

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

**FINANCIAL STATEMENTS
June 30, 2018**

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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 year ended June 30, 2018, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 opinion.

Opinion

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, 2018, and the respective changes in financial position, and cash flows thereof for the year 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 3-5, the schedule of proportionate share of the net pension liability and the schedule of contributions on pages 22 and 23, and the schedule of proportionate share of the net OPEB liability and the schedule of contributions on pages 24 and 25, 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 an opinion 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 – budgetary basis and the schedule of indirect costs – budgetary basis 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* 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 – budgetary basis, the schedule of indirect costs – budgetary basis 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 – 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, 2018, 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, PLLC
Lexington, Kentucky
September 26, 2018



Lexington-Fayette County Health Department

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September 29, 2018

This discussion and analysis of the Lexington-Fayette County Health Department's (LFCHD) financial performance provides an overview of the LFCHD's financial activities for the fiscal year ended June 30, 2018. Please read this document in conjunction with the 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. LFCHD 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 22 through 25.

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." Equity is described as Net Assets.

FINANCIAL HIGHLIGHTS

LFCHD's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$(43,791,574) (net position) for the fiscal period reported.

Total net assets are comprised of the following:

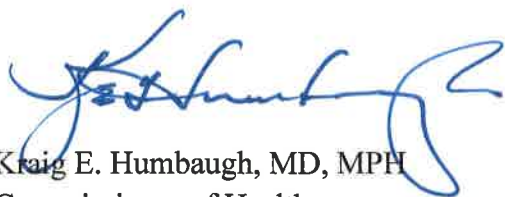
- (1) Capital assets, net of accumulated depreciation of \$2,441,126.
- (2) Designated Funds of \$345,713.
- (3) Unrestricted Funds of \$(46,578,413).

At the end of the fiscal year, unrestricted fund balance was \$(46,578,413). This compares with fiscal year 2017 unrestricted fund balance of \$(41,990,845). Of the \$68,160,564 in total liabilities, \$66,606,002 are related to pension liabilities and postemployment benefits other than pensions (OPEB).

HIGHLIGHTS FROM FY 2018 AND OBSERVATIONS ABOUT FY 2019

- LFCHD achieved budget objectives for fiscal year 2018 and generated a \$3.94 million 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 3.4 percent were budgeted for fiscal year 2018 and distributed based on individual job performance.
- In fiscal year 2018, the needle exchange program served 2,229 clients, making 8,867 visits, took in 308,673 used needles and distributed 362,002 clean needles. In April 2018, a second needle-exchange day was added each week on-site at LFCHD's main facility.
- There were 8,757 visits to the LFCHD clinic in fiscal year 2018 which was 9 percent increase over fiscal year 2017.
- 2,358 influenza vaccinations were given to the community in fiscal year 2018.
- School health nurses had 40,226 documented health visits during the school year. In 88 percent of the visits, students were able to be returned to the classroom.
- As a result of a statewide outbreak of hepatitis A, the epidemiology team worked with the Kentucky Department for Public Health to prepare for management of a potential increase of cases in Lexington. Epidemiologists worked with clinic staff to provide post-exposure immunizations for 58 contacts of confirmed hepatitis A cases and facilitated additional vaccination efforts throughout Lexington.
- Infection Disease staff provided 1,380 hours of HIV outreach in fiscal year 2018 to high risk populations in order to educate the community and reduce the spread of HIV.
- A Linkage Navigator position was established in Infectious Disease with the goal of linking people living with HIV back to treatment services if they have been out of care for more than 6 months. During the initial year, LFCHD was able to locate 53 of the 74 referrals from the Bluegrass Care Clinic.
- The Community Health Equity and Education Tobacco Program supported HUD property residents facing new smoke-free regulations with opportunities for cessation and education. LFCHD provided public awareness information detailing the new regulations to residents. Over 30 Lexington Housing Authority (LHA) property residents attended smoking cessation classes and two LHA staffers were trained as Freedom from Smoking facilitators.
- LFCHD used a grant award from DrugFreeLex to provide the Lexington Legends and their fans with information on how to stop using tobacco products. The Legends, a minor league baseball team affiliated with the Kansas City Royals, opted to go tobacco-free in all parts of its stadium, allowing us to provide signs and on-site information about how our health educators can help tobacco-users stop using the product.
- Environmental Health implemented new inspection placards that restaurants are required to place in areas viewable to the public so that they can more easily view inspection scores. The new placards feature the restaurant's inspection score in a green box for a passing grade and a red box for a failing grade along with a check box for areas of concern and violations.
- For fiscal year 2019, LFCHD's approved budget anticipates a projected surplus of \$789,000. The budget a KERS employer contribution rate of 49.47 percent. Of that contribution, state subsidies cover 21 percent.

The 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
STATEMENT OF NET POSITION
June 30, 2018

ASSETS

Current assets	
Cash and cash equivalents	\$ 14,365,544
Accounts receivable:	
Contracts and other, net	106,153
Prepaid expenses and capital projects	<u>21,199</u>
Total current assets	<u>14,492,896</u>
Noncurrent assets	
Capital assets, net	2,441,126
Note receivable - HealthFirst Bluegrass, Inc.	<u>2,029,503</u>
Total noncurrent assets	<u>4,470,629</u>
Total assets	<u>18,963,525</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - pension	12,672,460
Deferred outflows - OPEB (including the implicit subsidy of \$82,597)	<u>2,013,874</u>
Total deferred outflows of resources	<u>14,686,334</u>
Total assets and deferred outflows of resources	<u>\$ 33,649,859</u>

LIABILITIES

Current liabilities	
Accounts payable	\$ 434,588
Accrued payroll and fringes	599,104
Unearned grant revenue	<u>19,337</u>
Total current liabilities	<u>1,053,029</u>
Long-term liabilities	
Accrued annual leave	501,533
Net pension liability	55,998,909
Net OPEB liability	<u>10,607,093</u>
Total long-term liabilities	<u>67,107,535</u>
Total liabilities	<u>68,160,564</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - pension	9,052,613
Deferred inflows - OPEB	<u>228,256</u>
Total deferred inflows of resources	<u>9,280,869</u>

NET POSITION

Net investment in capital assets	2,441,126
Restricted	
State funds	170,968
Federal funds	45,895
Fees	128,850
Unrestricted	<u>(46,578,413)</u>
Total net position	<u>(43,791,574)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 33,649,859</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, 2018

OPERATING REVENUES

State grants	\$ 3,575,404
Federal pass-through grants	3,277,850
Tax appropriations	8,580,798
Donations	4,813
Medicare service fees	12,125
Medicaid service fees	1,236,023
School board contract	1,711,316
Fees and contracts	414,743
Insurance	188,697
Other fees and contracts	<u>40,486</u>

Total operating revenues	<u>19,042,255</u>
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OPERATING EXPENSES

Personnel	10,837,954
Operating	3,838,272
Depreciation	<u>429,147</u>

Total operating expenses	<u>15,105,373</u>
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OPERATING INCOME (LOSS)	<u>3,936,882</u>
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NON-OPERATING INCOME (EXPENSE)

Interest income	<u>109,569</u>
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Total non-operating income (expense)	<u>109,569</u>
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Change in net position	4,046,451
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NET POSITION, as restated	(47,838,025)
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Prior year grant activity	<u>-</u>
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NET POSITION - END OF YEAR	<u>\$ (43,791,574)</u>
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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, 2018

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from grantor agencies	\$ 6,862,027
Cash received from patients/other service fees	3,690,115
Tax apportionments	8,580,798
Donations	4,813
Payments for employee services and benefits	(11,616,769)
Payments to suppliers	<u>(3,681,264)</u>

Net cash provided by operating activities	<u>3,839,720</u>
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CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Purchases of capital assets	<u>(350,080)</u>
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Net cash (used in) capital and related financing activities	<u>(350,080)</u>
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CASH FLOWS FROM INVESTING ACTIVITIES

Interest	<u>109,569</u>
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Net cash provided by investing activities	<u>109,569</u>
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Net increase in cash and cash equivalents	3,599,209
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Cash and cash equivalents - beginning of the year	<u>10,766,335</u>
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CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 14,365,544</u>
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Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:

Operating income	\$ 3,936,882
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Adjustments to reconcile operating income to net cash provided by (used in) operating activities:

Depreciation and amortization	429,147
Net change in pension liabilities	(1,160,051)
Net change in OPEB liabilities	427,148
Prior year activity	(22,950)

Change in assets and liabilities:

Contracts and other receivables	86,725
Prepaid expenses	43,345
Accounts payables	(175,242)
Accrued expenses	263,906
Accrued annual leave	2,037
Unearned grant revenue	<u>8,773</u>

Net cash provided by operating activities	<u><u>\$ 3,839,720</u></u>
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The accompanying notes are an integral
part of the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 26, 2018, no formal reports have been issued as a result of audits performed or in progress for the year ended June 30, 2018.

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.

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, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable from insurance, Medicaid and private pay patients are reserved at varying rates based on historical collections. The allowance totaled \$44,586 for the year ended June 30, 2018, 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 year ended June 30, 2018, 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 fully depreciate all tangible building or equipment acquisitions of \$1,000 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, 2018, 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 \$7,818,626 for the year ended June 30, 2018, respectively. Total taxes, including support from the Lexington-Fayette Urban County Government, totaled \$8,580,798 for the year ended June 30, 2018, 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.

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.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 26, 2018, 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, 2018, have not been evaluated by the Health Department.

2. CASH AND CASH EQUIVALENTS

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.

At June 30, 2018, 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, 2018.

The following is a detail of the Health Department's cash deposit coverage at June 30, 2018:

Total cash and cash equivalents	\$ 14,504,958
FDIC insurance	(250,000)
Collateral held by pledging bank	<u>(14,868,501)</u>
(Over) Collateralized	<u>\$ (613,543)</u>

3. NOTE RECEIVABLE

In a note dated August 27, 2015, the Health Department converted an account receivable due from HealthFirst Bluegrass, Inc. (previously a related party) 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, 2018

4. CAPITAL ASSETS

Capital assets activity as of June 30, 2018 is as follows:

	June 30, 2017	Acquisitions	Disposals	June 30, 2018
Buildings	\$ 3,472,473	\$ -	\$ -	\$ 3,472,473
Building improvements	4,204,387	105,643	-	4,310,030
Equipment, furniture & fixtures	2,086,634	244,437	-	2,331,071
Leasehold improvements	<u>6,215</u>	<u>-</u>	<u>-</u>	<u>6,215</u>
Total	9,769,709	350,080	-	10,119,789
Less: accumulated depreciation	<u>(7,249,516)</u>	<u>(429,147)</u>	<u>-</u>	<u>(7,678,663)</u>
Net	<u>\$ 2,520,193</u>	<u>\$ (79,067)</u>	<u>\$ -</u>	<u>\$ 2,441,126</u>

Depreciation expense for the year ended June 30, 2018 totaled \$429,147.

5. LINE OF CREDIT

The Health Department maintains an operating line of credit. The line accrues interest at a rate of 3.21% as of June 30, 2018 which is payable monthly. The total credit limit on the line is \$2,000,000 and matures on April 30, 2019. Activity for the year ended June 30, 2018 is as follows:

	June 30, 2017	Additions	Payments	June 30, 2018
Line of Credit	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

6. 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.

Long-term liability activity for the year ended June 30, 2018 is as follows:

	June 30, 2017	Additions	Deletions	June 30, 2018
Net pension liability	\$ 42,797,085	\$ 13,201,824	\$ -	\$ 55,998,909
Net OPEB liability	8,977,327	1,629,766	-	10,607,093
Accrued leave	<u>499,496</u>	<u>119,814</u>	<u>(117,777)</u>	<u>501,533</u>
	<u>\$ 52,273,908</u>	<u>\$ 14,951,404</u>	<u>\$ (117,777)</u>	<u>\$ 67,107,535</u>

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

7. RESTRICTED NET POSITION

Net position is restricted due to specific program restrictions. These restrictions may occur at the State, Federal, Fee or Program level. At June 30, 2018, net position was restricted as follows:

	State	Federal	Fees	Programs	Totals
752-HANDS GF	\$ 27,818	\$ -	\$ -	\$ -	\$ 27,818
770-Colon Cancer	15,901	-	-	-	15,901
842-HIV Funds	57,332	12,826	-	-	70,158
847-Ryan White Serv.	69,917	-	-	-	69,917
737-PHEP Ebola	-	61	-	-	61
813-Breast Cancer	-	15,105	-	-	15,105
837-Abstinence	-	423	-	-	423
839-HIV Planning	-	480	-	-	480
845-Linkage Navigator	-	17,000	-	-	17,000
758-Human Vitality	-	-	33,971	-	33,971
810-Adult Visits	-	-	71,584	-	71,584
828-KY ASAP	-	-	4,902	-	4,902
892-Minor Items	-	-	18,393	-	18,393
Totals	\$ 170,968	\$ 45,895	\$ 128,850	\$ -	\$ 345,713

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 \$131,520, during the year ended June 30, 2018, respectively. The lease matured on August 31, 2018.

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 lease terms began on August 1, 2018 and will mature on July 31, 2028.

The Health Department also leases various equipment on a short-term, as-needed basis. Leasing expense totaled \$165,730, for the year ended June 30, 2018. Total future minimum lease payments, on a fiscal year basis, are as follows:

Year	Amount
2019	\$ 117,150
2020	101,349
2021	98,745
2022	82,644
2023	72,574
2024-2028	412,083
2029	6,906
Total	\$ 891,451

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.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

9. RETIREMENT PLAN (CONTINUED)

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, 2018, 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 year ended June 30, 2018, participating employers contributed 49.47% of each employee's wages for non-hazardous job classifications. The contributions are allocated to both the pension and insurance trusts. The insurance trust is more fully described in Note 10. Plan members contributed 41.06% to the pension trust for non-hazardous job classifications. The contribution rates are 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 \$3,191,070 for the year ended June 30, 2018 or 100% of its required contribution. The contribution was allocated \$2,648,582 to the KERS pension fund and \$542,488 to the KERS insurance fund.

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

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

9. RETIREMENT PLAN (CONTINUED)

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, 2018, the Health Department reported a liability of \$55,998,909 or its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017, the Health Department's proportion was .4183%, which increased .0428% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Health Department recognized pension expense of \$1,753,966. At June 30, 2018, 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	\$ 9,960	\$ 360,607
Changes of assumptions	7,104,825	-
Net difference between projected and actual earnings on Plan investments	270,796	-
Changes in proportion and differences between the Department contributions and proportionate share of contributions	2,638,297	8,692,006
Department contributions subsequent to the measurement date	<u>2,648,582</u>	<u>-</u>
Total	<u>\$ 12,672,460</u>	<u>\$ 9,052,613</u>

The \$2,648,582 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, 2019. 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,	
2019	\$ (455,558)
2020	\$ 1,427,984
2021	\$ 75,958
2022	\$ (77,119)

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

9. RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions – The total pension liability in the June 30, 2017 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	7.50%, 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, 2017 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. 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 Nominal Real Rate of Return
U.S. Equity	26.5%	11.27%
Non-U.S. Equity	26.5%	2.83%
Fixed Income	12.0%	7.69%
Real Return	8.0%	4.00%
Real Estate	5.0%	5.95%
Absolute Return	10.0%	3.96%
Private Equity	10.0%	10.95%
Cash Equivalent	2.0%	3.65%
	100%	

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 the remaining 26 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%	\$ 63,938,154
Current discount rate	5.25%	\$ 55,998,909
1% increase	6.25%	\$ 49,397,974

Payable to the Pension Plan – At June 30, 2018, the Health Department reported a payable of \$387,456, respectively, for the outstanding amount of contributions required for the year ended June 30, 2018. The payable can be allocated as follow, \$321,588 to the pension plan and \$65,868 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 each participating county, city, and school board, 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 ending June 30, 2018, the employer's contribution was 8.41% 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 Retirement System are financed through employer contributions and investment earnings.

The Health Department contributed \$3,191,070 for the year ended June 30, 2018 or 100% of its required contribution. The contribution was allocated \$2,648,582 to the KERS pension fund and \$542,488 to the KERS insurance fund.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 Insurance eligibility Benefit	Before July 1, 2003 10 years of service credit required Set percentage of single coverage health insurance based on service credit accrued at retirement
Tier 1	Participation date Insurance eligibility Benefit	Before September 1, 2008 but after July 1, 2003 10 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 2	Participation date Insurance eligibility Benefit	After September 1, 2008 and before December 31, 2013 15 years of service credit required Set dollar amount based on service credit accrued, increased annually
Tier 3	Participation date Insurance eligibility Benefit	After December 31, 2013 15 years of service credit required 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, 2018, the Health Department reported a liability of \$10,607,093 or its proportionate share of the total net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. 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, 2017, the Health Department's proportion was .4183%, which increased .0428% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the Health Department recognized OPEB expense of \$1,052,234. At June 30, 2018, 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	\$ -	\$ 13,126
Changes of assumptions	1,388,789	-
Net difference between projected and actual earnings on Plan investments	-	137,288
Changes in proportion and differences between the Department contributions and proportionate share of contributions	-	77,842
Department contributions subsequent to the measurement date	<u>542,488</u>	<u>-</u>
Total	<u>\$ 1,931,277</u>	<u>\$ 228,256</u>

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

The \$542,488 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, 2019. 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,	
2019	\$ 289,324
2020	\$ 289,324
2021	\$ 289,324
2022	\$ 289,324
2023	\$ 3,237

Actuarial Assumptions – The total OPEB liability in the June 30, 2017 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	7.50%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65:	Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.

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, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2008 - June 30, 2013. The total OPEB liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017. Subsequent to the actuarial valuation date (June 30, 2016) but prior to the measurement date, and before the required 2019 experience study, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted updated actuarial assumptions, which were used in performing the actuarial valuation as of June 30, 2017.

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.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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

The target allocation and best estimates of arithmetic nominal real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Nominal Real Rate of Return
U.S. Equity	26.5%	11.27%
Non-U.S. Equity	26.5%	2.83%
Fixed Income	12.0%	7.69%
Real Return	8.0%	4.00%
Real Estate	5.0%	5.95%
Absolute Return	10.0%	3.96%
Private Equity	10.0%	10.95%
	100%	

Discount Rate – The discount rate used to measure the total OPEB liability was 5.83% for non-hazardous classifications, respectively. 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 26 year 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 3.56%, as reported in Fidelity Index's "20 –Year Municipal GO AA Index" as of June 30, 2017. 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.

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 rate 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	4.83%	\$ 12,400,973
Current discount rate	5.83%	\$ 10,607,093
1% increase	6.83%	\$ 9,116,267

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 OPEB Plan – At June 30, 2018, the Health Department reported a payable of \$387,456, for the outstanding amount of contributions required for the year ended June 30, 2018. The payable can be allocated as follow, \$321,588 to the pension plan and \$65,868 to the OPEB plan.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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, 2018.

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 (\$46,578,413) for the year ended June 30, 2018, respectively. 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 (\$61,200,537) and for the year ended June 30, 2018.

14. RESTATEMENT OF NET POSITION

During 2018 the Health Department implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which addresses financial reporting for state and local government employers whose employees are provided with other postemployment benefits (OPEB) through defined benefit plans that are covered under Statement No. 75, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

The guidance contained in Statement 75 changed how governments calculate and report the costs and obligations associated with OPEB. Under the new standards GASB requires that cost-sharing governments report a net OPEB liability, OPEB expense, and OPEB related deferred inflows and outflows of resources based on their proportionate share of the collective amounts for all the governments in the plan. In addition, GASB requires Statement 75 to be applied retroactively, which has resulted in a restatement of beginning net position.

Additionally, the Health Department incurred administrative fee expenses related to the prior fiscal year ending June 30, 2017. The balance of DPH Admin Fees was restated along with the net position to reflect the expenses in the proper period.

The following table summarizes the restatement of the previously reported net position of the Health Department:

Net position, as previously reported	\$ (39,420,748)
DPH Admin Fees	(22,950)
Beginning net OPEB liability	<u>(8,394,327)</u>
Net position at beginning of year, as restated	<u>\$ (47,838,025)</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

	2018	2017	2016	2015	2014
Health Department's proportion of the net pension liability	0.4183%	0.3754%	0.5727%	0.6830%	0.6800%
Health Department's proportionate share of the net pension liability (asset)	\$ 55,998,909	\$ 42,797,000	\$ 57,988,999	\$ 61,259,339	\$ 59,370,000
Health Department's covered employee payroll	\$ 6,450,516	\$ 6,412,310	\$ 6,201,687	\$ 11,132,438	\$ 12,182,346
Health Department's share of the net pension liability (asset) as a percentage of its covered employee payroll	868.13%	667.42%	935.05%	550.28%	487.34%
Plan fiduciary net position as a percentage of the total pension liability	13.30%	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.

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

The measurement date of the net pension liability is one year preceding the fiscal year of the Health Department.

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

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS TO THE NET PENSION LIABILITY
Last Five Fiscal Years**

	2018	2017	2016	2015	2014
Contractually required employer contribution	\$ 2,648,582	\$ 2,580,314	\$ 1,912,598	\$ 2,408,718	\$ 1,954,131
Contributions relative to contractually required employer contribution	<u>2,648,582</u>	<u>2,580,314</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>	<u>\$ -</u>
Health Department's covered employee payroll	\$ 6,450,516	\$ 6,412,310	\$ 6,201,687	\$ 11,132,438	\$ 12,182,346
Employer contributions as a percentage of covered-employee payroll	41.06%	40.24%	30.84%	21.64%	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.

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

	2018	2017
Health Department's proportion of the net OPEB liability	0.4183%	0.3754%
Health Department's proportionate share of the net OPEB liability (asset)	\$ 10,607,093	\$ 8,977,327
Health Department's covered employee payroll	\$ 6,450,516	\$ 6,412,310
Health Department's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	164.44%	140.00%
Plan fiduciary net position as a percentage of the total pension liability	24.40%	unavailable

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 two 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 insurance fund.

The measurement date of the net OPEB liability is one year preceding the fiscal year of the Health Department.

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

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
REQUIRED SUPPLEMENTARY
SCHEDULE OF CONTRIBUTIONS TO THE NET OPEB LIABILITY
Last Five Fiscal Years**

	2018	2017	2016	2015	2014
Contractually required employer contribution	\$ 542,488	\$ 535,428	\$ 491,793	\$ 619,362	\$ 1,073,698
Contributions relative to contractually required employer contribution	<u>542,488</u>	<u>535,428</u>	<u>491,793</u>	<u>619,362</u>	<u>1,073,698</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Health Department's covered employee payroll	\$ 6,450,516	\$ 6,412,310	\$ 6,201,687	\$ 10,240,334	\$ 12,182,346
Employer contributions as a percentage of covered-employee payroll	8.41%	8.35%	7.93%	6.05%	8.81%

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 insurance fund.

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

SUPPLEMENTARY INFORMATION

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SUPPLEMENTARY BUDGETARY COMPARISON - BUDGETARY BASIS
for the year ended June 30, 2018**

	Cost Center	Original Budget	Amended Budget	Actual	Variance
STATE GRANTS					
State restricted	422	\$ 1,574,305	\$ 1,619,082	\$ 1,610,581	\$ (8,501)
State restricted carryover	423	-	-	-	-
Food and sanitation	424	303,179	308,179	275,123	(33,056)
Foundational funding	425	-	-	-	-
State health insurance	426	1,664,193	1,664,193	1,654,802	(9,391)
State public health block grant	428	<u>34,898</u>	<u>34,898</u>	<u>34,898</u>	<u>-</u>
Total State Grants		<u>3,576,575</u>	<u>3,626,352</u>	<u>3,575,404</u>	<u>(50,948)</u>
FEDERAL PASS-THROUGH AWARDS					
Title V block grant	431	192,143	255,284	398,812	143,528
Title X grant	432	199,347	382,108	311,158	(70,950)
Preventative services grant	435	-	20,000	23,236	3,236
Federal programs	438	2,332,265	2,435,629	2,544,644	109,015
Federal restricted carryover	440	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total federal pass-through awards		<u>2,723,755</u>	<u>3,093,021</u>	<u>3,277,850</u>	<u>184,829</u>
LOCAL FUNDS					
Local tax appropriations	451	7,750,000	7,750,000	8,580,798	830,798
Donations	456	<u>-</u>	<u>3,597</u>	<u>4,813</u>	<u>1,216</u>
Total local funds		<u>7,750,000</u>	<u>7,753,597</u>	<u>8,585,611</u>	<u>832,014</u>
FEES FOR SERVICES					
Contracts, school board	459	1,681,314	1,681,314	1,711,316	30,002
Medicare (Title 18)	462	2,250	3,477	12,125	8,648
Medicaid (Title 19)	463	1,314,090	1,003,009	1,129,870	126,861
Prior year carryover	464	-	-	-	-
Fees and permits	466	407,717	407,717	414,743	7,026
Insurance	467	158,750	158,750	188,697	29,947
Other fees and contracts	469	<u>18,330</u>	<u>25,145</u>	<u>40,486</u>	<u>15,341</u>
Total fees for services		<u>3,582,451</u>	<u>3,279,412</u>	<u>3,497,237</u>	<u>217,825</u>
INTEREST INCOME	480	<u>57,400</u>	<u>57,400</u>	<u>109,569</u>	<u>52,169</u>
TOTAL REVENUES, BUDGETARY BASIS		<u>\$ 17,690,181</u>	<u>\$ 17,809,782</u>	<u>\$ 19,045,671</u>	<u>\$ 1,235,889</u>
Conversion to accrual basis:					
Additional accounts receivable, net				106,153	
Less prior year grant activity (carryover)				<u>-</u>	
TOTAL REVENUES, ACCRUAL BASIS				<u>\$ 19,151,824</u>	

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SUPPLEMENTARY BUDGETARY COMPARISON - BUDGETARY BASIS
for the year ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance
PERSONNEL EXPENSES				
Salaries	\$ 7,203,016	\$ 7,125,085	\$ 6,875,297	\$ (249,788)
Fringe benefits	<u>5,338,838</u>	<u>5,303,505</u>	<u>4,694,777</u>	<u>(608,728)</u>
Total personnel expenses	<u>12,541,854</u>	<u>12,428,590</u>	<u>11,570,074</u>	<u>(858,516)</u>
OPERATING EXPENSES				
Contractual and professional services	1,478,269	1,414,416	1,071,466	(342,950)
Travel	159,723	163,313	115,599	(47,714)
Rent	153,500	153,500	165,730	12,230
Utilities	175,550	175,550	191,426	15,876
Janitorial service and supplies	151,700	151,988	146,837	(5,151)
Insurance	140,415	141,040	139,219	(1,821)
Building repairs and maintenance	171,800	282,783	369,585	86,802
Printing and copying	101,719	113,649	96,725	(16,924)
Telephone	186,810	185,661	175,565	(10,096)
Postage	36,371	36,891	28,085	(8,806)
Office supplies	48,250	56,092	62,369	6,277
Computer services and supplies	218,419	215,718	211,180	(4,538)
Minor office equipment	12,925	10,076	10,056	(20)
Medical supplies	149,450	221,521	247,082	25,561
Lab supplies	29,740	29,454	35,139	5,685
Minor medical equipment	5,000	5,000	2,610	(2,390)
Automobile	16,900	16,956	16,523	(433)
Temporary services	115,431	116,074	82,774	(33,300)
Dues and subscriptions	6,290	6,309	8,592	2,283
Registration fees	24,055	24,950	17,365	(7,585)
Program supplies	235,015	218,644	106,467	(112,177)
Professional services	118,500	118,800	61,556	(57,244)
Advertising and recruitment	70,898	74,888	50,898	(23,990)
Other expenses	<u>446,066</u>	<u>442,058</u>	<u>348,664</u>	<u>(93,394)</u>
Total operating expenses	<u>4,252,796</u>	<u>4,375,331</u>	<u>3,761,512</u>	<u>(613,819)</u>
OTHER EXPENSES				
Capital items	<u>470,000</u>	<u>470,000</u>	<u>350,080</u>	<u>(119,920)</u>
Total other expenses	<u>470,000</u>	<u>470,000</u>	<u>350,080</u>	<u>(119,920)</u>
TOTAL EXPENSES, BUDGETARY BASIS	<u>\$ 17,264,650</u>	<u>\$ 17,273,921</u>	<u>\$ 15,681,666</u>	<u>\$ (1,592,255)</u>
REVENUE OVER EXPENSES, BUDGETARY BASIS		<u>\$ 3,364,005</u>		
Conversion to accrual basis:				
Change in salary, leave and benefits			\$ 51,760	
GASB 68 conversion, net			(1,160,051)	
GASB 75 conversion, net			427,931	
Depreciation expense			429,147	
Capital purchase with grant monies			25,000	
Less capital outlay			<u>(350,080)</u>	
TOTAL EXPENSE, ACCRUAL BASIS			<u>\$ 15,105,373</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, 2018

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	\$ 3,400	\$ -	\$ 275,123	\$ 34,898	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 222,460	\$ -
Public Facilities	520	-	-	-	-	-	-	-	-	-	195,059	-
General Sanitation	540	-	-	-	-	-	-	-	-	-	567,643	-
Onsite Sewage	560	-	-	-	-	-	-	-	-	-	30,447	-
Special Project - Environmental	590	-	-	-	-	-	-	-	-	-	2,870	-
Radon	591	-	-	-	-	-	-	-	4,169	-	7,246	-
Smoking Ordinance	592	-	-	-	-	-	-	-	-	-	3,718	-
Total Environmental		<u>3,400</u>	<u>-</u>	<u>275,123</u>	<u>34,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,169</u>	<u>-</u>	<u>1,029,443</u>	<u>-</u>
Personal Health Services	700	-	-	-	-	-	-	-	-	-	-	-
Lab/Other Testing/Radiology	718	-	-	-	-	-	-	-	-	-	-	-
Needle Exchange Program	727	-	-	-	-	-	-	-	49,244	-	101,965	-
Community Health Action	736	-	-	-	-	-	-	15,627	-	-	5,185	-
Disease Intervention Specialist	743	-	-	-	-	-	-	-	70,111	-	27,544	-
Accreditation	750	-	-	-	-	-	-	-	-	-	11,877	-
HANDS GF Services	752	238,230	-	-	-	-	-	-	-	-	-	-
Human Vitality	758	-	-	-	-	-	-	-	-	-	-	-
MCH Coordinator	766	-	-	-	-	148,726	-	-	-	-	109,307	-
PHEP Special Services	771	-	-	-	-	-	-	-	25,000	-	-	-
Super Utilization	773	-	-	-	-	-	-	-	-	-	16,000	-
Child Fatality Review & Injury Prev.	774	-	-	-	-	1,000	-	-	-	-	3,938	-
Pediatric/Adolescent Visits	800	-	-	-	-	-	-	-	2,750	-	186,245	-
Family Planning	802	315	-	-	-	-	133,381	-	-	-	135,054	-
Maternity Services & Activity	803	-	-	-	-	-	-	-	-	-	7,189	-
WIC	804	-	-	-	-	-	-	-	979,131	-	1,010,424	-
MCH Nutrition & Group Activity	805	-	-	-	-	34,843	-	-	-	-	136,732	-
Tuberculosis Visits	806	-	-	-	-	-	-	-	33,772	-	757,403	-
Sexually Transmitted Diseases	807	-	-	-	-	-	-	-	-	-	203,389	-
Diabetes Visits & Activities	809	78,430	-	-	-	-	-	-	-	-	82,173	-
Adult Visits/Follow-up Visits	810	-	-	-	-	-	-	-	-	-	227	-
Breast & Cervical Cancer	813	-	-	-	-	-	-	-	6,243	-	21,910	-
Bioterrorism Preparedness Planning	821	-	-	-	-	-	-	-	133,143	-	121,155	-
Bioterrorism Epid & Surveillance	822	-	-	-	-	-	-	-	-	-	232,583	-
Bioterrorism Health Alert Network	823	-	-	-	-	-	-	-	14,410	-	11,067	-
Heart Disease & Stroke	826	-	-	-	-	-	-	-	5,000	-	1,239	-
STD Monitoring	827	-	-	-	-	-	-	-	1,617	-	260	-
KY ASAP Special Project	828	-	-	-	-	-	-	-	-	-	-	-
TOB, Cancer, Diab-State Pers.	829	63,676	-	-	-	-	-	-	59,591	-	28,932	-
Epidemiology AIDS/ST Personnel	831	-	-	-	-	-	-	-	61,805	-	19,758	-
Breast Feeding Support	833	-	-	-	-	-	-	-	70,061	-	23,495	-
STD P.H. Investigator	834	-	-	-	-	-	-	-	29,733	-	13,938	-
Tobacco	836	123,863	-	-	-	-	-	-	-	-	20,104	-
Abstinence	837	-	-	-	-	-	-	-	59,895	-	-	-
HIV Contract Data	838	-	-	-	-	-	-	-	60,271	-	10,562	-
HIV Community Planning Group	839	-	-	-	-	-	-	-	423	-	212	-
HIV Data Specialist	840	60,700	-	-	-	-	-	-	-	-	14,705	-
Diabetes Today	841	-	-	-	-	-	-	-	2,473	-	12	-
HIV Funds	842	38,975	-	-	-	-	-	-	103,132	-	-	-
HIV Prevention & Planning	843	50,849	-	-	-	-	-	-	38,032	-	56,927	-
State Care Coordinator	844	-	-	-	-	-	-	-	-	-	2,500	-
Ryan White Program	845	-	-	-	-	-	-	-	244,280	-	-	-
Health Start Training	846	120,000	-	-	-	-	-	-	-	-	103,175	-
Ryan White Services	847	425,000	-	-	-	-	-	-	-	-	-	-
Healthy Start Child Care	848	51,000	-	-	-	-	-	-	-	-	40,168	-
Hands	853	205,420	-	-	-	-	-	-	-	-	643,914	-
Supplemental School Health	858	-	-	-	-	-	-	-	-	-	-	1,711,316
Diabetes Personnel	872	51,376	-	-	-	-	-	-	66,185	-	25,460	-
Special Project	875	-	-	-	-	-	-	-	66,750	-	34,676	-
Special Project	887	-	-	-	-	-	-	-	69,297	-	6,328	-
Vital Stats	890	-	-	-	-	-	-	-	-	-	136,217	-
Medicaid Match	891	-	-	-	-	-	-	-	-	-	22,950	-
Minor Items	892	-	-	-	-	-	-	-	-	-	95	-
Total Medical		<u>1,507,834</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>184,569</u>	<u>133,381</u>	<u>15,627</u>	<u>2,252,349</u>	<u>-</u>	<u>4,949,996</u>	<u>1,711,316</u>
Capital Expenditures	894	-	-	-	-	-	-	-	-	-	325,080	-
Allocable Direct	895	99,347	-	1,654,802	-	214,243	177,777	7,609	288,126	-	2,281,091	-
Total Administrative		<u>99,347</u>	<u>-</u>	<u>1,654,802</u>	<u>-</u>	<u>214,243</u>	<u>177,777</u>	<u>7,609</u>	<u>288,126</u>	<u>-</u>	<u>2,606,171</u>	<u>-</u>
Grand Total Regulatory Basis		<u>\$ 1,610,581</u>	<u>\$ -</u>	<u>\$ 1,929,925</u>	<u>\$ 34,898</u>	<u>\$ 398,812</u>	<u>\$ 311,158</u>	<u>\$ 23,236</u>	<u>\$ 2,544,644</u>	<u>\$ -</u>	<u>\$ 8,585,610</u>	<u>\$ 1,711,316</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, 2018

Cost Center	FEES & CONTRACTS						INTEREST	Total Revenues	Total Costs	Unrestricted Carryover	Program Excess (Deficit)
	462	463	464	466	467	469					
500	\$ -	\$ -	\$ -	\$ 261,588	\$ -	\$ 6,896	\$ -	\$ 804,365	\$ (804,365)	\$ -	\$ -
520	-	-	-	56,019	-	-	-	251,078	(251,078)	-	-
540	-	-	-	1,757	-	-	-	569,400	(569,400)	-	-
560	-	-	-	28,844	-	-	-	59,291	(59,291)	-	-
590	-	-	-	-	-	-	-	2,870	(2,870)	-	-
591	-	-	-	-	-	-	-	11,415	(11,415)	-	-
592	-	-	-	-	-	-	-	3,718	(3,718)	-	-
Total	-	-	-	348,208	-	6,896	-	1,702,137	(1,702,137)	-	-
700	-	-	-	-	-	-	-	-	-	-	-
718	-	-	-	-	-	-	-	-	-	-	-
727	-	-	-	-	-	19,561	-	170,770	(170,770)	-	-
736	-	-	-	-	-	-	-	20,812	(20,812)	-	-
743	-	-	-	-	-	-	-	97,655	(97,655)	-	-
750	-	-	-	-	-	-	-	11,877	(11,877)	-	-
752	-	-	-	-	-	-	-	238,230	(210,412)	-	27,818
758	-	-	-	-	100,430	-	-	100,430	(66,459)	-	33,971
766	-	-	-	-	-	-	-	258,033	(258,033)	-	-
771	-	-	-	-	-	-	-	25,000	(25,000)	-	-
773	-	-	-	-	-	-	-	16,000	(16,000)	-	-
774	-	-	-	-	-	-	-	4,938	(4,938)	-	-
800	-	103,311	-	12,414	2,353	-	253	307,326	(307,326)	-	-
802	141	49,074	-	10,541	7,189	-	-	335,695	(335,695)	-	-
803	-	3,019	-	47	-	-	-	10,255	(10,255)	-	-
804	-	-	-	-	-	-	-	1,989,555	(1,989,555)	-	-
805	-	7,594	-	38	92	-	-	179,299	(179,299)	-	-
806	885	107,448	-	15,124	1,439	101	-	916,172	(916,172)	-	-
807	264	53,554	-	20,148	6,056	-	-	283,411	(283,411)	-	-
809	-	-	-	-	-	858	-	161,461	(161,461)	-	-
810	10,834	15,126	-	7,242	69,834	4,508	-	107,771	(36,187)	-	71,584
813	-	9,619	-	981	1,304	-	-	40,057	(40,057)	-	-
821	-	-	-	-	-	758	-	255,056	(255,056)	-	-
822	-	-	-	-	-	-	-	232,583	(232,583)	-	-
823	-	-	-	-	-	-	-	25,477	(25,477)	-	-
826	-	-	-	-	-	-	-	6,239	(6,239)	-	-
827	-	-	-	-	-	-	-	1,877	(1,877)	-	-
828	-	-	-	-	-	4,902	-	4,902	-	-	4,902
829	-	-	-	-	-	-	-	152,199	(152,199)	-	-
831	-	-	-	-	-	-	-	81,563	(81,563)	-	-
833	-	-	-	-	-	-	-	93,556	(93,556)	-	-
834	-	-	-	-	-	-	-	43,671	(43,671)	-	-
836	-	-	-	-	-	-	-	143,967	(143,967)	-	-
837	-	-	-	-	-	-	-	59,895	(59,472)	-	423
838	-	-	-	-	-	-	-	70,833	(70,833)	-	-
839	-	-	-	-	-	-	-	635	(635)	-	-
840	-	-	-	-	-	-	-	75,405	(75,405)	-	-
841	-	-	-	-	-	-	-	2,485	(2,485)	-	-
842	-	-	-	-	-	-	-	142,107	(90,306)	-	51,801
843	-	-	-	-	-	-	-	145,808	(145,808)	-	-
844	-	-	-	-	-	-	-	2,500	(2,500)	-	-
845	-	-	-	-	-	-	-	244,280	(227,280)	-	17,000
846	-	-	-	-	-	-	-	223,175	(223,175)	-	-
847	-	-	-	-	-	-	-	425,000	(355,083)	-	69,917
848	-	-	-	-	-	-	-	91,168	(91,168)	-	-
853	-	706,987	-	-	-	1,244	-	1,557,565	(1,557,565)	-	-
858	-	74,149	-	-	-	-	-	2,348,467	(2,348,467)	-	-
872	-	-	-	-	-	-	-	143,021	(143,021)	-	-
875	-	-	-	-	-	-	-	101,426	(101,426)	-	-
887	-	-	-	-	-	-	-	75,625	(75,625)	-	-
890	-	-	-	-	-	880	-	137,097	(137,097)	-	-
891	-	-	-	-	-	-	-	22,950	(22,950)	-	-
892	-	(11)	-	-	-	777	109,316	110,177	(91,784)	-	18,393
	12,124	1,129,870	-	66,535	188,697	33,589	109,569	12,295,456	(11,999,647)	-	295,809
894	-	-	-	-	-	-	-	325,080	(325,080)	-	-
895	-	-	-	-	-	-	-	4,722,995	(1,654,802)	-	3,068,193
	-	-	-	-	-	-	-	5,048,075	(1,979,882)	-	3,068,193
	\$ 12,124	\$ 1,129,870	\$ -	\$ 414,743	\$ 188,697	\$ 40,485	\$ 109,569	\$ 19,045,668	\$ (15,681,666)	\$ -	\$ 3,364,002

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF INDIRECT COSTS - BUDGETARY BASIS
for the year ended June 30, 2018**

		Departmental	Environmental	Clinic	Medical	Space	Allocated Medical	Allocated Lab	Total Indirect Costs
Food	500	\$ 167,908	\$ 164,304	\$ -	\$ -	\$ 44,977	\$ -	\$ -	\$ 377,189
Public Facilities	520	55,492	53,262	-	58	2,782	-	-	111,594
General Sanitation	540	121,616	118,417	-	69	22,455	-	-	262,557
Onsite Sewage	560	12,406	12,279	-	-	1,382	-	-	26,067
Special Project - Environmental	590	323	322	-	-	1,382	-	-	2,027
Radon	591	2,162	1,901	-	-	-	-	-	4,063
Smoking Ordinance	592	291	297	-	-	2,428	-	-	3,016
Total Environmental		<u>360,198</u>	<u>350,782</u>	<u>-</u>	<u>127</u>	<u>75,406</u>	<u>-</u>	<u>-</u>	<u>786,513</u>
Personal Health Services	700	404,811	-	1,147,058	57,506	514,712	(3,237,749)	-	(1,113,662)
Lab/Other Testing/Radiology	718	39,043	-	111,332	5,548	15,931	-	(280,822)	(108,968)
Needle Exchange Program	727	19,732	-	-	2,782	20,567	-	-	43,081
Community Health Action	736	1,452	-	-	206	-	-	-	1,658
Disease Intervention Specialist	743	26,634	-	-	3,749	4,518	-	-	34,901
Accreditation	750	65	-	-	8	3,372	-	-	3,445
HANDS GF Services	752	33,043	-	-	4,688	18,965	-	-	56,696
Human Vitality	758	12,456	-	-	1,829	3,995	-	-	18,280
MCH Coordinator	766	67,885	-	-	9,723	4,215	-	-	81,823
PHEP Special Services	771	-	-	-	-	-	-	-	-
Super Utilization	773	-	-	-	-	-	-	-	-
Child Fatality Review & Injury Prev.	774	1,096	-	-	160	843	-	-	2,099
Pediatric/Adolescent Visits	800	13,104	-	-	1,830	7,030	250,914	1,402	274,280
Family Planning	802	-	-	-	-	-	223,580	92,675	316,255
Maternity Services & Activity	803	-	-	-	-	-	8,798	1,458	10,256
WIC	804	3,268	-	-	462	6,221	1,936,851	28,982	1,975,784
MCH Nutrition & Group Activity	805	39,109	-	-	5,513	12,964	25,529	-	83,115
Tuberculosis Visits	806	79,569	-	-	11,159	23,753	582,023	7,121	703,625
Sexually Transmitted Diseases	807	-	-	-	-	-	154,956	128,445	283,401
Diabetes Visits & Activities	809	46,782	-	-	6,635	3,152	-	-	56,569
Adult Visits/Follow-up Visits	810	-	-	-	-	-	28,709	7,070	35,779
Breast & Cervical Cancer	813	-	-	-	-	-	26,389	13,669	40,058
Bioterrorism Preparedness Planning	821	36,530	-	-	5,229	-	-	-	41,759
Bioterrorism Epid & Surveillance	822	62,887	-	-	8,937	5,462	-	-	77,286
Bioterrorism Health Alert Network	823	5,807	-	-	820	2,630	-	-	9,257
Heart Disease & Stroke	826	1,370	-	-	202	843	-	-	2,415
STD Monitoring	827	-	-	-	-	-	-	-	-
KY ASAP Special Project	828	-	-	-	-	-	-	-	-
TOB, Cancer, Diab-State Pers.	829	45,705	-	-	-	-	-	-	45,705
Epidemiology AIDS/ST Personnel	831	23,049	-	-	3,274	4,248	-	-	30,571
Breast Feeding Support	833	24,023	-	-	3,384	6,811	-	-	34,218
STD P.H. Investigator	834	10,670	-	-	1,484	3,776	-	-	15,930
Tobacco	836	28,963	-	-	4,112	6,339	-	-	39,414
Abstinence	837	15,635	-	-	2,204	4,231	-	-	22,070
HIV Contract Data	838	18,620	-	-	2,676	4,248	-	-	25,544
HIV Community Planning Group	839	-	-	-	-	-	-	-	-
HIV Data Specialist	840	21,021	-	-	2,887	4,939	-	-	28,847
Diabetes Today	841	-	-	-	-	-	-	-	-
HIV Funds	842	-	-	-	-	-	-	-	-
HIV Prevention & Planning	843	32,446	-	-	4,636	18,443	-	-	55,525
State Care Coordinator	844	-	-	-	-	-	-	-	-
Ryan White Program	845	19,846	-	-	2,859	-	-	-	22,705
Health Start Training	846	57,818	-	-	8,215	14,565	-	-	80,598
Ryan White Services	847	-	-	-	-	-	-	-	-
Healthy Start Child Care	848	20,715	-	-	2,932	7,283	-	-	30,930
Hands	853	309,840	-	-	43,890	56,879	-	-	410,609
Supplemental School Health	858	660,726	-	-	93,063	22,792	-	-	776,581
Diabetes Personnel	872	41,195	-	-	-	-	-	-	41,195
Special Project	875	28,865	-	-	-	5,883	-	-	34,748
Special Project	887	-	-	-	-	-	-	-	-
Vital Stats	890	26,501	-	-	3,808	30,597	-	-	60,906
Medicaid Match	891	-	-	-	-	-	-	-	-
Minor Items	892	-	-	-	-	-	-	-	-
Total Medical		<u>2,280,281</u>	<u>-</u>	<u>1,258,390</u>	<u>306,410</u>	<u>840,207</u>	<u>-</u>	<u>-</u>	<u>4,685,288</u>
Space Indirect	897	-	-	-	-	(915,613)	-	-	(915,613)
Departmental Indirect	898	(2,640,479)	-	-	-	-	-	-	(2,640,479)
Clinic Indirect	899	-	-	(1,258,390)	-	-	-	-	(1,258,390)
Other Medical Indirect	900	-	-	-	(306,537)	-	-	-	(306,537)
Environmental Indirect	901	-	(350,782)	-	-	-	-	-	(350,782)
Total Administrative		<u>(2,640,479)</u>	<u>(350,782)</u>	<u>(1,258,390)</u>	<u>(306,537)</u>	<u>(915,613)</u>	<u>-</u>	<u>-</u>	<u>(5,471,801)</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, 2018, 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, 2018.

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 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 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.



RFH, PLLC
Lexington, Kentucky
September 26, 2018



**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, 2018. 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, 2018.

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, PLLC
Lexington, Kentucky
September 26, 2018

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2018

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	01160017	7/1/2017-6/30/2018	\$ -	\$ 545,593
WIC Program - Administrative Services	10.557	01160018	7/1/2017-6/30/2018	-	699,848
Total U.S. Department of Agriculture				<u>-</u>	<u>1,245,441</u>
U.S. Environmental Protection Agency					
Passed through State (CHFS)					
State Indoor Radon Grants	66.032	02610018	7/1/2017-6/30/2018	-	4,169
Total U.S. Environmental Protection Agency				<u>-</u>	<u>4,169</u>
U.S. Department of Health and Human Services (HHS)					
Passed through State (CHFS)					
HPP and PHEP Cooperative	93.069	02140016	7/1/2017-6/30/2018	-	40,802
HPP and PHEP Cooperative	93.069	02140017	7/1/2017-6/30/2018	-	202,440
				<u>-</u>	<u>243,242</u>
HPP and PHEP Cooperative	93.074	02220014	7/1/2017-6/30/2018	-	63,096
Tuberculosis Control Programs	93.116	010600OL18	7/1/2017-6/30/2018	-	26,474
Tuberculosis Control Programs	93.116	010600OL19	7/1/2017-6/30/2018	-	7,298
				<u>-</u>	<u>33,772</u>
Title X Family Planning	93.217	011500OL17	7/1/2017-6/30/2018	-	177,777
Title X Family Planning	93.217	011500OL18	7/1/2017-6/30/2018	-	133,381
				<u>-</u>	<u>311,158</u>
Abstinence Education Initiative	93.235	01270018	7/1/2017-6/30/2018	-	59,895
Pediatric and Adolescent Programs	93.268	010500OL16	7/1/2017-6/30/2018	-	2,750
				<u>-</u>	<u>2,750</u>
Tobacco	93.305	0240OL17	7/1/2017-6/30/2018	-	2,439
				<u>-</u>	<u>2,439</u>
Diabetes and Cardio	93.757	02430417	7/1/2017-6/30/2018	-	1,837
Diabetes and Cardio	93.757	02430418	7/1/2017-6/30/2018	-	2,773
				<u>-</u>	<u>4,610</u>
Subtotal HHS				<u>\$ -</u>	<u>\$ 720,962</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, 2018

GRANTOR/PROGRAM TITLE	Federal CFDA Number	Pass/Through Contract Number	Grant Contract Period	Passed Through to Subrecipients	Expenditures
U.S. Department of Health and Human Services (HHS) (previous page)				\$ -	\$ 720,962
U.S. Department of Health and Human Services (HHS) Passed through State (CHFS)					
Preventive Health Services Block Grant	93.758	01040016	7/1/2017-6/30/2018	-	7,609
Preventive Health Services Block Grant	93.758	01040017	7/1/2017-6/30/2018	-	15,628
				-	23,237
Colon Cancer Screening	93.800	01970017	7/1/2017-6/30/2018	-	5,518
Colon Cancer Screening	93.800	01970018	7/1/2017-6/30/2018	-	59,591
				-	65,109
HPP and PHEP Cooperative	93.889	02150016	7/1/2017-6/30/2018	-	4,864
HPP and PHEP Cooperative	93.889	02150017	7/1/2017-6/30/2018	-	66,750
				-	71,614
Cancer Prevention and Control	93.898	011100OL16	7/1/2017-6/30/2018	-	3,856
Cancer Prevention and Control	93.898	011100OL17	7/1/2017-6/30/2018	-	6,243
				-	10,099
Ryan White Care Act	93.917	01690016	7/1/2017-6/30/2018	-	(53,834)
Ryan White Care Act	93.917	01690017	7/1/2017-6/30/2018	-	200,975
Ryan White Care Act	93.917	01690018	7/1/2017-6/30/2018	-	100,423
				-	247,564
HIV Prevention	93.940	014000OL16	7/1/2017-6/30/2018	-	164,588
HIV Prevention	93.940	014000OL18	7/1/2017-6/30/2018	-	19,534
HIV Prevention	93.940	015000OL18	7/1/2017-6/30/2018	-	7,505
HIV Prevention	93.940	015100OL18	7/1/2017-6/30/2018	-	114,038
HIV Surveillance	93.940	017200OL16	7/1/2017-6/30/2018	-	30,902
				-	336,567
Core Health and Diabetes	93.945	024203OL18	7/1/2017-6/30/2018	-	5,000
Core Health and Diabetes	93.945	024207OL17	7/1/2017-6/30/2018	-	5,957
Core Health and Diabetes	93.945	024207OL18	7/1/2017-6/30/2018	-	65,885
				-	76,842
STD Prevention	93.977	010700OL16	7/1/2017-6/30/2018	-	47,236
STD Prevention	93.977	010700OL17	7/1/2017-6/30/2018	-	30,198
				-	77,434
MCH Services Block Grant	93.994	01120015	7/1/2017-6/30/2018	-	63,141
MCH Services Block Grant	93.994	01120016	7/1/2017-6/30/2018	-	191,564
MCH Services Block Grant	93.994	01120017	7/1/2017-6/30/2018	-	144,107
				-	398,812
Total U.S. Department of Health and Human Services				-	2,028,240
Grand total federal awards expended				\$ -	\$ 3,277,850

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2018**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified	__Yes	<u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses	__Yes	<u>X</u> None reported

Non-compliance material to financial statements noted	__Yes	<u>X</u> No
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Federal Awards:

Internal control over major programs:

Material weaknesses identified	__Yes	<u>X</u> No
Significant deficiencies identified that are not considered to be material weaknesses	__Yes	<u>X</u> 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	<u>X</u> No
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Major Programs:

CFDA Number	Name of Federal Program or Cluster
10.557	USDA – WIC Program

Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
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Auditee qualified as a low-risk auditee?	<u>X</u> Yes	_No
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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, 2018**

There are no prior audit findings to report.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
AUDIT ADJUSTMENTS
for the year ended June 30, 2018**

There are no proposed audit adjustments.