

CALLOWAY COUNTY HEALTH DEPARTMENT

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2015

**CALLOWAY COUNTY HEALTH DEPARTMENT
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INTRODUCTORY SECTION

CALLOWAY COUNTY HEALTH DEPARTMENT
June 30, 2015

BOARD OF DIRECTORS

Judge Larry Elkins, Chairman
Dr. James Pickens, Member
Dr. Charles Tucker, Member
Dr. William Giese, Member
Dr. Jeannine Buchanan, Member
John Resig, Member
John Gingles, Member
Dr. Clegg Austin, Member
Walter Mehr, Member
Vicki Williams, Member
Sally Duford-Foley, Member
Dr. Douglas Payne, Member

ADMINISTRATIVE STAFF

Amy Ferguson, Public Health Director
Stephanie Hays, Finance Administrator

FINANCIAL SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



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Independent Auditor's Report

Members of the Board of Directors Calloway County Health Department Murray, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the Calloway County Health Department, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Calloway 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 prescribed or permitted by the Kentucky Cabinet for Health and Family Services, Department for Public Health, Division of Administration and Financial Management, "Administrative Reference for Local Health Departments". 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.

Opinion

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 Calloway County Health Department as of June 30, 2015, and the revenues it collected and expenditures it paid, and the changes in fund balance - budget and actual for the year then ended in accordance with the financial reporting provisions of the Kentucky Cabinet for Health and Family Services, Department for Public Health, Division of Administration and Financial Management, "Administrative Reference for Local Health Departments" as described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of the financial reporting provisions of the Kentucky Cabinet for Health and Family Services, Department for Public Health, Division of Administration and Financial Management, "Administrative Reference for Local Health Departments", which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Other Matters

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Calloway County Health Department's basic financial statements. The introductory section and statement of revenues collected and expenses paid by reporting area are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The statement of revenues collected and expenses paid by reporting area is the responsibility of management and was derived from and relates 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 statement of revenues collected and expenses paid by reporting area is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015, on our consideration of the Calloway County Health Department's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to

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

Restriction on Use

This report is intended solely for the information and use of management, Board of Directors, others within Calloway County Health Department and the Kentucky Cabinet for Health and Family Services, Department for Local Health, Division of Administration, and is not intended to be used by anyone other than these specified parties.

Alexander Thompson Arnold PLLC

Murray, Kentucky
October 28, 2015

**CALLOWAY COUNTY HEALTH DEPARTMENT
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
ARISING FROM CASH TRANSACTIONS**

June 30, 2015

Current assets

Cash and cash equivalents - excluding environmental \$ 1,233,250

Total assets **\$ 1,233,250**

Liabilities and Fund Balance

Liabilities

Payroll taxes and other withholdings \$ 10,880

Total liabilities 10,880

Fund Balance

Unrestricted 588,809

Local Restricted Nutrition 20,000

Local Restricted Diabetes 40,000

Local Restricted Physical Activities 20,000

Local Restricted Vehicle/Building 449,415

Restricted - Federal 5,078

Restricted - State 42,506

Restricted - Fees 56,562

Total fund balance 1,222,370

Total liabilities and fund balance **\$ 1,233,250**

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

**CALLOWAY COUNTY HEALTH DEPARTMENT
STATEMENT OF REVENUES COLLECTED, EXPENSES PAID
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2015**

	Budget	Actual	Variance Favorable (Unfavorable)
Revenues collected			
State	\$ 319,684	\$ 304,159	\$ (15,525)
Federal	443,493	410,752	(32,741)
Local	439,311	439,354	43
Service fees and other	523,205	493,726	(29,479)
Total revenues	1,725,693	1,647,991	(77,702)
Expenses paid			
Salaries and fringe benefits	1,138,533	1,076,112	62,421
Independent contracts	145,945	43,116	102,829
Travel	28,983	24,351	4,632
Space occupancy	39,920	49,771	(9,851)
Office and administrative expense	55,364	49,479	5,885
Medical supplies	45,650	45,663	(13)
Automotive	11,350	5,142	6,208
Other	183,851	182,500	1,351
Capital expenditures	50,430	24,772	25,658
Indirect expenses	-	-	-
Total expenses	1,700,026	1,500,906	199,120
Excess of revenues collected over expenses paid	\$ 25,667	147,085	\$ 121,418
Fund balance, June 30, 2014		1,077,181	
Reductions in restricted fund balance		(1,896)	
Fund balance, June 30, 2015		\$ 1,222,370	

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

NOTES TO FINANCIAL STATEMENTS

CALLOWAY COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following notes to the financial statements are an integral part of the Calloway County Health Department's basic financial statements.

A. Financial Reporting Entity

Calloway County Health Department, with its governing board, is responsible for providing health services for the citizens of Calloway County Kentucky and the surrounding communities. The Health Department is also charged with administrative and reporting requirements of the Kentucky Cabinet for Health and Family Services, Department for Public Health.

Calloway County Health Department withdrew from Purchase District Health Department effective July 1, 2011. The Calloway County Health Department operates under authority of the Kentucky Cabinet for Health and Family Services, Department for Public Health, and the Calloway County Board of Health.

B. Basis of Presentation

Calloway County Health Department prepares its financial statements on a basis of accounting prescribed by the Kentucky Cabinet for Health and Family Services, Department for Public Health, Division of Administration and Financial Management, "Administrative Reference for Local Health Departments", which is a comprehensive basis of accounting other than generally accepted accounting principles. 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.

Under this prescribed method of accounting, purchases of property, equipment and medical supplies are recorded as expenditures when purchased and no provision for depreciation is provided. This basis of accounting is also used for budgetary purposes. A fiscal year operating budget deficit is allowable provided it does not exceed the unrestricted fund balance at adoption of the budget.

C. Source of Funds

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

1. State (Commonwealth) - includes restricted and unrestricted state grant funds;
2. Federal - includes federal grant funds passed through from the Department for Public Health;
3. Local - includes funds from taxing districts, county and city appropriations, and donations from private sources;

**CALLOWAY COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

4. Service fees and other- includes funds from school board contracts, Medicaid and Medicare payments for services, self-pay, insurance payments, other pay for service, sale of surplus assets and interest received.

D. Public Health Taxing District Funds

The Calloway County Health Department receives local tax support from the collection of a public health tax by the Calloway County Sheriff's Office, Calloway County Court Clerk, and the Commonwealth of Kentucky. These funds are received directly by the Calloway County Health Taxing District and are transferred to the Calloway County Health Department annually or as needed. The financial activity of the Calloway County Health Taxing District as of June 30, 2015, can be determined through review of the Calloway County Health Taxing District's annual audited financial statements.

E. Fund Balance

Unrestricted fund balance may, at the direction of the Kentucky Cabinet for Health and Family Services, Department for Public Health, be reduced due to settlement of prior year grants and the current year close-out of excess of expenditures over revenues for specific reporting areas. For the year ending June 30, 2015 the prior year's close-out of excess of expenditures net of the settlement of grants was \$1,896.

Excess of revenues over expenditures in each reporting area are closed out to fund balance in the following order to the extent there are revenues from the applicable source:

- Restricted Federal Revenues
- Restricted State Revenues
- Restricted Fees
- Unrestricted Revenues

F. Use of Estimates

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

G. Third Party Service Organization

The Calloway County Health Department uses a third party service organization, Custom Data Processing, Inc., for financial reporting information, production of program revenue and expenditures in detail, the allocation of indirect costs, payroll, and patient encounter coding. Other reports can be generated to support the financial reporting process. Custom Data Processing, Inc. serves the Commonwealth of Kentucky, Cabinet for Health and Family Services as the integrator of information systems for local health departments throughout the Commonwealth.

**CALLOWAY COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

H. Allocation of Indirect Costs

The Calloway County Health Department uses an indirect cost allocation plan as approved by the Commonwealth of Kentucky, Cabinet for Health and Family Services, Department for Public Health, and is prepared in accordance with OMB Circular A-87.

I. Cash and Equivalents

The Health Department considers demand deposits, money market funds, and time deposits purchased with a maturity of three months or less to be cash equivalents.

J. Subsequent Events

Management has evaluated subsequent events through October 28, 2015, the date on which the financial statements were available to be issued.

NOTE 2 – DETAILED NOTES ON ACCOUNTS

A. Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, Calloway County Health Department's deposits may not be returned or the Organization will not be able to recover collateral securities in the possession of an outside party. The Organization's investment policy requires all investments to be made in accordance with applicable legal requirements with consideration of investment safety.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Investing is performed in accordance with investment policies adopted by the governing board and KRS 212.480. It is the Department's policy not to purchase any investment on a margin basis or through the use of any similar leveraging technique.

During the year ended June 30, 2015, the Department's only investments were demand deposits. At year end, the carrying amount and the bank balance of the Department's cash and cash equivalents was \$1,232,900 and \$1,285,061, respectively. These amounts exclude petty cash of \$350. As of June 30, 2015, the Department's bank balance was adequately collateralized.

Environmental fees are deposited in a separate demand deposit checking account. The account is maintained and reconciled by the Calloway County Health Department but is not presented in the Statement of Assets, Liabilities, and Fund Balance Arising from Cash Transactions. As of June 30, 2015, the carrying amount and bank balance in the account was \$4,713.

B. Fund Balance

The restricted fund balances at June 30, 2015 represent the cumulative excess of restricted revenues over expenditures from the applicable revenue source and are comprised of

**CALLOWAY COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

restricted federal funds totaling \$5,078, restricted state funds totaling \$42,506 and restricted fees of \$56,562. Additional local restrictions totaled \$529,415.

In accordance with Title 902 of the Kentucky Administrative Regulation, Chapter 8, Paragraph 170 Section 3, Use of Receipts, the state allotment to a local health department shall be adjusted if the local health department accumulates an unrestricted fund balance, as of June 30 of the fiscal year, in excess of thirty (30) percent of that year's expenditures for non-fee programs plus forty (40) percent of that year's expenditures for fee-for-service programs, or \$100,000, whichever is greater. The local health department shall submit, to the Department for Public Health, a written plan of use for the amount of the excess. If approved, the funds shall be placed into a local restricted fund to be used solely for the purpose(s) approved. As of June 30, 2015, the Calloway County Health Department had a calculated excess unrestricted fund balance of \$86,921.

C. Environmental Fee Revenue

Fees from environmental inspections and permits are treated as escrow funds and are deposited into a separate environmental demand deposit account with a portion being disbursed to the commonwealth and a portion being disbursed to the local health department. Revenue is recorded only when funds are disbursed to the Calloway Health Department.

NOTE 3 – OTHER INFORMATION

A. Defined Benefit Pension Plan

Substantially all of the Department's full-time employees participate in the Statewide Kentucky Employee's Retirement System ("System"), a multiple-employer public employee retirement system with 354 participating employers. The payroll for employees covered by the System for the year ended June 30, 2015 was \$613,454 and total payroll was \$668,418.

All full-time employees are eligible to participate in the System. The System plan provides for retirement, disability, and death benefits, which benefits are established by State statute. Employer contribution rates are intended to fund the System's normal cost on a current basis plus an amount equal to the amortization of unfounded past service costs over thirty years using the level percentage. Such contribution rates are determined by the System's Board of Trustees each biennium. Vesting in a retirement benefit begins immediately upon entry into the System with participants establishing full vesting after the completion of sixty months of service, twelve of which are current service. At a minimum, terminated employees are refunded their contributions with credited interest compounded annually at a rate of 2.5%.

Covered employees are required to contribute five percent (5%) of their salary to the plan. For those employees who began participating with the Kentucky Retirement System on or after September 1, 2008, 6% of their salary will be the required contribution, with 5% deposited into the individual's account and 1% deposited into the Kentucky Retirement System Insurance Fund. In addition, the Department is required to contribute the remaining amounts necessary to pay benefits when due. The contribution requirement for the year

**CALLOWAY COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

ended June 30, 2015 was \$263,846 which consisted of \$232,322 from the Department representing 38.77% of current year subject wages; \$30,673 from employees representing 5% of covered payroll; and \$851 from employees representing 1% for the insurance fund.

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS and employers. The System does not make separate measurements of assets and pension benefit obligation for individual employers. The most recent actuarial valuation and determination of pension benefit obligation were performed as of June 30, 2014. The pension benefit obligation at June 30, 2014 for the System as a whole, determined through an actuarial valuation performed as of that date was \$12,366,960,287. The System's net assets available for benefits on that date (valued using a five year moving average of market value to book value) were \$2,951,853,977 leaving \$9,415,106,310 of unfunded pension benefit obligation.

The Department's contribution represented less than 1% of the total contributions required of all participating entities. Ten-year historical trend information showing the System's progress in accumulating sufficient assets to pay benefits when due is presented in the System's June 30, 2014 annual financial report.

Per Kentucky Employees Retirement System Non-Hazardous (KERS)

Plan description – Effective July 1, 2011, the effective date of the entity's withdrawal from the Purchase District Health Department, the employees of the Calloway County Health Department became a part of the Kentucky Employee Retirement System (KERS). This is a cost-sharing, multiple-employer defined benefit plan. KERS is administered by the Kentucky Retirement System, an agency of the Commonwealth of Kentucky. Under the provisions of the Kentucky Revised Statute (KRS) Section 61.645, the Board of Trustees of the Kentucky Retirement System administers KERS and has the authority to establish and amend benefit provisions. The Kentucky Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for KERS. That report may be obtained from <http://kyret.ky.gov/>.

Benefits provided – KERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers, based on date of hire by any participating employer:

Tier 1	Participation date	Before September 1, 2008
	Unreduced retirement	27 years of service any age
	Reduced retirement	At least 4 years of service and 65 years old Money purchase at 65 with 4 years service

**CALLOWAY COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS**

June 30, 2015

Tier 2	Participation date	September 1, 2008 – December 31, 2013
	Unreduced retirement	5 complete years of service and 65 years old Or age 57+ and sum of service years plus age equals 87
	Reduced retirement	At least 10 years of service and 60 years old
Tier 3	Participation date	After December 31, 2013
	Unreduced retirement	At least 5 years of service and 65 years old Or age 57+ and sum of service years plus age equals 87
	Reduced retirement	Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service. Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice related disability benefits.

Contributions – Required contributions by the employee are based on the tier:

	<u>Required Contribution</u>
Tier 1	5%
Tier 2	5% + 1% for insurance
Tier 3	5% + 1% for insurance

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the Board's liability for its proportionate share of the net pension liability for KERS was \$3,301,000. The net pension liability for the plan was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The Board's proportion of the net pension liability for KERS was based on the actual liability of the employees and former employees relative to the total liability of the System as determined by the actuary. At June 30, 2014, the Board's proportion was 0.036795%.

CALLOWAY COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

Per the KERS schedule of employer allocations, employer contributions for the year ended June 30, 2014, total \$163,165, and total employer pension expense was \$249,000. At June 30, 2014, the Board would have reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual Experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	42,000
Changes in proportion and differences between Board contributions and proportionate share of contributions	-	-
District contributions subsequent to the measurement date	-	-
	\$ -	\$ 42,000

Deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be disclosed as a reduction of the net pension liability in the year ended June 30, 2016.

Actuarial assumptions – The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Projected salary increases	4.50%
Investment rate of return, net of investment expense and inflation	7.75%

Mortality rates for the period after service retirement are according to the 1983 Group Annuity Mortality Table for all retired employees and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other employees. The Group Mortality Table set forward five years is used for the period after disability retirement.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment

ALLOWAY COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
 June 30, 2015

consultant for each major asset class. These ranges were 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 and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

Discount rate – The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from plan employees and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment return of 7.75%. The long-term investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of KERS proportionate share of net pension liability to changes in the discount rate – The following table presents the net pension liability of the Board, estimated using the discount rate selected, as well as what the Board’s net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rates

	1% Decrease	Current Discount Rate	1% Increase
KERS	6.75%	7.75%	8.75%
Estimated Board’s proportionate share of net pension liability	4,430,000	3,301,000	2,336,000

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued financial report.

B. Risk Management

Calloway County Health Department is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Calloway County Health Department has responded to these various risks with commercial insurance coverage.

C. Contingencies

Funding for Calloway County Health Department’s grants is provided by federal, state and local government agencies. These grants are to be used for designated purposes only. If, based upon the grantor’s review, the grants are considered not to have been used for the intended purpose, the grantor may request a refund of monies advanced, or may refuse to reimburse the District for its disbursements. The amount of such future refunds and

CALLOWAY COUNTY HEALTH DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

unreimbursed disbursements, if any, is not expected to be significant. Continuation of the District's grant programs is predicated upon the grantor's satisfaction that the funds provided are spent as intended and the grantor's continued funding of their programs.

D. Litigation

The Calloway County Health Department has no pending litigation, threatened claims, or judgments payable as of June 30, 2015.

E. Related Parties

The Calloway County Health Department is related to the Calloway County Public Health Taxing District by common board members. The Calloway County Board of Health sets the public health tax annually. A total of \$439,354 in public health taxes was transferred from the taxing district to the Health Department for the year ended June 30, 2015. The tax rate for the year ending June 30, 2015, was set by the Calloway County Board of Health at \$0.028 per \$100 assessed value for real and personal property other than motor vehicles, and \$0.031 per \$100 assessed value for motor vehicles. As of June 30, 2015, the Calloway County Public Health Taxing District fund balance was \$2,110,851.

F. OMB Circular A-133

The Calloway County Health Department receives Federal funds under a series of grants passed through the Kentucky Department for Public Health. Among these grants is the KY WIC Program, which is a short-term intervention program designed to influence lifetime nutrition and health behavior in certain high-risk populations. The Kentucky WIC Program, with approval from the regional office of the United States Department of Agriculture, notified local health departments it would no longer be providing expenditure data specific to WIC food instruments. Accordingly, the Calloway County Health Department was not required to have an audit performed under OMB Circular A-133 for the year ended June 30, 2015, since WIC food instrument expenditures were excluded from federal expenditures.

OTHER SUPPLEMENTARY INFORMATION SECTION

CALLOWAY COUNTY HEALTH DEPARTMENT
STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID BY REPORTING AREA
 For the Year Ended June 30, 2015

REVENUE **DIRECT COSTS**

Reporting Area	State	Federal	Local	Service Fees	Unrestricted Carryover	Total Revenue	Salaries	Fringes	Contracts	Travel	Space Occupancy	Office Admin.	Admin. Charges
500 Food	27,461	-	9,115	306	-	36,882	135,505	5,489	-	1,198	-	-	-
520 Public Facilities	-	-	16,180	1,185	-	17,365	6,257	2,207	-	1,140	-	-	-
540 General Sanitation	-	-	15,162	-	-	15,162	5,296	1,376	-	1,417	-	-	-
560 On Site Sewage	-	-	31,347	33,040	-	64,387	22,722	6,706	-	4,803	-	-	-
Total Environmental	27,461	-	71,804	34,531	-	133,796	169,780	15,778	-	8,558	-	-	-
774 Child Fatality Prevention	-	546	13	-	-	559	236	109	-	-	-	-	-
712 Dental Services	4,375	-	-	1,337	-	5,712	426	206	-	-	-	-	-
730 Breast Cancer Trust Fund Grant	14,090	-	4,831	-	-	18,921	2,619	1,203	-	-	-	-	-
736 CHAT-Healthy Communities	-	1,000	473	-	-	1,473	95	44	-	-	-	-	-
750 Accreditation	-	-	999	-	-	999	469	216	-	-	-	-	-
766 MCH Coordinator	-	14,800	-	8,800	-	14,800	3,897	1,788	-	-	-	-	-
758 Humana Vitality	-	-	1,763	-	-	1,763	3,300	1,493	-	-	-	-	-
771 PHEP Special Projects	-	1,068	-	-	-	1,068	1,019	469	51	-	-	-	-
800 Pediatric/Adolescent	15,556	5,274	52,221	189,201	-	262,252	-	-	-	-	-	-	-
802 Family Planning	22,228	56,440	18,766	45,396	-	142,830	-	-	3,446	-	-	-	-
803 Maternity Services & Activity	8,000	-	7,869	501	-	16,370	-	-	-	-	-	-	-
804 WIC	-	141,903	22,975	-	-	164,878	5,749	2,638	-	-	-	-	-
805 MCH Nutrition & Group Activity	-	5,325	5,411	1,257	-	11,993	3,359	1,541	-	-	-	-	-
806 Tuberculosis	-	1,850	25,141	11,261	-	38,252	347	159	-	-	-	-	-
807 Sexually Transmitted Disease	-	-	24,320	12,039	-	36,359	-	-	-	-	-	-	-
809 Diabetes	21,256	-	391	-	-	21,647	5,976	2,741	-	408	-	-	-
810 Adult Visits & Follow-up	-	-	25,861	10,226	-	36,087	3,444	1,581	-	-	-	-	-
813 Breast and Cervical Cancer	10,000	3,641	7,057	5,619	-	26,317	191	88	7,575	-	-	1,995	-
765 Tobacco Program Federal Funds	-	10,000	-	-	-	10,000	-	-	-	-	-	-	-
818 Community Based Services	-	-	11,054	150	-	11,204	4,226	1,938	-	552	-	-	-
821 Bioterrorism-Focus Area A	-	27,659	4,616	-	-	32,275	14,324	6,556	-	1,274	-	241	-
833 WIC Breastfeeding - Special Project	-	61,681	6,866	-	-	68,547	19,788	9,080	-	2,640	1,020	329	-
836 Tobacco Control	15,923	-	1,631	-	-	17,554	3,299	1,513	-	179	-	-	-
874 HANDS MBD	-	17,975	273	-	-	18,248	7,917	4,729	-	1,018	-	-	-
840 Breastfeeding Peer Counselor	-	13,830	2,189	-	-	16,019	8,221	2,460	-	623	-	-	-
842 HIV Counseling & Testing	2,747	-	1,661	-	-	4,408	2,333	1,072	-	-	-	-	-
848 Healthy Start in Day Care	41,418	-	4,583	-	-	46,001	22,965	10,539	-	2,688	-	-	-
853 HANDS	22,796	-	-	131,027	-	153,823	75,719	34,743	-	3,644	-	705	-
857 Physical Activity	-	-	1,611	-	-	1,611	864	397	-	3	-	-	-
858 School Health	-	-	-	27,253	-	27,253	16,469	1,569	-	44	-	-	-
883 EPSDT/KCHIP Notification	-	-	3	1,187	-	1,190	644	282	-	-	-	-	-
890 Core Public Health	-	-	4,828	24	-	4,852	2,518	1,156	-	-	-	-	-
891 Medicaid Match	-	-	38,686	-	-	38,686	-	-	-	-	-	-	-
894 Capital	-	-	20,659	4,113	-	24,772	-	-	-	-	-	-	-
895 Allocable Leave & Fringes	98,309	47,760	70,799	9,804	-	226,672	-	-	-	-	-	-	-
Total Medical	276,698	410,732	367,350	459,195	-	1,514,195	210,414	180,785	11,072	13,074	1,020	3,748	-
Indirect/Resource Based Cost Allocation	304,159	410,732	439,354	493,726	-	1,647,991	380,194	196,563	11,072	21,632	1,020	3,748	-
Total	304,159	410,732	439,354	493,726	-	1,647,991	668,418	407,694	43,116	24,351	49,771	49,479	-

Calloway County Health Department
STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID BY REPORTING AREA
For the Year Ended June 30, 2015

Reporting Area	DIRECT COSTS					INDIRECT COSTS					Total Indirect Costs
	Medical Supplies	Automotive	Other	Capital Expenditures	Total Direct Costs	Department Indirect	Environ. Indirect	Medical Indirect	Clinic Indirect	Space Indirect	
500 Food	-	-	516	-	20,708	4,893	10,259	-	-	1,021	16,173
520 Public Facilities	-	-	123	-	9,727	2,372	4,973	-	-	293	7,638
540 General Sanitation	-	-	88	-	8,177	2,161	4,531	-	-	293	6,985
560 On Site Sewage	-	-	1,128	-	35,359	9,022	18,916	-	-	1,089	29,027
Total Environmental	-	-	1,855	-	73,971	18,448	38,679	-	-	2,696	59,823
774 Child Fatality Prevention	-	-	84	-	429	80	-	16	-	34	130
712 Dental Services	-	-	-	-	632	153	-	30	-	168	351
730 Breast Cancer Trust Fund Grant	-	-	13,653	-	17,475	881	-	172	-	393	1,446
736 CHAT-Healthy Communities	-	-	1,045	-	1,184	32	-	6	-	251	289
750 Accreditation	-	-	-	-	685	158	-	31	-	125	314
766 MCH Coordinator	-	-	2,875	-	8,560	1,310	-	255	-	1,038	2,603
758 Humana Vitality	126	-	4,310	-	9,230	1,116	-	217	-	-	1,333
771 PHEP Special Projects	-	-	1,068	-	1,068	-	-	-	-	-	-
800 Pediatric/Adolescent	-	-	354	-	1,893	343	-	67	-	151	561
802 Family Planning	21,996	-	114	-	22,110	-	-	-	-	2,244	2,244
803 Maternity Services & Activity	200	-	-	-	3,646	-	-	-	-	-	-
804 WIC	495	-	8,791	-	17,673	1,932	-	377	-	503	2,812
805 MCH Nutrition & Group Activity	-	-	2,540	-	7,440	1,128	-	220	-	519	1,867
806 Tuberculosis	1,128	-	450	-	2,084	117	-	23	-	569	709
807 Sexually Transmitted Disease	-	-	-	-	-	-	-	-	-	-	-
809 Diabetes	-	-	9,829	-	18,954	2,009	-	391	-	293	2,693
810 Adult Visits & Follow-up	-	-	6,667	-	11,692	1,157	-	227	-	117	1,501
813 Breast and Cervical Cancer	-	-	-	-	7,854	64	-	12	-	1,491	1,567
765 Tobacco Program Federal Funds	-	-	8,005	-	10,000	-	-	-	-	-	-
818 Community Based Services	-	-	1,794	-	8,510	1,420	-	278	-	996	2,694
821 Bioterrorism-Focus Area A	-	80	2,694	-	25,169	4,820	-	938	-	1,348	7,106
833 WIC Breastfeeding - Special Project	-	-	27,158	-	60,015	6,650	-	1,296	-	586	8,532
836 Tobacco Control	-	-	10,805	-	15,796	1,108	-	215	-	435	1,758
874 HANDS MBD	-	17	893	-	14,574	3,464	-	1	-	209	3,674
840 Breastfeeding Peer Counselor	-	-	119	-	11,901	3,208	-	625	-	285	4,118
842 HIV Counseling & Testing	-	-	-	-	3,405	784	-	152	-	67	1,003
848 Healthy Start in Day Care	-	-	-	-	36,192	7,719	-	1,504	-	586	9,809
853 Hands Project	-	-	3,800	-	118,611	25,448	-	4,959	-	1,499	31,906
857 Physical Activity	-	-	-	-	1,264	290	-	57	-	-	347
858 School Health	-	-	-	-	18,082	7,565	-	1,474	-	134	9,173
883 EPSDT/KCHIP Notification	-	-	-	-	926	221	-	43	-	-	264
890 Core Public Health	-	-	-	-	3,674	843	-	165	-	170	1,178
891 Medicaid Match	-	-	38,686	-	38,686	-	-	-	-	-	-
894 Capital	-	-	-	24,772	24,772	-	-	-	-	-	-
895 Allocable Leave & Fringes	-	-	-	-	90,475	-	-	-	-	-	-
Total Medical	23,945	97	145,734	24,772	614,661	74,020	-	13,751	-	14,211	101,982
Total	23,945	97	147,589	24,772	688,632	92,468	38,679	13,751	-	16,907	161,805
Indirect/Resource Based Cost Allocation	21,718	5,045	34,911	-	690,729	(92,468)	(38,679)	(13,751)	-	(16,907)	(161,805)
Total	45,663	5,142	182,500	24,772	1,500,906	-	-	-	-	-	-

Calloway County Health Department
STATEMENT OF REVENUES COLLECTED AND EXPENSES PAID BY REPORTING AREA
For the Year Ended June 30, 2015

RESOURCE BASED COST ALLOCATIONS

Reporting Area	Preventive Medical Indirect		Preventive Counseling Indirect		Problem Medical Indirect		Problem Counseling Indirect		Breast Feed Counseling Allocation		Lab Services Indirect		Total Resource Based Allocations		Total Costs		Excess Revenues (Expenditures)	
500 Food	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36,882	-	-
520 Public Facilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,365	-	-
540 General Sanitation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	15,162	-	-
560 On Site Sewage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	64,387	-	-
Total Environmental	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	133,796	-	-
774 Child Fatality Prevention	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	559	-	-
712 Dental Services	-	-	-	-	779	-	-	-	-	-	6	-	785	-	-	1,768	-	3,944
730 Breast Cancer Trust Fund Grant	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,921	-	-
736 CHAT-Healthy Communities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,473	-	-
750 Accreditation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	999	-	-
766 MCH Coordinator	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,163	-	3,637
758 Humana Vitality	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,563	-	-
771 PHEP Special Projects	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,068	-	-
800 Pediatric/Adolescent	256,794	-	-	-	946	-	-	-	-	-	2,058	-	259,798	-	-	262,252	-	-
802 Family Planning	66,761	-	-	-	32,323	-	-	-	-	-	19,392	-	118,476	-	-	142,830	-	-
803 Maternity Services & Activity	-	-	-	-	10,839	-	-	-	-	-	1,885	-	12,724	-	-	16,370	-	-
804 WIC	-	-	-	-	68,837	-	64,398	82	-	-	11,076	-	144,393	-	-	164,878	-	-
805 MCH Nutrition & Group Activity	-	-	-	-	-	-	-	-	-	-	-	-	2,686	-	-	11,993	-	-
806 Tuberculosis	279	-	-	-	32,564	-	-	-	-	-	2,616	-	35,459	-	-	38,252	-	-
807 Sexually Transmitted Disease	681	-	-	-	19,784	-	-	-	-	-	15,894	-	36,359	-	-	36,359	-	-
809 Diabetes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	21,647	-	-
810 Adult Visits & Follow-up	14,798	-	-	-	2,466	-	-	-	-	-	5,630	-	22,894	-	-	36,087	-	-
813 Breast and Cervical Cancer	10,756	-	-	-	3,195	-	-	-	-	-	2,945	-	16,896	-	-	26,317	-	-
765 Tobacco Program Federal Funds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	10,000	-	-
818 Community Based Services	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,204	-	-
821 Bioterrorism-Focus Area A	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	32,275	-	-
833 WIC Breastfeeding - Special Project	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	68,547	-	-
836 Tobacco Control	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	17,554	-	-
874 HANDS MBD	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	18,248	-	-
840 Breastfeeding Peer Counselor	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	16,019	-	-
842 HIV Counseling & Testing	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,408	-	-
848 Healthy Start in Day Care	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	46,001	-	-
853 HANDS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	150,517	-	3,306
857 Physical Activity	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,611	-	-
858 School Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	27,253	-	-
883 EPSDT/KCHIP Notification	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,190	-	-
890 Core Public Health	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,852	-	-
891 Medicaid Match	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	38,686	-	-
894 Capital	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24,772	-	-
895 Allocable Leave & Fringes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	90,475	-	136,198
Total Medical	350,069	2,686	171,733	64,398	82	61,502	650,470	1,367,111	147,085									
Total	350,069	2,686	171,733	64,398	82	61,502	650,470	1,500,906	147,085									
Indirect/Resource Based Cost Allocation	(350,069)	(2,686)	(171,733)	(64,398)	(82)	(61,502)	(650,470)	-	-									
Total	-	-	-	-	-	-	-	1,500,906	147,085									

See independent auditors' report and notes to financial statements.

INTERNAL CONTROL AND COMPLIANCE SECTION

Members of:

American Institute of Certified Public Accountants
AICPA Center for Public Company Audit Firms
AICPA Governmental Audit Quality Center
AICPA Employee Benefit Plan Audit Quality Center
Tennessee Society of Certified Public Accountants
Kentucky Society of Certified Public Accountants



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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*

Members of the Board
Calloway County Health Department
Murray, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Calloway County Health Department as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise Calloway County Health Department's basic financial statements, and have issued our report thereon dated October 28, 2015. Our report disclosed that, as described in Note 1 to the financial statements, the Department prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws prescribed by the Commonwealth of Kentucky Cabinet for Health and Family Services, Department for Public Health, Division of Administration and Financial Management, "Administrative Reference for Local Health Departments."

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Calloway County Health Department's internal control over financial reporting (internal control) to determine the auditing 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 Calloway County Health Department's internal control. Accordingly, we do not express an opinion on the effectiveness of Calloway 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any

deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Calloway County Health Department's financial statements are free of 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.

Alexander Thompson Arnold PLLC

Murray, Kentucky
October 28, 2015

SCHEDULE OF FINDINGS AND RESPONSES

**CALLOWAY COUNTY HEALTH DEPARTMENT
SCHEDULE OF FINDINGS AND RESPONSES
June 30, 2015**

FINDINGS – FINANCIAL STATEMENT AUDIT

None reported.

**CALLOWAY COUNTY HEALTH DEPARTMENT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**
June 30, 2015

FINDINGS – PRIOR YEAR FINANCIAL STATEMENT AUDIT

None reported.