MONROE COUNTY HEALTH CENTER

(A COMPONENT UNIT OF MONROE COUNTY, WEST VIRGINIA)

FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

YEAR ENDED JUNE 30, 2019

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MONROE COUNTY HEALTH CENTER

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MONROE COUNTY HEALTH CENTER

BOARD OF DIRECTORS

June 30, 2019

Name	Office Held	Committee Assignment
Wayne Spangler	Chair	Executive Committee, Chairperson
Melissa Boggs	Vice-chair	Finance Committee, Chairperson Executive Committee
Rose Lasker	Secretary	Personnel Committee, Chairperson Executive Committee
Shirley Dixon		Personnel Committee
Janet Caulkins		QI/QA Committee, Chairperson Personnel Committee
Jeff Pritt		Nominating Committee, Chairperson Finance Committee
Justine Nall		QI/QA Committee Nominating Committee
Shelby Jennings		Strategic Planning Committee, Chairperson
Walter Marsden		Finance Committee Nominating Committee
James Holtman		Finance Committee Strategic Planning Committee
Vaden Ryan Tabar, Jr.		Nominating Committee
Amy Mann		QI/QA Committee Strategic Planning Committee

David L. Howell Member AICPA
Certified Public Accountant WVSCPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors, Chief Executive Officer and Chief Financial Officer of the
Monroe County Health Center
200 Health Center Drive
Union, West Virginia 24983

Report on the Financial Statements

We have audited the accompanying financial statements of the Monroe County Health Center (the "Center"), a component unit of Monroe County, West Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Center'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 accounting principles generally accepted in the United States of America; this includes 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 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 opinions.

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Center, as of June 30, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters
Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Center's basic financial statements. The schedule of state grant receipts and expenditures is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The schedule of state grant receipts and expenditures and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 schedule of state grant receipts and expenditures and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2019, on our consideration of the Center'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Center'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 Center's internal control over financial reporting and compliance.

David L. Howell, CPA

David L. Howell, CPA
Cabin Creek, West Virginia
November 14, 2019

The **Monroe County Health Center's** discussion and analysis provides an overview of the Health Center's financial activities for the fiscal year ended **June 30, 2019**. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the Health Center's financial statements.

This annual report consists of two parts: management's discussion and analysis (this section) and the basic financial statements. The basic financial statements include a series of financial statements. The Balance Sheet, Profit & Loss and Statement of Cash Flows provide information about the activities of the Health Center as a whole and present a longer-term view of the Health Center's finances.

THE BALANCE SHEET, PROFIT/LOSS AND STATEMENT OF CASH FLOWS

One of the most important questions asked about the Health Center's finances is, "Is the Health Center as a whole better or worse off as a result of the year's activities?" **The Balance Sheet, Profit & Loss, and Statement of Cash Flows** report information about the Health Center as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These three statements report the Health Center's net assets and changes in them. You can think of the Health Center's net assets - the difference between assets and liabilities-as one way to measure the Health Center's financial health, or financial position. Over time, increases or decreases in Monroe Health Center's net assets are one indicator of whether its financial health is improving or deteriorating.

THE HEALTH CENTER AS A WHOLE

The Health Center's combined net assets **increased from $4,668,446 to $5,486,405.** This represents a **Net Profit of $817,959**. The Health Center's total revenues **increased by approximately eleven (11) percent or $793,702**. The **total cost of all programs and services increased by $417,786, or approximately six (6%) percent.**

Condensed Statement of Net Assets
June 30, 2019

	2019	2018
ASSETS		
Current Assets	5,878,503	5,003,819
Other Current Assets	693,231	676,933
Fixed Assets	712,873	843,154
Other Assets	853,622	846,145
Total Assets	**8,138,229**	**7,370,051**
LIABILITIES AND NET ASSETS		
Current Liabilities	422,334	275,410
Long Term Liabilities	2,229,490	2,426,195
Total Liabilities	2,651,824	2,701,605
NET ASSETS		
MCHC Equity	4,668,446	4,226,403
Net Income	817,959	442,043
Total Net Assets	5,486,405	4,668,446
TOTAL LIABILITIES AND NET ASSETS	**8,138,229**	**7,370,051**

THE HEALTH CENTER'S FUNDS

As the Health Center completed the year, its general fund (checking/savings accounts) as presented in the balance sheet reported a combined fund balance of **$5,878,503**, which is **significantly above** last year's total of **$5,003,819**. The CFO, through the direction of the Finance Committee, moved funds to the **Emergency Operations Account #1102** in an effort to set aside six months of operating revenue for unforeseen circumstances. The **Special Funds Account #1105** is being held to offset the **OPEB liability Account #22118.** As of June 30, 2019 the Health Center had **$251,210** invested in Certificates of Deposit. This amount is included in the total general fund amount above.

Statement of Revenues, Expenses and Changes in Net Assets
June 30, 2019

	2019	2018
OPERATING REVENUES		
Net patient service revenue	4,178,744	3,745,951
Operating grant revenue	2,714,007	2,422,538
Other revenue	1,154,103	983,318
Total Operating Revenue	8,046,854	7,151,807
OPERATING EXPENSES		
Salaries	4,301,227	3,977,668
Fringe benefits	814,009	919,727
Supplies	630,190	608,164
Travel	29,492	35,378
Utilities	181,802	193,065
Dues	108,159	70,373
Other contracted services	284,641	271,723
OPEB	78,306	42,771
Other expenses	48,332	90,584
Rent/lease	195,394	75,707
Repairs/maintenance	302,886	269,974
Bad debt	79,376	104,067
Depreciation	160,930	137,757
Total Operating Expenses	7,214,744	6,796,958
Income from operations	832,110	354,849
Increase in Net Assets	817,959	442,043
Net Assets, Beginning of Year	4,668,446	4,226,403
Net Assets, End of Year	5,486,405	4,668,446

CAPTIAL ASSETS/PROJECTS

The Health Center's fiscal-year 2020 capital budget calls for it to spend approximately **$613,600** for capital projects, principally for the **renovation of the Union location**. The Health Center has **no plans** to issue additional debt to finance this project. Rather, we will use resources on hand in the Health Center's **Special Funds Account and/or the general operating account**. The Peterstown Money Market Account #27109 will be used to pay the loan payment for the Peterstown Renovation Project. Loan payments began July, 2018.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Health Center's elected and appointed officials considered many factors when setting the fiscal-year 2019-2020 budget and schedule of fees for patient services. The schedule of fees were developed according to policy with comparable rates to other facilities in our geographic regions. The budget was developed with recognition of net patient service revenues based upon expanded providers and increased productivity in behavioral health, dental and medical services expected in the upcoming year.

FINANCIAL MANAGEMENT

This financial report is designed to provide our board members, lenders and creditors with a general overview of the Health Center's finances and to show the Health Center's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Health Center's CFO, Rebekah Stone, at 304-772-3065, ext. 136.

MONROE COUNTY HEALTH CENTER

STATEMENT OF NET POSITION

June 30, 2019

Assets	
Current assets:	
Cash and cash equivalents	$ 5,627,293
Investments	251,210
Patient receivable, net of allowance	470,345
Accounts receivable - other	98,168
Grants receivable	15,257
Prepaid expenses	80,989
Inventories	28,472
Total current assets	6,571,734
Noncurrent assets:	
Capital assets, net	712,873
Total noncurrent assets	712,873
Total assets	7,284,607
Deferred Outflows of Resources	
Related to pensions	645,528
Related to OPEB	208,094
Total deferred outflows of resources	853,622
Liabilities	
Current liabilities:	
Accounts payable	253,472
Payroll liabilities	168,862
Total current liabilities	422,334
Noncurrent liabilities:	
Compensated absences payable	277,779
Net pension liability	704,654
Net OPEB liability	695,004
Total noncurrent liabilities	1,677,437
Total liabilities	2,099,771
Deferred Inflows of Resources	
Related to pensions	416,402
Related to OPEB	135,651
Total deferred inflows of resources	552,053
Net Position	
Net investment in capital assets	712,873
Unrestricted	4,773,532
Total net position	$ 5,486,405

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

MONROE COUNTY HEALTH CENTER

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

Year Ended June 30, 2019

Operating revenues:	
Net patient service revenue, net	$ 4,178,744
Pharmacy income	1,001,224
Other income	152,879
Grant revenue	2,714,007
Total operating revenues	8,046,854
Operating expenses:	
Salaries and related expenses	4,301,227
Employee benefits	814,009
Office expenses	131,116
Medical supplies	499,074
Rent and leases	195,394
Contractual and professional services	284,641
Repairs and maintenance	302,886
Dues and fees	108,159
Travel	29,492
Telecommunications	109,717
Utilities	72,085
Provision for bad debts	79,376
Depreciation	160,930
Other expenses	126,638
Total operating expenses	7,214,744
Operating income	832,110
Non-operating revenues (expenses):	
Rental income	12,408
Interest income	14,733
Contributions and donations	70,025
Goodwill impairment	(111,317)
Total nonoperating revenues/(expenses)	(14,151)
Change in net position	817,959
Net position, beginning	4,668,446
Net position, ended	$ 5,486,405

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

MONROE COUNTY HEALTH CENTER

STATEMENT OF CASH FLOWS

Year Ended June 30, 2019

Cash Flows from Operating Activities		
Receipts from and on behalf of patients	$	5,117,905
Other receipts and payments, net		191,162
Grant revenue		2,726,027
Payments to suppliers and contractors		(1,807,274)
Payment to employees		(5,308,336)
Net cash provided from operating activities		919,484
Cash Flows from Noncapital Financing Activities		
Contributions		70,025
Net cash provided from noncapital financing activities		70,025
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets		(141,966)
Net cash used by capital and related financing activities		(141,966)
Cash Flows from Investing Activities		
(Purchase) sale of investments		2,009
Interest income		14,733
Rental income		12,408
Net cash provided from investing activities		29,150
Net increase (decrease) in cash and equivalents		876,693
Cash and equivalents, beginning		4,750,600
Cash and equivalents, ended	$	5,627,293

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

MONROE COUNTY HEALTH CENTER

STATEMENT OF CASH FLOWS (CONTINUED)

Year Ended June 30, 2019

Reconciliation of operating income to net cash provided by operating activities:		
Operating income (loss)	$	832,110
Adjustments:		
Depreciation		160,930
(Increase) decrease in patient accounts receivable		(62,063)
(Increase) decrease in grants receivable		12,020
(Increase) decrease in prepaid expenses		(12,066)
(Increase) decrease in inventories		7,528
(Increase) decrease in deferred outflows of resources		(7,477)
(Increase) decrease in accounts payable		135,842
Increase (decrease) in accrued payroll liabilities		11,082
Increase (decrease) in net pension liability		(425,617)
Increase (decrease) in net OPEB liability		63,898
Increase (decrease) in accrued compensated absences payable		20,493
Increase (decrease) in deferred inflows of resources		144,521
Net cash provided by operating activities	$	919,484

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

NOTE 1 **ORGANIZATION**

Monroe County Health Center (the Center) is a successor organization to Monroe Health Services, Incorporated. The Center was formed July 31, 1981, as an outgrowth of certain litigation with the Southern West Virginia Regional Health Council, Incorporated, regarding the possession and operation of the Center. The Center through its main location in Union, West Virginia, and its two satellite clinics in Peterstown, West Virginia and Craig County, Virginia, furnish various medical services to residents of Monroe and surrounding counties. The Center's main sources of revenue are state and federal financial awards and charges for medical related services. The Center is a component unit of the Monroe County Commission (the “Commission”).

NOTE 2 **SIGNIFICANT ACCOUNTING POLICIES**

The Center's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). GASB is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Center are discussed below.

Measurement Focus

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Component Unit/Reporting Entity

The Center's statement of revenues, expenses and changes in net position distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing healthcare services the Center's principal activity. Non exchange revenues, including grants and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing cost.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates used in preparing these financial statements include the valuation of accounts receivable for the amount expected to be ultimately collected. It is at least reasonably possible that the significant estimates used will change within the next year.

Cash and Cash Equivalents and Investments
For purposes of reporting the statement of cash flows, the Center considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Inventories
Inventories are stated at the lower-of -cost-or-market. Cost is determined by the first-in, first-out (FIFO) method.

Capital Assets
Capital assets are recorded at cost. Depreciation is computed by the straight-line method over the estimated useful lives of each class of depreciable asset. Expenditures for maintenance and repairs that do not extend the useful life of the applicable assets are expensed as incurred. The estimated useful lives for each major class of depreciable fixed assets are as follows:

Leashold improvements	8 to 15 years
Office and medical equipment	3 to 15 years
Vehicles	3 to 5 years

Gifts of long-lived assets such as land, buildings, and equipment are reported as unrestricted support, and excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Compensated Absences
The Center's employees generally earn vacation and sick leave on an annual basis. Vacation, up to specific limits, is fully vested when earned, and sick leave, while not vesting to the employee prior to retirement, can be carried over to the subsequent periods. Any unused sick leave accumulated at employee retirement vests to the employee and may be provided in the form of post retirement payment of all or a portion of the employee's health insurance premiums, or as service credits for retirement purposes. Expenditures for vacation is recognized as incurred in the accompanying financial statements and present the cost of accumulated vacation leave as a liability.

Cost of Borrowing
All interest costs incurred for the year ended June 30, 2019 have been expensed.

Advertising
The cost of advertising, public relations, and marketing programs are charged to operations as incurred. Total advertising expense for the year ended June 30, 2019 was $32,575.

Net Position

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Net Patient Service Revenue and Patient Accounts Receivable

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers as well as bad debts. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Medicaid reimburses the Center for services based upon reasonable and customary established rates. The Center uses the allowance method for uncollectible accounts receivable. The allowance is estimated and is based on historical collection experience and a review of the current status of accounts receivable. Accounts receivable is presented, net of an allowance for doubtful accounts, of $210,000 as of June 30, 2019.

In addition to those patients unable to pay, there are patients receiving services who will not pay. The Center has established credit and collection policies to hold these costs to a minimum. These costs have been offset against net patient service revenues in the statement of revenues, expenses and changes in net position, net of any collections received subsequent to write-off.

Grants and Contributions
The Center receives grants and contributions from governmental organizations, private individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues or expenses.

Expense Allocations
Expenses which are not specifically identified with a particular service are allocated to the various program services based upon time devoted by Center staff in performing functions.

Charity Care
The Center provides care to individuals who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. The Medical and Dental charges, excluded from revenue under the Center's charity care policy were $641,217 and $101,438, respectively.

Income Taxes
The Center is a sub-division of the Monroe County Commission and is exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and similar state statutes.

Goodwill
Definite life intangible assets are amortized over their estimated useful lives. The Center is required to conduct an annual review of goodwill and intangible assets for potential impairment. Goodwill impairment testing requires a comparison between the carrying value and fair value of each reporting unit. If the carrying value exceeds the fair value, goodwill is considered impaired. The amount of impairment loss is measured as the difference between the carrying value and implied fair value of goodwill, which is determined using discounted cash flows. Impairment testing for non-amortizable intangible assets requires a comparison between the fair value and carrying value of the intangible asset. If the carrying value exceeds fair value, the intangible asset is considered impaired and is reduced to fair value. During the year, it was determined that the Center’s goodwill had become impaired and there was a write-off recognized in the amount of $111,317 on the statement of revenues, expenses and changes in net position.

Deferred Outflows/Inflows of Resources
In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until that time.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents the acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Public Employees Retirement System (the PERS Plan) and additions to/deductions from the PERS Plan's fiduciary net position have been determined on the same basis as they are reported by the PERS Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Postemployement Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability and deferred outflows/inflows of the resources related to OPEB, and OPEB expense, information about the fiduciary net position of the West Virginia Retiree Health Benefits Trust Fund (RHBT) and additions to/deductions from the RHBT's fiduciary net position have been determined on the same basis as they are reported by the RHBT. RHBT recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 3 DEPOSIT RISK

Custodial credit risk is the risk that in the event of a financial institution failure, the Center's deposits may not be returned to it. The Center maintains its cash balances in financial institutions located near Union, West Virginia. The Center does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However the Center historically has maintained invested assets solely in cash equivalent investment instruments that have limited exposure to fair value fluctuations resulting from changes in interest rates.

At June 30, 2019, the reported amount of the Center’s deposits were $5,877,503 and the bank balances was $5,790,889. Of the bank balance, $1,011,185 was covered by federal depository insurance or by collateral held by the Center’s agent in the Center’s name, $3,519,027 was covered by collateral held in the pledging bank’s trust department in the Center’s name, and $1,260,678 was uninsured and uncollateralized.

NOTE 4 CAPITAL ASSETS

Capital asset additions, retirements and balances for the year ended June 30, 2019 follows:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets being depreciated:				
Office equipment	$ 792,507	39,107	43,524	788,090
Leasehold improvements	1,833,447	16,449	-	1,849,896
Vehicles	58,551	-	-	58,551
Medical equipment	950,318	86,410	3,986	1,032,742
Total depreciable capital assets	3,634,823	141,966	47,510	3,729,279
Accumulated depreciation:				
Office equipment	657,836	39,126	43,524	653,438
Leasehold improvements	1,396,371	67,016	-	1,463,387
Vehicles	24,398	11,707	-	36,105
Medical equipment	824,381	43,081	3,986	863,476
Total accumulated depreciation	2,902,986	160,930	47,510	3,016,406
Capital assets, net	$ 731,837	(18,964)	-	712,873

NOTE 5 OPERATING LEASE

During the year, the Center entered into an operating lease with the Monroe County Commission to lease county owned facilities and property. The lease is for a term of twelve months, beginning on November 15, 2018 and ending on November 14, 2019. This lease is understood to be a long term relationship and will be renewable in consecutive one year terms with annual increases of not more than two percent. Lease payments will be in the annual amount of $12,000 due and payable in monthly installments of $1,000.

NOTE 6 RISK MANAGEMENT

The Center is exposed to various risks or loss related torts, theft or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Center, pursuant to the provisions of Federal and State laws and regulations, participates in the following risk management programs administered by the State of West Virginia and the Department of Health and Human Services, Bureau of Primary Health Care.

Board of Risk and Insurance Management (BRIM)

The Center participates in the West Virginia Board of Risk and Insurance Management, a common risk pool for all State agencies. Component units, boards of education and other local government agencies who wish to participate. Fund underwriting and rate setting policies are established by BRIM. The cost of all coverage, as determined by BRIM, is paid by participants. The BRIM risk pool contains the risk of the first two million dollars per property event and purchases excess insurance on losses above that level. BRIM has one million dollars per occurrence coverage maximum on all third-party liability claims.

Public Employees Insurance Agency (PEIA)

The Center provides employees health and basic life insurance benefits through the Public Employees Insurance Agency. PEIA was established by the State of West Virginia to provide a program of health and life insurance for employees of State agencies, institutions of higher learning, boards of education, and component units of the State. In addition, local governmental agencies and certain charitable and public service organizations may request to be covered. PEIA provides a general employee benefit insurance program which includes hospital, surgical, major medical prescription drug and basic life and accidental death. Fund underwriting and rate settling policies are established by the PEIA Finance Board. The cost of all coverage as determined by the Finance Board is paid by the participants. The PEIA risk pool retains the risk for the health and prescription features and purchases insurance coverage for the life features of the plan.

Coverage under these programs is limited to one million dollars lifetime for health and ten thousand dollars of life insurance coverage. Insured may purchase up to an additional fifty thousand dollars of life insurance coverage.

Workers' Compensation
The Center purchases private insurance to protect it from the risk related to the compensation of injured employees.

Section 224 - Federal Torts Claims Act (FTCA)
The Center has been deemed to be an employee of the Federal Government for the purposes of Section 224 and is therefore entitled to liability protection under the FTCA 10 personal injury, including death, resulting from the performance of medical, surgical, dental, and related functions and is exclusive of any other civil action or proceeding.

FTCA coverage is applicable to the Center's officers, governing board members, employees, and contractors who are physicians or other licensed or certified health care practitioners providing family practice, general internal medicine, general pediatrics, or obstetrical/gynecological services. FTCA coverage is comparable to an policy without a monetary gap. Therefore, any coverage limits that may be mandated by other insurers are met by the FTCA. All judgments or settlements in excess of coverage limits must be approved by the Attorney General.

NOTE 7 PENSION PLAN

Plan Descriptions, Contribution Information and Funding Policies
The Center participates in state-wide, cost-sharing, multiple-employer defined benefit plans on behalf of Center employees. The system is administered by an agency of the State of West Virginia and funded by contributions from participants, employers, and State appropriations, as necessary.

The Center's cost-sharing multiple-employer plan is administered by the Consolidated Public Retirement Board (CPRB), which acts as a common investment and administrative agent for all of the participating employers. CPRB issues a publicly available report that include a full description of the pension plan regarding benefit provisions, assumptions and membership information that can be found on the CPRB website at www.wvretirement.com. The following is a summary of eligibility factors, contribution methods, and benefit provisions:

Eligibility to participate	All Center full-time employees, except those covered by other pension plans
Authority establishing contribution obligations and benefit provisions	State statue
Plan member's contribution rates:	
Hired before July 1, 2015	4.50%
Hire on or after July 1, 2015	6.00%
Center's contribution rate	10.00%
Period required to vest:	
Hired before July 1, 2015	Five Years
Hire on or after July 1, 2015	Ten Years
Benefits and eligibility for distribution	A member who has attained age 60 and has earned 5 years or more of contributing service or age 55 if the sum of his/her age plus years of credited service is equal to or greater than 80. The final average salary (three highest consecutive years in the last 10) times the years of service times 2% equals the annual retirement benefit .For members joining on or after July 1, 2015, the retirement age is 62 with 10 years of service or age 55 if age plus years of service equals 80. The final average salary for members joining on or after July 1, 2015, is based on the five highest consecutive years in the last 15 years.
Deferred retirement portion	No
Provisions for:	
Cost of living	No
Death benefits	Yes

Trend Information

Fiscal Year	Annual Required Pension Contribution	Percentatage Contributed
2019	$ 416,670	100%
2018	$ 414,695	100%
2017	$ 431,393	100%
2016	$ 423,808	100%
2015	$ 378,645	100%
2014	$ 367,515	100%

PERS issue a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, 4101 MacCorkle Avenue, SE, Charleston, WV 25304.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions
At fiscal year-end, the Center reported the following liabilities for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2018, and the total pension liability used to calculate the net pension liabilities were determined by an actuarial valuation as of July 1, 2017 and rolled forward to June 30, 2018 using the actuarial assumptions and methods described in the appropriate section of this note. The Center's proportion of the net pension liabilities was based on a projection of its long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Center's reported the following proportions and increase/decreases from its proportion measured as of June 30, 2018:

Amount for proportionate share of net pension liability	$	704,654
Percentage for proportionate share of net pension liability		0.2728550%
Increase/-Decrease % from prior proportion measured		4.20199%

For the year ended June 30, 2019, the Center recognized the following pension expenses:

Government-wide pension expense	$ 205,525

The Center reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes of assumptions:		
Net difference between projected and actual earnings on pension plan investments	$ -	414,658
Difference Between Expected and Actual Experiences	34,955	1,744
Changes in proportion and differences between Center contributions and proportionate share of contributions	193,903	-
Center contributions subsequent to the measurement date	416,670	-
	$ 645,528	416,402

The amount reported as deferred outflows of resources related to pensions resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2020	$ (44,118)
2021	(44,118)
2022	(44,118)
2023	(55,189)
	$ (187,544)

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of July 1, 2017 and rolled forward to June 30, 2018 for all plans, using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial assumptions:	
Inflation rate	3.00%
Salary increases	State 3.0% - 4.6%, Non-state 3.35% - 6.0%
Investment rate of return	7.50%
Mortality Rates:	
Pre-retirement males :	100% of RP-2000 Non-Annuitant, Scale AA fully generational
Pre-retirement females :	100% of RP-2000 Non-Annuitant, Scale AA fully generational
Post-retirement healthy males:	110% of RP-2000 Healthy Annuitant, Scale AA fully generational
Post-retirement healthy females:	101% of RP-2000 Healthy Annuitant, Scale AA fully generational
Disabled males :	96% of RP-2000 Disabled Annuitant, Scale AA fully generational
Disabled females :	107% of RP-2000 Disabled Annuitant, Scale AA fully generational

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2014.

The long-term expected rate of return on pension plan investments were determined using a building-block method in which estimates of expected real rates of returns (expected returns, net of pension plan investment expense and inflation) 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 and by adding expected inflation. Rates summarized in the following table include the inflation component and were used for the following defined benefit plans:

Investment	Long-term Expected Real Rate of Return	Target Asset Allocation	Weighted Average Expected Real Rate of Return
US Equity	7.0%	27.5%	1.92%
International Equity	7.7%	27.5%	2.12%
Core Fixed Income	2.7%	7.5%	0.20%
High Yield Fixed Income	5.5%	7.5%	0.41%
TIPS	2.7%	0.0%	0.00%
Real Estate	7.0%	10.0%	0.70%
Private Equity	9.4%	10.0%	0.94%
Hedge Funds	4.7%	10.0%	0.47%
		100.0%	6.76%
Inflation (CPI)			1.90%
			8.66%

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent for all defined benefit plans. The projection of cash flows used to determine the discount rates assumed that employer contributions will continue to follow the current funding policies. Based on those assumptions, the fiduciary net position for each defined benefit pension plan was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rates of return on pension plan investments were applied to all periods of projected benefit payments to determine the total pension liabilities of each plan.

The following chart presents the sensitivity of the net pension liability to changes in the discount rate, calculated using the discount rates as used in the actuarial evaluation, and what the 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 rate:

	1.0% Decrease 6.5%	Current Discount Rate 7.5%	1.0% Increase 8.5%
Center's proportionate share of PERS' net pension liability	$ 2,837,782	$ 704,653	$ (1,099,944)

Pension plans' fiduciary net position. Detailed information about the pension plans' fiduciary net position is available in the separately issued financial report available at the Consolidated Public Retirement Board's website at www.wvretirement.com. That information can also be obtained by writing to the West Virginia Consolidated Public Retirement Board, 4101 MacCorkle Avenue SE, Charleston, WV 25304.

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

General Information about the OPEB Plan

Plan description. The Center contributes to the West Virginia Other Postemployment Benefit Plan (the Plan), a cost-sharing, multiple-employer defined benefit postemployment healthcare plan. The financial activities of the Plan are accounted for in the West Virginia Retiree Health Benefit Trust Fund (RHBT), a fiduciary fund of the State of West Virginia. The Plan is administered by a combination of the West Virginia Public Employees Insurance Agency (PEIA) and the RHBT staff. Plan benefits are established and revised by PEIA and the RHBT management with approval of the Finance Board. The Finance Board is comprised of nine members. Finance Board members are appointed by the Governor, serve a term of four years and are eligible for reappointment. The State Department of Administration cabinet secretary serves as Chairman of the Board. Four members represent labor, education, public employees and public retirees. The four remaining members represent the public at large. The Plan had approximately 43,000 policyholders and 64,000 covered lives at June 30, 2018. The RHBT audited financial statements and actuarial reports can be found on the PEIA website at www.peia.wv.gov. You can also submit your questions in writing to the West Virginia Public Employees Insurance Agency, 601 57th. Street, SE, Suite 2, Charleston, WV, 25304.

Benefits provided. The Plan provides medical and prescription drug insurance and life insurance. The medical and prescription drug insurance is provided through two options: 1) Self-Insured Preferred Provider Benefit Plan (primarily for non-Medicare-eligible retirees and spouses) and 2) External Managed Care Organizations (primarily for Medicare-eligible retirees and spouses).

Contributions. Paygo premiums are established by the Finance Board annually. All participating employers are required by statute to contribute this premium to the RHBT at the established rate for every active policyholder per month. The active premiums subsidized the retirees' health care by approximately $149 million for the fiscal year ending June 30, 2018. Contributions to the OPEB plan from the Center were $78,307 for the current fiscal year.

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

At fiscal year-end, the Center reported a liability of $695,004 for its proportionate share of the net OPEB liability. The net OPEB liability, deferred inflows and outflows of resources and OPEB expense were determined by an actuarial valuation date as of June 30, 2017, rolled forward to June 30, 2018, which is the measurement date. The Center's proportion of the net OPEB liability was based on a projection of the Center's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2018, the Center's proportion was 0.0323945%, which was an increase of 26.22% from its proportion measured as of June 30, 2017.

For this fiscal year, the Center recognized OPEB expense of $64,777. The Center reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Changes in proportion and differences between Center contributions and proportionate share of contributions	$ 129,787	43,112
Net difference between expected and actual earnings on OPEB plan investments	-	12,864
Difference Between Expected and Actual Experiences	-	10,280
Deferred Difference in Assumptions	-	69,395
Center contributions subsequent to the measurement date	78,307	-
	$ 208,094	135,651

The amount reported as deferred outflows of resources related to OPEB resulting from Center contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2020	$ (8,106)
2021	(8,106)
2022	(8,106)
2023	18,453
	$ (5,864)

Actuarial assumptions. The total OPEB liability was determined by an actuarial valuation as of June 30, 2017, rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial assumptions:	
Inflation rate	2.75%
Salary increases	Dependent upon pension system, ranging from 3.0% to 6.5%, including inflation
Investment Rate of Return	7.15%, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	Actual trend used for fiscal year 2018. For fiscal years on and after 2019, trend starts at 8.00% and 10.00% for pre and post-Medicare, respectively, and gradually decreases to an ultimate trend of 4.50%. Excess trend rate of 0.13% and 0.00% for pre and post-Medicare, respectively, is added to healthcare trend rates pertaining to per capita claims beginning in 2022 to account for the excise tax.

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2014 Healthy Annuitant Mortality Table projected with Scale MP-2016 on a fully generational basis for Troopers A and B. Pre-Retirement: RP-2000 Non-Annuitant Mortality Table projected with Scale AA on a fully generational basis for PERS and TRS. RP-2014 Non-Annuitant Mortality Table projected with Scale MP-2016 on a fully generational basis for Troopers A and B.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2010 through June 30, 2015.

The long-term rates of return on OPEB plan investments are determined using a building-block method in which estimates of expected future real rates of returns (expected returns, net of OPEB plan investment expense and inflation) 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 percentages and by adding expected inflation. The strategic asset allocation consists of 55% equity, 15% fixed income, 10% private equity, 10% hedge fund and 10 % real estate invested. Short-term assets used to pay current year benefits and expenses are invested with the WVBTI. Best estimates of long-term geometric rates are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
Large Cap Domestic	17.0%
Non-Large Cap Domestic	22.0%
International Qualified	24.6%
International Non-Qualified	24.3%
International Equity	26.2%
Short-Term Fixed	0.5%
Total Return Fixed Income	6.7%
Core Fixed Income	0.1%
Hedge Fund	5.7%
Private Equity	19.6%
Real Estate	8.3%
Opportunistic Income	4.8%
Cash	0.0%

Discount rate. The discount rate used to measure the OPEB liability was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions would be made at rates equal to the actuarially determined contribution rates, in accordance with prefunding and investment policies. The OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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. Discount rates are subject to change between measurement dates.

Sensitivity of the government's proportionate share of the net OPEB liability to changes in the discount rate. The following chart presents the Center's proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage point higher (8.5%) than the current discount rate:

	1.0% Decrease 6.15%	Discount Rate 7.15%	1.0% Increase 8.15%
Net OPEB Liability	$ 816,838	$ 695,004	$ 593,441

Sensitivity of the government's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following chart presents the Center's proportionate share of the net OPEB liability, as well as what the proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage point higher than the current healthcare cost trend rates described in the actuarial assumptions:

	1.0% Decrease	Healthcare Cost Trend Rates	1.0% Increase
Net OPEB Liability	$ 575,078	$ 695,004	$ 841,129

OPEB plan fiduciary net position. Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report available at the West Virginia Public Employee Insurance Agency's website at peia.wv.gov. That information can also be obtained by writing to the West Virginia Public Employee Insurance Agency, 601 57th. Street, Suite 2, Charleston, WV, 25304.

NOTE 9 DEFERRED COMPENSATION PLAN

The Center offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time Center employees at their option, permits participants to defer a portion of their salary until future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are held for the exclusive benefit of the participants and their beneficiaries.

NOTE 10 **DONATED SERVICES AND MATERIAL**

The Center received medications, medical supplies, and miscellaneous supplies at no cost to the Center from various vendors during the audit period. These medications arid supplies are recorded in the Center's general purpose financial statements at fair market value on the date they are received. The Monroe County Commission also furnishes certain insurance coverage to the Center and in return the Center furnishes office space for the Monroe County Health Department and WVU Extension Agency at no cost. This is recorded in the Center's general purpose financial statements based on the rent charged other occupants of the Center's building.

NOTE 11 **HEALTH CARE LEGISLATION AND REGULATION**

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Management believes that the Center is in compliance with fraud and abuse as well as other applicable government laws and regulations. If the Center is found in violation of these laws, the Center could be subject to substantial monetary fines, civil and criminal penalties and exclusion from participation in the Medicare and Medicaid programs.

NOTE 12 **CONCENTRATION OF CREDIT RISK**

The Center has locations in Union and Peterstown Center, West Virginia and Craig County, Virginia. The Center grants credit without collateral to its patients, most of who are local residents and are insured under third-party payer agreements. The payer mix of self-pay patients and third-party payers is as follows at June 30, 2019:

	2019	2018
Medicare	37%	37%
Medicaid	20%	20%
Self pay	13%	14%
Other third-party payers	30%	29%
	100%	100%

NOTE 13 **SUBSEQUENT EVENTS**

In preparing these financial statements, the Center had evaluated any transactions for potential recognition or disclosure through November 14, 2019, the date the financial statements were available to be issued. Subsequent to the Statement of Net Position date, the Center entered into a construction contract for renovations to their medical office building at the Union site. The contract represents $613,600 and began in October of 2019.

REQUIRED SUPPLEMENTARY INFORMATION

MONROE COUNTY HEALTH CENTER

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

Year Ended June 30, 2019

	2019	2018	2017	2016	2015	2014
Center's proportion of the net pension liability (asset) (percentage)	0.272855%	0.261852%	0.058242%	0.058242%	0.053205%	0.056157%
Center's proportionate share of the net pension liability (asset)	$ 704,654	1,130,271	2,093,929	684,363	433,330	1,018,982
Center's covered-employee payroll	$ 4,166,700	3,769,955	3,594,942	3,139,319	2,704,607	2,534,586
Center's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	16.91%	29.98%	58.25%	21.80%	16.02%	40.20%
Plan fiduciary net position as a percentage of the total pension liability	96.33%	93.67%	86.11%	91.29%	93.98%	79.70%

See accompany notes to required supplementary information and independent auditor’s report.

MONROE COUNTY HEALTH CENTER

SCHEDULE OF PENSION CONTRIBUTIONS

Year Ended June 30, 2019

	2019	2018	2017	2016	2015	2014
Contractually required contribution	$ 416,670	414,695	431,393	423,808	378,645	367,515
Contributions in relation to the contractually required contribution	(416,670)	(414,695)	(431,393)	(423,808)	(378,645)	(367,515)
Contribution deficiency (excess)	$ -	-	-	-	-	-
Center's covered-employee payroll	$ 4,166,700	3,769,955	3,594,942	3,139,319	2,704,607	2,534,586
Contributions as a percentage of covered-employee payroll	10.00%	11.00%	12.00%	13.50%	14.00%	14.50%

See accompany notes to required supplementary information and independent auditor’s report.

MONROE COUNTY HEALTH CENTER

SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

Year Ended June 30, 2019

	2019	2018	2017
Center's proportion of the net OPEB liability	0.03239452%	0.02566525%	0.02868067%
Center's proportionate share of the net OPEB liability	$ 695,004	631,106	712,234
Center's covered-employee payroll	$ 2,354,754	1,815,240	1,765,773
Center's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	29.51%	34.77%	40.34%
Plan fiduciary net position as a percentage of the total pension liability	30.98%	25.10%	21.64%

* - Applicable information was available for three years for this schedule

See accompany notes to required supplementary information
and independent auditor's report.

MONROE COUNTY HEALTH CENTER

SCHEDULE OF OPEB CONTRIBUTIONS

Year Ended June 30, 2019

	2019	2018	2017
Contractually required contribution	$ 78,307	66,198	52,716
Contributions in relation to the contractually required contribution	(78,307)	(66,198)	(52,716)
Contribution deficiency (excess)	$ -	-	-
Center's covered-employee payroll	$ 2,354,754	1,815,240	1,765,773
Contributions as a percentage of covered-employee payroll	3.33%	3.65%	2.99%

* - Applicable information was available for three years for this schedule

See accompany notes to required supplementary information
and independent auditor’s report.

NOTE 1 PENSIONS

A. Presentation
The information presented in the schedule of proportionate share of the net pension liability and the schedule of contributions are only available for the years June 30, 2019, 2018, 2017, 2016, 2015, and 2014. The Center will be adding additional years to the accompanying schedules as information is available.

B. Changes in Benefit Terms
There were no changes in benefit terms for the year ended June 30, 2019.

C. Changes in Assumptions
There were no changes in assumptions for the year ended June 30, 2019.

NOTE 2 OPEB

A. Presentation
The information presented in the schedule of proportionate share of the net OPEB liability and the schedule of OPEB contributions are only available for the years June 30, 2019, 2018 and 2017. The Center will be adding additional years to the accompanying schedules as information is available.

B. Changes in Benefit Terms
There were no changes in benefit terms for the year ended June 30, 2019.

C. Changes in Assumptions
There were no changes in assumptions for the year ended June 30, 2019.

SUPPLEMENTARY INFORMATION

MONROE COUNTY HEALTH CENTER

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

Federal Grantor/PassThrough Grantor Program Title	Federal CFDA Number	Pass -Through Grant Number	Total Federal Expenditures
U.S Department of Health and Human Services			
Direct Awards			
Community Health Center	93.224	N/A	$ 1,471,766
Community Health Center	93.224	N/A	1,047,572
Total Direct Awards			2,519,338
Passed-through the State of West Virginia			
Department of Health and Human Resources			
Breast and Cervical Cancer Screening	93.919	BC18-1049	3,000
Total U.S. Department of Health and Human Services			2,522,338
Total Federal Awards Expenditures			$ 2,522,338

See accompanying notes to schedule of expenditures of federal awards and independent auditor's report.

NOTE 1 **BASIS OF PRESENTATION**

This schedule of expenditures of federal awards includes the grant activity of the Monroe County Health Center and is presented on the full accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

NOTE 2 **INDIRECT COST RATE**

The Center has elected to use the 10 percent de minimus indirect cost rate allowed under Uniformed Guidance.

MONROE COUNTY HEALTH CENTER

SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES

Year Ended June 30, 2019

State Agency	Pass Thru Number	Award Period	Award Receipts	Total Expenditures
State of West Virginia Department of Health and Human Resources				
Primary Care -- Uncompensated Care Grant	G190640	7/18-6/19	$ 101,384	101,384
Primary Care -- Uncompensated Care Grant -- School Based Funding	G190640	7/17-6/19	28,109	28,109
Total State Awards Receipts and Expenditures			$ 129,493	$ 129,493

See independent auditor’s report

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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*

To the Board of Directors, Chief Executive Officer and Chief Financial Officer of the
Monroe County Health Center
200 Health Center Drive
Union, West Virginia 24983

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 the Monroe County Health Center (the "Center"), a component unit of Monroe County, West Virginia, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Center's basic financial statements, and have issued our report thereon dated November 14, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center'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 the Center's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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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.

David L. Howell, CPA

David L. Howell, CPA
Cabin Creek, West Virginia
November 14, 2019

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors, Chief Executive Officer and Chief Financial Officer of the
Monroe County Health Center
200 Health Center Drive
Union, West Virginia 24983

Report on Compliance for Each Major Federal Program

We have audited the Monroe County Health Center's (the "Center") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Center's major federal program for the year ended June 30, 2019. The Center's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

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

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

David L. Howell, CPA

David L. Howell, CPA
Cabin Creek, West Virginia
November 14, 2019

Section I — Summary of Independent Auditors' Results

Financial Statements

Type of auditors report issued:				Unmodified
Internal control over financial reporting.				
• Material weakness(es) identified?	Yes	______	No	X
• Significant identified that are not considered to be material weakness(es)?	Yes	______	No	X
Non compliance material to the financial statements noted?	Yes	______	No	X

Federal Awards

Internal control over major programs:				
• Material weakness(es) identified?	Yes	______	No	X
• Significant deficiency(ies) identified that is/are not considered to be material weakness(es)?	Yes	______	No	X
Type of auditors report issued on compliance for major programs:				Unmodified
Any disclosed audit findings related to major programs that are required to be reported in accordance with 2 CFR Section 200.516(a)?	Yes	______	No	X
Identification of major programs: 93.224 Community Health Centers				
Dollar Threshold used to distinguishing between Type A and Type B Program:				$750,000
Did Auditee qualify as a low-risk auditee?	Yes	X	No	______

Section II — Financial Statement Findings

There are no findings reported.

Section III — Federal Award Findings and Questioned Costs

There are no findings or questioned costs reported.

Section IV — Corrective Action Plan

A corrective action plan is not required since there are no findings of questioned costs.

Section V — Prior Audit Findings

There are no prior audit findings.

MONROE COUNTY HEALTH CENTER

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2019

There were no findings in the prior year.