



Financial Statements and Supplementary Information

for

**KENTUCKY LOCAL GOVERNMENT  
HEALTH TRUST**

For Years Ended June 30, 2022 and 2021  
with Report of Independent Auditors

## CONTENTS

### Pages

Report of Independent Auditors.....	1 - 3
Management's Discussion and Analysis ( <i>Unaudited</i> ).....	4 - 5
Financial Statements:	
Statements of Net Position .....	6
Statements of Revenues, Expenses and Change in Net Position.....	7
Notes to the Financial Statements.....	8 - 13
Report of Independent Auditors 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> .....	14 - 15

## Report of Independent Auditors

To the Participating Association Committee  
Kentucky Local Government Health Trust  
Lexington, Kentucky

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the financial statements of Kentucky Local Government Health Trust (the Trust) which comprise the statements of net position as of June 30, 2022 and 2021, the related statements of revenues, expenses and change in net position for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the net position of the Trust as of June 30, 2022 and 2021, and the change in its net position for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

#### *Basis for Opinion*

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Trust and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 these financial statements in accordance with GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Trust'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.

**Report on the Audit of the Financial Statements, continued**

***Auditor's Responsibility 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

**Report on the Audit of the Financial Statements, continued**

***Required Supplementary Information***

GAAP requires that the Management's Discussion and Analysis on pages 4 - 5 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 the 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 GAAS, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2022 on our consideration of the Trust'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 Trust'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 Trust's internal control over financial reporting and compliance.

*Dean Dotson Allen Ford, PLLC*

Lexington, Kentucky  
October 21, 2022

## KENTUCKY LOCAL GOVERNMENT HEALTH TRUST

### Management's Discussion and Analysis (*Unaudited*)

Year ended June 30, 2022

Our discussion and analysis of the Kentucky Local Government Health Trust (the Trust) provides an overview of the Trust's financial activity for the year ended June 30, 2022. It should be read in conjunction with the financial statements, which begin on page 6.

#### Using this Annual Report

This report consists of the financial statements, notes to the financial statements, and supplemental information.

#### Statements of Net Position

Table 1 shows all the assets and liabilities of the Trust and is presented on the accrual basis. Total net position increased \$686,991 for the current year compared to the increase of \$1,804,287 during the prior year, resulting in an overall increase in net position of 27.21% since 2021.

**Table 1  
Net Position**

	<u>2022</u>	<u>2021</u>
Cash and investments	\$ 5,827,179	\$ 4,060,219
Receivables and other assets	<u>48,347</u>	<u>76,172</u>
Total assets	<b>5,875,526</b>	4,136,391
Unearned employer remittances	<b>505,084</b>	1,605,816
Accounts payable and other liabilities	<b>302</b>	5,549
Anthem reserve	<u>2,158,123</u>	<u>-</u>
Total liabilities	<u>2,663,509</u>	<u>1,611,365</u>
Total net position	<b><u>\$ 3,212,017</u></b>	<b><u>\$ 2,525,026</u></b>

#### Statements of Revenues, Expenses and Change in Net Position

Table 2 shows all the revenues and expenses of the Trust and is also presented on the accrual basis. Employer contributions increased \$1,861,131 or 4.41% from the prior year. Current year net investment earnings decreased \$212,589 or 713.60% from the prior year. Current year premiums and healthcare fees paid increased \$2,694,663 or 6.80% from the prior year. Both 2022 and 2021 results were positive. The change in net position was an increase of 27.21% for 2022 mainly due to adding new members and an increase of 250.34% for 2021 primarily due to retention of contingent premium arrangements.

## KENTUCKY LOCAL GOVERNMENT HEALTH TRUST

Management's Discussion and Analysis (*Unaudited*), continued

Year ended June 30, 2022

### Statements of Revenues, Expenses and Change in Net Position, continued

**Table 2**  
**Change in Net Position**

Year ended June 30,	<u>2022</u>	<u>2021</u>
Employer contributions	\$ <b>44,025,488</b>	\$ 42,164,357
Net investment (loss) income	<u>(182,798)</u>	<u>29,791</u>
Total revenue	<b>43,842,690</b>	42,194,148
Insurance premiums and healthcare fees	<b>42,321,358</b>	39,626,695
General and administrative expenses	<u>834,341</u>	<u>763,166</u>
Total expenses	<u>43,155,699</u>	<u>40,389,861</u>
Change in net position	\$ <u><b>686,991</b></u>	\$ <u>1,804,287</u>

### Description of Current and Expected Conditions

The Kentucky League of Cities (KLC) established the Kentucky Local Government Health Trust in 2013 to provide a stable health care option for our members. Since 2013, KLC's health insurance program has delivered single digit rate changes to its membership. Employee participation has grown by 68% since its inception, cresting total enrollment at 4,340 at June 30, 2022. KLC continues to provide cutting edge services including Healthiest You telemedicine, data analytics, electronic invoicing and renewals, online administrative portals, and a dedicated regional staff for a personal touch.

### Contacting the Trust's Financial Management

This financial report is designed to provide a general overview of 2022 and to show the Trust's accountability to its members. If you have any questions about this report or need additional information, contact the Kentucky League of Cities office at 100 East Vine Street, Suite 800, Lexington, KY 40507.

# KENTUCKY LOCAL GOVERNMENT HEALTH TRUST

## Statements of Net Position

June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
<b>Assets</b>		
Cash	\$ 120,706	\$ 191,207
Investments	5,706,473	3,869,012
Insurance premiums receivable from employers	32,972	72,495
COBRA contributions receivable	10,913	3,614
Accrued interest receivable	<u>4,462</u>	<u>63</u>
Total assets	<b>5,875,526</b>	4,136,391
<b>Liabilities</b>		
Unearned employer remittances	505,084	1,605,816
Accounts payable and accrued expenses	302	5,549
Anthem reserve	<u>2,158,123</u>	<u>-</u>
Total liabilities	<b><u>2,663,509</u></b>	<b><u>1,611,365</u></b>
<b>Net position</b>		
Net position	<b><u>\$ 3,212,017</u></b>	<b><u>\$ 2,525,026</u></b>

See accompanying notes.

## KENTUCKY LOCAL GOVERNMENT HEALTH TRUST

### Statements of Revenues, Expenses and Change in Net Position

Years ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenues:		
Employer contributions	\$ 44,025,488	\$ 42,164,357
Net investment (loss) income	<u>(182,798)</u>	<u>29,791</u>
Total revenues	43,842,690	42,194,148
Expenses:		
Insurance premiums and healthcare fees	42,321,358	39,626,695
Administrative expenses	730,967	664,643
Professional fees	87,438	84,969
Other expenses	<u>15,936</u>	<u>13,554</u>
Total expenses	<u>43,155,699</u>	<u>40,389,861</u>
Change in net position	686,991	1,804,287
Net position, beginning of year	<u>2,525,026</u>	<u>720,739</u>
Net position, end of year	<u>\$ 3,212,017</u>	<u>\$ 2,525,026</u>

See accompanying notes.

# KENTUCKY LOCAL GOVERNMENT HEALTH TRUST

## Notes to the Financial Statements

### 1. Description of the Trust

The Kentucky Local Government Health Trust (the Trust) was established, effective July 1, 2013, for the employers of local government entities in Kentucky who subscribe to the plans of the Trust (Subscribing Employers) and are also members of a Participating Association as defined in the Trust Agreement. The related plans provide welfare benefits for eligible employees of the Subscribing Employers and are facilitated by Capstone Administrators, LLC (Capstone). The Trust had 4,340 and 4,270 participating employees as of June 30, 2022 and 2021, respectively. Subscribing Employers adopt individual welfare plans at the member level. The individual Subscribing Employer plans are fully-insured through various contracts issued by insurance companies. All benefits are paid directly by the insurance companies.

Neither this Trust nor any associated health plan is subject to the Employee Retirement Income Security Act of 1974 (ERISA) due to the government plan exemption.

Each Subscribing Employer completes a subscription agreement whereby the employer creates its own plan by adopting the various provisions and determining the eligibility requirements and the allocation of participant premiums for amounts due for benefit coverage. The Trust is designed to collect Subscribing Employer premiums and pay premiums to the group insurer.

Participants should refer to the applicable Summary Plan Description pamphlet and their subscription agreements for a more complete description of their individual plans.

If the Trust were to terminate, Capstone would be required to use available funds to, (1) pay or provide for the payment of all insurance premiums, service contract fees and other charges required to be paid pursuant to the insurance and/or service contracts, (2) pay or provide for payment of all reasonable and necessary expenses in connection with or arising out of the establishment, installation and administration of the Trust, and (3) apply any balance to such other purposes as shall best effectuate the purposes of the Trust. Currently, there is no intention to terminate the Trust.

### 2. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies consistently followed by the Trust in the preparation of its financial statements:

#### Basis of Presentation

The accompanying financial statements are presented in accordance with accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB), which designates accounting principles and financial reporting standards applicable to state and local governmental units. The accompanying financial statements include solely the accounts of the Trust including all programs, activities and functions relating to accumulation and investment of the assets and related income or loss necessary to provide benefits required under the terms of the Trust agreement.

#### Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

## KENTUCKY LOCAL GOVERNMENT HEALTH TRUST

### Notes to the Financial Statements, continued

#### 2. Summary of Significant Accounting Policies, continued

##### Contributions

Premiums due from Subscribing Employers are billed in advance and recorded as receivables until collected and as unearned employer remittances until the related insurance coverage becomes effective. If elected by the Subscribing Employer, employee contributions can be made to the Trust under a Section 125 Plan (the Flexible Benefits Plan). This election allows employers to defer employee contributions pre-tax. Employer contributions include all amounts remitted by Subscribing Employers including amounts originally contributed by participants.

##### Benefit Obligations

Health costs incurred by participants and their dependents are covered by insurance contracts maintained by the Trust. It is the present intention of the Trust to continue obtaining insurance coverage for benefits. Benefit obligations as of June 30, 2022 and 2021, represented premiums due to the insurance companies to continue the benefits.

##### Investment Valuation and Income Recognition

The Trust's investments are stated at fair value. Fair value is 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. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation or depreciation includes the Trust's gains or losses on investments bought and sold as well as held during the period.

##### Risks and Uncertainties

The Trust has a concentration of credit risk in that it maintains cash deposits in a single financial institution which, at times, exceeds federally insured limits. The Trust has not experienced any losses in such accounts. The Trust believes it is not exposed to any significant credit risk regarding its cash balances.

The Trust has investments in money market accounts and mutual funds. Investment securities are exposed to various risks, such as interest rate, market and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of the investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect the amounts reported in the statements of net position and the statements of revenues, expenses and change in net position.

##### Income Tax Status

The Trust is treated as a tax exempt governmental trust under Section 115 of the Internal Revenue Code (the Code).

## KENTUCKY LOCAL GOVERNMENT HEALTH TRUST

Notes to the Financial Statements, continued

### 2. Summary of Significant Accounting Policies, continued

#### Administrative Expenses

Certain administrative expenses of the Trust are paid by Kentucky League of Cities (KLC), a Participating Association. All other administrative expenses are paid by the Trust.

#### Reclassification

Certain amounts in the financial statements have been reclassified to conform to the 2022 presentation with no effect on total benefit obligations, assets, liabilities, net position, or change in net position.

#### Subsequent Events

The Trust's management has evaluated subsequent events for accounting and disclosure requirements through October 21, 2022, the date the financial statements were available to be issued.

### 3. Deposits and Investments

The composition of the Trust's investment portfolio must meet certain criteria as set forth in the Kentucky Administrative Regulations. Investments held by the Trust are as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Deposits and investments classified as cash and cash equivalents:		
Cash and cash equivalents	\$ 120,706	\$ 191,207
Investments classified as investment securities:		
Money market funds	3,626,089	3,091,827
Equity mutual funds	504,205	218,952
Bond mutual funds	<u>1,576,179</u>	<u>558,233</u>
	<u>5,706,473</u>	<u>3,869,012</u>
Total deposits and investments	\$ <u>5,827,179</u>	\$ <u>4,060,219</u>

Net investment (loss) income is comprised of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Interest and dividend income	\$ 44,000	\$ 10,404
Net realized (losses) gains on sales of securities	(6,630)	575
Unrealized (losses) gains on securities, net	<u>(220,168)</u>	<u>18,812</u>
	\$ <u>(182,798)</u>	\$ <u>29,791</u>

## KENTUCKY LOCAL GOVERNMENT HEALTH TRUST

### Notes to the Financial Statements, continued

#### 3. Deposits and Investments, continued

##### Fair Value

Investments, including derivative instruments that are not hedging derivatives, are measured at fair value on a recurring basis. Recurring fair value measurements are those that GAAP requires or permits in the statement of net position at the end of each reporting period. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quotes prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Money market funds are valued at cost which approximates fair value. All of the Trust's other investments are actively traded. All investments are categorized as Level 1 in the fair value hierarchy.

##### Credit Risk

Pursuant to state law, no more than 20% of net position may be invested in medium and lower grade investments; no more than 10% of net position may be invested in lower grade securities; investments with a rating of 5 or 6 from a nationally recognized statistical rating organization (NRSRO) cannot exceed 3% of net position; investments with a rating of 6 from a NRSRO cannot exceed 1% of net position. The Trust's internal investment policy does not allow the purchase of medium or lower grade investments; however, investments already owned may be retained when the rating drops from high grade to medium or lower grades.

State law and the Trust's policy both state that total medium and lower grade investments issued, assumed, guaranteed, accepted or insured by any one organization (or as to asset back securities, any interest in a single asset or pool of assets) may not exceed 1% of net position. The Trust's policy further states that total medium grade holdings tied to a single source shall be limited to 1% of total assets. State law and the Trust's policy both require that no more than 3% of net position shall be invested in any single asset or, for asset backed securities, any single pool of assets.

State law and the Trust investment guidelines assert that corporate bonds are allowable if issued, assumed, or guaranteed by a solvent institution created and existing under the laws of the United States of America. They also state that corporate bond investments shall not exceed 25% of the total market value of the portfolio at the time of purchase and that the bond has a minimum rating of A.

State law and the Trust investment guidelines assert that no individual equity holding shall comprise greater than 10% of the equity portion of the portfolio at the time of purchase. Both also state that an investment in an individual holding shall not represent at the time of purchase more than 5% of the market value of the holding. Furthermore, both state that investments in equities shall not exceed 20% of the total market value of the portfolio of the self-insurance group at the time of purchase. In addition, mutual funds that are held with registered investment advisors licensed by the Securities Exchange Commission and the Commonwealth of Kentucky to perform investment services are allowable and shall not exceed 20% of the total market value of the portfolio at the time of purchase.

## KENTUCKY LOCAL GOVERNMENT HEALTH TRUST

### Notes to the Financial Statements, continued

#### 3. Deposits and Investments, continued

##### Credit Risk, continued

With respect to cash and statute defined bonds, both sets of guidelines state that, of the total investments held, no less than 50% of the total market value shall be held in cash, cash equivalents, and fixed income. Also, a minimum of 5% of the total investments shall be held in cash, cash equivalents or U.S. Treasuries and federal agency securities with a 1 year or less maturity. The Trust may also invest surplus funds or reserves not needed for current obligations in the following: U.S. government bonds, Treasury notes and T-bills or other direct obligations guaranteed by the full faith and credit of the United States of America, tax exempt obligations issued by Kentucky or its agencies with a minimum Standard and Poor (S&P) rating of A.

Furthermore, the Trust may also invest in obligations issued by a country, district, municipality or other legal authority within Kentucky with a minimum S&P rating of AA. Investments may also be made in investment share accounts in a savings and loan institution in Kentucky which is insured by the Federal Deposit Insurance Corporation. Finally, the Trust may also invest in certificates of deposit if issued by a duly chartered commercial bank.

As of June 30, 2022, the Trust was invested in government agency, municipal and corporate bonds, common stocks and mutual funds. Of these bonds that were rated, all ranged in ratings from A to AAA. The Trust also invested in money market funds that were not rated.

##### Concentration of Credit Risk

As of June 30, 2022, the Trust held no debt and equity securities in excess of 5% of the Trust's total investments.

##### Custodial Credit Risk - Deposits

The Trust maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. The Trust has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk related to cash. Cash equivalents include investments in a money market fund that are not federally insured.

##### Investments with Related Party

During the years ended June 30, 2022 and 2021, the Trust invested \$1,500,000 and \$750,000, respectively, through Kentucky League of Cities Investment Pool Plus (KLCIPP). The investments held by KLCIPP are managed and advised by PNC Bank. As of June 30, 2022 and 2021, the fair value of these investments were \$2,080,384 and \$777,185, respectively, with a cost basis of \$2,281,740 and \$758,373, respectively.

## KENTUCKY LOCAL GOVERNMENT HEALTH TRUST

### Notes to the Financial Statements, continued

#### 4. Anthem Reserve

The Trust entered into a contingent premium funding arrangement with Anthem Blue Cross and Blue Shield (Anthem) for both the years ended June 30, 2022 and 2021. During the contract period, the Trust pays a contingent premium calculated as 95% and 98% for 2022 and 2021, respectively, of the full premium for coverage for health care benefits. Additionally, the funding arrangement includes a risk premium that is calculated at 102% of the full premium. The Trust has recorded premiums paid during the contract period at 100% of the full premium, but could be subject to pay an additional amount, up to the risk premium. For the years ended June 30, 2022 and 2021, the Trust was notified by Anthem that the additional amount owed for the contingent premium was \$2,158,123 and \$0, respectively.

#### 5. Related Party Transactions

Capstone facilitates the collection of insurance premium remittances for the Trust, assists with transactions with the insurance companies or the service contracts or their agents relative to the execution and administration of the insurance or service contracts; and establishes the rules for the administration of the affairs of the Trust. Capstone is compensated for services by administrative fees based on the number of participating employees of each Subscribing Employer and by other fees charged periodically for services rendered. Total fees paid to Capstone during the years ended June 30, 2022 and 2021 were \$630,967 and \$589,643, respectively.

KLC manages the employee enrollment and processes applications for coverages provided by the Trust. KLC oversees the Trust's investments and authorizes and processes all operational expenses related to the Trust. Total administrative fees paid to KLC during the years ended June 30, 2022 and 2021 were \$100,000 and \$75,000, respectively.

**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***

**Report of Independent Auditors**

Participating Association Committee  
Kentucky Local Government Health Trust  
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 (*Government Auditing Standards*), the financial statements of the Kentucky Local Government Health Trust (the Trust), which comprise the Trust's statement of net position as of June 30, 2022, the related statement of revenues, expenses and change in net position for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 21, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Trust'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 Trust's internal control. Accordingly, we do not express an opinion on the effectiveness of the Trust'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.

## **Report on Compliance and Other Matters**

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

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Trust'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 Trust's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Dean Dotson Allen Ford, PLLC*

Lexington, Kentucky  
October 21, 2022