

CHRISTIAN COUNTY PUBLIC HEALTH
TAXING DISTRICT

HOPKINSVILLE, KENTUCKY

FINANCIAL STATEMENTS
JUNE 30, 2018

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Health
Christian County Public Health Taxing District
Hopkinsville, Kentucky

Report on the Financial Statements

We have audited the accompanying modified cash basis financial statements of the Christian County Public Health Taxing District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the 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 as described in Note 1; 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the modified cash basis financial position of Christian County Health Department Taxing District as of June 30, 2018, and the respective changes in modified cash basis financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis of Accounting

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2018, on our consideration of the Christian 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 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 Christian County Public Health Taxing District'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 Christian County Public Health Taxing District's internal control over financial reporting and compliance.

Thurman Campbell Group, PLC

Hopkinsville, KY
October 31, 2018

CHRISTIAN COUNTY PUBLIC HEALTH TAXING DISTRICT
STATEMENT OF ASSETS, LIABILITIES, AND FUND BALANCE
ARISING FROM CASH TRANSACTIONS
JUNE 30, 2018

ASSETS:

Current Assets:

Cash in Bank	\$ 892,249
Investments	<u>1,239,486</u>

TOTAL ASSETS	<u><u>2,131,735</u></u>
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LIABILITIES AND FUND BALANCE:

Fund Balance

Unassigned Fund Balance	<u>2,131,735</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 2,131,735</u></u>
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CHRISTIAN COUNTY PUBLIC HEALTH TAXING DISTRICT
 STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS AND CHANGES IN FUND BALANCE
 FOR THE YEAR ENDED JUNE 30, 2018

RECEIPTS:

Tax Revenue	\$ 1,274,577
Interest	39,500
Realized Gain (Loss) on Investments	<u>(615)</u>
 Total Receipts	 <u>1,313,462</u>

DISBURSEMENTS:

Current:	
Christian County Health Department	<u>1,237,347</u>
 Total Disbursements	 <u>1,237,347</u>
 Excess (Deficiency) of Cash Receipts over Cash Disbursements	 76,115
 Fund Balance - Beginning of Year	 <u>2,055,620</u>
 Fund Balance - End of Year	 <u><u>\$ 2,131,735</u></u>

See Notes to the Financial Statements

CHRISTIAN COUNTY PUBLIC HEALTH TAXING DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1: Summary of Significant Accounting Policies

The Christian County Public Health Taxing District (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:

The Reporting Entity

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

Fund Accounting

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

Fund Balance

In the governmental fund financial statements, fund balances are classified as follows:

- Non-spendable - Amounts that cannot be spent either because they are in a non-spendable form or because they are legally or contractually required to be maintained.
- Restricted – Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.
- Committed – Amounts that can be used only for specific purposes determined by a formal action by the board.
- Assigned – Amounts that are designated by the Board for a particular purpose but are not spendable until the funds become unencumbered.
- Unassigned – All amounts not included in the other spendable classifications.

Basis of Accounting

The records of the Christian County Public Health Taxing District are maintained on a modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, investments are stated at cost, revenue is recognized when collected rather than when earned, expenses are recognized when paid rather than incurred, and property and equipment acquisitions are expensed when paid.

The Board of Health makes the determination as to when to use restricted or unrestricted funds, when an expenditure is incurred for purposes for which both restricted and unrestricted funds are available.

CHRISTIAN COUNTY PUBLIC HEALTH TAXING DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Accounting Estimates

The preparation of financial statements in conformity with accounting principles consistent with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2: Cash and Investments

Under Kentucky Revised Statute 66.480, the Taxing District is allowed to invest in obligations of the U.S. and of its agencies, obligations backed by the full faith and credit of the U.S. or a U.S. government agency, obligations of any corporation of the U.S. government, certificates of deposit or other interest-bearing accounts issued by institutions insured by the Federal Deposit Insurance Corporation (FDIC) or similarly collateralized institutions, and bonds and securities of states, local governments, or related agencies in the U.S. rated in one of the three highest categories by a nationally recognized rating agency.

The Taxing District reports its investments at cost. This is a departure from accounting principles generally accepted in the United States which prescribes the investments be reported at fair market value. At June 30, 2018, the fair market value of the Taxing District's investments was \$1,161,042.

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 Taxing District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Taxing District does not have a deposit policy for credit risk but rather follows the requirements of KRS 41.340(4).

Concentration of Credit Risk

The Taxing District places no limit on the amount the Taxing District may invest in any one issuer. More than 5 percent of the Taxing District's investments are in Governmental National Mortgage Association, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation. These investments are 17%, 36%, and 47%, respectively, of the Taxing District's total investments.

Custodial credit risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Taxing District will not be able to recover the value of the investment or collateral securities that are in the possession of Hilliard Lyons. The Taxing District does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240.

The Taxing District's cash deposits at June 30, 2018 were fully covered by federal depository insurance or by the US Treasury in the Taxing District's name.

Total cash deposits	\$	892,249
FDIC insurance		(250,000)
US Treasury		(791,692)
		(149,443)
(Over) Collateraised	\$	(149,443)

Note 3: Investments

The District has the following recurring fair value measurements as of June 30, 2018:

Types of Investments	Amortized Cost	Fair Value/ Carrying Amount	Average Credit Quality/ Rating (1)	Percent of Total	Weighted Average Maturity Years (2)
Government National Mortgage Association - CMO	201,049	196,260	AA+	17%	5
Federal National Mortgage Association - CMO	456,134	420,960	AA+	36%	5
Federal Home Loan Mortgage Corporation - CMO	582,303	543,822	AA+	47%	5
Total	<u>\$ 1,239,486</u>	<u>\$ 1,161,042</u>			

(1) Ratings are provided where applicable to indicate associated Credit Risk. NA indicates not applicable. NR indicates that instrument not Rated

(2) Maturities are provided for debt instruments with maturity dates. NA indicates not applicable.

For collateralized mortgage obligations (CMO), actual maturities may differ from contractual maturities because some borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Embedded prepayment options cause these investments to be highly sensitive to changes in interest rates. Prepayments of underlying assets reduce the total interest payments to be received. Generally, when interest rates fall, obligees tend to prepay mortgages, thus eliminating the stream of interest payments that would have been received under the original amortization schedule. The resulting reduction in cash flow diminishes the fair value of the obligation.

Note 4: Related Party Transactions

The District is related through common board members with the Christian County Health Department. The District periodically makes transfers of tax revenues to the Christian County Health Department. During the years ended June 30, 2018 and 2017, the District made transfers to the Health Department of \$1,237,347 and \$1,173,636 respectively.

Note 5: Property Taxes

The District's property tax is levied on 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 officials and remitted to the District on a monthly basis.

Note 6: 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 Christian County Health Department.

Note 7: Subsequent Events

Subsequent events for the Taxing District have been considered through the date of the Independent Auditor's Report which represents the date the financial statements were available to be issued.



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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 Members of the Board of Health
Hopkinsville County Public Health Taxing District
Hopkinsville, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Christian County Public Health Taxing District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Christian County Public Health Taxing District's basic financial statements, and have issued our report with an unmodified opinion on the modified cash basis thereon dated October 31, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Christian 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 Christian County Public Health Taxing District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Christian 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.

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 Christian County Public Health Taxing District'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*.

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.

Thurman Campbell Group, PLC

Hopkinsville, Kentucky

October 31, 2018