

**CALDWELL COUNTY PUBLIC HEALTH
TAXING DISTRICT
PRINCETON, KENTUCKY**

**FINANCIAL STATEMENTS
JUNE 30, 2012**

CALDWELL COUNTY PUBLIC HEALTH
TAXING DISTRICT
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

FINANCIAL SECTION:

Independent Auditors' Report.....	1
Statement of Assets, Liabilities, and Fund Balances - Governmental Funds - Regulatory Basis.....	3
Statement of Revenues and Expenditures - Governmental Funds - Regulatory Basis.....	4
Notes to Basic Financial Statements- Regulatory Basis.....	5 - 7

COMPLIANCE AND INTERNAL CONTROL SECTION:

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	8 - 9
Schedule of Findings and Responses.....	10



BERRY & KINGDON, PSC
CERTIFIED PUBLIC ACCOUNTANTS

2822 North Main Street
Madisonville, KY 42431
Phone: 270-821-3355
Fax: 270-821-0101
email: cpas@berryandkingdon.com

INDEPENDENT AUDITOR'S REPORT

Members of the Board of Health
Caldwell County Public Health Taxing District
Princeton, Kentucky

We have audited the accompanying statement of assets, liabilities and fund balance arising from cash transactions of the Caldwell County Public Health Taxing District as of June 30, 2012, and the related statement of cash revenues, expenditures and changes in fund balance for the year then ended. These financial statements are the responsibility of Caldwell County Public Health Taxing District's management. 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. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the Caldwell County Public Health Taxing District prepares its financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The accounting practices prescribed or permitted by the Kentucky Cabinet for Health and Family Services, Department for Public Health, Division of Administration and Financial Management Administrative Reference, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities of the Caldwell County Public Health Taxing District as of June 30, 2012, and the respective changes in financial position - modified cash basis, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

In our opinion, because of the Public Health Taxing District's policy to prepare its financial statements on the basis of accounting discussed in the preceding paragraph, the financial statements referred to in the first paragraph do not present fairly, in conformity with accounting

principles generally accepted in the United States of America, the financial position of the Caldwell County Public Health Taxing District at June 30, 2012, or the results of its operations for the year then ended.

However, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets and fund balance arising from cash transactions of the Caldwell County Public Health Taxing District as of June 30, 2012, and the revenues, expenditures and changes in fund balance for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2012, on our consideration of the Caldwell County Public Health Taxing District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial 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* and should be considered in assessing the results of our audit.

Management has not presented management's discussion and analysis and budgetary comparison information that governmental 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 historical context. Our opinion on the basic financial statements is not affected by this missing information.

This report is intended solely for the information and use of management, the Board of Health members, others within the organization, the Kentucky Cabinet for Health and Family Services, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink that reads "Benny E. Kingston RSC". The signature is written in a cursive style with a large, stylized "B" and "K".

Madisonville, Kentucky
October 31, 2012

CALDWELL COUNTY PUBLIC HEALTH TAXING DISTRICT
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCES
GOVERNMENTAL FUNDS
REGULATORY BASIS
JUNE 30, 2012

	<u>Governmental Fund Types - General Fund</u>
Assets:	
Cash and cash equivalents	\$ 184,984
Investments	<u>11,253</u>
Total Assets	\$ <u><u>196,237</u></u>
 Liabilities and Fund Balances:	
Liabilities:	\$ <u><u>-</u></u>
 Fund Balances:	
Unrestricted fund balance	<u>196,237</u>
Total Liabilities and Fund Balances	\$ <u><u>196,237</u></u>

CALDWELL COUNTY PUBLIC HEALTH TAXING DISTRICT
STATEMENT OF CASH REVENUES AND EXPENDITURES
GOVERNMENTAL FUNDS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

		<u>Governmental Fund Types- General Fund</u>
Revenues:		
Tax revenue	\$	189,482
Interest		<u>1,568</u>
Total Revenue		<u>191,050</u>
Expenditures:		
Administrative:		
District appropriations		135,475
Insurance		337
Operating:		
Mowing		1,245
Miscellaneous		785
Repairs and maintenance		670
Capital expenditures		<u>104,616</u>
Total expenditures		<u>243,128</u>
Excess(Deficiency) of Revenues over expenditures		(52,078)
Fund Balance beginning of year		<u>248,315</u>
Fund Balance end of year	\$	<u><u>196,237</u></u>

CALDWELL COUNTY PUBLIC HEALTH TAXING DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Caldwell 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 District, for financial purposes, includes all of the funds relevant to the operations of the District. The accounts of the District are organized on the basis of funds. The District receives income from taxes levied by the county.

B. BASIS OF PRESENTATION

The records of the District are maintained and the budgetary process is based on the method of accounting prescribed by the Kentucky Cabinet for Health and Family Services, Department for Public Health, Division of Administration and Financial Management. This basis of accounting is similar to the cash basis, with certain modifications. Revenue is recognized when the cash is received and expenditures are recognized when cash is disbursed. Accounts receivable for revenue earned, but unreceived, and accounts payable and accrued expenses incurred, but unpaid, are not recorded. Property acquisitions, if any, are not capitalized and related depreciation expense is not recorded. These practices differ from accounting principles generally accepted in the United States of America.

C. BUDGETS AND BUDGETARY ACCOUNTING

An annual budget for all receipts and proposed operating disbursements is prepared. The budget must be approved by both the local board and the Kentucky Cabinet for Health and Family Services, Department for Public Health.

D. FUND STRUCTURE

The Caldwell County Public Health Taxing District uses only one category of funds. This category is governmental funds, which focuses upon the financial position rather than the net income determination. The general fund is the main operating fund of the department. This fund is used to account for all financial resources.

E. CASH AND CASH EQUIVALENTS

The District considers all cash in banks with stated maturities of three months or less or available for withdrawal to be cash and cash equivalents.

CALDWELL COUNTY PUBLIC HEALTH TAXING DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - Continued

F. CAPITAL ASSETS

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 organizations are reported as cash disbursements on the statement of cash receipts and disbursements.

2. DEPOSITS

At June 30, 2012, the reported amount of the Department's deposits was \$196,237 and the bank balance was \$205,583. The entire bank balance was covered by federal depository insurance.

3. INVESTMENTS

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The District 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.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The custodial credit risk for investments is the risk that a governmental will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party if the counterparty to the transaction fails.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the District's investment in a single issuer. The District does not place any limit on the amount that may be invested with one issuer.

Identification: At June 30, 2012, the District had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Certificates of Deposit:		
First Southern National Bank	5/2/2013	\$ <u>11,253</u>

CALDWELL COUNTY PUBLIC HEALTH TAXING DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - Continued

4. TAX REVENUE

The Caldwell County Public Health Taxing District was created and operates pursuant to KRS 212.750. The Taxing District elects to use the annual property assessment prepared by Caldwell County as its base to apply the property tax rate. According to Kentucky Revised Statutes, the assessment date for the District must conform to the assessment date of Caldwell County, and the annual increase in the property tax levy cannot exceed 4%. For the year ending June 30, 2012, taxes were levied on October 1 and payable on December 31, with a discount offered for earlier payment. The tax rate was 3.5 cents per \$100 of assessed valuation on real property, personal property and motor vehicles. Taxes are collected by county fee officials and remitted to the District on a monthly basis.

5. COMMITMENTS

The Pennyriple District Health Department requires a minimum support level equivalent to 2.3 cents per \$100 of assessed property valuation. Caldwell County Public Health Taxing District paid \$135,475 in appropriation fees for the year ending June 30, 2012.

6. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for risks of loss. There were no claims in excess of insurance coverage levels during the last two fiscal years. With regard to the insurance coverage provided by private carriers, there were no significant changes in insurance coverage.

7. LITIGATION

The District is not aware of any pending or threatened litigation in which it is involved which would have a material effect on these financial statements.

8. SUBSEQUENT EVENTS

At the August 25, 2009 meeting the board approved starting the process of building a new health department of approximately 15,000 square feet. During the year ending June 30, 2012, the Caldwell County Public Health Taxing District began actively preparing for the new building. The total project cost is estimated to be \$2,425,000. Funding will consist of a \$475,000 Community Development Block Grant (CDBG) loan through the fiscal court, \$100,000 from the Pennyriple District Health Department, and a bond issuance through the Kentucky League of Cities for \$1,850,000. The bonds were issued in September 2012. Construction for the new building is expected to be completed during the next year.



BERRY & KINGTON, PSC
CERTIFIED PUBLIC ACCOUNTANTS

2822 North Main Street
Madisonville, KY 42431
Phone: 270-821-3355
Fax: 270-821-0101
email: cpas@berryandkington.com

**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 Health
Caldwell County Public Health Taxing District
Princeton, Kentucky

We have audited the accompanying financial statements of the Caldwell County Public Health Taxing District as of and for the year ended June 30, 2012, and have issued our report thereon dated October 31, 2012. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Caldwell County Public Health Taxing District's internal control over financial reporting as a basis for designing our auditing procedures 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 Caldwell County Public Health Taxing District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Caldwell County Public Health Taxing District's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Board of Health
Caldwell County Public Health Taxing District
Princeton, Kentucky

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies.

Segregation of Duties (Finding 2012-1)

The internal control structure relating to receipts and disbursements is not optimum. Proper segregation of duties is essential to an adequate internal control structure. The lack of proper segregation of duties may permit errors and irregularities to go undetected.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Caldwell 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 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* and which are described in the accompanying schedule of findings and responses as items.

Caldwell County Public Health Taxing District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit Caldwell County Public Health Taxing District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Caldwell County Public Health Taxing District Board of Health, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Madisonville, Kentucky
October 31, 2012

CALDWELL COUNTY PUBLIC HEALTH TAXING DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012

2012-1 Segregation of Duties

Criteria

A prudent control environment requires various functions of internal control be allocated among various employees.

Condition

There is an absence of appropriate segregation of duties consistent with appropriate control objectives.

Cause

Lack of personnel

Effect

Although no instances were noted, lack of segregation of duties can create situations where assets are not properly safeguarded.

Recommendation

We recommend that management review its financial operations for opportunities to separate incompatible functions. Where segregation duties cannot be achieved due to the size of the staff, management should maintain its awareness of the weakness and compensate with other controls.

Response

We concur with the finding.