

AUDITED FINANCIAL STATEMENTS  
WEDCO DISTRICT HEALTH DEPARTMENT  
CYNTHIANA, KENTUCKY  
June 30, 2010

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# BROWN & DOUGHERTY, PSC

CERTIFIED PUBLIC ACCOUNTANTS  
2011 RAMBLER ROAD  
LEXINGTON, KENTUCKY 40503

FRED V. BROWN, CPA  
KEN R. DOUGHERTY, CPA

PHONE 859-276-5531

MEMBERS  
AMERICAN INSTITUTE OF CPAs  
KENTUCKY SOCIETY OF CPAs

## INDEPENDENT AUDITORS' REPORT

Board of Health  
Wedco District Health Department  
Cynthiana, Kentucky

We have audited the accompanying statement of assets, liabilities and fund balance arising from cash transactions of Wedco District Health Department as of June 30, 2010, and the related statements of cash revenues, expenditures and changes in fund balance for the year then ended. These financial statements are the responsibility of the Health Department's management. 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 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 the 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 opinion.

As described in Note A, these financial statements were prepared in conformity with the financial policy established by the Kentucky Cabinet for Health and Family Services, Department for Public Health, Division of Administration and Financial Management, Administrative Reference for Local Health Departments, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, because of the Health Department'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 Wedco District Health Department at June 30, 2010, 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, liabilities and fund balance arising from cash transactions of Wedco District Health Department as of June 30, 2010, and the cash revenues, expenditures and changes in fund balance for the year then ended, on the basis of accounting described in Note A.

In accordance with Government Auditing Standards, we have also issued our report dated August 24, 2010 on our consideration of the Wedco District Health Department'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.

Our audit was conducted for the purpose of forming an opinion on the financial statements of the Wedco District Health Department taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the financial statements. The accompanying Supplementary Schedule of Revenues and Expenditures by Cost Center on pages 11, 12 and 13 is presented for purposes of additional analysis and is also not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, ~~in our opinion~~, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Brown & Dougherty, Psc*

August 24, 2010

STATEMENT OF ASSETS, LIABILITIES  
AND FUND BALANCE  
WEDCO DISTRICT HEALTH DEPARTMENT  
June 30, 2010

ASSETS

CURRENT ASSETS

Cash			
Operations			
Checking	\$	881,013	
Environmental		-	
Certificates of Deposit		4,165,300	
Petty cash		<u>350</u>	<u>\$5,046,663</u>

LIABILITIES AND FUND BALANCE

CURRENT LIABILITIES

Payroll withholdings and payables-net			\$ 20,485
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FUND BALANCE

Unrestricted	\$2,049,785		
Restricted - State	48,628		
Restricted - Federal	-		
Restricted - Fees	<u>2,927,765</u>		<u>5,026,178</u>
			<u>\$5,046,663</u>

See Notes to Financial Statements.

STATEMENT OF CASH REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
WEDCO DISTRICT HEALTH DEPARTMENT  
Year ended June 30, 2010

	<u>ACTUAL</u>	<u>BUDGET</u>
CASH REVENUES		
State	\$ 688,067	\$ 722,488
Federal	1,004,060	1,084,553
Local	1,055,317	1,055,041
Service fees and other	5,398,567	4,617,364
Interest	<u>118,921</u>	<u>71,587</u>
	8,264,932	7,551,033
 CASH EXPENDITURES		
Salaries and leave	3,256,276	3,439,267
Fringe benefits	1,182,234	1,248,963
Contracts	1,144,178	1,034,705
Travel	154,459	194,321
Space occupancy	111,553	98,400
Office and administrative expense	437,088	406,889
Medical supplies	294,800	273,061
Other operating expenses	415,785	245,255
Capital items	<u>18,565</u>	<u>-</u>
	7,014,938	6,940,861
 EXCESS OF REVENUES OVER EXPENDITURES	1,249,994	\$ <u>610,172</u>
 ADJUSTMENTS - NET	<u>(8)</u>	
 EXCESS OF REVENUES OVER EXPENDITURES	1,249,986	
 FUND BALANCE - beginning of year	<u>3,776,192</u>	
 FUND BALANCE - END OF YEAR	<u>\$5,026,178</u>	

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS  
WEDCO DISTRICT HEALTH DEPARTMENT  
June 30, 2010

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Wedco District Health Department operates as a district health department for the administrative support of Scott County, Harrison County, and Nicholas County Health Centers. The District is governed by a District Board of Health, which is a body politic and corporate. The District Board of Health consists of representatives from each of the three counties as set forth in KRS 212.855.

The Health Department records revenues and expenditures on the cash receipts and disbursements method in accordance with financial policy established by the Kentucky Cabinet for Health and Family Services, Department for Public Health, Division of Administration and Financial Management, Administrative Reference for Local Health Departments. This basis of accounting and financial representation differs from accounting principles generally accepted in the United States of America in several areas. Accounts receivable for revenue earned, but unreceived, 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 is not capitalized and related depreciation expense, prepaid expenses and deferred revenues are not recorded.

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly actual results could differ from those estimates.

Federal and state revenues for services are recognized as received and are based in some instances upon reimbursement reports filed by the Health Department for eligible services and are subject to adjustments based upon federal and state agency audits as to eligibility of recipients and the computation of reimbursable costs. As of report date, no formal reports have been issued as a result of audits performed or in progress for the year ended June 30, 2010.

The District Health Department's accrued vacation and other potential compensated absences are not accrued as earned because the District Health Department uses the cash basis of accounting. District Health Department records show a potential \$260,706 liability.

The District Health Department has not adopted the principles of Governmental Accounting Standards Board Statement No.34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments (GASB34) because the government-wide statements under GAAP requires that the accrual basis of accounting be applied. The Health Department prepares its financial statements in accordance with an other comprehensive basis of accounting

Source of Funds:

Revenue sources of the Department are divided into four groups as follows:

State - includes restricted and unrestricted state grant funds

NOTES TO FINANCIAL STATEMENTS  
WEDCO DISTRICT HEALTH DEPARTMENT  
June 30, 2010

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

Federal - includes federal grant funds passed through Cabinet For Health and Family Services

Local - includes funds from taxing districts, and donations from private sources

Service fees and other - includes funds from Medicaid and Medicare payments for services, self-pay, insurance payments, other pay for service, and interest received.

All transactions are recorded in the general fund except for those related to environmental inspection and permit fees. These fees are treated as escrow funds and are deposited in an environmental cash checking account with a portion being disbursed to the state and a portion being disbursed to the Health Department. Revenue is recorded in the general fund when the portion disbursed to the Health Department is deposited in the operations cash checking account.

Funding restricted for specific programs in excess of those programs' allowed reimbursements or expenditures are recorded at year end in the Fund Balance - Restricted.

The Wedco District Health Department uses an indirect cost allocation plan as approved by the Kentucky Cabinet for Health and Family Services, Department for Public Health. This indirect cost allocation plan was developed to meet the requirements of OMB Circular A-87. Each item of cost should be either direct or indirect. Direct costs are those that can be identified specifically with a particular cost objective. Indirect costs are costs incurred for a common purpose benefitting more than one cost objective.

Functional classifications are included in supplementary data and are a part of the audit for the Health Department.

The Health Department uses a third party servicer, Custom Data Processing, Inc. for financial reporting information; program revenues and expenditures in detail; the allocation of indirect costs; payroll; and patient encounter coding. Various other reports are available in support of its financial accounting records. Custom Data Processing, Inc. serves the Commonwealth of Kentucky Cabinet for Health and Family Services in the capacity as its systems integrator for local health departments in the state.

NOTE B - DEFINED BENEFIT PLAN

Plan Description - KERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in non-hazardous duty positions of any state department, board, or agency directed by Executive Order to



NOTES TO FINANCIAL STATEMENTS  
WEDCO DISTRICT HEALTH DEPARTMENT  
June 30, 2010

NOTE B - DEFINED BENEFIT PLAN (Continued)

participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living(COLA) adjustments are provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed five percent in any plan year. The General Assembly reserves the right to suspend or reduce cost-of-living adjustments if in its judgement the welfare of the Commonwealth so demands.

Contributions - For the year ended June 30, 2010, plan members were required to contribute 5% of their annual creditable compensation. The District was required to contribute at an actuarially determined rate. Non-Hazardous employees who begin participating with KRS on or after September 1, 2008 are required to contribute 6% of all their creditable compensation to KRS. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last preceding the July 1 of a new biennium.

The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial bases adopted by the Board. However, formal commitment to provide the contributions by the employer is made through the biennial budget. For the year ended June 30, 2010 the WEDCO District Health Department contributed 11.61% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2010 was 11.61% of each employee's creditable compensation. Administrative costs of Kentucky Retirement Systems are financed through employer contributions and investment earnings. The required contribution (employer and employee) and the actual percentage contributed for the Health Department for the current and previous two years are as follows:

<u>YEAR</u>	<u>REQUIRED CONTRIBUTION</u>	<u>PERCENTAGE CONTRIBUTED</u>
2010	\$518,896	100%
2009	\$459,721	100%
2008	\$425,766	100%

The latest information on the System is presented in the June 30, 2009 comprehensive annual report. For the Retirement Fund, the total Actuarial Accrued Liability was \$11,332,961,313 on June 30, 2009. The Unfunded Actuarial Accrued Liability was \$6,035,846,661. The actuarial value of assets as of June 30, 2009 was equal to \$5,297,114,652. The System does not make separate measurements of assets and pension benefit obligations for the individual employer. The pension benefit obligation, net assets available for benefits and historical trend information for the entire System will be presented in the Commonwealth of Kentucky's Comprehensive Annual Financial Report for the year ended June 30, 2010.

NOTES TO FINANCIAL STATEMENTS  
WEDCO DISTRICT HEALTH DEPARTMENT  
June 30, 2010

NOTE C - COST REPORTS

The District Health Department is a provider of services under Medicare and Medicaid with Medicare reimbursement based on 60 day patient episodes with minimum visit requirements to qualifying patients; and Medicaid reimbursement based on a flat fee schedule to qualifying patients who are preauthorized. Medicare and Medicaid cost reports have been submitted through June 30, 2009 and the reports are not finalized. See NOTE F for additional information on settlements.

NOTE D - CASH

The Wedco District Health Department maintains regular checking accounts, investment accounts, and environmental checking accounts at the Kentucky Bank in Cynthiana, Kentucky. Cash balances at June 30, 2010 were fully insured at Kentucky Bank and certificates at Farmers National Bank and Whitaker Bank were fully insured.

The District Health Department has 20 certificates with Kentucky Bank which total \$2,975,442. Interest rates are at current market and terms are from 13 months thru 36 months.

In addition, the District has 2 certificates with Farmers National Bank which total \$887,079. Interest rates are at market for each certificate and terms are 24 months.

Also, the District has 1 certificate with Whitaker Bank in the amount of \$301,512 @ 2% for 24 months.

NOTE E - LEASES

The Health Department leases office space as follows:

City of Paris	\$11,400 annual lease;
Paris, Kentucky	FYE 6/30/10 payments were \$11,400.

NOTE F - MEDICAID

The 6/30/09 Medicaid cost report for Home Health was processed and additional payment of \$60,716 was included in current year service fee revenues. Also, cost settlements for Home Health waiver program resulted in an additional \$227,605 which was included in the current year service fee revenues.

**WEDCO DISTRICT HEALTH DEPARTMENT**  
**Supplementary Schedule of Revenues and Expenditures by Cost Center**  
for the year ended June 30, 2010

Cost Center	REVENUE						Total Revenue	Total Costs	Revenue Carryovers	Excess Revenues (Expenditures)
	State	Federal	Local	Service Fees	Interest					
Food	\$118,355						\$118,355	\$118,355	\$0	\$0
Public Facilities	34,563						34,563	34,563	0	0
General Sanitation	58,907						58,907	58,907	0	0
On-site Sewage	13,370			\$89,268	\$31,625		134,263	134,263	0	0
Special Project - Environmental Radon		\$8,809			280		280	280	0	0
Total Environmental	225,195	8,809	\$0	89,268	44,403		367,675	367,675	\$0	0
Preventive/Prescribing Prob		1,501		4,122			6,073	6,073	0	0
Dental Services	450						450	450	0	0
Lab/Testing/Radiology		31,982			28,865		60,847	60,847	0	0
Swine Influenza		266,741					266,741	266,741	0	0
H1 N1		125,818		306,670			534,146	534,146	0	0
Pediatric/Adolescent	101,658	33,966	93,501	45,298	45,653		317,640	317,640	0	0
Family Planning Services	99,222	30,302	13,452	5,207			48,961	48,961	0	0
Maternity Services		298,032	33,441				331,473	331,473	0	0
WIC		11,287	24,677				38,965	38,965	0	0
MCH Nutrition		100	11,883	3,001			17,308	17,308	0	0
Tuberculosis	1,000		36,268	7,250			43,518	43,518	0	0
Sexually Transmitted Disease	27,500		65,387	17,471			110,358	110,358	0	0
Diabetes		28,020	122,283	61,271			183,554	183,554	0	0
Breast and Cervical Cancer	65,012	11,995	162,680	13,870			269,582	269,582	0	0
Healthy Community	14,001		15,338				41,334	41,334	0	0
Community Based Services	67,758	46,913	15,964				67,758	67,758	0	0
Bioregion - Focus A		4,800	208				62,877	62,877	0	0
Bioregion - Focus E		800	195				5,008	5,008	0	0
Bioregion - Focus F							995	995	0	99
KY ASAP Scott Co.		2,576		3,000			3,000	2,901	0	0
Cancer Coalition							2,576	2,576	0	0
Tobacco	22,000		24,672	3,900			50,572	50,572	0	0
Peer Counseling		25,034	825				25,859	25,859	0	0
Federal Diabetes Today		8,481	7,501				15,982	15,982	0	0
HIV Counseling and Testing							298	649	351	0
Healthy Start in Day Care	298		14,404				22,094	22,094	0	0
HANDS	7,690		100	323,310			368,980	374,242	5,262	0
Physical Activity	45,570	8,417	7,941				24,358	24,358	0	0
EPSDT Verbal Notification	8,000		4,680	44,587			49,267	49,267	0	0
Core Public Health			2,378				2,378	2,378	0	0
Health Welfare & Morale			8,608				8,608	8,608	0	0
Total Medical	460,159	936,765	666,386	843,282	74,518		2,981,110	2,986,624	5,613	99
Minor Restricted							0	0	0	0
Clinical Exp for Other Hlth Dept				1,392			1,392	3,137	1,745	0
Capital			18,565				18,565	18,565	0	0
Allocable Direct	2,713	58,486	370,226	6,611			438,036	438,036	438,036	0
Total Administrative	2,713	58,486	388,791	8,003	0		457,993	21,702	1,745	438,036
Home Health			140	3,444,851			3,444,991	2,692,114	752,877	0
Special Project (EPSDT)				344,729			344,729	301,816	42,913	0
VA Related Patients				83,518			83,518	57,289	26,229	0
Home and Community Waiver				584,916			584,916	587,718	2,802	0
Total Home Health	0	0	140	4,458,014	0		4,458,154	3,638,937	822,019	0
Carryover Allocation	688,067	1,004,060	1,055,317	5,398,567	118,921		8,264,932	7,014,938	10,160	1,260,154
TOTAL	\$688,067	\$1,004,060	\$1,055,317	\$5,398,567	\$118,921		\$8,264,932	\$7,014,938	\$0	\$1,249,994

(Continued)

See notes to Financial Statements.

WEDCO DISTRICT HEALTH DEPARTMENT  
Supplementary Schedule of Revenues and Expenditures by Cost Center  
for the year ended June 30, 2010

Cost Center	DIRECT COSTS										Total Direct Costs	
	Salaries	Fringes	Contracts	Travel	Space Occupancy	Office Admin.	Admin. Charges	Medical Supplies	Other	Capital		
Food	\$46,495	\$15,169		\$1,817								\$63,481
Public Facilities	13,622	4,443		490								18,555
General Sanitation	22,535	7,351		1,333					\$735			31,954
On-site Sewage	50,864	16,596		4,142		\$25			195			71,822
Special Project - Environmental	114	35										149
Radon	5,773	1,885		149		1,911			4,421			14,139
Total Environmental	139,403	45,479	\$0	7,931	\$0	1,936	\$0	\$0	5,351	\$0		200,100
Preventive/Presenting Prob	473,805	151,983	11,722	4,218		198		11,303	752			653,981
Dental Services	2,002	692				959		10,580	200			2,694
Lab/Testing/Radiology	5,214	1,803	37,880	130		36,480		556				56,766
Swine Influenza	13,935	5,474		323		44,950		9,129	139,468			254,240
HI N1	42,685	16,744		1,284		135		7,776	9			11,953
Pediatric/Adolescent	2,205	866	395	567				58,173				69,851
Family Planning Services	2,365	883	8,412	18				583				16,804
Maternity Services			16,221									32,507
WIC	10,520	4,126		1,274		11,988			4,599			10,692
MCH Nutrition	6,562	2,577		266		151			1,136			5,299
Tuberculosis	2,076	819	368	73				1,788	175			5,299
Sexually Transmitted Disease								137				137
Diabetes	38,738	15,136		1,218		641		24,202	4,768			60,501
Adult Services	653	257		330		462			256			25,112
Breast and Cervical Cancer	3,988	1,569	125,741									132,346
Healthy Community				2		114			41,218			41,334
Community Based Services	29,714	11,663		1,458		1,200			11,109			55,144
Bioterrorism - Focus A	19,695	7,735		1,935		4,110			19,279			52,754
Bioterrorism - Focus E						353			4,655			5,008
Bioterrorism - Focus F	478	186		190								854
KY ASAP Scott Co.									2,901			2,901
Cancer Coalition									2,576			2,576
Tobacco	22,153	8,698		1,298		648			9,729			42,526
Peer Counseling	4,716	1,303		250		570			17,474			24,313
Federal Diabetes Today	6,852	2,696		595		22			3,788			13,953
HIV Counseling and Testing	376	151										527
Healthy Start in Day Care	9,359	3,680		957		41			4,824			18,861
HANDS	200,795	78,837		15,952		2,212			2,975			300,771
Physical Activity	11,890	4,667		622		445			2,123			19,747
EPSDT Verbal Notification	21,836	8,568		518		380			10,176			41,478
Core Public Health	1,180	467		2		65						1,714
Health Welfare & Morale				205					8,403			8,608
Total Medical	933,792	331,580	200,739	33,665	0	106,124	0	124,227	292,593	0		2,022,720
Minor Restricted												0
Clinical Exp for Other Hlth Dept	1,859	727		3								2,589
Capital										18,565		18,565
Allocable Direct												0
Total Administrative	1,859	727	0	3	0	0	0	0	0	18,565		21,154
Home Health	825,169	285,503	648,822	59,098		23,335	96,552	169,062	16,299			2,123,840
Home Health - Special Project	3,543	1,232	294,617			175		108				299,675
EPSDT Home Health	27,952	9,375		2,619								39,946
Medicaid Waiver	269,921	92,493		26,762		1,828			2,587			393,591
Total Home Health	1,126,585	388,603	943,439	88,479	0	25,338	96,552	169,170	18,886	0		2,857,052
Subtotals	2,201,639	766,389	1,144,178	130,078	0	133,398	96,552	293,397	316,830	18,565		5,101,026
Indirect Costs Pools	1,054,637	415,845		24,381	111,553	207,138		1,403	98,955			1,913,912
Total	\$3,256,276	\$1,182,234	\$1,144,178	\$154,459	\$111,553	\$340,536	\$96,552	\$294,800	\$415,785	\$18,565		\$7,014,938

(Continued)

See Notes to Financial Statements.

WEDCO DISTRICT HEALTH DEPARTMENT  
 Supplementary Schedule of Revenues and Expenditures by Cost Center  
 for the year ended June 30, 2010

Cost Center	INDIRECT COSTS							Total Indirect Costs
	Home Hlth. Admtn.	Dept. Admtn.	Environ. Admtn.	Medical Admtn.	Space Occupancy	Clinic	Resource Allocation	
Food		\$10,353	\$41,928					\$54,874
Public Facilities	3,031	12,284			\$2,593			16,008
General Sanitation	5,017	20,321			1,615			26,953
On-site Sewage	11,327	45,868			5,246			62,441
Special Project - Environmental	27	104						131
Radon	1,286	5,206			676			7,168
Total Environmental	\$0	31,041	125,711	\$0	10,823	\$0	\$0	167,575
Preventive/Presenting Prob	114,480			10,677	43,418	608,966	(1,431,522)	(653,981)
Dental Services	474			44	352	2,509		3,379
Lab/Testing/Radiology	1,227			115	707	6,532		(66,766)
Swine Influenza	3,731			348				4,079
H1 N1	11,435			1,066				12,501
Pediatric/Adolescent	592			55	748		520,798	522,183
Family Planning Services	641			59	2,611		244,478	247,789
Maternity Services							32,157	32,157
WIC	2,815			263	3,045		292,843	298,966
MCH Nutrition	1,760			164	1,114		25,235	28,273
Tuberculosis	555			52	540		10,862	12,009
Sexually Transmitted Disease							43,381	43,381
Diabetes	10,385			969	2,172		36,331	49,857
Adult Services	172			16			158,254	158,442
Breast and Cervical Cancer	1,066			100	3,540		132,530	137,236
Healthy Community								0
Community Based Services	7,962			743	3,909			12,614
Bioterrorism - Focus A	5,276			492	4,355			10,123
Bioterrorism - Focus E								0
Bioterrorism - Focus F	129			12				141
KY ASAP Scott Co.								0
Cancer Coalition								0
Tobacco	5,933			553	1,560			8,046
Peer Counseling	1,319			123	104			1,546
Federal Diabetes Today	1,836			171	22			2,029
HIV Counseling and Testing	102			10	10			122
Healthy Start in Day Care	2,509			233	491			3,233
HANDS	53,792			5,016	14,663			73,471
Physical Activity	3,187			297	1,127			4,611
EPSDT Verbal Notification	5,852			545	1,392			7,789
Core Public Health	317			30	317			664
Health Welfare & Morale								0
Total Medical	0	237,547	0	22,153	86,197	618,007	0	963,904
Minor Restricted								0
Clinical Exp for Other Hlth Depts		501		47				548
Capital								0
Allocable Direct		501	0	47	0	0	0	548
Total Administrative	0	501	0	47	0	0	0	548
Home Health	302,851	197,025			68,398			568,274
Home Health - Special Project	1,296	845						2,141
EPSDT Home Health	10,364	6,746			233			17,343
Medicaid Waiver	96,395	64,645			30,087			194,127
Total Home Health	413,906	269,261	0	0	98,718	0	0	781,885
Total Indirect Costs	413,906	538,350	125,711	22,200	195,738	618,007	0	1,913,912
Indirect Cost Allocation	(413,906)	(538,350)	(125,711)	(22,200)	(195,738)	(618,007)		(1,913,912)
Total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

See Notes to Financial Statements.

# BROWN & DOUGHERTY, PSC

CERTIFIED PUBLIC ACCOUNTANTS  
2011 RAMBLER ROAD  
LEXINGTON, KENTUCKY 40503

FRED V. BROWN, CPA  
KEN R. DOUGHERTY, CPA

PHONE 859-276-5531

MEMBERS  
AMERICAN INSTITUTE OF CPAs  
KENTUCKY SOCIETY OF CPAs

## 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

Board of Health  
Wedco District Health Department  
Cynthiana, Kentucky

We have audited the financial statements of Wedco District Health Department as of and for the year ended June 30, 2010, and have issued our report thereon dated August 24, 2010. 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 Wedco District Health Department's internal control over financial reporting as a basis for designing our audit 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 Wedco District Health Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Wedco District Health Department'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 Health Department'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 first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 Wedco District Health Department'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. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Wedco District Health Department in a separate letter dated August 24, 2010.

This report is intended solely for the information and use of the Board of Directors, management 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. However, this report is a matter of public record and its distribution is not limited.

*Brown & Dougherty, PSC*

August 24, 2010

# BROWN & DOUGHERTY, PSC

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2011 RAMBLER ROAD  
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FRED V. BROWN, CPA  
KEN R. DOUGHERTY, CPA

PHONE 859-276-5531

MEMBERS  
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KENTUCKY SOCIETY OF CPAs

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Health  
Wedco District Health Department  
Cynthiana, Kentucky

## Compliance

We have audited Wedco District Health Department's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Wedco District Health Department's major federal programs for the year ended June 30, 2010. Wedco District Health Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Wedco District Health Department's management. Our responsibility is to express an opinion on Wedco District Health Department's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wedco District Health Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Wedco District Health Department's compliance with those requirements.

In our opinion, Wedco District Health Department complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

## Internal Control Over Compliance

The management of Wedco District Health Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Wedco District Health Department's internal control over compliance with the requirements that could have a direct and material effect on a major program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A  
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Wedco District Health Department's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management 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. However, this report is a matter of public record and its distribution is not limited.

*Brown & Dougherty, PSC*

August 24, 2010

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
WEDCO DISTRICT HEALTH DEPARTMENT  
Year ended June 30, 2010

<u>FEDERAL GRANTOR/PASS- THROUGH GRANTOR/ PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Agriculture</u>			
Passed through Kentucky Cabinet for Health and Family Services:			
WIC Program-Administrative Expenditures	10.557	01160009	\$ 119,740
	10.557	01160010	211,471
	10.557	02540009	24,521
	10.557	02540008	12,207
Food instruments redeemed(1)			<u>1,395,352</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$1,763,291</u>
<u>U.S. Department for Health and Human Services</u>			
Passed through Kentucky Cabinet for Health and Family Services:			
Bio-Terrorism - Hospital	93.003	02150009	\$ 4,800
H1N1 Repsonse	93.069	02170010	300,719
Respiratory Disease	93.116	01060010	100
Title X - Family Planning	93.217	01150010	33,966
Immunizations	93.268	01055008	4,500
	93.268	01050009	4,500
Cancer	93.283	01110009	30,597
	93.283	01110008	2,202
Bio-terrorism	93.069	02140008	12,730
	93.069	02140007	356
	93.069	02140009	41,658
Diabetes	93.283	02400010	1,503
	93.283	02400009	7,348
Healthy Communities	93.283	02400009	8,666
Preventive Block Grant	93.991	01040009	11,746
MCH Services Block Grant	93.994	01120009	55,451
	93.994	01120010	<u>106,470</u>
TOTAL U.S. DEPARTMENT FOR HEALTH AND HUMAN SERVICES			<u>\$ 627,312</u>
<u>U.S. Environmental Protection Agency</u>			
Passed through Kentucky Cabinet for Health Services:			
Radon	66.032	02610009	\$ 7,420
	66.032	02610010	<u>1,389</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>\$ 8,809</u>
TOTAL FEDERAL AWARDS			<u>\$2,399,412</u>

(1) Food instruments redeemed are expenditures as confirmed by the Department of Health Services and are not included in the financial statements.

This Schedule of Expenditures of Federal Awards is presented using the cash basis of accounting, which is described in NOTE A to the financial statements. Amounts reported in this schedule should agree or reconcile with amounts reported in the financial statements.

See Notes to Financial Statements.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
WEDCO DISTRICT HEALTH DEPARTMENT  
For the year ended June 30, 2010

I. SUMMARY OF AUDITORS RESULTS

Financial Statements:

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified  Yes  No  
Significant deficiencies identified that  
are not considered to be material weaknesses  Yes  None reported

Non-compliance material to financial statements noted  Yes  No

Federal Awards:

Internal control over major programs:

Material weaknesses identified  Yes  No  
Significant deficiencies identified  
that are not considered to be material weaknesses  Yes  None reported

Type of auditor's report issued on compliance for major programs:  
Unqualified for all major programs.

Any audit findings disclosed that are required to be reported in  
accordance with Section 510(a) of Circular A-133?  Yes  No

Major Program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	WIC
93.069	H1N1 Response
93.069	Bio-terrorism

Dollar threshold used to distinguish between type A  
and type B programs \$300,000

Auditee qualified as a low-risk auditee?  Yes  No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
WEDCO DISTRICT HEALTH DEPARTMENT  
For the year ended June 30, 2010

NONE

AUDIT ADJUSTMENTS  
WEDCO DISTRICT HEALTH DEPARTMENT  
June 30, 2010

NO ADJUSTMENTS