

AUDITED FINANCIAL STATEMENTS
WEDCO DISTRICT HEALTH DEPARTMENT
CYNTHIANA, KENTUCKY
June 30, 2012

C O N T E N T S

	<u>PAGE</u>
AUDITED FINANCIAL STATEMENTS	
INDEPENDENT AUDITORS' REPORT	3
STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE	5
STATEMENT OF CASH REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE	6
NOTES TO FINANCIAL STATEMENTS	7
ADDITIONAL FINANCIAL INFORMATION:	
SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENDITURES BY COST CENTER	11
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <u>GOVERNMENT AUDITING STANDARDS</u>	14
OTHER FINANCIAL INFORMATION RELATING TO FEDERAL FINANCIAL ASSISTANCE PROGRAMS:	
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	16
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	18
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	19
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	20
AUDIT ADJUSTMENTS	21

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, 2012, 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, 2012, or the results of its operations, for the year then ended.

However, in our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the assets, liabilities and fund balance arising from cash transactions of Wedco District Health Department as of June 30, 2012, 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 28, 2012 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 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. The Schedule of Expenditures of Federal Awards and the Schedule of Revenues and Expenditures by Cost Center are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Brown & Dougherty, PSC

August 28, 2012

STATEMENT OF ASSETS, LIABILITIES
AND FUND BALANCE
WEDCO DISTRICT HEALTH DEPARTMENT
June 30, 2012

ASSETS			
CURRENT ASSETS			
Cash			
Operations			
Checking	\$1,336,659		
Environmental	-		
Certificates of Deposit	4,840,937		
Petty cash	<u>350</u>		<u>\$6,177,946</u>
LIABILITIES AND FUND BALANCE			
CURRENT LIABILITIES			
Payroll withholdings and payables-net		\$ 22,114	
FUND BALANCE			
Unrestricted	\$2,307,307		
Restricted - State	1,000		
Restricted - Federal	136		
Restricted - Fees	<u>3,847,389</u>		<u>6,155,832</u>
			<u>\$6,177,946</u>

See Notes to Financial Statements.

STATEMENT OF CASH REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
WEDCO DISTRICT HEALTH DEPARTMENT
Year ended June 30, 2012

	<u>ACTUAL</u>	<u>BUDGET</u>
CASH REVENUES		
State	\$ 647,270	\$ 646,207
Federal	779,720	738,137
Local	1,048,853	1,048,737
Service fees and other	4,977,744	5,017,300
Interest	<u>120,653</u>	<u>95,000</u>
	7,574,240	7,545,381
 CASH EXPENDITURES		
Salaries and leave	3,431,459	3,575,550
Fringe benefits	1,495,443	1,671,477
Contracts	1,330,026	1,203,010
Travel	163,315	183,924
Space occupancy	111,550	98,400
Office and administrative expense	286,304	325,342
Medical supplies	249,984	290,920
Other operating expenses	257,782	317,481
Capital items	<u>-</u>	<u>-</u>
	7,325,863	7,666,104
 USE OF UNRESTRICTED FUNDS		<u>120,723</u>
EXCESS OF REVENUES OVER EXPENDITURES BEFORE ADJUSTMENT	248,377	
ADJUSTMENT	<u>(2,064)</u>	
EXCESS OF REVENUES OVER EXPENDITURES	246,313	\$ <u>-0-</u>
 FUND BALANCE - beginning of year	<u>5,909,519</u>	
FUND BALANCE - END OF YEAR	<u>\$6,155,832</u>	

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS
WEDCO DISTRICT HEALTH DEPARTMENT
June 30, 2012

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, 2012.

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 \$256,055 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:

NOTES TO FINANCIAL STATEMENTS
WEDCO DISTRICT HEALTH DEPARTMENT
June 30, 2012

NOTE A - ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

- State - includes restricted and unrestricted state grant funds
- 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 participate in the System. The plan provides for retirement, disability, and death

NOTES TO FINANCIAL STATEMENTS
 WEDCO DISTRICT HEALTH DEPARTMENT
 June 30, 2012

NOTE B - DEFINED BENEFIT PLAN (Continued)

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, 2012, 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, 2012 the WEDCO District Health Department contributed 19.82% of each employee's creditable compensation. The actuarially determined rate set by the Board for the year ended June 30, 2012 was 19.82% 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>
2012	\$816,441	100%
2011	\$723,199	100%
2010	\$518,896	100%

The latest information on the System is presented in the June 30, 2011 comprehensive annual report. For the Retirement Fund, the total Actuarial Accrued Liability was \$11,903,435,476 on June 30, 2011. The Unfunded Actuarial Accrued Liability was \$7,665,700,884. The actuarial value of assets as of June 30, 2011 was equal to \$4,237,734,592. 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, 2012.

NOTES TO FINANCIAL STATEMENTS
WEDCO DISTRICT HEALTH DEPARTMENT
June 30, 2012

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, 2011 and the reports are not finalized. See NOTE F for additional information on settlements.

NOTE D - CASH AND CASH EQUIVALENTS

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, 2012 were fully insured at Kentucky Bank and certificates at Farmers National Bank and Whitaker Bank were fully insured.

The District Health Department has 9 certificates with Kentucky Bank which total \$3,233,382. Interest rates are at current market and terms are from 3 months thru 60 months.

In addition, the District has 2 certificates with Farmers National Bank which total \$929,888. Interest rates are at market for each certificate and terms are 36 months.

Also, the District has 2 certificate with Whitaker Bank in the amount of \$677,667 at market rates for 24 and 60 months.

NOTE E - LEASE AGREEMENT

The Health Department leases office space as follows:
City of Paris \$11,400 annual lease;
Paris, Kentucky FYE 6/30/12 payments were \$11,400.

NOTE F - HOME HEALTH MEDICAID

The 6/30/11 Medicaid cost report for Home Health was processed and additional payment of \$68,363 was included in current year service fee revenues. Also, cost settlements for Home Health waiver program resulted in an additional \$327,352 which was included in the current year service fee revenues.

NOTE G - SUBSEQUENT EVENTS

Management has evaluated subsequent events thru August 28, 2012, the date which financial statements were available to be issued.

NOTE H - MEDICAID MATCH

The Cabinet for Health and Family Services set up a new program account (891) to reflect medicaid match payments based on a formula for various 800 service programs which receive medicaid monies during the year. The amount of \$64,301.16 was the gross payment for FYE 6/30/12.

WEDCO DISTRICT HEALTH DEPARTMENT
 Supplementary Schedule of Revenues and Expenditures by Cost Center
 for the year ended June 30, 2012

Cost Center	REVENUE						Total Revenue	Total Costs	Revenue Carryovers	Excess Revenues (Expenditures)
	State	Federal	Local	Service Fees	Interest					
Food	\$107,630				\$42,911		\$150,541	\$150,541	\$0	
Public Facilities					55,016		55,016	55,016	0	
General Sanitation				1	63,822		63,822	63,822	0	
On-site Sewage			\$41,095	\$62,901	22,726		115,258	115,258	0	
Radiation and Product Safety			52,357		767		767	767	0	
Special Project - Environmental			23		23		23	23	0	
Radon		\$2,987	3,000		5,987		5,987	5,987	0	
Total Environmental	107,630	2,987	97,242	62,902	120,653		391,414	\$0	0	
Preventive/Presenting Prob					0		0	0	0	
Dental Services	500	2,122	3,336	6,416	12,374		12,374	12,374	0	
Lab/Testing/Radiology					0		0	0	0	
CHAT		4,524			4,524		4,524	4,524	72	
Environmental Strike Team		3,463			3,469		3,469	3,469	0	
Pediatric/Adolescent		77,116			656,229		656,229	656,229	0	
Family Planning Services	3,280	79,832	342,160	236,953	322,893		322,893	322,893	0	
Maternity Services		17,322	199,853	39,928	69,832		69,832	69,832	0	
WIC		323,321	50,763	1,747	355,859		355,859	355,859	0	
MCH Nutrition		9,153	32,538	128	11,374		11,374	11,374	0	
Tuberculosis	6,208	50	2,093		20,256		20,256	20,256	0	
Sexually Transmitted Disease			9,340		56,454		56,454	56,454	0	
Diabetes	13,605		48,134	8,320	86,602		86,602	86,602	0	
Adult Services	144,756		52,873	20,124	195,484		195,484	195,484	0	
Breast and Cervical Cancer	67,898		9,893	40,835	241,136		241,136	241,136	0	
Healthy Community		56,090	102,270	14,878	499		499	499	0	
Community Based Services	110,488			1,820	112,308		112,308	112,308	0	
Bioterrorism - Focus A		54,066	9,900		63,966		63,966	63,966	0	
Bioterrorism - Focus E		3,522	1,774		5,296		5,296	5,296	0	
Bioterrorism - Focus F			17,193		17,193		17,193	17,193	0	
KY ASAP Scott Co.				2,000	2,000		2,000	2,000	731	
Cancer Coalition				4,000	9,000		9,000	9,000	64	
Tobacco	20,000		3,057		37,057		37,057	37,057	0	
Absstinence		7,300	6,819		14,119		14,119	14,119	0	
Missionary Clinic			672		672		672	672	0	
Pear Counseling		29,558	4,761		34,319		34,319	34,319	0	
Federal Diabetes Today		6,337	2,684		9,021		9,021	9,021	0	
HIV Counseling and Testing	1,400		447		1,847		1,847	1,847	40	
Healthy Start in Day Care	50,837		1,750		52,587		52,587	52,587	0	
HANDS	59,940		48,786		440,989		470,676	470,676	0	
Physical Activity		6,500			6,500		6,500	6,500	0	
EPSDT Verbal Notification				33,077	33,077		33,077	33,077	0	
Core Public Health					0		0	0	0	
Total Medical	478,912	699,266	951,611	747,147	2,876,936	0	2,918,925	42,856	867	
Medicaid Match					64,301		64,301	64,301	0	
Health Welfare & Morale					2,741		2,741	2,741	0	
Clinical Exp for Other Hlth Depts				1,862	1,862		1,862	1,862	0	
Capital					0		0	0	0	
Allocable Direct	60,728	77,467	0	39,584	177,779		56,018	68,364	121,761	
Total Administrative	60,728	77,467	0	41,446	179,641		126,244	121,761	0	
Home Health				2,994,345	2,994,345		2,994,345	2,994,345	281,672	
Special Project (EPSDT)				435,960	435,960		435,960	435,960	95,221	
VA Related Patients				62,047	62,047		62,047	62,047	9,919	
Home and Community Waiver				633,897	633,897		633,897	633,897	40,599	
Total Home Health	0	0	0	4,126,249	4,126,249	0	3,869,290	95,221	332,190	
Carryover Allocation	647,270	779,720	1,048,853	4,977,744	120,653		7,574,240	206,441	454,618	
TOTAL	\$647,270	\$779,720	\$1,048,853	\$4,977,744	\$120,653		\$7,325,863	\$0	(206,441)	

See notes to Financial Statements.

(Continued)

WEDCO DISTRICT HEALTH DEPARTMENT
 Supplementary Schedule of Revenues and Expenditures by Cost Center
 for the year ended June 30, 2012

Cost Center	DIRECT COSTS											Total Direct Costs
	Salaries	Fringes	Contracts	Travel	Space Occupancy	Office Admin.	Admin. Charges	Medical Supplies	Other	Capital		
Food	\$52,846	\$18,033		\$1,885					\$28			\$72,792
Public Facilities	19,415	6,634		689								26,738
General Sanitation	22,027	7,517		1,110					179			30,833
On-site Sewage	38,588	13,169		2,937					156			54,850
Radiation and Product Safety	275	98										373
Special Project - Environmental Radon	1,499	512		55					1,076			3,142
Total Environmental	134,650	45,963	\$0	6,676	\$0	\$0	\$0	\$0	1,439	\$0		188,728
Preventive/Presenting Prob	450,564	168,773	6,889	5,052		(125)		12,094	1,498			644,745
Dental Services	3,133	1,313		87								4,533
Lab/Testing/Radiology	14,437	5,959	22,997			1,018		9,162	311			53,884
CHAT	1,124	498		8					2,430			4,060
Environmental Strike Team	1,574	699		107					525			2,905
Pediatric/Adolescent	3,755	1,570	338	2,099		559		10,917	11			19,238
Family Planning Services	379	170	12,540					93,677				66,777
Maternity Services	207	87	28,712					396				29,402
WIC	19,794	8,757		2,650		972			50			9,057
MCH Nutrition	3,340	1,482		80		115			4,040			2,050
Tuberculosis	310	141		390				698				2,050
Sexually Transmitted Disease	206	86						45				337
Diabetes	17,507	7,744		297		299		37,646	1,736			27,583
Adult Services	46	14	4,160									41,806
Breast and Cervical Cancer			101,968			269			1,241			103,528
Healthy Community									476			476
Community Based Services	55,299	24,451		1,598		281			8,325			89,954
Bioterrorism - Focus A	31,787	14,053		1,877		4,007			1,705			53,429
Bioterrorism - Focus E	97	43		4		1,849			3,270			5,263
Bioterrorism - Focus F	7,103	3,029		48								10,180
KY ASAP Scott Co.	3,339	1,482		180		94			1,269			1,269
Cancer Coalition	11,779	5,206		513		186			2,747			7,842
Tobacco	3,915	1,727		517					13,798			31,482
Abstinence									6,626			12,785
Missionary Clinic	18,223	6,185		663		949		(277)				672
Peer Counseling	4,183	1,853		546		904			1,973			27,948
Federal Diabetes Today	1,059	469				101			945			7,628
HIV Counseling and Testing	27,935	12,355		2,181		202			263			42,936
Healthy Start in Day Care	235,527	103,440		19,965		1,062			17,254			377,238
HANDS	6,821	3,010		118		1			582			10,532
Physical Activity	17,390	7,690		107		491			2,275			27,953
EPSTD Verbal Notification	1,713	757		71		60						2,601
Core Public Health												
Total Medical	942,546	383,043	178,105	39,158	0	13,284	0	124,358	73,350	0		1,753,844
Medicaid Match												
Health Welfare & Morale	2,011	448							64,301			64,301
Clinical Exp for Other Hlth Dept:									2,741			2,741
Capital												
Allocable Direct		56,018										56,018
Total Administrative	2,011	56,466	0	0	0	0	0	0	67,042	0		125,519
Home Health	763,922	301,799	707,041	54,733		20,890		96,327	125,628			2,072,945
Home Health - Special Project	39,807	15,506	444,880			950			12,907			507,143
EP-SDT Home Health	23,605	8,578		2,251								34,434
Medicaid Waiver	250,498	96,215		29,273		1,970			1,226			379,182
Total Home Health	1,097,832	422,098	1,151,921	86,257	0	23,810	0	66,327	125,626	0		2,987,704
Subtotals	2,177,039	907,570	1,330,026	132,061	0	37,094	0	66,327	249,984	0		5,055,795
Indirect Costs Pools	1,254,420	587,873		31,224	111,550	182,883			102,118			2,270,068
Total	\$3,431,459	\$1,495,443	\$1,330,026	\$163,315	\$111,550	\$219,977		\$66,327	\$249,984	\$0		\$7,325,863

(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, 2012

Cost Center	INDIRECT COSTS										Total Indirect Costs	
	Home Hlth. Admin.	DePART Admin.	Environ. Admin.	Medical Admin.	Space Occupancy	Clinic	Resource Allocation					
Food		\$12,357	\$62,541			\$2,851						\$77,749
Public Facilities		4,539	22,977			762						28,278
General Sanitation		5,147	26,067			1,775						32,989
On-site Sewage		9,024	45,687			5,717						60,408
Radiation and Product Safety		67	327			23						384
Special Project - Environmental												23
Radon		353	1,773			719						2,845
Total Environmental	\$0	31,487	159,352	\$0		11,847	\$0			\$0		202,686
Preventive/Presenting Prob		132,764		10,940		48,324	742,036			(1,578,809)		(644,745)
Dental Services		894		74		387				6,486		7,841
Lab/Testing/Radiology		4,143		341		777				(82,292)		(53,894)
CHAT		340		28		24						392
Environmental Strike Team		475		39		50				634,925		636,991
Pediatric/Adolescent		1,149		95		822				253,121		256,116
Family Planning Services		115		10		2,870				40,364		40,430
Maternity Services		61		5						313,800		323,636
WIC		5,994		494		3,348				2,317		2,317
MCH Nutrition		1,010		83		1,224				18,107		18,206
Tuberculosis		91		8						56,050		56,117
Sexually Transmitted Disease		61		6						50,917		59,019
Diabetes		5,300		437		2,365				153,678		153,678
Adult Services										133,653		137,608
Breast and Cervical Cancer		12		1		3,942				23		23
Healthy Community										22,354		22,354
Community Based Services		16,760		1,380		4,224				10,537		10,537
Bioterrorism - Focus A		9,626		793		118				33		33
Bioterrorism - Focus E		31		2						7,013		7,013
Bioterrorism - Focus F		2,166		178		4,669				0		0
KY ASAP Scott Co.		1,010		84						1,084		1,084
Cancer Coalition		3,566		294		1,715				5,575		5,575
Tobacco		1,187		98		49				1,334		1,334
Abstinence										0		0
Missionary Clinic		5,780		477		114				6,371		6,371
Peer Counseling		1,266		104		23				1,383		1,383
Federal Diabetes Today		322		26		11				389		389
HIV Counseling and Testing		8,464		697		490				9,651		9,651
Healthy Start In Day Care		71,432		5,887		16,119				93,438		93,438
HANDS		2,069		170		1,239				3,478		3,478
Physical Activity		5,269		434		1,530				7,233		7,233
EP/SOT Verbal Notification		517		43		345				909		909
Core Public Health		281,864		23,228		94,806	765,183			0		1,165,081
Total Medical	0	281,864	0	23,228	0	94,806	765,183	0		0		1,165,081
Medicaid Match										0		0
Health Welfare & Morale										725		725
Clinical Exp for Other Hlth Depts		670		55						0		0
Capital										0		0
Allocable Direct										0		0
Total Administrative	0	670	0	55	0	0	0	0	0	0	0	725
Home Health	355,855	210,122				73,751						639,728
Home Health - Special Project	17,980	10,618				1,440						30,038
EP/SOT Home Health	10,965	6,473				256						17,894
Medicaid Waiver	113,826	67,216				33,074						214,116
Total Home Health	498,626	294,429	0	0	0	108,521	0	0	0	0	0	901,576
Total Indirect Costs	498,626	608,450	159,352	23,283	215,174	765,183	0	0	0	0	0	2,270,068
Indirect Cost Allocation	(498,626)	(608,450)	(159,352)	(23,283)	(215,174)	(765,183)						(2,270,068)
Total	\$0	\$0	\$0	\$0	\$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, 2012, and have issued our report thereon dated August 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Health Department is responsible for establishing and maintaining effective 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 auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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. We noted certain matters that we have reported to the management of Wedco District Health Department in a separate letter dated August 28, 2012.

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.

August 28, 2012

Brown & Dougherty, PSC

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 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, 2012. 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, 2012.

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 federal program to determine the 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

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

A-133, but not for the 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 28, 2012

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
WEDCO DISTRICT HEALTH DEPARTMENT
Year ended June 30, 2012

FEDERAL GRANTOR/PASS- THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
<u>U.S. Department of Agriculture</u>			
Passed through Kentucky Cabinet for Health and Family Services:			
WIC Program-Administrative Expenditures	10.557	01160011	\$136,713
	10.557	01160012	216,901
	10.557	02540011	33,225
	10.557	02540010	<u>4,451</u>
TOTAL DEPARTMENT OF AGRICULTURE			<u>\$391,290</u>
<u>U.S. Department for Health and Human Services</u>			
Passed through Kentucky Cabinet for Health and Family Services:			
Bio-Terrorism - Hospital	93.889	02150011	\$ 3,522
	93.889	02150010	625
H1N1 Response	93.069	02170010	11,836
Respiratory Disease	93.116	01060012	50
Title X - Family Planning	93.217	01150012	60,310
	93.217	01150011	4,914
Immunizations	93.268	01055010	4,500
	93.268	01050011	4,500
Cancer	93.283	01110011	65,026
	93.283	01110010	924
Bio-terrorism	93.069	02140010	21,342
	93.069	02140011	50,752
Abstinence	93.235	01270011	5,024
	93.235	01270012	7,300
Diabetes	93.283	02400012	700
	93.283	02400011	16,120
Preventive Block Grant	93.991	01040009	674
	93.991	01040010	10,590
	93.991	01040011	362
MCH Services Block Grant	93.994	01120011	25,783
	93.994	01120012	<u>90,452</u>
TOTAL U.S. DEPARTMENT FOR HEALTH AND HUMAN SERVICES			<u>\$385,306</u>
<u>U.S. Environmental Protection Agency</u>			
Passed through Kentucky Cabinet for Health and Family Services:			
Radon	66.032	02610010	<u>\$ 2,987</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>\$ 2,987</u>
TOTAL FEDERAL AWARDS EXPENDED			\$779,583
RESTRICTED CARRYOVER			137
			<u>\$779,720</u>

WIC Food instruments redeemed are expenditures 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, 2012

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

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, 2012

NONE

AUDIT ADJUSTMENTS
WEDCO DISTRICT HEALTH DEPARTMENT
June 30, 2012

NO ADJUSTMENTS