

MARSHALL COUNTY PUBLIC HEALTH
TAXING DISTRICT

FINANCIAL STATEMENTS

FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

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75 Vine Street
Benton, KY 42025

(270) 527-3628
(270) 527-2261 fax

KIM HAM
CERTIFIED PUBLIC ACCOUNTANT

◆ Tax Preparation
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◆ Payroll
◆ Consulting

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INDEPENDENT AUDITOR'S REPORT

Members of the Board of Health
Marshall County Public Health
Taxing District
Benton, Kentucky

Report on the Financial Statements

I have audited the accompanying cash basis financial statements of the governmental activities of the Marshall County Public Health Taxing District as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the 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 cash basis of accounting described in Note 1; this includes determining that the 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 error or fraud.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my 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 I 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities of the Marshall County Public Health Taxing District as of June 30, 2016 and 2015, and the respective changes in cash basis financial position for the years then ended, in accordance with the cash basis of accounting described in Note 1.

Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinions are not modified with respect to this matter.

Other Matters

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Marshall County Public Health Taxing District's basic financial statements. The budgetary comparison information on page 8, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated October 10, 2016, on my consideration of the Marshall County Public Health Taxing District's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Marshall County Public Health Taxing District's internal control over financial reporting and compliance.



Benton, Kentucky
October 10, 2016

MARSHALL COUNTY PUBLIC HEALTH TAXING DISTRICT
 STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
 ARISING FROM CASH TRANSACTIONS - CASH BASIS
 JUNE 30, 2016 AND 2015

	2016	2015
<u>ASSETS</u>		
Current Assets:		
Cash in bank	\$ 887,801.39	\$ 162,651.25
TOTAL ASSETS	\$ 887,801.39	\$ 162,651.25
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
None	\$ 0.00	\$ 0.00
Fund Balance:		
Unassigned Fund Balance	887,801.39	162,651.25
TOTAL LIABILITIES AND FUND BALANCE	\$ 887,801.39	\$ 162,651.25

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

MARSHALL COUNTY PUBLIC HEALTH TAXING DISTRICT
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN FUND BALANCE -
CASH BASIS
FOR THE YEARS ENDED JUNE 30, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
RECEIPTS:		
Tax revenue	\$ 1,845,081.58	\$ 1,835,428.30
Interest	5,493.56	615.30
Sale of property	<u>274,725.00</u>	<u>0.00</u>
TOTAL RECEIPTS	<u>2,125,300.14</u>	<u>1,836,043.60</u>
DISBURSEMENTS:		
Current:		
Marshall County Health Department:		
Budgeted appropriations	1,400,000.00	1,700,000.00
Audit	150.00	150.00
Legal notice	0.00	1,143.95
Gifts for board members	<u>0.00</u>	<u>350.00</u>
TOTAL DISBURSEMENTS	<u>1,400,150.00</u>	<u>1,701,643.95</u>
Excess (deficiency) of cash receipts over cash disbursements	725,150.14	134,399.65
FUND BALANCE - Beginning of year	<u>162,651.25</u>	<u>28,251.60</u>
FUND BALANCE - End of year	<u>\$ 887,801.39</u>	<u>\$ 162,651.25</u>

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

MARSHALL COUNTY PUBLIC HEALTH TAXING DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The Marshall County Public Health Taxing District was formed as a taxing district as provided in Kentucky Revised Statutes. The entity is a governmental unit and as such is exempt from income tax.

The following is a summary of the more significant policies:

1. Financial Reporting Entity

The District, for financial purposes, includes all of the funds relevant to the operations of the District.

2. Fund Accounting

The accounts of the District are organized on the basis of funds. The only fund type applicable to the District is the General Fund, which is the general operating fund of the District. It is used to account for all financial resources.

3. Property, Plant and Equipment

The accounting and reporting treatment applied to property, plant and equipment associated with a fund is determined by its measurement focus. All governmental fund types are accounted for on a spending “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resources”. Governmental fund operating statements present increases (receipts) and decreases (disbursements) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable resources” during a period.

Property, plant and equipment used in governmental fund type operations are reported as cash disbursements on the statement of cash receipts and disbursements.

4. Basis of Accounting/Measurement Focus

Measurement focus is a term used to describe “which” transactions are recorded within the financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

The records of the Marshall County Public Health Taxing District are maintained on the cash basis of accounting, consequently certain revenue and related assets are recognized when received rather than when earned and certain expenses are recognized when paid rather than when the obligation is incurred. This is the accounting method prescribed by the Kentucky Cabinet for Health and Family Services, Department for Public Health. This cash basis system does not require the maintenance of a general fixed asset account group or general long-term debt group of accounts.

MARSHALL COUNTY PUBLIC HEALTH TAXING DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

5. Equity Classifications

Governmental fund equity is classified as fund balance and displayed in five components:

- a. Nonspendable fund balance includes amounts that are not in a spendable form or are required to be maintained intact indefinitely.
- b. Restricted fund balance includes amounts that can be spent only for the specific purpose stipulated by creditors, grantors, contributors, or laws or regulations of other governments.
- c. Committed fund balance includes amounts that can be used only for the specific purposes determined by the board through formal action. Commitments may be changed or lifted only by the board making the same formal action that imposed the constraint originally.
- d. Assigned fund balance comprises the amounts intended to be used for a specific purpose. Intent can be expressed by the board or the director. No formal action is required.
- e. Unassigned fund balance is the residual balance not contained in nonspendable, restricted, committed, or assigned fund balance.

When both restricted and unrestricted resources are available for use, the District's policy is to use restricted resources first, then unrestricted resources as they are needed. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

6. Subsequent Events

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure through October 10, 2016, the date financial statements were available to be issued.

NOTE 2 – RELATED PARTY TRANSACTIONS:

The District is related through common board members with the Marshall County Health Department. The District periodically makes transfers of tax revenues to the Marshall County Health Department. During the years ended June 30, 2016 and 2015, the District made transfers to the Health Department of \$1,400,000.00 and \$1,700,000.00 respectively.

NOTE 3 – PROPERTY TAXES:

The District's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the District. Taxes are due and payable by December 31, with a discount offered for earlier payment. All unpaid taxes become delinquent January 1 of the following year. Taxes are collected by county fee officials and remitted to the District on a monthly basis.

MARSHALL COUNTY PUBLIC HEALTH TAXING DISTRICT
NOTES TO FINANCIAL STATEMENTS (CONCLUDED)
JUNE 30, 2016

NOTE 4 – RISK MANAGEMENT:

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; and errors and omissions. The District is covered for liability through a common policy with the Marshall County Health Department.

NOTE 5 – CASH AND INVESTMENTS:

Custodial credit risk for deposits is the risk that in the event of a bank failure, the District's deposits may not be returned or the District will not be able to recover collateral securities in the possession of an outside party. The Board only authorizes deposits that are made in accordance with applicable legal requirements with consideration of deposit safety. Accordingly, the District maintains a collateral agreement with its financial institution. Deposits are secured with collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation (FDIC) insurance.

At June 30, 2016, the reported amount of the District's cash and investments was \$887,801.39 and the bank balance was \$887,801.39. Of the bank balance, \$250,000 was covered by federal depository insurance and the remainder was collateralized by securities held by the pledging financial institution's agent in the District's name.

MARSHALL COUNTY PUBLIC HEALTH TAXING DISTRICT
 COMPARATIVE STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
 ACTUAL TO BUDGET - CASH BASIS
 FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual	Actual Over (Under) Budget
RECEIPTS:				
Tax revenue	\$ 1,744,176.00	\$ 1,744,176.00	\$ 1,845,081.58	\$ 100,905.58
Interest	200.00	200.00	5,493.56	5,293.56
Sale of property	0.00	0.00	274,725.00	274,725.00
TOTAL RECEIPTS	<u>1,744,376.00</u>	<u>1,744,376.00</u>	<u>2,125,300.14</u>	<u>380,924.14</u>
DISBURSEMENTS:				
Current:				
Marshall County Health Department:				
Budgeted appropriations	1,700,000.00	1,700,000.00	1,400,000.00	(300,000.00)
Audit	150.00	150.00	150.00	0.00
Legal notice	500.00	500.00	0.00	(500.00)
TOTAL DISBURSEMENTS	<u>1,700,650.00</u>	<u>1,700,650.00</u>	<u>1,400,150.00</u>	<u>(300,500.00)</u>
Excess (deficiency) of cash receipts over cash disbursements	43,726.00	43,726.00	725,150.14	681,424.14
FUND BALANCE - Beginning of year	<u>27,394.00</u>	<u>27,394.00</u>	<u>162,651.25</u>	<u>135,257.25</u>
FUND BALANCE - End of year	<u>\$ 71,120.00</u>	<u>\$ 71,120.00</u>	<u>\$ 887,801.39</u>	<u>\$ 816,681.39</u>

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

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

Members of the Board of Health
Marshall County Public Health
Taxing District
Benton, Kentucky

I 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 Marshall County Public Health Taxing District, as of and for the years ended June 30, 2016 and 2015, which collectively comprise the Marshall County Public Health Taxing District's basic financial statements, and have issued my report thereon dated October 10, 2016.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Marshall 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 my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Marshall County Public Health Taxing District's internal control. Accordingly, I do not express an opinion on the effectiveness of the Marshall County Public Health 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 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.

My 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 my audit I did not identify any deficiencies in internal control that I 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 Marshall County Public Health Taxing District's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 my audit, and accordingly, I do not express such an opinion. The results of my 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 my 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.



Benton, Kentucky
October 10, 2016