

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

**FINANCIAL STATEMENTS
June 30, 2021 and 2020**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Lexington-Fayette Urban County Department of Health (the Health Department), a component unit of the Lexington-Fayette Urban County Government, as of and for the years ended June 30, 2021 and 2020, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit 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, 2021 and 2020, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-5, the schedule of proportionate share of the net pension liability and the schedule of contributions on pages 24 and 25, and the schedule of proportionate share of the net OPEB liability and the schedule of contributions on pages 26 and 27, 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 – budgetary basis, 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 – budgetary basis, schedule of revenues and expenditures by reporting area – budgetary basis, the schedule of indirect costs – budgetary basis and the schedule of expenditures of federal awards are 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 – budgetary basis, schedule of revenues and expenditures by reporting area – budgetary basis, the schedule of indirect costs – budgetary basis and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2021, on our consideration of the Health Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Department's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
September 28, 2021



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September 28, 2021

This discussion and analysis of the Lexington-Fayette County Health Department's (LFCHD) financial performance provides an overview of financial activities for the fiscal year ended June 30, 2021. Please read this document in conjunction with LFCHD's financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

FINANCIAL HIGHLIGHTS

LFCHD's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$(40,177,827) (net position) for the fiscal period reported.

Total net assets are comprised of the following:

- (1) Capital assets, net of accumulated depreciation of \$2,087,359.
- (2) Designated Funds of \$319,062.
- (3) Unrestricted Funds of \$(42,584,248).

At the end of the fiscal year, the unrestricted fund balance was \$(42,584,248). This compares with the fiscal year 2020 unrestricted fund balance of \$(44,186,432). Of the \$77,389,377 reported in total liabilities, \$75,153,998 were related to pension liabilities and post-employment benefits other than pensions (OPEB).

HIGHLIGHTS FROM FY 2021 AND OBSERVATIONS ABOUT FY 2022

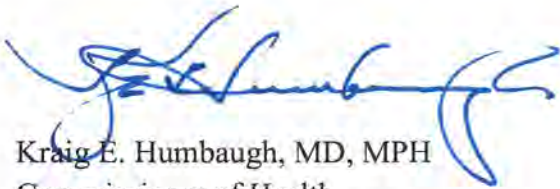
- LFCHD achieved budget objectives for fiscal year 2021 and generated a \$5.6 million net surplus.
- For fiscal year 2022, LFCHD's approved budget anticipates a projected surplus of \$1.3 million. The budget includes \$1.3 million in net expenses for the COVID-19 response. The budget also includes a Kentucky Pension Plan Authority (KPPA, formerly KERS) employer contribution of \$5.5 million. State subsidies cover \$4.1 million of these costs for a net contribution of \$1.5 million.
- The Lexington-Fayette County Board of Health voted to continue the public health tax rate at 2.8 cents per \$100 of assessed property value. This rate was first adopted in 2004.
- LFCHD employees received a 2.5 percent annual lump sum payment.
- In February 2021, LFCHD achieved reaccreditation through the Public Health Accreditation Board, to join an elite group of only 51 reaccredited local, state and tribal health departments in the nation.
- The COVID-19 pandemic response was the overriding focus and driver of much of LFCHD's activities during FY 21. As the community lead for public health, LFCHD provided expertise and guidance through communications, clinical services, outreach/education and more to ensure the community had trusted information and access to available personal protective equipment, testing and vaccinations. Strategies for risk reduction and virus control included early case investigation and isolation, quarantine of close contacts, behavior modification like physical distancing and mask wearing, testing and vaccination. Highlights of the response through June 30 are as follows:
 - From July 1, 2020, to June 30, 2021, reports of 34,005 COVID-19 cases in Lexington residents were received.
 - \$5.6 million was spent on the response; \$5.1 million was reimbursed through the federal aid. As of June 30, 2021, net losses response to date were \$1.2 million.
 - LFCHD continued to serve as a primary source of COVID-19 information for Fayette County. From July 2020 to July 2021, the health department's social media increased significantly, from 9,751 followers to 34,005 followers on Facebook, from 4,687 to 5,465 on Twitter, and from 1,413 to 1,623 on Instagram. The department played a vital role in the city's "LexDoThis!" campaign designed to encourage all eligible people to receive COVID-19 vaccine. Special efforts were undertaken to provide COVID-19 guidance and promote vaccination in African American and Hispanic communities.
 - LFCHD staff designed and supported a system for disease investigators, contract tracers, and epidemiologists to record and track cases, communicate with cases and contacts, and extract reports integral to communicating with the public. A total of 180 disease investigators and other staff were contracted at various times during FY 21 to assist in the agency's epidemiology response to the COVID-19 pandemic. The response included support to the community's healthcare and long-term care facilities, universities, schools, child care facilities, businesses, homeless shelters, recovery centers and the detention center.
 - The department's information technology (IT) staff supported a call center with mobile phone app technology. LFCHD's COVID-19 call center, staffed with health educators, school health nurses and others, responded to 39,287 individual calls from July 1, 2020, through June 30, 2021.
 - In collaboration with the Lexington-Fayette Urban County Government's (LFUCG) paramedics and volunteers from the Medical Reserve Corps, LFCHD administered 28,185 COVID-19 vaccinations between December 2020 and June 2021. Special vaccination events included 29

mass indoor clinics, 24 mini community clinics, and 1 drive-through clinic. IT staff developed a vaccine portal that was used to schedule and track COVID-19 vaccine administration.

- Through a partnership with the Kentucky Department for Public Health, LFCHD implemented a COVID-19 rapid antigen testing program. Rapid testing kits and training were made available to community partners in congregate living settings and schools, in order to test symptomatic students and staff. In FY 21, 3,092 COVID-19 rapid antigen tests were completed and reported through this initiative. LFCHD also continued to deploy its at-home specimen collection and testing strategy for COVID-19, in an effort to target those in the community with barriers to obtaining testing for COVID-19, including lack of transportation. In FY 21, over 3,000 PCR COVID-19 tests were completed using this methodology.
 - As part of the COVID-19 response, LFCHD offered social and case management support by facilitating food referrals for confirmed cases, delivery of food from local food banks, and delivery of thermometers.
 - Environmental Health staff performed 438 visits to follow up on positive COVID-19 cases identified at permitted food service establishments, as well as 536 visits to other workplaces to investigate compliance with executive orders issued by the Governor with regards to occupancy capacity and masking requirements.
- In FY 21, LFCHD's harm reduction program served 4,375 clients during 19,246 participant visits, received 757,088 needles, and distributed 945,556 sterile needles. The program connected 51 individuals to treatment referrals. June 2021 was the busiest month since the program opened in September 2015.
 - LFCHD dispensed 4,875 naloxone kits, used to reverse opioid overdoses, free to community members at the harm reduction program and at community events. Kits were funded through a grant award received by LFUCG. LFCHD received \$96,000 in grant funding from the Centers for Disease Control and Prevention (CDC) and the Kentucky Injury Prevention and Research Center (KIPRC) to expand naloxone training and distribution to inmates upon release from the local detention center. In addition, these grantors provided \$168,000 to support expanded naloxone distribution and education in the community, including for individuals in treatment facilities.
 - Due to the pandemic, school health nurses were unable to return to in-person services at Fayette County Public Schools (FCPS) until February 2021. Between February 22 and June 30, 12,798 health office visits were documented. Following these visits, 82.5% of the students were able to be returned to class. The school health services contract between LFCHD and FCPS was amended to 1) provide additional summer school nursing hours, 2) allow LFCHD school nurses and trained FCPS staff to offer rapid COVID-19 testing to symptomatic students and FCPS staff, and 3) increase staffing to provide nursing services in two new FCPS special programs and full-time nurses in each middle school.
 - In the first six months of 2021, 11 Fayette County residents diagnosed with active tuberculosis (TB) disease received monitoring and treatment via LFCHD's TB control program.
 - The Women, Infants, and Children (WIC) program continued to offer services during the pandemic. Physical exemption waivers remained in place, which allowed all WIC services to be conducted over the phone, provided no other barriers to service existed. From July 2020 to June 2021, the program saw an increase in the caseload from 5,859 to 6,064 participants, which is the highest level reached in three years.

- With support from a grant award of \$248,313 from the United States Department of Agriculture (USDA), LFCHD's WIC and clinic registration areas were renovated to improve the effectiveness of the workspace, address safety needs, and provide for additional privacy for clients and visitors.
- The LFCHD Community Health, Education and Equity (CHEE) Wellness Program collaborated a third year with the Kentucky Farm Share Coalition, Organic Association of Kentucky, and Elmwood Stock Farm to offer LFCHD staff a Community Supported Agriculture (CSA) produce subscription. LFCHD contributed \$7,000 for 35 vouchers, which helped defray costs for some of the 63 LFCHD staff who participated in the program.
- The LFCHD Health Access Nurturing Development Services (HANDS) program achieved 77% of their home visit capacity in FY 2021, exceeding the 75% goal set by the Kentucky Department for Public Health (KDPH). Due to the COVID-19 pandemic HANDS services evolved to meet the needs of the community through the addition of virtual home visitation.
- During FY 21, LFCHD provided a total of 1,558 influenza vaccines in a variety of settings, including 425 given during a free flu vaccine drive-through event in October 2020.

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



Craig E. Humbaugh, MD, MPH
Commissioner of Health
Lexington-Fayette County Health Department

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

ASSETS	2021	2020
Current assets		
Cash and cash equivalents	\$ 27,717,498	\$ 22,254,446
Accounts receivable:		
Contracts and other, net	23,520	429,908
Note receivable - HealthFirst Bluegrass, Inc.	57,562	-
Prepaid expenses	<u>29,575</u>	<u>13,004</u>
Total current assets	<u>27,828,155</u>	<u>22,697,358</u>
Noncurrent assets		
Construction in progress	456,800	19,548
Capital assets, net	1,630,559	1,745,535
Note receivable - HealthFirst Bluegrass, Inc.	<u>1,971,941</u>	<u>2,029,503</u>
Total noncurrent assets	<u>4,059,300</u>	<u>3,794,586</u>
Total assets	<u>31,887,455</u>	<u>26,491,944</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows - pension	4,257,650	5,683,020
Deferred outflows - OPEB	<u>2,879,187</u>	<u>2,191,693</u>
Total deferred outflows of resources	<u>7,136,837</u>	<u>7,874,713</u>
Total assets and deferred outflows of resources	<u>\$ 39,024,292</u>	<u>\$ 34,366,657</u>
LIABILITIES		
Current liabilities		
Accounts payable	\$ 900,522	\$ 457,224
Accrued payroll and fringes	716,014	755,886
Unearned grant revenue	<u>39,966</u>	<u>124,017</u>
Total current liabilities	<u>1,656,502</u>	<u>1,337,127</u>
Long-term liabilities		
Accrued annual leave	578,877	557,977
Net pension liability	63,730,740	62,854,562
Net OPEB liability	<u>11,423,258</u>	<u>9,893,021</u>
Total long-term liabilities	<u>75,732,875</u>	<u>73,305,560</u>
Total liabilities	<u>77,389,377</u>	<u>74,642,687</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows - pension	540,168	128,074
Deferred inflows - OPEB	<u>1,272,574</u>	<u>1,711,661</u>
Total deferred inflows of resources	<u>1,812,742</u>	<u>1,839,735</u>
NET POSITION		
Net investment in capital assets	2,087,359	1,765,083
Restricted		
State funds	114,126	90,458
Federal funds	68,149	49,876
Fees	136,787	165,250
Unrestricted	<u>(42,584,248)</u>	<u>(44,186,432)</u>
Total net position	<u>(40,177,827)</u>	<u>(42,115,765)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 39,024,292</u>	<u>\$ 34,366,657</u>

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

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

	2021	2020
OPERATING REVENUES		
State grants	\$ 3,145,304	\$ 3,128,217
Federal grants	8,369,635	3,450,632
Tax appropriations	9,347,605	9,068,820
Donations	3,605	1,000
Medicare service fees	119	6,546
Medicaid service fees	706,848	1,226,343
School board contract	2,147,520	2,147,520
Fees and contracts	770,779	364,621
Insurance	30,848	114,252
Other fees and contracts	<u>580,518</u>	<u>56,422</u>
 Total operating revenues	 <u>25,102,781</u>	 <u>19,564,373</u>
OPERATING EXPENSES		
Personnel	16,146,981	16,341,212
Operating	6,539,894	3,354,705
Depreciation	<u>394,713</u>	<u>449,430</u>
 Total operating expenses	 <u>23,081,588</u>	 <u>20,145,347</u>
OPERATING INCOME (LOSS)	 <u>2,021,193</u>	 <u>(580,974)</u>
NON-OPERATING INCOME (EXPENSE)		
Interest income	52,413	179,042
Loss on disposal of assets	<u>-</u>	<u>(100,449)</u>
 Total non-operating income (expense)	 <u>52,413</u>	 <u>78,593</u>
 Change in net position	 2,073,606	 (502,381)
NET POSITION	 (42,115,765)	 (41,634,509)
 Prior year fund activity	 <u>(135,668)</u>	 <u>21,125</u>
 NET POSITION - END OF YEAR	 <u>\$ (40,177,827)</u>	 <u>\$ (42,115,765)</u>

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

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

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from grantor agencies	\$ 11,295,220	\$ 6,616,771
Cash received from patients/other service fees	4,643,020	3,556,592
Tax apportionments	9,347,605	9,068,820
Donations	3,605	1,000
Payments for employee services and benefits	(13,008,782)	(11,720,884)
Payments to suppliers	<u>(6,153,040)</u>	<u>(3,133,379)</u>
Net cash provided by operating activities	<u>6,127,628</u>	<u>4,388,920</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Sale of building	-	869,594
Purchases of capital assets	<u>(716,989)</u>	<u>(442,890)</u>
Net cash provided by (used in) capital and related financing activities	<u>(716,989)</u>	<u>426,704</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest	<u>52,413</u>	<u>179,042</u>
Net cash provided by investing activities	<u>52,413</u>	<u>179,042</u>
Net increase in cash and cash equivalents	5,463,052	4,994,666
Cash and cash equivalents - beginning of the year	<u>22,254,446</u>	<u>17,259,780</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 27,717,498</u>	<u>\$ 22,254,446</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:		
Operating income (loss)	\$ 2,021,193	\$ (580,974)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	394,713	449,430
Net change in pension liabilities	2,713,642	4,345,897
Net change in OPEB liabilities	403,656	130,401
Prior year activity	(135,668)	21,125
Change in assets and liabilities:		
Contracts and other receivables	406,388	(359,112)
Prepaid expenses	(16,571)	(15,400)
Accounts payables	443,298	(7,941)
Accrued payroll and fringes	(39,872)	258,968
Unearned grant revenue	(84,051)	92,792
Accrued annual leave	<u>20,900</u>	<u>53,734</u>
Net cash provided by operating activities	<u>\$ 6,127,628</u>	<u>\$ 4,388,920</u>

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

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

1. SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

In accordance with Statement No. 14 issued by the Governmental Accounting Standards Board (GASB), the Health Department is considered part of the reporting entity of the Lexington-Fayette Urban County Government and, thus, is included as a component unit in the Government's 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 28, 2021, no formal reports have been issued as a result of audits performed or in progress for the year ended June 30, 2021.

Basis of Presentation

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

Management's Discussion and Analysis (MD&A)

Enterprise Fund Financial Statements, consisting of:

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

Notes to financial statements

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

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

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable from insurance, Medicaid and private pay patients are reserved at varying rates based on historical collections. The allowance totaled \$10,040 and \$13,928 for the years ended June 30, 2021 and 2020, respectively.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020**

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Expenses for property and equipment are capitalized in the statement of net position and depreciation is included in the statement of revenues, expenses and changes in net position for the years ended June 30, 2021 and 2020, 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.

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, 2021, 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 \$8,334,791 and \$8,357,537 for the years ended June 30, 2021 and 2020, respectively. Total taxes, including support from the Lexington-Fayette Urban County Government, totaled \$9,347,605 and \$9,068,820 for the years ended June 30, 2021 and 2020, 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.

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.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020**

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 28, 2021, 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, 2021, have not been evaluated by the Health Department.

2. CASH AND CASH EQUIVALENTS

KRS 66.480 authorizes the District Health Department to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which have a physical presence in Kentucky and are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4). The Statute also authorizes investment in mutual funds, exchange traded funds, individual equity securities and high-quality corporate bonds that are managed by a professional investment manager and subject to additional requirements outlined in KRS 66.480.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Health Department does not have a policy governing interest rate risk.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Health Department will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. In order to anticipate market changes and provide a level of security for all funds, the collateralization level shall be one hundred percent of the market value of the principal, plus accrued interest.

At June 30, 2021, the Health Department maintained all cash accounts under a “sweep account” with a bank in Lexington, Kentucky. This account is a Public Funds Auto-sweep Account with a target balance of \$100,000. Excess funds over the \$100,000 target are invested overnight in increments of \$1,000. The funds invested overnight are backed by U.S. Treasury Bills or Agencies Money. Non-overnight funds in the account under \$250,000 are covered by FDIC, while any funds over \$250,000 are backed by Treasury Bills and Agencies. All funds were fully secured at June 30, 2021.

The following is a detail of the Health Department’s cash deposit coverage at June 30, 2021:

Total cash and cash equivalents	\$ 28,075,757
FDIC insurance	(250,000)
Collateral pledged by bank	<u>(27,825,757)</u>
(Over) Collateralized	<u>\$ _____</u>

3. NOTE RECEIVABLE

In a note dated August 27, 2015, the Health Department converted an account receivable due from HealthFirst Bluegrass, Inc. into a note receivable due to the Health Department. The note is in the amount of \$2,029,503 and is due in full on July 1, 2046. The note bears interest at a rate of 2.71% per annum beginning June 1, 2016 with monthly interest payments required after that date. Monthly principal and interest payments are required beginning on July 1, 2021.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020**

4. CAPITAL ASSETS

Capital assets activity for the years ended June 30, 2021 and 2020 are as follows:

	June 30, 2020	Acquisitions	Disposals	June 30, 2021
Construction in progress - not depreciated	\$ 19,548	\$ 540,475	\$ (103,223)	\$ 456,800
Buildings	2,638,972	-	-	2,638,972
Building improvements	2,281,508	102,889	-	2,384,397
Equipment, furniture & fixtures	2,021,372	176,847	-	2,198,219
Leasehold improvements	<u>36,910</u>	<u>-</u>	<u>-</u>	<u>36,910</u>
Total	6,998,310	820,211	(103,223)	7,715,298
Less: accumulated depreciation	<u>(5,233,227)</u>	<u>(394,712)</u>	<u>-</u>	<u>(5,627,939)</u>
Net	<u>\$ 1,765,083</u>	<u>\$ 425,499</u>	<u>\$ (103,223)</u>	<u>\$ 2,087,359</u>
	June 30, 2019	Acquisitions	Disposals	June 30, 2020
Construction in progress - not depreciated	\$ 5,250	\$ 156,240	\$ (141,942)	\$ 19,548
Buildings	4,140,901	-	(1,501,929)	2,638,972
Building improvements	2,244,970	139,487	(102,949)	2,281,508
Equipment, furniture & fixtures	1,852,877	295,199	(126,704)	2,021,372
Leasehold improvements	<u>28,706</u>	<u>8,204</u>	<u>-</u>	<u>36,910</u>
Total	8,272,704	599,130	(1,873,524)	6,998,310
Less: accumulated depreciation	<u>(5,545,336)</u>	<u>(449,430)</u>	<u>761,539</u>	<u>(5,233,227)</u>
Net	<u>\$ 2,727,368</u>	<u>\$ 149,700</u>	<u>\$ (1,111,985)</u>	<u>\$ 1,765,083</u>

Depreciation expense for the years ended June 30, 2021 and 2020 totaled \$394,713 and \$449,430, respectively.

5. LINE OF CREDIT

The Health Department maintains an operating line of credit. The line accrued interest at a rate of 2.00% above the daily LIBOR rate as of June 30, 2021 which is payable monthly. The total credit limit on the line is \$2,000,000 and matures on April 30, 2022. There was no activity during 2021 or 2020.

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.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020**

6. LONG-TERM LIABILITIES (CONTINUED)

Long-term liability activity for the years ended June 30, 2021 and 2020 are as follows:

	June 30, 2020	Additions	Deletions	June 30, 2021
Net pension liability	\$ 62,854,562	\$ 876,178	\$ -	\$ 63,730,740
Net OPEB liability	9,893,021	1,530,237	-	11,423,258
Accrued leave	<u>557,977</u>	<u>20,900</u>	<u>-</u>	<u>578,877</u>
	<u>\$ 73,305,560</u>	<u>\$ 2,427,315</u>	<u>\$ -</u>	<u>\$ 75,732,875</u>
	June 30, 2019	Additions	Deletions	June 30, 2020
Net pension liability	\$ 57,949,277	\$ 4,905,285	\$ -	\$ 62,854,562
Net OPEB liability	10,090,980	-	(197,959)	9,893,021
Accrued leave	<u>504,243</u>	<u>156,985</u>	<u>(103,251)</u>	<u>557,977</u>
	<u>\$ 68,544,500</u>	<u>\$ 5,062,270</u>	<u>\$ (301,210)</u>	<u>\$ 73,305,560</u>

7. RESTRICTED NET POSITION

From time to time, net position is restricted due to specific program restrictions. These restrictions may occur at the State, Federal, Fee or Program level. At June 30, 2021 and 2020, net position was restricted as follows:

	State	Federal	Fees	Totals
2021				
764-Hep A Outbreak	\$ 366	\$ -	\$ -	\$ 366
770-Colon Cancer	15,901	-	-	15,901
809-Diabetes	27,326	-	-	27,326
847-Ryan White Serv.	69,917	-	-	69,917
872-Obesity Grant	616	-	-	616
737-PHEP Ebola	-	61	-	61
760-HANDS – Federal	-	36,323	-	36,323
837-Abstinence	-	423	-	423
839-HIV Planning	-	480	-	480
842-HIV Funds	-	12,826	-	12,826
843-HIV Preventions	-	1,036	-	1,036
845-Linkage Navigator	-	17,000	-	17,000
758-Human Vitality	-	-	61,055	61,055
810-Adult Visits	-	-	48,132	48,132
834-KIRP	<u>-</u>	<u>-</u>	<u>27,600</u>	<u>27,600</u>
Totals	<u>\$ 114,126</u>	<u>\$ 68,149</u>	<u>\$ 136,787</u>	<u>\$ 319,062</u>

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020**

7. RESTRICTED NET POSITION (CONTINUED)

	State	Federal	Fees	Totals
2020				
764-Hep A Outbreak	\$ 366	\$ -	\$ -	\$ 366
770-Colon Cancer	15,901	-	-	15,901
809-Diabetes	4,274	-	-	4,274
847-Ryan White Serv.	69,917	-	-	69,917
737-PHEP Ebola	-	61	-	61
760-HANDS – Federal	-	18,050	-	18,050
837-Abstinence	-	423	-	423
839-HIV Planning	-	480	-	480
842-HIV Funds	-	12,826	-	12,826
843-HIV Preventions	-	1,036	-	1,036
845-Linkage Navigator	-	17,000	-	17,000
758-Human Vitality	-	-	93,048	93,048
810-Adult Visits	-	-	72,202	72,202
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 90,458</u>	<u>\$ 49,876</u>	<u>\$ 165,250</u>	<u>\$ 305,584</u>

8. LEASES

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 paid \$72,316 and \$72,191, during the years ended June 30, 2021 and June 30, 2020.

The Health Department entered into a 60-month copier lease with Cannon on December 7, 2017. The lease matures December 2022 and requires monthly payments of \$2,040.

The Health Department also leases various equipment on a short-term, as-needed basis. Leasing expense totaled \$88,633 and \$114,398, for the years ended June 30, 2021 and 2020, respectively. Total future minimum lease payments as of June 30, 2021, are as follows:

Year	Amount
2022	\$ 84,604
2023	72,585
2024	82,311
2025	82,447
2026	82,585
2027-2029	<u>165,597</u>
Total	<u>\$ 570,129</u>

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

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

Plan Description – KERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all regular full-time members employed in positions of each participating county, city, and school board, and any additional eligible local agencies electing to participate in the System. The plan provides for retirement, disability, and death benefits to plan members. Retirement benefits may be extended to beneficiaries of plan members under certain circumstances. Cost-of-living (COLA) adjustments are provided at the discretion of state legislature.

Contributions – For the year ended June 30, 2021, 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. Per House Bill 352 passed during the 2020 legislative session, certain agencies, including the Health Department, were authorized to pay a reduced KERS non-hazardous employer contribution rate for the year ended June 30, 2021. For the years ended June 30, 2021 and 2020, authorized participating employers contributed 49.47% (41.06% to the pension fund and 8.41% to the insurance fund) as opposed to the contribution rate of 84.43% (73.28% to the pension fund and 11.15% to the insurance fund) other KERS non-hazardous employers pay 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. 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.

Per House Bill 1 passed during the 2019 special legislative session allows certain employers in the KERS Non-hazardous plan to elect to cease participating in the System as of June 30, 2020 under different provisions than were previously established. Senate Bill 249 passed during the 2020 legislative session delayed the effective date of cessation for these provisions to June 30, 2021. Since each employer's elections are unknown at this time, no adjustment to the total pension liability was made to reflect this legislation.

Senate Bill 249 passed during the 2020 legislative session and changed the funding period for the amortization of the unfunded liability to 20 years as of June 30, 2019. Gains and losses incurring in future years will be amortized over separate 20 year amortization basis. This change does not impact the calculation of the total pension liability and only impacts the calculation of the contribution rates that would be payable starting July 1, 2020. There were no other material plan provision changes.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020**

9. RETIREMENT PLAN (CONTINUED)

House Bill 8, passed in the March 2021 legislative session, requires each participating KERS Nonhazardous employer to pay off its own portion of the total KERS Nonhazardous unfunded pension liability over a set period regardless of covered payroll. Each KERS Nonhazardous employer will pay the normal cost contribution rate plus their actuarially calculated portion of the unfunded liability beginning July 1, 2021.

The Health Department contributed \$3,525,257 for the year ended June 30, 2021 or 100% of its required contribution. The contribution was allocated \$2,925,956 to the KERS pension fund and \$599,301 to the KERS insurance fund. For the year ended June 30, 2020, \$3,159,627 or 100% of the required contribution was made. The contribution was allocated \$2,622,484 to the KERS pension fund and \$537,143 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

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, 2021, the Health Department reported a liability of \$63,730,740 or its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward using generally accepted actuarial procedures. The Health Department's proportion of the net pension liability was based on a projection of the Health Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the Health Department's proportion was .4499%, which increased .0049% from its proportion measured as of June 30, 2019.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020**

9. RETIREMENT PLAN (CONTINUED)

At June 30, 2020, the Health Department reported a liability of \$62,854,562 or its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the Health Department's proportion was .4451%, which increased .0192% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2021, the Health Department recognized pension expense of \$5,639,769. At June 30, 2021, 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	\$ 362,051	\$ -
Changes of assumptions	717,928	-
Net difference between projected and actual earnings on Plan investments	65,534	-
Changes in proportion and differences between the Department contributions and proportionate share of contributions	197,494	540,168
Department contributions subsequent to the measurement date	<u>2,914,643</u>	<u>-</u>
Total	<u>\$ 4,257,650</u>	<u>\$ 540,168</u>

The \$2,914,643 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, 2022. Contributions exclude \$11,313 of contributions for employees that previously retired and were subsequently re-employed. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending June 30,	
2022	\$ 723,297
2023	\$ (34,393)
2024	\$ 55,137
2025	\$ 58,798

Actuarial Assumptions – The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

The mortality table used for active members was a PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010. The mortality table used for healthy retired members was a system-specific mortality table based on mortality experience from 2013-2018, projected with the ultimate rates from MP-2014 mortality improvement scale using a base year of 2020. The mortality table used for the disable members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020**

9. RETIREMENT PLAN (CONTINUED)

The actuarial assumptions used in the June 30, 2020 valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2019. The total pension liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

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
Growth	53.50%	
U.S. Equity	15.75%	4.50%
Non-U.S. Equity	15.75%	5.25%
Private Equity	7.00%	5.15%
Specialty Credit/High Yield	15.00%	3.90%
Liquidity	23.50%	
Core Bonds	20.50%	-.25%
Cash	3.00%	-.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	<u>15.00%</u>	3.95%
	100%	

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.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020**

9. RETIREMENT PLAN (CONTINUED)

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:

	Discount rate	Department's proportionate share of net pension liability
1% decrease	4.25%	\$ 72,995,100
Current discount rate	5.25%	\$ 63,730,740
1% increase	6.25%	\$ 56,117,191

Payable to the Pension Plan – At June 30, 2021 and 2020, the Health Department reported a payable of \$258,008 and \$273,351, respectively, for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2021 and 2020. The payable can be allocated as follows, \$214,146 and \$226,881 to the pension plan, respectively, and \$43,862 and \$46,470 to the OPEB plan, respectively.

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 years ending June 30, 2021 and 2020, the employer's contribution was 11.15% to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008 were required to contribute an additional 1% to cover the cost of medical insurance that is provided through KERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

The Health Department contributed \$3,525,257 for the year ended June 30, 2021 or 100% of its required contribution. The contribution was allocated \$2,925,956 to the KERS pension fund and \$599,301 to the KERS insurance fund. For the year ended June 30, 2020, \$3,159,627 or 100% of the required contribution was made. The contribution was allocated \$2,622,484 to the KERS pension fund and \$537,143 to the KERS insurance fund.

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

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

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, 2021, the Health Department reported a liability of \$11,423,258 or its proportionate share of the total net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019, and rolled forward using generally accepted actuarial procedures. The Health Department's proportion of the net OPEB liability was based on a projection of the Health Department's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2020, the Health Department's proportion was .4499%, which increased .0049% from its proportion measured as of June 30, 2019.

At June 30, 2020, the Health Department reported a liability of \$9,893,021 or its proportionate share of the total net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2019 and rolled forward to 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, 2019, the Health Department's proportion was .4451%, which increased .0192% from its proportion measured as of June 30, 2018.

For the year ended June 30, 2021, the Health Department recognized OPEB expense of \$1,205,468. At June 30, 2021, 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	\$ 945,401	\$ 1,134,421
Changes of assumptions	836,122	19,851
Net difference between projected and actual earnings on Plan investments	159,463	-
Changes in proportion and differences between the Department contributions and proportionate share of contributions	169,281	118,302
Department contributions subsequent to the measurement date	<u>768,920</u>	<u>-</u>
Total	<u>\$ 2,879,187</u>	<u>\$ 1,272,574</u>

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
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June 30, 2021 and 2020**

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

The \$768,920 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, 2022. Contributions exclude \$2,317 of contributions for employees that previously retired and were subsequently re-employed. Contributions also include an adjustment of \$171,936 related to the implicit subsidy, which is required to be recognized as a deferred outflow of resources. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ending June 30,	
2022	\$ 439,430
2023	\$ 139,699
2024	\$ 211,726
2025	\$ 46,838

Actuarial Assumptions – The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.30% to 15.30%, varies by service
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 7.00% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11years.
Post – 65:	Initial trend starting at 5.00% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 9 years.

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

The actuarial assumption used in the June 30, 2020 valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2019. The total OPEB liability was rolled-forward from the valuation date (June 30, 2019) to the plan's fiscal year ending June 30, 2020.

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

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020**

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

Asset Class	Target Allocation	Long-term Nominal Real Rate of Return
Growth	62.50%	
U.S. Equity	18.75%	4.50%
Non-U.S. Equity	18.75%	5.25%
Private Equity	10.00%	6.65%
Specialty Credit/High Yield	15.00%	3.90%
Liquidity	14.50%	
Core Bonds	13.50%	-.25%
Cash	1.00%	-.75%
Diversifying Strategies	23.00%	
Real Estate	5.00%	5.30%
Opportunistic	3.00%	2.25%
Real Return	15.00%	3.95%
	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total OPEB liability was 5.73 for non-hazardous classification. The projection of cash flows assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 24 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.13%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 28, 2019. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the CARF.

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

	Discount rate	Department’s proportionate share of net OPEB liability
1% decrease	4.73%	\$ 13,615,284
Current discount rate	5.73%	\$ 11,423,258
1% increase	6.73%	\$ 9,624,055

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

	Department’s proportionate share of net OPEB liability
1% decrease	\$ 9,614,574
Current discount rate	\$ 11,423,258
1% increase	\$ 13,614,009

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2021 and 2020

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

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, 2021 and 2020, the Health Department reported a payable of \$258,008 and \$273,351, respectively, for the outstanding amount of contributions to the pension plan required for the years ended June 30, 2021 and 2020. The payable can be allocated as follows, \$214,146 and \$226,881 to the pension plan, respectively, and \$43,862 and \$46,470 to the OPEB plan, respectively.

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, 2021 and 2020.

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 (\$42,584,248) and (\$44,186,432) for the years ended June 30, 2021 and 2020, 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 (\$69,829,903) and (\$66,712,605) for the years ended June 30, 2021 and 2020.

14. RECLASSIFICATION

Certain prior year amounts have been reclassified for consistency with the current year presentations. These reclassifications had no effect on the reported results of operations. An adjustment has been made to move construction in progress out of prepaid expenses and into capital assets, net, and an adjustment has been made to increase net investment in capital assets and decrease unrestricted fund balance.

15. COVID-19 PANDEMIC

Since early 2020, various restrictions were placed on travel and business across the United States in response to the COVID-19 pandemic. The duration and pervasiveness of these restrictions are uncertain as of the date of these financial statements. The Health Department is evaluating the impact of COVID-19 and related responses on the operations and finances of the Health Department. Restrictions placed on the Health Department could negatively impact the Health Department’s revenue and expenses for an unknown period of time. At this time, a specific estimate of the impact could not reasonably be determined due to a number of unknown factors regarding the severity and duration of the event.

REQUIRED SUPPLEMENTARY INFORMATION

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

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

Notes:

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

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

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

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

Notes:

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

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

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

Notes:

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

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

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

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

Notes:

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

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO REQUIRE SUPPLEMENTARY INFORMATION
June 30, 2021 and 2020

1. GENERAL INFORMATION

Contributions

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

Payroll

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

2. CHANGES OF ASSUMPTIONS

June 30, 2021 – Pension and OPEB Nonhazardous

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

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

June 30, 2020 – Pension and OPEB Nonhazardous

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

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

June 30, 2019 – Pension and OPEB Nonhazardous

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

June 30, 2018 – Pension and OPEB Nonhazardous

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

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

June 30, 2017 – Pension and OPEB Nonhazardous

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

SUPPLEMENTARY INFORMATION

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SUPPLEMENTARY BUDGETARY COMPARISON - BUDGETARY BASIS
for the year ended June 30, 2021**

	Cost Center	Original Budget	Amended Budget	Actual	Variance
STATE GRANTS					
State restricted	422	\$ 812,648	\$ 594,443	\$ 1,067,127	\$ 472,684
State health insurance	426	1,904,520	1,904,520	2,043,279	138,759
State public health block grant	428	<u>34,898</u>	<u>34,898</u>	<u>34,898</u>	<u>-</u>
Total State Grants		<u>2,752,066</u>	<u>2,533,861</u>	<u>3,145,304</u>	<u>611,443</u>
FEDERAL AWARDS					
Title V block grant	431	192,143	192,143	226,497	34,354
Payroll Protection Act (PPA)	434	-	240,060	141,828	(98,232)
Preventative services grant	435	-	4,000	4,320	320
Coronavirus response and relief	436	-	-	554,219	554,219
CARES Act	437	-	2,855,056	5,489,870	2,634,814
Federal programs	438	<u>1,946,502</u>	<u>2,039,046</u>	<u>1,952,901</u>	<u>(86,145)</u>
Total federal awards		<u>2,138,645</u>	<u>5,330,305</u>	<u>8,369,635</u>	<u>3,039,330</u>
LOCAL FUNDS					
Local tax appropriations	451	8,250,000	8,250,000	9,347,605	1,097,605
Donations	456	<u>-</u>	<u>3,000</u>	<u>3,605</u>	<u>605</u>
Total local funds		<u>8,250,000</u>	<u>8,253,000</u>	<u>9,351,210</u>	<u>1,098,210</u>
FEEES FOR SERVICES					
Contracts, school board	459	2,147,520	2,147,520	2,147,520	-
Medicare (Title 18)	462	250	-	119	119
Medicaid (Title 19)	463	1,134,826	860,358	683,328	(177,030)
Prior year carryover	464	-	-	56,063	56,063
Fees and permits	466	671,900	626,257	770,779	144,522
Insurance	467	169,500	88,408	30,848	(57,560)
Other fees and contracts	469	<u>587,231</u>	<u>1,203,318</u>	<u>580,518</u>	<u>(622,800)</u>
Total fees for services		<u>4,711,227</u>	<u>4,925,861</u>	<u>4,269,175</u>	<u>(656,686)</u>
INTEREST INCOME	480	<u>66,800</u>	<u>68,405</u>	<u>52,413</u>	<u>(15,992)</u>
TOTAL REVENUES, BUDGETARY BASIS		<u>\$ 17,918,738</u>	<u>\$ 21,111,432</u>	<u>\$ 25,187,737</u>	<u>\$ 4,076,305</u>
Conversion to accrual basis:					
Additional accounts receivable, net				\$ 23,520	
Less prior year grant activity (carryover)				<u>(56,063)</u>	
TOTAL REVENUES, ACCRUAL BASIS				<u>\$ 25,155,194</u>	

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SUPPLEMENTARY BUDGETARY COMPARISON - BUDGETARY BASIS
for the year ended June 30, 2021**

	Original Budget	Amended Budget	Actual	Variance
PERSONNEL EXPENSES				
Salaries	\$ 7,502,816	\$ 8,192,958	\$ 7,880,942	\$ (312,016)
Fringe benefits	<u>5,434,900</u>	<u>5,510,373</u>	<u>5,148,741</u>	<u>(361,632)</u>
Total personnel expenses	<u>12,937,716</u>	<u>13,703,331</u>	<u>13,029,683</u>	<u>(673,648)</u>
OPERATING EXPENSES				
Contractual and professional services	797,880	795,913	565,644	(230,269)
Travel	124,828	90,277	49,275	(41,002)
Rent	135,227	135,227	88,633	(46,594)
Utilities	160,000	164,000	177,165	13,165
Janitorial service and supplies	212,000	217,000	200,969	(16,031)
Insurance	141,500	142,000	137,115	(4,885)
Building repairs and maintenance	315,200	315,100	467,383	152,283
Printing and copying	87,575	87,402	77,973	(9,429)
Telephone	204,061	239,186	292,598	53,412
Postage	28,455	28,828	30,442	1,614
Office supplies	32,825	43,191	22,467	(20,724)
Medical record supplies	26,000	13,000	857	(12,143)
Computer services and supplies	140,820	174,470	203,446	28,976
Minor office equipment	46,900	21,568	16,775	(4,793)
Medical supplies	517,238	756,224	645,027	(111,197)
Lab supplies	75,500	39,000	16	(38,984)
Minor medical equipment	16,150	8,850	5,152	(3,698)
Automobile	29,665	30,065	36,292	6,227
Dues and subscriptions	24,185	13,310	16,402	3,092
Registration fees	18,725	17,775	19,530	1,755
Program supplies	175,226	155,870	93,177	(62,693)
Professional services	200,000	400,000	420,147	20,147
Advertising and recruitment	41,828	51,587	67,670	16,083
Other expenses	<u>433,393</u>	<u>2,953,592</u>	<u>2,610,795</u>	<u>(342,797)</u>
Total operating expenses	<u>3,985,181</u>	<u>6,893,435</u>	<u>6,244,950</u>	<u>(648,485)</u>
OTHER EXPENSES				
Capital items	<u>831,317</u>	<u>964,711</u>	<u>279,736</u>	<u>(684,975)</u>
Total other expenses	<u>831,317</u>	<u>964,711</u>	<u>279,736</u>	<u>(684,975)</u>
TOTAL EXPENSES, BUDGETARY BASIS	<u>\$ 17,754,214</u>	<u>\$ 21,561,477</u>	<u>\$ 19,554,369</u>	<u>\$ (2,007,108)</u>
REVENUE OVER EXPENSES, BUDGETARY BASIS			<u>\$ 5,633,368</u>	
Conversion to accrual basis:				
Total expenses, budgetary basis			\$ 19,554,369	
Change in accounts payable			294,944	
GASB 68 conversion, net			2,713,642	
GASB 75 conversion, net			403,656	
Depreciation expense			394,713	
Less capital outlay			<u>(279,736)</u>	
TOTAL EXPENSE, ACCRUAL BASIS			<u>\$ 23,081,588</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, 2021

Cost Center	STATE				FEDERAL GRANTS				TAX APPROP. / DONATIONS	SCHOOL BOARD	
	422	424 / 425/ 426	428	431	434	435	436	437	438	451 / 456	459
Food	500	\$ 31,200	\$ -	\$ 34,898	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 211,773	\$ -
Public Facilities	520	-	-	-	-	-	-	-	-	13,974	-
General Sanitation	540	-	-	-	-	-	-	-	-	339,486	-
Onsite Sewage	560	-	-	-	-	-	-	-	-	26,432	-
Special Project - Environmental	590	-	-	-	-	-	-	-	-	1,148	-
Radon	591	-	-	-	-	-	-	-	625	625	-
Smoking Ordinance	592	-	-	-	-	-	-	-	-	820	-
Total Environmental		31,200	-	34,898	-	-	-	-	625	594,258	-
Personal Health Services	700	-	-	-	-	-	-	-	-	-	-
Lab/Other Testing/Radiology	718	-	-	-	-	-	-	-	-	-	-
ELC COVID Mini Grant	723	-	-	-	-	-	58,733	-	-	17,595	-
Needle Exchange Program	727	10,000	-	-	-	-	-	-	28,000	351,817	-
SSP Expansion Project (Special Project)	734	-	-	-	-	-	-	-	11,203	5,437	-
Community Health Action	736	-	-	-	-	4,320	-	-	-	3,998	-
COVID Immunization Supplemental	738	-	-	-	-	-	554,219	-	-	848,856	-
Accreditation	750	-	-	-	-	-	-	-	-	16,613	-
Human Vitality	758	-	-	-	-	-	-	-	-	-	-
HANDS - Federal Home Visiting	760	-	-	-	-	-	-	-	65,250	-	-
Diabetes Prevention & Control	761	-	-	-	-	-	-	-	6,027	2,231	-
Tobacco Program	765	-	-	-	-	-	-	-	-	369	-
MCH Coordinator	766	-	-	78,974	-	-	-	-	-	18,852	-
CARES	771	-	-	-	-	-	-	2,311,276	-	93,612	-
Special Project	773	-	-	-	-	-	-	2,377,595	-	880,526	-
Pediatric/Adolescent Visits	800	-	-	-	-	-	-	-	5,000	6,377	-
Childhood Immunization	801	-	-	-	-	-	-	-	-	52,489	-
Family Planning	802	-	-	-	-	-	-	-	-	21,103	-
WIC	804	-	-	-	-	-	-	-	1,057,663	542,136	-
MCH Nutrition & Group Activity	805	-	-	37,054	-	-	-	-	-	44,667	-
Tuberculosis Visits	806	-	-	-	-	-	-	-	62,579	535,375	-
Sexually Transmitted Diseases	807	-	-	-	-	-	-	-	-	239,640	-
Diabetes Visits & Activities	809	208,135	-	-	-	-	-	-	-	-	-
Adult Visits/Follow-up Visits	810	-	-	-	-	-	-	-	-	-	-
Lead Services	811	-	-	-	-	-	-	-	-	624	-
Breast & Cervical Cancer	813	-	-	-	-	-	-	-	-	11,371	-
COVID Vaccination Distribution	816	-	-	-	-	-	-	-	-	188,924	-
Bioterrorism Preparedness Planning	821	-	-	-	-	-	-	-	133,149	72,131	-
Bioterrorism Epid & Surveillance	822	-	-	-	83,095	-	-	-	-	102,133	-
Bioterrorism Health Alert Network	823	-	-	-	-	-	-	-	7,106	1,021	-
STD Monitoring	827	-	-	-	-	-	-	-	2,758	568	-
KY ASAP Special Project	828	-	-	-	-	-	-	-	-	-	-
TOB, Cancer, Diab-State Pers.	829	20,000	-	-	-	-	-	-	109,772	16,826	-
Bluegrass Farmworkers Health	832	-	-	-	-	-	-	-	-	42,580	-
Breast Feeding Support	833	-	-	-	-	-	-	-	40,079	4,839	-
STD P.H. Investigator	834	-	-	-	-	-	-	-	-	-	-
Tobacco	836	6,100	-	-	-	-	-	-	-	1,098	-
HIV Contract Data	838	-	-	-	-	-	-	-	13,365	60,340	-
Diabetes Today	841	-	-	-	-	-	-	-	2,118	50	-
HIV Funds	842	-	-	-	-	-	-	-	44,371	3,725	-
Ryan White Program	845	-	-	-	-	-	-	-	77,132	10,261	-
Healthy Start Child Care	848	72,115	-	-	-	-	-	-	-	8,176	-
Hands	853	371,962	-	-	-	-	-	-	-	67,436	-
Supplemental School Health	858	-	-	-	-	-	-	-	-	50,497	2,147,520
Diabetes Personnel	872	45,000	-	-	-	-	-	-	57,525	-	-
Vital Stats	890	-	-	-	-	-	-	-	-	64,494	-
Medicaid Match	891	-	-	-	-	-	-	-	-	55,420	-
Minor Items	892	-	-	-	-	-	-	-	-	-	-
Total Medical		733,312	-	-	116,028	141,828	4,320	554,219	4,688,871	1,723,097	4,444,207
Capital Expenditures	894	-	-	-	-	-	-	-	-	213,892	-
Allocable Direct	895	302,615	2,043,279	-	110,469	-	-	800,999	229,179	4,098,853	-
Total Administrative		302,615	2,043,279	-	110,469	-	-	800,999	229,179	4,312,745	-
Total Regulatory Basis		\$ 1,067,127	\$ 2,043,279	\$ 34,898	\$ 226,497	\$ 141,828	\$ 4,320	\$ 554,219	\$ 5,489,870	\$ 1,952,901	\$ 9,351,210

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENDITURES BY REPORTING AREA
BUDGETARY BASIS
for the year ended June 30, 2021**

Cost Center	FEES & CONTRACTS						INTEREST 480	Total Revenues	Total Costs	Unrestricted Carryover	Program Excess (Deficit)
	462	463	464	466	467	469					
500	\$ -	\$ -	\$ -	\$ 531,463	\$ -	\$ -	\$ -	\$ 809,334	\$ (809,334)	\$ -	\$ -
520	-	-	-	176,335	-	-	-	190,309	(190,309)	-	-
540	-	-	-	-	-	-	-	339,486	(339,486)	-	-
560	-	-	-	25,526	-	-	-	51,958	(51,958)	-	-
590	-	-	-	-	-	-	-	1,148	(1,148)	-	-
591	-	-	-	-	-	-	-	1,250	(1,250)	-	-
592	-	-	-	-	-	-	-	820	(820)	-	-
Total	-	-	-	733,324	-	-	-	1,394,305	(1,394,305)	-	-
700	-	-	-	-	-	-	-	-	-	-	-
718	-	-	-	-	-	-	-	-	-	-	-
723	-	-	-	-	-	-	-	76,328	(76,328)	-	-
727	-	-	-	-	-	313,734	-	703,551	(703,551)	-	-
734	-	-	-	-	-	-	-	16,640	(16,640)	-	-
736	-	-	-	-	-	-	-	8,318	(8,318)	-	-
738	-	-	-	-	-	-	-	1,403,075	(1,403,075)	-	-
750	-	-	-	-	-	-	-	16,613	(16,613)	-	-
758	-	-	31,993	-	28,432	-	-	60,425	(60,425)	-	-
760	-	-	-	-	-	-	-	65,250	(46,977)	-	18,273
761	-	-	-	-	-	-	-	8,258	(8,258)	-	-
765	-	-	-	-	-	-	-	369	(369)	-	-
766	-	-	-	-	-	-	-	97,826	(97,826)	-	-
771	-	-	-	-	-	200	-	2,405,088	(2,405,088)	-	-
773	-	-	-	-	-	-	-	3,258,121	(3,258,121)	-	-
800	-	8,764	-	1,091	-	-	439	21,671	(21,671)	-	-
801	-	17,405	-	3,494	658	-	-	74,046	(74,046)	-	-
802	-	1,595	-	1,621	276	-	-	24,595	(24,595)	-	-
804	-	-	-	-	-	-	-	1,599,799	(1,599,799)	-	-
805	-	-	-	-	-	-	-	81,721	(81,721)	-	-
806	29	47,745	-	12,621	504	-	-	658,853	(658,853)	-	-
807	90	29,033	-	16,685	756	-	-	286,204	(286,204)	-	-
809	-	-	-	-	-	-	-	208,135	(185,083)	-	23,052
810	-	1,911	24,070	1,847	127	615	-	28,570	(28,570)	-	-
811	-	-	-	-	-	-	-	624	(624)	-	-
813	-	531	-	96	95	-	-	12,093	(12,093)	-	-
816	-	558	-	-	-	-	-	189,482	(189,482)	-	-
821	-	-	-	-	-	-	-	205,280	(205,280)	-	-
822	-	-	-	-	-	-	-	185,228	(185,228)	-	-
823	-	-	-	-	-	-	-	8,127	(8,127)	-	-
827	-	-	-	-	-	-	-	3,326	(3,326)	-	-
828	-	-	-	-	-	3,980	-	3,980	(3,980)	-	-
829	-	-	-	-	-	-	-	146,598	(146,598)	-	-
832	-	-	-	-	-	100,478	-	143,058	(143,058)	-	-
833	-	-	-	-	-	-	-	44,918	(44,918)	-	-
834	-	-	-	-	-	143,924	-	143,924	(116,322)	-	27,602
836	-	-	-	-	-	-	-	7,198	(7,198)	-	-
838	-	-	-	-	-	-	-	73,705	(73,705)	-	-
841	-	-	-	-	-	-	-	2,168	(2,168)	-	-
842	-	-	-	-	-	-	-	48,096	(48,096)	-	-
845	-	-	-	-	-	-	-	87,393	(87,393)	-	-
848	-	-	-	-	-	-	-	80,291	(80,291)	-	-
853	-	518,180	-	-	-	6,929	-	964,507	(964,507)	-	-
858	-	57,606	-	-	-	-	-	2,255,623	(2,255,623)	-	-
872	-	-	-	-	-	-	-	102,525	(101,910)	-	615
890	-	-	-	-	-	370	-	64,864	(64,864)	-	-
891	-	-	-	-	-	-	-	55,420	(55,420)	-	-
892	-	-	-	-	-	-	40,552	40,552	(40,552)	-	-
	119	683,328	56,063	37,455	30,848	570,230	40,991	15,972,436	(15,902,894)	-	69,542
894	-	-	-	-	-	-	-	213,892	(213,892)	-	-
895	-	-	-	-	-	10,288	11,422	7,607,104	(2,043,278)	-	5,563,826
	-	-	-	-	-	10,288	11,422	7,820,996	(2,257,170)	-	5,563,826
	\$ 119	\$ 683,328	\$ 56,063	\$ 770,779	\$ 30,848	\$ 580,518	\$ 52,413	\$ 25,187,737	\$ (19,554,369)	\$ -	\$ 5,633,368

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF INDIRECT COSTS
BUDGETARY BASIS
for the year ended June 30, 2021**

		Departmental	Environmental	Clinic	Medical	Space	Allocated Medical	Allocated Lab	Total Indirect Costs
Food	500	\$ 124,054	\$ 166,341	\$ -	\$ -	\$ 68,371	\$ -	\$ -	\$ 358,766
Public Facilities	520	29,211	37,201	-	-	21,542	-	-	87,954
General Sanitation	540	50,281	67,755	-	-	47,015	-	-	165,051
Onsite Sewage	560	8,357	10,850	-	-	2,077	-	-	21,284
Special Project - Environmental	590	121	131	-	-	585	-	-	837
Radon	591	-	-	-	-	-	-	-	-
Smoking Ordinance	592	-	-	-	-	820	-	-	820
Total Environmental		212,024	282,278	-	-	140,410	-	-	634,712
Personal Health Services	700	191,428	-	986,427	-	269,107	(2,157,417)	-	(710,455)
Lab/Other Testing/Radiology	718	11,704	-	58,957	-	11,639	-	(133,978)	(51,678)
ELC COVID Mini Grant	723	11,530	-	-	1,340	-	-	-	12,870
Needle Exchange Program	727	43,369	-	-	4,444	45,646	-	-	93,459
SSP Expansion Project (Special Project)	734	3,681	-	-	440	-	-	-	4,121
Community Health Action	736	64	-	-	9	-	-	-	73
COVID Immunization Supplemental	738	247,249	-	-	25,618	-	-	-	272,867
Accreditation	750	-	-	-	-	3,410	-	-	3,410
Human Vitality	758	12,739	-	-	1,510	6,722	-	-	20,971
HANDS - Federal Home Visiting	760	4,704	-	-	489	4,081	-	-	9,274
Diabetes Prevention & Control	761	1,476	-	-	189	209	-	-	1,874
Tobacco Program	765	93	-	-	7	-	-	-	100
MCH Coordinator	766	13,610	-	-	1,371	16,197	-	-	31,178
CARES	771	360,753	-	-	34,348	197,417	-	-	592,518
Special Project	773	241,940	-	-	23,819	-	-	-	265,759
Pediatric/Adolescent Visits	800	3,153	-	-	403	313	10,361	-	14,230
Childhood Immunization	801	-	-	-	-	-	74,046	-	74,046
Family Planning	802	-	-	-	-	-	16,277	8,318	24,595
WIC	804	1,253	-	-	130	1,542	1,552,649	-	1,555,574
MCH Nutrition & Group Activity	805	15,633	-	-	1,596	4,978	-	-	22,207
Tuberculosis Visits	806	64,221	-	-	6,700	39,812	308,311	10,769	429,813
Sexually Transmitted Diseases	807	2,927	-	-	303	3,136	173,524	96,475	276,365
Diabetes Visits & Activities	809	35,093	-	-	3,588	12,349	-	-	51,030
Adult Visits/Follow-up Visits	810	-	-	-	-	-	18,069	10,502	28,571
Lead Services	811	36	-	-	4	403	-	-	443
Breast & Cervical Cancer	813	-	-	-	-	-	4,180	7,914	12,094
COVID Vaccination Distribution	816	33,133	-	-	3,592	-	-	-	36,725
Bioterrorism Preparedness Planning	821	24,955	-	-	2,658	-	-	-	27,613
Bioterrorism Epid & Surveillance	822	41,655	-	-	3,746	5,247	-	-	50,648
Bioterrorism Health Alert Network	823	1,168	-	-	125	2,431	-	-	3,724
STD Monitoring	827	-	-	-	-	-	-	-	-
KY ASAP Special Project	828	1,189	-	-	132	74	-	-	1,395
TOB, Cancer, Diab-State Pers.	829	33,021	-	-	3,412	-	-	-	36,433
Bluegrass Farmworkers Health	832	28,358	-	-	2,977	17,966	-	-	49,301
Breast Feeding Support	833	8,602	-	-	911	4,473	-	-	13,986
STD P.H. Investigator	834	20,334	-	-	2,072	11,882	-	-	34,288
Tobacco	836	-	-	-	-	7,398	-	-	7,398
HIV Contract Data	838	14,642	-	-	1,589	7,880	-	-	24,111
Diabetes Today	841	-	-	-	-	-	-	-	-
HIV Funds	842	8,919	-	-	888	3,402	-	-	13,209
Ryan White Program	845	16,854	-	-	1,747	9,147	-	-	27,748
Healthy Start Child Care	848	11,679	-	-	1,111	18,158	-	-	30,948
Hands	853	115,978	-	-	11,915	57,327	-	-	185,220
Supplemental School Health	858	459,667	-	-	45,606	137,863	-	-	643,136
Diabetes Personnel	872	21,991	-	-	-	-	-	-	21,991
Vital Stats	890	8,004	-	-	801	23,559	-	-	32,364
Medicaid Match	891	-	-	-	-	-	-	-	-
Minor Items	892	-	-	-	-	-	-	-	-
Total Medical		2,116,805	-	1,045,384	189,590	923,768	-	-	4,275,547
Space Indirect	897	-	-	-	-	(1,064,178)	-	-	(1,064,178)
Departmental Indirect	898	(2,328,829)	-	-	-	-	-	-	(2,328,829)
Clinic Indirect	899	-	-	(1,045,384)	-	-	-	-	(1,045,384)
Other Medical Indirect	900	-	-	-	(189,590)	-	-	-	(189,590)
Environmental Indirect	901	-	(282,278)	-	-	-	-	-	(282,278)
Total Administrative		(2,328,829)	(282,278)	(1,045,384)	(189,590)	(1,064,178)	-	-	(4,910,259)
Totals		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lexington-Fayette Urban County Department of Health (the Health Department) as of and for the year ended June 30, 2021, 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 28, 2021.

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

RFH, PLLC
Lexington, Kentucky
September 28, 2021



**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, 2021. 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, 2021.

Report on Internal Control over Compliance

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

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

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

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

RFH

RFH, PLLC
Lexington, Kentucky
September 28, 2021

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2021**

GRANTOR/PROGRAM TITLE	Federal AL Number	Pass/Through Contract Number	Grant Contract Period	Passed Through to Subrecipients	Expenditures
U.S. Department of Agriculture					
Passed through State (CHFS)					
WIC Program - Administrative Services	10.557	01160020	7/1/2020-6/30/2021	\$ -	\$ 491,314
WIC Program - Administrative Services	10.557	01160021	7/1/2020-6/30/2021	-	786,723
Total U.S. Department of Agriculture				\$ -	\$ 1,278,037
U.S. Environmental Protection Agency					
Passed through State (CHFS)					
State Indoor Radon Grants	66.032	02610018	7/1/2020-6/30/2021	\$ -	\$ 625
Total U.S. Environmental Protection Agency				\$ -	\$ 625
U.S. Department of Health and Human Services (HHS)					
Passed through State (CHFS)					
HPP and PHEP Cooperative	93.069	02140018	7/1/2020-6/30/2021	\$ -	\$ 3,553
HPP and PHEP Cooperative	93.069	02140019	7/1/2020-6/30/2021	-	133,149
HPP and PHEP Cooperative	93.069	0214SUP17	7/1/2020-6/30/2021	-	416
				-	137,118
Tuberculosis Control Programs	93.116	010600OL21	7/1/2020-6/30/2021	-	58,687
Tuberculosis Control Programs	93.116	010600OL22	7/1/2020-6/30/2021	-	3,892
				-	62,579
Pediatric and Adolescent Programs	93.268	010500OL17	7/1/2020-6/30/2021	-	15,873
Pediatric and Adolescent Programs	93.268	010500OL18	7/1/2020-6/30/2021	-	5,000
Pediatric and Adolescent Programs	93.268	0105OLCRR18	7/1/2020-6/30/2021	-	554,219
				-	575,092
Tobacco	93.305	0240OL19	7/1/2020-6/30/2021	-	2,288
				-	2,288
Epidemiology and Laboratory Capacity	93.323	013900PP20	7/1/2020-6/30/2021	-	141,828
				-	141,828
Disease Control and Prevention	93.426	02440120	7/1/2020-6/30/2021	-	2,505
Disease Control and Prevention	93.426	02440121	7/1/2020-6/30/2021	-	31,618
				-	34,123
Diabetes Prevention and Control	93.435	02450020	7/1/2020-6/30/2021	-	28,502
Diabetes Prevention and Control	93.435	02450021	7/1/2020-6/30/2021	-	6,000
				-	34,502
Subtotal HHS				\$ -	\$ 987,530

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, 2021**

GRANTOR/PROGRAM TITLE	Federal AL Number	Pass/Through Contract Number	Grant Contract Period	Passed Through to Subrecipients	Expenditures
U.S. Department of Health and Human Services (HHS) (previous page)				\$ -	\$ 987,530
U.S. Department of Health and Human Services (HHS) Passed through State (CHFS)					
Opioid STR	93.788	02030021	7/1/2020-6/30/2021	-	11,203
				-	11,203
Colon Cancer Screening	93.800	01970020	7/1/2020-6/30/2021	-	2,036
Colon Cancer Screening	93.800	01970021	7/1/2020-6/30/2021	-	109,772
				-	111,808
Maternal, Infant and Early Childhood Home Visiting	93.870	01300017	7/1/2020-6/30/2021		15,533
Maternal, Infant and Early Childhood Home Visiting	93.870	01300018	7/1/2020-6/30/2021	-	59,850
				-	75,383
HPP & PHEP	93.889	02150018	7/1/2020-6/30/2021	-	2,961
HPP & PHEP	93.889	02150019	7/1/2020-6/30/2021	-	592
HPP & PHEP	93.889	0215SUP17	7/1/2020-6/30/2021	-	416
				-	3,969
Ryan White Care Act	93.917	01690020	7/1/2020-6/30/2021	-	65,215
Ryan White Care Act	93.917	01690021	7/1/2020-6/30/2021	-	20,604
				-	85,819
HIV Prevention	93.940	015100OL20	7/1/2020-6/30/2021	-	59,841
HIV Prevention	93.940	015100OL21	7/1/2020-6/30/2021	-	31,562
				-	91,403
STD Prevention	93.977	010700OL19	7/1/2020-6/30/2021	-	1,793
STD Prevention	93.977	010700OL20	7/1/2020-6/30/2021	-	1,379
				-	3,172
Preventive Health - CHAT	93.991	01040020	7/1/2020-6/30/2021	-	4,320
				-	4,320
MCH Services Block Grant	93.994	01120019	7/1/2020-6/30/2021	-	141,032
MCH Services Block Grant	93.994	01120020	7/1/2020-6/30/2021	-	85,464
				-	226,496
Direct Grant					
Provider Relief Fund	93.498	N/A	7/1/2020-6/30/2021	-	14,955
				-	14,955
Total U.S. Department of Health and Human Services				\$ -	\$ 1,616,058
U.S. Department of Treasury					
Passed through State (CHFS)					
COVID-19, CARES Act	21.019	CARES20	4/1/2020-6/30/2021	\$ -	\$ 2,032,075
COVID-19, CARES Act	21.019	CARES-B20	4/1/2020-6/30/2021	-	1,296,619
COVID-19, CARES Act	21.019	CARES-C20	4/1/2020-6/30/2021	-	2,146,221
Total U.S. Department of Treasury				\$ -	\$ 5,474,915
Total federal awards expended				\$ -	\$ 8,369,635

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2021**

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified __Yes XNo

Significant deficiencies identified that are not considered to be material weaknesses __Yes XNone reported

Non-compliance material to financial statements noted __Yes XNo

Federal Awards:

Internal control over major programs:

Material weaknesses identified __Yes XNo

Significant deficiencies identified that are not considered to be material weaknesses __Yes XNone 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 XNo

Major Programs:

AL Number	Name of Federal Program or Cluster
10.557	USDA – WIC Program
21.019	US Department of Treasury – CARES Act

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

Auditee qualified as a low-risk auditee? X Yes __ No

II. FINDINGS RELATED TO FINANCIAL STATEMENTS

NONE

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

IV. PRIOR AUDIT FINDINGS

NONE

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SCHEDULE OF PRIOR AUDIT FINDINGS
for the year ended June 30, 2021**

There are no prior audit findings to report.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
AUDIT ADJUSTMENTS
for the year ended June 30, 2021**

There are no proposed audit adjustments.