

**MADISON COUNTY PUBLIC HEALTH
TAXING DISTRICT
Richmond, Kentucky**

**FINANCIAL STATEMENTS
JUNE 30, 2013**

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Stephen R. Allen, CPA/PFS
Dennis H. England, CPA
Michael D. Foley, CPA
Lyman Hager, Jr., CPA/PFS
Jerry W. Hensley, CPA
Mark R. Wadlington, CPA, CGMA
Gwendolyn B. Young, CPA, CVA

INDEPENDENT AUDITORS' REPORT

To the Board of Health
Madison County Public Health Taxing District
Richmond, Kentucky

Report on the Financial Statements

We have audited the accompanying financial statements of the Madison County Public Health Taxing District (the Taxing District) as of and for the year ended June 30, 2013, 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 financial reporting provisions of the **Administrative Reference** established by the Commonwealth of Kentucky, Cabinet for Health and Family Services, Department for Public Health, Division of Administration and Financial Management. 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 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.

230 Lexington Green Circle, Suite 600 • Lexington, Kentucky 40503-3326
Phone: 859-231-1800 • Fax: 859-422-1800 • Toll-Free: 1-800-342-7299
www.rfhco.com

Opinions

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1, the financial statements are prepared by the Taxing District, on the basis of the financial reporting provisions of the **Administrative Reference**, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Commonwealth of Kentucky. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Taxing District as of June 30, 2013, or the changes in its financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balances arising from cash transactions of the Taxing District, as of June 30, 2013, and their respective cash receipts and disbursements, and budgetary results for the year then ended, on the basis of the financial reporting provisions of the **Administrative Reference** as described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with **Government Auditing Standards**, we have also issued our report dated October 1, 2013, on our consideration of the 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 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 Taxing District's internal control over financial reporting and compliance.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley & Company, PLLC
October 1, 2013

MADISON COUNTY PUBLIC HEALTH TAXING DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
June 30, 2013

ASSETS

Current assets

Cash

\$ 4,184,073

Investments

Certificates of Deposit

250,000

Total assets

\$ 4,434,073

LIABILITIES AND FUND BALANCE

Fund balance

Temporarily restricted

\$ 4,434,073

Total liabilities and fund balance

\$ 4,434,073

The accompanying notes are an integral
part of the financial statements

MADISON COUNTY PUBLIC HEALTH TAXING DISTRICT
STATEMENT OF CASH REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
for the year ended June 30, 2013

Cash Revenues	
Taxes collected	\$ 2,486,786
Interest earned	<u>10,763</u>
Total cash revenues	<u>2,497,549</u>
Cash Expenditures	
Transfers to Health Department operations	2,515,000
Miscellaneous expense	<u>1,431</u>
Total cash expenditures	<u>2,516,431</u>
EXCESS OF REVENUES OVER EXPENDITURES	(18,882)
FUND BALANCE - beginning of year	<u>4,452,955</u>
FUND BALANCE - END OF YEAR	<u>\$ 4,434,073</u>

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

MADISON COUNTY PUBLIC HEALTH TAXING DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The Madison County Public Health Taxing District (the Taxing District) was created pursuant to Kentucky Revised Statute (KRS) 212.750. The Taxing District is responsible for requesting, with the approval of the Cabinet for Health and Family Services, that the fiscal court impose an ad valorem tax in an amount that the Board of Health deems sufficient to meet the County's public health needs. The tax rate may not exceed ten cents per \$100 of assessed value. The Taxing District then acts as a trustee over the public health tax fund. The Taxing District is restricted to expending public health tax money for the operation and maintenance of the county health department. As such, the Taxing District's fund balance on the statement of assets, liabilities and fund balance, is shown as temporarily restricted.

The Taxing District prepares its financial statements on the cash basis. This basis of accounting and financial reporting differs from generally accepted accounting principles in several areas. Accounts receivable for revenue earned but not received, and accounts payable for payroll accrued and expense incurred, but unpaid, are not recorded. Inventories are not recorded, but are expensed to the current period. Property, plant and equipment are not capitalized and related depreciation expense, prepaid expenses and deferred revenues are not recorded.

The Taxing District receives funds from, based on remittances to, the Madison County Sheriff, the Madison County Clerk's Office and the Commonwealth of Kentucky.

The preparation of financial statements 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.

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.

2. CASH AND INVESTMENTS

The Taxing District's deposits and investments at June 30, 2013 were fully covered by federal depository insurance or by collateral held by the custodial banks in the Taxing District's name. The Taxing District had cash bank balances and certificates of deposit totaling \$4,434,073 at June 30, 2013. \$500,000 was covered by FDIC insurance while the remaining \$3,934,073 was covered by securities held by the pledging institution's trust department or agent, in the Taxing District's name.

Kentucky Revised Statutes authorize local governmental entities to invest in obligations of the United States and its agencies, obligations of the Commonwealth of Kentucky and its agencies, shares in savings and loan associations insured by federal agencies and deposits in national or state chartered banks insured by federal agencies and larger amounts in such institutions providing such banks pledge as security obligations of the United States government or its agencies.

3. RISK MANAGEMENT

The Taxing District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In addition to its general liability insurance, the health department also carries commercial insurance for all other risks of loss such as worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

MADISON COUNTY PUBLIC HEALTH TAXING DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

4. TAXING DISTRICT

The Madison County Public Health Taxing District was created and operates pursuant to KRS 212.750.

On June 27, 2012, the Madison County Board of Health passed a resolution recording the fiscal year 2013 Health tax rate at 5.0 cents per \$100 of assessed valuation on real property, personal property and motor vehicles.

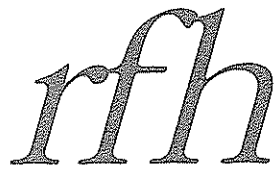
The required minimum local support level is equivalent to 1.8 cents per \$100 of assessed property valuation. The Madison County Board of Health has met this requirement as set by the Division of Local Health for the year ended June 30, 2013.

5. RELATED PARTY

The Taxing District is related to the Madison County Health Department by common board supervision. A total of \$2,515,000 public health receipts were transferred to the Madison County Health Department for the year ended June 30, 2013.

6. SUBSEQUENT EVENTS

The Taxing District has evaluated and considered the need to recognize or disclose subsequent events through October 1, 2013, which represents the date that these financial statements were available to be issued. Subsequent events past this date, as they pertain to the year ended June 30, 2013, have not been evaluated by the Taxing District.



Ray, Foley, Hensley & Company, PLLC

Certified Public Accountants and Consultants

**MADISON COUNTY PUBLIC HEALTH TAXING DISTRICT
INDEPENDENT AUDITORS' 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
Madison County Public Health Taxing District
Richmond, 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 Madison County Public Health Taxing District (the Taxing District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Taxing District's basic financial statements, and have issued our report thereon dated October 1, 2013.

Internal Control Over Financial Reporting

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

230 Lexington Green Circle, Suite 600 • Lexington, Kentucky 40503-3326
Phone: 859-231-1800 • Fax: 859-422-1800 • Toll-Free: 1-800-342-7299
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**MADISON COUNTY PUBLIC HEALTH TAXING DISTRICT
INDEPENDENT AUDITORS' 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
(CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Madison 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**.

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.

Ray, Foley, Hensley & Company

Ray, Foley, Hensley and Company, PLLC

October 1, 2013