

**LEXINGTON-FAYETTE URBAN COUNTY
DEPARTMENT OF HEALTH
Lexington, Kentucky**

**FINANCIAL STATEMENTS
June 30, 2023**

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INDEPENDENT AUDITORS' REPORT

The Board of Health
Lexington-Fayette Urban County Department of Health
Lexington, Kentucky

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Lexington-Fayette Urban County Department of Health (the Health Department), a component unit of the Lexington-Fayette Urban County Government, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Health Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Lexington-Fayette Urban County Department of Health, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Lexington-Fayette Urban County Department of Health and 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lexington-Fayette Urban County Department of Health's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 Health Department'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 Health Department'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 and the schedules of net pension and OPEB information on pages 27-30, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Health Department's basic financial statements. The supplementary budgetary comparison – budgetary basis, schedules of revenues and expenditures by reporting area – budgetary basis, the schedule of indirect costs – budgetary basis and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary budgetary comparison – budgetary basis, schedule of revenues and expenditures by reporting area – budgetary basis, the schedule of indirect costs – budgetary basis and the schedule of expenditures of federal awards are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26 2023, on our consideration of the 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 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 Health Department'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 Health Department's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
September 26, 2023



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September 26, 2023

This discussion and analysis of the Lexington-Fayette County Health Department's (LFCHD) financial performance provides an overview of financial activities for the fiscal year ended June 30, 2023. Please read this document in conjunction with LFCHD's financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

The basic financial statements include: (1) statement of net position, (2) statement of revenues, expenses, and changes in net position, and (3) statement of cash flows. This report includes additional information to supplement the basic financial statements.

LFCHD's financial statements are similar to those found in the private sector, with its basis in full accrual accounting and in conformity with "Generally Accepted Accounting Principles (GAAP)." Equity is described as Net Assets.

FINANCIAL HIGHLIGHTS

LFCHD's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$(27,540,722) (net position) for the fiscal period reported.

Total net assets are comprised of the following:

- (1) Capital assets, net of accumulated depreciation of \$1,946,806.
- (2) Designated Funds of \$162,288.
- (3) Unrestricted Funds of \$(29,649,816).

At the end of the fiscal year, the unrestricted fund balance was \$(29,649,816). This compares with the fiscal year 2022 unrestricted fund balance of \$(36,228,041). Of the \$76,692,978 reported in total liabilities, \$73,464,957 were related to pension liabilities and post-employment benefits other than pensions (OPEB).

HIGHLIGHTS FROM FY 2023 AND OBSERVATIONS ABOUT FY 2024

- LFCHD achieved budget objectives for fiscal year 2023 and generated a \$4.4 million net surplus.
- For fiscal year 2024, LFCHD's approved budget anticipates a projected deficit of \$1.5 million. This will be covered by unrestricted reserves. The budget includes \$4.3 million in capital expenditures. The budget also includes a Kentucky Pension Plan Authority (KPPA) employer contribution of \$5.67 million. State subsidies cover \$3.8 million of these costs for a net contribution of \$1.87 million.
- The Lexington-Fayette County Board of Health voted to adopt the compensating tax rate calculated at 2.6 cents per \$100 of assessed property value. This is a 0.2 cent reduction in the tax rate. This is the first change in the tax rate since 2004.
- A market compensation survey was conducted by Hanna Resource group resulting in a change to the salary grid in which many employees received salary increases in order to meet the minimums in those new grids. Tenure increases were also given to move employees throughout the salary grid and reduce compression. They were applied as follows: 3 years of employment, 1% increase; 5 years, 2%; 10 years, 3%; 15 years, 4%; and, 20 years or more, 5%. In addition, all employees received a 6% Cost of Living Adjustment (COLA).
- Management and the Board of Health Finance Committee completed and implemented an investment policy to better manage the balance sheet. As of June 30, 2023, the health department had invested \$21 million in United States Treasury Bills and Certificates of Deposits, both completely insured. The approximate annual yield for these investments is 5%.
- Throughout the period from July 2022 to June 2023, LFCHD made significant progress in completing the Community Health Assessment (CHA). The department engaged in 13 meaningful conversations with diverse community groups, collected 700 responses through a community health survey, and initiated a PhotoVoice project to gain insights into behavioral health. LFCHD is in the final stages of consolidating data and anticipate releasing the comprehensive CHA report in October 2023.
- From July 1, 2022, to June 30, 2023, 21,661 COVID-19 reported cases in Lexington residents were received. More than half of these reports (11,351) were from the first quarter of FY23, July 1 through September 30, 2022, with reports significantly decreasing (355) following the federal declaration to the end of the public health emergency on May 11, 2023.
- As COVID-19 cases steadily declined throughout FY23, contract staffing decreased on July 1, 2022 from 54 to 17 staff, then again on February 24, 2023, from 17 to 4 staff, then again on June 30, 2023 from 4 to 2 people. This consists of one local assignee and one regional assignee. The regional assignee also serves as a resource for other local health departments as needed.
- Between July 1, 2022, and June 30, 2023, public health nurses provided 2,376 COVID-19 vaccinations. These vaccinations were provided through a combination of 10 community clinics, homebound services, and through same day appointments in the public health clinic.
- In FY 2023, LFCHD's Harm Reduction Program served 1791 unique clients during 16,102 participant visits, received 738,138 syringes, and distributed 829,075 sterile needles (89.03% return rate for FY23). The program connected 160 individuals to treatment referrals for substance use disorder.

- In partnership with LFUCG, 3,566 free naloxone kits were distributed to participants at the Harm Reduction Program and to community members at 86 community events. Kits were funded through a FR-CARA SAMHSA grant. Due to the success of this 4-year project, SAMHSA selected it as a “Shining Star” to share with Congress. In FY 2023, LFCHD received \$427,320 in funding to purchase 6,900 2-dose kits of this life-saving medication. This grant has been renewed for another 4 years and the cost of naloxone has dropped significantly as it becomes available over-the-counter and generic versions drive down the price. LFCHD also partnered with Fayette County Public Schools to purchase and stock overdose boxes containing naloxone to install on the wall with other emergency devices in every school. High schools received 3 overdose boxes, middle schools received 2 and elementary schools received 1. Each box will contain two 2-dose kits of naloxone and a CPR mask.
- LFCHD received \$150,000 in grant funding from the Centers for Disease Control and Prevention (CDC) and the Kentucky Injury Prevention and Research Center (KIPRC) to expand naloxone training and distribution to justice-involved individuals. In addition, these grantors provided \$166,000 to support expanded naloxone distribution and education in the community to individuals in treatment facilities, the unsheltered, and people of color.
- During the 2022-23 school year, school nurses documented 69,077 health office visits, with 86% of the student visits being sent back to class. The contract was amended twice to provide 1,080 additional summer school nurse hours to help cover FCPS Summer Ignite classes, and to increase staffing, allowing the placement of full-time nurses in schools. With the last amendment, all traditional schools and the preschool center have full-time nursing coverage
- From July 1, 2022, to June 30, 2023, 11 Fayette County residents diagnosed with active tuberculosis (TB) disease received monitoring and treatment via LFCHD’s TB control program. During this time period, LFCHD clinic staff provided surveillance to 138 clients referred to the TB program for evaluation, management and treatment of TB disease versus TB infection.
- The Women, Infants, and Children (WIC) program has been operating under physical exemption waivers since the start of the pandemic, March 2020. The public health emergency waiver ended in May of this year, allowing an additional 90 days to transition prior to moving toward in-person visits. The USDA, however, announced additional waiver flexibilities for remote services, which would allow a hybrid model. From July 2022-June 2023, the program saw a dramatic increase in caseload from 5,858 to 6,881. During this timeframe, the WIC program also underwent a formula recall with the newly contracted formula company, Abbott. This proved to be taxing on staff when navigating the increase in caseload and reaching concerned families regarding their infant and formula. In the new fiscal year, the goal is to maintain the caseload while navigating a new way of seeing WIC patients.
- Upon discovery of mold during the winter of FY 23, the health department put together a two-phase mold remediation plan. The first phase of the plan was completed when both air handlers were professionally cleaned and air scrubbers were placed throughout the building. The second phase involves replacing ceilings, cleaning air ducts, and cleaning/replacing carpet. This is in the budget and will be completed in FY24 and FY25 as part of a larger building improvement plan.
- Community Education Health Equity Education (CHEE) staff attended and provided nutrition and handwashing education and resources at the following events: Fire Prevention Event, Roots and Heritage Festival, HIV Testing Event-KIRP, Kentucky Black Pride Event, LTMS Health Fair for Families, Self-care Fair Event, Green Acres Hollow Creek, and Breckenridge Day, Rock the Block Community Fest and Back to Bash, Community Resource Fair at Bluegrass Community and Technical College, Token Club

Alcoholism Treatment Program: HIV Testing Event, Family Fun Day at Duncan Park, POP Club, and Back to School Rally and Resource event in Winburn. Staff provided HIV testing to 12 students and provided HIV-related materials/resources to the Chapter of Delta Sigma Theta Sorority at UK campus. Also, CHEE provided nutritional, hydration, and handwashing materials for the youth at the Breakfast with Santa event. CHEE hosted an HIV testing event at Galaxy Salon de Belleza in celebration of National Latino AIDS Awareness Day. Staff also provided a nutritional and handwashing educational station for the youth at the fire prevention event.

- The LFCHD Health Access Nurturing Development Services (HANDS) staff averaged 68.3% productivity rate for FY23. The loss of staff members and subsequent hiring/training of new staff impacted productivity and monthly averages. Additionally, HANDS staff experienced a high degree of illness, both in the families served and the staff themselves, that resulted in loss of potential visits. Monthly productivity numbers were as follows: July 70%; August 63%; September 79%; October 70%; November 64%; December 64%; January 53%; February 69%; March 80%; April 72%; May 64%; June 72%.
- HANDS ran a 6-month billboard campaign with Lamar advertising. Five Lexington billboards promoting HANDS were placed in targeted regions of Fayette County each month from July through December of 2022.
- During FY 23, LFCHD provided a total of 1,021 influenza vaccines through the Public Health Clinic and community clinics, including 497 given during a free flu vaccine event in October 2022.
- Within Fayette County, Environmental Health (EH) staff provided regulatory inspections of all foodservice establishments, public swimming pools, hotels and motels, schools, tattoo and piercing studios, and grocery stores. This equated to 11,912 field services. EH also investigated and monitored all animal bite reports and constituent-reported, health-related complaints. In addition, EH designed, permitted, and inspected all septic system sewer treatment systems within the county.
- Environmental Health continued to improve on processes for payment of Environmental fees. In order to assure proper documentation of credit card fees paid over the phone, a work group convened and developed a form to be filled out to document the transaction in addition to the receipt. The form has worked well and will continue to be evaluated.
- Changes occurred in senior leadership during FY23. Two Commissioners of Health departed LFCHD after working 5 months and 4 months respectively. In May, the Board of Health appointed an interim Chief Administrative Officer to manage the health department during the search for a new Commissioner. A new Human Resources Officer began in August following a 2-month vacancy in that position and the Compliance Officer position became open in October. Both the Commissioner and Compliance Officer positions are expected to be filled in FY24.

These highlighted activities are compatible with the department's mission, vision and statutory requirements.



Jack Cornett
Interim Chief Administrative Officer
Lexington-Fayette County Health Department

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
STATEMENT OF NET POSITION
June 30, 2023

ASSETS

Current assets	
Cash and cash equivalents	\$ 17,308,899
Investments	21,524,633
Accounts receivable:	
Contracts and other, net	139,840
Interest receivable	107,782
Note receivable - HealthFirst Bluegrass, Inc.	60,764
Lease receivable - current	37,882
Prepaid expenses	<u>68,005</u>
Total current assets	<u>39,247,805</u>
Noncurrent assets	
Construction in progress	68,675
Capital assets, net	2,403,341
Note receivable - HealthFirst Bluegrass, Inc.	1,852,036
Lease receivable - noncurrent	<u>39,620</u>
Total noncurrent assets	<u>4,363,672</u>
Total assets	<u>43,611,477</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - pension	6,293,817
Deferred outflows - OPEB	<u>2,476,585</u>
Total deferred outflows of resources	<u>8,770,402</u>
Total assets and deferred outflows of resources	<u>\$ 52,381,879</u>

LIABILITIES

Current liabilities	
Accounts payable	\$ 1,066,320
Accrued payroll and fringes	1,092,610
Lease liability - current	122,513
Unearned grant revenue	<u>40,134</u>
Total current liabilities	<u>2,321,577</u>
Long-term liabilities	
Accrued annual leave	503,747
Lease liability - noncurrent	402,697
Net pension liability	62,402,016
Net OPEB liability	<u>11,062,941</u>
Total long-term liabilities	<u>74,371,401</u>
Total liabilities	<u>76,692,978</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - lease	77,502
Deferred inflows - pension	1,506,750
Deferred inflows - OPEB	<u>1,645,371</u>
Total deferred inflows of resources	<u>3,229,623</u>

NET POSITION

Net investment in capital assets	1,946,806
Restricted	
State funds	28,467
Federal funds	56,684
Fees	77,137
Unrestricted	<u>(29,649,816)</u>
Total net position	<u>(27,540,722)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 52,381,879</u>

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

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended June 30, 2023**

OPERATING REVENUES	
State grants	\$ 4,731,964
Federal grants	4,619,091
Tax appropriations	9,938,860
Medicare service fees	294
Medicaid service fees	1,076,103
School board contract	3,004,483
Fees and contracts	1,000,392
Insurance	72,871
Other fees and contracts	<u>547,491</u>
Total operating revenues	<u>24,991,549</u>
OPERATING EXPENSES	
Personnel	14,438,130
Operating	5,184,349
Amortization	128,953
Depreciation	<u>466,128</u>
Total operating expenses	<u>20,217,560</u>
OPERATING INCOME	<u>4,773,989</u>
NON-OPERATING INCOME (EXPENSE)	
Interest income	878,270
Interest expense	<u>(47,120)</u>
Total non-operating income (expense)	<u>831,150</u>
Change in net position	5,605,139
NET POSITION - BEGINNING OF YEAR	<u>(33,145,861)</u>
NET POSITION - END OF YEAR	<u>\$ (27,540,722)</u>

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

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
STATEMENT OF CASH FLOWS
for the year ended June 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from grantor agencies	\$ 9,849,548
Cash received from patients/other service fees	5,362,168
Tax apportionments	9,938,860
Payments for employee services and benefits	(16,163,405)
Payments to suppliers	<u>(4,793,748)</u>
Net cash provided by operating activities	<u>4,193,423</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Receipts from collections of notes	<u>59,141</u>
Net cash provided by non-capital financing activities	<u>59,141</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payment on lease liability	(112,356)
Interest expense	(47,120)
Purchases of capital assets	<u>(294,175)</u>
Net cash (used in) capital and related financing activities	<u>(453,651)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investments	(21,606,910)
Interest income	<u>852,767</u>
Net cash (used in) investing activities	<u>(20,754,143)</u>
Net (decrease) in cash and cash equivalents	(16,955,230)
Cash and cash equivalents - beginning of the year	<u>34,264,129</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 17,308,899</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 4,773,989
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	595,081
Net changes in pension liabilities	(1,750,398)
Net changes in OPEB liabilities	11,899
Change in assets and liabilities:	
Contracts and other receivables	154,434
Prepaid expenses	(29,921)
Accounts payables	210,600
Accrued payroll and fringes	209,922
Unearned grant revenue	4,593
Accrued annual leave	<u>13,224</u>
Net cash provided by operating activities	<u>\$ 4,193,423</u>
Supplemental disclosure of cash flow information:	
Noncash capital and related financing activities:	
Payables for capital items	<u>\$ 68,675</u>
Net non-cash capital and related financing activities	<u>\$ 68,675</u>

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

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Lexington-Fayette Urban County Department of Health (the Health Department) was created by legislative action under KRS 212 effective on July 1, 1977. The Health Department is governed by a Board which is a body politic and corporate. All real, personal, and mixed property prior to this act was transferred to the Board by this legislative action.

In accordance with Statement No. 14 issued by the Governmental Accounting Standards Board (GASB), the Health Department is considered part of the reporting entity of the Lexington-Fayette Urban County Government and, thus, is included as a component unit in the Government's Annual Comprehensive Financial Report (ACFR). The Lexington-Fayette Urban County Government provides some funding to the Health Department. The Health Department has no component units in these financial statements.

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 September 26, 2023, no formal reports have been issued as a result of audits performed or in progress for the year ended June 30, 2023.

Basis of Presentation

The Lexington-Fayette Urban County Department of Health is considered a Governmental Health Care Organization and prepares its financial statements in conformity with generally accepted accounting principles (GAAP). The Health Department is considered a special purpose government engaged in business-type activities for purposes of applying GASB Statement No. 34. Among its requirements, GASB Statement No. 34 requires special-purpose governments that are engaged only in business-type activities, to present financial statements required for enterprise funds, including required supplementary information (RSI), which consist of:

Management's Discussion and Analysis (MD&A)

Enterprise Fund Financial Statements, consisting of:

- Statements of net position
- Statements of revenues, expenses, and changes in net position
- Statements of cash flows

Notes to financial statements

The Health Department utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

Proprietary fund operating revenues and expenses are those directly attributable to various programs or cost centers. Non-operating revenues and expenses are non-program related items such as investment earnings, interest expense and gains/losses.

Cash and Cash Equivalents

The Health Department considers cash in banks, amounts in overnight repurchase accounts and short-term, highly liquid investments with initial maturities of 90 days or less, as cash and cash equivalents for the statement of cash flows.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments for the Health Department are comprised of brokered certificates of deposits, treasury securities and agency bonds. Investments are reported at fair market value in accordance with generally accepted accounting principles.

Accounts Receivable

Accounts receivable from insurance, Medicaid and private pay patients are reserved at varying rates based on historical collections. The allowance totaled \$28,788 for the year ended June 30, 2023.

Capital Assets

Property and equipment are capitalized in the statement of net position and depreciation is included in the statement of revenues, expenses and changes in net position for the year ended June 30, 2023, with the following asset lives:

Description	Estimated Life (Years)
Building and improvements	40 years
Equipment	5-20 years

It is the policy of the Health Department to depreciate all tangible building or equipment acquisitions of \$1,000 or more on a straight-line basis.

Revenue

Federal and state revenues for services are recognized as costs are incurred and are based upon reimbursement reports filed by the Health Department for eligible services.

Funding restricted for specific programs in excess of those programs' allowed reimbursements or expenditures are recorded at year end in Net Position – Restricted. Certain unrestricted revenue or revenue expected to be refunded to the state is classified as unearned revenue.

The Health Department is directed by the State, in what order to use restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Public Health Tax

The Health Board passed a resolution during the year ended June 30, 2023, to set the Public Health Tax at the rate of 2.6 cents per \$100 assessed valuation of all properties within Fayette County. Taxes remitted to the Health Department amounted to \$8,937,547 for the year ended June 30, 2023. Total taxes, including support from the Lexington-Fayette Urban County Government, totaled \$9,938,860 for the year ended June 30, 2023.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kentucky Employees Retirement System Plan (KERS) and additions to/deductions from KERS' fiduciary net position have been determined on the same basis as they are reported by KERS. For this purpose, benefit payments, (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Kentucky Employees' Retirement System (KERS) and additions to/deductions from KERS' fiduciary net position have been determined on the same basis as they are reported by KERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Cost Allocation

The Health Department uses an indirect cost allocation plan approved by the Commonwealth of Kentucky, Cabinet for Health and Family Services, Department for Public Health, and is prepared in accordance with 2 CFR Part 200.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Subscription-based Information Technology Arrangements

Effective July 1, 2022, the Health Department implemented Governmental Accounting Standards Board (GASB) Statement No.96, Subscription-based Information Technology Arrangements. GASB Statement No. 96 requires recognition of a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability for subscription-based information technology arrangements (SBITA) that were previously classified as operating expenses. It establishes uniform guidance for SBITA accounting based on the foundational principle that SBITA are financings of the right to use vendor-provided information technology assets. Government entities are required to recognize a subscription liability and an intangible right-to-use subscription asset. These changes had no effect on the financial statements.

Management's Review of Subsequent Events

The Health Department has evaluated and considered the need to recognize or disclose subsequent events through September 26, 2023, 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, 2023, have not been evaluated by the Health Department.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

2. CASH AND CASH EQUIVALENTS

KRS 66.480 authorizes the Health Department 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 Health Department 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 Health Department 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.

At June 30, 2023, the Health Department maintained all cash accounts under a “sweep account” with a bank in Lexington, Kentucky. This account is a Public Funds Auto-sweep Account with a target balance of \$100,000. Excess funds over the \$100,000 target are invested overnight in increments of \$1,000. The funds invested overnight are backed by U.S. Treasury Bills or Agencies Money. Non-overnight funds in the account under \$250,000 are covered by FDIC, while any funds over \$250,000 are backed by Treasury Bills and Agencies. All funds were fully secured at June 30, 2023.

The following is a detail of the Health Department’s cash deposit coverage at June 30, 2023:

Total cash and cash equivalents	\$ 17,453,132
FDIC insurance	(500,000)
Collateral pledged by bank	<u>(20,257,284)</u>
(Over) Collateralized	<u>\$ (3,304,152)</u>

3. INVESTMENTS

As of June 30, 2023, the Health Department had a total of \$21,524,633 in investments. Investment details are as follows:

	Cost	Market Value	Unrealized Gain/(Loss)
Agencies	\$ 1,492,125	\$ 1,481,032	\$ (11,093)
Brokered Certificates of Deposit	3,445,000	3,376,331	(68,669)
US Treasury Securities	<u>16,669,785</u>	<u>16,667,270</u>	<u>(2,515)</u>
Total investments	<u>\$ 21,606,910</u>	<u>\$ 21,524,633</u>	<u>\$ (82,277)</u>

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4. NOTE RECEIVABLE

In a note dated August 27, 2015, the Health Department converted an account receivable due from HealthFirst Bluegrass, Inc. into a note receivable due to the Health Department. The note is in the amount of \$1,912,800 as of June 30, 2023 and is due in full on July 1, 2046. The note bears interest at a rate of 2.71% per annum beginning June 1, 2016 with monthly interest payments required after that date. Principal payments began July 1, 2021.

5. LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES

During 2022, the Health Department implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which requires recognition of certain assets that previously were classified as operating leases and recognized as revenue based on the payment provisions of the contract. Based on the status of existing lease agreements with HealthFirst Bluegrass, Inc. as of July 1, 2021, the Health Department recognized both a lease receivable and a deferred inflow of resources related to a building lease agreement totaling \$125,630. The lease agreement has a term of four years. The Health Department has calculated the present value of future lease payments based on an incremental borrowing rate of 5%. The present value of expected future minimum leases payments are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 37,882	\$ 4,668	\$ 42,550
2025	<u>39,620</u>	<u>2,930</u>	<u>42,550</u>
Total	<u>\$ 77,502</u>	<u>\$ 7,598</u>	<u>\$ 85,100</u>

Additionally, the Health Department recognized deferred inflows of resources related to the above leases that totaled \$77,502 as of June 30, 2023. The deferred inflows of resources will be recognized over the term of the lease agreements as lease revenue. During 2023, the Health Department recognized \$6,655 of interest revenue and \$35,895 of lease revenue from the lease agreements.

6. CAPITAL ASSETS

A summary of capital asset activity during the year follows:

	June 30, 2022	Acquisitions	Disposals	June 30, 2023
Construction in progress – not depreciated	\$ -	\$ 68,675	\$ -	\$ 68,675
Buildings	2,638,972	-	-	2,638,972
Building improvements	2,935,328	137,748	-	3,073,076
Equipment, furniture & fixtures	2,533,129	156,428	-	2,689,557
Leasehold improvements	36,910	-	-	36,910
Leased building	471,842	-	-	471,842
Leased equipment	<u>263,748</u>	<u>-</u>	<u>-</u>	<u>263,748</u>
Total	8,879,929	362,851	-	9,242,780
Less: accumulated depreciation	(6,056,320)	(466,128)	-	(6,522,448)
Less: accumulated amortization	<u>(119,363)</u>	<u>(128,953)</u>	<u>-</u>	<u>(248,316)</u>
Net	<u>\$ 2,704,246</u>	<u>\$ (232,230)</u>	<u>\$ -</u>	<u>\$ 2,472,016</u>

Depreciation and Amortization expense for the year ended June 30, 2023 totaled \$466,128 and \$128,953, respectively.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
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7. LONG-TERM LIABILITIES

Employees are paid accumulated annual leave upon termination of employment. All accumulated leave in excess of 337.5 hours is converted to annual sick leave each December 31. However, paid leave can accrue in excess of 337.5 hours from January 1 to date of termination.

Employees that retire have the ability to apply their accumulated annual sick leave towards purchasing additional time in the KERS retirement system. The Health Department cannot estimate what these amounts may be. Any payments made under this arrangement will be expensed in the year incurred.

Lease liability – building

The Health Department entered into a lease agreement with TIMBRR, LLC, in April 2018, for space at 1051 Whipple Court, Suite 110, Lexington, Kentucky. The space leased consists of approximately 9,840 square feet. The Health Department has recorded a leased building asset and a related lease liability for the building space totaling \$471,842. Payments on the lease will be made over a period of seven years. The liability and related leased equipment asset have been recorded at the present value of the future minimum lease payments based on an incremental borrowing rate of 5%.

Amortization expense for the building for the year ended June 30, 2023 totaled \$66,613.

The annual principal and interest requirements to maturity for the lease liability is as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 64,488	\$ 17,013	\$ 81,501
2025	68,761	13,673	82,434
2026	72,422	10,152	82,574
2027	76,271	6,443	82,714
2028	80,354	2,537	82,891
2029	6,880	30	6,910
	\$ 369,176	\$ 49,848	\$ 419,024

Lease liability – equipment

The Health Department entered a copier lease with Cannon on February 1, 2021. The Health Department has recorded a leased equipment asset and a related lease liability for the copiers totaling \$263,748. Payments on the lease will be made over a period of five years. The liability and related leased equipment asset have been recorded at the present value of the future minimum lease payments based on an incremental borrowing rate of 5%.

Amortization expense for the building for the year ended June 30, 2023 totaled \$62,340.

The annual principal and interest requirements to maturity for the lease liability is as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 58,025	\$ 6,484	\$ 64,509
2025	60,995	3,514	64,509
2026	37,014	619	37,633
	\$ 156,034	\$ 10,617	\$ 166,651

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
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7. LONG-TERM LIABILITIES (CONTINUED)

Long-term liability activity for the year ended June 30, 2023 is as follows:

	June 30, 2022	Additions	Deletions	June 30, 2023
Net pension liability	\$ 62,927,340	\$ -	\$ (525,324)	\$ 62,402,016
Net OPEB liability	10,972,635	90,306	-	11,062,941
Lease liability	637,556	-	(112,356)	525,210
Accrued leave	<u>490,523</u>	<u>13,224</u>	<u>-</u>	<u>503,747</u>
	<u>\$ 75,028,064</u>	<u>\$ 103,530</u>	<u>\$ (637,680)</u>	<u>\$ 74,493,914</u>

8. RESTRICTED NET POSITION

From time to time, net position is restricted due to specific program restrictions. These restrictions may occur at the State, Federal, Fee or Program level. At June 30, 2023, net position was restricted as follows:

	State	Federal	Fees	Totals
725 - Covid Comm Outreach & Equity	\$ -	\$ 2,716	\$ -	\$ 2,716
737 - PHEP Ebola	-	61	-	61
738 - COVID Immunization	-	20,303	12,500	32,803
741 - HANDS Special Project	28,467	-	-	28,467
758 - Human Vitality	-	-	60,652	60,652
810 - Adult Visits	-	-	3,985	3,985
833 - Breast Feeding Support	-	1,838	-	1,838
837 - Abstinence	-	423	-	423
839 - HIV Community Plan Group	-	480	-	480
842 - HIV Funds	-	12,826	-	12,826
843 - HIV Preventions & Planning	-	1,037	-	1,037
845 - Linkage Navigator	<u>-</u>	<u>17,000</u>	<u>-</u>	<u>17,000</u>
Totals	<u>\$ 28,467</u>	<u>\$ 56,684</u>	<u>\$ 77,137</u>	<u>\$ 162,288</u>

9. RETIREMENT PLAN

The Health Department is a participating employer of the Kentucky Employees' Retirement System (KERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky Public Pensions Authority administers the KERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Public Pensions Authority's website.

Plan Description – KERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of participating state agencies, and any additional eligible local agencies electing to 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 at the discretion of state legislature.

Contributions – For the year ended June 30, 2023, grandfathered plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 were required to contribute 6% of wages for non-hazardous job classifications.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
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June 30, 2023

9. RETIREMENT PLAN (CONTINUED)

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.00% of wages to their own account and 1% to the health insurance fund. The employer contribution rate is set annually by the Board based on an actuarial valuation. The employer contributes a set percentage of each member's salary. Each month, when employer contributions are received, an employer pay credit is deposited to the member's account. For non-hazardous members, their account is credited with a 4% employer pay credit. The employer pay credit represents a portion of the employer contribution.

Participating employers were required to contribute at an actuarially determined rate. 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 proceeding 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 basis adopted by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

Pursuant to Kentucky Revised Statute (KRS) 61.5991, the method of calculating the employer contribution changed from a percentage of pay to a two-part calculation effective July 1, 2022:

The normal cost contributions are based on each employers' reported payroll multiplied by the normal cost percentage. House Bill 1, passed during the 2022 regular session of the legislature, set the KERS non-hazardous employer contribution rate for the year ended June 30, 2023 at 9.97% (7.82% to the pension fund and 2.15% to the insurance fund).

The unfunded liability cost is an actuarially accrued liability contribution based upon the actuarial valuation for fiscal year 2022 and is prorated according to each employer's percentage of the plan's total actuarial accrued liability that is attributable to each employer's current and former employees. The Health Department's share of the actuarially accrued liability contribution is 0.46606%, with 90% allocated to the pension fund and 10% allocated to the insurance fund.

The Health Department contributed \$5,558,768, \$792,296 normal cost contribution and \$4,766,472 as the actuarially accrued liability contribution, for the year ended June 30, 2023, which is 100% of the required contribution. The contribution was allocated \$4,911,265 to the KERS pension fund and \$647,503 to the KERS insurance fund.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
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9. RETIREMENT PLAN (CONTINUED)

Benefits – KERS provides retirement, health insurance, death and disability benefits to Plan employees and beneficiaries. Employees are vested in the plan after five years' service. For retirement purposes, employees are grouped into three tiers based on hire date:

- Tier 1 Participation date Before September 1, 2008
 - Unreduced retirement 27 years service or 65 years old
 - Reduced retirement At least 5 years service and 55 years old or 25 years service and any age

- Tier 2 Participation date September 1, 2008 - December 31, 2013
 - Unreduced retirement At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87+
 - Reduced retirement At least 10 years service and 60 years old

- Tier 3 Participation date After December 31, 2013
 - Unreduced retirement At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87+
 - Reduced retirement Not available

Cost of living adjustments are provided at the discretion of the General Assembly. Retirement is based on a factor of the number of years' service and hire date multiplied by the average of the highest five years' earnings. Reduced benefits are based on factors of both of these components. Participating employees become eligible to receive the health insurance benefit after at least 180 months of service.

Death benefits are provided for both death after retirement and death prior to retirement. Death benefits after retirement are \$5,000 in lump sum. Five years' service is required for death benefits prior to retirement and the employee must have suffered a duty-related death. The decedent's beneficiary will receive the higher of the normal death benefit and \$10,000 plus 25% of the decedent's monthly final rate of pay and any dependent child will receive 10% of the decedent's monthly final rate of pay up to 40% for all dependent children. Five years' service is required for nonservice-related disability benefits.

Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023, the Health Department reported a liability of \$62,402,016 or its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward using generally accepted actuarial procedures. The Health Department's proportion of the net pension liability was based on a projection of the Health Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the Health Department's proportion was .4703%, which decreased .0022% from its proportion measured as of June 30, 2021.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

9. RETIREMENT PLAN (CONTINUED)

For the year ended June 30, 2023, the Health Department recognized pension expense of \$3,156,628. At June 30, 2023, the Health Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 1,346,121	\$ 73,103
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	1,104,280
Changes in proportion and differences between the Department contributions and proportionate share of contributions	43,267	329,367
Department contributions subsequent to the measurement date	<u>4,904,429</u>	<u>-</u>
Total	<u>\$ 6,293,817</u>	<u>\$ 1,506,750</u>

The \$4,904,429 of deferred outflows of resources resulting from the Health Department's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Contributions exclude \$6,836 of contributions for employees that previously retired and were subsequently re-employed. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,

2024	\$ (355,426)
2025	\$ (6,711)
2026	\$ (61,021)
2027	\$ 305,796

Actuarial Assumptions – The total pension liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.30% to 15.30%, varies by service
Investment rate of return	5.25%, net of Plan investment expense, including inflation

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
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9. RETIREMENT PLAN (CONTINUED)

The mortality table used for active members was a PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disable members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2022 valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2021) to the plan's fiscal year ending June 30, 2022.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years. Several factors are considered in evaluating the long-term rate of return assumptions including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target allocation and best estimates of nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	39.50%	
Public Equity	32.50%	4.45%
Private Equity	7.00%	10.70%
Fixed Income	40.50%	
Core Bonds	20.50%	0.28%
Specialty Credit/High Yield	15.00%	2.28%
Cash	5.00%	-0.91%
Inflation Protected	20.00%	
Real Estate	10.00%	3.67%
Real Return	10.00%	4.07%
Total	100.00%	3.28%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		5.58%

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
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9. RETIREMENT PLAN (CONTINUED)

Discount Rate – The discount rate used to measure the total pension liability was 5.25 percent. The projection of cash flows used to determine the discount rate assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over a closed 30-year amortization period of the unfunded actuarial accrued liability. The actuarial determined contribution rate is adjusted to reflect the phase in of anticipated gains on actuarial value of assets over the first four years of the projection period. The discount rate does not use a municipal bond rate.

Sensitivity of the Health Department’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following presents the Health Department’s proportionate share of the net pension liability calculated using the discount rate of 5.25 percent, as well as what the Health Department’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25 percent) or 1-percentage-point higher (6.25 percent) than the current rate:

	<u>Discount rate</u>	<u>Department’s proportionate share of net pension liability</u>
1% decrease	4.25%	\$ 71,772,469
Current discount rate	5.25%	\$ 62,402,016
1% increase	6.25%	\$ 54,686,309

Payable to the Pension Plan – At June 30, 2023, the Health Department reported a payable of \$452,001, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023. The payable will be allocated as follows: \$400,464 to the pension plan and \$51,537 to the OPEB plan.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description – As more fully described in Note 9, the Health Department participates in the Kentucky Employees’ Retirement System (KERS). KERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of participating state agencies, and any additional eligible local agencies electing to participate in the System. In addition to retirement benefits, the plan provides for health insurance benefits to plan members (other postemployment benefits or OPEB). OPEB benefits may be extended to beneficiaries of plan members under certain circumstances.

Contributions – As more fully described in Note 9, plan members contribute to KERS for non-hazardous job classifications. For the year ended June 30, 2023, the employer’s contribution was 2.15% to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through KERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding 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 basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

The Health Department contributed \$5,558,768, \$792,296 normal cost contribution and \$4,766,472 as the actuarially accrued liability contribution, for the year ended June 30, 2023, which is 100% of the required contribution. The contribution was allocated \$4,911,265 to the KERS pension fund and \$647,503 to the KERS insurance fund.

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10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Benefits – KERS provides health insurance benefits to Plan employees and beneficiaries.

For retirement purposes, employees are grouped into three tiers based on hire date:

- Tier 1 Participation date Before July 1, 2003
Insurance eligibility 10 years of service credit required
Benefit Set percentage of single coverage health insurance based on service credit accrued at retirement

- Tier 1 Participation date Before September 1, 2008 but after July 1, 2003
Insurance eligibility 10 years of service credit required
Benefit Set dollar amount based on service credit accrued, increased annually

- Tier 2 Participation date After September 1, 2008 and before December 31, 2013
Insurance eligibility 15 years of service credit required
Benefit Set dollar amount based on service credit accrued, increased annually

- Tier 3 Participation date After December 31, 2013
Insurance eligibility 15 years of service credit required
Benefit Set dollar amount based on service credit accrued, increased annually

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2023, the Health Department reported a liability of \$11,062,941 or its proportionate share of the total net OPEB liability. The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2021, and rolled forward using generally accepted actuarial procedures. The Health Department's proportion of the net OPEB liability was based on a projection of the Health Department's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2022, the Health Department's proportion was .5001%, which increased .0187% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Health Department recognized OPEB expense of \$890,433. At June 30, 2023, the Health Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual results	\$ 269,546	\$ 886,098
Changes of assumptions	621,846	-
Net difference between projected and actual earnings on Plan investments	225,714	733,957
Changes in proportion and differences between the Department contributions and proportionate share of contributions	493,019	25,316
Department contributions subsequent to the measurement date	<u>866,460</u>	<u>-</u>
Total	<u>\$ 2,476,585</u>	<u>\$ 1,645,371</u>

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
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10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

The \$866,460 of deferred outflows of resources resulting from the Health Department’s contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2024. Contributions exclude \$1,879 of contributions for employees that previously retired and were subsequently re-employed. Contributions also include an adjustment of \$220,836 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2024	\$ 75,437
2025	\$ (158,433)
2026	\$ (131,063)
2027	\$ 178,813

Actuarial Assumptions – The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.30% to 15.30%, varies by service
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 6.20% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65:	Initial trend starting at 9.00% at January 1, 2024, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

The mortality table used for active members was a PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2019. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumption used in the June 30, 2022 valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2021) to the plan’s fiscal year ending June 30, 2022.

The long-term expected rate of return was determined by using a building block method in which best estimate ranges of expected future real rates of returns are developed for each asset class. The ranges are combined by weighting the expected future real rate of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rate of return for each major asset class is summarized in the table below. The current long-term inflation assumption is 2.30% per annum for the non-hazardous system.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	53.50%	
Public Equity	43.50%	4.45%
Private Equity	10.00%	10.15%
Fixed Income	26.50%	
Core Bonds	10.00%	0.28%
Specialty Credit/High Yield	15.00%	2.28%
Cash	1.50%	-0.91%
Inflation Protected	20.00%	
Real Estate	10.00%	3.67%
Real Return	10.00%	4.07%
Total	100.00%	4.08%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.38%

Discount Rate – The discount rate used to measure the total OPEB liability was 5.72 for non-hazardous classification. The projection of cash flows assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.69%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2022. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the CARF.

Sensitivity of the Health Department’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate – The following presents the Health Department’s proportionate share of the net OPEB liability calculated using the discount rates as well as what the Health Department’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount rate	Department’s proportionate share of net OPEB liability
1% decrease	4.72%	\$ 13,244,272
Current discount rate	5.72%	\$ 11,062,941
1% increase	6.72%	\$ 9,055,542

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2023**

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

Sensitivity of the Health Department's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the Health Department's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Department's proportionate share of net OPEB liability
1% decrease	\$ 9,095,578
Current discount rate	\$ 11,062,941
1% increase	\$ 13,175,724

OPEB plan fiduciary net position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued financial report.

Payable to the Pension Plan – At June 30, 2023, the Health Department reported a payable of \$452,001, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2023. The payable will be allocated as follows: \$400,464 to the pension plan and \$51,537 to the OPEB plan.

11. EMERGENCY RESPONSE

As the result of participation in emergency preparedness with both Federal and State agencies, the Lexington-Fayette Urban County Department of Health has become the custodian of more than \$600,000 of emergency response supplies and materials. These items, to be used in a regional or local response, are stored in an 11,000 square foot warehouse in close proximity to 650 Newtown Pike. The Health Department maintains insurance and provides facilities for storage. The inventory was not a recorded asset of the Health Department at June 30, 2023.

12. RISK MANAGEMENT

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

13. UNRESTRICTED NET POSITION

The Health Department reported unrestricted net position of (\$29,649,816) for the year ended June 30, 2023. This deficit is caused by adjustments from the implementation of GASB 68 and GASB 75. The net effect of deferred outflows, deferred inflows and the net pension and OPEB liability is (\$67,846,676) for the year ended June 30, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
REQUIRED SUPPLEMENTARY SCHEDULE
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last Ten Fiscal Years**

Reporting period	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Measurement period	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Health Department's proportion of the net pension liability	0.6800%	0.6830%	0.5727%	0.3754%	0.4183%	0.4259%	0.4451%	0.4499%	0.4725%	0.4703%
Health Department's proportionate share of the net pension liability (asset)	\$ 59,370,000	\$ 61,259,339	\$ 57,988,999	\$ 42,797,000	\$ 55,998,909	\$ 57,949,277	\$ 62,854,562	\$ 63,730,740	\$ 62,927,340	\$ 62,402,016
Health Department's covered employee payroll	\$ 12,504,599	\$ 12,182,346	\$ 10,240,334	\$ 6,042,668	\$ 6,412,310	\$ 6,450,516	\$ 6,495,683	\$ 6,386,956	\$ 7,098,496	\$ 6,840,702
Health Department's share of the net pension liability (asset) as a percentage of its covered employee payroll	474.79%	502.85%	566.28%	708.25%	873.30%	898.37%	967.64%	997.83%	886.49%	912.22%
Plan fiduciary net position as a percentage of the total pension liability	24.08%	22.32%	18.83%	14.80%	13.30%	12.84%	13.66%	14.01%	18.48%	18.51%

Notes:

The Health Department's covered payroll reported above is payroll for the corresponding measurement date on the net pension liability and differs from the Health Department's fiscal year payroll, reported on the Schedule of Contributions.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
REQUIRED SUPPLEMENTARY SCHEDULE
PENSION CONTRIBUTIONS
Last Ten Fiscal Years**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	\$ 1,954,131	\$ 2,408,718	\$ 1,912,598	\$ 2,580,314	\$ 2,648,582	\$ 2,667,127	\$ 2,622,484	\$ 2,925,956	\$ 4,900,239	\$ 4,911,265
Contributions relative to contractually required employer contribution	<u>1,954,131</u>	<u>2,408,718</u>	<u>1,912,598</u>	<u>2,580,314</u>	<u>2,648,582</u>	<u>2,667,127</u>	<u>2,622,484</u>	<u>2,925,956</u>	<u>4,900,239</u>	<u>4,911,265</u>
Contribution deficiency (excess)	<u>\$ -</u>									
Health Department's covered employee payroll	\$ 12,182,346	\$ 10,240,334	\$ 6,042,668	\$ 6,412,310	\$ 6,450,516	\$ 6,495,683	\$ 6,386,956	\$ 7,098,496	\$ 6,840,702	\$ 7,859,385
Employer contributions as a percentage of covered-employee payroll	16.04%	23.52%	31.65%	40.24%	41.06%	41.06%	41.06%	41.22%	71.63%	62.49%

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
REQUIRED SUPPLEMENTARY SCHEDULE
PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
Last Seven Fiscal Years**

Reporting period	2017	2018	2019	2020	2021	2022	2023
Measurement period	2016	2017	2018	2019	2020	2021	2022
Health Department's proportion of the net OPEB liability	0.3754%	0.4183%	0.4256%	0.4451%	0.4499%	0.4814%	0.5001%
Health Department's proportionate share of the net OPEB liability (asset)	\$ 8,977,327	\$ 10,607,093	\$ 10,090,980	\$ 9,893,021	\$ 11,423,258	\$ 10,972,635	\$ 11,062,941
Health Department's covered employee payroll	\$ 6,042,668	\$ 6,412,310	\$ 6,450,516	\$ 6,495,683	\$ 6,386,956	\$ 7,098,496	\$ 6,840,702
Health Department's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	148.57%	165.42%	156.44%	152.30%	178.85%	154.58%	161.72%
Plan fiduciary net position as a percentage of the total pension liability	unavailable	24.40%	27.32%	30.92%	29.47%	38.38%	38.15%

Notes:

The Health Department's covered payroll reported above is payroll for the corresponding measurement date on the net OPEB liability and differs from the Health Department's fiscal year payroll, reported on the Schedule of Contributions.

The above schedule will present 10 years of historical data, once available.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
REQUIRED SUPPLEMENTARY SCHEDULE
OPEB CONTRIBUTIONS
Last Ten Fiscal Years**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required employer contribution	\$ 1,073,698	\$ 619,362	\$ 491,793	\$ 535,428	\$ 542,488	\$ 546,287	\$ 537,143	\$ 599,301	\$ 635,389	\$ 647,503
Contributions relative to contractually required employer contribution	<u>1,073,698</u>	<u>619,362</u>	<u>491,793</u>	<u>535,428</u>	<u>542,488</u>	<u>546,287</u>	<u>537,143</u>	<u>599,301</u>	<u>635,389</u>	<u>647,503</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Health Department's covered employee payroll	\$ 12,182,346	\$ 10,240,334	\$ 6,042,668	\$ 6,412,310	\$ 6,450,516	\$ 6,495,683	\$ 6,386,956	\$ 7,098,496	\$ 6,840,702	\$ 7,859,385
Employer contributions as a percentage of covered-employee payroll	8.81%	6.05%	8.14%	8.35%	8.41%	8.41%	8.41%	8.44%	9.29%	8.24%

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

1. GENERAL INFORMATION

Contributions

Contractually required employer contributions reported on the Schedule of Pension Contributions exclude the portion of contributions paid to KERS but allocated to the insurance fund of the KERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

Payroll

The Health Department's covered payroll reported on the Proportionate Share of the Net Pension Liability and the Proportionate Share of the Net OPEB Liability Schedules is one year prior to the Health Department's fiscal year payroll as reported on the Schedule of Contributions for Pensions and OPEB.

2. CHANGES OF ASSUMPTIONS

June 30, 2023 – Pension and OPEB Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2022, for either pension or OPEB.

June 30, 2022 – Pension and OPEB Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2021, for both pension and OPEB:

- The assumed rate of salary increased were decreased from 3.55% to 15.55% on average to 3.30% to 15.30% on average

June 30, 2021 – Pension and OPEB Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2020, for both pension and OPEB:

- Payroll growth assumption was reduced from 2% to 0%
- The assumed rate of salary increased were increased from 3.30% to 15.30% on average to 3.55% to 15.55% on average

June 30, 2020 – Pension and OPEB Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2019, for both pension and OPEB:

- The assumed rate of salary increased were increased from 3.05% average to 3.30% to 15.30%
- Payroll growth assumption was reduced from 4% to 0% for pension

June 30, 2019 – Pension and OPEB Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2018, for either pension or OPEB.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2023

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2018 – Pension and OPEB Nonhazardous

The following changes in assumptions were made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2017, for both pension and OPEB:

- The assumed rate of return was decreased from 6.75% to 5.25% for pension; OPEB's assumed rate of return stated at 6.25%
- The assumed rate of inflation was reduced from 3.25% to 2.30%
- Payroll growth assumption for OPEB was stated at 0%

June 30, 2017 – Pension and OPEB Nonhazardous

There were no changes in assumptions made by the Kentucky Legislature and reflected in the valuation performed as of June 30, 2016, for either pension or OPEB.

SUPPLEMENTARY INFORMATION

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SUPPLEMENTARY BUDGETARY COMPARISON - BUDGETARY BASIS
for the year ended June 30, 2023**

	Cost Center	Original Budget	Amended Budget	Actual	Variance
STATE GRANTS					
State restricted	422	\$ 706,235	\$ 726,893	\$ 641,285	\$ (85,608)
State restricted carryover	423	-	-	34,171	34,171
State health insurance	426	<u>4,104,336</u>	<u>4,104,336</u>	<u>4,090,679</u>	<u>(13,657)</u>
Total state grants		<u>4,810,571</u>	<u>4,831,229</u>	<u>4,766,135</u>	<u>(65,094)</u>
FEDERAL AWARDS					
Title V block grant	431	192,143	192,143	193,708	1,565
Payroll Protection Act (PPA)	434	-	-	24,106	24,106
Preventative services grant	435	3,000	13,000	14,255	1,255
Coronavirus response and relief	436	1,860,516	1,831,469	1,805,964	(25,505)
Federal programs	438	2,177,240	2,271,248	2,371,011	99,763
American Rescue Plan	441	125,000	175,000	210,047	35,047
Federal restricted carryover	440	<u>-</u>	<u>-</u>	<u>34,940</u>	<u>34,940</u>
Total federal awards		<u>4,357,899</u>	<u>4,482,860</u>	<u>4,654,031</u>	<u>171,171</u>
LOCAL FUNDS					
Local tax appropriations	451	<u>9,400,000</u>	<u>9,400,000</u>	<u>9,938,860</u>	<u>538,860</u>
Total local funds		<u>9,400,000</u>	<u>9,400,000</u>	<u>9,938,860</u>	<u>538,860</u>
FEEES FOR SERVICES					
Contracts, school board	459	3,017,593	3,017,593	3,004,483	(13,110)
Medicare (Title 18)	462	400	400	294	(106)
Medicaid (Title 19)	463	1,219,614	1,263,010	1,076,493	(186,517)
Prior year carryover	464	-	-	123,721	123,721
Fees and permits	466	709,977	721,963	1,000,392	278,429
Insurance	467	85,000	85,000	72,871	(12,129)
Other fees and contracts	469	<u>282,609</u>	<u>703,640</u>	<u>547,491</u>	<u>(156,149)</u>
Total fees for services		<u>5,315,193</u>	<u>5,791,606</u>	<u>5,825,745</u>	<u>34,139</u>
INTEREST INCOME	480	<u>65,000</u>	<u>232,234</u>	<u>871,615</u>	<u>639,381</u>
TOTAL REVENUES, BUDGETARY BASIS		<u>\$ 23,948,663</u>	<u>\$ 24,737,929</u>	<u>\$ 26,056,386</u>	<u>\$ 1,318,457</u>
Conversion to accrual basis:					
Additional accounts receivable, net				\$ 6,265	
Less prior year grant activity (used)				<u>(192,832)</u>	
TOTAL REVENUES, ACCRUAL BASIS				<u>\$ 25,869,819</u>	

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SUPPLEMENTARY BUDGETARY COMPARISON - BUDGETARY BASIS
for the year ended June 30, 2023**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
PERSONNEL EXPENSES				
Salaries	\$ 8,661,713	\$ 8,346,503	\$ 8,512,930	\$ 166,427
Fringe benefits	<u>8,444,917</u>	<u>8,240,420</u>	<u>7,484,350</u>	<u>(756,070)</u>
Total personnel expenses	<u>17,106,630</u>	<u>16,586,923</u>	<u>15,997,280</u>	<u>(589,643)</u>
OPERATING EXPENSES				
Contractual and professional services	725,950	773,466	533,529	(239,937)
Travel	62,570	77,180	83,858	6,678
Rent	99,000	99,000	137,857	38,857
Utilities	194,600	209,600	237,053	27,453
Janitorial service and supplies	183,500	163,500	173,130	9,630
Insurance	165,000	167,000	128,333	(38,667)
Building repairs and maintenance	467,000	537,000	752,103	215,103
Printing and copying	114,400	130,669	103,023	(27,646)
Telephone	238,223	224,223	261,657	37,434
Postage	34,150	32,991	27,146	(5,845)
Office supplies	31,450	31,450	36,577	5,127
Medical record supplies	72,500	41,500	7,277	(34,223)
Computer services and supplies	145,895	217,401	241,901	24,500
Minor office equipment	4,100	9,692	20,228	10,536
Medical supplies	180,500	579,768	609,562	29,794
Lab supplies	30,000	30,000	10,172	(19,828)
Minor medical equipment	7,000	5,653	6,139	486
Automobile	33,900	34,212	23,273	(10,939)
Temporary services	1,164,567	1,023,980	845,459	(178,521)
Dues and subscriptions	6,400	7,070	12,057	4,987
Registration fees	28,850	28,505	22,760	(5,745)
Program supplies	154,738	229,457	196,003	(33,454)
Professional services	220,000	300,300	467,092	166,792
Advertising and recruitment	121,200	157,079	130,489	(26,590)
Interest	-	-	17,017	17,017
Other expenses	<u>332,089</u>	<u>422,612</u>	<u>244,157</u>	<u>(178,455)</u>
Total operating expenses	<u>4,817,582</u>	<u>5,533,308</u>	<u>5,327,852</u>	<u>(205,456)</u>
OTHER EXPENSES				
Capital items	<u>837,000</u>	<u>2,548,032</u>	<u>294,175</u>	<u>(2,253,857)</u>
Total other expenses	<u>837,000</u>	<u>2,548,032</u>	<u>294,175</u>	<u>(2,253,857)</u>
TOTAL EXPENSES, BUDGETARY BASIS	<u>\$ 22,761,212</u>	<u>\$ 24,668,263</u>	<u>\$ 21,619,307</u>	<u>\$ (3,048,956)</u>
REVENUE OVER EXPENSES, BUDGETARY BASIS			<u>\$ 4,437,079</u>	
Conversion to accrual basis:				
Total expenses, budgetary basis			\$ 21,619,307	
Adjustments to accounts payable			86,806	
Adjustments to accrued leave			101,861	
GASB 68 conversion, net			(1,750,398)	
GASB 75 conversion, net			11,899	
GASB 87 conversion, net			(105,701)	
Amortization expense			128,953	
Depreciation expense			466,128	
Less capital outlay			<u>(294,175)</u>	
TOTAL EXPENSE, ACCRUAL BASIS			<u>\$ 20,264,680</u>	

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
 SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENDITURES BY REPORTING AREA
 BUDGETARY BASIS
 for the year ended June 30, 2023**

Cost Center	STATE				FEDERAL GRANTS				TAX APPROP. /	SCHOOL	
	422	424 / 425/ 426	431	434	435	436	438	441	DONATIONS 451 / 456	BOARD 459	
Food	500	\$ 20,658	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 316,672	\$ -	
Public Facilities	520	-	-	-	-	-	-	-	237,119	-	
General Sanitation	540	-	-	-	-	-	-	-	475,117	-	
Onsite Sewage	560	-	-	-	-	-	-	-	77,207	-	
Radon	591	-	-	-	-	-	844	-	844	-	
Total Environmental		<u>20,658</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>844</u>	<u>-</u>	<u>1,106,959</u>	<u>-</u>	
Personal Health Services	700	-	-	-	-	-	-	-	-	-	
Lab/Other Testing/Radiology	718	-	-	-	-	-	-	-	-	-	
Covid Comm Outreach & Equity	725	-	-	-	-	-	-	99,591	-	-	
Needle Exchange Program	727	10,000	-	-	-	-	31,020	-	327,792	-	
SSP Expansion Project	734	-	-	-	-	-	12,220	-	-	-	
Community Health Action	736	-	-	-	1,002	-	-	-	2,299	-	
COVID Immunization	738	-	-	-	-	247,275	-	-	-	-	
HANDS Special Project	741	50,000	-	-	-	-	-	-	-	-	
Federal HANDS Special Project	743	-	-	-	-	-	86,363	-	8,975	-	
Human Vitality	758	-	-	-	-	-	-	-	-	-	
Diabetes Prevention & Control	761	-	-	-	-	-	22,387	-	1,396	-	
MCH Coordinator	766	-	141,799	-	-	-	-	-	16,222	-	
ELC Enhancing Detection	769	-	-	-	-	998,832	-	-	50,576	-	
KY State Physical Activity Program	775	-	-	-	-	-	4,172	-	933	-	
Monkeypox - Immunization Funds	776	-	-	-	-	-	-	-	101,478	-	
Pediatric/Adolescent Visits	800	-	-	-	-	-	1,670	-	11,948	-	
Childhood Immunization	801	-	-	-	-	-	-	-	32,482	-	
Family Planning	802	-	-	-	-	-	-	-	99,324	-	
Maternity Services	803	-	-	-	-	-	-	-	333	-	
WIC	804	-	-	-	-	-	1,428,102	-	768,806	-	
MCH Nutrition & Group Activity	805	-	8,479	-	-	-	-	-	2,182	-	
Tuberculosis Visits	806	-	-	-	-	-	50,056	-	997,676	-	
Sexually Transmitted Diseases	807	-	-	-	-	-	-	-	306,753	-	
Diabetes Visits & Activities	809	193,000	-	-	-	-	-	-	39,097	-	
Adult Visits/Follow-up Visits	810	-	-	-	-	-	-	-	-	-	
Breast & Cervical Cancer	813	-	-	-	-	-	-	-	16,633	-	
COVID Vaccination Distribution	816	-	-	-	-	-	-	-	11,205	-	
Bioterrorism Preparedness Planning	821	-	-	-	-	-	133,149	-	154,163	-	
Bioterrorism Epid & Surveillance	822	-	-	-	-	-	-	-	601,209	-	
Bioterrorism Health Alert Network	823	-	-	-	-	-	12,445	-	1,733	-	
Training Coordination	825	-	-	-	-	-	-	65,713	19,140	-	
STD Monitoring	827	-	-	-	-	-	5,654	-	1,123	-	
KY ASAP Special Project	828	-	-	-	-	-	-	-	-	-	
TOB, Cancer, Diab-State Pers.	829	10,000	-	-	-	-	145,498	-	39,922	-	
Bluegrass Farmworkers Health	832	-	-	-	-	-	-	-	114,709	-	
Breast Feeding Support	833	-	-	-	-	-	60,589	-	5,718	-	
STD P.H. Investigator	834	-	-	-	-	-	-	-	157,328	-	
Tobacco	836	50,000	-	-	-	-	-	-	22,200	-	
HIV Contract Data	838	-	-	-	-	-	-	-	317	-	
Diabetes Today	841	-	-	-	-	-	465	-	2,321	-	
HIV Funds	842	-	-	-	-	-	37,920	-	7,742	-	
Ryan White Program	845	-	-	-	-	-	78,349	-	12,096	-	
Healthy Start Child Care	848	220,000	-	-	-	-	-	-	106,649	-	
HANDS	853	47,255	-	-	-	-	151,424	-	295,597	-	
Supplemental School Health	858	-	-	-	-	-	-	-	1,303,889	3,004,483	
DPH Retention Incentive	877	-	-	-	-	-	-	-	2,736	-	
Homeless Mitigation	881	-	-	-	-	-	-	23,897	2,221	-	
Immunization Grant Projects	887	-	-	-	-	-	28,442	-	2,278	-	
Vital Stats	890	-	-	-	-	-	-	-	111,630	-	
Medicaid Match	891	-	-	-	-	-	-	-	4,921	-	
Minor Items	892	-	-	-	-	-	-	-	53,447	-	
Total Medical		<u>580,255</u>	<u>-</u>	<u>150,278</u>	<u>-</u>	<u>1,002</u>	<u>1,246,107</u>	<u>2,289,925</u>	<u>189,201</u>	<u>5,819,199</u>	<u>3,004,483</u>
Capital Expenditures	894	-	-	-	-	-	-	-	68,251	-	
Allocable Direct	895	<u>40,372</u>	<u>4,090,679</u>	<u>43,430</u>	<u>24,106</u>	<u>13,253</u>	<u>559,857</u>	<u>80,242</u>	<u>20,846</u>	<u>2,944,451</u>	<u>-</u>
Total Administrative		<u>40,372</u>	<u>4,090,679</u>	<u>43,430</u>	<u>24,106</u>	<u>13,253</u>	<u>559,857</u>	<u>80,242</u>	<u>20,846</u>	<u>3,012,702</u>	<u>-</u>
Total Regulatory Basis		<u>\$641,285</u>	<u>\$ 4,090,679</u>	<u>\$ 193,708</u>	<u>\$ 24,106</u>	<u>\$14,255</u>	<u>\$ 1,805,964</u>	<u>\$ 2,371,011</u>	<u>\$ 210,047</u>	<u>\$ 9,938,860</u>	<u>\$ 3,004,483</u>

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENDITURES BY REPORTING AREA
BUDGETARY BASIS
for the year ended June 30, 2023

Cost Center	FEES & CONTRACTS				OTHER	INTEREST	Total	Total	Unrestricted	Program
	462	463	466	467	469	480	Revenues	Costs	Carryover	Excess (Deficit)
500	\$ -	\$ -	\$ 829,652	\$ -	\$ -	\$ -	\$ 1,166,982	\$ (1,166,982)	\$ -	\$ -
520	-	-	90,911	-	-	-	328,030	(328,030)	-	-
540	-	-	940	-	-	-	476,057	(476,057)	-	-
560	-	-	18,913	-	-	-	96,120	(96,120)	-	-
591	-	-	-	-	-	-	1,688	(1,688)	-	-
Total	-	-	940,416	-	-	-	2,068,877	(2,068,877)	-	-
700	-	-	-	-	-	-	-	-	-	-
718	-	-	-	-	-	-	-	-	-	-
725	-	-	-	-	-	-	99,591	(96,875)	-	2,716
727	-	-	-	-	185,865	-	554,677	(612,750)	58,073	-
734	-	-	-	-	-	-	12,220	(12,220)	-	-
736	-	-	-	-	-	-	3,301	(3,301)	-	-
738	-	-	-	-	12,500	-	259,775	(226,972)	-	32,803
741	-	-	-	-	-	-	50,000	(21,533)	-	28,467
743	-	-	-	-	-	-	95,338	(95,338)	-	-
758	-	-	-	72,821	-	-	72,821	(96,733)	23,912	-
761	-	-	-	-	-	-	23,783	(23,783)	-	-
766	-	-	-	-	-	-	158,021	(158,021)	-	-
769	-	-	-	-	-	-	1,049,408	(1,049,408)	-	-
775	-	-	-	-	-	-	5,105	(5,105)	-	-
776	-	-	-	-	-	-	101,478	(101,478)	-	-
800	-	896	1,579	-	-	55	16,148	(16,148)	-	-
801	-	17,877	8,273	-	-	-	58,632	(58,632)	-	-
802	-	7,036	6,422	-	-	-	112,782	(112,782)	-	-
803	-	80	-	-	-	-	413	(413)	-	-
804	-	-	-	-	-	-	2,196,908	(2,196,908)	-	-
805	-	-	-	-	-	-	10,661	(10,661)	-	-
806	261	42,621	28,327	50	-	-	1,118,991	(1,118,991)	-	-
807	33	31,184	14,201	-	-	-	352,171	(352,171)	-	-
809	-	68	-	-	600	-	232,765	(254,436)	21,671	-
810	-	2,149	1,024	-	666	-	3,839	(27,004)	23,165	-
813	-	1,937	150	-	-	-	18,720	(18,720)	-	-
816	-	8,493	-	-	-	-	19,698	(19,698)	-	-
821	-	-	-	-	-	-	287,312	(287,312)	-	-
822	-	-	-	-	-	-	601,209	(601,209)	-	-
823	-	-	-	-	-	-	14,178	(14,178)	-	-
825	-	-	-	-	-	-	84,853	(84,853)	-	-
827	-	-	-	-	-	-	6,777	(6,777)	-	-
828	-	-	-	-	2,124	-	2,124	(2,124)	-	-
829	-	-	-	-	-	-	195,420	(195,420)	-	-
832	-	-	-	-	212,387	-	327,096	(358,167)	31,071	-
833	-	-	-	-	-	-	66,307	(66,307)	-	-
834	-	-	-	-	117,923	-	275,251	(275,251)	-	-
836	-	-	-	-	1,000	-	73,200	(73,200)	-	-
838	-	-	-	-	-	-	317	(317)	-	-
841	-	-	-	-	-	-	2,786	(2,786)	-	-
842	-	-	-	-	2,988	-	48,650	(48,650)	-	-
845	-	-	-	-	-	-	90,445	(90,445)	-	-
848	-	-	-	-	-	-	326,649	(326,649)	-	-
853	-	573,415	-	-	3,628	-	1,071,319	(1,106,259)	34,940	-
858	-	390,737	-	-	-	-	4,699,109	(4,699,109)	-	-
877	-	-	-	-	-	-	2,736	(2,736)	-	-
881	-	-	-	-	-	-	26,118	(26,118)	-	-
887	-	-	-	-	-	-	30,720	(30,720)	-	-
890	-	-	-	-	560	-	112,190	(112,190)	-	-
891	-	-	-	-	-	-	4,921	(4,921)	-	-
892	-	-	-	-	-	34,121	87,568	(87,568)	-	-
	<u>294</u>	<u>1,076,493</u>	<u>59,976</u>	<u>72,871</u>	<u>540,241</u>	<u>34,176</u>	<u>15,064,501</u>	<u>(15,193,347)</u>	<u>192,832</u>	<u>63,986</u>
894	-	-	-	-	-	198,153	266,404	(266,404)	-	-
895	-	-	-	-	7,250	639,286	8,463,772	(4,090,679)	-	4,373,093
	-	-	-	-	<u>7,250</u>	<u>837,439</u>	<u>8,730,176</u>	<u>(4,357,083)</u>	-	<u>4,373,093</u>
	<u>\$ 294</u>	<u>\$ 1,076,493</u>	<u>\$ 1,000,392</u>	<u>\$ 72,871</u>	<u>\$ 547,491</u>	<u>\$ 871,615</u>	<u>\$ 25,863,554</u>	<u>\$ (21,619,307)</u>	<u>\$ 192,832</u>	<u>\$ 4,437,079</u>

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF INDIRECT COSTS
BUDGETARY BASIS
for the year ended June 30, 2023**

		Departmental	Environmental	Clinic	Medical	Space	Allocated Medical	Allocated Lab	Total Indirect Costs
Food	500	\$ 231,778	\$ 234,681	\$ -	\$ -	\$ 130,569	\$ -	\$ -	\$ 597,028
Public Facilities	520	67,763	64,558	-	-	41,398	-	-	173,719
General Sanitation	540	92,408	92,861	-	-	78,318	-	-	263,587
Onsite Sewage	560	20,399	20,589	-	-	7,952	-	-	48,940
Radon	591	-	-	-	-	-	-	-	-
Total Environmental		412,348	412,689	-	-	258,237	-	-	1,083,274
Personal Health Services	700	341,815	-	1,413,179	-	387,626	(2,950,650)	-	(808,030)
Lab/Other Testing/Radiology	718	23,757	-	99,182	-	37,092	-	(249,200)	(89,169)
Covid Comm Outreach & Equity	725	9,265	-	-	2,618	8,440	-	-	20,323
Needle Exchange Program	727	25,278	-	-	5,820	6,488	-	-	37,586
SSP Expansion Project	734	-	-	-	-	-	-	-	-
Community Health Action	736	-	-	-	-	-	-	-	-
COVID Immunization	738	47,118	-	-	12,157	9,043	-	-	68,318
HANDS Special Project	741	-	-	-	-	-	-	-	-
Federal HANDS Special Project	743	7,108	-	-	2,023	5,541	-	-	14,672
Human Vitality	758	19,028	-	-	4,427	10,823	-	-	34,278
Diabetes Prevention & Control	761	3,713	-	-	1,112	3,330	-	-	8,155
MCH Coordinator	766	34,832	-	-	8,790	19,292	-	-	62,914
ELC Enhancing Detection	769	47,590	-	-	12,946	43,867	-	-	104,403
KY State Physical Activity Program	775	1,273	-	-	313	-	-	-	1,586
Monkeypox - Immunization Funds	776	22,732	-	-	6,912	-	-	-	29,644
Pediatric/Adolescent Visits	800	991	-	-	306	2,268	5,418	4,574	13,557
Childhood Immunization	801	-	-	-	-	-	58,632	-	58,632
Family Planning	802	-	-	-	-	-	59,514	53,268	112,782
Maternity Services	803	-	-	-	-	-	141	272	413
WIC	804	1,968	-	-	466	1,636	2,187,406	841	2,192,317
MCH Nutrition & Group Activity	805	1,828	-	-	609	3,187	-	-	5,624
Tuberculosis Visits	806	155,947	-	-	37,844	86,385	426,873	23,849	730,898
Sexually Transmitted Diseases	807	4,677	-	-	1,121	2,986	190,450	142,645	341,879
Diabetes Visits & Activities	809	60,184	-	-	14,126	20,469	243	-	95,022
Adult Visits/Follow-up Visits	810	-	-	-	-	-	15,569	11,435	27,004
Breast & Cervical Cancer	813	-	-	-	-	-	6,404	12,316	18,720
COVID Vaccination Distribution	816	4,891	-	-	1,326	517	-	-	6,734
Bioterrorism Preparedness Planning	821	55,376	-	-	12,673	-	-	-	68,049
Bioterrorism Epid & Surveillance	822	156,480	-	-	36,207	44,556	-	-	237,243
Bioterrorism Health Alert Network	823	1,505	-	-	383	3,991	-	-	5,879
Training Coordination	825	13,584	-	-	3,370	15,933	-	-	32,887
STD Monitoring	827	-	-	-	-	-	-	-	-
KY ASAP Special Project	828	836	-	-	168	144	-	-	1,148
TOB, Cancer, Diab-State Pers.	829	57,584	-	-	13,888	-	-	-	71,472
Bluegrass Farmworkers Health	832	77,756	-	-	21,117	43,494	-	-	142,367
Breast Feeding Support	833	15,450	-	-	3,885	7,407	-	-	26,742
STD P.H. Investigator	834	74,146	-	-	16,334	36,632	-	-	127,112
Tobacco	836	18,146	-	-	4,184	5,426	-	-	27,756
HIV Contract Data	838	69	-	-	14	-	-	-	83
Diabetes Today	841	-	-	-	-	-	-	-	-
HIV Funds	842	8,581	-	-	2,184	3,847	-	-	14,612
Ryan White Program	845	18,724	-	-	5,214	13,464	-	-	37,402
Healthy Start Child Care	848	78,908	-	-	20,054	32,240	-	-	131,202
HANDS	853	176,932	-	-	42,490	72,203	-	-	291,625
Supplemental School Health	858	1,232,863	-	-	294,784	237,594	-	-	1,765,241
DPH Retention Incentive	877	1,566	-	-	-	-	-	-	1,566
Homeless Mitigation	881	1,003	-	-	-	-	-	-	1,003
Immunization Grant Projects	887	7,481	-	-	-	6,029	-	-	13,510
Vital Stats	890	21,877	-	-	5,099	32,613	-	-	59,589
Medicaid Match	891	-	-	-	-	-	-	-	-
Minor Items	892	-	-	-	-	-	-	-	-
Total Medical		2,832,862	-	1,512,361	594,964	1,204,563	-	-	6,144,750
Space Indirect	897	-	-	-	-	(1,462,800)	-	-	(1,462,800)
Departmental Indirect	898	(3,245,210)	-	-	-	-	-	-	(3,245,210)
Clinic Indirect	899	-	-	(1,512,361)	-	-	-	-	(1,512,361)
Other Medical Indirect	900	-	-	-	(594,964)	-	-	-	(594,964)
Environmental Indirect	901	-	(412,689)	-	-	-	-	-	(412,689)
Total Administrative		(3,245,210)	(412,689)	(1,512,361)	(594,964)	(1,462,800)	-	-	(7,228,024)
Totals		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



**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
Lexington-Fayette Urban County Department of Health
Lexington, 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 Lexington-Fayette Urban County Department of Health (the Health Department), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Health Department's basic financial statements, and have issued our report thereon dated September 26, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Health Department's internal control over financial reporting (internal control) as a basis for designing 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 Health Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health Department'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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Health Department'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 financial statements. 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
September 26, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

The Board of Health
Lexington-Fayette Urban County Department of Health
Lexington, Kentucky

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lexington-Fayette Urban County Department of Health's (the Health Department) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Health Department's major federal programs for the year ended June 30, 2023. The 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.

In our opinion, Lexington-Fayette Urban County Department of Health complied, in all material respects, with the types of 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, 2023.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Health Department and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Health Department's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Health Department's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Health Department's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Health Department's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Health Department's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Health Department's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Health Department's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

RFH

RFH, PLLC
Lexington, Kentucky
September 26, 2023

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2023**

GRANTOR/PROGRAM TITLE	Federal AL Number	Pass/Through Contract Number	Grant Contract Period	Passed Through to Subrecipients	Expenditures
U.S. Department of Agriculture					
Passed through State (CHFS)					
WIC Program - Administrative Services	10.557	01160022	7/1/22 - 6/30/23	\$ -	\$ 432,182
WIC Program - Administrative Services	10.557	01160023	7/1/22 - 6/30/23	-	1,056,509
Total U.S. Department of Agriculture				\$ -	\$ 1,488,691
U.S. Environmental Protection Agency					
Passed through State (CHFS)					
State Indoor Radon Grants	66.032	02610018	7/1/22 - 6/30/23	\$ -	\$ 665
State Indoor Radon Grants	66.032	02610023	7/1/22 - 6/30/23	-	844
Total U.S. Environmental Protection Agency				\$ -	\$ 1,509
U.S. Department of Health and Human Services (HHS)					
Passed through State (CHFS)					
HPP and PHEP Cooperative	93.069	02140020	7/1/22 - 6/30/23	\$ -	\$ 14,415
HPP and PHEP Cooperative	93.069	02140021	7/1/22 - 6/30/23	-	133,149
				-	147,564
Tuberculosis Control Programs	93.116	010600N23	7/1/22 - 6/30/23	-	42,990
Tuberculosis Control Programs	93.116	010600N24	7/1/22 - 6/30/23	-	7,066
				-	50,056
Pediatric and Adolescent Programs	93.268	010500OL20	7/1/22 - 6/30/23	-	30,112
Pediatric and Adolescent Programs	93.268	0105OLARPA	7/1/22 - 6/30/23	-	14,837
Pediatric and Adolescent Programs	93.268	0105OLARPA18	7/1/22 - 6/30/23	-	99,591
Pediatric and Adolescent Programs	93.268	0105OLCRR1	7/1/22 - 6/30/23	-	109,932
Pediatric and Adolescent Programs	93.268	0105OLCRR218	7/1/22 - 6/30/23	-	247,275
				-	501,747
Epidemiology and Laboratory Capacity	93.323	013900CRR21	7/1/22 - 6/30/23	-	1,472,862
Epidemiology and Laboratory Capacity	93.323	0139HMARPA22	7/1/22 - 6/30/23	-	23,897
				-	1,496,759
Cooperative Agreement for Emergency Response	93.354	0266ARPA21	7/1/22 - 6/30/23	-	71,722
				-	71,722
Disease Control and Prevention	93.426	02440123	7/1/22 - 6/30/23	-	465
				-	465
Diabetes Prevention and Control	93.435	02450019	7/1/22 - 6/30/23	-	8,000
Diabetes Prevention and Control	93.435	02450020	7/1/22 - 6/30/23	-	11,319
Diabetes Prevention and Control	93.435	02450022	7/1/22 - 6/30/23	-	5,637
Diabetes Prevention and Control	93.435	02450023	7/1/22 - 6/30/23	-	2,400
				-	27,356
State Physical Activity and Nutrition	93.439	024209OL23	7/1/22 - 6/30/23	-	4,172
				-	4,172
Opioid STR	93.788	02030022	7/1/22 - 6/30/23	-	14,794
				-	14,794
Subtotal HHS				\$ -	\$ 2,314,635

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Lexington-Fayette Urban County Department of Health and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Therefore, some amounts presented in, or used in the preparation of, the basic financial statements may differ from these numbers.

Indirect Cost Rates

The Lexington-Fayette Urban County Department Health Department did not elect to use the 10 percent *de minimis* cost rate as allowed under the Uniform Guidance.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2023**

GRANTOR/PROGRAM TITLE	Federal AL Number	Pass/Through Contract Number	Grant Contract Period	Passed Through to Subrecipients	Expenditures
U.S. Department of Health and Human Services (HHS) (previous page)				\$ -	\$ 2,314,635
U.S. Department of Health and Human Services (HHS) Passed through State (CHFS)					
Colon Cancer Screening	93.800	01970021	7/1/22 - 6/30/23	-	4,357
Colon Cancer Screening	93.800	01970023	7/1/22 - 6/30/23	-	141,142
				-	145,499
Maternal, Infant and Early Childhood Home Visiting	93.870	01300019	7/1/22 - 6/30/23	-	159,981
Maternal, Infant and Early Childhood Home Visiting	93.870	01300020	7/1/22 - 6/30/23	-	129,254
				-	289,235
HPP & PHEP	93.889	02150020	7/1/22 - 6/30/23	-	492
				-	492
Ryan White Care Act	93.917	01690022	7/1/22 - 6/30/23	-	84,840
Ryan White Care Act	93.917	01690023	7/1/22 - 6/30/23	-	3,349
				-	88,189
HIV Prevention	93.940	0151000L22	7/1/22 - 6/30/23	-	76,637
				-	76,637
STD Prevention	93.977	0107000L21	7/1/22 - 6/30/23	-	3,239
STD Prevention	93.977	0107000L22	7/1/22 - 6/30/23	-	3,000
				-	6,239
Preventive Health - CHAT	93.991	01040021	7/1/22 - 6/30/23	-	14,253
Preventive Health - CHAT	93.991	01040022	7/1/22 - 6/30/23	-	2
				-	14,255
MCH Services Block Grant	93.994	01120021	7/1/22 - 6/30/23	-	82,678
MCH Services Block Grant	93.994	01120022	7/1/22 - 6/30/23	-	111,032
				-	193,710
Passed through the University of Kentucky State and Community Based Programs	93.136	1H79SP080309-01	9/1/19 - 8/1/23	-	330,310
				-	330,310
Passed through Local Government (LFUCG) First Responders and Community Partners OPP	93.243	320002856-20-263	9/1/19 - 8/1/23	-	163,590
				-	163,590
Direct Grant COVID-19 Provider Relief Fund	93.498	N/A	7/1/22 - 6/30/23	-	6,347
				-	6,347
Total U.S. Department of Health and Human Services				\$ -	\$ 3,629,138
Total federal awards expended				\$ -	\$ 5,119,338
Federal Revenues					\$ 4,619,091
Add: Period 4 Provider Relief Funds received/spent in FY 2022 and reported in FY 2023					6,347
Add: Federal subrecipient grants included in fees and contracts					493,900
Total federal awards expended					\$ 5,119,338

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2023**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

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 auditors' report issued on compliance for major programs:

Unmodified for all major programs.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Major Programs:

AL Number	Name of Federal Program or Cluster
10.557	USDA – WIC Program
93.323	HHS – ELC Program

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

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

IV. PRIOR AUDIT FINDINGS

NONE

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SCHEDULE OF PRIOR AUDIT FINDINGS
for the year ended June 30, 2023**

There are no prior audit findings to report.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SCHEDULE OF AUDIT ADJUSTMENTS
for the year ended June 30, 2023**

There are no proposed audit adjustments.