34,932	38,946
Cancer screening and follow-up	813	11	50		9	999	1,069
Bio-terrorism area a	821	154	9,341		1,621		11,116
Tobacco	836	114					114
HIV counseling	842	5					5
HANDS	853	3,891	33,265		5,771		42,927
HANDS training	878	59	9,018		1,565		10,642
Total medical	\$ 16,007	\$ 136,443	\$ 86,053	\$ 23,673	\$	\$	\$ 262,176
Total indirect costs	\$ 16,610	\$ 173,850	\$ 86,053	\$ 23,673	\$ 2,883	\$	\$ 303,069
Less: Indirect cost allocation	16,610	173,850	86,053	23,673	2,883		303,069
Total indirect costs paid	\$	\$	\$	\$	\$	\$	\$

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

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(859) 687-0303

CERTIFIED PUBLIC ACCOUNTANTS

Carter County 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, 2019, and related notes to the financial statements, which collectively comprise the Carter County Health Department's financial statements and have issued our report thereon dated October 24, 2019.

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 regulatory 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 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 Carter County Health Department's internal control. Accordingly, we do not express an opinion on the effectiveness of 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: 2019 – 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 a certain deficiency in internal control over financial reporting that we consider to be a material weakness. We consider the following deficiency described in the accompanying Schedule of Findings to be a material weakness: 2019 – 01.

**Carter County 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: 2019 – 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 24, 2019

**Carter County Health Department
Schedule of Findings
June 30, 2019**

INTERNAL CONTROL – SIGNIFICANT DEFICIENCIES AND MATERIAL WEAKNESSES:

Finding Number 2019 – 01

Condition: The 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 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 2019 – 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 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 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, 2019**

Adjusting Journal Entry #1

148-067 Grayson City tax	\$ 915	
147-035 Aflac Insurance	21	
147-070 Miscellaneous deduction	91	
147-076 Pre-paid legal services	54	
150-005 Deferred income 401k	63	
150-500 Retirement purchase	124	
573-183 Hospitalization	513	
143-000 State Income Tax Withheld		\$ 920
147-045 Delta Dental		586
147-055 Anthem Vision		67
147-080 KY Employee Health Insurance		185
147-065 Group Life Nationwide		8
147-060 Washington National Life		15

To adjust payroll related withholdings.

Adjusting Journal Entry #2

464-000 Program Income Carryover	\$ 25,743	
423-000 State Restricted Carryover		\$ 25,743

To adjust state restricted carryover recorded as program income carryover.