

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

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**FINANCIAL STATEMENTS  
June 30, 2017 and 2016**

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

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 years ended June 30, 2017 and 2016 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.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

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, 2017 and 2016 and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-4 and the schedule of proportionate share of the net pension liability and the schedule of contributions on pages 18 and 19, be presented to supplement the basic financial statements. Such information, 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Health Department's basic financial statements. The supplementary budgetary comparison, schedule of revenues and expenditures by reporting area and the schedule of indirect costs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary budgetary comparison, schedule of revenues and expenditures by reporting area, the schedule of indirect costs and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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, schedule of revenues and expenditures by reporting area, the schedule of indirect costs 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 25, 2017, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Department's internal control over financial reporting and compliance.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
September 25, 2017



## Lexington-Fayette County Health Department

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September 25, 2017

This discussion and analysis of the Lexington-Fayette County Health Department's (LFCHD) financial performance provides an overview of the Health Department's financial activities for the fiscal year ended June 30, 2017. Please read this document in conjunction with the Health Department'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. The Health Department also includes in this report additional information to supplement the basic financial statements. The statement of revenues, expenses and changes in net position on page 6 is further detailed by line items on pages 20 through 24.

The Health Department'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." Equity is described as Net Assets.

### FINANCIAL HIGHLIGHTS

The Health Department's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$(39,420,748) (net position) for the fiscal period reported. This compares to the previous year when liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$(47,999,675).

Total net assets are comprised of the following:

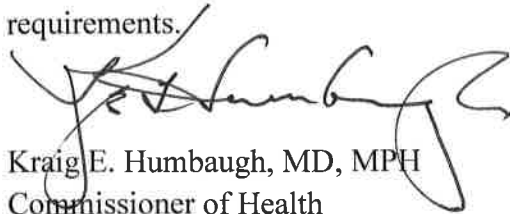
- (1) Capital assets, net of accumulated depreciation of \$2,520,193.
- (2) Designated Funds of \$49,904.
- (3) Unrestricted Funds of \$(41,990,845).

At the end of the fiscal year, unrestricted fund balance was \$(41,990,845). This compares with fiscal year 2016 unrestricted fund balance of \$(50,707,787). The total liabilities of the Health Department decreased \$15,193,159 during fiscal year 2017.

## HIGHLIGHTS FROM FY 2017 AND OBSERVATIONS ABOUT FY 2018

- LFCHD achieved budget objectives for fiscal year 2017 and generated a \$2.35M net surplus.
- The Lexington Fayette County Board of Health voted to retain the public health tax rate at 2.8 cents/\$100 assessed property value. This rate was first adopted in 2004.
- Employee pay increases averaging 3 percent were budgeted for fiscal year 2017 and distributed based on individual job performance. Based on market survey data, the hire rate of nurses was increased by 18 percent to incent high quality nurses to work at LFHCD.
- Upon the resignation of the Public Health Officer, that position was eliminated and the Community Health Officer and Clinic Services Officer positions were created to more effectively manage the public health staff and operations.
- In early 2017, LFCHD notified the community about multiple cases of pertussis, or whooping cough, in Lexington schools. With a final total of 18 cases, LFCHD worked with Fayette County Public Schools to alert parents to signs and symptoms of pertussis, along with information about the vaccine.
- Since opening in September 2015, the needle-exchange program has served 1,631 clients, making 6,154 total visits, with 164,141 used needles coming in and 212,333 clean needles distributed. In fiscal year 2017, we served 1,398 clients, making 5,537 visits, took in 157,231 used needles and gave out 198,071 clean needles.
- Environmental Health implemented online food handler and food manager certification courses. Classroom courses are still available so food services workers have multiple options to fulfill their educational requirements.
- Based on CDC guidance and evaluations of procedures at other health departments in larger municipal areas, Environmental Health revised its approach to control mosquitos. A new integrated pest management approach focuses on surveillance and targeted larval eradication, devoting less time to routine adult mosquito control.
- WIC participation increased from 5516 in fiscal year 2016 to 5780 in fiscal year 2017, or 4.8 percent. Enrollment increased by 27 families in that same period.
- In May 2017, LFHCD's "Healthy Living with Diabetes" program received national accreditation from the American Association of Diabetes Educators, thus meeting the National Standards for Diabetes Self-Management and Support. Accredited programs will have the potential to bill and increase revenue in 2018.
- For fiscal year 2018, LFCHD's approved budget presents a projected surplus of \$426,000. The budget incorporates 49.47 percent of KERS employer contribution rates. Of that contribution, state subsidies cover 22.7 percent.

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



Kraig E. Humbaugh, MD, MPH  
Commissioner of Health

Lexington-Fayette County Health Department

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**STATEMENTS OF NET POSITION**  
**June 30,**

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<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
Current assets		
Cash and cash equivalents	\$ 10,766,335	\$ 8,120,946
Accounts receivable:		
Contracts and other, net	192,878	186,304
Prepaid expenses and capital projects	<u>64,544</u>	<u>122,164</u>
Total current assets	<u>11,023,757</u>	<u>8,429,414</u>
Noncurrent assets		
Capital assets, net	2,520,193	2,595,107
Note receivable - HealthFirst Bluegrass, Inc.	<u>2,029,503</u>	<u>2,029,503</u>
Total noncurrent assets	<u>4,549,696</u>	<u>4,624,610</u>
Total assets	15,573,453	13,054,024
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows	<u>6,523,925</u>	<u>4,981,293</u>
Total assets and deferred outflows of resources	<u><u>\$ 22,097,378</u></u>	<u><u>\$ 18,035,317</u></u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable	\$ 609,830	\$ 312,364
Accrued payroll and fringes	335,198	543,346
Unearned grant revenue	<u>10,564</u>	<u>12,001</u>
Total current liabilities	<u>955,592</u>	<u>867,711</u>
Long-term liabilities		
Accrued annual leave	499,496	588,537
Net pension liability	<u>42,797,000</u>	<u>57,988,999</u>
Total long-term liabilities	<u>43,296,496</u>	<u>58,577,536</u>
Total liabilities	<u>44,252,088</u>	<u>59,445,247</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows	<u>17,266,038</u>	<u>6,589,745</u>
<b>NET POSITION</b>		
Net investment in capital assets	2,520,193	2,595,107
Restricted		
State funds	34,258	59,946
Federal funds	15,646	53,059
Fees	-	-
Unrestricted	<u>(41,990,845)</u>	<u>(50,707,787)</u>
Total net position	<u>(39,420,748)</u>	<u>(47,999,675)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 22,097,378</u></u>	<u><u>\$ 18,035,317</u></u>

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

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

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	<b>2017</b>	<b>2016</b>
<b>OPERATING REVENUES</b>		
State grants	\$ 3,857,248	\$ 3,028,188
Federal pass-through grants	2,914,336	2,660,637
Tax appropriations	8,030,272	7,815,362
Donations	334	1,592
Medicare service fees	2,876	6,881
Medicaid service fees	1,191,747	1,269,575
School board contract	1,617,716	1,506,016
Fees and contracts	400,105	381,335
Insurance	132,438	104,152
Other fees and contracts	<u>26,951</u>	<u>55,741</u>
Total operating revenues	<u>18,174,023</u>	<u>16,829,479</u>
<b>OPERATING EXPENSES</b>		
Personnel	5,389,940	11,248,842
Operating	3,902,654	3,799,337
Depreciation	<u>390,134</u>	<u>338,232</u>
Total operating expenses	<u>9,682,728</u>	<u>15,386,411</u>
<b>OPERATING INCOME</b>	<u>8,491,295</u>	<u>1,443,068</u>
<b>NON-OPERATING INCOME (EXPENSE)</b>		
Interest income	61,945	7,370
Interest expense	<u>-</u>	<u>(8,198)</u>
Total non-operating income (expense)	<u>61,945</u>	<u>(828)</u>
Changes in net position	8,553,240	1,442,240
NET POSITION	(47,999,675)	(49,442,252)
Prior year grant activity	<u>25,687</u>	<u>337</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ (39,420,748)</u></u>	<u><u>\$ (47,999,675)</u></u>

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



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

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	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from grantor agencies	\$ 6,795,784	\$ 5,689,226
Cash received from patients/other service fees	3,365,259	3,306,512
Tax apportionments	8,030,272	7,815,362
Donations	334	1,592
Payments for employee services and benefits	(11,537,261)	(10,526,888)
Payments to suppliers	<u>(3,755,724)</u>	<u>(4,136,976)</u>
Net cash provided by operating activities	<u>2,898,664</u>	<u>2,148,828</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchases of capital assets	(315,220)	(331,214)
Principal paid	-	(275,000)
Interest paid	<u>-</u>	<u>(8,198)</u>
Net cash (used in) capital and related financing activities	<u>(315,220)</u>	<u>(614,412)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest	<u>61,945</u>	<u>7,370</u>
Net cash provided by investing activities	<u>61,945</u>	<u>7,370</u>
Net increase in cash and cash equivalents	2,645,389	1,541,786
Cash and cash equivalents - beginning of the year	<u>8,120,946</u>	<u>6,579,160</u>
<b>CASH AND CASH EQUIVALENTS - END OF THE YEAR</b>	<u>\$ 10,766,335</u>	<u>\$ 8,120,946</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>		
Operating income	\$ 8,491,295	\$ 1,443,068
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	390,134	338,232
Net change in net pension liabilities	(6,057,446)	736,929
Prior year grant activity	25,687	-
Change in assets and liabilities:		
Contracts and other receivables	(7,466)	(17,192)
Prepaid expenses	57,620	(107,151)
Accounts payables	297,466	34,064
Accrued expenses	(208,148)	(264,548)
Accrued annual leave	(89,041)	(14,975)
Unearned grant revenue	<u>(1,437)</u>	<u>401</u>
Net cash provided by operating activities	<u>\$ 2,898,664</u>	<u>\$ 2,148,828</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, 2017 and 2016**

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**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 1981, the Health Department incorporated a primary medical care clinic and thereby integrated traditional public health programs and comprehensive basic medical care targeted at lower income and medically underserved members of the community. All revenues and expenses are separated by means of program identification and no primary care funds are co-mingled with other Health Department services.

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 Comprehensive Annual Financial Report (CAFR). 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 25, 2017, no formal reports have been issued as a result of audits performed or in progress for the year ended June 30, 2017.

**Basis of Presentation**

The Lexington-Fayette Urban County Department of Health is considered a Governmental Health Care Organization and is prepared 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:

- Statement of net position
- Statement of revenues, expenses, and changes in net position
- Statement 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.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Accounts Receivable**

Accounts receivable from insurance, Medicaid and private pay patients are reserved at varying rates based on historical collections. The allowance totaled \$73,183 and \$43,523 for the years ended June 30, 2017 and 2016, respectively.

**Capital Assets**

Expenses for 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 years ended June 30, 2017 and 2016, with the following asset lives:

<b>Description</b>	<b>Estimated Life (Years)</b>
Building and improvements	40 years
Equipment	5-20 years

It is the policy of the Health Department to fully depreciate all tangible building or equipment acquisitions of \$500 or more on a straight-line basis. Additionally, a reserve balance is maintained equal to the book value of all acquired capital assets less related debt.

**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, 2017, to set the Public Health Tax at the rate of 2.8 cents per \$100 assessed valuation of all properties within Fayette County. Taxes remitted to the Health Department amounted to \$7,325,065 and \$7,110,894 for the years ended June 30, 2017 and 2016, respectively. Total taxes, including support from the Lexington-Fayette Urban County Government, totaled \$8,030,272 and \$7,815,362 for the years ended June 30, 2017 and 2016, respectively.

**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, 2017 and 2016**

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**1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

**Management's Review of Subsequent Events**

The Health Department has evaluated and considered the need to recognize or disclose subsequent events through September 25, 2017, 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, 2017, have not been evaluated by the Health Department.

**2. CASH AND CASH EQUIVALENTS**

At June 30, 2017, the Health Department maintained all cash accounts except the environmental account 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, 2017.

The following is a detail of the Health Department's cash deposit coverage at June 30, 2017:

FDIC insured (or equivalent)	\$ 250,000
Overnight money market invested in US Treasury Securities	9,467,111
Secured with pledged securities	<u>1,187,172</u>
Total bank balance	<u>\$ 10,904,283</u>

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

**3. 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 \$2,029,503 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. Monthly principal and interest payment will be required beginning on July 1, 2021.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**4. CAPITAL ASSETS**

Capital assets activity for the years ended June 30, 2017 and 2016 are as follows:

	<b>June 30, 2016</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>June 30, 2017</b>
Buildings	\$ 3,472,473	\$ -	\$ -	\$ 3,472,473
Building improvements	4,048,825	155,562	-	4,204,387
Equipment, furniture & fixtures	1,948,273	159,658	(21,297)	2,086,634
Leasehold improvements	<u>6,215</u>	<u>-</u>	<u>-</u>	<u>6,215</u>
Total	9,475,786	315,220	(21,297)	9,769,709
Less: accumulated depreciation	<u>(6,880,679)</u>	<u>(390,134)</u>	<u>21,297</u>	<u>(7,249,516)</u>
Net	<u>\$ 2,595,107</u>	<u>\$ (74,914)</u>	<u>\$ -</u>	<u>\$ 2,520,193</u>

	<b>June 30, 2015</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>June 30, 2016</b>
Buildings	\$ 3,472,473	\$ -	\$ -	\$ 3,472,473
Building improvements	4,024,031	24,794	-	4,048,825
Equipment, furniture & fixtures	1,641,853	306,420	-	1,948,273
Leasehold improvements	<u>6,215</u>	<u>-</u>	<u>-</u>	<u>6,215</u>
Total	9,144,572	331,214	-	9,475,786
Less: accumulated depreciation	<u>(6,542,447)</u>	<u>(338,232)</u>	<u>-</u>	<u>(6,880,679)</u>
Net	<u>\$ 2,602,125</u>	<u>\$ (7,018)</u>	<u>\$ -</u>	<u>\$ 2,595,107</u>

Depreciation expense for the years ended June 30, 2017 and 2016 totaled \$390,134 and \$338,232, respectively.

**5. LINE OF CREDIT**

The Health Department maintains an operating line of credit. The line accrued interest at a rate of 3.21% as of June 30, 2017 which is payable monthly. The total credit limit on the line is \$2,000,000 and matures on April 30, 2018. Activity for the year ended June 30, 2017 is as follows:

	<b>June 30, 2015</b>	<b>Additions</b>	<b>Payments</b>	<b>June 30, 2016</b>	<b>Additions</b>	<b>Payments</b>	<b>June 30, 2017</b>
Line of credit	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**6. LONG-TERM LIABILITIES**

In March 2007, the Lexington-Fayette Urban County Department of Health purchased a 7,500 square foot facility at 2433 Regency Road for \$725,000. Renovation expenses and equipment costs incurred, brought the total project to \$949,915. This facility is serving as the Southside Public Health Clinic. The \$1,100,000 loan bore interest at a rate of 3.74% and matured July 20, 2016. The loan was obtained from the Kentucky Association of Counties Leasing Trust. During 2016, the Lexington-Fayette Urban County Department of Health paid off the remaining loan balance.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**6. LONG-TERM LIABILITIES (CONTINUED)**

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.

Long-term liability activity for the years ended June 30, 2017 and 2016 is as follows:

	<b>June 30, 2016</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2017</b>
Net pension liability	\$ 57,988,999	\$ -	\$ (15,191,999)	\$ 42,797,000
Accrued leave	<u>588,537</u>	<u>81,670</u>	<u>(170,711)</u>	<u>499,496</u>
	<u>\$ 58,577,536</u>	<u>\$ 81,670</u>	<u>\$ (15,362,710)</u>	<u>\$ 43,296,496</u>
	<b>June 30, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2016</b>
Leasing loan	\$ 275,000	\$ -	\$ (275,000)	\$ -
Net pension liability	61,259,339	-	(3,270,340)	57,988,999
Accrued leave	<u>603,512</u>	<u>71,372</u>	<u>(86,347)</u>	<u>588,537</u>
	<u>\$ 62,137,851</u>	<u>\$ 71,372</u>	<u>\$ (3,631,687)</u>	<u>\$ 58,577,536</u>

**7. 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, 2017 and 2016, net position was restricted as follows:

	<b>State</b>	<b>Federal</b>	<b>Fees</b>	<b>Programs</b>	<b>Totals</b>
<b>2017</b>					
770-Colon Cancer	\$ 15,902	\$ -	\$ -	\$ -	\$ 15,902
842-HIV Funds	18,356	-	-	-	18,356
737-PHEP Ebola	-	61	-	-	61
813-Breast Cancer	-	15,105	-	-	15,105
839-HIV Planning	<u>-</u>	<u>480</u>	<u>-</u>	<u>-</u>	<u>480</u>
Totals	<u>\$ 34,258</u>	<u>\$ 15,646</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 49,904</u>
<b>2016</b>					
770-Colon Cancer	\$ 15,952	\$ -	\$ -	\$ -	\$ 15,952
842-HIV Funds	38,975	4,953	-	-	43,928
847-Ryan White	5,019	-	-	-	5,019
737-PHEP Ebola	-	61	-	-	61
813-Breast Cancer	-	15,105	-	-	15,105
839-HIV Planning	-	480	-	-	480
845-Ryan White	<u>-</u>	<u>32,460</u>	<u>-</u>	<u>-</u>	<u>32,460</u>
Totals	<u>\$ 59,946</u>	<u>\$ 53,059</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 113,005</u>

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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**8. LEASES**

During 2016, the Health Department entered into a lease agreement with DA Newtown LLC for space at 808 Newtown Circle, Lexington, Kentucky. The total space leased consists of approximately 24,000 square feet. The Health Department paid \$131,000 and \$127,920, during the years ended June 30, 2017 and 2016, respectively. The Health Department will pay approximately \$131,000 per year until the lease matures on August 31, 2018. The Health Department also leases various equipment on a short-term, as-needed basis. Total leasing expense was \$149,894 and \$158,098, for the years ended June 30, 2017 and 2016, respectively.

**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 Retirement Systems administers the KERS. The plan issues publicly available financial statements which may be downloaded from the Kentucky Retirement Systems 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 each participating county, city, and school board, 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, 2017, 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. 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. For the years ended June 30, 2017 and 2016, participating employers contributed 48.59% and 38.77%, respectively, of each non-hazardous employee's wages, which is equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

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.

The Health Department contributed \$3,115,742 for the year ended June 30, 2017 or 100% of its required contribution. . The contribution was allocated \$2,580,314 to the KERS pension fund and \$535,428 to the KERS insurance fund. For the year ended June 30, 2016, \$2,404,391 or 100% of the required contribution was made. The contribution was allocated \$1,912,598 to the KERS pension fund and \$491,793 to the KERS insurance fund.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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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
	At least	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, 2017, the Health Department reported a liability of \$42,797,000 or its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2016, the Health Department's proportion was .3754%, which was a decrease of .1973% from its proportion measured as of June 30, 2015.

At June 30, 2016, the Health Department reported a liability of \$57,988,999 or its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2015, the Health Department's proportion was .5727%, which was a decrease of .1090% from its proportion measured as of June 30, 2014.



**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**9. RETIREMENT PLAN (CONTINUED)**

For the year ended June 30, 2017, the Health Department recognized pension expense (income) of \$(3,463,929). At June 30, 2017, the Health Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 44,702	\$ -
Changes of assumptions	3,241,801	-
Net difference between projected and actual earnings on Plan investments	657,108	-
Changes in proportion and differences between the Department contributions and proportionate share of contributions	-	17,266,038
Department contributions subsequent to the measurement date	<u>2,580,314</u>	<u>-</u>
Total	<u>\$ 6,523,925</u>	<u>\$ 17,266,038</u>

The \$2,580,314 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<b>Year ending June 30,</b>	
2018	\$ (5,244,479)
2019	\$ (5,024,516)
2020	\$ (3,143,217)
2021	\$ 89,785

*Actuarial Assumptions* – The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.00%, average, including inflation
Investment rate of return	6.75%, net of Plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP- 2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013.

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.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

**9. RETIREMENT PLAN (CONTINUED)**

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term Nominal Real Rate of Return</b>
Combined Equity	44%	5.4%
Combined Fixed Income	19%	1.5%
Real Return (Diversified Inflation Strategies)	10%	3.5%
Real Estate	5%	4.5%
Absolute Return (Diversified Hedge Funds)	10%	4.25%
Private Equity	10%	8.5%
Cash Equivalent	2%	-.25%
Total	100%	

*Discount Rate* – The discount rate used to measure the total pension liability was 6.75 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 the remaining 28 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 6.75 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 (5.75 percent) or 1-percentage-point higher (7.75 percent) than the current rate:

	<b>Discount rate</b>	<b>Department's proportionate share of net pension liability</b>
1% decrease	5.75%	\$ 48,213,925
Current discount rate	6.75%	\$ 42,797,000
1% increase	7.75%	\$ 38,244,627

*Payable to the Pension Plan* – At June 30, 2017 and 2016, the Health Department reported a payable of \$353,525 and \$202,146, respectively, for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2017 and 2016. The payable includes both the pension and insurance contribution allocation.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2017 and 2016**

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**10. 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, 2017 or 2016.

**11. RELATED PARTY**

In 1981, the Lexington-Fayette Urban County Board of Health (the Health Department) received a Federal grant from HRSA/PBHC for a primary medical care clinic and thereby integrated traditional public health programs and comprehensive basic medical care targeted at lower income and medically underserved members of the community.

Effective July 1, 2011, the Primary Care division of the Health Department incorporated as a separate 501(c)(3) entity under the name of HealthFirst Bluegrass, Inc. The Health Department transferred certain assets and liabilities to HealthFirst Bluegrass, Inc. (HFB). HFB continued to receive an allocation of public health tax funds from the Health Department in the amount of \$100,000 per month. This funding terminated January 31, 2015.

The Health Department has entered into an agreement with HFB to establish guidelines for repayment of the note receivable (see note 3).

**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 (\$41,990,845) and (\$50,707,787) for the years ended June 30, 2017 and 2016, respectively. This deficit is caused by adjustments from the implementation of GASB 68. The net effect of deferred outflows, deferred inflows and the net pension liability is (\$53,539,113) and (\$59,597,451) for the years ended June 30, 2017 and 2016, respectively.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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

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	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Health Department's proportion of the net pension liability	0.3754%	0.5727%	0.6830%	0.6800%
Health Department's proportionate share of the net pension liability (asset)	\$ 42,797,000	\$ 57,988,999	\$ 61,259,339	\$ 59,370,000
Health Department's covered employee payroll	\$ 6,412,310	\$ 6,042,668	\$ 10,240,334	\$ 12,182,346
Health Department's share of the net pension liability (asset) as a percentage of its covered employee payroll	667.42%	959.66%	598.22%	487.34%
Plan fiduciary net position as a percentage of the total pension liability	14.80%	18.83%	22.32%	24.08%

**Notes:**

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the last three fiscal years.

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

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	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Contractually required employer contribution	\$ 3,115,742	\$ 1,912,598	\$ 2,408,718	\$ 1,954,131
Contributions relative to contractually required employer contribution	<u>3,115,742</u>	<u>1,912,598</u>	<u>2,408,718</u>	<u>1,954,131</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Health Department's covered employee payroll	\$ 6,412,310	\$ 6,042,668	\$ 10,240,334	\$ 12,182,346
Employer contributions as a percentage of covered-employee payroll	48.59%	31.65%	23.52%	16.04%

**Notes:**

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or the assumptions used in the last three fiscal years.

Contractually required employer contributions exclude the portion of contributions paid to KERS but allocated to the insurance fund of the KERS. The above contributions only include those contributions allocated directly to the KERS pension fund.

## **SUPPLEMENTARY INFORMATION**

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH  
SUPPLEMENTARY BUDGETARY COMPARISON - BUDGETARY BASIS  
for the year ended June 30, 2017**

	<b>Cost Center</b>	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>STATE GRANTS</b>					
State restricted	422	\$ 1,620,243	\$ 1,620,243	\$ 1,635,948	\$ 15,705
State restricted carryover	423	-	-	25,687	25,687
Food and sanitation	424	305,390	305,390	504,194	198,804
Foundational funding	425	-	-	109,328	109,328
State health insurance	426	1,601,194	1,601,194	1,572,880	(28,314)
State public health block grant	428	<u>34,898</u>	<u>34,898</u>	<u>34,898</u>	<u>-</u>
Total State Grants		<u>3,561,725</u>	<u>3,561,725</u>	<u>3,882,935</u>	<u>321,210</u>
<b>FEDERAL PASS-THROUGH AWARDS</b>					
Title V block grant	431	192,143	192,143	192,143	-
Title X grant	432	142,347	142,347	140,132	(2,215)
Preventative services grant	435	44,091	44,091	39,641	(4,450)
Federal programs	438	2,687,148	2,687,148	2,542,420	(144,728)
Federal restricted carryover	440	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total federal pass-through awards		<u>3,065,729</u>	<u>3,065,729</u>	<u>2,914,336</u>	<u>(151,393)</u>
<b>LOCAL FUNDS</b>					
Local tax appropriations	451	7,750,000	7,750,000	8,030,272	280,272
Donations	456	<u>1,500</u>	<u>1,500</u>	<u>334</u>	<u>(1,166)</u>
Total local funds		<u>7,751,500</u>	<u>7,751,500</u>	<u>8,030,606</u>	<u>279,106</u>
<b>FEES FOR SERVICES</b>					
Contracts, school board	459	1,617,716	1,617,716	1,617,716	-
Medicare (Title 18)	462	7,700	7,700	2,876	(4,824)
Medicaid (Title 19)	463	1,178,130	1,178,130	1,133,362	(44,768)
Prior year carryover	464	-	-	-	-
Fees and permits	466	389,800	389,800	400,105	10,305
Insurance	467	105,300	105,300	132,438	27,138
Other fees and contracts	469	<u>42,130</u>	<u>42,130</u>	<u>26,951</u>	<u>(15,179)</u>
Total fees for services		<u>3,340,776</u>	<u>3,340,776</u>	<u>3,313,448</u>	<u>(27,328)</u>
INTEREST INCOME	480	<u>57,425</u>	<u>1,050</u>	<u>61,945</u>	<u>60,895</u>
TOTAL REVENUES, BUDGETARY BASIS		<u>\$ 17,777,155</u>	<u>\$ 17,720,780</u>	<u>\$ 18,203,270</u>	<u>\$ 482,490</u>
Conversion to accrual basis:					
Additional accounts receivable, net				58,385	
Less prior year grant activity (carryover)				<u>(25,687)</u>	
TOTAL REVENUES, ACCRUAL BASIS				<u>\$ 18,235,968</u>	



**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**SUPPLEMENTARY BUDGETARY COMPARISON - BUDGETARY BASIS**  
**for the year ended June 30, 2017**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>PERSONNEL EXPENSES</b>				
Salaries	\$ 6,848,328	\$ 6,848,328	\$ 6,857,538	\$ 9,210
Fringe benefits	<u>4,754,788</u>	<u>4,754,788</u>	<u>4,755,791</u>	<u>1,003</u>
Total personnel expenses	<u>11,603,116</u>	<u>11,603,116</u>	<u>11,613,329</u>	<u>10,213</u>
<b>OPERATING EXPENSES</b>				
Contractual and professional services	1,441,258	1,441,258	1,332,824	(108,434)
Travel	162,212	162,212	128,712	(33,500)
Rent	161,950	161,950	149,894	(12,056)
Utilities	175,548	175,548	172,665	(2,883)
Janitorial service and supplies	141,700	141,700	136,677	(5,023)
Insurance	142,583	142,583	135,921	(6,662)
Building repairs and maintenance	160,800	160,800	167,490	6,690
Printing and copying	100,464	100,464	98,307	(2,157)
Telephone	191,096	191,096	179,427	(11,669)
Postage	35,202	35,202	30,030	(5,172)
Office supplies	50,815	50,815	56,766	5,951
Computer services and supplies	212,065	212,065	196,627	(15,438)
Minor office equipment	13,715	13,715	7,700	(6,015)
Medical supplies	168,762	168,762	149,854	(18,908)
Lab supplies	17,270	17,270	26,461	9,191
Minor medical equipment	-	-	1,582	1,582
Automobile	19,350	19,350	12,225	(7,125)
Temporary services	132,900	132,900	218,911	86,011
Dues and subscriptions	6,908	6,908	6,087	(821)
Registration fees	25,612	25,612	17,848	(7,764)
Program supplies	212,809	212,809	198,167	(14,642)
Professional services	174,100	174,100	61,112	(112,988)
Advertising and recruitment	56,950	56,950	50,623	(6,327)
Other expenses	<u>448,539</u>	<u>448,539</u>	<u>388,495</u>	<u>(60,044)</u>
Total operating expenses	<u>4,252,608</u>	<u>4,252,608</u>	<u>3,924,405</u>	<u>(328,203)</u>
<b>OTHER EXPENSES</b>				
Capital items	<u>460,000</u>	<u>460,000</u>	<u>315,220</u>	<u>(144,780)</u>
Total other expenses	<u>460,000</u>	<u>460,000</u>	<u>315,220</u>	<u>(144,780)</u>
<b>TOTAL EXPENSES, BUDGETARY BASIS</b>	<u>\$ 16,315,724</u>	<u>\$ 16,315,724</u>	<u>\$ 15,852,954</u>	<u>\$ (462,770)</u>
<b>REVENUE OVER EXPENSES, BUDGETARY BASIS</b>		<u><b>\$ 2,350,316</b></u>		
Conversion to accrual basis:				
Change in salary, leave and benefits			\$ (187,694)	
GASB 68 conversion, net			(6,057,446)	
Depreciation expense			390,134	
Less capital outlay			<u>(315,220)</u>	
<b>TOTAL EXPENSE, ACCRUAL BASIS</b>			<u><b>\$ 9,682,728</b></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, 2017**

Cost Center		STATE				FEDERAL PASS-THROUGH GRANTS					TAX APPROP. / DONATIONS	SCHOOL BOARD
		422	423	424 / 425/ 426	428	431	432	435	438	440	451 / 456	459
Food	500	\$ 8,000	\$ -	\$ 504,194	\$ 27,998	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Facilities	520	-	-	-	6,900	-	-	-	-	-	180,478	-
General Sanitation	540	-	-	-	-	-	-	-	-	-	618,811	-
Onsite Sewage	560	-	-	-	-	-	-	-	-	-	34,634	-
Special Project - Environmental	590	-	-	-	-	-	-	-	-	-	5,991	-
Radon	591	-	-	-	-	-	-	-	31,650	-	52,257	-
Smoking Ordinance	592	-	-	-	-	-	-	-	-	-	6,279	-
West Nile Virus	595	-	-	-	-	-	-	-	-	-	-	-
Total Environmental		8,000	-	504,194	34,898	-	-	-	31,650	-	898,450	-
Personal Health Services	700	-	-	-	-	-	-	-	-	-	-	-
Lab/Other Testing/Radiology	718	-	-	-	-	-	-	-	-	-	-	-
Q1 Project	724	-	-	-	-	-	-	-	-	-	242	-
KY Diabetes Prevention	725	-	-	-	-	-	-	-	6,000	-	40,000	-
Ebola Monitoring	726	-	-	-	-	-	-	-	12,084	-	-	-
Needle Exchange Program	727	-	-	-	-	-	-	-	-	-	98,516	-
Breast Cancer Trust Fund	730	-	-	-	-	-	-	-	-	-	-	-
Ebola Coordination	731	-	-	-	-	-	-	-	-	-	-	-
Community Health Action	736	-	-	-	-	-	31,980	-	-	-	11,160	-
PHEP Ebola Supplemental	737	-	-	-	-	-	-	-	2,570	-	-	-
Communities Putting Prev To Work	738	-	-	-	-	-	-	-	-	-	-	-
Environ Healthlink	742	-	-	-	-	-	-	-	-	-	-	-
Disease Intervention Specialist	743	-	-	-	-	-	-	-	75,598	-	35,860	-
February Winter Storm	745	-	-	-	-	-	-	-	-	-	-	-
Environmental Strike Team	746	-	-	-	-	-	-	-	-	-	-	-
Accreditation	750	-	-	-	-	-	-	7,000	-	-	12,591	-
HANDS GF Services	752	304,670	-	-	-	-	-	-	-	-	-	-
HANDS GF Start-up	754	-	-	-	-	-	-	-	-	-	-	-
Zika Vector Control Activities	755	-	-	-	-	-	-	-	3,373	-	63,097	-
EPI Support	757	-	-	-	-	-	-	-	-	-	-	-
Human Vitality	758	-	-	-	-	-	-	-	-	-	-	-
Tobacco Project	765	-	-	-	-	-	-	-	15,323	-	2,542	-
MCH Coordinator	766	-	-	-	-	165,991	-	-	-	-	156,328	-
KY Colon Cancer Screening	770	-	50	-	-	-	-	-	-	-	-	-
Health Benefits Exchange	772	-	-	-	-	-	-	-	-	-	-	-
Child Fatality Review & Injury Prevention	774	-	-	-	-	1,000	-	-	-	-	3,662	-
Pediatric/Adolescent Visits	800	-	-	-	-	-	-	-	27,542	-	315,763	-
Family Planning	802	497	-	-	-	-	70,256	-	-	-	195,552	-
Maternity Services & Activity	803	-	-	-	-	-	-	-	-	-	9,556	-
WIC	804	-	-	-	-	-	-	-	1,075,071	-	903,993	-
MCH Nutrition & Group Activity	805	-	-	-	-	25,152	-	-	-	-	158,920	-
Tuberculosis Visits	806	-	-	109,328	-	-	-	-	51,612	-	317,405	-
Sexually Transmitted Diseases	807	-	-	-	-	-	-	-	-	-	194,017	-
Diabetes Visits & Activities	809	78,195	-	-	-	-	-	-	-	-	73,572	-
Adult Visits/Follow-up Visits	810	-	-	-	-	-	-	-	-	-	45,791	-
Lead Program	811	-	-	-	-	-	-	-	-	-	-	-
Breast & Cervical Cancer	813	-	-	-	-	-	-	-	4,000	-	22,963	-
Healthy Communities	817	-	-	-	-	-	-	-	2,000	-	1,273	-
Bioterrorism Preparedness Planning	821	-	-	-	-	-	-	-	133,943	-	80,908	-
Bioterrorism Epid & Surveillance	822	-	-	-	-	-	-	-	-	-	137,187	-
Bioterrorism Health Alert Network	823	-	-	-	-	-	-	-	18,625	-	8,960	-
Heart Disease & Stroke	826	-	-	-	-	-	-	-	4,631	-	-	-
STD Monitoring	827	-	-	-	-	-	-	-	1,569	-	319	-
TOB, Cancer, Diab-State Pers.	829	57,946	-	-	-	-	-	-	67,500	-	31,445	-
Epidemiology AIDS/ST Personnel	831	-	-	-	-	-	-	-	61,922	-	28,038	-
Breast Feeding Support	833	-	-	-	-	-	-	-	65,510	-	11,491	-
STD P.H. Investigator	834	-	-	-	-	-	-	-	65,532	-	13,550	-
Tobacco	836	88,499	-	-	-	-	-	-	-	-	33,968	-
Abstinence	837	-	-	-	-	-	-	-	67,785	-	63,450	-
HIV Contract Data	838	-	-	-	-	-	-	-	56,430	-	22,937	-
HIV Community Planning Group	839	-	-	-	-	-	-	-	4,203	-	-	-
HIV Data Specialist	840	60,700	-	-	-	-	-	-	-	-	57,797	-
Diabetes Today	841	-	-	-	-	-	-	-	1,568	-	1,837	-
HIV Funds	842	38,975	20,618	-	-	-	-	-	110,046	-	-	-
HIV Prevention & Planning	843	50,849	-	-	-	-	-	-	38,032	-	131,901	-
Ryan White Program	845	-	-	-	-	-	-	-	152,500	-	2,861	-
Health Start Training	846	120,000	-	-	-	-	-	-	-	-	99,442	-
Ryan White Services	847	500,000	5,019	-	-	-	-	-	-	-	21,028	-
Healthy Start Child Care	848	51,000	-	-	-	-	-	-	-	-	33,223	-
Head Start	852	-	-	-	-	-	-	-	-	-	-	-
Hands	853	158,150	-	-	-	-	-	-	-	-	626,166	-
Supplemental School Health	858	-	-	-	-	-	-	-	-	-	444,962	1,617,716
Diabetes Personnel	872	46,204	-	-	-	-	-	-	71,912	-	28,575	-
Special Project	875	-	-	-	-	-	-	-	66,400	-	37,393	-
Colon Cancer Awareness and Education	880	-	-	-	-	-	-	-	-	-	-	-
EPSTD Outreach	883	-	-	-	-	-	-	-	-	-	-	-
Special Project	887	-	-	-	-	-	-	-	71,527	-	6,255	-
Vital Stats	890	-	-	-	-	-	-	-	-	-	188,210	-
Medicaid Match	891	-	-	-	-	-	-	-	-	-	23,958	-
Minor Items	892	-	-	-	-	-	-	-	-	-	73,524	-
Total Medical		1,555,685	25,687	109,328	-	192,143	70,256	38,980	2,334,808	-	4,872,188	1,617,716
Capital Expenditures	894	-	-	-	-	-	-	-	-	-	285,340	-
Allocable Direct	895	72,263	-	1,572,880	-	-	69,876	661	175,962	-	1,974,628	-
Total Administrative		72,263	-	1,572,880	-	-	69,876	661	175,962	-	2,259,968	-
Grand Total Regulatory Basis		\$ 1,635,948	\$ 25,687	\$ 2,186,402	\$ 34,898	\$ 192,143	\$ 140,132	\$ 39,641	\$ 2,542,420	\$ -	\$ 8,030,606	\$ 1,617,716

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENDITURES BY REPORTING AREA - BUDGETARY BASIS**  
**for the year ended June 30, 2017**

Cost Center	FEES & CONTRACTS						INTEREST	Total Revenues	Total Costs	Unrestricted Carryover	Program Excess (Deficit)
	462	463	464	466	467	469					
500	\$ -	\$ -	\$ -	\$ 247,031	\$ -	\$ 5,000	\$ -	\$ 792,223	\$ (792,223)	\$ -	\$ -
520	-	-	-	60,856	-	337	-	248,571	(248,571)	-	-
540	-	-	-	1,625	-	-	-	620,436	(620,436)	-	-
560	-	-	-	24,850	-	-	-	59,484	(59,484)	-	-
590	-	-	-	-	-	-	-	5,991	(5,991)	-	-
591	-	-	-	-	-	-	-	83,907	(83,907)	-	-
592	-	-	-	-	-	2,000	-	8,279	(8,279)	-	-
595	-	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	334,362	-	7,337	-	1,818,891	(1,818,891)	-	-
700	-	-	-	-	-	-	-	-	-	-	-
718	-	-	-	-	-	-	-	-	-	-	-
724	-	-	-	-	-	-	-	242	(242)	-	-
725	-	-	-	-	-	-	-	46,000	(46,000)	-	-
726	-	-	-	-	-	-	-	12,084	(12,084)	-	-
727	-	-	-	-	-	9,909	-	108,425	(108,425)	-	-
730	-	-	-	-	-	-	-	-	-	-	-
731	-	-	-	-	-	-	-	-	-	-	-
736	-	-	-	-	-	650	-	43,790	(43,790)	-	-
737	-	-	-	-	-	-	-	2,570	(2,570)	-	-
738	-	-	-	-	-	-	-	-	-	-	-
742	-	-	-	-	-	-	-	-	-	-	-
743	-	-	-	-	-	-	-	111,458	(111,458)	-	-
745	-	-	-	-	-	-	-	-	-	-	-
746	-	-	-	-	-	-	-	-	-	-	-
750	-	-	-	-	-	-	-	19,591	(19,591)	-	-
752	-	45,432	-	-	-	-	-	350,102	(350,102)	-	-
754	-	-	-	-	-	-	-	-	-	-	-
755	-	-	-	-	-	-	-	66,470	(66,470)	-	-
757	-	-	-	-	-	-	-	-	-	-	-
758	-	-	-	-	77,660	-	-	77,660	(41,250)	-	36,410
765	-	-	-	-	-	-	-	17,865	(17,865)	-	-
766	-	-	-	-	-	-	-	322,319	(322,319)	-	-
770	-	-	-	-	-	-	-	50	(50)	-	-
772	-	-	-	-	-	-	-	-	-	-	-
774	-	-	-	-	-	-	-	4,662	(4,662)	-	-
800	-	70,232	-	8,005	6,397	-	-	427,939	(427,939)	-	-
802	-	53,976	-	9,738	7,860	-	-	337,879	(337,879)	-	-
803	-	6,375	-	38	57	-	-	16,026	(16,026)	-	-
804	-	-	-	-	-	-	-	1,979,064	(1,979,064)	-	-
805	-	2,878	-	85	72	-	-	187,107	(187,107)	-	-
806	152	73,038	-	15,722	1,961	616	-	569,834	(569,834)	-	-
807	383	58,474	-	23,124	9,035	-	-	285,033	(285,033)	-	-
809	-	-	-	-	-	125	-	151,892	(151,892)	-	-
810	2,341	5,927	-	7,820	28,241	3,256	-	93,376	(93,376)	-	-
811	-	-	-	-	-	-	-	-	-	-	-
813	-	7,515	-	1,211	1,155	-	-	36,844	(36,844)	-	-
817	-	-	-	-	-	-	-	3,273	(3,273)	-	-
821	-	-	-	-	-	-	-	214,851	(214,851)	-	-
822	-	-	-	-	-	-	-	137,187	(137,187)	-	-
823	-	-	-	-	-	-	-	27,585	(27,585)	-	-
826	-	-	-	-	-	-	-	4,631	(4,631)	-	-
827	-	-	-	-	-	-	-	1,888	(1,888)	-	-
829	-	-	-	-	-	-	-	156,891	(156,891)	-	-
831	-	-	-	-	-	-	-	89,960	(89,960)	-	-
833	-	-	-	-	-	-	-	77,001	(77,001)	-	-
834	-	-	-	-	-	-	-	79,082	(79,082)	-	-
836	-	-	-	-	-	205	-	122,672	(122,672)	-	-
837	-	-	-	-	-	-	-	131,235	(131,235)	-	-
838	-	-	-	-	-	-	-	79,367	(79,367)	-	-
839	-	-	-	-	-	-	-	4,203	(4,203)	-	-
840	-	-	-	-	-	-	-	118,497	(118,497)	-	-
841	-	-	-	-	-	-	-	3,405	(3,405)	-	-
842	-	-	-	-	-	-	-	169,639	(169,639)	-	-
843	-	-	-	-	-	-	-	220,782	(220,782)	-	-
845	-	-	-	-	-	-	-	155,361	(155,361)	-	-
846	-	-	-	-	-	-	-	219,442	(219,442)	-	-
847	-	-	-	-	-	-	-	526,047	(526,047)	-	-
848	-	-	-	-	-	-	-	84,223	(84,223)	-	-
852	-	-	-	-	-	-	-	-	-	-	-
853	-	789,079	-	-	-	1,437	-	1,574,832	(1,574,832)	-	-
858	-	(80)	-	-	-	-	-	2,062,598	(2,062,598)	-	-
872	-	-	-	-	-	-	-	146,691	(146,691)	-	-
875	-	-	-	-	-	1,381	-	105,174	(105,174)	-	-
880	-	-	-	-	-	-	-	-	-	-	-
883	-	-	-	-	-	-	-	-	-	-	-
887	-	-	-	-	-	-	-	77,782	(77,782)	-	-
890	-	-	-	-	-	1,010	-	189,220	(189,220)	-	-
891	-	-	-	-	-	-	-	23,958	(23,958)	-	-
892	-	-	-	-	-	25	61,945	135,494	(135,494)	-	-
	2,876	1,112,846	-	65,743	132,438	18,614	61,945	12,211,253	(12,174,843)	-	36,410
894	-	-	-	-	-	1,000	-	286,340	(286,340)	-	-
895	-	20,516	-	-	-	-	-	3,886,786	(1,572,880)	-	2,313,906
	-	20,516	-	-	-	1,000	-	4,173,126	(1,859,220)	-	2,313,906
	\$ 2,876	\$ 1,133,362	\$ -	\$ 400,105	\$ 132,438	\$ 26,951	\$ 61,945	\$ 18,203,270	\$ (15,852,954)	\$ -	\$ 2,350,316

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH  
SUPPLEMENTARY SCHEDULE OF INDIRECT COSTS - BUDGETARY BASIS  
for the year ended June 30, 2017**

		Departmental	Environmental	Clinic	Medical	Space	Allocated Medical	Allocated Lab	Total Indirect Costs
Food	500	\$ 175,865	\$ 159,761	\$ -	\$ -	\$ 33,310	\$ -	\$ -	\$ 368,936
Public Facilities	520	56,686	52,310	-	-	2,125	-	-	111,121
General Sanitation	540	140,968	128,421	-	-	17,154	-	-	286,543
Onsite Sewage	560	13,665	12,390	-	-	1,062	-	-	27,117
Special Project - Environmental	590	1,121	1,098	-	4	1,062	-	-	3,285
Radon	591	19,026	15,056	-	-	1,062	-	-	35,144
Smoking Ordinance	592	990	960	-	-	1,854	-	-	3,804
West Nile Virus	595	-	-	-	-	-	-	-	-
Total Environmental		<u>408,321</u>	<u>369,996</u>	<u>-</u>	<u>4</u>	<u>57,629</u>	<u>-</u>	<u>-</u>	<u>835,950</u>
Personal Health Services	700	384,520	-	1,257,343	108,760	390,006	(3,063,726)	-	(923,097)
Lab/Other Testing/Radiology	718	27,768	-	93,079	7,523	12,170	-	(219,193)	(78,653)
Q1 Project	724	72	-	-	20	-	-	-	92
KY Diabetes Prevention	725	-	-	-	-	-	-	-	-
Ebola Monitoring	726	626	-	-	191	-	-	-	817
Needle Exchange Program	727	11,501	-	-	3,175	15,712	-	-	30,388
Breast Cancer Trust Fund	730	-	-	-	-	-	-	-	-
Ebola Coordination	731	-	-	-	-	-	-	-	-
Community Health Action	736	6,913	-	-	1,809	-	-	-	8,722
PHEP Ebola Supplemental	737	624	-	-	206	-	-	-	830
Communities Putting Prev To Work	738	-	-	-	-	-	-	-	-
Environ Healthlink	742	-	-	-	-	-	-	-	-
Disease Intervention Specialist	743	31,798	-	-	9,099	3,451	-	-	44,348
February Winter Storm	745	-	-	-	-	-	-	-	-
Environmental Strike Team	746	-	-	-	-	-	-	-	-
Accreditation	750	1,803	-	-	564	2,576	-	-	4,943
HANDS GF Services	752	61,418	-	-	17,994	12,878	-	-	92,290
HANDS GF Start-up	754	-	-	-	-	-	-	-	-
Zika Vector Control Activities	755	922	-	-	288	-	-	-	1,210
EPI Support	757	-	-	-	-	-	-	-	-
Human Vitality	758	7,700	-	-	2,053	3,052	-	-	12,805
Tobacco Project	765	-	-	-	-	-	-	-	-
MCH Coordinator	766	87,486	-	-	26,126	3,220	-	-	116,832
KY Colon Cancer Screening	770	-	-	-	-	-	-	-	-
Health Benefits Exchange	772	-	-	-	-	-	-	-	-
Child Fatality Review & Injury Prevention	774	900	-	-	265	1,288	-	-	2,453
Pediatric/Adolescent Visits	800	39,994	-	-	11,353	6,014	274,383	860	332,604
Family Planning	802	-	-	-	-	-	255,390	58,097	313,487
Maternity Services & Activity	803	-	-	-	-	-	15,957	69	16,026
WIC	804	2,220	-	-	642	4,752	1,935,326	21,201	1,964,141
MCH Nutrition & Group Activity	805	46,965	-	-	13,236	9,903	8,272	-	78,376
Tuberculosis Visits	806	51,532	-	-	15,206	18,146	351,127	5,349	441,360
Sexually Transmitted Diseases	807	-	-	-	-	-	168,794	116,239	285,033
Diabetes Visits & Activities	809	45,938	-	-	12,678	3,052	384	-	62,052
Adult Visits/Follow-up Visits	810	15,923	-	-	4,510	1,880	29,220	5,406	56,939
Lead Program	811	-	-	-	-	-	-	-	-
Breast & Cervical Cancer	813	-	-	-	-	-	24,873	11,972	36,845
Healthy Communities	817	325	-	-	130	-	-	-	455
Bioterrorism Preparedness Planning	821	28,676	-	-	7,907	-	-	-	36,583
Bioterrorism Epid & Surveillance	822	37,223	-	-	10,602	4,173	-	-	51,998
Bioterrorism Health Alert Network	823	6,920	-	-	1,888	2,009	-	-	10,817
Heart Disease & Stroke	826	1,253	-	-	367	-	-	-	1,620
STD Monitoring	827	-	-	-	-	-	-	-	-
TOB, Cancer, Diab-State Pers.	829	49,461	-	-	-	-	-	-	49,461
Epidemiology AIDS/ST Personnel	831	25,980	-	-	7,406	3,245	-	-	36,631
Breast Feeding Support	833	19,887	-	-	5,609	5,203	-	-	30,699
STD P.H. Investigator	834	19,844	-	-	6,471	2,885	-	-	29,200
Tobacco	836	31,511	-	-	8,956	4,843	-	-	45,310
Abstinence	837	33,813	-	-	9,642	3,233	-	-	46,688
HIV Contract Data	838	20,905	-	-	5,268	3,246	-	-	29,419
HIV Community Planning Group	839	-	-	-	-	-	-	-	-
HIV Data Specialist	840	31,641	-	-	9,025	3,773	-	-	44,439
Diabetes Today	841	-	-	-	-	-	-	-	-
HIV Funds	842	-	-	-	-	-	-	-	-
HIV Prevention & Planning	843	52,083	-	-	14,886	14,089	-	-	81,058
Ryan White Program	845	-	-	-	-	-	-	-	-
Health Start Training	846	59,043	-	-	16,826	5,563	-	-	81,432
Ryan White Services	847	-	-	-	-	-	-	-	-
Healthy Start Child Care	848	20,234	-	-	5,657	5,563	-	-	31,454
Head Start	852	-	-	-	-	-	-	-	-
Hands	853	322,326	-	-	91,940	41,842	-	-	456,108
Supplemental School Health	858	578,887	-	-	164,667	26,194	-	-	769,748
Diabetes Personnel	872	44,622	-	-	-	-	-	-	44,622
Special Project	875	31,600	-	-	-	4,495	-	-	36,095
Colon Cancer Awareness and Education	880	-	-	-	-	-	-	-	-
EPSDT Outreach	883	-	-	-	-	-	-	-	-
Special Project	887	-	-	-	-	-	-	-	-
Vital Stats	890	42,822	-	-	12,035	23,374	-	-	78,231
Medicaid Match	891	-	-	-	-	-	-	-	-
Minor Items	892	-	-	-	-	-	-	-	-
Total Medical		<u>2,285,679</u>	<u>-</u>	<u>1,350,422</u>	<u>614,980</u>	<u>641,830</u>	<u>-</u>	<u>-</u>	<u>4,892,911</u>
Space Indirect	897	-	-	-	-	(699,459)	-	-	(699,459)
Departmental Indirect	898	(2,694,000)	-	-	-	-	-	-	(2,694,000)
Clinic Indirect	899	-	-	(1,350,422)	-	-	-	-	(1,350,422)
Other Medical Indirect	900	-	-	-	(614,984)	-	-	-	(614,984)
Environmental Indirect	901	-	(369,996)	-	-	-	-	-	(369,996)
Total Administrative		<u>(2,694,000)</u>	<u>(369,996)</u>	<u>(1,350,422)</u>	<u>(614,984)</u>	<u>(699,459)</u>	<u>-</u>	<u>-</u>	<u>(5,728,861)</u>
Grand Total		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**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, 2017, 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 25, 2017.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 may exist that have not been identified.

**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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, consisting of the letters 'RFH' in a stylized, bold font.

RFH, PLLC  
Lexington, Kentucky  
September 25, 2017



**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**

We have audited the Lexington-Fayette Urban County Department of Health's (the Health Department) compliance with the types of compliance requirements described 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, 2017. 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.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Health Department's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Health Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Health Department's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the 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, 2017.



## Report on Internal Control over Compliance

Management of the Health Department is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Health Department's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Health Department's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 25, 2017



**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**for the year ended June 30, 2017**

GRANTOR/PROGRAM TITLE	Federal CFDA 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	01160016	7/1/2016-6/30/2017	\$ -	\$ 492,696
WIC Program - Administrative Services	10.557	01160017	7/1/2016-6/30/2017	-	749,086
<b>Total U.S. Department of Agriculture</b>				<u>-</u>	<u>1,241,782</u>
U.S. Environmental Protection Agency					
Passed through State (CHFS)					
State Indoor Radon Grants	66.032	02610010	7/1/2016-6/30/2017	-	31,650
<b>Total U.S. Environmental Protection Agency</b>				<u>-</u>	<u>31,650</u>
U.S. Department of Health and Human Services (HHS)					
Passed through State (CHFS)					
HPP and PHEP Cooperative	93.074	02140015	7/1/2016-6/30/2017	-	6,219
HPP and PHEP Cooperative	93.074	02140016	7/1/2016-6/30/2017	-	215,803
HPP and PHEP Cooperative	93.074	02140015	7/1/2016-6/30/2017	-	1,922
HPP and PHEP Cooperative	93.074	02150015	7/1/2016-6/30/2017	-	5,588
HPP and PHEP Cooperative	93.074	02150016	7/1/2016-6/30/2017	-	70,030
HPP and PHEP Cooperative	93.074	02220014	7/1/2016-6/30/2017	-	5,944
HPP and PHEP Cooperative	93.074	02240016	7/1/2016-6/30/2017	-	12,084
HPP and PHEP Cooperative	93.074	0214EX16	7/1/2016-6/30/2017	-	4,662
				<u>-</u>	<u>322,252</u>
Tuberculosis Control Programs	93.116	010600OL17	7/1/2016-6/30/2017	-	44,451
Tuberculosis Control Programs	93.116	010600OL18	7/1/2016-6/30/2017	-	7,161
				<u>-</u>	<u>51,612</u>
Title X Family Planning	93.217	011500OL16	7/1/2016-6/30/2017	-	69,876
Title X Family Planning	93.217	011500OL17	7/1/2016-6/30/2017	-	70,256
				<u>-</u>	<u>140,132</u>
Abstinence Education Initiative	93.235	01270017	7/1/2016-6/30/2017	-	67,785
Pediatric and Adolescent Programs	93.268	010500OL15	7/1/2016-6/30/2017	-	20,657
Pediatric and Adolescent Programs	93.268	010500OL16	7/1/2016-6/30/2017	-	6,886
				<u>-</u>	<u>27,543</u>
Cancer Prevention	93.283	011100OL15	7/1/2016-6/30/2017	-	40,412
Cancer Prevention	93.283	011100OL16	7/1/2016-6/30/2017	-	10,000
				<u>-</u>	<u>50,412</u>
<b>Subtotal HHS</b>				<u>\$ -</u>	<u>\$ 659,736</u>

**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, 2017**

<b>GRANTOR/PROGRAM TITLE</b>	<b>Federal CFDA Number</b>	<b>Pass/Through Contract Number</b>	<b>Grant Contract Period</b>	<b>Passed Through to Subrecipients</b>	<b>Expenditures</b>
U.S. Department of Health and Human Services (HHS) (previous page)				\$ -	\$ 659,736
U.S. Department of Health and Human Services (HHS) Passed through State (CHFS)					
Tobacco	93.305	0240OL16	7/1/2016-6/30/2017	-	15,000
Tobacco	93.305	0240OL17	7/1/2016-6/30/2017	-	323
				-	15,323
Diabetes and Cardio	93.757	02430116	7/1/2016-6/30/2017	-	1,837
Diabetes and Cardio	93.757	02430416	7/1/2016-6/30/2017	-	2,659
Diabetes and Cardio	93.757	02430417	7/1/2016-6/30/2017	-	17,802
Diabetes and Cardio	93.757	02430517	7/1/2016-6/30/2017	-	4,631
				-	26,929
Preventive Health Services Block Grant	93.758	01040015	7/1/2016-6/30/2017	-	17,091
Preventive Health Services Block Grant	93.758	01040016	7/1/2016-6/30/2017	-	22,550
				-	39,641
EPSTD Outreach	93.778	03095016	7/1/2016-6/30/2017	-	2,005
Colon Cancer Screening	93.800	01970016	7/1/2016-6/30/2017	-	9,203
Colon Cancer Screening	93.800	01970017	7/1/2016-6/30/2017	-	67,500
				-	76,703
Ebola Monitoring	93.815	02210014	7/1/2016-6/30/2017	-	-
Ryan White Care Act	93.917	01690016	7/1/2016-6/30/2017	-	116,752
Ryan White Care Act	93.917	01690017	7/1/2016-6/30/2017	-	40,000
				-	156,752
HIV Prevention	93.940	014000OL15	7/1/2016-6/30/2017	-	-
HIV Prevention	93.940	014000OL16	7/1/2016-6/30/2017	-	242,339
				-	242,339
HIV Surveillance	93.944	017200OL15	7/1/2016-6/30/2017	-	30,961
HIV Surveillance	93.944	017200OL16	7/1/2016-6/30/2017	-	30,961
				-	61,922
Core Health and Diabetes	93.945	024207OL17	7/1/2016-6/30/2017	-	55,678
Core Health and Diabetes	93.945	024204OL16	7/1/2016-6/30/2017	-	1,184
Core Health and Diabetes	93.945	024204OL17	7/1/2016-6/30/2017	-	2,000
				-	58,862
STD Prevention	93.977	010700OL15	7/1/2016-6/30/2017	-	62,521
STD Prevention	93.977	010700OL16	7/1/2016-6/30/2017	-	48,032
				-	110,553
MCH Services Block Grant	93.994	01120015	7/1/2016-6/30/2017	-	48,786
MCH Services Block Grant	93.994	01120016	7/1/2016-6/30/2017	-	143,358
				-	192,144
<b>Total U.S. Department of Health and Human Services</b>				-	<b>1,642,909</b>
<b>Grand total federal awards expended</b>				<b>\$ -</b>	<b>\$ 2,916,341</b>
EPSTD Outreach reported in Service Fees in the financial statements				-	(2,005)
Federal awards reported in the financial statements as direct or pass-through				<b>\$ -</b>	<b>\$ 2,914,336</b>

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**for the year ended June 30, 2017**

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**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:**

<b>CFDA Number</b>	<b>Name of Federal Program or Cluster</b>
10.557	USDA – WIC 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, 2017**

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There are no prior audit findings to report.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH  
AUDIT ADJUSTMENTS  
for the year ended June 30, 2017**

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There are no proposed audit adjustments.