

**REPORT OF THE AUDIT OF THE  
CALLOWAY COUNTY PUBLIC HEALTH TAXING DISTRICT**

**For the Fiscal Year Ended June 30, 2017**

## CONTENTS

INDEPENDENT AUDITOR’S REPORT .....	1
STATEMENT OF NET POSITION .....	3
STATEMENT OF ACTIVITIES .....	4
BALANCE SHEET – GOVERNMENTAL FUNDS .....	5
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES- GOVERNMENTAL FUNDS. ....	6
NOTES TO THE FINANCIAL STATEMENTS .....	7
BUDGETARY COMPARISON – GENERAL FUND .....	10
INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	11



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Calloway County Public Health Taxing District  
Murray, Kentucky

We have audited the accompanying modified cash basis financial statements of the governmental activities of the Calloway County Public Health Taxing District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Calloway County Public Health Taxing District'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 modified cash basis of accounting described in Note 1, Part A; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 the *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities of the Calloway County Public Health Taxing District as of June 30, 2017, and the respective changes in modified cash basis financial position, for the year then ended, in accordance with the modified cash basis of accounting described in Note 1, Part A.

To the Board of Directors  
Calloway County Public Health Taxing District  
Murray, Kentucky

### **Basis of Accounting**

We draw attention to Note 1, Part A of the financial statements, which describes the basis of accounting. The financial statements are prepared on a prescribed basis of accounting that demonstrates compliance with the modified cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Also, the financial statements present only the Calloway County Public Health Taxing District's general fund and are not intended to present fairly the financial position and results of operations of any other governmental unit in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 historic context. Our opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with the *Government Auditing Standards*, we have also issued our report dated October 5, 2017, on our consideration of the Calloway County Public Health Taxing District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 Calloway County Public Health Taxing District's internal control over financial reporting and compliance.

*Romaine & Associates, PLLC*

October 5, 2017  
Mayfield, Kentucky

**CALLOWAY COUNTY PUBLIC HEALTH TAXING DISTRICT**  
**STATEMENT OF NET POSITION**  
**(Modified Cash Basis)**  
**June 30, 2017**

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Totals</b>
	<u>                    </u>	<u>                    </u>
Current Assets:		
Cash	\$ 2,231,488	\$ 2,231,488
Certificates of Deposit	198,905	198,905
Total Current Assets	<u>2,430,393</u>	<u>2,430,393</u>
<b>NET POSITION</b>		
Unrestricted	2,430,393	2,430,393
Total Net Position	<u>\$ 2,430,393</u>	<u>\$ 2,430,393</u>

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

**CALLOWAY COUNTY PUBLIC HEALTH TAXING DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**(Modified Cash Basis)**  
**For The Year Ended June 30, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government
Governmental Activities:					Governmental Activities
General Government	\$ 499,494	\$ -	\$ -	\$ -	\$ (499,494)
<b>Total Primary Government</b>	<b>\$ 499,494</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (499,494)</b>

General Revenues

Taxes:

Property Taxes	\$ 516,027
Delinquent Taxes	5,950
Motor Vehicle Taxes	84,087
Franchise Taxes	10,034
Telecommunication Taxes	3,687
Other Taxes	4,457
Interest Received	10,059

Total General Revenues 634,301

Change in Net Position 134,807

Net Position- Beginning 2,295,586

Net Position- Ending \$ 2,430,393

**CALLOWAY COUNTY PUBLIC HEALTH TAXING DISTRICT  
BALANCE SHEET – GOVERNMENTAL FUNDS  
(Modified Cash Basis)  
June 30, 2017**

	<b>General Fund</b>	<b>Total Governmental Funds</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash	\$ 2,231,488	\$ 2,231,488
Certificates of Deposit	198,905	198,905
Total Assets	<u>2,430,393</u>	<u>2,430,393</u>
<b>FUND BALANCE</b>		
Unassigned	2,430,393	2,430,393
Total Fund Balances	<u>\$ 2,430,393</u>	<u>\$ 2,430,393</u>

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

**CALLOWAY COUNTY PUBLIC HEALTH TAXING DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES – GOVERNMENTAL FUNDS  
(Modified Cash Basis)  
For The Year Ended June 30, 2017**

	<b>General Fund</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>		
Taxes	\$ 624,242	\$ 624,242
Interest Income	10,059	10,059
Total Revenues	<u>634,301</u>	<u>634,301</u>
<b>EXPENDITURES</b>		
General Government	499,494	499,494
Total Expenditures	<u>499,494</u>	<u>499,494</u>
Net Change in Fund Balance	134,807	134,807
Fund Balance - Beginning	<u>2,295,586</u>	<u>2,295,586</u>
Fund Balance - Ending	<u>\$ 2,430,393</u>	<u>\$ 2,430,393</u>

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

**CALLOWAY COUNTY PUBLIC HEALTH TAXING DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**June 30, 2017**

**Note 1. Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Calloway County Public Health Taxing District (the District) is a body both corporate and politic, created for the purpose of improving the general health of the constituents in its jurisdiction. The District was created under the auspices of KRS 212.720 and by the Calloway County Board of Commissioners.

The District is a jointly governed entity administered by a Board of Trustees (Board) that acts as the authoritative body of the entity. Per KRS 212.020 the Board is comprised of twelve members who are appointed by the secretary of the Cabinet for Health and Family Services. Members shall be comprised of three (3) practicing physicians, one (1) practicing dentist, one (1) registered nurse, one (1) licensed engineer engaged in the practice of civil or sanitary engineering, one (1) practicing optometrist, one (1) practicing veterinarian, one (1) licensed pharmacist, one (1) resident lay person knowledgeable in consumer affairs, one (1) person appointed by the Fiscal Court and the County Judge/Executive. All members must be qualified and appropriately licensed and each member shall hold their office for a term of two (2) years.

The accompanying statements of the District have been prepared in conformity with the modified cash basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, certain revenues and certain expenditures are generally recognized as a result of accrual.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net positions and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net position. Net positions are reported in three categories: 1) investments in capital assets, net of related debt – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balance of debt related to the acquisition of those assets; 2) restricted net assets – resulting from constraints placed on the net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets – those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activities are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the given function or identifiable activity; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or identifiable activity. Taxes and other items not properly included among program revenues are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined.

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the modified cash basis of accounting. The modified cash basis recognizes revenues when received and expenditures when paid.

Governmental fund statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. The modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, accounts receivable and deferred revenue are not reflected in the financial statements.

**CALLOWAY COUNTY PUBLIC HEALTH TAXING DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017  
(Continued)**

**Note 1. Summary of Significant Accounting Policies-(Continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation-(Continued)**

*Fund Accounting*

The District uses a fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. The District only uses one governmental fund.

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the district. It accounts for all financial resources of the general government, except those required to have a separate fund. The general fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Kentucky and the bylaws of the District.

**D. Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits, and short-term investments with a maturity date of three months or less from the date of acquisition.

**E. Estimates**

The preparation of financial statements are in conformity with the modified cash basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**F. Capital Assets**

The District does not own any capital assets. The building is owned by the Calloway County Board of Health. All other capital assets, such as office equipment and furniture, are owned by the Calloway County Health Department. The District is allowed to use these assets free of charge.

**G. Fund Equity**

The accompanying financial statements reflect certain changes that have been made with respect to the reporting of the components of fund balances for governmental funds. In previous years, the fund balances for governmental funds were reported in accordance with previous standards that included components for reserved fund balance, unreserved fund balance, designated fund balance, and undesignated fund balance.

Due to the implementation of GASB No. 54, the components of the fund balance of governmental funds now reflect the component classifications described below. Prior year amounts have been restated to reflect the component designations required by GASB No. 54.

Fund balances are reported in the fund financial statements in the following classifications:

*Nonspendable fund balance*-this includes amounts that cannot be spent because they are either not spendable in form (such as inventory) or legally or contractually required to be maintained intact (such as endowments).

*Restricted fund balance*-this includes amounts that can be spent only for specific purposes stipulated by constitution, external resource providers, or through enabling legislation. If the council action limiting the use of funds is included in the same action (legislation) that created (enables) the funding source, then it is restricted.

**CALLOWAY COUNTY PUBLIC HEALTH TAXING DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017  
(Continued)**

**Note 1. Summary of Significant Accounting Policies-(Continued)**

**G. Fund Equity-(Continued)**

*Committed fund balance*-this includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority.

*Assigned fund balance*-this includes amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted or committed.

*Unassigned fund balance*-this includes all amounts not included in other spendable classifications.

**Note 2. Deposits**

The Taxing District maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Taxing District and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the Taxing District's deposits may not be returned. The Taxing District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2017, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

**Note 3. Property Taxes**

Under normal circumstances, the Taxing District's property taxes are due and payable on September 15 on the assessed value listed as of January 1 for all real and business personal property located in the District. The tax rate assessed for the year ended June 30, 2016 was .028 per \$100 valuation of real estate and personal property and .031 per \$100 valuation of motor vehicles.

Taxes due on September 15 normally become delinquent by January 1 of the following year. The district has a lien on the property assessed for taxes due them for five years following the date when the taxes become delinquent and also on any real property owned by a delinquent taxpayer at the date when Calloway County offers the tax claim for sale as provided by KRS 134.430 and 134.440.

**Note 4. Risk Management**

The Taxing District is exposed to various risk of loss related to torts; theft of; damage to, and destruction of assets; error and omissions; and natural disasters. The District carries commercial insurance for these risks of loss. There were no claims resulting from these types of risks during the fiscal year ended June 30, 2017.

**Note 5. Related-Party Transactions**

The Taxing District's board of directors is composed of the members of the Calloway County Board of Health, who are appointed pursuant to KRS 212.786. The local board has jurisdiction over the activities of the Taxing District conducted in Calloway County, Kentucky. The local board sets the tax rate for the county and has the responsibility of taking care of the local Health Department building.

**Note 6. Subsequent Events**

The Taxing District's management has performed subsequent events procedures through October 5, 2017, which is the date the financial statements were available to be issued and there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.

**CALLOWAY COUNTY PUBLIC HEALTH TAXING DISTRICT  
BUDGETARY COMPARISON SCHEDULE  
Required Supplemental Information (Modified Cash Basis)  
For The Year Ended June 30, 2017**

	<b>GENERAL FUND</b>			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 655,000	\$ 655,000	\$ 624,242	\$ (30,758)
Misc Revenue	4,500	4,500	-	(4,500)
Interest Income	9,100	9,100	10,059	959
Total Revenues	<u>668,600</u>	<u>668,600</u>	<u>634,301</u>	<u>(34,299)</u>
<b>EXPENDITURES</b>				
General Government	498,994	498,994	499,494	(500)
Total Expenditures	<u>498,994</u>	<u>498,994</u>	<u>499,494</u>	<u>(500)</u>
Net Change in Fund Balance	169,606	169,606	134,807	(34,799)
Fund Balance - Beginning	<u>2,300,000</u>	<u>2,300,000</u>	<u>2,295,586</u>	<u>(4,414)</u>
Fund Balance - Ending	<u><u>\$ 2,469,606</u></u>	<u><u>\$ 2,469,606</u></u>	<u><u>\$ 2,430,393</u></u>	<u><u>\$ (39,213)</u></u>



Independent Auditor's Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial Statements  
Performed In Accordance With *Government Auditing Standards*

To the Board of Directors  
Calloway County Public Health Taxing District

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 governmental activities of the Calloway County Public Health Taxing District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Calloway County Public Health Taxing District's basic financial statements, and have issued our report thereon dated October 5, 2017.

**Internal Control over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 Calloway County Public Health Taxing District'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 the 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.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Romaine &amp; Associates, PLLC'.

October 5, 2017