

**MCCREARY COUNTY
PUBLIC HEALTH TAXING DISTRICT
Whitley City, Kentucky**

**FINANCIAL STATEMENTS
June 30, 2022**

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INDEPENDENT AUDITORS' REPORT

The Board of Health
McCreary County Public Health Taxing District
Whitley City, Kentucky

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the McCreary County Public Health Taxing District (the Taxing District), which comprise the statement of assets, liabilities, and fund balance – regulatory basis as of June 30, 2022, and the related statement of revenues, expenditures, and changes in fund balance – regulatory basis for the year then ended, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances of the McCreary County Public Health Taxing District, as of June 30, 2022, and the revenues it received and expenditures it paid for 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, as described in Note 1.

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 section of our report, the financial statements referred to above 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, 2022, or changes in financial position for the year then ended.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Taxing District to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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 meet 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 and pervasive.

Responsibilities of Management 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, as described in Note 1. 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Taxing District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Taxing District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2022, 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 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 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 the Taxing District's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
November 4, 2022

MCCREARY COUNTY PUBLIC HEALTH TAXING DISTRICT
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE
REGULATORY BASIS
June 30, 2022

ASSETS

Current assets	
Cash	\$ 225,069
Investments	
Certificates of deposit	<u>374,498</u>
Total assets	<u>\$ 599,567</u>

LIABILITIES AND FUND BALANCE

Fund balance	
Restricted	<u>\$ 599,567</u>
Total liabilities and fund balance	<u>\$ 599,567</u>

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

MCCREARY COUNTY PUBLIC HEALTH TAXING DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
REGULATORY BASIS
for the year ended June 30, 2022

Revenues

Taxes collected	\$ 240,285
Interest earned	<u>3,866</u>
 Total revenues	 <u>244,151</u>

Expenditures

Transfers to the District Health Department	162,916
Operating	4,984
Capital outlay	<u>24,361</u>
 Total expenditures	 <u>192,261</u>

EXCESS OF REVENUES OVER (EXPENDITURES)	51,890
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FUND BALANCE - beginning of year	<u>547,677</u>
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FUND BALANCE - END OF YEAR	<u>\$ 599,567</u>
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The accompanying notes are an integral
part of the financial statements.

MCCREARY COUNTY PUBLIC HEALTH TAXING DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

The McCreary 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 district and county health department. As such, the Taxing District's fund balance on the statement of assets, liabilities, and fund balance, is shown as restricted.

The Taxing District prepares its financial statements on the regulatory basis of accounting in accordance with 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. 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 expense incurred, but unpaid, are not recorded. Inventories are not recorded but are expensed to the current period. Capital assets and the related depreciation expense is not reported; prepaid expenses and unearned revenues are also not recorded.

The Taxing District receives funds from, based on remittances to, the McCreary County Sheriff, the McCreary 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 purpose for which both restricted and unrestricted funds are available.

The Taxing District has evaluated and considered the need to recognize or disclose subsequent events through November 4, 2022, 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, 2022, have not been evaluated by the Taxing District.

2. TAX LEVY

On February 26, 2021, the McCreary County Board of Health passed a resolution recording the calendar year 2022 Health tax rate at 4.0 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 McCreary County Board of Health has met this requirement as set by the Department of Public Health for the year ended June 30, 2022.

MCCREARY COUNTY PUBLIC HEALTH TAXING DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

3. CASH AND CERTIFICATES OF DEPOSIT

KRS 66.480 authorizes the Taxing District to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

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 policy governing interest rate 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 an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

Certificates of deposit with an initial maturity of 90 days or less are considered current assets. As such, the certificates of deposit shown on the statement of assets, liabilities and fund balance are shown as noncurrent investments. Certificates of deposit are recorded at cost. The Taxing District had certificates of deposit in the amount of \$374,498 as of June 30, 2022.

The Taxing District's deposits at June 30, 2022 were fully covered by federal depository insurance or by collateral held by the custodial banks in the Taxing District's name.

Total deposits	\$ 599,567
FDIC insurance	(475,068)
Collateral held by pledging bank	<u>(427,319)</u>
 (Over) Collateralized	 <u>\$ (302,820)</u>

4. RELATED PARTY

The Taxing District is related to the Lake Cumberland District Health Department by common board supervision. A total of \$162,916 public health receipts were transferred to the Lake Cumberland District Health Department for the year ended June 30, 2022.

5. COVID-19 PANDEMIC

Since early 2020, various restrictions have been in place across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of these restrictions are uncertain as of the date of these financial statements. The Taxing District is evaluating the impact of COVID-19 and related responses on the operations and finances of the Taxing District. Restrictions placed could negatively impact the Taxing District's revenue and expenditures for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event.



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and Kentucky Society of Certified Public Accountants

**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**

The Board of Health
McCreary County Public Health Taxing District
Whitley City, 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 McCreary County Public Health Taxing District (the Taxing District) as of and for the year ended June 30, 2022, 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 November 4, 2022. Our report contains an unmodified opinion on the regulatory basis of accounting in accordance with the *Administrative Reference*.

Report on 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 opinion 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 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

RFH

RFH, PLLC
Lexington, Kentucky
November 4, 2022