

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

**FINANCIAL STATEMENTS
June 30, 2022**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Lexington-Fayette Urban County Department of Health (the Health Department), a component unit of the Lexington-Fayette Urban County Government, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Health Department's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Lexington-Fayette Urban County Department of Health, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Lexington-Fayette Urban County Department of Health and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Health Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Health Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-8, the schedule of proportionate share of the net pension liability and the schedule of contributions on pages 27-28, and the schedule of proportionate share of the net OPEB liability and the schedule of contributions on pages 29-30, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2022, on our consideration of the Health Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Health Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Department's internal control over financial reporting and compliance.

RFH

RFH, PLLC
Lexington, Kentucky
September 19, 2022



Lexington-Fayette County Health Department

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September 19, 2022

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, 2022. 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 \$(33,145,861) (net position) for the fiscal period reported.

Total net assets are comprised of the following:

- (1) Capital assets, net of accumulated depreciation of \$2,704,246.
- (2) Designated Funds of \$377,934.
- (3) Unrestricted Funds of \$(36,228,041).

At the end of the fiscal year, the unrestricted fund balance was \$(36,228,041). This compares with the fiscal year 2021 unrestricted fund balance of \$(42,584,248). Of the \$76,733,335 reported in total liabilities, \$73,899,975 were related to pension liabilities and post-employment benefits other than pensions (OPEB).

HIGHLIGHTS FROM FY 2022 AND OBSERVATIONS ABOUT FY 2023

- LFCHD achieved budget objectives for fiscal year 2022 and generated a \$6.2 million net surplus.
- For fiscal year 2023, LFCHD's approved budget anticipates a projected surplus of \$1.19 million. The budget includes \$412,000 in net expenses for the COVID-19 response. The budget also includes a Kentucky Pension Plan Authority (KPPA) employer contribution of \$5.67 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 increase and an additional 2.5 percent bonus opportunity based on performance. A market compensation survey was conducted by Hanna Resource Group. The results of that survey will be implemented in FY 2023 and are included in that budget.
- LFCHD has been working on the next community health assessment (CHA). This process has had to not only adapt to an increased virtual environment but also be fluid as to the availability of staffing and community participation amid the pandemic. The CHA will be completed and released to the public in 2023.
- The COVID-19 pandemic response was the overriding focus and driver of much of LFCHD's activities during FY 2022. 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 67,901 COVID-19 cases in Lexington residents were received. From December 2021-February 2022 alone, LFCHD reported 40,773 positive COVID-19 cases in residents of Fayette County. This was due to the Omicron variant and accounted for the vast majority of our cases during the past year.
 - \$8.3 million was spent on the response; \$8.9 million was reimbursed through federal aid. As of June 30, 2022, net losses response to date were \$1.4 million.
 - LFCHD continued to serve as a primary source of COVID-19 information for Fayette County. From July 2021 to July 2022, the health department's social media increased significantly, from 16,368 followers to 17,305 followers on Facebook, from 5,398 to 5,722 on Twitter, and from 1,604 to 1,699 on Instagram. The department launched a "Get Vaxxed Y'all!" campaign to increase awareness on both flu shots and COVID-19 vaccines, using billboards, bus ads, door-hangers and online marketing to direct people to our Public Health Clinic.
 - LFCHD staff designed and supported a system for disease investigators, contact tracers and epidemiologists to record and track cases, communicate with cases and contacts and report data relevant for communicating with the public. Around 120 disease investigators and other staff were contracted at various times during FY 2022 to assist in the agency's epidemiology response to the COVID-19 pandemic.
 - Early in FY2022, LFCHD staff continued to do intensive contact tracing with cases and their contacts. In December 2021, CDC and KDPH changed their guidance related to contact tracing and isolation period for cases. Due to the 150% significant surge in cases during December 2021, epidemiology staff collaborated with IT to develop and execute an online interview tool (survey) through the COVID-19 case management tool, REDCap. The survey collected required

reportable data elements on case demographics, index date, vaccination and breakthrough information, and contact exposures, while also directly issuing isolation/quarantine orders based on current guidance. The survey was rolled out on Jan.14, 2022, to cases with viable email addresses who were not identified as being in a high-risk group. Phone interviews continued to be conducted for positive cases identified as being high risk including: less than 18 or greater than 60 years of age, long-term care facility staff, residents of congregate settings (i.e., homeless shelters, treatment centers, sober living facilities), hospitalized cases, and non-English speaking cases. In less than two weeks, 8,312 surveys were issued to positive COVID-19 cases, with a completion rate of 52.8%. As cases began to plateau and additional guidance was sent out by CDC and KDPH, LFCHD staff changed our COVID-19 operational contact tracing response again in March 2022. LFCHD moved to only doing case investigations and contact tracing in high-risk populations and congregate settings such as K-12 schools, child care centers, universities, long-term care facilities, homeless shelters, and jails. LFCHD continued to obtain CDC-required reporting data elements for confirmed/probable cases but transitioned to providing general guidance for isolation and self-monitoring rather than intensive contact tracing of individuals diagnosed with COVID-19.

- The department's information technology (IT) staff supported a call center with mobile phone app technology. LFCHD's COVID-19 call center responded to 13,499 individual calls from July 1, 2021, through June 30, 2022.
- In collaboration with the Lexington-Fayette Urban County Government's (LFUCG) paramedics and volunteers from the Medical Reserve Corps, LFCHD administered 6,218 COVID-19 vaccinations between July 2021 and June 2022. Special vaccination events included 4 mass indoor clinics and 23 mini community clinics. In addition to these clinics, LFCHD Public Health Clinic staff provided COVID-19 vaccines in-house 3 days a week and to Fayette County homebound residents.
- In the fall of 2020, 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 2021, 3,092 COVID-19 rapid antigen tests were completed and reported through this initiative. In FY 2022, 12,089 rapid antigen tests were completed through this initiative.
- In FY 2022, LFCHD chose to sunset the PCR at-home testing strategy portion of the PCR program as federal funding decreased to support testing and there was increased availability of PCR testing in the community. KDPH continued to provide funding for PCR testing for congregate settings. LFCHD completed over 550 PCR tests in addition to the rapid antigen tests to support congregate settings. Demand for PCR settings decreased as availability of rapid antigen testing increased. KDPH ended their funding support of PCR testing at the end of FY 22. LFCHD chose to completely sunset the PCR testing model at that time.
- In FY 2022, LFCHD's Harm Reduction Program served 4,390 clients during 17,972 participant visits, received 834,153 needles, and distributed 955,604 sterile needles (87.3% return rate for FY22). The program connected 91 individuals to treatment referrals.
- LFCHD dispensed 4,810 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 SAMHSA 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

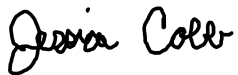
expand naloxone training and distribution to justice-involved individuals. In addition, these grantors provided \$168,964 to support expanded naloxone distribution and education in the community to individuals in treatment facilities, the unsheltered, and people of color.

- During the 2021-22 school year, school nurses documented 50,558 health office visits, with 84 percent of the student visits being sent back to class. Additionally, 2,315 BinaxNow COVID-19 Rapid Antigen tests were performed in Fayette County Public Schools (FCPS), in which 10.6 percent were positive. The contract was also amended three times, once to collaborate with FCPS for Test to Stay for school related exposures, secondly to provide 14 nurses to equal 1,995 additional summer school hours to help cover FCPS summer ignite classes, and lastly to increase staffing, allowing the placement of full-time nurses in 15 additional elementary schools.
- From July 1, 2021, to June 30, 2022, 25 Fayette County residents diagnosed with active tuberculosis (TB) disease received monitoring and treatment via LFCHD's TB control program. During this time period, LFCHD clinic staff provided surveillance to 280 clients referred to the TB program for evaluation, management and treatment of TB disease vs. TB infection.
- 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 2021 to June 2022, the program saw a slight decrease in the caseload from 6,062 to 5,828 participants. A new formula contract and individuals going back to the workforce in light of businesses reopening contributed to this decrease.
- On Feb. 18, 2022, the WIC program was notified of a voluntary recall of Similac standard infant formulas as well as Alimentum and Elecare. Abbott initiated a voluntary recall of powdered formulas, including Similac®, Alimentum® and EleCare® manufactured in Sturgis, Michigan, one of the company's manufacturing facilities. The recall does not include any metabolic deficiency nutrition formulas. Abbott voluntarily recalled these products after four consumer complaints related to *Cronobacter sakazakii*, or *Salmonella* Newport, in infants who had consumed powder infant formula manufactured in this facility. No Abbott liquid formulas, powder formulas, or nutrition products from other facilities were impacted by the recall. Since February, nutrition specialists have been working with all new and enrolled infants to ensure available product is loaded onto a participant's eWIC card. The LFCHD program serves roughly 1,400 infants and have been working closely with pediatric offices, as well as those who are medically fragile. Currently, the formula recall is ongoing and the current formula waiver has been extended to Dec. 31, 2022.
- In order to support future needs, the LFCHD facilities division collaborated with EOP Architecture and Babcon Inc. to install a new generator with the ability to provide power to the entire 650 Newtown Pike building. The previous generator capacity had been maxed with only select areas of the health department having backup generator power.
- The facilities division was busy during FY 2022 continuing to improve the efficiency and effectiveness of an aging HVAC system, continuing internal improvements that include new flooring and paint, along with converting all lighting to a long-lasting LED system that not only uses less energy, but will not require replacement of bulbs for many years and has the ability to be put on a dimmer system for areas and staff that need a lower light level.
- The LFCHD Community Health, Education and Equity (CHEE) Wellness Program collaborated a fourth 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 \$6,300 for 28 vouchers, which helped defray costs for some of the 52 LFCHD staff who participated in the program.

- The LFCHD Health Access Nurturing Development Services (HANDS) program achieved 76 percent of its home visit capacity in FY2022, exceeding the 75 percent 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. Approximately 50 percent of HANDS participants met virtually with LFCHD staff in FY2022.
- During FY 22, LFCHD provided a total of 1,310 influenza vaccines through the Public Health Clinic, homebound vaccinations, and community clinics, including 733 given during a free flu vaccine event in October 2021.
- LFCHD continued to find new ways to collaborate internally, with senior leadership working closely during extended times without the Commissioner of Health and during the on-boarding of a new person in the position. Leadership has regular meetings with each other and staff, including the continuation of all-staff town halls every two weeks to talk about COVID-19 and other issues pertinent to staff.
- Within Fayette County, Environmental Health (EH) staff provides regulatory inspections of all foodservice establishments, public swimming pools, hotels and motels, schools, tattoo and piercing studios, and grocery stores. This equates to over 6,000 field services. EH also investigates and monitors all animal bite reports and constituent-reported, health-related complaints. In addition, EH designs, permits, and inspects all septic system sewer treatment systems within the county.
- During this last fiscal year, EH instituted an on-line payment option for all annual permit fees. Roughly 25 percent of all establishments paid their annual fees through this initiative, and staff worked to assist clients and ensure that the process was completed relatively free of issues and/or delays.

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



Jessica Cobb
Interim Chief Administrative Officer
Lexington-Fayette County Health Department

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
STATEMENT OF NET POSITION
June 30, 2022

ASSETS

Current assets	
Cash and cash equivalents	\$ 34,264,129
Accounts receivable:	
Contracts and other, net	294,274
Note receivable - HealthFirst Bluegrass, Inc.	59,141
Lease receivable - current	35,895
Prepaid expenses	<u>38,084</u>
Total current assets	<u>34,691,523</u>
Noncurrent assets	
Capital assets, net	2,704,246
Note receivable - HealthFirst Bluegrass, Inc.	1,912,800
Lease receivable - noncurrent	<u>77,502</u>
Total noncurrent assets	<u>4,694,548</u>
Total assets	<u>39,386,071</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows - pension	5,336,322
Deferred outflows - OPEB	<u>2,961,353</u>
Total deferred outflows of resources	<u>8,297,675</u>
Total assets and deferred outflows of resources	<u>\$ 47,683,746</u>

LIABILITIES

Current liabilities	
Accounts payable	\$ 787,042
Accrued payroll and fringes	882,688
Lease liability - current	112,356
Unearned grant revenue	<u>35,541</u>
Total current liabilities	<u>1,817,627</u>
Long-term liabilities	
Accrued annual leave	490,523
Lease liability - noncurrent	525,210
Net pension liability	62,927,340
Net OPEB liability	<u>10,972,635</u>
Total long-term liabilities	<u>74,915,708</u>
Total liabilities	<u>76,733,335</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows - lease	113,397
Deferred inflows - pension	1,774,329
Deferred inflows - OPEB	<u>2,208,546</u>
Total deferred inflows of resources	<u>4,096,272</u>

NET POSITION

Net investment in capital assets	2,704,246
Restricted	
State funds	120,972
Federal funds	68,605
Fees	188,357
Unrestricted	<u>(36,228,041)</u>
Total net position	<u>(33,145,861)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 47,683,746</u>

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

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
for the year ended June 30, 2022**

OPERATING REVENUES

State grants	\$ 4,962,431
Federal grants	11,961,398
Tax appropriations	9,889,824
Donations	102
Medicare service fees	450
Medicaid service fees	874,401
School board contract	2,641,305
Fees and contracts	938,801
Insurance	111,630
Other fees and contracts	<u>1,032,203</u>
 Total operating revenues	 <u>32,412,545</u>

OPERATING EXPENSES

Personnel	14,438,616
Operating	10,427,129
Amortization	119,363
Depreciation	<u>428,382</u>
 Total operating expenses	 <u>25,413,490</u>

OPERATING INCOME (LOSS)

6,999,055

NON-OPERATING INCOME (EXPENSE)

Interest income	74,409
Interest expense	<u>(41,498)</u>
 Total non-operating income (expense)	 <u>32,911</u>

Change in net position	7,031,966
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NET POSITION - BEGINNING OF YEAR	<u>(40,177,827)</u>
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NET POSITION - END OF YEAR	<u>\$ (33,145,861)</u>
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The accompanying notes are an integral
part of the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
STATEMENT OF CASH FLOWS
for the year ended June 30, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from grantor agencies	\$ 17,882,812
Cash received from patients/other service fees	4,364,628
Tax apportionments	9,889,824
Donations	102
Payments for employee services and benefits	(14,771,698)
Payments to suppliers	<u>(10,382,445)</u>
Net cash provided by operating activities	<u>6,983,223</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Receipts from collections of notes	<u>57,562</u>
Net cash provided by non-capital financing activities	<u>57,562</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payment on lease liability	(98,024)
Interest expense	(41,498)
Purchases of capital assets	<u>(429,041)</u>
Net cash used in capital and related financing activities	<u>(568,563)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>74,409</u>
Net cash provided by investing activities	<u>74,409</u>
Net increase in cash and cash equivalents	6,546,631
Cash and cash equivalents - beginning of the year	<u>27,717,498</u>
CASH AND CASH EQUIVALENTS - END OF THE YEAR	<u>\$ 34,264,129</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:	
Operating income	\$ 6,999,055
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:	
Depreciation and amortization	547,745
Net changes in pension liabilities	(647,912)
Net changes in OPEB liabilities	403,183
Change in assets and liabilities:	
Contracts and other receivables	(270,754)
Prepaid expenses	(8,509)
Accounts payables	(113,480)
Accrued payroll and fringes	166,674
Unearned grant revenue	(4,425)
Accrued annual leave	<u>(88,354)</u>
Net cash provided by operating activities	<u>\$ 6,983,223</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, 2022

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 19, 2022, no formal reports have been issued as a result of audits performed or in progress for the year ended June 30, 2022.

Basis of Presentation

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

Management's Discussion and Analysis (MD&A)

Enterprise Fund Financial Statements, consisting of:

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

Notes to financial statements

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

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

Cash and Cash Equivalents

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

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Accounts receivable from insurance, Medicaid and private pay patients are reserved at varying rates based on historical collections. The allowance totaled \$18,384 for the year ended June 30, 2022.

Capital Assets

Property and equipment are capitalized in the statement of net position and depreciation is included in the statement of revenues, expenses and changes in net position for the year ended June 30, 2022, 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, 2022, 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 \$8,933,602 for the year ended June 30, 2022. Total taxes, including support from the Lexington-Fayette Urban County Government, totaled \$9,889,824 for the year ended June 30, 2022.

Pensions

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

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Postemployment Benefits Other Than Pensions (OPEB)

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

Cost Allocation

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Leases

The Health Department implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease receivable and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the Health Department's June 30, 2022 financial statements and had no effect on the beginning net position of the Health Department.

Management's Review of Subsequent Events

The Health Department has evaluated and considered the need to recognize or disclose subsequent events through September 19, 2022, 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, 2022, 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.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

2. CASH AND CASH EQUIVALENTS (CONTINUED)

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, 2022, 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, 2022.

The following is a detail of the Health Department’s cash deposit coverage at June 30, 2022:

Total cash and cash equivalents	\$ 34,562,460
FDIC insurance	(500,000)
Collateral pledged by bank	<u>(34,311,355)</u>
(Over) Collateralized	<u>\$ (248,895)</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 \$1,971,941 as of June 30, 2022 and is due in full on July 1, 2046. The note bears interest at a rate of 2.71% per annum beginning June 1, 2016 with monthly interest payments required after that date. Principal payments began July 1, 2021.

4. LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES

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

Fiscal Year	Principal	Interest	Total
2023	\$ 35,895	\$ 6,655	\$ 42,550
2024	37,882	4,668	42,550
2025	<u>39,620</u>	<u>2,930</u>	<u>42,550</u>
Total	<u>\$ 113,397</u>	<u>\$ 14,253</u>	<u>\$ 127,650</u>

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022**

4. LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES (CONTINUED)

Additionally, the Health Department recognized deferred inflows of resources related to the above leases that totaled \$113,397 as of June 30, 2022. The deferred inflows of resources will be recognized over the term of the lease agreements as lease revenue. During 2022, the Health Department recognized \$1,209 of interest revenue and \$12,233 of lease revenue from the lease agreements.

5. CAPITAL ASSETS

A summary of capital asset activity during the year follows:

	June 30, 2021	Acquisitions	Disposals	June 30, 2022
Construction in progress – not depreciated	\$ 456,800	\$ 247,087	\$ (703,887)	\$ -
Buildings	2,638,972	-	-	2,638,972
Building improvements	2,384,397	550,931	-	2,935,328
Equipment, furniture & fixtures	2,198,219	334,910	-	2,533,129
Leasehold improvements	36,910	-	-	36,910
Leased building	471,842	-	-	471,842
Leased equipment	<u>263,748</u>	<u>-</u>	<u>-</u>	<u>263,748</u>
Total	8,450,888	1,132,928	(703,887)	8,879,929
Less: accumulated depreciation	(5,627,938)	(428,382)	-	(6,056,320)
Less: accumulated amortization	<u>-</u>	<u>(119,363)</u>	<u>-</u>	<u>(119,363)</u>
Net	<u>\$ 2,822,950</u>	<u>\$ 585,183</u>	<u>\$ (703,887)</u>	<u>\$ 2,704,246</u>

Depreciation and Amortization expense for the year ended June 30, 2022 totaled \$428,382 and \$119,363, respectively.

6. LINE OF CREDIT

The Health Department closed an operating line of credit during the year ended June 30, 2022.

7. LONG-TERM LIABILITIES

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

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

Lease liability – building

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

Amortization expense for the building for the year ended June 30, 2022 totaled \$66,613.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

7. LONG-TERM LIABILITIES (CONTINUED)

Lease liability – building (continued)

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

Fiscal Year	Principal	Interest	Total
2023	\$ 52,677	\$ 19,897	\$ 72,574
2024	64,487	17,013	81,500
2025	68,762	13,673	82,435
2026	72,422	10,152	82,574
2027	76,271	6,443	82,714
2028-2029	<u>87,236</u>	<u>2,566</u>	<u>89,802</u>
	<u>\$ 421,855</u>	<u>\$ 69,744</u>	<u>\$ 491,599</u>

Lease liability – equipment

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

Amortization expense for the building for the year ended June 30, 2022 totaled \$52,750.

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

Fiscal Year	Principal	Interest	Total
2023	\$ 59,679	\$ 10,206	\$ 69,885
2024	58,025	6,484	64,509
2025	60,995	3,514	64,509
2026	<u>37,012</u>	<u>619</u>	<u>37,631</u>
	<u>\$ 215,711</u>	<u>\$ 20,823</u>	<u>\$ 236,534</u>

Long-term liability activity for the year ended June 30, 2022 is as follows:

	June 30, 2021	Additions	Deletions	June 30, 2022
Net pension liability	\$ 63,730,740	\$ -	\$ (803,400)	\$ 62,927,340
Net OPEB liability	11,423,258	-	(450,623)	10,972,635
Lease liability	-	735,590	(98,024)	637,566
Accrued leave	<u>578,877</u>	<u>-</u>	<u>(88,354)</u>	<u>490,523</u>
	<u>\$ 75,732,875</u>	<u>\$ 735,590</u>	<u>\$ (1,440,401)</u>	<u>\$ 75,028,064</u>

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

8. RESTRICTED NET POSITION

From time to time, net position is restricted due to specific program restrictions. These restrictions may occur at the State, Federal, Fee or Program level. At June 30, 2022, net position was restricted as follows:

	State	Federal	Fees	Totals
727 - Needle Exchange Program	\$ 12,500	\$ -	\$ 45,573	\$ 58,073
737 - PHEP Ebola	-	61	-	61
758 - Human Vitality	-	-	84,564	84,564
760 - HANDS	-	34,940	-	34,940
764 - HEP A Outbreak	366	-	-	366
770 - Colon Cancer	15,901	-	-	15,901
809 - Diabetes	21,671	-	-	21,671
810 - Adult Visits	-	-	27,150	27,150
832 -Bluegrass Farmworkers Health	-	-	31,070	31,070
833 - Breast Feeding Support	-	1,838	-	1,838
837 - Abstinence	-	423	-	423
839 - HIV Community Plan Group	-	480	-	480
842 - HIV Funds	-	12,826	-	12,826
843 - HIV Preventions & Planning	-	1,037	-	1,037
845 - Linkage Navigator	-	17,000	-	17,000
847 - Ryan White Services	69,917	-	-	69,917
872 - Obesity Grant	617	-	-	617
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 120,972</u>	<u>\$ 68,605</u>	<u>\$ 188,357</u>	<u>\$ 377,934</u>

9. RETIREMENT PLAN

The Health Department is a participating employer of the Kentucky Employees' Retirement System (KERS). Under the provisions of Kentucky Revised Statute 61.645, the Board of Trustees of Kentucky 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, 2022, 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.

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.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

9. RETIREMENT PLAN (CONTINUED)

Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 61.565(3), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. Administrative costs of Kentucky Retirement System are financed through employer contributions and investment earnings.

Pursuant to Kentucky Revised Statute (KRS) 61.5991, the method of calculating the employer contribution changed from a percentage of pay to a two-part calculation effective July 1, 2021:

The normal cost contributions are based on each employers' reported payroll multiplied by the normal cost percentage. House Bill 192, passed during the 2021 regular session of the legislature, set the KERS non-hazardous employer contribution rate for the year ended June 30, 2022 at 10.10% (7.90% to the pension fund and 2.20% to the insurance fund).

The unfunded liability cost is an actuarially accrued liability contribution based upon the actuarial valuation for fiscal year 2019 and is prorated according to each employer's percentage of the plan's total actuarial accrued liability that is attributable to each employer's current and former employees. The Health Department's share of the actuarially accrued liability contribution is 0.46556%, with 90% allocated to the pension fund and 10% allocated to the insurance fund.

The Health Department contributed \$5,535,614, \$694,492 normal cost contribution and \$4,841,122 as the actuarially accrued liability contribution, for the year ended June 30, 2022, which is 100% of the required contribution. The contribution was allocated \$4,900,225 to the KERS pension fund and \$635,389 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.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022**

9. RETIREMENT PLAN (CONTINUED)

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, 2022, the Health Department reported a liability of \$62,927,340 or its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020, 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, 2021, the Health Department's proportion was .4725%, which increased .0226% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Health Department recognized pension expense of \$4,258,918. At June 30, 2022, 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	\$ 62,797	\$ 326,569
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	1,336,297
Changes in proportion and differences between the Department contributions and proportionate share of contributions	376,087	111,463
Department contributions subsequent to the measurement date	<u>4,897,438</u>	<u>-</u>
Total	<u>\$ 5,336,322</u>	<u>\$ 1,774,329</u>

The \$4,897,438 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, 2023. Contributions exclude \$2,801 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,	
2023	\$ (355,224)
2024	\$ (304,922)
2025	\$ (306,772)
2026	\$ (368,527)

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

9. RETIREMENT PLAN (CONTINUED)

Actuarial Assumptions – The total pension liability in the June 30, 2021 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 2019. The mortality table used for the disable members was PUB-2010 Disabled Mortality table, with a 4-year set-forward for both male and female rates, projected with the ultimate rates from the MP-2014 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2021 valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total pension liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	54.50%	
US Equity	16.25%	5.70%
Non-US Equity	16.25%	6.35%
Private Equity	7.00%	9.70%
Special credit/high yield	15.00%	2.80%
Liquidity	25.50%	
Core Bonds	20.50%	0.00%
Cash	5.00%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	100.00%	4.02%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		6.32%

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022**

9. RETIREMENT PLAN (CONTINUED)

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

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

	<u>Discount rate</u>	<u>Department’s proportionate share of net pension liability</u>
1% decrease	4.25%	\$ 72,489,492
Current discount rate	5.25%	\$ 62,927,340
1% increase	6.25%	\$ 55,065,095

Payable to the Pension Plan – At June 30, 2022, the Health Department reported a payable of \$450,859, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022. The payable will be allocated as follows: \$400,185 to the pension plan and \$50,674 to the OPEB plan.

10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

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

Contributions – As more fully described in Note 9, plan members contribute to KERS for non-hazardous job classifications. For the year ended June 30, 2022, the employer’s contribution was 2.20% 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 \$5,535,614, \$694,492 normal cost contribution and \$4,841,122 as the actuarially accrued liability contribution, for the year ended June 30, 2022, which is 100% of the required contribution. The contribution was allocated \$4,900,225 to the KERS pension fund and \$635,389 to the KERS insurance fund.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022**

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

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

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

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

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

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

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

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources – At June 30, 2022, the Health Department reported a liability of \$10,972,635 or its proportionate share of the total net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020, 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, 2021, the Health Department's proportion was .4814%, which increased .0363% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the Health Department recognized OPEB expense of \$1,238,762. At June 30, 2022, 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	\$ 635,495	\$ 1,519,840
Changes of assumptions	1,079,265	10,291
Net difference between projected and actual earnings on Plan investments	-	616,215
Changes in proportion and differences between the Department contributions and proportionate share of contributions	419,051	62,200
Department contributions subsequent to the measurement date	<u>827,542</u>	<u>-</u>
Total	<u>\$ 2,961,353</u>	<u>\$ 2,208,546</u>

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022**

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

The \$827,542 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, 2023. Contributions exclude \$780 of contributions for employees that previously retired and were subsequently re-employed. Contributions also include an adjustment of \$192,933 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,	
2023	\$ 63,333
2024	\$ 141,922
2025	\$ (85,725)
2026	\$ (194,265)

Actuarial Assumptions – The total OPEB liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.30% to 15.30%, varies by service
Investment rate of return	6.25%, net of Plan investment expense, including inflation
Healthcare trend	
Pre – 65:	Initial trend starting at 6.25% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Post – 65:	Initial trend starting at 5.50% at January 1, 2021, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 14 years.

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

The actuarial assumption used in the June 30, 2021 valuation was based on the results of an actuarial experience study for the period July 1, 2013 - June 30, 2018. The total OPEB liability was rolled-forward from the valuation date (June 30, 2020) to the plan's fiscal year ending June 30, 2021.

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, 2022**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Growth	68.50%	
US Equity	21.75%	5.70%
Non-US Equity	21.75%	6.35%
Private Equity	10.00%	9.70%
Special credit/high yield	15.00%	2.80%
Liquidity	11.50%	
Core Bonds	10.00%	0.00%
Cash	1.50%	-0.60%
Diversifying Strategies	20.00%	
Real Estate	10.00%	5.40%
Opportunistic	0.00%	N/A
Real Return	10.00%	4.55%
Total	100.00%	5.00%
Long term inflation assumption		2.30%
Expected nominal return for portfolio		7.30%

Discount Rate – The discount rate used to measure the total OPEB liability was 5.26 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 1.92%, as reported in Fidelity Index’s “20-Year Municipal GO AA Index” as of June 30, 2021. 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	4.26%	\$ 13,399,949
Current discount rate	5.26%	\$ 10,972,635
1% increase	6.26%	\$ 8,982,577

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
June 30, 2022**

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

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

	Department's proportionate share of net OPEB liability
1% decrease	\$ 9,064,525
Current discount rate	\$ 10,972,635
1% increase	\$ 13,270,718

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

Payable to the Pension Plan – At June 30, 2022, the Health Department reported a payable of \$450,859, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2022. The payable will be allocated as follows: \$400,185 to the pension plan and \$50,674 to the OPEB plan.

11. EMERGENCY RESPONSE

As the result of participation in emergency preparedness with both Federal and State agencies, the Lexington-Fayette Urban County Department of Health has become the custodian of more than \$600,000 of emergency response supplies and materials. These items, to be used in a regional or local response, are stored in an 11,000 square foot warehouse in close proximity to 650 Newtown Pike. The Health Department maintains insurance and provides facilities for storage. The inventory was not a recorded asset of the Health Department at June 30, 2022.

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 (\$36,228,041) for the year ended June 30, 2022. 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 (\$69,585,175) for the year ended June 30, 2022.

14. COVID-19 PANDEMIC

Since early 2020, various restrictions have been 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 Nine Fiscal Years**

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

Notes:

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

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 Nine Fiscal Years**

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required employer contribution	\$ 1,954,131	\$ 2,408,718	\$ 1,912,598	\$ 2,580,314	\$ 2,648,582	\$ 2,667,127	\$ 2,622,484	\$ 2,925,956	\$ 4,900,225
Contributions relative to contractually required employer contribution	<u>1,954,131</u>	<u>2,408,718</u>	<u>1,912,598</u>	<u>2,580,314</u>	<u>2,648,582</u>	<u>2,667,127</u>	<u>2,622,484</u>	<u>2,925,956</u>	<u>4,900,225</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Health Department's covered employee payroll	\$ 12,182,346	\$ 10,240,334	\$ 6,042,668	\$ 6,412,310	\$ 6,450,516	\$ 6,495,683	\$ 6,386,956	\$ 7,098,496	\$ 7,121,364
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%	68.81%

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 Six Fiscal Years**

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

Notes:

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

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

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

	2014	2015	2016	2017	2018	2019	2020	2021	2022
Contractually required employer contribution	\$ 1,073,698	\$ 619,362	\$ 491,793	\$ 535,428	\$ 542,488	\$ 546,287	\$ 537,143	\$ 599,301	\$ 635,389
Contributions relative to contractually required employer contribution	<u>1,073,698</u>	<u>619,362</u>	<u>491,793</u>	<u>535,428</u>	<u>542,488</u>	<u>546,287</u>	<u>537,143</u>	<u>599,301</u>	<u>635,389</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Health Department's covered employee payroll	\$ 12,182,346	\$ 10,240,334	\$ 6,042,668	\$ 6,412,310	\$ 6,450,516	\$ 6,495,683	\$ 6,386,956	\$ 7,098,496	\$ 7,121,364
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%	8.92%

Notes:

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

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO REQUIRES SUPPLEMENTARY INFORMATION
June 30, 2022

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, 2022 – Pension and OPEB Nonhazardous

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

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

June 30, 2021 – Pension and OPEB Nonhazardous

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

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

June 30, 2020 – Pension and OPEB Nonhazardous

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

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

June 30, 2019 – Pension and OPEB Nonhazardous

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

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
NOTES TO REQUIRES SUPPLEMENTARY INFORMATION
June 30, 2022

2. CHANGES OF ASSUMPTIONS (CONTINUED)

June 30, 2018 – Pension and OPEB Nonhazardous

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

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

June 30, 2017 – Pension and OPEB Nonhazardous

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

SUPPLEMENTARY INFORMATION

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SUPPLEMENTARY BUDGETARY COMPARISON - BUDGETARY BASIS
for the year ended June 30, 2022**

	Cost Center	Original Budget	Amended Budget	Actual	Variance
STATE GRANTS					
State restricted	422	\$ 642,138	\$ 628,455	\$ 776,275	\$ 147,820
State restricted carryover	423	-	-	5,655	5,655
Food and sanitation	424	-	-	1,535	1,535
State health insurance	426	4,084,050	4,084,050	4,149,723	65,673
State public health block grant	428	<u>34,898</u>	<u>34,898</u>	<u>34,898</u>	<u>-</u>
Total state grants		<u>4,761,086</u>	<u>4,747,403</u>	<u>4,968,086</u>	<u>220,683</u>
FEDERAL AWARDS					
Title V block grant	431	192,143	192,143	225,360	33,217
Payroll Protection Act (PPA)	434	-	694,833	795,435	100,602
Preventative services grant	435	6,000	15,000	15,684	684
Coronavirus response and relief	436	-	31,900	7,989,385	7,957,485
CARES Act	437	-	-	261,153	261,153
Federal programs	438	7,767,953	8,158,823	2,673,569	(5,485,254)
American Rescue Plan	441	-	-	812	812
Federal restricted carryover	440	<u>-</u>	<u>-</u>	<u>1,382</u>	<u>1,382</u>
Total federal awards		<u>7,966,096</u>	<u>9,092,699</u>	<u>11,962,780</u>	<u>2,870,081</u>
LOCAL FUNDS					
Local tax appropriations	451	8,500,000	8,500,000	9,889,824	1,389,824
Donations	456	<u>-</u>	<u>100</u>	<u>102</u>	<u>2</u>
Total local funds		<u>8,500,000</u>	<u>8,500,100</u>	<u>9,889,926</u>	<u>1,389,826</u>
FEEES FOR SERVICES					
Contracts, school board	459	2,101,208	2,507,208	2,641,305	134,097
Medicare (Title 18)	462	-	-	450	450
Medicaid (Title 19)	463	1,025,145	1,086,568	860,175	(226,393)
Prior year carryover	464	-	325	48,584	48,259
Fees and permits	466	663,523	678,109	938,801	260,692
Insurance	467	86,000	91,148	111,630	20,482
Other fees and contracts	469	<u>548,609</u>	<u>646,074</u>	<u>1,032,203</u>	<u>386,129</u>
Total fees for services		<u>4,424,485</u>	<u>5,009,432</u>	<u>5,633,148</u>	<u>623,716</u>
INTEREST INCOME	480	<u>56,000</u>	<u>79,904</u>	<u>73,200</u>	<u>(6,704)</u>
TOTAL REVENUES, BUDGETARY BASIS		<u>\$ 25,707,667</u>	<u>\$ 27,429,538</u>	<u>\$ 32,527,140</u>	<u>\$ 10,201,908</u>
Conversion to accrual basis:					
Additional accounts receivable, net				\$ 15,435	
Less prior year grant activity (carryover)				<u>(55,621)</u>	
TOTAL REVENUES, ACCRUAL BASIS				<u>\$ 32,486,954</u>	

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SUPPLEMENTARY BUDGETARY COMPARISON - BUDGETARY BASIS
for the year ended June 30, 2022**

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
PERSONNEL EXPENSES				
Salaries	\$ 7,362,385	\$ 7,515,616	\$ 7,600,656	\$ 85,040
Fringe benefits	<u>7,945,105</u>	<u>7,974,639</u>	<u>7,112,327</u>	<u>(862,312)</u>
Total personnel expenses	<u>15,307,490</u>	<u>15,490,255</u>	<u>14,712,983</u>	<u>(777,272)</u>
OPERATING EXPENSES				
Contractual and professional services	608,000	667,127	623,433	(43,694)
Travel	81,394	76,714	57,908	(18,806)
Rent	62,440	114,440	112,235	(2,205)
Utilities	158,500	158,500	183,280	24,780
Janitorial service and supplies	195,000	200,207	194,310	(5,897)
Insurance	142,000	142,500	173,727	31,227
Building repairs and maintenance	315,000	478,944	868,559	389,615
Printing and copying	94,225	119,426	110,190	(9,236)
Telephone	219,548	244,223	250,596	6,373
Postage	35,390	39,431	29,074	(10,357)
Office supplies	32,200	33,176	26,980	(6,196)
Medical record supplies	31,000	31,000	5,693	(25,307)
Computer services and supplies	182,030	187,886	169,180	(18,706)
Minor office equipment	2,400	3,700	17,060	13,360
Medical supplies	433,000	441,511	457,802	16,291
Lab supplies	30,500	30,500	13,208	(17,292)
Minor medical equipment	14,400	5,900	2,401	(3,499)
Automobile	28,495	29,125	31,065	1,940
Temporary services	5,065,000	5,007,760	6,322,043	1,314,283
Dues and subscriptions	12,450	23,130	13,549	(9,581)
Registration fees	27,550	27,800	25,694	(2,106)
Program supplies	105,317	267,752	221,544	(46,208)
Professional services	270,000	420,000	405,957	(14,043)
Advertising and recruitment	98,025	115,057	158,050	42,993
Interest	-	1,905	7,944	6,039
Other expenses	<u>261,873</u>	<u>279,182</u>	<u>215,702</u>	<u>(63,480)</u>
Total operating expenses	<u>8,505,737</u>	<u>9,146,896</u>	<u>10,697,184</u>	<u>1,550,288</u>
OTHER EXPENSES				
Capital items	<u>615,000</u>	<u>1,138,453</u>	<u>885,843</u>	<u>(252,610)</u>
Total other expenses	<u>615,000</u>	<u>1,138,453</u>	<u>885,843</u>	<u>(252,610)</u>
TOTAL EXPENSES, BUDGETARY BASIS	<u>\$ 24,428,227</u>	<u>\$ 25,775,604</u>	<u>\$ 26,296,010</u>	<u>\$ (256,866)</u>
REVENUE OVER EXPENSES, BUDGETARY BASIS			<u>\$ 6,231,130</u>	
Conversion to accrual basis:				
Total expenses, budgetary basis			\$ 26,296,010	
Adjustments to accounts payable			(173,240)	
Adjustments to accrued leave			(29,639)	
GASB 68 conversion, net			(647,911)	
GASB 75 conversion, net			403,183	
GASB 87 conversion, net			(96,815)	
Amortization expense			119,363	
Depreciation expense			428,382	
Less capital outlay			<u>(885,843)</u>	
TOTAL EXPENSE, ACCRUAL BASIS			<u>\$ 25,413,490</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, 2022**

Cost Center		STATE				FEDERAL GRANTS						TAX APPROP. / DONATIONS	SCHOOL BOARD
		422	424 / 425/ 426	428	431	434	435	436	437	438	441	451 / 456	459
Food	500	\$ 17,454	\$ 1,535	\$ 34,898	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 333,206	\$ -
Public Facilities	520	-	-	-	-	-	-	-	-	-	-	98,183	-
General Sanitation	540	-	-	-	-	-	-	-	-	-	-	394,239	-
Onsite Sewage	560	-	-	-	-	-	-	-	-	-	-	1,361	-
Special Project - Environmental	590	-	-	-	-	-	-	-	-	-	-	1,012	-
Radon	591	-	-	-	-	-	-	-	665	-	-	1,995	-
Smoking Ordinance	592	-	-	-	-	-	-	-	-	-	-	1,415	-
Total Environmental		<u>17,454</u>	<u>1,535</u>	<u>34,898</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>665</u>	<u>-</u>	<u>-</u>	<u>831,411</u>	<u>-</u>
Personal Health Services	700	-	-	-	-	-	-	-	-	-	-	-	-
Lab/Other Testing/Radiology	718	-	-	-	-	-	-	-	-	-	-	-	-
ELC COVID Mini Grant	723	-	-	-	-	150,000	-	-	-	-	-	24,106	-
Covid Vac Comm Outreach & Equity	725	-	-	-	-	-	-	-	-	812	-	14,837	-
Seasonal Flu	726	-	-	-	-	-	-	17,211	-	-	-	-	-
Needle Exchange Program	727	12,500	-	-	-	-	-	-	26,000	-	-	-	-
SSP Expansion Project	734	-	-	-	-	-	-	-	37,636	-	-	14,058	-
Community Health Action	736	-	-	-	-	-	11,686	-	-	-	-	13,253	-
COVID Immunization Supplemental	738	-	-	-	-	-	-	545,896	-	-	-	112,996	-
Federal HANDS Special Project	743	-	-	-	-	-	-	-	179,557	-	-	36,169	-
Accreditation	750	-	-	-	-	-	-	-	-	-	-	9,176	-
Human Vitality	758	-	-	-	-	-	-	-	-	-	-	-	-
HANDS - Federal Home Visiting	760	-	-	-	-	-	-	-	48,210	-	-	-	-
Diabetes Prevention & Control	761	-	-	-	-	-	-	-	3,733	-	-	4,969	-
MCH Coordinator	766	-	-	-	136,690	-	-	-	-	-	-	43,430	-
ELC Enhancing Detection	769	-	-	-	-	531,318	-	-	-	-	-	-	-
CARES	771	-	-	-	-	-	-	143,782	-	-	-	252,643	-
Special Project	773	-	-	-	-	-	6,052,744	-	-	-	-	449,924	-
Pediatric/Adolescent Visits	800	-	-	-	-	-	-	-	5,000	-	-	5,330	-
Childhood Immunization	801	-	-	-	-	-	-	-	-	-	-	28,925	-
Family Planning	802	-	-	-	-	-	-	-	-	-	-	73,133	-
WIC	804	-	-	-	-	-	-	-	1,219,387	-	-	571,265	-
MCH Nutrition & Group Activity	805	-	-	-	25,152	-	-	-	-	-	-	56,472	-
Tuberculosis Visits	806	-	-	-	-	-	-	-	59,894	-	-	920,845	-
Sexually Transmitted Diseases	807	-	-	-	-	-	-	-	-	-	-	307,715	-
Diabetes Visits & Activities	809	209,387	-	-	-	-	-	-	-	-	-	-	-
Adult Visits/Follow-up Visits	810	-	-	-	-	-	-	-	-	-	-	-	-
Lead Services	811	-	-	-	-	-	-	-	-	-	-	1,532	-
Breast & Cervical Cancer	813	-	-	-	-	-	-	-	-	-	-	25,689	-
COVID Vaccination Distribution	816	-	-	-	-	-	-	-	-	-	-	35,226	-
Bioterrorism Preparedness Planning	821	-	-	-	-	-	-	-	133,149	-	-	98,276	-
Bioterrorism Epid & Surveillance	822	-	-	-	-	90,060	-	-	-	-	-	121,659	-
Bioterrorism Health Alert Network	823	-	-	-	-	-	-	-	6,812	-	-	2,462	-
Training Coordination	825	-	-	-	-	-	-	-	-	-	-	6,009	-
STD Monitoring	827	-	-	-	-	-	-	-	2,699	-	-	585	-
KY ASAP Special Project	828	-	-	-	-	-	-	-	-	-	-	-	-
TOB, Cancer, Diab-State Pers.	829	64,311	-	-	-	-	-	-	100,840	-	-	3,355	-
Bluegrass Farmworkers Health	832	-	-	-	-	-	-	-	-	-	-	-	-
Breast Feeding Support	833	-	-	-	-	-	-	-	57,461	-	-	-	-
STD P.H. Investigator	834	-	-	-	-	-	-	-	-	-	-	60,267	-
HIV Contract Data	838	-	-	-	-	-	-	-	-	-	-	43,023	-
Diabetes Today	841	-	-	-	-	-	-	-	3,850	-	-	-	-
HIV Funds	842	-	-	-	-	-	-	-	31,372	-	-	6,187	-
Ryan White Program	845	-	-	-	-	-	-	-	60,065	-	-	9,840	-
Healthy Start Child Care	848	125,829	-	-	-	-	-	-	-	-	-	33,782	-
HANDS	853	337,519	-	-	-	-	-	-	-	-	-	204,163	-
WIC Monitors	854	-	-	-	-	-	-	-	248,313	-	-	153,975	-
Supplemental School Health	858	-	-	-	-	-	-	6,348	-	-	-	726,396	2,641,305
Vital Stats	890	-	-	-	-	-	-	-	-	-	-	70,938	-
Medicaid Match	891	-	-	-	-	-	-	-	-	-	-	37,098	-
Minor Items	892	-	-	-	-	-	-	-	-	-	-	-	-
Total Medical		<u>749,546</u>	<u>-</u>	<u>-</u>	<u>161,842</u>	<u>771,378</u>	<u>11,686</u>	<u>6,598,640</u>	<u>167,341</u>	<u>2,223,978</u>	<u>812</u>	<u>4,579,708</u>	<u>2,641,305</u>
Capital Expenditures	894	-	-	-	-	-	-	-	-	-	-	455,979	-
Allocable Direct	895	9,275	4,149,723	-	63,518	24,057	3,998	1,390,745	93,812	448,926	-	4,022,828	-
Total Administrative		<u>9,275</u>	<u>4,149,723</u>	<u>-</u>	<u>63,518</u>	<u>24,057</u>	<u>3,998</u>	<u>1,390,745</u>	<u>93,812</u>	<u>448,926</u>	<u>-</u>	<u>4,478,807</u>	<u>-</u>
Total Regulatory Basis		<u>\$ 776,275</u>	<u>\$ 4,151,258</u>	<u>\$ 34,898</u>	<u>\$ 225,360</u>	<u>\$ 795,435</u>	<u>\$ 15,684</u>	<u>\$ 7,989,385</u>	<u>\$ 261,153</u>	<u>\$ 2,673,569</u>	<u>\$ 812</u>	<u>\$ 9,889,926</u>	<u>\$ 2,641,305</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, 2022**

Cost Center	FEES & CONTRACTS				OTHER	INTEREST	Total	Total	Unrestricted	Program
	462	463	466	467	469	480	Revenues	Costs	Carryover	Excess (Deficit)
500	\$ -	\$ -	\$ 640,272	\$ -	\$ 5,000	\$ -	\$ 1,032,365	\$ (1,032,365)	\$ -	\$ -
520	-	-	178,389	-	-	-	276,572	(276,572)	-	-
540	-	-	-	-	-	-	394,239	(394,239)	-	-
560	-	-	71,544	-	-	-	72,905	(72,905)	-	-
590	-	-	-	-	-	-	1,012	(1,012)	-	-
591	-	-	-	-	-	-	2,660	(2,660)	-	-
592	-	-	-	-	-	-	1,415	(1,415)	-	-
Total	-	-	890,205	-	5,000	-	1,781,168	(1,781,168)	-	-
700	-	-	-	-	-	-	-	-	-	-
718	-	-	-	-	-	-	-	-	-	-
723	-	-	-	-	-	-	174,106	(174,106)	-	-
725	-	-	-	-	-	-	15,649	(15,649)	-	-
726	-	-	-	-	-	-	17,211	(17,211)	-	-
727	-	-	-	-	544,903	-	583,403	(525,330)	-	58,073
734	-	-	-	-	-	-	51,694	(51,694)	-	-
736	-	-	-	-	-	-	24,939	(24,939)	-	-
738	-	-	-	-	-	-	658,892	(658,892)	-	-
743	-	-	-	-	-	-	215,726	(215,726)	-	-
750	-	-	-	-	-	-	9,176	(9,176)	-	-
758	-	-	-	109,635	-	-	109,635	(86,126)	-	23,509
760	-	-	-	-	-	-	48,210	(49,592)	1,382	-
761	-	-	-	-	-	-	8,702	(8,702)	-	-
766	-	-	-	-	-	-	180,120	(180,120)	-	-
769	-	-	-	-	-	-	531,318	(531,318)	-	-
771	-	-	-	-	-	-	396,425	(396,425)	-	-
773	-	-	-	-	-	-	6,502,668	(6,502,668)	-	-
800	-	3,186	2,756	-	-	4	16,276	(16,276)	-	-
801	-	15,940	6,087	37	-	-	50,989	(50,989)	-	-
802	-	6,300	3,967	824	-	-	84,224	(84,224)	-	-
804	-	-	-	-	-	-	1,790,652	(1,790,652)	-	-
805	-	61	205	-	-	-	81,890	(81,890)	-	-
806	427	26,385	17,619	396	-	-	1,025,566	(1,025,566)	-	-
807	23	31,583	16,316	566	-	-	356,203	(356,203)	-	-
809	-	-	-	-	-	-	209,387	(215,042)	5,655	-
810	-	1,107	1,261	170	270	-	2,808	(23,790)	20,982	-
811	-	-	-	-	-	-	1,532	(1,532)	-	-
813	-	2,344	385	2	-	-	28,420	(28,420)	-	-
816	-	20,639	-	-	-	-	55,865	(55,865)	-	-
821	-	-	-	-	-	-	231,425	(231,425)	-	-
822	-	-	-	-	-	-	211,719	(211,719)	-	-
823	-	-	-	-	-	-	9,274	(9,274)	-	-
825	-	-	-	-	-	-	6,009	(6,009)	-	-
827	-	-	-	-	-	-	3,284	(3,284)	-	-
828	-	-	-	-	2,220	-	2,220	(2,220)	-	-
829	-	-	-	-	-	-	168,506	(168,506)	-	-
832	-	-	-	-	307,315	-	307,315	(276,244)	-	31,071
833	-	-	-	-	-	-	57,461	(55,623)	-	1,838
834	-	-	-	-	134,093	-	194,360	(221,962)	27,602	-
838	-	-	-	-	-	-	43,023	(43,023)	-	-
841	-	-	-	-	-	-	3,850	(3,850)	-	-
842	-	-	-	-	1,510	-	39,069	(39,069)	-	-
845	-	-	-	-	-	-	69,905	(69,905)	-	-
848	-	-	-	-	-	-	159,611	(159,611)	-	-
853	-	470,870	-	-	4,749	-	1,017,301	(1,017,301)	-	-
854	-	-	-	-	-	-	402,288	(402,288)	-	-
858	-	281,760	-	-	-	-	3,655,809	(3,655,809)	-	-
890	-	-	-	-	600	-	71,538	(71,538)	-	-
891	-	-	-	-	-	-	37,098	(37,098)	-	-
892	-	-	-	-	-	45,259	45,259	(45,259)	-	-
	450	860,175	48,596	111,630	995,660	45,263	19,968,010	(19,909,140)	55,621	114,491
894	-	-	-	-	-	-	455,979	(455,979)	-	-
895	-	-	-	-	31,543	27,937	10,266,362	(4,149,723)	-	6,116,639
	-	-	-	-	31,543	27,937	10,722,341	(4,605,702)	-	6,116,639
	\$ 450	\$ 860,175	\$ 938,801	\$ 111,630	\$ 1,032,203	\$ 73,200	\$ 32,471,519	\$ (26,296,010)	\$ 55,621	\$ 6,231,130

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SUPPLEMENTARY SCHEDULE OF INDIRECT COSTS
BUDGETARY BASIS
for the year ended June 30, 2022**

		Departmental	Environmental	Clinic	Medical	Space	Allocated Medical	Allocated Lab	Total Indirect Costs
Food	500	\$ 197,207	\$ 219,049	\$ -	\$ -	\$ 118,983	\$ -	\$ -	\$ 535,239
Public Facilities	520	53,102	52,284	-	-	37,211	-	-	142,597
General Sanitation	540	68,004	74,138	-	-	78,130	-	-	220,272
Onsite Sewage	560	14,583	15,660	-	-	4,118	-	-	34,361
Special Project - Environmental	590	-	-	-	-	1,011	-	-	1,011
Radon	591	-	-	-	-	-	-	-	-
Smoking Ordinance	592	-	-	-	-	1,415	-	-	1,415
Total Environmental		332,896	361,131	-	-	240,868	-	-	934,895
Personal Health Services	700	288,535	-	1,131,769	-	404,045	(2,547,456)	-	(723,107)
Lab/Other Testing/Radiology	718	20,448	-	80,275	-	37,662	-	(215,683)	(77,298)
ELC COVID Mini Grant	723	29,577	-	-	5,285	-	-	-	34,862
Covid Vac Comm Outreach & Equity	725	4,342	-	-	940	-	-	-	5,282
Seasonal Flu	726	204	-	-	18	-	-	-	222
Needle Exchange Program	727	27,158	-	-	4,390	37,685	-	-	69,233
SSP Expansion Project	734	3,388	-	-	687	-	-	-	4,075
Community Health Action	736	3,278	-	-	470	-	-	-	3,748
COVID Immunization Supplemental	738	120,840	-	-	20,801	155,866	-	-	297,507
Federal HANDS Special Project	743	20,970	-	-	4,814	-	-	-	25,784
Accreditation	750	-	-	-	-	-	-	-	-
Human Vitality	758	18,377	-	-	3,513	12,620	-	-	34,510
HANDS - Federal Home Visiting	760	6,415	-	-	1,050	4,652	-	-	12,117
Diabetes Prevention & Control	761	-	-	-	-	663	-	-	663
MCH Coordinator	766	40,945	-	-	7,774	21,500	-	-	70,219
ELC Enhancing Detection	769	-	-	-	-	-	-	-	-
CARES	771	89,978	-	-	16,480	39,657	-	-	146,115
Special Project	773	225,655	-	-	41,091	73,162	-	-	339,908
Pediatric/Adolescent Visits	800	2,220	-	-	439	1,931	5,173	1,403	11,166
Childhood Immunization	801	-	-	-	-	-	50,989	-	50,989
Family Planning	802	2	-	-	-	-	46,559	37,654	84,215
WIC	804	1,462	-	-	260	1,843	1,783,605	-	1,787,170
MCH Nutrition & Group Activity	805	19,031	-	-	3,521	6,835	377	-	29,764
Tuberculosis Visits	806	139,723	-	-	26,059	53,024	425,217	27,672	671,695
Sexually Transmitted Diseases	807	4,682	-	-	873	7,264	211,100	121,180	345,099
Diabetes Visits & Activities	809	45,855	-	-	8,276	20,969	-	-	75,100
Adult Visits/Follow-up Visits	810	-	-	-	-	-	14,458	9,332	23,790
Lead Services	811	337	-	-	63	-	-	-	400
Breast & Cervical Cancer	813	-	-	-	-	-	9,978	18,442	28,420
COVID Vaccination Distribution	816	14,605	-	-	2,371	5,521	-	-	22,497
Bioterrorism Preparedness Planning	821	34,750	-	-	6,444	-	-	-	41,194
Bioterrorism Epid & Surveillance	822	56,923	-	-	9,300	22,631	-	-	88,854
Bioterrorism Health Alert Network	823	1,392	-	-	287	3,548	-	-	5,227
Training Coordination	825	1,525	-	-	377	-	-	-	1,902
STD Monitoring	827	-	-	-	-	-	-	-	-
KY ASAP Special Project	828	842	-	-	86	135	-	-	1,063
TOB, Cancer, Diab-State Pers.	829	47,846	-	-	8,789	-	-	-	56,635
Bluegrass Farmworkers Health	832	67,493	-	-	12,357	27,360	-	-	107,210
Breast Feeding Support	833	13,370	-	-	2,647	8,010	-	-	24,027
STD P.H. Investigator	834	52,944	-	-	10,305	16,441	-	-	79,690
HIV Contract Data	838	9,761	-	-	1,990	-	-	-	11,751
Diabetes Today	841	-	-	-	-	-	-	-	-
HIV Funds	842	8,017	-	-	1,538	5,379	-	-	14,934
Ryan White Program	845	16,244	-	-	2,551	14,566	-	-	33,361
Healthy Start Child Care	848	40,469	-	-	7,317	23,358	-	-	71,144
HANDS	853	124,077	-	-	22,205	72,679	-	-	218,961
WIC Monitors	854	-	-	-	-	-	-	-	-
Supplemental School Health	858	966,132	-	-	183,773	163,927	-	-	1,313,832
Vital Stats	890	10,722	-	-	2,021	29,817	-	-	42,560
Medicaid Match	891	-	-	-	-	-	-	-	-
Minor Items	892	-	-	-	-	-	-	-	-
Total Medical		2,580,534	-	1,212,044	421,162	1,272,750	-	-	5,486,490
Space Indirect	897	-	-	-	-	(1,513,618)	-	-	(1,513,618)
Departmental Indirect	898	(2,913,430)	-	-	-	-	-	-	(2,913,430)
Clinic Indirect	899	-	-	(1,212,044)	-	-	-	-	(1,212,044)
Other Medical Indirect	900	-	-	-	(421,162)	-	-	-	(421,162)
Environmental Indirect	901	-	(361,131)	-	-	-	-	-	(361,131)
Total Administrative		(2,913,430)	(361,131)	(1,212,044)	(421,162)	(1,513,618)	-	-	(6,421,385)
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, 2022, 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 19, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Health Department's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Health Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health Department's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Health Department's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

RFH

RFH, PLLC
Lexington, Kentucky
September 19, 2022



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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lexington-Fayette Urban County Department of Health's (the Health Department) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Health Department's major federal programs for the year ended June 30, 2022. The Health Department's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lexington-Fayette Urban County Department of Health complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Health Department and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Health Department's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

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

Report on Internal Control over Compliance

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

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

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

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

RFH

RFH, PLLC
Lexington, Kentucky
September 19, 2022

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
for the year ended June 30, 2022**

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	01160021	7/1/21 - 6/30/22	\$ -	\$ 695,870
WIC Program - Administrative Services	10.557	01160022	7/1/21 - 6/30/22	-	990,351
WIC Program - Grants to States	10.578	2290020	7/1/21 - 6/30/22	-	248,313
Total U.S. Department of Agriculture				\$ -	\$ 1,934,534
U.S. Environmental Protection Agency					
Passed through State (CHFS)					
State Indoor Radon Grants	66.032	02610018	7/1/21 - 6/30/22	\$ -	\$ 665
Total U.S. Environmental Protection Agency				\$ -	\$ 665
U.S. Department of Health and Human Services (HHS)					
Passed through State (CHFS)					
HPP and PHEP Cooperative	93.069	02140018	7/1/21 - 6/30/22	\$ -	\$ 511
HPP and PHEP Cooperative	93.069	02140020	7/1/21 - 6/30/22	-	138,598
				-	139,109
Tuberculosis Control Programs	93.116	010600OL22	7/1/21 - 6/30/22	-	56,851
Tuberculosis Control Programs	93.116	010600OL23	7/1/21 - 6/30/22	-	3,043
				-	59,894
Pediatric and Adolescent Programs	93.268	010500OL19	7/1/21 - 6/30/22	-	5,000
Pediatric and Adolescent Programs	93.268	010500OLCA17	7/1/21 - 6/30/22	-	17,211
Pediatric and Adolescent Programs	93.268	0105OLARPA18	7/1/21 - 6/30/22	-	812
Pediatric and Adolescent Programs	93.268	0105OLCRR1	7/1/21 - 6/30/22	-	510,219
Pediatric and Adolescent Programs	93.268	0105OLCRR18	7/1/21 - 6/30/22	-	545,896
				-	1,079,138
Epidemiology and Laboratory Capacity	93.323	013900CRR2	7/1/21 - 6/30/22	-	880,526
Epidemiology and Laboratory Capacity	93.323	013900CRR21	7/1/21 - 6/30/22	-	6,052,744
Epidemiology and Laboratory Capacity	93.323	013900PP	7/1/21 - 6/30/22	-	795,435
				-	7,728,705
Disease Control and Prevention	93.426	02440121	7/1/21 - 6/30/22	-	50
Disease Control and Prevention	93.426	02440122	7/1/21 - 6/30/22	-	3,850
				-	3,900
Diabetes Prevention and Control	93.435	02450021	7/1/21 - 6/30/22	-	5,122
Diabetes Prevention and Control	93.435	02450022	7/1/21 - 6/30/22	-	842
				-	5,964
Opioid STR	93.788	02030021	7/1/21 - 6/30/22	-	23,796
Opioid STR	93.788	02030022	7/1/21 - 6/30/22	-	19,277
				-	43,073
Colon Cancer Screening	93.800	01970021	7/1/21 - 6/30/22	-	13,414
Colon Cancer Screening	93.800	01970022	7/1/21 - 6/30/22	-	100,840
				-	114,254
Subtotal HHS				\$ -	\$ 11,109,236

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, 2022**

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)				\$ -	\$ 11,109,236
U.S. Department of Health and Human Services (HHS) Passed through State (CHFS)					
Maternal, Infant and Early Childhood Home Visiting	93.870	01300018	7/1/21 - 6/30/22	-	149,564
Maternal, Infant and Early Childhood Home Visiting	93.870	01300019	7/1/21 - 6/30/22	-	86,913
				-	236,477
HPP & PHEP	93.889	02150019	7/1/21 - 6/30/22	-	511
HPP & PHEP	93.889	02150020	7/1/21 - 6/30/22	-	1,362
				-	1,873
Ryan White Care Act	93.917	01690021	7/1/21 - 6/30/22	-	55,863
Ryan White Care Act	93.917	01690022	7/1/21 - 6/30/22	-	8,597
				-	64,460
HIV Prevention	93.940	015100OL21	7/1/21 - 6/30/22	-	37,729
HIV Prevention	93.940	015100OL21	7/1/21 - 6/30/22	-	23,368
				-	61,097
STD Prevention	93.977	010700OL20	7/1/21 - 6/30/22	-	1,847
STD Prevention	93.977	010700OL21	7/1/21 - 6/30/22	-	1,421
				-	3,268
Preventive Health - CHAT	93.991	01040020	7/1/21 - 6/30/22	-	10,025
Preventive Health - CHAT	93.991	01040021	7/1/21 - 6/30/22	-	5,660
				-	15,685
MCH Services Block Grant	93.994	01120020	7/1/21 - 6/30/22	-	101,823
MCH Services Block Grant	93.994	01120021	7/1/21 - 6/30/22	-	123,538
				-	225,361
Passed through the University of Kentucky State and Community Based Programs	93.136	1H79SP080309-01	9/1/19 - 8/1/22	-	441,408
				-	441,408
Passed through Local Government (LFUCG) First Responders and Community Partners OPP	93.243	320002856-20-263	9/1/19 - 8/1/22	-	522,000
				-	522,000
Direct Grant Provider Relief Fund	93.498	N/A	7/1/21 - 6/30/22	-	14,955
				-	14,955
Total U.S. Department of Health and Human Services				\$ -	\$ 10,611,057
U.S. Department of Treasury Passed through State (CHFS) COVID-19, CARES Act	21.019	CARES-B20	7/1/21 - 6/30/22	-	237,594
Total U.S. Department of Treasury				\$ -	\$ 237,594
Total federal awards expended				\$ -	\$ 12,933,414
Federal Revenues					\$ 11,961,398
Add: Period 2 Provider Relief Funds received/spent in FY 2021 and reported in FY 2022					14,955
Add: Federal subrecipient grants included in fees and contracts					963,408
Less: Period 4 Provider Relief Funds received/spent in FY 2022 and reported in FY 2023					(6,347)
Total federal awards expended					\$ 12,933,414

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
for the year ended June 30, 2022**

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
93.268	HHS – Immunization Cooperative Agreements
93.323	HHS – ELC Program
93.870	HHS – Maternal, Infant And Early Childhood Home Visiting Grant Program

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, 2022**

There are no prior audit findings to report.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SCHEDULE OF AUDIT ADJUSTMENTS
for the year ended June 30, 2022**

There are no proposed audit adjustments.