



LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

JUNE 30, 2026

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

TABLE OF CONTENTS JUNE 30, 2026

	Page
Report of Independent Auditors	1
Management's Discussion and Analysis	5
Basic Financial Statements:	
Statement of Net Position.....	10
Statement of Revenues, Expenses and Changes in Net Position.....	11
Statement of Cash Flows	12
Notes to the Financial Statements.....	13
Required Supplementary Information:	
Schedule of Proportionate Share of Net Pension Liability.....	32
Schedule of Pension Contributions.....	33
Schedule of Proportionate Share of Net OPEB Liability.....	34
Schedule of OPEB Contributions.....	35
Notes to Required Supplementary Information.....	36
Supplementary Information:	
Budgetary Comparison - Budgetary Basis.....	38
Schedule of Revenues and Expenditures by Reporting Area - Budgetary Basis	40
Schedule of Indirect Costs - Budgetary Basis	43
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 <i>Government Auditing Standards</i>.....	44



Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington, KY 40507
main 859.253.1100 fax 859.253.1384 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS

To the Board of Health
Lexington-Fayette Urban County Department of Health
Lexington, Kentucky

Report on the Audit of 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, 2026 and the related notes to the financial statements, which comprise the Health Department's 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, 2026, the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Health Department 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.

To the Board of Health
Lexington-Fayette Urban County Department of Health
Lexington, Kentucky

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 Health Department'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.

Auditor's Responsibilities for the Audit of the Financial Statements

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

To the Board of Health
Lexington-Fayette Urban County Department of Health
Lexington, Kentucky

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of proportionate share of the net pension liability and schedule of pension contributions, the schedule of proportionate share of the net Other Postemployment Benefits (OPEB) liability and the schedule of OPEB contributions, and the notes to the required supplementary information, as listed in the table of contents, 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 accompanying Budgetary Comparison - Budgetary Basis, Schedule of Revenues and Expenditures by Reporting Area - Budgetary Basis, Schedule of Indirect Costs - Budgetary Basis, as listed in the table of contents (collectively the Supplementary Information), are presented for purposes of additional analysis 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 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 Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

To the Board of Health
Lexington-Fayette Urban County Department of Health
Lexington, Kentucky

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2026, on our consideration of the Health Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Health Department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Health Department's internal control over financial reporting and compliance.

Blue & Co., LLC

Lexington, Kentucky
September 29, 2026

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2026

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, 2026. 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 \$(4,379,552) (net position) for the fiscal period reported.

Net position is comprised of the following:

- (1) Capital assets, net of accumulated depreciation and debt of \$6,084,315.
- (2) Designated Funds of \$149,666.
- (3) Unrestricted Funds of \$(10,613,533).

At the end of the fiscal year, the unrestricted fund balance was \$(10,613,533). This compares with the fiscal year 2025 unrestricted fund balance of \$(14,405,161). Of the \$63,202,818 reported in total liabilities, \$58,625,018 were related to pension liabilities and post-employment benefits other than pensions (OPEB).

HIGHLIGHTS FROM FY 2026 AND OBSERVATIONS ABOUT FY 2027

- LFCHD incurred a deficit of \$489 thousand for FY2026 on a budgeted deficit \$1.17 million, incurring \$678 thousand less in losses than budgeted. Board approved capital expenditures exceeded the budget by \$1.19 million which more than offset the \$489 thousand deficit incurred.
- For fiscal year 2027, LFCHD's approved budget anticipates a projected deficit of \$425 thousand. The budget includes \$1 million in capital expenditures. The budget also includes a Kentucky Pension Plan Authority (KPPA) employer contribution of \$4.97 million with state subsidies covering \$3.38 million.
- The Lexington-Fayette County Board of Health voted to maintain the tax rate of 2.43 cents per \$100 of assessed property value.
- In January of 2026, all staff received a 3% increase.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2026

- As of June 30, 2026, the Health Department had approximately invested \$23.7 million in United States Treasury Bills and Certificates of Deposits, both completely insured. This along with earnings on the operating account resulted in \$1.36 million in revenue.
- Construction work was completed on the 1st floor to finish the initial scope project contracted in May 2024. Additional projects completed in FY27 were an upgrade of the 3rd floor bathrooms and renovations on the old HealthFirst Dental area where Harm Reduction and HANDS teams have now moved. Upgrades to the Rice C. Leach room are in progress to expand its capacity to meet the needs of the health department and the community. This is expected to be complete in October 2026. Having Harm Reduction and HANDS on the first floor provides easier community access and referrals across programs.
- The health department contracted to use Workday as the Human Capital and Finance Management solution for human resources/payroll and finance processes. The expectation is to go live with the HR portion on January 1, 2027 and the finance portion on July 1, 2027.
- During FY26, the Business Services team received a total of 29,213 calls, of which 26,431 were answered. Live translation services began being tracked in April. Between April and June, the team provided translation services for 247 patients during on-site and field visits. Additionally, the department assisted 1,034 clients with card replacements and the transfer of their WIC services to Fayette County.
- During FY26, public health nurses provided 515 clinic immunization visits, with additional visits provided in the field, giving 1,639 vaccinations. Of the 1,639 vaccines given, approximately 500 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 FY26, the public health clinic provided 726 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 26, the harm reduction program moved out of the RCL community room and into a newly renovated area, allowing the program to provide services in a dedicated space, including a private room to conduct testing and treatment referrals, as well as a separate door for participants to enter directly into the harm reduction services area. The program provided 7,585 syringe service visits to 1,310 individuals, a decrease of 26% visits from FY25. The harm reduction program received 361,345 syringes and distributed 396,560 with a return rate of 91%, an increase of 4% from FY25. The program connected 26 people to treatment for substance use disorder and performed 44 HIV and 16 HCV tests.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2026

- This fiscal year, LFCHD, in partnership with LFUCG, received and expended \$165,000 in grant funding to purchase naloxone to distribute in the community and during the exchange. This FR-CARA grant from SAMHSA has provided 8 years of funding through two four-year cycles. LFCHD provided 3,211 naloxone kits to the community through overdose prevention services.
- During FY26, school nurses documented 120,299 health office visits (HOVs) into Infinite Campus, an increase of 32,879 visits from FY25, with 110,734 (92.05%) sent back to class and 9,472 (7.87%) sent home. Additionally, 93 (0.07%) of the total HOVs were transported to the hospital via EMS. In addition, nurses provided 1,913 FCPS staff visits, 7,969 vision screenings, administered 7 Epi-Pens, spent 523 hours on field trip preparation, and applied Fluoride Varnish Application to 242 elementary students. The Top 5 HOVs were: Medication need 62,042 (51.6%), Diabetic Management 10,155 (8.4%), Injury 4,349 (3.6%), Headache 4,304 (3.6%), and Stomach ache 3,222 (2.7%). School nurses also trained 1,562 FCPS Unlicensed Assistive Personnel (UAPs) in Medication administration (both routine and emergency), Gastric Tube feedings and/or water flushes, Diabetes management with Carb counting and Insulin administration via an insulin pen or pump, and Vagal Nerve Stimulation usage. Lastly, 450 transportation personnel were trained on Emergency Medication administration.
- During FY26, the public health staff provided 1,990 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. Seventeen clients with TB disease were treated in FY26. Those clients were prescribed a treatment plan ranging from 6-12 months based on their individual medical needs. Treatment for individuals with TB infection occurred through directly observed therapy (DOT) and video directly observed therapy (vDOT) visits. Two additional clients moved to another jurisdiction in Kentucky and will complete there, with a goal of completion of care with minimal interruptions.
- Throughout FY26, the Women, Infants, and Children (WIC) program continued to operate under a hybrid model for participant visits. However, participants are highly encouraged to conduct their certification visits in person, allowing staff to collect height, weight, and hemoglobin at the necessary certification intervals. Waivers remain in place until September 2026, allowing individuals who have identified barriers to conduct their visit remotely. This includes those who are medically fragile, have household illness, are newborn infants, or have transportation barriers. During FY26, there were 16,014 appointments scheduled for individuals to receive WIC services. Of those 16,014 appointments, 5,056 were new WIC patients added to the program. In September of 2025, the WIC team introduced a new appointment option for participants. Low-risk participants who only need nutrition education can now complete the appointment online through WIChealth.org. The WIC program saw a 6% decrease in enrollment and participation from July 2025 (6,810) to June 2026 (6,369). The WIC office saw a 71% decrease in farmers' market funding, dropping from \$11,580 in 2025 to \$3,270 in 2026. In FY26, the WIC team had an AmeriCorps worker who continued to pilot 1-on-1 grocery store tours and conducted multiple outreach events, with 8 grocery store tours being provided and attending roughly 60 outreach events.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2026

- From July 1, 2025, to June 30, 2026, LFCHD moved the 2025 to 2030 Community Health Improvement Plan from planning to implementation with Lex CHIP partners. The plan focuses on four priorities: Access to Care, Knowledge Empowerment, Financial Stability, and Mental Well Being. These priorities are supported by workgroups focused on opioid overdose prevention, child safety and wellbeing, and crime and violence. Fifty-four organizations participated in workgroups and collaborative planning. Accomplishments included publishing the Lex-CHIP Impact Report, launching the PATH Mini Grant Program to fund two partner projects addressing community needs, advancing the Prescription of a Person initiative, distributing more than 850 free gun locks through Let's Lock It, Lex!, launching a monthly bilingual newsletter reaching more than 500 partners, and using mySidewalk data to guide priorities and track progress. The Community Health Engagement team grew from two to six staff members, increasing LFCHD's capacity for community engagement, education, and outreach. LFCHD also delivered its first agencywide Plan Do Check Act training and launched PHAB reaccreditation work through the Kingdoms framework.
 - LFCHD Community Education staff provided education and outreach at over 240 community events, classes, and programs in FY26. Over 15,000 community members engaged with Community Education staff in a wide variety of public health education programs including diabetes prevention, nutrition, tobacco cessation, cooking instruction, hygiene, physical activity, STI-avoidance education, and more. LFCHD Diabetes Educators hosted the annual Fayette County Diabetes Expo on 4/25/26 at Consolidated Baptist Church and had the largest attendance in event history with over 200 registered participants and 80 vendors in attendance. The Bluegrass Lions Club provided A1c screening at the event and screened over 100 individuals, the largest one-day screening total they have ever had. LFCHD Community Education partnered with Dr. Susan Pollack/Adventures in Safety to offer child car seat education and installation to the community. Working in partnership with LFCHD HANDS, Dr. Pollack provided 90 free car seat installations and safety checks to Fayette County families in FY26. LFCHD Dietitians taught over 600 individuals at 56 programs in FY26 including cooking, diabetes, and nutrition classes. In FY26, the LFCHD Diabetes program held four Diabetes Self-Management Education (DSMES) cohorts with a total of 40 participants. 75% of the participants in FY26 decreased their A1C after attending the program, 75% decreased their systolic blood pressure and 50% decreased their diastolic blood pressure. The CHEE Outreach team provided HIV testing and STI prevention education to 246 individuals at community events and through outreach with various community partners, including beginning weekly STI testing with LFCHD Harm Reduction during weekly Needle Exchange programming.
 - During FY 26, LFCHD Environmental Health (EH) worked with our Information Technology team to update and improve our online payment options for permit fee collection. This project included uploading many fillable forms and required fields to the payment website to assure that payors pay the right amounts for the different service types and that processing delays and challenges are minimized. EH also revised and established internal Quality Assurance procedures for field staff that mirrors the forms and procedures used by KY Department of Public Health (DPH) auditors, so that LFCHD staff would be familiar with these procedures prior to being audited by DPH personnel. DPH plans to Audit LFCHD EH in the winter/spring of 2027. LFCHD EH also assisted the Bourbon and Clark County Health Department's with Onsite Sewage Inspections, due to staff attrition in those counties.
-

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2026

- Epidemiology and Lab Capacity (ELC)- COVID 19 funding was granted to LFCHD in FY 26. Epidemiology and Infectious Disease requested and was granted a total of \$356,638. This funding went towards staffing, staff training and workforce development and infrastructure and equipment which includes data systems and software. This will allow LFCHD to continue to respond to the infectious diseases of public health importance and enhance the capacity to respond to future pandemics.
- Health Access Nurturing Development Services (HANDS) served an average of 82 families per month in FY26, with a total number of 165 unique families engaging in HANDS services over the course of the year. HANDS strategically partnered with WIC in effort to boost referrals into the program with great success. HANDS referrals skyrocketed throughout FY26 with 377 total referrals into the program. WIC, Baptist Health, and self-referral were the main providers of referrals into the HANDS program. HANDS hosted a Derby Party event for participating families at Marksburg Library, activities included arts & crafts, community resource fair, and a graduation ceremony for children aging out of the program. LFCHD HANDS received glowing feedback and ratings during the annual Kentucky DPH HANDS audit. LFCHD increased audit scoring in multiple areas, especially in the measures concerning business administration. HANDS regulations on participant were amended state-wide at the end of FY26 to make the program open to all children up to age three (3). This change is significant- the previous maximum age (barring any special accommodation due to developmental delays) was two (2) years old. The new increase in age will allow HANDS to bridge the gap to enrollment in preschool, and will allow HANDS to provide an additional year of home visiting services for all families.
- The health department was awarded \$781 thousand in Epidemiology and Laboratory Capacity (ELC) funding from the CDC to help fund Epidemiology staff and activities and implement upgrades to our IT infrastructure including new servers, a new website, new security cameras and support, new audio-visual equipment and new copiers.
- The Board of Health voted to appoint Crystal Miller, DrPH as the Commissioner of Health at the May 12, 2025 meeting. She has completed a full year as Commissioner. Due to the instability and absence of previous leadership in this position, Dr. Miller has focused 90% of her time on internal operations, building culture and team. Due to internal operational changes, LFCHDs financial impact improved by \$1.5 million. Dr. Miller has been focused on improving three pillars: Community Engagement, Internal Culture and Efficient Operations. A year has passed quickly and we are still very much continuing to focus on these three pillars into the FY27. It has been a fast and exciting year at LFCHD and we look forward to continuing to improve as an agency.

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

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

STATEMENT OF NET POSITION

JUNE 30, 2026

ASSETS

Current assets:

Cash and cash equivalents	\$ 20,418,612
Investments	23,377,406
Accounts receivable, net of allowance of \$163,916	145,459
Interest receivable	199,437
Note receivable, current portion	66,053
Prepaid expenses	57,600
Total current assets	<u>44,264,567</u>

Noncurrent assets:

Capital assets, net	7,140,570
Note receivable, net of current portion	1,653,984
Total noncurrent assets	<u>8,794,554</u>
Total assets	<u>53,059,121</u>

DEFERRED OUTFLOWS OF RESOURCES:

Deferred outflows - pension	7,059,925
Deferred outflows - OPEB	1,386,077
Total deferred outflows of resources	<u>8,446,002</u>

Total assets and deferred outflows of resources \$ 61,505,123

LIABILITIES

Current liabilities:

Accounts payable	\$ 77,167
Accrued payroll and fringes	1,308,910
Compensated absences, current portion	1,631,508
Lease liability, current portion	102,751
Subscription liability, current portion	184,566
Unearned grant revenue	9,966
Total current liabilities	<u>3,314,868</u>

Long-term liabilities:

Compensated absences, net of current portion	493,994
Lease liability, net of current portion	185,257
Subscription liability, net of current portion	583,681
Net pension liability	54,532,496
Net OPEB liability	4,092,522
Total long-term liabilities	<u>59,887,950</u>
Total liabilities	<u>63,202,818</u>

DEFERRED INFLOWS OF RESOURCES:

Deferred inflows - pension	1,181,271
Deferred inflows - OPEB	1,500,586
Total deferred inflows of resources	<u>2,681,857</u>

NET POSITION:

Net investment in capital assets	6,084,315
Restricted:	
State funds	23,582
Federal funds	41,208
Fees	84,876
Unrestricted	<u>(10,613,533)</u>
Total net position	<u>(4,379,552)</u>
Total liabilities, deferred inflows and net position	<u>\$ 61,505,123</u>

See accompanying notes to 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, 2026

Operating revenues:	
School board contract	\$ 4,700,000
Fees and contracts	1,299,891
Medicaid service fees	537,412
Other fees and contracts	343,877
Total operating revenues	<u>6,881,180</u>
 Operating expenses:	
Personnel	17,002,065
Operating	3,104,876
Amortization	150,938
Depreciation	1,089,576
Total operating expenses	<u>21,347,455</u>
 Operating loss	(14,466,275)
 Noncapital subsidies:	
Tax appropriations	10,910,351
State grants	3,883,708
Federal grants	3,517,134
Total noncapital subsidies	<u>18,311,193</u>
 Operating loss and noncapital subsidies	3,844,918
 Non-operating income (expense):	
Investment income	1,360,764
Interest expense	(12,991)
Total non-operating income (expense)	<u>1,347,773</u>
 Change in net position	5,192,691
 Net position - beginning of year	<u>(9,572,243)</u>
 Net position - end of year	\$ <u><u>(4,379,552)</u></u>

See accompanying notes to the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2026****Cash flows from operating activities:**

Cash received from patients/other service fees	\$ 6,787,932
Payments for employee services and benefits	(21,632,004)
Payments to suppliers	(3,628,729)
Net cash flows from operating activities	(18,472,801)

Cash flows from non-capital financing activities:

Cash received from grantor agencies	7,398,175
Tax apportionments	10,910,351
Receipts from collections of notes	69,568
Net cash flows from non-capital financing activities	18,378,094

Cash flows from capital and related financing activities:

Payments on lease liability	(129,165)
Payments on subscription liability	(205,001)
Interest expense	(12,991)
Purchases of capital assets	(2,315,862)
Net cash flows from capital and related financing activities	(2,663,019)

Cash flows from investing activities:

Proceeds from sale of investments	13,235,000
Purchases of investments	(10,005,317)
Interest income	1,513,917
Net cash flows from investing activities	4,743,600

Net change in cash and cash equivalents	1,985,874
Cash and cash equivalents - beginning of the year	18,432,738

Cash and cash equivalents - end of the year \$ 20,418,612

Reconciliation of operating loss to net cash flows from operating activities:

Operating loss	\$ (14,466,275)
Adjustments to reconcile operating loss to net cash flows from operating activities:	
Depreciation and amortization	1,240,514
Net changes in pension liabilities, deferred inflows, deferred outflows	(2,842,546)
Net changes in OPEB liabilities, deferred inflows, deferred outflows	(1,670,163)
Change in assets and liabilities:	
Contracts and other receivables	(93,248)
Prepaid expenses	244,261
Accounts payable	(768,114)
Accrued payroll and fringes	(166,377)
Compensated absences	49,147
Net cash flows from operating activities	\$ (18,472,801)

Supplemental schedule of noncash capital and financing activities

Acquisition of lease asset through assumption of lease liability	\$ 144,233
Acquisition of subscription asset through assumption of subscription liability	\$ 973,248

See accompanying notes to the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

1. DESCRIPTION OF ORGANIZATION

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 (LFUCG) provides some funding to the Health Department. The Health Department has no component units in these financial statements.

Federal and state revenues for services are recognized as received and are based in some instances upon reimbursement reports filed by the Health Department for eligible services and are subject to adjustments based upon federal and state agency audits as to eligibility of recipients and the computation of reimbursable costs. As of September 29, 2026, no formal reports have been issued as a result of audits performed or in progress for the year ended June 30, 2026.

2. SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Health Department is presented to assist in understanding the financial statements. The financial statements and notes are representations of the Health Department's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Basis of Accounting and Presentation

The activities of the Health Department are accounted for as an enterprise fund on the accrual basis of accounting. Accordingly, revenues are recognized when they are earned, and expenditures are recognized when they are incurred.

The Health Department 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. The Health Department utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis. 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. Amounts in the notes to the financial statements may be rounded to the nearest thousand.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

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.

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.

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.

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, 2026, with the following asset lives:

<u>Description</u>	<u>Estimated Life (Years)</u>
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. Depreciation and amortization expense for the year ended June 30, 2026 totaled \$1,241,000.

Description of Net Position Classes

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 restricted net position. Certain unrestricted revenue or revenue expected to be refunded to the state is classified as unearned revenue.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

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, 2026, 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 \$9,438,000 for the year ended June 30, 2026. The total of taxes and support from LFUCG was \$10,910,000 for the year ended June 30, 2026.

Pensions and Other Post-Employment Benefits (OPEB)

The Health Department participates in the Kentucky Employees Retirement System (KERS) administered by the Board of Trustees of the Kentucky Retirement Systems. These plans consist of a cost-sharing, multiple employer defined benefit pension and OPEB plan, which covers all eligible full-time employees and provides for retirement, disability, health insurance, and death benefits to plan members.

Cost-sharing governmental employers, such as the Health Department, are required to report a net pension and OPEB liability, pension and OPEB expense and pension and OPEB related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan. For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources, and deferred inflows of resources related to pension and OPEB expenses, information about the fiduciary net position of KERS and addition to/deduction from KERS's fiduciary net position have been determined on the same basis as they are reported by KERS.

The KERS financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. 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.

3. CHANGES IN ACCOUNTING PRINCIPLES

Effective July 1, 2025, the Health Department implemented GASB Statement No. 103, *Financial Reporting Model Improvements* and GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The impact of GASB No. 103 is reflected in the accompanying statement of revenues, expenses, and changes in net position with the introduction of a separate section of revenues for noncapital subsidies. The impact of GASB No. 104 is reflected in Note 6 as the leased assets are disclosed separately by major class of underlying asset and assets from subscription-based technology arrangements are separately disclosed. There were no capital assets held for sale at June 30, 2026.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

4. CASH, CASH EQUIVALENTS AND INVESTMENTS

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, 2026, 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, 2026.

The Health Department follows GASB Statement No. 72, *Fair Value Measurement and Application*, with respect to financial assets and liabilities. GASB 72 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Following is a brief description of those three levels.

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Health Department has the ability to access.

Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The methods and assumptions used to estimate the fair value of assets and liabilities in the financial statements, including a description of the methodologies used for the classifications within the fair value hierarchy, are as follows:

- U.S. agency bonds, U.S. Treasury bonds, and certificates of deposit: sponsored enterprises are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

All investments held by the Health Department as of June 30, 2026 are considered Level 2 fair value measurements. Investment details are as follows for amounts held as of June 30, 2026:

	Cost	Market value	Unrealized gain/(loss)	Weighted average maturity (years)
U.S. agency bonds	\$ 2,531,135	\$ 2,515,421	\$ (15,714)	3.84
Certificates of deposit	5,177,000	5,182,940	5,940	4.13
U.S. Treasury bonds	15,830,141	15,679,045	(151,096)	3.78
Total	<u>\$ 23,538,276</u>	<u>\$ 23,377,406</u>	<u>\$ (160,870)</u>	<u>3.86</u>

5. NOTE RECEIVABLE

In 2015, the Health Department converted an account receivable due from HealthFirst Bluegrass, Inc. into a note receivable due to the Health Department. \$1,720,000 was outstanding on the note as of June 30, 2026. The note bears interest at a rate of 2.71% per annum with principal with interest payments due monthly, and matures on July 1, 2046.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

6. CAPITAL ASSETS

Following is a summary of capital asset activity during the year:

	June 30, 2025	Additions	Disposals	Transfers	June 30, 2026
Construction in process, not depreciated	\$ 0	\$ 2,222,503	\$ 0	\$ (2,222,503)	\$ 0
Buildings	2,638,972	0	0	0	2,638,972
Building improvements	6,780,107	0	0	2,070,570	8,850,677
Equipment, furniture & fixtures	2,984,241	93,359	(839,697)	151,933	2,389,836
Leasehold improvements	36,910	0	0	0	36,910
Lease asset - building	471,842	0	0	0	471,842
Lease asset - equipment	263,748	144,233	(263,748)	0	144,233
Subscription asset (SBITA)	0	973,248	0	0	973,248
Total	13,175,820	3,433,343	(1,103,445)	0	15,505,718
Accumulated depreciation	(7,731,447)	(1,089,576)	839,697	0	(7,981,326)
Accumulated amortization, lease assets	(496,632)	(118,496)	263,748	0	(351,380)
Accumulated amortization, SBITA	0	(32,442)	0	0	(32,442)
Capital assets, net	\$ 4,947,741	\$ 2,192,829	\$ 0	\$ 0	\$ 7,140,570

7. LONG-TERM LIABILITIES

Compensated absences

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.

Leases

The Health Department entered into a lease agreement with TIMBRR, LLC, in April 2018, for space at 1051 Whipple Court, Suite 110, Lexington, Kentucky. The space leased consists of approximately 9,840 square feet. The Health Department has recorded a leased building asset and a related lease liability for the building space totaling \$472,000. Payments on the lease will be made over a period of ten years.

Additionally, The Health Department entered a copier lease in October 2025. The Health Department has recorded a leased equipment asset and a related lease liability for the copiers totaling \$144,000. Payments on the lease will be made over a period of 63 months.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

Annual principal and interest requirements to maturity for the lease liabilities are as follows:

	Principal	Interest	Total
2027	\$ 102,751	\$ 9,231	\$ 111,982
2028	107,499	4,661	112,160
2029	34,705	1,472	36,177
2030	28,523	745	29,268
2031	14,530	105	14,635
Total	<u>\$ 288,008</u>	<u>\$ 16,214</u>	<u>\$ 304,222</u>

Subscription-based Information Technology Arrangement (SBITA)

In April 2025, the Health Department entered into a five-year agreement for subscription-based software for its operations. The agreement requires annual payments of \$205,001 beginning in April 2025. Annual principal and interest requirements to maturity for the SBITA are as follows:

	Principal	Interest	Total
2027	\$ 184,566	\$ 20,435	\$ 205,001
2028	189,476	15,525	205,001
2029	194,516	10,485	205,001
2030	199,689	5,312	205,001
Total	<u>\$ 768,247</u>	<u>\$ 51,757</u>	<u>\$ 820,004</u>

Long-term liability activity for the year ended June 30, 2026 is as follows:

	June 30, 2025	Increases	Decreases	June 30, 2026
Lease liability	\$ 272,940	\$ 144,233	\$ (129,165)	\$ 288,008
Subscription liability	0	973,248	(205,001)	768,247
Compensated absences ⁽¹⁾	2,076,355	49,147	0	2,125,502
Total	<u>\$ 2,349,295</u>	<u>\$ 1,166,628</u>	<u>\$ (334,166)</u>	<u>\$ 3,181,757</u>

⁽¹⁾ *Net compensated absences activity presented*

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH**NOTES TO THE FINANCIAL STATEMENTS**

JUNE 30, 2026

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, 2026, net position was restricted as follows:

Program	Code	State	Federal	Fees	Total
WIC Breastfeeding	C21000	\$ 0	\$ 1,838	\$ 0	\$ 1,838
HANDS Special Project	C25010	23,582	2,165	0	25,747
SSP Expansion Project	C60010	0	38	0	38
HIV Counseling and Testing	F52090	0	12,826	0	12,826
PHEP Special Project	F66050	0	19,975	0	19,975
Pediatric/Adolescent Visits	L22030	0	0	6,210	6,210
Family Planning	L31000	0	0	7,287	7,287
Breast and Cervical Cancer	L32010	0	0	2,936	2,936
Heart Disease and Stroke	L41090	0	2,593	0	2,593
Capital Expenditures	L70010	0	0	68,443	68,443
Child and Passenger Safety	L84502	0	1,773	0	1,773
Totals		\$ 23,582	\$ 41,208	\$ 84,876	\$ 149,666

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 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.

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:

Benefit Formula: Final Compensation * Benefit Factor * Year of Service = Cash Balance Plan

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

Tier 1

- Participation: Prior to September 1, 2008
- Final Compensation: Average of the highest 5 fiscal years (must contain at least 48 months). Includes lump sum compensation payments (before and at retirement).
- Benefit Factor: 1.97% for 13 months of credit for 1/1/1998 to 1/1/1999.
2.00% for 13 months or more of credit for 1/1/1998 to 1/1/1999.
- Unreduced Retirement
- Benefit: Any age with 27 years of service. Age 65 with 48 months of service.
Money Purchase for age 65 with less than 48 months based on contributions and interest.
- Reduced Retirement
- Benefit: Any age with 25 years of service. Age 55 with 5 years of service.

Tier 2

- Participation: September 1, 2008, through December 31, 2013
- Final Compensation: 5 complete fiscal years immediately preceding retirement; each year must contain 12 months. Lump sum compensation payments (before and at retirement) are not to be included in creditable compensation.
- Benefit Factor: 1.10% = 10 years or less
1.30% = Greater than 10 years, but no more than 20 years. 1.50% = Greater than 20 years, but no more than 26 years 1.75% = Greater than 26 years, but no more than 30 years 2.00% = Greater than 30 years (2.00% benefit factor only applies to service earned in excess of 30 years).

Tier 3

- Participation: Participation on or after January 1, 2014
- Final Compensation: No final compensation
- Benefit Factor: No benefit factor. A life annuity can be calculated in accordance with actuarial assumptions and a method adopted by the board based on member's accumulated account balance.

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, 2026, the Health Department reported a liability of \$54,532,000 for its proportionate share of the total net pension liability. The net pension liability was measured as of June 30, 2025, and the total

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2024, 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, 2025, the Health Department's proportion was 0.4706%, which increased from 0.4673% measured as of June 30, 2024.

Contributions

For the year ended June 30, 2026, grandfathered plan members were required to contribute 5.00% of wages for non-hazardous job classifications. Employees hired after September 1, 2008 were required to contribute 6% of wages for non-hazardous job classifications.

Plan members who began participating on, or after, January 1, 2014, were required to contribute to the Cash Balance Plan. The Cash Balance Plan is known as a hybrid plan because it has characteristics of both a defined benefit plan and a defined contribution plan. Members in the plan contribute a set percentage of their salary each month to their own account. Plan members contribute 5.0% of wages to their own account and 1.0% 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 4.0% 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, 2026 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 99.77% allocated to the pension fund and 0.23% allocated to the insurance fund.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

The Health Department contributed \$5,607,000, \$851,00 normal cost contribution and \$4,755,000 as the actuarially accrued liability contribution, for the year ended June 30, 2026, which is 100% of the required contribution.

For the year ended June 30, 2026, the Health Department recognized pension expense of \$2,307,000. At June 30, 2026, the Health Department reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred outflows	Deferred inflows
Differences between expected and actual results	\$ 926,978	\$ 0
Changes of assumptions	0	0
Net difference between projected and actual earnings on Plan investments	0	1,181,271
Changes in proportion and differences between the Department contributions and proportionate share of contributions	526,014	0
Department contributions subsequent to the measurement date	5,606,933	0
Total	<u>\$ 7,059,925</u>	<u>\$ 1,181,271</u>

The \$5,607,000 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

Year ending		Amount
June 30		
2026	\$	1,327,382
2027		(431,586)
2028		(384,985)
2029		(239,090)

Actuarial Assumptions

The total pension liability in the June 30, 2025 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment Rate of Return	5.25%
Inflation Rate	2.50%
Payroll Growth Rate	0%
Salary Growth Rate	3.30% to 15.30%, varies by service.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

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, 2025, valuation were based on the results of an actuarial experience study for the period July 1, 2017 - June 30, 2022. The total pension liability was rolled-forward from the valuation date (June 30, 2024) to the plan's fiscal year ending June 30, 2025.

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:

<u>Kentucky Retirement Systems</u>		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
Equity:		
Public Equity	30.00%	4.15%
Private Equity	6.00%	7.90%
Fixed Income:		
Core Fixed Income	27.00%	2.70%
Specialty Credit	20.00%	3.83%
Cash	2.00%	1.25%
Inflation Protected:		
Real Estate	5.00%	4.75%
Real Return	10.00%	5.20%
	<u>100.00%</u>	<u>4.00%</u>
Long term inflation assumption		<u>2.50%</u>
Expected nominal return for portfolio		6.50%

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

Discount Rate

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

Sensitivity of the Health Department's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Health Department's proportionate share of the net pension liability calculated using the discount rate of 5.25 percent, as well as what the Health Department's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25 percent) or 1-percentage-point higher (6.25 percent) than the current rate:

	Discount Rate	Department's Proportionate Share of Net Pension Liability
1% decrease	4.25%	\$ 63,776,837
Current discount rate	5.25%	54,532,496
1% increase	6.25%	46,870,160

Payable to the Pension Plan

At June 30, 2026, the Health Department reported a payable of \$457,000, for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2026.

10. POST-EMPLOYMENT 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.

Benefits

KERS provides health insurance benefits to Plan employees and beneficiaries. For retirement purposes, employees are grouped into three tiers based on hire date:

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

	<u>Months of Service</u>	<u>Percent of Premium</u>
Participation prior to July 2003:	Less than 48	0%
	48 - 119 inclusive	25%
	120 - 179 inclusive	50%
	180 - 239 inclusive	75%
	240 or more	100%
Participation between July 2003 and August 2008:	Greater than or equal to 120	\$10 per month for each year of service without regards to a max dollar adjusted by 1.5% annually
Participation on or after September 2008:	Greater than or equal to 180	\$10 per month for each year of service without regards to a max dollar adjusted by 1.5% annually

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

Cost of Living Members participating after 2008 receive a 1.5% increase annually.

Contributions

As more fully described in Note 9, plan members contribute to KERS for non-hazardous job classifications. For the year ended June 30, 2026, 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 \$188,000, \$177,000 normal cost contribution and \$11,000 as the actuarially accrued liability contribution, for the year ended June 30, 2026, which is 100% of the required contribution.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

OPEB Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2026, the Health Department reported a liability of \$4,092,522 for its proportionate share of the total net OPEB liability. The net OPEB liability was measured as of June 30, 2025, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2024, and rolled forward using generally accepted actuarial principles. 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, 2025, the Health Department's proportion was 0.4783%, which increased from 0.4723% measured as of June 30, 2024.

For the year ended June 30, 2026, the Health Department recognized OPEB expense (benefit) of \$(1,327,000). At June 30, 2026, the Health Department reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred outflows	Deferred inflows
Differences between expected and actual results	\$ 843,294	\$ 810,446
Changes of assumptions	170,712	0
Net difference between projected and actual earnings on Plan investments	0	467,841
Changes in proportion and differences between contributions and proportionate share of contributions	28,555	222,299
Department contributions subsequent to the measurement date	343,516	0
Total	<u>\$ 1,386,077</u>	<u>\$ 1,500,586</u>

The \$343,516 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, 2027. Contributions also include an adjustment of \$157,593 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	Amount
2026	\$ (499,966)
2027	116,115
2028	12,203
2029	(86,377)

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

Actuarial Assumptions

The total OPEB liability in the June 30, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment Rate of Return	5.25%
Inflation Rate	2.50%
Payroll Growth Rate	0%
Salary Growth Rate	3.30% to 15.30%, varies by service
Healthcare Trend Rates:	
Pre-65	Initial trend starting at 7.10% on 1/1/2026 and gradually decreasing to a trend rate of 4.25% over a period of 14 years.
Post-65	Initial trend starting at 8.00% at 1/1/2026 and gradually decreasing to a trend rate of 4.25% over a period of 10 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, 2025 valuation was based on the results of an actuarial experience study for the period July 1, 2017 - June 30, 2022. The total OPEB liability was rolled-forward from the valuation date (June 30, 2024) to the plan's fiscal year ending June 30, 2025.

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 nonhazardous system.

Actuarial Valuation Date	June 30, 2024
Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of pay
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of the assets is recognized.
Remaining Amortization Period	30 years, closed period at June 30, 2019. After 2019, gains/losses will be amortized over separate closed 20-year amortization bases.
Date of Experience Study	July 1, 2017, to June 30, 2022

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

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 return are developed for each asset class. The ranges are combined by weighting the expected future real rates of return by the target asset allocation percentages. 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 both the non-hazardous and hazardous plan.

<u>Kentucky Retirement Systems</u>		
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Nominal Rate of Return</u>
Equity:		
Public Equity	40.00%	4.15%
Private Equity	8.00%	7.90%
Fixed Income:		
Core Fixed Income	10.00%	2.70%
Specialty Credit	25.00%	3.83%
Cash	2.00%	1.25%
Inflation Protected:		
Real Estate	7.00%	4.75%
Real Return	8.00%	5.20%
	100.00%	4.00%
Long term inflation assumption		2.50%
Expected nominal return for portfolio		6.93%

Discount Rate

The discount rate used to measure the total OPEB liability was 6.25% 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 23 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 5.20%, as reported in Fidelity Index's "20-Year Municipal GO Index" as of June 30, 2025. 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 ACFR.

Sensitivity of the Health Department's proportionate share of the collective 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

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	Discount Rate	Department's Proportionate Share of Net OPEB Liability
1% decrease	5.25%	\$ 5,580,918
Current discount rate	6.25%	4,092,522
1% increase	7.25%	2,837,690

Sensitivity of the Health Department's proportionate share of the collective net OPEB liability to changes in the healthcare cost trend rates.

The following presents the Health Department's proportionate share of the net OPEB liability calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	Department's Proportionate Share of Net OPEB Liability
1% decrease	\$ 2,553,032
Current rate	4,092,522
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 OPEB plan.

At June 30, 2026, the Health Department reported a payable of \$14,000 for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2026.

11. CONCENTRATIONS

During the year ended June 30, 2026, the Health Department derived approximately 18% of its total revenues from the health services contract with Fayette County Public Schools and approximately 41% from the Public Health Tax. A significant reduction in funding from either of these sources could have a material adverse impact on the Health Department's ongoing programs and operations.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2026

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 (\$10,614,000) at June 30, 2026. This deficit is primarily caused by significant pension and OPEB effects. The net effect of deferred outflows, deferred inflows and the net pension and OPEB liability is (\$52,861,000) at June 30, 2026.

14. RECENT GASB PRONOUNCEMENTS

In December 2025, GASB issued Statement No. 105, *Subsequent Events*. The primary objective of this Statement is to enhance consistency in the application of reporting of subsequent events and better meet the informational needs of financial statement users. This Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. The Statement describes the date the financial statements are available to be issued as the date at which (1) the financial statements are complete in a form and format that complies with generally accepted accounting principles and (2) approvals necessary for issuance have been obtained. The Statement also requires the date through which subsequent events have been evaluated to be disclosed. The Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.

The Health Department has not yet determined what impact, if any, the above item will have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN FISCAL YEARS

Reporting period (Measurement period)	2026 (2025)	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Health Department's proportion of the net pension liability	0.4706%	0.4673%	0.4701%	0.4703%	0.4725%	0.4499%	0.4451%	0.4259%	0.4183%	0.3754%
Health Department's proportionate share of the net pension liability (asset)	\$ 54,532,496	\$ 56,313,152	\$ 57,911,690	\$ 62,402,016	\$ 62,927,340	\$ 63,730,740	\$ 62,854,562	\$ 57,949,277	\$ 55,998,909	\$ 42,797,000
Health Department's covered employee payroll	\$ 12,223,160	\$ 8,747,516	\$ 7,859,385	\$ 6,840,702	\$ 7,098,496	\$ 6,386,956	\$ 6,495,683	\$ 6,450,516	\$ 6,412,310	\$ 6,042,668
Health Department's share of net pension liability as % of covered payroll	446.14%	643.76%	736.85%	912.22%	886.49%	997.83%	967.64%	898.37%	873.30%	708.25%
Plan fiduciary net position as % of total pension liability	30.40%	25.96%	22.32%	18.51%	18.48%	14.01%	13.66%	12.84%	13.30%	14.80%

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.

See report of independent auditors and notes to required supplementary information.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SCHEDULE OF PENSION CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required employer contribution	\$ 5,606,933	\$ 4,975,367	\$ 4,979,069	\$ 4,911,265	\$ 4,900,239	\$ 2,925,956	\$ 2,622,484	\$ 2,667,127	\$ 2,648,582	\$ 2,580,314
Contributions relative to contractually required employer contribution	5,606,933	4,975,367	4,979,069	4,911,265	4,900,239	2,925,956	2,622,484	2,667,127	2,648,582	2,580,314
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
Health Department's covered employee payroll	\$12,223,160	\$ 10,002,834	\$ 8,747,516	\$ 7,859,385	\$ 6,840,702	\$ 7,098,496	\$ 6,386,956	\$ 6,495,683	\$ 6,450,516	\$ 6,412,310
Employer contributions as % of covered employee payroll	45.87%	49.74%	56.92%	62.49%	71.63%	41.22%	41.06%	41.06%	41.06%	40.24%

See report of independent auditors and notes to required supplementary information.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SCHEDULE OF PROPORTIONATE SHARE OF NET OPEB LIABILITY
LAST TEN FISCAL YEARS

Reporting period (Measurement period)	2026 (2025)	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
Health Department's proportion of net OPEB liability	0.4783%	0.4723%	0.4981%	0.5001%	0.4814%	0.4499%	0.4451%	0.4256%	0.4183%	0.3754%
Health Department's proportionate share of net OPEB liability (asset)	\$ 4,092,522	\$3,414,990	\$3,907,861	\$11,062,941	\$10,972,635	\$11,423,258	\$9,893,021	\$10,090,980	\$10,607,093	\$8,977,327
Health Department's covered employee payroll	\$12,223,160	\$8,747,516	\$7,859,385	\$ 6,840,702	\$ 7,098,496	\$ 6,386,956	\$6,495,683	\$ 6,450,516	\$ 6,412,310	\$6,042,668
Health Department's share of net OPEB liability as % of covered payroll	33.48%	39.04%	49.72%	161.72%	154.58%	178.85%	152.30%	156.44%	165.42%	148.57%
Plan fiduciary net position as % of total OPEB liability	69.13%	70.95%	66.14%	38.15%	38.38%	29.47%	30.92%	27.32%	24.40%	unavailable

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.

*See report of independent auditors and
notes to required supplementary information.*

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SCHEDULE OF OPEB CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required employer contribution	\$ 187,606	\$ 641,272	\$ 666,145	\$ 647,503	\$ 635,389	\$ 599,301	\$ 537,143	\$ 546,287	\$ 542,488	\$ 535,428
Contributions relative to contractually required employer contribution	187,606	641,272	666,145	647,503	635,389	599,301	537,143	546,287	542,488	535,428
Contribution deficiency (excess)	0	0	0	0	0	0	0	0	0	0
Health Department's covered employee payroll	\$12,223,160	\$ 10,002,834	\$ 8,747,516	\$ 7,859,385	\$ 6,840,702	\$ 7,098,496	\$ 6,386,956	\$ 6,495,683	\$ 6,450,516	\$ 6,412,310
Employer contributions as % of covered employee payroll	1.53%	6.41%	7.62%	8.24%	9.29%	8.44%	8.41%	8.41%	8.41%	8.35%

*See report of independent auditors and
notes to required supplementary information.*

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2026

1. 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 KERS. The insurance contributions are reported on the Schedule of OPEB Contributions.

2. 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.

3. CHANGES OF ASSUMPTIONS – PENSION AND OPEB

The summaries below detail the actuarial assumption changes for the valuation used in determining the required contributions for each year:

June 30, 2026 – 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, 2025, for both pension and OPEB:

- The discount rate used to calculate the total OPEB liability increased from 6.00% to 6.25%

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.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2026

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 2.0% to 0.0%
- The assumed rate of salary increased were increased from 3.30% to 15.30% on average to 3.55% to 15.55% on average

June 30, 2020 – Pension and OPEB Nonhazardous

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

- The assumed rate of salary increased were increased from 3.05% average to 3.30% to 15.30%
- Payroll growth assumption was reduced from 4.0% to 0.0% 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 0.0%

June 30, 2017 – Pension and OPEB Nonhazardous

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

SUPPLEMENTARY INFORMATION

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

BUDGETARY COMPARISON - BUDGETARY BASIS

YEAR ENDED JUNE 30, 2026

	Revenue Center	Original Budget	Amended Budget	Actual	Variance
STATE GRANTS:					
State restricted	RC4201	\$ 417,833	\$ 417,833	\$ 322,029	\$ (95,804)
State health insurance	RC4204	3,231,409	3,231,409	3,561,679	330,270
Total state grants		<u>3,649,242</u>	<u>3,649,242</u>	<u>3,883,708</u>	<u>234,466</u>
FEDERAL AWARDS:					
Title V block grant	RC4301	166,371	166,371	148,980	(17,391)
Preventative services grant	RC4305	4,000	4,000	20,792	16,792
Coronavirus response and relief	RC4306	50,000	50,000	988,615	938,615
CARES Act	RC4307	0	0	33,116	33,116
Federal programs	RC4309	1,976,246	1,976,246	2,260,802	284,556
American Rescue Plan	RC4308	21,931	21,931	64,829	42,898
Total federal awards		<u>2,218,548</u>	<u>2,218,548</u>	<u>3,517,134</u>	<u>1,298,586</u>
LOCAL FUNDS:					
Local tax appropriations	RC4401	<u>10,575,000</u>	<u>10,575,000</u>	<u>10,910,351</u>	<u>335,351</u>
FEES FOR SERVICES:					
Contracts, school board	RC4501	4,700,000	4,700,000	4,700,000	0
Medicaid (Title 19)	RC4505	551,244	551,244	510,239	(41,005)
Prior year carryover	RC4509	1,015,000	1,015,000	11,218	(1,003,782)
Fees and permits	RC4511	1,015,000	1,015,000	1,299,891	284,891
Other fees and contracts	RC4514	248,700	248,700	343,877	95,177
Total fees for services		<u>7,529,944</u>	<u>7,529,944</u>	<u>6,865,225</u>	<u>(664,719)</u>
INTEREST INCOME	RC4601	1,799,373	1,799,373	1,360,764	(438,609)
TOTAL REVENUES, BUDGETARY BASIS		<u>\$ 25,772,107</u>	<u>\$ 25,772,107</u>	<u>26,537,182</u>	<u>\$ 765,075</u>
Conversion to accrual basis:					
Additional accounts receivable, net				27,173	
Less prior year grant activity (used)				(11,218)	
TOTAL REVENUES, ACCRUAL BASIS				<u>\$ 26,553,137</u>	

See report of independent auditors.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
BUDGETARY COMPARISON - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2026

	Original Budget	Amended Budget	Actual	Variance
PERSONNEL EXPENSES:				
Salaries	\$ 13,296,063	\$ 13,296,063	\$ 12,688,289	\$ (607,774)
Fringe benefits	8,965,813	8,965,813	8,741,199	(224,614)
Total personnel expenses	22,261,876	22,261,876	21,429,488	(832,388)
OPERATING EXPENSES:				
Contractual and professional services	228,900	228,900	305,485	76,585
Travel	127,350	127,350	89,272	(38,078)
Rent	117,220	117,220	108,166	(9,054)
Utilities	237,000	237,000	155,762	(81,238)
Janitorial service and supplies	201,000	201,000	223,360	22,360
Insurance	234,200	234,200	192,305	(41,895)
Building repairs and maintenance	620,000	620,000	332,321	(287,679)
Printing and copying	87,100	87,100	50,298	(36,802)
Telephone	251,295	251,295	225,863	(25,432)
Postage	28,650	28,650	22,308	(6,342)
Office supplies	29,800	29,800	50,095	20,295
Medical record supplies	2,500	2,500	1,001	(1,499)
Computer services and supplies	221,000	221,000	388,575	167,575
Minor office equipment	200	200	87	(113)
Medical supplies	239,500	239,500	298,112	58,612
Lab supplies	6,500	6,500	9,361	2,861
Minor medical equipment	7,300	7,300	5,238	(2,062)
Automobile	37,150	37,150	40,429	3,279
Temporary services	35,000	35,000	157,208	122,208
Dues and subscriptions	36,060	36,060	32,874	(3,186)
Registration fees	29,750	29,750	13,393	(16,357)
Program supplies	332,151	332,151	236,824	(95,327)
Professional services	170,000	170,000	58,915	(111,085)
Advertising and recruitment	41,200	41,200	46,010	4,810
Other expenses	226,505	226,505	237,936	11,431
Total operating expenses	3,547,331	3,547,331	3,281,198	(266,133)
OTHER EXPENSES:				
Capital items	1,130,000	1,130,000	2,315,863	1,185,863
Total other expenses	1,130,000	1,130,000	2,315,863	1,185,863
TOTAL EXPENSES, BUDGETARY BASIS	26,939,207	26,939,207	27,026,549	87,342
REVENUE OVER EXPENSES, BUDGETARY BASIS	\$ (1,167,100)	\$ (1,167,100)	\$ (489,367)	\$ (677,733)
Expense conversion to accrual basis:				
Total expenses, budgetary basis			\$ 27,026,549	
Compensated absences, budgetary basis to accrual basis			85,286	
GASB 68 (Pension) conversion, net			(2,842,546)	
GASB 75 (OPEB) conversion, net			(1,670,163)	
GASB 87 (Leases) conversion, net			(142,156)	
GASB 96 (SBITAs) conversion, net			(34,167)	
Amortization expense			150,938	
Depreciation expense			1,089,577	
Less capital outlay			(2,315,863)	
TOTAL EXPENSE, ACCRUAL BASIS			\$ 21,347,455	

See report of independent auditors.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SCHEDULE OF REVENUES AND EXPENDITURES BY REPORTING AREA - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2026

Program Name	Cost Center	RC4201	RC4202	RC4204	RC4205	RC4301	RC4305	RC4306	RC4307
ENVIRONMENTAL									
Food	F62000	\$ 6,593	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Public Facilities	F63000	0	0	0	0	0	0	0	0
General Sanitation	F63010	0	0	0	0	0	0	0	0
Onsite Sewage	F63020	0	0	0	0	0	0	0	0
Total Environmental		6,593	0	0	0	0	0	0	0
MEDICAL									
WIC	C21000	0	0	0	0	0	0	0	0
HANDS Special Project	C25010	600	0	0	0	0	0	0	0
Federal HANDS Special Project	C25020	0	0	0	0	0	0	0	0
HANDS	C25040	2,720	0	0	0	0	0	0	0
Needle Exchange Program	C52000	40,591	0	0	0	0	0	0	0
Fentanyl Test Strips	C60000	0	0	0	0	0	0	0	0
SSP Expansion Project	C60010	0	0	0	0	0	0	0	0
Harm Reduction - MSA	C60020	5,929	0	0	0	0	0	0	0
KHDA Workforce	C70120	0	0	0	0	0	0	0	0
Childhood Lead Poisoning	F22020	0	0	0	0	0	0	0	0
Tuberculosis Visits	F52000	0	0	0	0	0	0	0	0
Sexually Transmitted Diseases	F52010	0	0	0	0	0	0	0	0
ELC Enhancing Detection	F52030	0	0	0	0	0	0	426,100	0
HIV Counseling and Testing	F52090	0	0	0	0	0	0	0	0
HIV Core Prevention	F52120	0	0	0	0	0	0	0	0
EHE Activities	F52130	0	0	0	0	0	0	0	0
Covid Community Outreach & Equ	F57000	0	0	0	0	0	0	0	0
Immunizations	F57030	0	0	0	0	0	0	0	0
Immunization Grant Projects	F57040	0	0	0	0	0	0	0	0
Strengthening PH Infrastructure	F60000	0	0	0	0	0	0	0	0
Preparedness Coordination	F66020	0	0	0	0	0	0	0	0
Epidemiology & Surveillance	F66030	0	0	0	0	0	0	0	0
PHEP Special Projects	F66050	0	0	0	0	0	0	0	0
HSN1 Crisis Response	F66080	0	0	0	0	0	0	0	33,116
KYAFM - PQC	L10000	0	0	0	0	0	0	0	0
KYPPAP	L10030	0	0	0	0	0	0	0	0
RHTP	L10050	0	0	0	0	0	0	0	0
MCH Coordinator	L22020	0	0	0	0	148,980	0	0	0
Pediatric/Adolescent Visits	L22030	0	0	0	0	0	0	0	0
Supplemental School Health	L22060	0	0	0	0	0	0	0	0
Healthy Start Child Care	L25000	150,194	0	0	0	0	0	0	0
Family Planning	L31000	0	0	0	0	0	0	0	0
Breast & Cervical Cancer	L32010	0	0	0	0	0	0	0	0
Community Health Action Teams	L41030	0	0	0	0	0	20,792	0	0
Diabetes Visits & Activities	L41060	114,042	0	0	0	0	0	0	0
Heart Disease and Stroke Preventio	L41090	0	0	0	0	0	0	0	0
Tobacco	L41110	0	0	0	0	0	0	0	0
KY State Physical Activity & Nutritio	L41120	0	0	0	0	0	0	0	0
LexisNexis	L52010	0	0	0	0	0	0	0	0
Biometric Screenings	L70010	0	0	0	0	0	0	0	0
Core Public Health Assessment	L70060	0	0	0	0	0	0	0	0
Minor Restricted	L70080	0	0	0	0	0	0	0	0
KY ASAP Special Project	L84501	0	0	0	0	0	0	0	0
Child Passenger Safety Grant	L84502	0	0	0	0	0	0	0	0
Total Medical		314,076	0	0	0	148,980	20,792	426,100	33,116
ADMINISTRATION & GENERAL									
Administration & General	ADM	1,360	0	3,561,679	0	0	0	562,515	0
Capital Expenditures	L70100	0	0	0	0	0	0	0	0
TOTAL REGULATORY BASIS		\$ 322,029	\$ 0	\$ 3,561,679	\$ 0	\$ 148,980	\$ 20,792	\$ 988,615	\$ 33,116

See report of independent auditors.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SCHEDULE OF REVENUES AND EXPENDITURES BY REPORTING AREA - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2026

Program Name	Cost Center	RC4309	RC4308	RC4401	RC4501	RC4505	RC4509	RC4511
ENVIRONMENTAL								
Food	F62000	\$ 0	\$ 0	\$ 980,169	\$ 0	\$ 0	\$ 0	\$ 874,659
Public Facilities	F63000	0	0	36,174	0	0	0	352,846
General Sanitation	F63010	0	0	227,917	0	0	0	1,750
Onsite Sewage	F63020	0	0	188,742	0	0	0	21,300
Total Environmental		0	0	1,433,002	0	0	0	1,250,555
MEDICAL								
WIC	C21000	1,558,320	0	1,062,331	0	0	0	0
HANDS Special Project	C25010	0	0	0	0	0	0	0
Federal HANDS Special Project	C25020	4,830	0	0	0	0	0	0
HANDS	C25040	105,320	0	911,408	0	418,340	0	0
Needle Exchange Program	C52000	0	0	575,972	0	0	0	0
Fentanyl Test Strips	C60000	14,310	0	0	0	0	0	0
SSP Expansion Project	C60010	5,945	0	6,509	0	0	0	0
Harm Reduction - MSA	C60020	0	0	2,254	0	0	0	0
KHDA Workforce	C70120	0	0	13,423	0	0	8,992	0
Childhood Lead Poisoning	F22020	0	0	1,895	0	0	0	0
Tuberculosis Visits	F52000	25,322	0	1,100,600	0	18,956	0	23,213
Sexually Transmitted Diseases	F52010	0	0	303,771	0	28,620	0	16,293
ELC Enhancing Detection	F52030	0	0	401,865	0	0	0	0
HIV Counseling and Testing	F52090	24,161	0	8,618	0	0	0	0
HIV Core Prevention	F52120	38,457	0	7,176	0	0	0	0
EHE Activities	F52130	2,636	0	0	0	0	0	0
Covid Community Outreach & Equ	F57000	0	0	0	0	0	0	0
Immunizations	F57030	55,243	0	134,496	0	4,190	0	9,830
Immunization Grant Projects	F57040	13,809	0	733	0	0	0	0
Strengthening PH Infrastructure	F60000	0	11,034	9,547	0	0	0	0
Preparedness Coordination	F66020	95,368	0	285,112	0	0	0	0
Epidemiology & Surveillance	F66030	0	0	997,469	0	0	0	0
PHEP Special Projects	F66050	0	0	0	0	0	0	0
HSN1 Crisis Response	F66080	0	0	0	0	0	0	0
KYAFM - PQC	L10000	105,026	0	1,020	0	0	0	0
KYPPAP	L10030	0	0	29,004	0	0	0	0
RHTP	L10050	20,616	0	25,095	0	0	0	0
MCH Coordinator	L22020	0	0	27,129	0	0	0	0
Pediatric/Adolescent Visits	L22030	0	0	0	0	0	0	0
Supplemental School Health	L22060	0	0	3,172,101	4,700,000	161	0	0
Healthy Start Child Care	L25000	0	0	1,868	0	0	0	0
Family Planning	L31000	0	0	0	0	0	0	0
Breast & Cervical Cancer	L32010	0	0	0	0	0	0	0
Community Health Action Teams	L41030	0	0	1,486	0	0	0	0
Diabetes Visits & Activities	L41060	0	0	201,586	0	0	0	0
Heart Disease and Stroke Preventio	L41090	0	0	0	0	0	0	0
Tobacco	L41110	0	0	21,504	0	0	0	0
KY State Physical Activity & Nutritio	L41120	5,672	0	23,778	0	0	0	0
LexisNexis	L52010	6,715	0	320	0	0	0	0
Biometric Screenings	L70010	0	0	0	0	0	0	0
Core Public Health Assessment	L70060	0	0	145,266	0	0	0	0
Minor Restricted	L70080	0	0	4,013	0	0	0	0
KY ASAP Special Project	L84501	0	0	0	0	0	0	0
Child Passenger Safety Grant	L84502	0	0	0	0	0	2,226	0
Total Medical		2,081,750	11,034	9,477,349	4,700,000	470,267	11,218	49,336
ADMINISTRATION & GENERAL								
Administration & General	ADM	179,052	53,795	0	0	39,972	0	0
Capital Expenditures	L70100	0	0	0	0	0	0	0
TOTAL REGULATORY BASIS		\$ 2,260,802	\$ 64,829	\$ 10,910,351	\$ 4,700,000	\$ 510,239	\$ 11,218	\$ 1,299,891

See report of independent auditors.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH
SCHEDULE OF REVENUES AND EXPENDITURES BY REPORTING AREA - BUDGETARY BASIS
YEAR ENDED JUNE 30, 2026

Program Name	Cost Center	RC4514	RC4601	Total Revenues	Total Costs	Unrestricted Carryover	Program Excess/(Deficit)
ENVIRONMENTAL							
Food	F62000	\$ 10,000	\$ 0	\$ 1,871,421	\$ (1,871,421)	\$ 0	\$ 0
Public Facilities	F63000	0	0	389,020	(389,020)	0	0
General Sanitation	F63010	0	0	229,667	(229,667)	0	0
Onsite Sewage	F63020	0	0	210,042	(210,042)	0	0
Total Environmental		10,000	0	2,700,150	(2,700,150)	0	0
MEDICAL							
WIC	C21000	0	0	2,620,651	(2,620,651)	0	0
HANDS Special Project	C25010	0	0	600	0	0	600
Federal HANDS Special Project	C25020	0	0	4,830	(2,665)	0	2,165
HANDS	C25040	38	0	1,437,826	(1,437,826)	0	0
Needle Exchange Program	C52000	258,914	0	875,477	(875,477)	0	0
Fentanyl Test Strips	C60000	0	0	14,310	(14,310)	0	0
SSP Expansion Project	C60010	0	0	12,454	(12,454)	0	0
Harm Reduction - MSA	C60020	0	0	8,183	(8,183)	0	0
KHDA Workforce	C70120	(10,649)	0	2,774	(11,766)	8,992	0
Childhood Lead Poisoning	F22020	300	0	2,195	(2,195)	0	0
Tuberculosis Visits	F52000	3,669	0	1,171,760	(1,171,760)	0	0
Sexually Transmitted Diseases	F52010	0	0	348,684	(348,684)	0	0
ELC Enhancing Detection	F52030	0	0	827,965	(827,965)	0	0
HIV Counseling and Testing	F52090	0	0	32,779	(32,779)	0	0
HIV Core Prevention	F52120	2,000	0	47,633	(47,633)	0	0
EHE Activities	F52130	0	0	2,636	(2,636)	0	0
Covid Community Outreach & Equ	F57000	0	0	0	(775)	0	(775)
Immunizations	F57030	230	0	203,989	(203,989)	0	0
Immunization Grant Projects	F57040	0	0	14,542	(14,542)	0	0
Strengthening PH Infrastructure	F60000	0	0	20,581	(20,581)	0	0
Preparedness Coordination	F66020	0	0	380,480	(380,480)	0	0
Epidemiology & Surveillance	F66030	0	0	997,469	(997,469)	0	0
PHEP Special Projects	F66050	0	0	0	0	19,975	19,975
HSN1 Crisis Response	F66080	0	0	33,116	(33,116)	0	0
KYA FM - PQC	L10000	0	0	106,046	(106,046)	0	0
KYPPAP	L10030	0	0	29,004	(29,004)	0	0
RHTP	L10050	0	0	45,711	(45,711)	0	0
MCH Coordinator	L22020	0	0	176,109	(176,109)	0	0
Pediatric/Adolescent Visits	L22030	0	0	0	0	4,216	4,216
Supplemental School Health	L22060	0	759,325	8,631,587	(8,631,587)	0	0
Healthy Start Child Care	L25000	0	0	152,062	(152,062)	0	0
Family Planning	L31000	0	0	0	0	7,287	7,287
Breast & Cervical Cancer	L32010	0	0	0	0	2,936	2,936
Community Health Action Teams	L41030	0	0	22,278	(22,278)	0	0
Diabetes Visits & Activities	L41060	3,250	0	318,878	(318,878)	0	0
Heart Disease and Stroke Preventio	L41090	0	0	0	0	2,593	2,593
Tobacco	L41110	0	0	21,504	(21,504)	0	0
KY State Physical Activity & Nutritic	L41120	0	0	29,450	(29,450)	0	0
LexisNexis	L52010	0	0	7,035	(7,035)	0	0
Biometric Screenings	L70010	0	0	0	0	0	0
Core Public Health Assessment	L70060	890	0	146,156	(146,156)	0	0
Minor Restricted	L70080	0	0	4,013	(4,013)	0	0
KY ASAP Special Project	L84501	4,784	0	4,784	(4,784)	0	0
Child Passenger Safety Grant	L84502	61,586	0	61,586	(63,811)	3,998	1,773
Total Medical		325,012	759,325	18,817,137	(18,826,364)	49,997	40,770
ADMINISTRATION & GENERAL							
Administration & General	ADM	0	0	4,398,373	0	0	4,398,373
Capital Expenditures	L70100	8,865	601,439	610,304	0	212,479	822,783
TOTAL REGULATORY BASIS		\$ 343,877	\$ 1,360,764	\$ 26,525,964	\$ (21,526,514)	\$ 262,476	\$ 5,261,926

See report of independent auditors.

LEXINGTON-FAYETTE URBAN COUNTY DEPARTMENT OF HEALTH

SCHEDULE OF INDIRECT COSTS - BUDGETARY BASIS

FOR THE YEAR ENDED JUNE 30, 2026

Program	Cost Center	Department	Environment	Clinic	Medical	Space	Total
ENVIRONMENTAL							
Food	F62000	\$ 280,380	\$ 598,768	\$ 0	\$ 0	\$ 101,524	\$ 980,672
Public Facilities	F63000	50,998	110,405	0	0	63,094	224,497
General Sanitation	F63010	31,683	68,391	0	0	23,979	124,053
Onsite Sewage	F63020	30,302	67,589	0	0	14,291	112,182
Total Environmental		393,363	845,153	0	0	202,888	1,441,404
MEDICAL							
WIC	C21000	480,527	0	339,223	0	241,209	1,060,959
HANDS	C25040	238,836	0	0	238,600	80,603	558,039
Needle Exchange Program	C52000	103,695	0	0	103,641	56,714	264,050
Childhood Lead Poisoning	F22020	386	0	0	415	189	990
Tuberculosis Visits	F52000	197,779	0	137,363	0	107,661	442,803
Sexually Transmitted Diseases	F52010	65,261	0	46,064	0	34,691	146,016
ELC Enhancing Detection	F52030	68,517	0	0	68,392	0	136,909
HIV Counseling and Testing	F52090	2,871	0	0	2,719	5,862	11,452
HIV Core Prevention	F52120	7,964	0	0	7,923	0	15,887
Immunizations	F57030	34,475	0	23,896	0	14,696	73,067
Immunization Grant Projects	F57040	2,766	0	0	2,803	0	5,569
Preparedness Coordination	F66020	53,518	0	0	51,648	0	105,166
Epidemiology & Surveillance	F66030	181,864	0	0	181,511	53,166	416,541
HSN1 Crisis Response	F66080	5,501	0	0	4,663	0	10,164
RHTP	L10050	8,775	0	0	7,571	0	16,346
MCH Coordinator	L22020	29,327	0	0	29,012	12,477	70,816
Supplemental School Health	L22060	1,740,073	0	1,152,956	0	231,163	3,124,192
Healthy Start Child Care	L25000	26,552	0	0	26,003	18,053	70,608
Community Health Action Teams	L41030	1,550	0	0	1,596	0	3,146
Diabetes Visits & Activities	L41060	53,166	0	0	54,928	20,657	128,751
Tobacco	L41110	3,016	0	0	3,185	3,451	9,652
KY State Physical Activity & Nutrition	L41120	5,474	0	0	5,783	0	11,257
Core Public Health Assessment	L70060	22,480	0	0	22,467	23,212	68,159
KY ASAP Special Project	L84501	987	0	0	929	67	1,983
Total Medical		3,335,360	0	1,699,502	813,789	903,871	6,752,522
ADMINISTRATIVE							
Space Indirect	790010	0	0	0	0	(1,106,759)	(1,106,759)
Departmental Indirect	790020	(3,728,723)	0	0	0	0	(3,728,723)
Clinic Indirect	790030	0	0	(1,699,502)	0	0	(1,699,502)
Other Medical Indirect	790040	0	0	0	(813,789)	0	(813,789)
Environmental Indirect	790050	0	(845,153)	0	0	0	(845,153)
Total Administrative		(3,728,723)	(845,153)	(1,699,502)	(813,789)	(1,106,759)	(8,193,926)
Totals		\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0

See report of independent auditors.



Blue & Co., LLC / 250 West Main Street, Suite 2900 / Lexington, KY 40507
main 859.253.1100 fax 859.253.1384 email blue@blueandco.com

**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**

To 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), a component unit of the Lexington-Fayette Urban County Government, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Health Department's basic financial statements, and have issued our report thereon dated September 29, 2026.

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 have not been identified.

To the Board of Health
Lexington-Fayette Urban County Department of Health
Lexington, Kentucky

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 matter 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.

Blue & Co., LLC

Lexington, Kentucky
September 29, 2026