

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

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**FINANCIAL STATEMENTS  
June 30, 2025**

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Members American Institute of Certified Public Accountants  
and Kentucky Society of Certified Public Accountants

## 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, 2025, 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, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinion*

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

#### *Responsibilities of Management for the Financial Statements*

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. 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 and the schedules of net pension and OPEB information on pages 29-34, 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, and the schedule of indirect costs – budgetary basis are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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, schedules of revenues and expenditures by reporting area – budgetary basis, and the schedule of indirect costs – budgetary basis 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 issued on December 29, 2025 a separate report 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. That report will be issued under separate cover at a later date. 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.

### ***Other Reporting Required by the Uniform Guidance***

As required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we issued on December 29, 2025 a separate report on our consideration of the Health Department's 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 the Health Department's major federal programs for the year ended June 30, 2025.

**RFH**

RFH, PLLC  
Lexington, Kentucky  
October 10, 2025, Except for the separately issued Single Audit Report,  
which is as of December 29, 2025.



## Lexington-Fayette County Health Department

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October 10, 2025

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, 2025. 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 Position.

### **FINANCIAL HIGHLIGHTS**

LFCHD's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$(9,572,243) (net position) for the fiscal period reported.

Total net assets are comprised of the following:

- (1) Net investment in capital assets \$4,674,801.
- (2) Restricted Funds of \$158,117.
- (3) Unrestricted Funds of \$(14,405,161).

At the end of the fiscal year, the unrestricted fund balance was \$(14,405,161). This compares with the fiscal year 2024 unrestricted fund balance of \$(19,758,404). Of the \$64,410,638 reported in total liabilities, \$59,728,142 were related to pension liabilities and post-employment benefits other than pensions (OPEB).

## **HIGHLIGHTS FROM FY 2025 AND OBSERVATIONS ABOUT FY 2026**

- LFCHD achieved budget objectives for fiscal year 2025 and generated a \$1.5 million net surplus.
- For fiscal year 2026, LFCHD's approved budget anticipates a projected deficit of \$2.18 million. The budget includes \$1.13 million in capital expenditures. The budget also includes a Kentucky Pension Plan Authority (KPPA) employer contribution of \$5.1 million with state subsidies covering \$3.12 million. Also included is a 3 percent average performance increase for staff.
- The Lexington-Fayette County Board of Health voted to maintain the tax rate of 2.43 cents per \$100 of assessed property value.
- In FY2025, pay for performance merit increases were re-established in order to reward top performers. A market analysis was conducted internally this year resulting in a change to the salary grid. The minimum livable wage at the Health Department was increased from a starting wage of \$17.15 to \$20.00 per hour. In an effort to minimize wage compression, a 9% difference was calculated between the grades. The change resulted in all employees receiving a salary increase in order to ensure that the wages exceed minimum salaries in the Lexington market.
- As of June 30, 2025, the Health Department had approximately invested \$27 million in United States Treasury Bills and Certificates of Deposits, both completely insured. This along with earnings on the operating account resulted in \$1.8 million in revenue.
- Construction was completed on the 2<sup>nd</sup>, 3<sup>rd</sup> and 4<sup>th</sup> floors of the Health Department to remediate mold, upgrade aging infrastructure, and give the facility a cosmetic upgrade. This included new ceilings, floors, duct work, sound proofing, cubicles, conference rooms, and break rooms. Construction work will continue on the 1<sup>st</sup> floor to complete the initial scope project in the first quarter of FY 2026. Additional plans are also being made to upgrade areas not in the initial scope of work.
- From July 1, 2024 to June 30, 2025, LFCHD launched the Community Health Improvement Plan with Lex-CHIP partners. The plan centers on Access to Care, Knowledge Empowerment, Financial Stability, and Mental Well-being. Utilizing the mySidewalk platform, public dashboards were created to report CHIP progress along with additional dashboards linked to the PhotoVoice toolkit presented by the team at the Kentucky Public Health Association meeting. A Quality Improvement toolkit was published with resources for staff on the agency homepage to increase awareness of QI processes among staff. In June, Quality Services staff was moved from the Compliance division to the Community Health division to intentionally blend the staff responsible for the CHIP roadmap directly with the outreach work being done in the Community Health Equity and Education branch.
- LFCHD Epidemiology was notified of a potential measles case, with an exposure to another confirmed case that lived outside of Fayette County. LFCHD worked with community partners and testing was conducted and resulted as the first confirmed case of measles for Fayette County in 2025. The confirmed case was an unvaccinated minor. LFCHD Epidemiology team, working with the Kentucky Department for Public Health (KDPH) rapidly interviewed the mother and isolated the case and quarantined all other unvaccinated family members. Additional community contacts to the case are highly unlikely. Fayette County's first case was epidemiologically linked to a confirmed case from a neighboring county.

- During FY25, public health nurses provided 1,124 immunization visits, giving nearly 2,000 vaccinations. Of the 2,000 vaccines given, approximately 450 flu vaccines were administered through the clinic and the annual free flu event. The clinic offers all CDC recommended pediatric vaccines and many CDC recommended adult vaccines supported by the Kentucky Vaccine Programs (the federal 317 program for adults and the federal vaccines for children program).
- During FY25, the public health clinic provided 1,280 visits to screen, diagnose, and treat sexually transmitted infections (STI). The clinic offers testing and treatment for syphilis, gonorrhea, chlamydia, and trichomoniasis. Testing for HIV and hepatitis C is offered, and abnormal results are referred to community partners for management and treatment.
- In FY 2025, the harm reduction program served 1,477 unique participants with a total of 10,253 total visits, a decrease of 12% and 19%, respectively, from FY24. The harm reduction program received 483,430 syringes and distributed 552,680 with a return rate of 87%. The program connected 87 people to treatment and provided 3,801 Naloxone kits to the community. This fiscal year, LFCHD received \$205,000 in funding to continue providing Naloxone to the community and during the exchange. The program also provided 76 HIV and 12 HCV tests.
- During FY25, school nurses documented 87,420 health office visits (HOVs) into Infinite Campus, with 78,532 (89.8%) sent back to class and 8,888 (10.2%) sent home. Additionally, 74 (0.08%) of the total HOVs were transported to the hospital via EMS. In addition, nurses provided 1,937 FCPS staff visits, 5,781 vision screenings, administered 6 Epi-Pens, and provided 832 students Fluoride Varnish applications with 144 (17.30%) students requiring a dental referral. The Top 5 HOVs were: Medication need 48,689 (55.7%), Diabetic Management 6,939 (7.9%), Stomach ache 4,426 (5.1%), Headache 3,266 (3.7%), and Injury 2,742 (3.1%). School nurses also trained 1,493 FCPS Unlicensed Assistive Personnel (UAPs) in Medication administration (both routine and emergency), Gastric Tube, Diabetes management, Ostomy care, and Vagal Nerve Stimulation usage. In addition, 516 transportations personnel were trained on Emergency Medication administration.
- On April 30, 2025, LFCHD was awarded the contract to provide Fayette County Public School's Health Services for the 25-26 school year, with LFCHD providing nursing coverage for 31 elementary schools, 12 middle schools, 5 high schools with 2 academy programs, The Pre-School Center, 2 technical centers, 6 special programs and 1000 summer school hours.
- During FY25, the public health clinic provided 2,780 visits to screen, diagnose, and treat tuberculosis infection and disease. Testing is offered to those at risk for contact to the disease, progression to disease, and those identified as having contact already. Treatment is offered to those with TB infection and mandated for those with TB disease. Twelve patients were treated for TB disease for 6-9 months each. These patients are observed taking their meds daily.

- The Women, Infants, and Children (WIC) program continues to operate under a hybrid model, however, since completing a recent renovation, participants are highly encouraged to conduct their visits in-person. This allows the WIC team to collect height, weight, and hemoglobin at the necessary certification intervals. Waivers are still in place until September 2026, allowing individuals who have barriers to care to conduct their visit remotely. This includes those who are medically fragile, household illness, newborn infants or those with transportation barriers. The WIC program saw a 5% increase in enrollment and participation in FY24 from 6,261 to 6,569 in FY25. The WIC office had a slight decrease in farmers' market funding, dropping by 4% from \$12,060 in 2024 to \$11,550 in 2025. In FY25, the WIC team had an AmeriCorps worker who piloted 1-on-1 grocery store tours and conducted multiple outreach events. In sum, 19 tours were provided and roughly 60 outreach events were attended.
- Community Health Equity and Education (CHEE) CHEE staff provided education and outreach at over 100 community events with over 80 unique community partners in FY25. The 1st Annual LFCHD Community Health Fair was held on May 24th at the BCTC campus on Newtown Pike. The event was a great success with over 100 community members and 50 vendors in attendance. The health fair was conducted in collaboration with #ICHAMPIONHEALTH. CHEE Outreach staff hosted a Community Baby Shower at Northside Public Library on April 5th. The Baby Shower featured newborn education, safe sleep information, HANDS promotion, and car seat safety education. The CHEE Outreach team provided HIV testing and STI prevention education to 222 individuals at community events and through outreach with various community partners. CHEE diabetes education staff conducted 4 cohorts of the Diabetes Prevention Program with 53 participants, 3 cohorts of the Diabetes Self-Management Education program with 62 participants, many Diabetes educational workshops with 198 participants, and the Annual Diabetes Expo with over 250 people in attendance. CHEE Tobacco education was provided at Fayette County Public Schools (FCPS) and community partner sites in partnership with LFCHD. 285 youth and adults participated in vaping education and tobacco cessation. The CHEE Child Care Health Consultation (CCHC) staff provided over 127 hours of child care center training to over 700 child care workers in numerous Fayette County child care centers.
- Health Access Nurturing Development Services (HANDS) served an average of 69 families per month in FY25, with a total number of 142 unique families engaging in HANDS services over the course of the year. New promotional strategies were developed and implemented in FY25 utilizing grant funding including a new HANDS promotional video, HANDS promotion on shopping carts, and work with an AmeriCorps Member to provide community presentations to increase referrals to the HANDS program. HANDS hosted a video kickoff party at LFCHD on November 8th and had many community members in attendance, including Kentucky State DPH HANDS leadership. HANDS contract partner, Family Care Center (FCC), worked with LFCHD HANDS and Kentucky DPH leadership in FY25 to operate independently beginning in FY26. This will improve the efficiency of administrative operations for both LFCHD and FCC HANDS programs. LFCHD and FCC will continue to work together as community partners in offering HANDS services. The HANDS program provided an array of safe sleep education to the community in FY25, distributing 62 cribs to families in need of safe sleep spaces for their infants. Community partnerships for HANDS referrals increased in FY25 with many partners engaged each month including Baptist Health, St. Joseph Hospital, The Nest, Chrysalis House, Kentucky Refugee Ministry, Bluegrass Community Health Center, Polk Dalton clinic, and Greenhouse 17.

- During FY 25, LFCHD Environmental Health has welcomed 4 new Environmental Health Specialist staff to fill vacancies from previous positions. In June of 2025, Epidemiology and Environmental Health Teams conducted a joint investigation of a suspected *Salmonella Enteritis* outbreak associated with multiple linked food service establishments and egg products. Environmental Health Specialists conducted site visits that resulted in the quarantine of all potentially contaminated product, as well as closure of the supposed source establishment to adequately clean and sanitize. It was found that the establishments were not adequately cooking, cooling, transporting or receiving the product. Environmental Health completed an Environmental Assessment and collaborated with management and ownership to develop and implement SOPs to ensure corrective actions. Furthermore, EH and Epi participated in multi-agency meetings to discuss the wide scope of the outbreak including involvement with Department of Lab Services, Kentucky Department of Agriculture, Kentucky Department for Public Health-Food Safety Branch, Food Manufacturing Branch and Epidemiology Branch, FDA and the CDC. At the beginning of the outbreak 4 cases were identified. Upon completion of the investigation over 50 cases had been identified.
- In September 2024, LFCHD's Emergency Preparedness Team purchased a portable plum case through a \$20,000 Public Health Emergency Preparedness grant opportunity. The plum case is equipped with Starlink satellite interface and a solar generator that has the capability of operating the plum case and Starlink interface for 24 hours on a single charge. A plum case is a portable communication solution in the event of an emergency when internet and cellular services may be down or extremely congested. This will allow LFCHD to continue to operate phones and computers in the event of an emergency and disaster response. LFCHD's Emergency Preparedness has been working to access and consolidate our warehouse inventory with necessary items. LFCHD Preparedness Teams have worked with local nonprofits to donate items that LFCHD deemed as no longer needed and appropriately discarded expired or damaged items.
- The Request for Proposals (RFP) for the Electronic Health Record (EHR) system closed in January 2024 with five total submissions. Following Phase 1 and Phase 2 evaluations, Patagonia Health was selected as the preferred vendor, and contract negotiations began. LFCHD signed the contract with Patagonia Health in May 2024, and the project officially kicked off on June 19, 2024, with the development of an implementation plan. The plan included multiple operational reviews, and training was completed on February 27, 2025. LFCHD went live with Patagonia Health on March 13, 2025, and later expanded the system to School Health on August 25, 2025.
- The Board of Health voted to appoint Crystal Miller, DrPH as the Commissioner of Health at the May 12, 2025 meeting. She started her position at the Health Department on June 23, 2025. Steve Davis, MD served as Interim Commissioner of Health from October, 2024 until Dr. Miller came on board. He remains with the health department as the contracted medical director.

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

*Crystal Miller, DrPH*

Digitally signed by Crystal Miller  
 DN: CN=Crystal Miller, E=crystal.miller@lfchd.org  
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Crystal Miller, DrPH  
 Commissioner of Health  
 Lexington-Fayette County Health Department

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**STATEMENT OF NET POSITION**  
**June 30, 2025**

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**ASSETS**

Current assets	
Cash and cash equivalents	\$ 18,432,738
Investments	26,758,859
Accounts receivable:	
Contracts and other, net	52,211
Interest receivable	200,820
Note receivable - HealthFirst Bluegrass, Inc.	64,144
Prepaid expenses	<u>301,861</u>
Total current assets	<u>45,810,633</u>
Noncurrent assets	
Capital assets, net	4,947,741
Note receivable - HealthFirst Bluegrass, Inc.	<u>1,725,461</u>
Total noncurrent assets	<u>6,673,202</u>
Total assets	<u>52,483,835</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows - pension	5,413,829
Deferred outflows - OPEB	<u>1,140,958</u>
Total deferred outflows of resources	<u>6,554,787</u>
Total assets and deferred outflows of resources	<u>\$ 59,038,622</u>

**LIABILITIES**

Current liabilities	
Accounts payable	\$ 845,281
Accrued payroll and fringes	1,475,287
Lease liability - current	109,433
Unearned grant revenue	<u>12,633</u>
Total current liabilities	<u>2,442,634</u>
Long-term liabilities	
Accrued annual leave	2,076,355
Lease liability - noncurrent	163,507
Net pension liability	56,313,152
Net OPEB liability	<u>3,414,990</u>
Total long-term liabilities	<u>61,968,004</u>
Total liabilities	<u>64,410,638</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows - pension	597,065
Deferred inflows - OPEB	<u>3,603,162</u>
Total deferred inflows of resources	<u>4,200,227</u>

**NET POSITION**

Net investment in capital assets	4,674,801
Restricted	
State funds	22,982
Federal funds	41,268
Fees	93,867
Unrestricted	<u>(14,405,161)</u>
Total net position	<u>(9,572,243)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 59,038,622</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, 2025**

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**OPERATING REVENUES**

State grants	\$ 3,983,714
Federal grants	5,948,995
Tax appropriations	10,429,931
Medicaid service fees	716,164
School board contract	3,999,999
Fees and contracts	1,067,825
Other fees and contracts	<u>431,021</u>

Total operating revenues 26,577,649

**OPERATING EXPENSES**

Personnel	14,202,824
Operating	4,355,300
Amortization	124,158
Depreciation	<u>802,812</u>

Total operating expenses 19,485,094

**OPERATING INCOME**

7,092,555

**NON-OPERATING INCOME (EXPENSE)**

Investment income	1,871,000
Interest expense	<u>(17,188)</u>

Total non-operating income (expense) 1,853,812

Change in net position 8,946,367

NET POSITION - BEGINNING OF YEAR, AS RESTATED (18,518,610)

**NET POSITION - END OF YEAR** \$ (9,572,243)

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, 2025

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**CASH FLOWS FROM OPERATING ACTIVITIES**

Cash received from grantor agencies	\$ 10,287,480
Cash received from patients/other service fees	6,147,976
Tax apportionments	10,429,931
Payments for employee services and benefits	(19,050,617)
Payments to suppliers	<u>(3,531,934)</u>
Net cash provided by operating activities	<u>4,282,836</u>

**CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES**

Receipts from collections of notes	62,431
Net cash provided by non-capital financing activities	<u>62,431</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Payment on lease liability	(129,757)
Interest expense	(17,188)
Purchases of capital assets	<u>(3,664,756)</u>
Net cash (used in) capital and related financing activities	<u>(3,811,701)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Sale of investments	(6,080,680)
Interest income	<u>1,768,283</u>
Net cash (used in) investing activities	<u>(4,312,397)</u>
Net (decrease) in cash and cash equivalents	(3,778,831)
Cash and cash equivalents - beginning of the year	<u>22,211,569</u>
<b>CASH AND CASH EQUIVALENTS - END OF THE YEAR</b>	<b><u>\$ 18,432,738</u></b>

**Reconciliation of operating income to net cash provided by operating activities:**

Operating income	\$ 7,092,555
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	926,970
Net changes in pension liabilities	(2,851,899)
Net changes in OPEB liabilities	(2,611,209)
Change in assets and liabilities:	
Contracts and other receivables	296,304
Prepaid expenses	(30,641)
Accounts payables	504,354
Accrued payroll and fringes	349,653
Unearned grant revenue	(8,566)
Accrued annual leave	<u>615,315</u>
Net cash provided by operating activities	<u>\$ 4,282,836</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, 2025**

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## **1. SIGNIFICANT ACCOUNTING POLICIES**

### **Reporting Entity**

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

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

Federal and state revenues for services are recognized as received and are based in some instances upon reimbursement reports filed by the Health Department for eligible services and are subject to adjustments based upon federal and state agency audits as to eligibility of recipients and the computation of reimbursable costs. As of October 10, 2025, no formal reports have been issued as a result of audits performed or in progress for the year ended June 30, 2025.

### **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, 2025**

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

**Investments**

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

**Accounts Receivable**

Accounts receivable from insurance, Medicaid and private pay patients are reserved at varying rates based on historical collections. The allowance totaled \$750 for the year ended June 30, 2025.

**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, 2025, with the following asset lives:

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

It is the policy of the Health Department to 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 position are available.

**Public Health Tax**

The Health Board passed a resolution during the year ended June 30, 2025, to set the Public Health Tax at the rate of 2.43 cents per \$100 assessed valuation of all properties within Fayette County. Taxes remitted to the Health Department amounted to \$9,437,704 for the year ended June 30, 2025. Total taxes, including support from the Lexington-Fayette Urban County Government, totaled \$10,429,931 for the year ended June 30, 2025.

**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  
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**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.

**Change in Accounting Policy**

Effective July 1, 2024, the Health Department implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. The objective of GASB Statement No. 101 is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. These changes were incorporated in the Health Department's June 30, 2025 financial statements. See Note 14 for the effect on the beginning net position of the Health Department as a result of implementing GASB Statement No. 101.

**Management's Review of Subsequent Events**

The Health Department has evaluated and considered the need to recognize or disclose subsequent events through October 10, 2025, 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, 2025, have not been evaluated by the Health Department.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025**

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**2. CASH AND CASH EQUIVALENTS**

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

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

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

At June 30, 2025, 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, 2025.

The following is a detail of the Health Department's cash deposit coverage at June 30, 2025:

Total cash and cash equivalents	\$ 18,530,446
FDIC insurance	(500,000)
Collateral pledged by bank	<u>(18,828,570)</u>
(Over) Collateralized	<u>\$ (798,124)</u>

**3. INVESTMENTS**

As of June 30, 2025, the Health Department had a total of \$26,758,859 in investments. Investment details are as follows:

	Cost	Market Value	Unrealized Gain/(Loss)	Weighted Average Maturity (years)
Agencies	\$ 4,505,750	\$ 4,538,329	\$ 32,579	1.75
Brokered Certificates of Deposit	6,412,000	6,442,809	30,809	2.07
US Treasury Securities	<u>15,709,443</u>	<u>15,777,721</u>	<u>68,278</u>	1.26
Total investments	<u>\$ 26,627,193</u>	<u>\$ 26,758,859</u>	<u>\$ 131,666</u>	

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH  
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**4. NOTE RECEIVABLE**

In a note dated August 27, 2015, the Health Department converted an account receivable due from HealthFirst Bluegrass, Inc. into a note receivable due to the Health Department. The note is in the amount of \$1,789,605 as of June 30, 2025 and is due in full on July 1, 2046. The note bears interest at a rate of 2.71% per annum beginning June 1, 2016 with monthly interest payments required after that date. Principal payments began July 1, 2021.

**5. LEASE RECEIVABLE AND DEFERRED INFLOWS OF RESOURCES**

During 2022, the Health Department implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, which requires recognition of certain assets that previously were classified as operating leases and recognized as revenue based on the payment provisions of the contract. Based on the status of existing lease agreements with HealthFirst Bluegrass, Inc. as of July 1, 2021, the Health Department recognized both a lease receivable and a deferred inflow of resources related to a building lease agreement totaling \$125,630. The lease agreement had a term of four years. The Health Department calculated the present value of future lease payments based on an incremental borrowing rate of 5%. The lease receivable matured and had no remaining balance as of June 30, 2025. During 2025, the Health Department recognized \$2,929 of interest revenue and \$39,620 of lease revenue from the lease agreements. There were no deferred inflows of resources related to the lease receivable to be recognized as of June 30, 2025.

**6. CAPITAL ASSETS**

A summary of capital asset activity during the year follows:

	<b>June 30, 2024</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>June 30, 2025</b>
Construction in progress – not depreciated	\$ -	\$ 3,306,102	\$ 3,306,102	\$ -
Buildings	2,638,972	-	-	2,638,972
Building improvements	3,558,254	3,306,102	84,249	6,780,107
Equipment, furniture & fixtures	2,662,614	361,825	40,198	2,984,241
Leasehold improvements	36,910	-	-	36,910
Leased building	471,842	-	-	471,842
Leased equipment	263,748	-	-	263,748
<b>Total</b>	<b>9,632,340</b>	<b>6,974,029</b>	<b>3,430,549</b>	<b>13,175,820</b>
Less: accumulated depreciation	(7,049,911)	(802,812)	(121,276)	(7,731,447)
Less: accumulated amortization	(372,474)	(124,158)	-	(496,632)
<b>Net</b>	<b>\$ 2,209,955</b>	<b>\$ 6,047,059</b>	<b>\$ 3,309,273</b>	<b>\$ 4,947,741</b>

Depreciation and Amortization expense for the year ended June 30, 2025 totaled \$802,812 and \$124,158, respectively.

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

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

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

Lease liability – building

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

Amortization expense for the building for the year ended June 30, 2025, totaled \$66,613.

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

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 72,421	\$ 10,152	\$ 82,574
2027	76,272	6,443	82,714
2028	80,355	2,537	82,892
2029	<u>6,880</u>	<u>30</u>	<u>6,910</u>
	<u><b>\$ 235,928</b></u>	<u><b>\$ 19,162</b></u>	<u><b>\$ 255,090</b></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, 2025 totaled \$57,545.

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

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2026	\$ 37,012	\$ 619	\$ 37,631
	<u><b>\$ 37,012</b></u>	<u><b>\$ 619</b></u>	<u><b>\$ 37,631</b></u>

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

Long-term liability activity for the year ended June 30, 2025 is as follows:

	<b>June 30, 2024</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2025</b>
Net pension liability	\$ 57,911,690	\$ -	\$ (1,598,538)	\$ 56,313,152
Net OPEB liability	3,907,861	- -	(492,871)	3,414,990
Lease liability	402,697	- -	(129,757)	272,940
Accrued leave	<u>1,461,040</u>	<u>615,315</u>	<u>- -</u>	<u>2,076,355</u>
	<u><u>\$ 63,683,288</u></u>	<u><u>\$ 615,315</u></u>	<u><u>\$ (1,221,166)</u></u>	<u><u>\$ 62,077,437</u></u>

**8. RESTRICTED NET POSITION**

From time to time, net position is restricted due to specific program restrictions. These restrictions may occur at the State, Federal, Fee or Program level. At June 30, 2025, net position was restricted as follows:

	<b>State</b>	<b>Federal</b>	<b>Fees</b>	<b>Totals</b>
C21000 – WIC Breastfeeding	\$ - -	\$ 1,838	\$ - -	\$ 1,838
C25010 – HANDS Special Project	22,982	- -	- -	22,982
C60010 – SSP Expansion Project	- -	38	- -	38
C70120 – KHDA Workforce	- -	- -	8,991	8,991
F52090 – HIV Counseling and Testing	- -	12,826	- -	12,826
F66050 – PHEP Special Project	- -	19,975	- -	19,975
L22030 – Pediatric/ Adolescent Visits	- -	- -	6,210	6,210
L31000 – Family Planning	- -	- -	7,287	7,287
L32010 – Breast and Cervical Cancer	- -	- -	2,936	2,936
L41090 – Heart Disease and Stroke	- -	2,593	- -	2,593
L70010 – Capital Expenditures	- -	- -	68,443	68,443
L84502 – Child and Passenger Safety	<u>- -</u>	<u>3,998</u>	<u>- -</u>	<u>3,998</u>
<b>Totals</b>	<b><u>\$ 22,982</u></b>	<b><u>\$ 41,268</u></b>	<b><u>\$ 93,867</u></b>	<b><u>\$ 158,117</u></b>

**9. RETIREMENT PLAN**

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

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

*Contributions* – For the year ended June 30, 2025, grandfathered plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 were required to contribute 6% of wages for non-hazardous job classifications.

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

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

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

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

The normal cost contributions are based on each employers' reported payroll multiplied by the normal cost percentage. House Bill 1, passed during the 2024 regular session of the legislature, set the KERS non-hazardous employer contribution rate for the year ended June 30, 2025 at 8.44% (6.99% to the pension fund and 1.45% to the insurance fund).

The unfunded liability cost is an actuarially accrued liability contribution based upon the actuarial valuation for fiscal year 2024 and is prorated according to each employer's percentage of the plan's total actuarial accrued liability that is attributable to each employer's current and former employees. The Health Department's share of the actuarially accrued liability contribution is 0.46606%, with 90% allocated to the pension fund and 10% allocated to the insurance fund.

The Health Department contributed \$5,616,639, \$849,163 normal cost contribution and \$4,767,476 as the actuarially accrued liability contribution, for the year ended June 30, 2025, which is 100% of the required contribution. The contribution was allocated \$4,975,367 to the KERS pension fund and \$641,272 to the KERS insurance fund.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025**

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**9. RETIREMENT PLAN (CONTINUED)**

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

- Tier 1 Participation date Before September 1, 2008
  - Unreduced retirement 27 years service or 65 years old
  - Reduced retirement At least 5 years service and 55 years old or 25 years service and any age
- Tier 2 Participation date September 1, 2008 - December 31, 2013
  - Unreduced retirement At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87+
  - Reduced retirement At least 10 years service and 60 years old
- Tier 3 Participation date After December 31, 2013
  - Unreduced retirement At least 5 years service and 65 years old or age 57+ and sum of service years plus age equal 87+
  - Reduced retirement Not available

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

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

*Pension Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources* – At June 30, 2025, the Health Department reported a liability of \$56,313,152 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023, 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, 2024, the Health Department's proportion was .4673%, which decreased .0028% from its proportion measured as of June 30, 2023.

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

For the year ended June 30, 2025, the Health Department recognized pension expense of \$3,292,368. At June 30, 2025, the Health Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 1,067,822	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on Plan investments	-	475,134
Changes in proportion and differences between the Department contributions and proportionate share of contributions	-	121,931
Department contributions subsequent to the measurement date	<u>4,346,007</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 5,413,829</u></b>	<b><u>\$ 597,065</u></b>

The \$4,346,007 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, 2026. Contributions exclude \$4,078 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,**

2026	\$ 694,104
2027	\$ 112,689
2028	\$ (191,156)
2029	\$ (144,880)

*Actuarial Assumptions* – The total pension liability in the June 30, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
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-2020 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 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The actuarial assumptions used in the June 30, 2024, valuation were based on the results of an actuarial experience study for the period July 1, 2018 - June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024.

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

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Equity</b>	<b>36.00%</b>	
Public Equity	30.00%	4.15%
Private Equity	6.00%	9.10%
<b>Fixed Income</b>	<b>49.00%</b>	
Core Fixed Income	27.00%	2.85%
Specialty Credit	20.00%	3.82%
Cash	2.00%	1.70%
<b>Inflation Protected</b>	<b>15.00%</b>	
Real Estate	5.00%	4.90%
Real Return	10.00%	5.35%
<b>Total</b>	<b>100.00%</b>	<b>4.14%</b>
<b>Long term inflation assumption</b>		<b>2.50%</b>
<b>Expected nominal return for portfolio</b>		<b>6.64%</b>

*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.

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

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

	<b>Discount rate</b>	<b>Department's proportionate share of net pension liability</b>
1% decrease	4.25%	\$ 65,186,323
Current discount rate	5.25%	\$ 56,313,152
1% increase	6.25%	\$ 48,962,077

*Payable to the Pension Plan* – At June 30, 2025, the Health Department reported a payable of \$460,635, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2025. The payable will be allocated as follows: \$410,017 to the pension plan and \$50,618 to the OPEB plan.

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

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

*Contributions* – As more fully described in Note 9, plan members contribute to KERS for non-hazardous job classifications. For the year ended June 30, 2025, the employer's contribution was 1.45% to the insurance trust for non-hazardous job classifications. Employees hired after September 1, 2008, were required to contribute an additional 1% to cover the cost of medical insurance that is provided through KERS. Participating employers were required to contribute at an actuarially determined rate. Per Kentucky Revised Statute Section 78.545(33), normal contribution and past service contribution rates shall be determined by the Board on the basis of an annual valuation last proceeding the July 1 of a new biennium. The Board may amend contribution rates as of the first day of July of the second year of a biennium, if it is determined on the basis of a subsequent actuarial valuation that amended contribution rates are necessary to satisfy requirements determined in accordance with actuarial basis adopted by the Board. The contribution rates are equal to the actuarially determined rate set by the Board. Administrative costs of Kentucky Public Pensions Authority are financed through employer contributions and investment earnings.

The Health Department contributed \$5,616,639, \$849,163 normal cost contribution and \$4,767,476 as the actuarially accrued liability contribution, for the year ended June 30, 2025, which is 100% of the required contribution. The contribution was allocated \$4,975,367 to the KERS pension fund and \$641,272 to the KERS insurance fund.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025**

**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, 2025, the Health Department reported a liability of \$3,414,990 for its proportionate share of the total net OPEB liability. The net OPEB liability was measured as of June 30, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2023, 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, 2024, the Health Department's proportion was .4723%, which decreased .0258% from its proportion measured as of June 30, 2023.

For the year ended June 30, 2025, the Health Department recognized OPEB expense (income) of \$(1,876,698). At June 30, 2025, the Health Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual results	\$ 268,236	\$ 2,823,381
Changes of assumptions	208,491	124,995
Net difference between projected and actual earnings on Plan investments	-	253,561
Changes in proportion and differences between the Department contributions and proportionate share of contributions	48,117	401,225
Department contributions subsequent to the measurement date	<u>616,114</u>	-
 Total	 <u>\$ 1,140,958</u>	 <u>\$ 3,603,162</u>

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

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

The \$616,114 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, 2026. Contributions exclude \$846 of contributions for employees that previously retired and were subsequently re-employed. Contributions also include an adjustment of \$127,900 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,**

2026	\$ (2,177,225)
2027	\$ (721,568)
2028	\$ (111,957)
2029	\$ (67,568)

Actuarial Assumptions – The total OPEB liability in the June 30, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.30% to 15.30%, varies by service
Investment rate of return	6.50%, net of Plan investment expense, including inflation
Healthcare trend	Pre – 65: Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years. Post – 65: Initial trend starting at 6.30% at January 1, 2023, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.

The mortality table used for active members was a PUB-2010 General Mortality table, projected with the ultimate rates from the MP-2020 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 2013-2022, projected with the ultimate rates from MP-2020 mortality improvement scale using a base year of 2023. The mortality table used for the disabled members was PUB-2010 Disabled Mortality table, with rates multiplied by 150% for both male and female rates, projected with the ultimate rates from the MP-2020 mortality improvement scale using a base year of 2010.

The actuarial assumption used in the June 30, 2024 valuation was based on the results of an actuarial experience study for the period July 1, 2018 - June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2023) to the plan's fiscal year ending June 30, 2024.

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 2.50% per annum for the non-hazardous system.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Equity</b>	<b>48.00%</b>	
Public Equity	40.00%	4.15%
Private Equity	8.00%	9.10%
<b>Fixed Income</b>	<b>37.00%</b>	
Core Fixed Income	10.00%	2.85%
Specialty Credit	25.00%	3.82%
Cash	2.00%	1.70%
<b>Inflation Protected</b>	<b>15.00%</b>	
Real Estate	7.00%	4.90%
Real Return	8.00%	5.35%
<b>Total</b>	<b>100.00%</b>	<b>4.43%</b>
<b>Long term inflation assumption</b>		<b>2.50%</b>
<b>Expected nominal return for portfolio</b>		<b>6.93%</b>

*Discount Rate* – The discount rate used to measure the total OPEB liability was 6.00 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 6.50%, and a municipal bond rate of 3.97%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2024. 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:

	<b>Discount rate</b>	<b>Department's proportionate share of net OPEB liability</b>
1% decrease	5.00%	\$ 4,718,485
Current discount rate	6.00%	\$ 3,414,990
1% increase	7.00%	\$ 2,313,089

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2025**

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**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:

	<b>Department's proportionate share of net OPEB liability</b>
1% decrease	\$ 2,553,032
Current discount rate	\$ 3,414,990
1% increase	\$ 4,436,428

*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, 2025, the Health Department reported a payable of \$460,635, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2025. The payable will be allocated as follows: \$410,017 to the pension plan and \$50,618 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, 2025.

**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 Health Department 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 (\$14,405,161) for the year ended June 30, 2025. 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 (\$57,373,582) for the year ended June 30, 2025.

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2025**

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**14. RESTATEMENT OF NET POSITION**

During the year ended June 30, 2025, the Health Department implemented GASB Statement No. 101, *Compensated Absences*, as described more fully in Note 1. As outlined in GASB Statement No. 101, accrued compensated absences were restated for remeasurement of accrued vacation leave, accrued sick leave and the employer portion of FICA and Medicare taxes related to compensated absences for the year ended June 30, 2024. This resulted in a restatement of beginning net position as follows:

Net position, beginning of 2024	\$ (17,630,546)
Restatement for GASB 101	<u>(888,064)</u>
Net position, beginning of 2024, restated	<u>\$ (18,518,610)</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

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

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<b>Reporting period (Measurement period)</b>	<b>2016 (2015)</b>	<b>2017 (2016)</b>	<b>2018 (2017)</b>	<b>2019 (2018)</b>	<b>2020 (2019)</b>	<b>2021 (2020)</b>	<b>2022 (2021)</b>	<b>2023 (2022)</b>	<b>2024 (2023)</b>	<b>2025 (2024)</b>
Health Department's proportion of the net pension liability	0.5727%	0.3754%	0.4183%	0.4259%	0.4451%	0.4499%	0.4725%	0.4703%	0.4701%	0.4673%
Health Department's proportionate share of the net pension liability (asset)	\$ 57,988,999	\$ 42,797,000	\$ 55,998,909	\$ 57,949,277	\$ 62,854,562	\$ 63,730,740	\$ 62,927,340	\$ 62,402,016	\$ 57,911,690	\$ 56,313,152
Health Department's covered employee payroll	\$ 10,240,334	\$ 6,042,668	\$ 6,412,310	\$ 6,450,516	\$ 6,495,683	\$ 6,386,956	\$ 7,098,496	\$ 6,840,702	\$ 7,859,385	\$ 8,747,516
Health Department's share of the net pension liability (asset) as a percentage of its covered employee payroll	566.28%	708.25%	873.30%	898.37%	967.64%	997.83%	886.49%	912.22%	736.85%	643.76%
Plan fiduciary net position as a percentage of the total pension liability	18.83%	14.80%	13.30%	12.84%	13.66%	14.01%	18.48%	18.51%	22.32%	25.96%

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

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

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required employer contribution	\$ 1,912,598	\$ 2,580,314	\$ 2,648,582	\$ 2,667,127	\$ 2,622,484	\$ 2,925,956	\$ 4,900,239	\$ 4,911,265	\$ 4,979,069	\$ 4,975,367
Contributions relative to contractually required employer contribution	<u>1,912,598</u>	<u>2,580,314</u>	<u>2,648,582</u>	<u>2,667,127</u>	<u>2,622,484</u>	<u>2,925,956</u>	<u>4,900,239</u>	<u>4,911,265</u>	<u>4,979,069</u>	<u>4,975,367</u>
Contribution deficiency (excess)	<u>-\$</u>									
Health Department's covered employee payroll	\$ 6,042,668	\$ 6,412,310	\$ 6,450,516	\$ 6,495,683	\$ 6,386,956	\$ 7,098,496	\$ 6,840,702	\$ 7,859,385	\$ 8,747,516	\$ 10,002,834
Employer contributions as a percentage of covered-employee payroll	31.65%	40.24%	41.06%	41.05%	41.22%	71.63%	62.49%	56.92%	49.74%	

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

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Reporting period (Measurement period)	2017 (2016)	2018 (2017)	2019 (2018)	2020 (2019)	2021 (2020)	2022 (2021)	2023 (2022)	2024 (2023)	2025 (2024)
Health Department's proportion of the net OPEB liability	0.3754%	0.4163%	0.4256%	0.4451%	0.4499%	0.4814%	0.5001%	0.4981%	0.4723%
Health Department's proportionate share of the net OPEB liability (asset)	\$ 8,977,327	\$ 10,607,093	\$ 10,090,980	\$ 9,893,021	\$ 11,423,258	\$ 10,972,635	\$ 11,062,941	\$ 3,907,861	\$ 3,414,990
Health Department's covered employee payroll	\$ 6,042,688	\$ 6,412,310	\$ 6,450,516	\$ 6,495,663	\$ 6,386,956	\$ 7,098,496	\$ 6,840,702	\$ 7,859,385	\$ 8,747,516
Health Department's share of the net OPEB liability (asset) as a percentage of its covered employee payroll	148.57%	165.42%	156.44%	152.30%	178.85%	154.58%	161.72%	49.72%	39.04%
Plan fiduciary net position as a percentage of the total pension liability	unavailable	24.40%	27.32%	30.92%	29.47%	38.38%	38.15%	66.14%	70.95%

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

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

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

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	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Contractually required employer contribution	\$ 491,793	\$ 535,428	\$ 542,488	\$ 546,287	\$ 537,143	\$ 599,301	\$ 635,389	\$ 647,503	\$ 666,145	\$ 641,272
Contributions relative to contractually required employer contribution	<u>491,793</u>	<u>535,428</u>	<u>542,488</u>	<u>546,287</u>	<u>537,143</u>	<u>599,301</u>	<u>635,389</u>	<u>647,503</u>	<u>666,145</u>	<u>641,272</u>
Contribution deficiency (excess)	<u>-\$</u>									
Health Department's covered employee payroll	\$ 6,042,668	\$ 6,412,310	\$ 6,450,516	\$ 6,495,683	\$ 6,386,956	\$ 7,098,496	\$ 6,840,702	\$ 7,859,385	\$ 8,747,516	\$ 10,002,834
Employer contributions as a percentage of covered-employee payroll	8.14%	8.35%	8.41%	8.41%	8.41%	8.44%	9.29%	8.24%	7.62%	6.41%

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2025**

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## **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, 2025 – 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, 2024, for either pension or OPEB.

### **June 30, 2024 – 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, 2023, for both pension and OPEB:

- The assumed rate of return increased from 6.25% to 6.50% for OPEB; no change in the assumed rate of return for pension
- The assumed rate of inflation increased from 2.30% to 2.50%
- The initial healthcare trend rate for pre-65 was changed from 6.20% to 6.80%. The initial healthcare trend rate for post-65 was changed from 9.00% to 8.50%

### **June 30, 2023 – Pension and OPEB Nonhazardous**

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

### **June 30, 2022 – Pension and OPEB Nonhazardous**

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

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

### **June 30, 2021 – Pension and OPEB Nonhazardous**

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

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

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2025**

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**2. CHANGES OF ASSUMPTIONS (CONTINUED)**

**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.

**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.

**June 30, 2016 – 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, 2015, for pension:

- The assumed rate of return was decreased from 7.75% to 7.5%.
- The assumed rate of inflation was reduced from 3.5% to 3.25%.
- The assumed rate of wage inflation was reduced from 1% to .75%.
- Payroll growth assumption was reduced from 4.5% to 4%.
- Mortality rates were based on the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).
- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females).
- For Disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement.
- The assumed rates of retirement, withdrawal, and disability were updated to reflect experience more accurately.

## **SUPPLEMENTARY INFORMATION**

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH  
SUPPLEMENTARY BUDGETARY COMPARISON - BUDGETARY BASIS  
for the year ended June 30, 2025**

	Cost Center	Original Budget	Amended Budget	Actual	Variance
<b>STATE GRANTS</b>					
State restricted	RC4201	\$ 482,514	\$ 482,514	\$ 528,855	\$ 46,341
State restricted carryover	RC4202	52,000	52,000	130,222	78,222
State health insurance	RC4204	<u>3,442,865</u>	<u>3,442,865</u>	<u>3,454,859</u>	<u>11,994</u>
Total state grants		<u>3,977,379</u>	<u>3,977,379</u>	<u>4,113,936</u>	<u>136,557</u>
<b>FEDERAL AWARDS</b>					
Title V block grant	RC4301	166,991	166,991	68,330	(98,661)
Preventative services grant	RC4305	4,000	14,000	43,249	29,249
Coronavirus response and relief	RC4306	3,860,739	3,860,739	3,580,351	(280,388)
CARES Act	RC4307	-	-	592	592
Federal programs	RC4309	1,763,168	1,840,866	2,221,742	380,876
American Rescue Plan	RC4308	<u>731,416</u>	<u>731,416</u>	<u>34,731</u>	<u>(696,685)</u>
Total federal awards		<u>6,526,314</u>	<u>6,614,012</u>	<u>5,948,995</u>	<u>(665,017)</u>
<b>LOCAL FUNDS</b>					
Local tax appropriations	RC4401	<u>9,800,000</u>	<u>9,800,000</u>	<u>10,429,931</u>	<u>629,931</u>
Total local funds		<u>9,800,000</u>	<u>9,800,000</u>	<u>10,429,931</u>	<u>629,931</u>
<b>FEES FOR SERVICES</b>					
Contracts, school board	RC4501	3,999,999	3,999,999	3,999,999	-
Medicaid (Title 19)	RC4505	1,270,400	1,280,302	721,947	(558,355)
Prior year carryover	RC4509	-	-	82,257	82,257
Fees and permits	RC4511	936,000	938,268	1,067,825	129,557
Other fees and contracts	RC4514	<u>225,400</u>	<u>289,512</u>	<u>431,021</u>	<u>141,509</u>
Total fees for services		<u>6,431,799</u>	<u>6,508,081</u>	<u>6,303,049</u>	<u>(205,032)</u>
<b>INTEREST INCOME</b>	RC4601	<u>1,550,000</u>	<u>1,550,000</u>	<u>1,868,071</u>	<u>318,071</u>
<b>TOTAL REVENUES, BUDGETARY BASIS</b>		<b><u>\$ 28,285,492</u></b>	<b><u>\$ 28,449,472</u></b>	<b><u>\$ 28,663,982</u></b>	<b><u>\$ 214,510</u></b>

Conversion to accrual basis:

Additional accounts receivable, net	\$ (2,854)
Less prior year grant activity (used)	<u>(212,479)</u>

**TOTAL REVENUES, ACCRUAL BASIS** **\$ 28,448,649**

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH  
SUPPLEMENTARY BUDGETARY COMPARISON - BUDGETARY BASIS  
for the year ended June 30, 2025**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>PERSONNEL EXPENSES</b>				
Salaries	\$ 10,786,950	\$ 10,966,438	\$ 10,683,453	\$ (282,985)
Fringe benefits	8,709,935	8,854,049	8,215,045	(639,004)
<b>Total personnel expenses</b>	<b>19,496,885</b>	<b>19,820,487</b>	<b>18,898,498</b>	<b>(921,989)</b>
<b>OPERATING EXPENSES</b>				
Contractual and professional services	573,200	640,664	669,822	29,158
Travel	112,550	157,035	141,194	(15,841)
Rent	95,000	83,158	89,285	6,127
Utilities	242,000	233,000	197,530	(35,470)
Janitorial service and supplies	201,000	201,000	207,926	6,926
Insurance	221,700	231,250	211,808	(19,442)
Building repairs and maintenance	610,000	610,000	588,453	(21,547)
Printing and copying	97,893	97,643	87,278	(10,365)
Telephone	286,855	286,555	257,604	(28,951)
Postage	27,250	27,681	26,024	(1,657)
Office supplies	35,760	27,894	33,024	5,130
Medical record supplies	16,000	16,000	18,497	2,497
Computer services and supplies	450,870	453,979	453,954	(25)
Minor office equipment	6,250	6,716	819	(5,897)
Medical supplies	419,000	306,200	379,544	73,344
Lab supplies	8,000	8,000	2,519	(5,481)
Minor medical equipment	4,500	4,581	4,210	(371)
Automobile	33,100	35,072	30,327	(4,745)
Temporary services	255,000	236,000	240,514	4,514
Dues and subscriptions	45,195	53,702	34,094	(19,608)
Registration fees	35,925	54,106	30,644	(23,462)
Program supplies	140,800	276,222	194,032	(82,190)
Professional services	204,000	219,000	202,963	(16,037)
Advertising and recruitment	160,500	154,467	189,598	35,131
Other expenses	360,950	366,193	275,549	(90,644)
<b>Total operating expenses</b>	<b>4,643,298</b>	<b>4,786,118</b>	<b>4,567,212</b>	<b>(218,906)</b>
<b>OTHER EXPENSES</b>				
Capital items	3,975,250	4,394,848	3,664,756	(730,092)
<b>Total other expenses</b>	<b>3,975,250</b>	<b>4,394,848</b>	<b>3,664,756</b>	<b>(730,092)</b>
<b>TOTAL EXPENSES, BUDGETARY BASIS</b>	<b>\$ 28,115,433</b>	<b>\$ 29,001,453</b>	<b>\$ 27,130,466</b>	<b>\$ (1,870,987)</b>
<b>REVENUE OVER EXPENSES, BUDGETARY BASIS</b>			<b>\$ 1,533,516</b>	
Conversion to accrual basis:				
Total expenses, budgetary basis			\$ 27,130,466	
Adjustments to accounts payable			(67,896)	
Adjustments to accrued leave			767,434	
GASB 68 conversion, net			(2,851,899)	
GASB 75 conversion, net			(2,611,209)	
GASB 87 conversion, net			(126,828)	
Amortization expense			124,158	
Depreciation expense			802,812	
Less capital outlay			(3,664,756)	
<b>TOTAL EXPENSE, ACCRUAL BASIS</b>			<b>\$ 19,502,282</b>	

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENDITURES BY REPORTING AREA**  
**BUDGETARY BASIS**  
**for the year ended June 30, 2025**

Cost Center	STATE				FEDERAL GRANTS				
	RC4201	RC4202	RC4203/RC4204	RC4301	RC4305	RC4306	RC4307	RC4309	RC4308
Food	F62000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public Facilities	F63000	-	-	-	-	-	-	-	-
General Sanitation	F63010	-	-	-	-	-	-	-	-
Onsite Sewage	F63020	-	-	-	-	-	-	-	-
<b>Total Environmental</b>									
Covid Community Outreach & Equity	F57000	-	-	-	-	-	269,216	-	-
Needle Exchange Program	C52000	40,591	12,550	-	-	-	-	-	-
Fentanyl Test Strips	C60000	-	-	-	-	-	592	3,454	-
SSP Expansion Project	C60010	-	-	-	-	-	-	8,367	-
Community Health Action Teams	L41030	-	-	-	-	13,000	-	-	-
HANDS Special Project	C25010	-	117,672	-	-	-	-	-	-
Federal HANDS Special Project	C25020	-	-	-	-	-	-	-	-
KHDA Workforce	C70120	-	-	-	-	-	-	-	-
MCH Coordinator	L22020	-	-	-	60,991	-	-	-	-
ELC Enhancing Detection	F52030	-	-	-	-	-	3,185,531	-	-
Strengthening PH Infrastructure	F60000	-	-	-	-	-	-	-	10,958
Pediatric/Adolescent Visits	L22030	-	-	-	-	-	-	-	-
Immunizations	F57030	-	-	-	-	-	-	-	-
Family Planning	L31000	-	-	-	-	-	-	-	-
WIC	C21000	-	-	-	-	-	-	1,374,480	-
Tuberculosis Visits	F52000	-	-	-	-	-	-	67,170	-
Sexually Transmitted Diseases	F52010	-	-	-	-	-	-	-	-
Diabetes Visits & Activities	L41060	111,923	-	-	-	-	-	-	-
Adult Services & Follow Care	L22050	-	-	-	-	-	-	-	-
Breast & Cervical Cancer	L32010	-	-	-	-	-	-	-	-
Preparedness Coordination	F66020	-	-	-	-	-	-	95,368	-
Epidemiology & Surveillance	F66030	-	-	-	-	-	-	-	-
PHEP Special Projects	F66050	-	-	-	-	-	-	19,598	-
LexisNexis	L52010	-	-	-	-	-	-	3,260	-
KY ASAP Special Project	L84501	-	-	-	-	-	-	-	-
Child Passenger Safety Grant	L84502	-	-	-	-	-	-	-	-
Tobacco	L41110	-	-	-	-	-	-	-	-
Diabetes Coalition	L41070	-	-	-	-	-	-	-	-
HIV Counseling and Testing	F52090	-	-	-	-	-	-	23,360	-
Healthy Start Child Care	L25000	250,000	-	-	-	-	-	-	-
HANDS	C25040	61,291	-	-	-	-	-	149,105	-
WIC Monitors	C21040	-	-	-	-	-	-	98,835	-
Supplemental School Health	L22060	-	-	-	-	-	-	-	-
Immunization Grant Projects	F57040	-	-	-	-	-	-	17,600	-
Core Public Health Assessment	L70060	-	-	-	-	-	-	-	-
Minor Restricted	L70080	-	-	-	-	-	-	-	-
Heart Disease and Stroke Prevention	L41090	-	-	-	-	-	-	-	-
Childhood Lead Poisoning	F22020	-	-	-	-	-	-	-	-
HIV Core Prevention	F52120	-	-	-	-	-	-	6,490	-
<b>Total Medical</b>	<b>463,805</b>	<b>130,222</b>	<b>-</b>	<b>60,991</b>	<b>13,000</b>	<b>3,454,747</b>	<b>592</b>	<b>1,867,087</b>	<b>10,958</b>
Capital Expenditures	L70100	-	-	-	-	-	-	-	-
Allocable Direct	790000	65,050	-	3,454,859	7,339	30,249	125,604	-	354,655
<b>Total Administrative</b>	<b>65,050</b>	<b>-</b>	<b>3,454,859</b>	<b>7,339</b>	<b>30,249</b>	<b>125,604</b>	<b>-</b>	<b>354,655</b>	<b>23,773</b>
<b>Total Regulatory Basis</b>	<b>\$ 528,855</b>	<b>\$ 130,222</b>	<b>\$ 3,454,859</b>	<b>\$ 68,330</b>	<b>\$ 43,249</b>	<b>\$ 3,580,351</b>	<b>\$ 592</b>	<b>\$ 2,221,742</b>	<b>\$ 34,731</b>

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**SUPPLEMENTARY SCHEDULE OF REVENUES AND EXPENDITURES BY REPORTING AREA**  
**BUDGETARY BASIS**  
**for the year ended June 30, 2025**

Cost Center	TAX APPROP. / DONATIONS	SCHOOL BOARD		OTHER		INTEREST RC4601	Total Revenues	Total Costs	Unrestricted Carryover	Program Excess (Deficit)	
	RC4401/RC4404	RC4501	RC4505	RC4509	RC4511						
F62000	\$ 813,567	\$ -	\$ -	\$ -	\$ 822,815	\$ -	\$ 1,636,382	\$ (1,636,382)	\$ -	\$ -	
F63000	139,999	-	-	-	167,138	-	307,137	(307,137)	-	-	
F63010	329,464	-	-	-	1,645	-	331,109	(331,109)	-	-	
F63020	112,070	-	-	-	22,575	-	134,645	(134,645)	-	-	
Total	1,395,100	-	-	-	1,014,173	-	2,409,273	(2,409,273)	-	-	
F57000	49,574	-	-	-	-	-	318,790	(318,790)	-	-	
C52000	595,287	-	-	82,257	-	265,155	131,312	1,032,345	(1,127,152)	94,807	
C60000	-	-	-	-	-	-	4,046	(4,046)	-	-	
C60010	1,568	-	-	-	-	-	9,935	(9,935)	-	-	
L41030	37,850	-	-	-	-	-	50,850	(50,850)	-	-	
C25010	-	-	-	-	-	-	-	(117,672)	117,672	-	
C25020	280,630	-	-	-	-	-	280,630	(280,630)	-	-	
C70120	-	-	-	-	-	67,074	-	67,074	(58,082)	-	
L22020	52,832	-	-	-	-	-	-	113,823	(113,823)	8,992	
F52030	-	-	-	-	-	-	512,941	3,698,472	(3,698,472)	-	
F60000	1,428	-	-	-	-	-	-	12,386	(12,386)	-	
L22030	-	-	4,142	-	74	-	-	4,216	-	4,216	
F57030	138,849	-	9,541	-	7,044	-	-	155,434	(155,434)	-	
L31000	-	-	5,218	-	2,069	-	-	7,287	-	7,287	
C21000	694,145	-	-	-	-	-	-	2,068,625	(2,068,625)	-	
F52000	913,755	-	19,047	-	29,385	-	-	1,029,357	(1,029,357)	-	
F52010	260,726	-	28,308	-	14,070	-	-	303,104	(303,104)	-	
L41060	233,389	-	-	-	-	5,400	-	350,712	(350,712)	-	
L22050	1,372	-	(2,206)	-	838	-	-	4	(4)	-	
L32010	-	-	2,764	-	172	-	-	2,936	-	2,936	
F66020	407,509	-	-	-	-	-	-	502,877	(502,877)	-	
F66030	1,176,655	-	-	-	-	-	-	1,176,655	(1,176,655)	-	
F66050	-	-	-	-	-	-	-	19,598	377	19,975	
L52010	639	-	-	-	-	-	-	3,899	(3,899)	-	
L84501	-	-	-	-	-	5,019	-	5,019	(5,019)	-	
L84502	-	-	-	-	-	61,722	-	61,722	(57,724)	3,998	
L41110	13,634	-	-	-	-	-	-	13,634	(13,634)	-	
L41070	1,865	-	-	-	-	-	-	1,865	(1,865)	-	
F52090	67,087	-	-	-	-	1,000	-	91,447	(91,447)	-	
L25000	67,296	-	-	-	-	-	-	317,296	(317,296)	-	
C25040	711,009	-	400,930	-	437	-	-	1,322,772	(1,322,772)	-	
C21040	-	-	-	-	-	-	18,694	117,529	(117,529)	-	
L22060	3,189,167	3,999,999	254,203	-	-	-	71	7,443,440	(7,443,440)	-	
F57040	7,420	-	-	-	-	-	-	25,020	(25,020)	-	
L70060	125,974	-	-	-	-	1,510	-	127,484	(127,484)	-	
L70080	-	-	-	-	-	-	53,457	53,457	(53,457)	-	
L41090	-	-	-	-	-	-	-	-	2,593	2,593	
F22020	1,988	-	-	-	-	-	-	-	(1,988)	-	
F52120	3,183	-	-	-	-	-	-	9,673	(9,673)	-	
	9,034,831	3,999,999	721,947	82,257	53,652	407,317	716,475	20,805,401	(20,967,883)	212,479	49,997
L70100	-	-	-	-	-	-	-	298,451	298,451	-	-
790000	-	-	-	-	-	-	23,704	853,145	4,938,378	(3,454,859)	-
	-	-	-	-	-	-	23,704	1,151,596	5,236,829	(3,753,310)	-
	\$ 10,429,931	\$ 3,999,999	\$ 721,947	\$ 82,257	\$ 1,067,825	\$ 431,021	\$ 1,868,071	\$ 28,451,503	\$ (27,130,466)	\$ 212,479	\$ 1,533,516

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**SUPPLEMENTARY SCHEDULE OF INDIRECT COSTS**  
**BUDGETARY BASIS**  
**for the year ended June 30, 2025**

		Departmental	Environmental	Clinic	Medical	Space	Total Indirect Costs
Food	F62000	\$ 265,259	\$ 511,976	\$ -	\$ -	\$ 142,213	\$ 919,448
Public Facilities	F63000	40,102	78,324	-	-	70,238	188,664
General Sanitation	F63010	53,784	101,896	-	-	21,471	177,151
Onsite Sewage	F63020	21,099	40,280	-	-	14,116	75,495
<b>Total Environmental</b>		<b>380,244</b>	<b>732,476</b>	<b>-</b>	<b>-</b>	<b>248,038</b>	<b>1,360,758</b>
Covid Community Outreach & Equity	F57000	35,157	-	-	26,858	16,878	78,893
Needle Exchange Program	C52000	149,580	-	-	127,754	79,603	356,937
Fentanyl Test Strips	C60000	-	-	-	-	-	-
SSP Expansion Project	C60010	-	-	-	-	-	-
Community Health Action Teams	L41030	9,979	-	-	7,530	-	17,509
HANDS Special Project	C25010	-	-	-	-	-	-
Federal HANDS Special Project	C25020	43,827	-	-	39,128	-	82,955
KHDA Workforce	C70120	208	-	-	187	-	395
MCH Coordinator	L22020	17,115	-	-	14,693	19,673	51,481
ELC Enhancing Detection	F52030	52,202	-	-	46,793	21,799	120,794
Strengthening PH Infrastructure	F60000	-	-	-	-	-	-
Pediatric/Adolescent Visits	L22030	-	-	-	-	-	-
Immunizations	F57030	19,917	-	16,516	-	32,983	69,416
Family Planning	L31000	-	-	-	-	-	-
WIC	C21000	396,542	-	280,007	-	267,364	943,913
Tuberculosis Visits	F52000	184,294	-	135,050	-	122,421	441,765
Sexually Transmitted Diseases	F52010	57,814	-	42,127	-	46,566	146,507
Diabetes Visits & Activities	L41060	65,850	-	-	55,421	28,192	149,463
Adult Services & Follow Care	L22050	-	-	-	-	-	-
Breast & Cervical Cancer	L32010	-	-	-	-	-	-
Preparedness Coordination	F66020	83,168	-	-	70,679	-	153,847
Epidemiology & Surveillance	F66030	242,828	-	-	206,310	77,740	526,878
PHEP Special Projects	F66050	-	-	-	-	-	-
LexisNexis	L52010	-	-	-	-	-	-
KY ASAP Special Project	L84501	1,118	-	-	859	112	2,089
Child Passenger Safety Grant	L84502	-	-	-	-	-	-
Tobacco	L41110	2,690	-	-	2,235	1,103	6,028
Diabetes Coalition	L41070	-	-	-	-	-	-
HIV Counseling and Testing	F52090	8,460	-	-	7,029	6,491	21,980
Healthy Start Child Care	L25000	61,722	-	-	52,773	26,510	141,005
HANDS	C25040	211,065	-	-	177,142	94,531	482,738
WIC Monitors	C21040	-	-	-	-	-	-
Supplemental School Health	L22060	1,629,075	-	1,077,261	-	300,069	3,006,405
Immunization Grant Projects	F57040	5,458	-	-	4,707	1,489	11,654
Core Public Health Assessment	L70060	19,373	-	-	16,478	31,845	67,696
Minor Restricted	L70080	-	-	-	-	-	-
Heart Disease and Stroke Prevention	L41090	-	-	-	-	-	-
Childhood Lead Poisoning	F22020	373	-	-	277	280	930
HIV Core Prevention	F52120	1,839	-	-	1,298	-	3,137
<b>Total Medical</b>		<b>3,299,654</b>	<b>-</b>	<b>1,550,961</b>	<b>858,151</b>	<b>1,175,649</b>	<b>6,884,415</b>
Space Indirect	790010	-	-	-	-	(1,423,687)	(1,423,687)
Departmental Indirect	790020	(3,679,898)	-	-	-	-	(3,679,898)
Clinic Indirect	790030	-	-	(1,550,961)	-	-	(1,550,961)
Other Medical Indirect	790040	-	-	-	(858,151)	-	(858,151)
Environmental Indirect	790050	-	(732,476)	-	-	-	(732,476)
<b>Total Administrative</b>		<b>(3,679,898)</b>	<b>(732,476)</b>	<b>(1,550,961)</b>	<b>(858,151)</b>	<b>(1,423,687)</b>	<b>(8,245,173)</b>
<b>Totals</b>		<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



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

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**SINGLE AUDIT REPORTS  
June 30, 2025**

## C O N T E N T S

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**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, 2025. The Health Department's major federal programs are identified in the summary of auditors' 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, 2025.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

### ***Auditors' Responsibilities for the Audit of Compliance***

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

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

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

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

### ***Report on Internal Control over Compliance***

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' 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.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the Health Department, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Health Department's basic financial statements. We issued our report thereon dated October 10, 2025, which contained an unmodified opinion on the financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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  
December 29, 2025



Members American Institute of Certified Public Accountants  
and Kentucky Society of Certified Public Accountants

**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, 2025, 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 December 29, 2025.

**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  
December 29, 2025

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**for the year ended June 30, 2025**

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	01160024	7/1/24 - 6/30/25	\$ -	\$ 467,717
WIC Program - Administrative Services	10.557	01160025	7/1/24 - 6/30/25	\$ -	\$ 1,030,860
				\$ -	\$ 1,498,577
WIC Program - Infrastructure	10.578	02290022	7/1/24 - 6/30/25	\$ -	\$ 98,835
				\$ -	\$ 98,835
<b>Total U.S. Department of Agriculture</b>				\$ -	\$ 1,597,412
U.S. Environmental Protection Agency Passed through State (CHFS)					
State Indoor Radon Grants	66.032	02610023	7/1/24 - 6/30/25	\$ -	\$ 100
<b>Total U.S. Environmental Protection Agency</b>				\$ -	\$ 100
U.S. Department of Transportation					
Passed through Kentucky Office of Highway Safety					
National Priority Safety Programs	20.616	M2CPS-2026-03	10/1/2025 - 9/30/26	\$ -	\$ 61,722
<b>Total U.S. Department of Transportation</b>				\$ -	\$ 61,722
U.S. Department of Health and Human Services (HHS)					
Passed through State (CHFS)					
HPP and PHEP Cooperative	93.069	02140022	7/1/24 - 6/30/25	\$ -	\$ 19,598
HPP and PHEP Cooperative	93.069	02140023	7/1/24 - 6/30/25	\$ -	\$ 95,368
				\$ -	\$ 114,966
Tuberculosis Control Programs	93.116	010600N25	7/1/24 - 6/30/25	\$ -	\$ 57,570
Tuberculosis Control Programs	93.116	010600N26	7/1/24 - 6/30/25	\$ -	\$ 9,600
				\$ -	\$ 67,170
Maternal and Child Health Coordinator	93.235	01120023	7/1/24 - 6/30/25	\$ -	\$ 18,071
Maternal and Child Health Coordinator	93.235	01120024	7/1/24 - 6/30/25	\$ -	\$ 4,328
Maternal and Child Health Coordinator	93.235	011SJ24	7/1/24 - 6/30/25	\$ -	\$ 45,930
				\$ -	\$ 68,329
Immunization Cooperative Agreements	93.268	010500OL21	7/1/24 - 6/30/25	\$ -	\$ 17,600
Immunization Cooperative Agreements	93.268	01050LARPA	7/1/24 - 6/30/25	\$ -	\$ 11,410
Immunization Cooperative Agreements	93.268	01050LBRG2	7/1/24 - 6/30/25	\$ -	\$ 1,400
Immunization Cooperative Agreements	93.268	01050LCRR1	7/1/24 - 6/30/25	\$ -	\$ 43,061
Immunization Cooperative Agreements	93.268	01050LCRR218	7/1/24 - 6/30/25	\$ -	\$ 269,216
Immunization Cooperative Agreements	93.268	01050LCRR3	7/1/24 - 6/30/25	\$ -	\$ 27,231
				\$ -	\$ 369,918
Epidemiology and Laboratory Capacity	93.323	013900CRR2	7/1/24 - 6/30/25	\$ -	\$ 82,543
Epidemiology and Laboratory Capacity	93.323	013900CRR21	7/1/24 - 6/30/25	\$ -	\$ 3,185,531
Epidemiology and Laboratory Capacity	93.323	0139HMARPA	7/1/24 - 6/30/25	\$ -	\$ 8,617
				\$ -	\$ 3,276,691
<b>Subtotal HHS</b>				\$ -	\$ 3,897,074

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, 2025**

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)				\$ -	\$ 3,897,074
U.S. Department of Health and Human Services (HHS) Passed through State (CHFS)					
Opioid STR	93.788	02790023	7/1/24 - 6/30/25	-	1,605
Opioid STR	93.788	02790423	7/1/24 - 6/30/25	-	10,138
Opioid STR	93.788	02790424	7/1/24 - 6/30/25	-	1,684
				-	13,427
Colon Cancer Screening	93.800	01970024	7/1/24 - 6/30/25	-	9,190
				-	9,190
Maternal, Infant and Early Childhood Home Visiting	93.870	01300021	7/1/24 - 6/30/25	-	237,105
Maternal, Infant and Early Childhood Home Visiting	93.870	01300022	7/1/24 - 6/30/25	-	126,470
Maternal, Infant and Early Childhood Home Visiting	93.870	0130ARPA22	7/1/24 - 6/30/25	-	3,746
				-	367,321
HIV Prevention	93.940	015100OL22	7/1/24 - 6/30/25	-	4,425
HIV Prevention	93.940	0200P25	7/1/24 - 6/30/25	-	27,725
				-	32,150
Substance Test Strips	93.959	0182C624	7/1/24 - 6/30/25	-	592
				-	592
Strengthen Public Health	93.967	0296A122	7/1/24 - 6/30/25	-	10,958
				-	10,958
STD Prevention	93.977	010700OL23	7/1/24 - 6/30/25	-	4,753
				-	4,753
Preventive Health - CHAT	93.991	01040023	7/1/24 - 6/30/25	-	3,018
Preventive Health - CHAT	93.991	01040024	7/1/24 - 6/30/25	-	13,000
				-	16,018
Passed through Local Government (LFUCG)					
First Responders and Community Partners OPP	93.243	320002856-20-263	9/1/19 - 11/28/27	-	238,724
				-	238,724
Passed through Kentucky Health Department Association (KHDA)					
Cooperative Agreement for Emergency Response	93.354	WFD	7/1/24 - 6/30/25	-	62,891
				-	62,891
<b>Total U.S. Department of Health and Human Services</b>				\$ -	\$ 4,653,098
<b>Total federal awards expended</b>				\$ -	\$ 6,312,332
Federal revenues					\$ 5,948,995
Add: Federal subrecipient grants included in fees and contracts					\$ 363,337
<b>Total federal awards expended</b>				\$ -	\$ 6,312,332

**LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
for the year ended June 30, 2025**

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**I. SUMMARY OF AUDITORS' RESULTS**

Financial Statements:

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Non-compliance material to financial statements noted

Yes

X No

Federal Awards:

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs:

Unmodified for all major programs.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

Yes

X No

**Major Programs:**

AL Number	Name of Federal Program or Cluster
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10.557	USDA – WIC Program
93.323	HHS – Epidemiology and Laboratory Capacity

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, 2025**

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There are no prior audit findings to report.

