



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2012



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
LEXINGTON, KENTUCKY



PREPARED BY THE DEPARTMENT OF FINANCE AND ADMINISTRATION

Paid for with Lexington-Fayette Urban County Government Funds



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INTRODUCTORY SECTION



Lexington-Fayette Urban County Government
OFFICE OF THE MAYOR

Jim Gray
Mayor

November 15, 2012

Dear Citizens,

The Comprehensive Annual Financial Report for the Lexington-Fayette Urban County Government for the fiscal year ended June 30, 2012, demonstrates continued improvement in the financial management of the government, a top priority for my administration, plus strategic investments to improve our community's quality of life and, in turn, its' ability to attract good jobs.

We again built our budget around preserving government's core services, like public safety and public works, while continuing to emphasize the importance of efficiency ... creating a leaner, smarter city hall. Investments in our Rainy Day Fund and Police and Firefighter pension fund have continued. Throughout 2011 and 2012 we have also continued to work toward sustainable reform of our pension fund for current and future retirees. Successful reform requires collaboration and cooperation but also depends on seeking the best advice. Through a public-private partnership Lexington has engaged one of the nation's premiere pension consultants to help us formulate the most effective steps to reducing our system's current unfunded liability.

Our efforts to move employee health insurance toward a cost-of-service model, shifting some additional cost of health insurance to employees, resulted in millions of annual savings to the government. Furthermore, the establishment of an employee health clinic and pharmacy, and wellness initiatives are saving both employees and the city.

We appreciate the dedication of our public safety officers, the service they offer our citizens and their willingness to make sacrifices to help our government recover from the tough financial times. Working with union leaders we have successfully negotiated new collective bargaining contracts that are projected to save millions over the next 3-4 years. Unlike many cities across the country, largely due to this cooperative spirit, we have not had to lay off public safety employees and have instead hired new police, fire and corrections officers to ensure public safety.

This year has brought notable successes in economic development and jobs creation, including the decision of an international law firm, Bingham McCutchen, to bring its global operations center and 250 good jobs to town – high octane for our economy. This company considered 300 cities before choosing Lexington.

And the announcement this year that a 21c Museum Hotel is coming, bringing 150 jobs and giving new life to an iconic building, is a game-changer for downtown that connects the dots among many of our investments.

Lexington is emerging from the recession ready to compete through strategic investments and strong financial management. We look forward to a bright future as we build this Great American City.

Sincerely,

Jim Gray
Mayor

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ELECTED OFFICIALS

MAYOR

Jim Gray

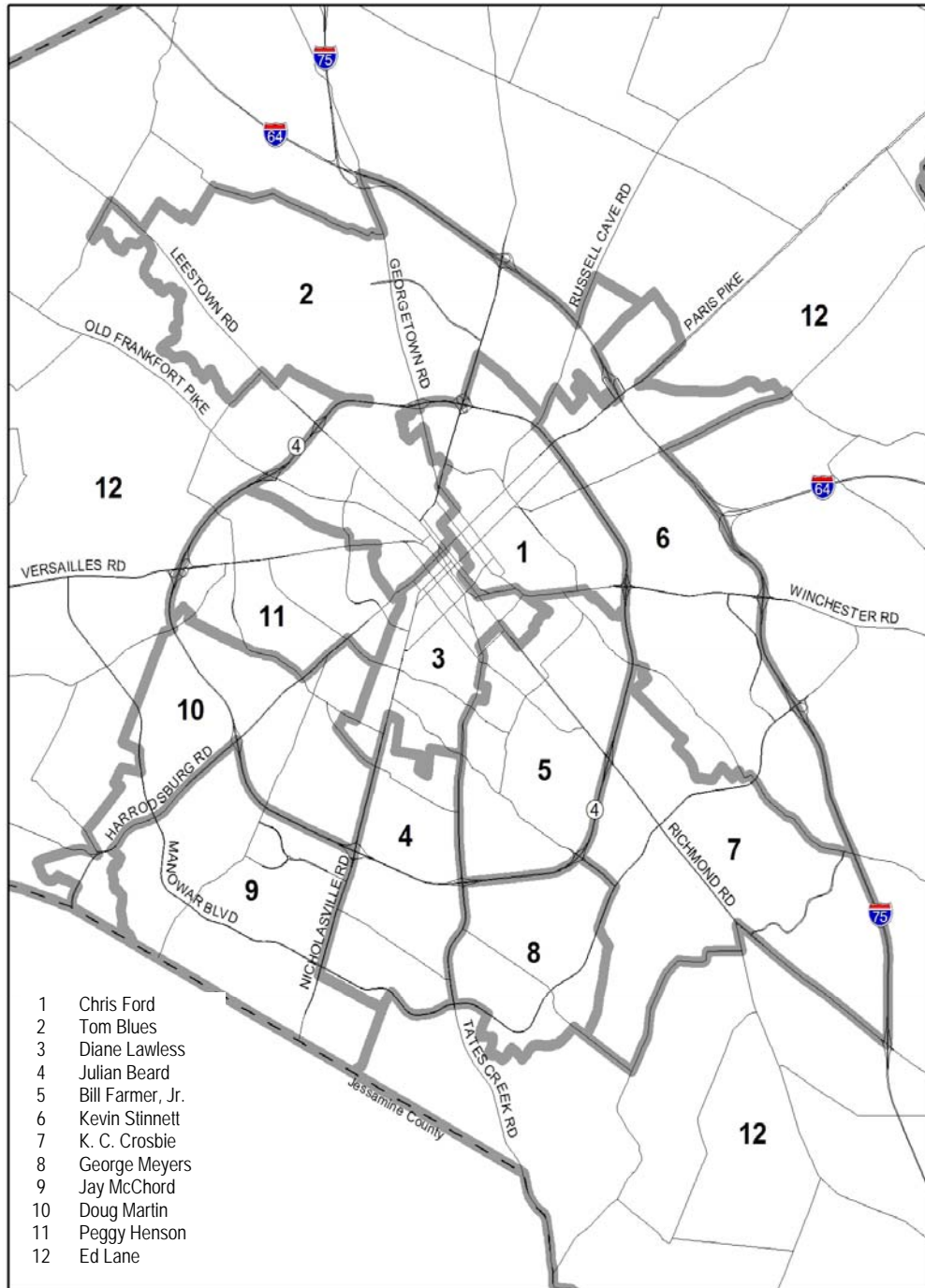
COUNCILMEMBERS-AT-LARGE

Linda S. Gorton – Vice Mayor

Charles W. Ellinger, II

Steve Kay

DISTRICT COUNCILMEMBERS





Lexington-Fayette Urban County Government
DEPARTMENT OF FINANCE & ADMINISTRATION

Jim Gray
Mayor

Jane C. Driskell
Commissioner

November 15, 2012

Citizens of Lexington-Fayette Urban County
Honorable Mayor Jim Gray
Members of the Urban County Council
Lexington-Fayette Urban County Government

Dear Citizens, Mayor and Members of the Urban County Council:

As Commissioner of Finance, I present the Comprehensive Annual Financial Report (CAFR) of the Lexington-Fayette Urban County Government (the Government) for the fiscal year ended June 30, 2012. The CAFR has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and the reporting standards of the Governmental Accounting Standards Board (GASB). The CAFR includes all funds of the Government and its component units.

The report is organized into three sections: an introductory section, a financial section and a statistical section. This introductory section provides general information on the Government's structure, as well as information useful in assessing the Government's financial condition. The financial section contains the independent auditors' report on the financial statement audit, the management discussion and analysis, the basic financial statements, required supplementary information, and information on individual funds not separately provided in the basic financial statements. The statistical section provides a broad range of trend data covering financial, demographic and economic activity useful in assessing the Government's financial condition.

This CAFR was prepared by the Division of Accounting, with assistance from staff in the Departments of Finance, Revenue, and Budgeting. These entities are responsible for both the accuracy of the data presented and the completeness and fairness of the presentation. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to protect the Government's assets from loss, theft or misuse and to compile sufficient reliable information for preparation of the financial statements in conformance with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits likely to be derived from their use and that such cost-benefit evaluation requires estimates and judgment by management.

State statute and the Charter of the Government both require that an independent financial audit be conducted annually. The accounting firm of Dean Dorton Allen Ford, PLLC performed the audit for the fiscal year ended June 30, 2012. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Government for the fiscal year ended June 30, 2012 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded that there was a reasonable basis for rendering an unqualified opinion that the Government's financial statements for the fiscal year ended June 30, 2012, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component in the financial section of this report.

Additionally, the audit engagement also included an audit of federal grants meeting the requirements of federal grantor agencies, as outlined by the Federal Single Audit Act of 1984, the Single Audit Act Amendment of 1996, and related OMB Circular A-133. These standards require the auditor to report not only on the fairness of the representation of the financial statement, but also on the internal controls and compliance with legal requirements of the federal awards. These reports will be available in the Government's separately issued Single Audit Report.

Profile of the Government (As of November 15, 2012)

Lexington-Fayette Urban County Government (LFUCG) is an urban county with the powers of both a city of the second class and a county created from the merger of the City of Lexington and the County of Fayette in 1974. LFUCG operates pursuant to Chapter 67A of the Kentucky Revised Statutes. The Urban County Government operates under a Mayor-Council form of government, where executive and administrative functions are vested with the Mayor, and legislative authority is vested with the Urban County Council.

The Mayor is the chief executive officer and is elected to a four-year term. The Urban County Council has 15 members, including 12 members elected from districts, who serve two-year terms, and three at-large members who serve four-year terms. The Vice-Mayor is the at-large member who receives the most votes in the general election.

The Mayor is assisted in the administration of the government by two senior advisors, a Chief Administration Officer (CAO) and seven Department Commissioners. The senior advisors, CAO, and Commissioners are appointed by the Mayor with the approval of the Urban County Council. This senior leadership team is responsible for administering programs and implementing policies. Each department is divided into divisions that are managed by division directors who are civil service employees.

The Chief Administration Officer is charged with the responsibility of providing supervision, direction and management to the seven Departments of the Urban County Government. The seven Departments of the Government are: Environmental Quality and Public Works; Finance; General Services; Law; Planning, Preservation, and Development; Public Safety; and Social Services. The CAO insures that policies established by the Mayor, Council and Charter are followed and develops programs to meet current and future organizational and community needs. Additionally, the Offices of Risk Management, Computer Services, Government Communications, Enterprise Solutions, and Grants and Special Programs report to the Chief Administration Officer.

The Chief Administration Officer is charged with providing leadership to all of government in technology and communications. The Office includes the Division of Computer Services and the Division of Government Communications. Computer Services provides mainframe and microcomputer support, database development and information services to LFUCG and some outside agencies. Government Communications prepares and distributes information about the city in a variety of ways including LexCall (a One-Stop call for city hall services), GTV3 (the city's cable television station) and the city's website.

The Department of Environmental Quality and Public Works was first established as part of the July 1, 2007, reorganization and includes the Divisions of Environmental Policy, Water Quality, Waste Management, Engineering, Streets and Roads, and Traffic Engineering. The Department consolidates environmental functions together under one umbrella, allowing LFUCG to take a more streamlined, focused and effective approach to protecting the environment.

The Department of Finance includes the Divisions of Accounting, Purchasing, Revenue, Budgeting, and Payroll. This Department is responsible for the custody, investment and disbursement of all funds; debt management; retirement fund administration; coordination of the annual financial audit; and publication of the CAFR. The Division of Budgeting works with the Mayor and other executive leadership to prepare the annual operating budget and the Capital Improvement Plan that the Mayor recommends to the Council each year, and coordinates with the Council as they review the Mayor's recommendations and ultimately authorize revenue and expenditure levels for government for the fiscal year. The Division also monitors the spending of the various Departments throughout the fiscal year and ensures all units stay within the expenditure levels adopted by the Council.

The Department of General Services includes the Divisions of Facilities and Fleet Management and Parks and Recreation. The Division of Fleet and Facilities Management handles the acquisition, maintenance and repair of more than 1,500 vehicles and pieces of equipment owned by LFUCG, in addition to maintaining the City's primary buildings, as well as minor renovations. The LFUCG real estate holdings comprise approximately 4 million square feet of space under roof. The Division of Parks and Recreation operates 103 parks consisting of more than 4,500 acres with green space areas, 5 golf courses, 6 community centers and 7 aquatic facilities. In addition, the Commissioner's Office oversees the management of the Urban County Government telephone system and utilities.

The Department of Law provides legal services for the Government. The Corporate Counsel Division prepares all legal instruments of the Government and provides advice to its elected officials, employees and agencies. The Litigation Division represents the Urban County Government in civil cases and administrative hearings and coordinates representation of cases handled by outside attorneys. Claims management, insurance procurement and administration of the self insurance fund are also handled in the Department of Law. The Commissioner also oversees the Department of Human Resources, which manages all hiring of employees and benefits administration.

The Department of Planning, Preservation, and Development centralizes the different departments and sections involved in the urban planning and development process and consists of these groups: Division of Planning, Division of Historic Preservation, and the Purchase of Development Rights.

The Department of Public Safety is the largest in the Urban County Government. It includes the Divisions of Community Corrections, Police, Fire and Emergency Services, Emergency Management, Enhanced 911, Building Inspection, and Code Enforcement. Readers should be familiar with the services provided by Corrections, Police and Fire, but may not be as familiar with the other Divisions, which provide a variety of services including emergency communications and management, disaster preparedness, inspections of properties for code violations and nuisance abatement.

The Department of Social Services provides services to Fayette County residents by helping families become self sufficient, offering specialized programs to help Lexington youth and providing financial and social services to eligible senior citizens in the community. The Divisions in this Department include Adult Services, Family Services and Youth Services. Other programs in the Department include Aging Services and management of the Cardinal Valley Center, which works to bridge cultural gaps among neighbors.

Significant Events (as of November 15, 2012)

Infrastructure Highlights

- Two major roadway construction projects were completed in FY 2012: First, a section of the Clays Mill road widening project, and second, the renovation of the intersection of Harrodsburg Road and New Circle Road. The design for the Harrodsburg Road project incorporated an innovative traffic pattern called a 'double crossover diamond' and is considered highly progressive. It allows for increased traffic flow and enhanced safety by routing traffic through a non-traditional road pattern. The design is cost effective and represents a significant saving compared to more traditional traffic flow solutions.
- Ownership of four parking garages was transferred from the LFUCG Department of General Services to the Lexington and Fayette County Parking Authority (LFCPA). The LFCPA will manage daily operations of the garages as well as plan for future capital improvements,
- Renovation of the popular downtown Triangle Park was completed. Highlights include a seasonal ice rink, permanent food concession stand, outdoor dining area, and refurbished fountains and water features.
- The Charles Young Center, a historic building first used in the 1930's, reopened after extensive renovations. The Center will house Family and Community Services and the Community Action Council. The Charles Young Center is available for use by the community and recreational activities offered include dance classes, martial arts, tutoring, and organized sports.

Bluegrass Economic Advancement Movement:

The joint Lexington-Louisville Bluegrass Economic Advancement Movement (BEAM) project with the Brookings Institution is well underway. Through the initiative, Mayors Fischer and Gray aim to create a world-class advanced manufacturing region here in Central Kentucky, driving high-wage job creation. Informing the process are the University of Kentucky and the University of Louisville, major manufacturers like Ford, Toyota, GE, Lexmark and Tempur-Pedic, and smaller manufacturers like Westport Axle and Lantech. Research is still underway for the development of BEAM's metropolitan business plan, which is due in 2013.

Health Center and Pharmacy

The Samuel Brown Health Center and related Pharmacy opened for use by employees, retirees, and their families. Initial response has been positive and Health Center employees have actively participated in LFUCG departmental meetings and after-hours town hall sessions to ensure that eligible members are informed of the services offered. It is anticipated that the Health Center and Pharmacy will have a significant positive effect on the finances of LFUCG in the coming fiscal years.

Consent Decree

LFUCG is required to reduce sanitary sewer overflows (SSOs) as part of its court ordered settlement with the United States Department of Justice, the US EPA and the Commonwealth of Kentucky's Energy and Environmental Protection Cabinet (the Consent Decree). The Consent Decree requires Lexington to address structural, operational, and procedural issues within its storm and sanitary sewer systems in accordance with the schedule developed jointly with the US EPA. To date Lexington has met every Consent Decree deadline, and has not been assessed any stipulated penalties. Near term sanitary sewer construction projects completed in FY 2012 include Deep Springs, Dixie, and Bluegrass Airport pump stations (\$3.1 M), treatment plant improvements (\$1.5 M), and sewer rehabilitation to reduce inflow and infiltration (\$1.6 M). The \$15 million SCADA replacement for both treatment plants was bid to be constructed in FY 2013. Additionally, the \$5.2 million Group 2 and 3 system wide Sanitary Sewer Assessment (SSA) was completed and submitted to US EPA. The SSA reports provide the framework for all the Remedial Measure Projects (RMP) which are estimated to cost over \$500 million during the next 11 to 13 years. Also in FY 2012, the RMP reports for Groups 1 and 2 were completed and submitted to US EPA for approval. Funding for the first phase of the Group 1 and 2 projects is included in the FY 2013 budget.

Lexserv Utility Billing

Effective September 1, 2012 Kentucky American Water Company made a corporate decision to discontinue their long standing service of billing for sewer user, landfill user, and water quality fees on the water bill. LFUCG entered into a four year agreement with Greater Cincinnati Water Works to furnish billing and collection of these fees. This billing transition was implemented on time to 115,000 Fayette County residents.

Arena, Arts, and Entertainment Task Force

Since the Rupp Arena, Arts and Entertainment District report was presented to the task force, a number of initiatives have been instituted. A full time project director has been appointed under the auspices of the Lexington Center Corporation, the entity that will be responsible for the management of the Rupp District project. In addition, a master planner, Urban Collage, has been selected to assist in all aspects of the project that includes Rupp Arena, the Lexington Convention Center, Town Branch Commons and the Distillery District. Other Requests for Proposals have been issued for a Strategic Financial Advisor and for a conceptual designer and master planner for the Town Branch Commons. Implementation of the latter two studies will occur in the next thirty to sixty days.

Parks and Recreation

The Division of Parks and Recreation announced the opening of the Skate Spot in Kirklevington Park. The new facility, the first of its kind in Lexington, features a variety of "street" elements for skateboarders. Additionally, Lexington officially opened its' first mountain bike trail at Veterans Park. The trail is almost four miles long and is built to standards established by the International Mountain Biking Association. Both the mountain bike trail and the skate spot were built through public/private partnerships.

Strengthening Fiscal Management

Introduction

FY 2012 continued to be a challenging year due to economic conditions. Like most American cities, Lexington faced compressed revenue growth, higher unemployment, and cost pressures. The Government implemented an expense plan that identified opportunities to operate more efficiently and effectively with available resources.

Factors Affecting Financial Condition

Following is a brief discussion of critical factors affecting the financial condition of the Government. Additional detailed information and discussion of the Government's financial condition can be found in the Management Discussion and Analysis section.

Local Economy

The unemployment rate in Fayette County was 6.5% in June 2012, down from 7.6% in June, 2011. The June 2012 rate is below the national and state rates which were both at 8.2%. Employment as measured by a household survey, which is by place of residence, was 174,792 in March, 2012 compared to 171,247 in March, 2011, the most recent data available.

Budget Control and Financial Management

The Mayor of the Urban County Government submits a proposed annual operating budget and a five-year capital improvement budget to the Urban County Council at least sixty days prior to the beginning of each succeeding fiscal year. The Council, upon receipt of the proposed budget, conducts a series of public hearings on the proposed budget. The Charter of the Urban County Government provides that the Urban County Council may amend the budget; however, the adopted budget shall provide for all expenditures required by law and for all debt service requirements. Other budgeting policies include that the budget must be balanced for each fund, and total available funds must equal or exceed total anticipated expenditures.

The Urban County Council adopts a line-item budget ordinance and must approve all budget amendments moving money within the personnel category or from one category to another (personnel, operating, capital). Budgetary control is maintained at the division level and is facilitated by the use of encumbrance accounting. As purchase orders are issued, corresponding amounts of divisional appropriations are reserved for later payment. Requests for disbursements which will result in an overrun of budgeted expenditures must be accompanied by a request for a budget amendment.

Monthly the Administration conducts departmental budget reviews. Supplemental information on budget amendments, upcoming issues and long-term plans are discussed. These meetings along with the standing Council Committees of Budget and Finance give LFUCG the platform to discuss critical questions on program, policy and priorities in addition to the more routine aspects of governmental budget management.

Collective Bargaining Agreements

Lexington-Fayette Urban County Government successfully negotiated three of the six collective bargaining agreements in FY 2012. Given current budget constraints financial concessions were obtained by the Administration in various forms. Reductions in employee benefit pools, uniform allowances, delayed structure movements as well as a step freeze for the beginning of the contract periods were negotiated. The remaining contract negotiations have continued into FY 2013 and are anticipated to be completed by January 1, 2013.

Long-Term Financial Policies

Annually the Government adopts a Capital Improvement Plan prior to the completion of the annual operating budget. The development of the Capital Improvement Plan budget is coordinated with the development of the operating budgets. Requests for capital projects are accompanied by estimates of project impact on annual operating costs and revenues. Additionally, multi-year forecasts of revenues and expenditures, including operating

and capital expenditures, are prepared throughout the year to monitor the adequacy of funding resources and debt capacity.

Cash Management and Investment Policy

The Department of Finance is responsible for the custody, investment and disbursement of all funds of the Government in accordance with the procedures and standards adopted by the Urban County Council. It is the policy of the Government to invest funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the Government. The Government's investments are governed by state statutes (KRS 66.480) and an investment policy approved by the Urban County Council. In FY 2012, all funds were invested in either obligations of the United States and its agencies of instrumentalities, mutual funds comprised of those securities, repurchase agreements, collateralized Certificates of Deposit or commercial paper.

Awards and Acknowledgements

For the 19th consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lexington-Fayette Urban County Government for its comprehensive annual financial report for the fiscal year ended June 30, 2011. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, the Government must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to the program standards. This report must also satisfy generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for the period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirement, and we are submitting it to the GFOA to determine our eligibility for another certificate.

Preparation of this report could not have been accomplished without the professional, efficient and dedicated services of the staff of the Departments of Accounting, Finance, Revenue, and Budgeting. Further appreciation is extended to the Mayor, the members of the Urban County Council, Commissioners and Division Directors for their cooperation and support.

Respectfully submitted,

A handwritten signature in dark ink, reading "Jane C. Driskell". The signature is written in a cursive, flowing style.

Jane C. Driskell, Commissioner
Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lexington-Fayette Urban
County Government, Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danison

President

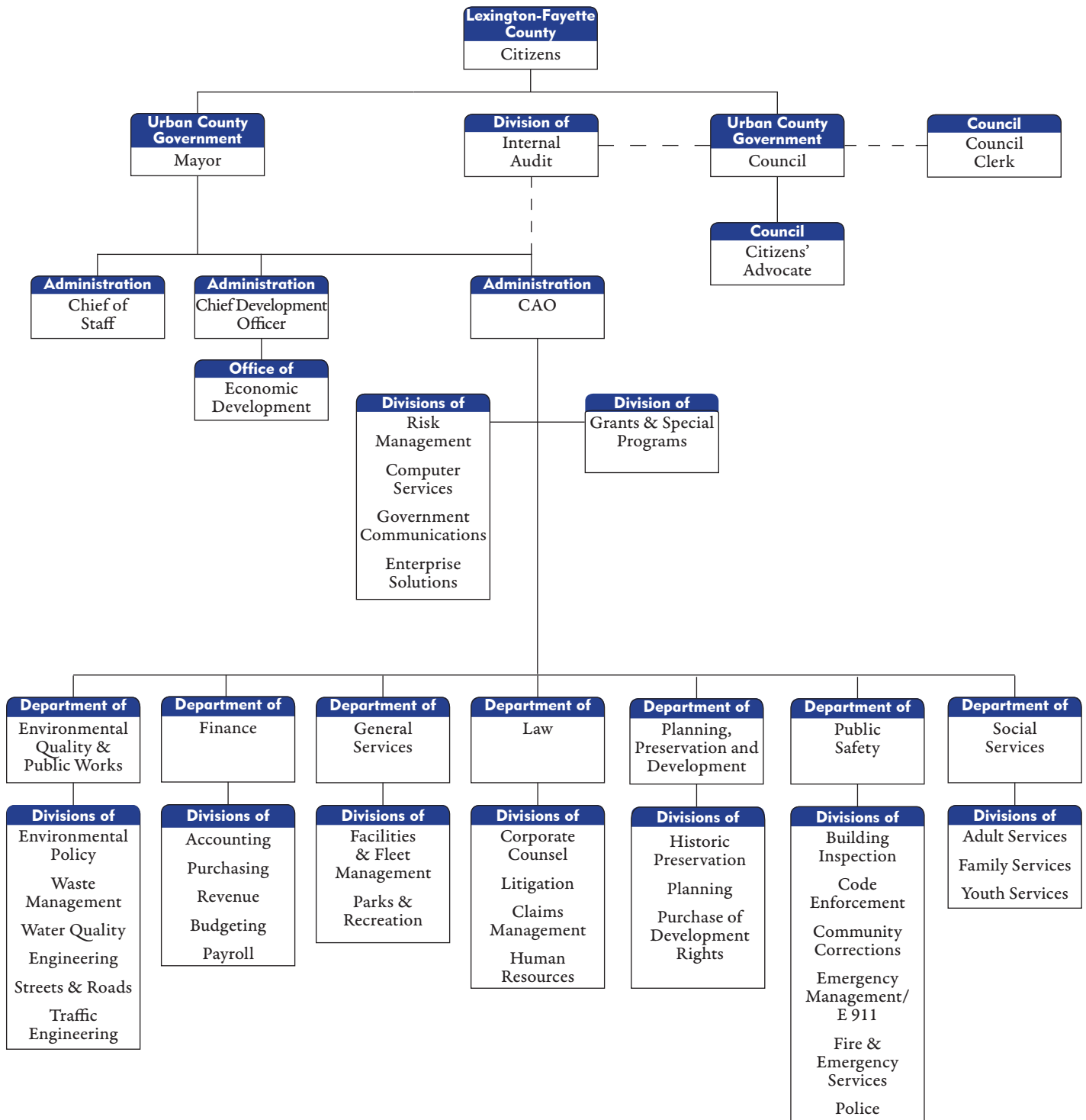
Jeffrey R. Emer

Executive Director



Lexington-Fayette Urban County Government

Organizational Chart



DIRECTORY OF GOVERNMENTAL OFFICIALS

Council Office

Citizens' Advocate Office

Council Clerk's Office

Office of the Mayor

Internal Audit

Office of the Chief Administrative Officer

Grants and Special Projects
Risk Management
Computer Services
Enterprise Solutions
Government Communications

Planning, Preservation, and Development

Planning
Purchase of Development Rights
Historic Preservation

Finance

Accounting and Payroll
Purchasing
Revenue
Budgeting

Environmental Quality and Public Works

Environmental Policy
Water Quality
Waste Management
Engineering
Streets and Roads
Traffic Engineering

Law

Corporate Counsel
Litigation
Human Resources
Claims Management

Public Safety

Building Inspection
Code Enforcement
Community Corrections
Division of Emergency Management/911
Division of Emergency Management/911
Fire and Emergency Services
Police

Social Services

Adult Services
Family Services
Youth Services

General Services

Facilities and Fleet Management
Parks and Recreation

Stacey Maynard, Council Administrator

Penny McFadden, Citizen's Advocate

Susan Lamb, Council Clerk

Jim Gray, Mayor

Bruce Sahli, Director

Richard Moloney, Chief Administrative Officer

Irene Gooding, Director
Patrick R. Johnston, Director
Mike Nugent, Director
Chad Cottle, Director
Vacant

Derek Paulsen, Commissioner

Chris King, Director
Billy Van Pelt, Program Manager
Bettie L. Kerr, Director

Jane Driskell, Commissioner

Phyllis Cooper, Director
Todd Slatin, (Acting) Director
William O'Mara, Director
Ryan Barrow, Director

Richard Moloney, CAO, Acting Commissioner

Susan Bush, Director
Charles H. Martin, Director
Steve Feese, Director
Marwan Rayan, Director
Sam Williams, Director
Ron Herrington, Director

Janet Graham, Commissioner

Keith Horn
Vacant
Tammy Walters, (Acting) Director
Tom Sweeney

Clay Mason, Commissioner

Dewey Crowe, Director
David Jarvis, Director
Rodney Ballard, Director
Patricia Dugger, Director of Emergency Management
David Lucas, Director of Enhanced 911
Keith Jackson, Chief
Ronnie Bastin, Chief

Beth Mills, Commissioner

Connie Godfrey, (Acting) Director
Joanna Rhodes, Director
Laura Hatfield, Director

Sally Hamilton, Commissioner

Jamshid Baradaran, Director
Jerry Hancock, Director



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FINANCIAL SECTION

DEAN || DORTON || ALLEN || FORD
PLLC

The Honorable Mayor, Members of the
Urban County Council and Citizens
Lexington-Fayette Urban County Government
Lexington, Kentucky

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented components units, each major fund, and the aggregate remaining fund information of the Lexington-Fayette Urban County Government (the Government) as of and for the year ended June 30, 2012, which collectively comprise the Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lexington Transit Authority, the Lexington Convention and Visitors Bureau, the Lexington Public Library, the Lexington-Fayette Urban County Airport Board, the Lexington-Fayette Urban County Department of Health, and the Lexington Center Corporation, which represent 99% of the assets and net assets, and 98% of the revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and in our opinion, insofar as it relates to the amounts included for the Lexington Transit Authority, the Lexington Convention and Visitors Bureau, the Lexington Public Library, the Lexington-Fayette Urban County Airport Board, the Lexington-Fayette Urban County Department of Health, and the Lexington Center Corporation, is based on the report of the other auditors.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based upon our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government, as of June 30, 2012, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective Budgetary Comparison for the General Fund and Full Urban Services District Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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502.581.9016 *fax*

In accordance with *Government Auditing Standards*, we have also issued under separate cover our report dated November 15, 2012 on our consideration of the Government's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 15 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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, and 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 inquires 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Government's basic financial statements. The accompanying Combining and Individual Fund Statements on pages 101 through 106 and 111 through 127, and the Schedule of Expenditures of State Awards on page 110 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards on pages 107 through 109 is presented for purposes of additional analysis, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the reports of other auditors, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Government's basic financial statements. The accompanying Introductory Section on pages 1 through 11 and the Statistical Section on pages 129 through 154 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements by us or other auditors, and accordingly, we do not express an opinion or provide any assurance on it.

Dean Dorton Allen Ford, PLLC

Dean Dorton Allen Ford, PLLC
November 15, 2012

MANAGEMENT’S DISCUSSION AND ANALYSIS

The Management’s Discussion and Analysis of Lexington-Fayette Urban County Government’s Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the Urban County Government’s financial performance for the fiscal year ended June 30, 2012. It is supplementary information required by the Governmental Accounting Standards Board (GASB) and is intended to provide a readable explanation of the information within the basic financial statements. It should be read in conjunction with the Letter of Transmittal (which can be found preceding this narrative on page 3) and the financial statements immediately following the analysis.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government–Wide Highlights

The assets of the Urban County Government exceeded its liabilities at the close of the fiscal year by \$1.13 billion (net assets).

- Total assets of the primary government exceeded total liabilities by approximately \$1,125.51 million at the close of fiscal year 2012. This amount includes a deficit of approximately \$69.28 million in unrestricted net assets.
- Total net assets decreased by approximately \$11.28 million.
- Governmental Activities’ net assets were \$820.93 million at the end of fiscal year 2012. Of this amount, \$899.35 million was invested in capital assets, net of related debt. The investments in capital assets, net of related debt comprises 99.2% of total net assets.
- Business-Type Activities held a balance of \$304.58 million in net assets. The unrestricted fund balance at June 30, 2012 is \$29.44 million, or 40.4% of Business-Type Activity expenses.

Fund Highlights

- As of June 30, 2012, the Urban County Government’s governmental funds reported combined ending fund balances of \$98.46 million, an increase of \$8.29 million compared to the previous fiscal year. Of this total amount, \$54.11 million is restricted for various projects: public works, public safety, capital projects, grants, and urban services.
- The General Fund, the primary operating fund of the Urban County Government, held an unassigned fund balance of \$3.27 million or 1.1% of General Fund expenditures. There are four categories of assigned fund balance; general government, economic stabilization, capital projects, and urban services. Assignments for general government, capital projects, and urban services represent reserves for various projects planned within government. These assignments total \$21.06 million for fiscal year 2012. The assigned fund balance designation for economic stabilization held a balance of \$18.48 million, available for spending in the event of an economic downturn or unforeseen event.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the finances of the Lexington-Fayette Urban County Government. Three key elements comprise the basic financial statements, including:

- A) Government-Wide Financial Statements;
- B) Fund Financial Statements, and;
- C) Notes to the Financial Statements

A. Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the Urban County Government's finances in a manner similar to a private-sector business. These statements report financial information about the entire Government, except for fiduciary activities and provide both short-term and long-term information about the Government's financial position, and assist in the assessment of the Urban County Government's economic condition at the end of the fiscal year. The statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. They take into account all revenues and expenses of the fiscal year regardless of when cash is received or paid. The Government-Wide Financial Statements include two statements: The *Statement of Net Assets* and the *Statement of Activities*.

The *Statement of Net Assets* reflects the financial position of the Urban County Government at fiscal year ended June 30, 2012. Accordingly, the Urban County Government's net assets, the difference between assets (what the citizens own) and liabilities (what the citizens owe) are one way to determine the financial condition of the Urban County Government. Over time, increases or decreases in net assets are one indicator of whether the financial health of the Urban County Government is improving or deteriorating. However, additional factors such as changes in the Urban County Government's revenue structure, its tax base, and its level of assets held, should be considered in order to assess thoroughly the overall financial condition of the Urban County Government.

The *Statement of Activities* reflects the Urban County Government's revenues and expenses, as well as other transactions that increase or decrease net assets. Program revenues are offset by program expenses in order to provide better information regarding program costs financed by general government revenues.

Both of the Government-Wide Financial Statements divide the Urban County Government's activities into three types:

1. Governmental Activities – The activities in this section are mostly supported by taxes and intergovernmental revenues (federal grants), namely occupational license fees, property taxes, and service charges. Most services normally associated with local government fall into this category, including police, fire, solid waste, parks and general administration. Internal Service Fund balances are reported as part of Governmental Activities.
2. Business-Type Activities – These activities normally are intended to recover all or a significant portion of costs through user fees and charges to external users of goods and services provided by the Urban County Government. The Business-Type Activities of the Urban County Government include the operations of various Enterprise Funds, including sanitary sewer services, landfill and disposal costs, and leases and operating costs for public facilities related to debt issues.
3. Discretely Presented Component Units – The Urban County Government includes nine separate legal entities in its reports. Although legally separate and possessing independent qualities, the Urban County Government maintains financial accountability for these entities.

B. Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The *Fund Financial Statements* report the operations of the Urban County Government in greater detail than the Government-Wide Financial Statements by providing information about the Government's most significant funds. Local ordinance or bond covenants may require the creation of some funds; others may be created at the discretion of the administration for management and fiscal control of financial resources. All funds of the Urban County Government can be divided into three types of funds: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

1. Governmental funds – Governmental funds are used to account for essentially the same functions reported as Governmental Activities in the *Government-Wide Financial Statements*. However, unlike the *Government-Wide Financial Statements*, governmental fund financial statements focus on near-

term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year.

Most of the basic services performed by the Urban County Government are reported in the governmental funds category. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can be readily converted to cash. Because the focus of governmental funds is narrower than that of the *Government-Wide Financial Statements*, it is useful to compare the information presented for governmental funds with similar information presented for Governmental Activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Urban County Government's near term funding decisions. The governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and Governmental Activities.

2. Proprietary funds – When the Urban County Government charges a fee for services which is intended to cover the cost of providing those services – whether to outside customers or to other units of the Urban County Government – those services are generally reported in the proprietary funds category. The subcategories of the proprietary funds include enterprise funds and internal service funds.

Enterprise funds are used to report the same functions presented as Business-Type Activities in the *Government-Wide Financial Statements*.

Internal service funds are used to accumulate and allocate costs internally among the various functions of the Urban County Government. The Urban County Government uses internal service funds to account for its health, general liability, auto, property and worker's compensation self-insurance. These services predominantly benefit Governmental Activities rather than Business-Type Activities; hence, they have been included with Governmental Activities in the *Government-Wide Financial Statements*.

The proprietary funds are reported in the same way that all activities are reported in the *Government-Wide Financial Statements* but the fund statements provide more detail. The Urban County Government considers the Sanitary Sewer Fund, the Public Facilities Corporation Fund, the Public Parking Corporation Fund and the Landfill Fund as its major proprietary funds.

3. Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of those funds are not available to support the programs of the Urban County Government. The accounting used for the fiduciary funds is similar to that used for proprietary funds. The Urban County Government is trustee, or fiduciary, for two employees' pension funds, the City Employees' Pension Fund and the Policemen's and Firefighters' Retirement Fund.

C. Notes to the Financial Statements

The notes to the financial statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. They are an integral part of the financial statements and focus on the primary government and its activities.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Assets

Net assets may serve as a useful indicator of a government's financial position. In Table 1 below, the Urban County Government's combined net assets (Governmental and Business-Type Activities) totaled \$1.13 billion as of June 30, 2012, a decrease of \$11.28 million from the previous year. Total depreciation expense government wide was \$59.01 million.

The largest proportion of the Urban County Government's net assets, \$1.12 billion, is invested in capital assets (e.g. land, infrastructures, buildings and improvements and equipment), minus any related debt, which is still outstanding and used to acquire those assets. The Urban County Government uses these capital assets to provide services to its citizens. As such, these assets are not available for future spending.

Table 1
Lexington-Fayette Urban County Government
Summary of Net Assets
For Years As Stated

	Total Net Assets (in thousands)		
	FY 2012	FY 2011*	Change
ASSETS			
Current and other assets	\$314,429	\$287,094	\$27,335
Capital assets	1,401,921	1,433,885	(31,964)
Total assets	1,716,350	1,720,979	(4,629)
LIABILITIES			
Current and other liabilities	53,237	59,468	(6,231)
Long-term liabilities	537,605	524,718	12,887
Total liabilities	590,842	584,186	6,656
NET ASSETS			
Invested in capital assets net of related debt	1,116,785	1,130,514	(13,729)
Restricted for:			
Capital Projects	57,996	65,871	(7,875)
Debt Service	9,610	7,939	1,671
Capital Replacement	2,479	3,021	(542)
Grants	1,262	546	716
Maintenance and Operations	6,655	5,901	754
Unrestricted	(69,279)	(76,999)	7,720
Total net assets	\$1,125,508	\$1,136,793	(\$11,285)

*Certain items in FY 2011 have been reclassified to conform to the 2012 presentation.

Approximately \$78.00 million, or 6.8% of total net assets, are subject to external restrictions regarding their use. Restricted net assets of governmental activities include fund balances of the general fund, the urban services fund and various special revenue funds. Please refer to the fund analysis beginning on page 24 for more information.

Table 2 indicates that the net assets of Governmental Activities totaled \$820.93 million, or 66.8% of total assets, a decrease of \$22.93 million from the previous year. Of these net assets, \$899.35 million is invested in capital assets (e.g. land, infrastructures, buildings and improvements and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets.

Table 2
Lexington-Fayette Urban County Government
Summary of Net Assets
For Years as Stated
(in thousands)

	Governmental Activities		
	FY 2012	FY 2011 *	Change
ASSETS			
Current and other assets	\$195,951	\$173,711	\$22,240
Capital assets	1,069,215	1,096,527	(27,312)
Total assets	<u>1,265,166</u>	<u>1,270,238</u>	<u>(5,072)</u>
LIABILITIES			
Current and other liabilities	44,562	50,281	(5,719)
Long-term liabilities	399,679	376,103	23,576
Total liabilities	<u>444,241</u>	<u>426,384</u>	<u>17,857</u>
NET ASSETS			
Invested in capital assets			
net of related debt	899,350	921,237	(21,887)
Restricted for:			
Capital Projects	19,027	32,094	(13,067)
Grants	1,262	546	716
Unrestricted	(98,714)	(110,023)	11,309
Total net assets	<u>\$820,925</u>	<u>\$843,854</u>	<u>(\$22,929)</u>

*Certain items in FY 2011 have been reclassified to conform to the 2012 presentation.

Table 3 shows the net assets of Business-Type Activities totaled \$304.58 million at the end of Fiscal Year 2012, an increase of \$11.65 million from the previous fiscal year. Of these net assets, \$217.43 million, or 71.4%, is invested in capital assets, minus related debt which is still outstanding and used to acquire those assets. The Urban County Government uses these capital assets in the same way as the capital assets held by Governmental Activities.

Table 3
Lexington-Fayette Urban County Government
Summary of Net Assets
For Years as Stated
(in thousands)

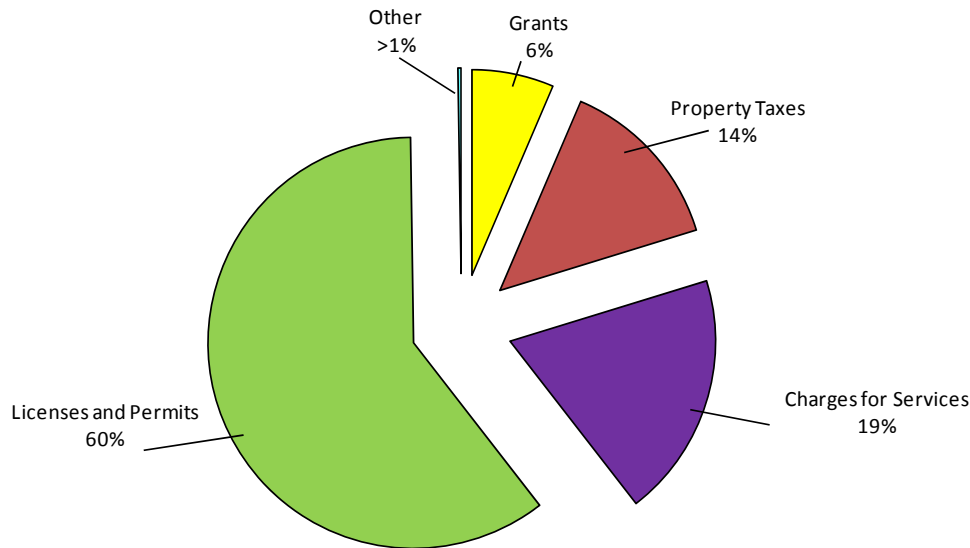
	Business-Type Activities		
	FY 2012	FY 2011 *	Change
ASSETS			
Current and other assets	\$118,479	\$113,383	\$5,096
Capital assets	332,705	337,358	(4,653)
Total assets	<u>451,184</u>	<u>450,741</u>	<u>443</u>
LIABILITIES			
Current and other liabilities	8,675	9,188	(513)
Long-term liabilities	137,926	148,615	(10,689)
Total liabilities	<u>146,601</u>	<u>157,803</u>	<u>(11,202)</u>
NET ASSETS			
Invested in capital assets			
net of related debt	217,434	209,276	8,158
Restricted for:			
Capital Projects	38,969	33,776	5,193
Debt Service	9,610	7,939	1,671
Capital Replacement	2,479	3,021	(542)
Maintenance and Operations	6,655	5,901	754
Unrestricted	29,436	33,025	(3,589)
Total net assets	<u>\$304,583</u>	<u>\$292,938</u>	<u>\$11,645</u>

*Certain items in FY 2011 have been reclassified to conform to the 2012 presentation.

Governmental Activities

As indicated in Chart 1, the Urban County Government funds its Governmental Activities from revenue received from four significant categories. A clear majority, 60%, of the Urban County Government's revenue is provided through licenses and permits. This category includes fees placed on Employee Withholdings, Business Returns, Insurance Premiums, and Franchise Fees. Charges for Services were 19%, which was the second largest contributing category to governmental activity revenues. Revenues collected in this category include charges collected from the Detention Center, EMS charges, golf course collections, fees for building permits, and fees associated with parks and recreation programs. Property Taxes comprised 14% of governmental revenues just ahead of Federal and state grant funding which represents 6%. The remaining Other category represents miscellaneous revenues collected by the Government.

Chart 1
Distribution of Governmental Activity Revenues



As indicated by Table 4, revenues from Governmental Activities totaled \$382.59 million, which was a decrease of 1.2% from the previous fiscal year. Licenses and permits totaled \$230.58 million, representing 60.3% of total revenues. As stated earlier, this category includes Employee Withholdings in the form of an occupational license fee (OLF). This fee is comprised of an assessment of 2.25% on the total wages received by individuals employed in Lexington-Fayette County and an assessment of 2.25% on the net profits of businesses operating in the Lexington-Fayette County area. Licenses and permits increased by \$6.18 million, or 2.8% from the previous fiscal year. This is primarily due to an increase in occupational license fees collected during the fiscal year of \$6.0 million. Property taxes increased slightly, \$0.31 million from the previous fiscal year, up 0.6% which was due to an increase in property valuations. Charges for Services decreased by \$11.00 million, or 19.2%, primarily due to decreases in insurance subsidy requirements and premiums.

As noted on Table 4, total expenses of Governmental Activities were \$405.17 million; a decrease of \$28.99 million from the previous fiscal year. This is primarily due to a decrease in capital expenditures of \$29.91 million. Revenues decreased by \$4.51 million when compared to the prior fiscal year. This is primarily due to a decrease in revenues received from charges for services of \$11.00 million, offset by an increase in revenues received for licenses and permits of \$6.18 million.

Business-Type Activities

Also indicated on Table 4, revenues from Business-Type Activities increased \$0.33 million from the previous fiscal year. This is primarily due to an increase in revenues collected for services provided by the Government. Also noted on Table 4, total expenses of Business-Type Activities remained relatively stable as compared to fiscal year 2011, decreasing by \$1.18 million. This is primarily due to a decrease in Sewer and Landfill program expenses of \$3.66 million. This decrease was offset primarily by an increase of \$2.90 million in Stormwater program expenses. The largest program among these activities is the Sanitary Sewer system, with expenses of \$40.12 million during the fiscal year, representing 55.1% of all Business-Type expenses.

TABLE 4
Lexington-Fayette Urban County Government
Summary of Statement of Activities
For Year as Stated
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$73,623	\$84,619	\$83,034	\$83,162	\$156,657	\$167,781
Operating Grants and Contributions	14,139	13,849			14,139	13,849
Capital Grants and Contributions	8,316	7,079			8,316	7,079
General revenues:						
Property taxes	52,861	52,548			52,861	52,548
Licenses and permits	230,580	224,400			230,580	224,400
Grants and unrestricted contributions	2,172	2,176			2,172	2,176
Other general revenues	901	2,430	1,038	580	1,939	3,010
Total revenues	382,592	387,101	84,072	83,742	466,664	470,843
Program expenses						
General Government*	22,985	24,197			22,985	24,197
Administrative Services*	21,143	1,386			21,143	1,386
Health, Dental, Vision, Workers Comp, General Insurance	26,211	34,755			26,211	34,755
Chief Development Officer*	470				470	0
Chief Information Officer*		9,713			0	9,713
Finance*	19,358	28,516			19,358	28,516
Environmental Quality & Public Works*	80,560	87,171			80,560	87,171
Public Safety*	13,042	11,163			13,042	11,163
Police	68,164	71,715			68,164	71,715
Fire and Emergency Services	66,413	67,107			66,413	67,107
Community Corrections	31,286	31,105			31,286	31,105
Social Services	9,781	10,673			9,781	10,673
General Services	10,042	14,243			10,042	14,243
Parks and Recreation	19,386	19,064			19,386	19,064
Law and Risk Management*	3,497	10,227			3,497	10,227
Interest on Long-Term Debt	12,836	13,132			12,836	13,132
Sanitary Sewer System			40,124	42,473	40,124	42,473
Public Facilities			10,333	10,741	10,333	10,741
Public Parking			848	907	848	907
Landfill			5,272	6,582	5,272	6,582
Right of Way			299	313	299	313
Extended School Program			2,339	2,207	2,339	2,207
Prisoners' Account System			1,374	1,287	1,374	1,287
Enhanced 911			2,973	3,084	2,973	3,084
LexVan Program			29	84	29	84
Stormwater			9,183	6,280	9,183	6,280
Total expenses	405,174	434,167	72,774	73,958	477,948	508,125
Increase (Decrease) in Net Assets before Transfers	(22,582)	(47,066)	11,298	9,784	(11,284)	(37,282)
Transfers	(347)	1,250	347	(1,250)	0	0
Increase (Decrease) in Net Assets	(22,929)	(45,816)	11,645	8,534	(11,284)	(37,282)
Net Assets, July 1	843,854	889,445	292,938	289,618	1,136,792	1,179,063
Adjustment to Opening Net Assets (Note 2.D)		225		(5,214)	0	(4,989)
Net Assets, June 30	\$820,925	\$843,854	\$304,583	\$292,938	\$1,125,508	\$1,136,792

*The following Divisional organizational changes took place in FY2012:

Communications, Enterprise Solutions, and Information Technology moved from Chief Information Officer to Administrative Services; Historic Preservation, Planning and Purchase of Development Rights moved from Public Works to Administrative Services or Planning, Preservation & Development; Risk Management moved from Law to Administrative Services; Budgeting moved from Administrative Services to Finance; Chief Development Administration was created under Chief Development Officer; Office of Economic Development moved from General Government to Chief Development Officer; Community Development changed to Grants and Special Projects and moved from Finance to Administrative Services; Human Resources moved from Finance to Law; Environmental Quality and Public Works were merged to form Environmental Quality & Public Works; Police and Fire Pension moved from Public Safety to Finance; Building Inspection moved from Public Works to Public Safety; Community Corrections, Police and Fire and Emergency Services moved to Public Safety

PERSONNEL COSTS

During the year personnel related expenses for Police, Fire, and Community Corrections which are covered by collective bargaining agreements increased approximately \$29.29 million. This increase is primarily due to a payment of \$31 million to the Police and Firefighters' Retirement Fund that was financed through the Government's issuance of pension bonds and an additional contribution paid to the Retirement plan of \$1.52 million. Salary and Wage costs including benefits, for non-collective bargaining employees decreased 9.9%. Please see Chart 2 for more information on personnel costs for Governmental Activities during fiscal year 2012.

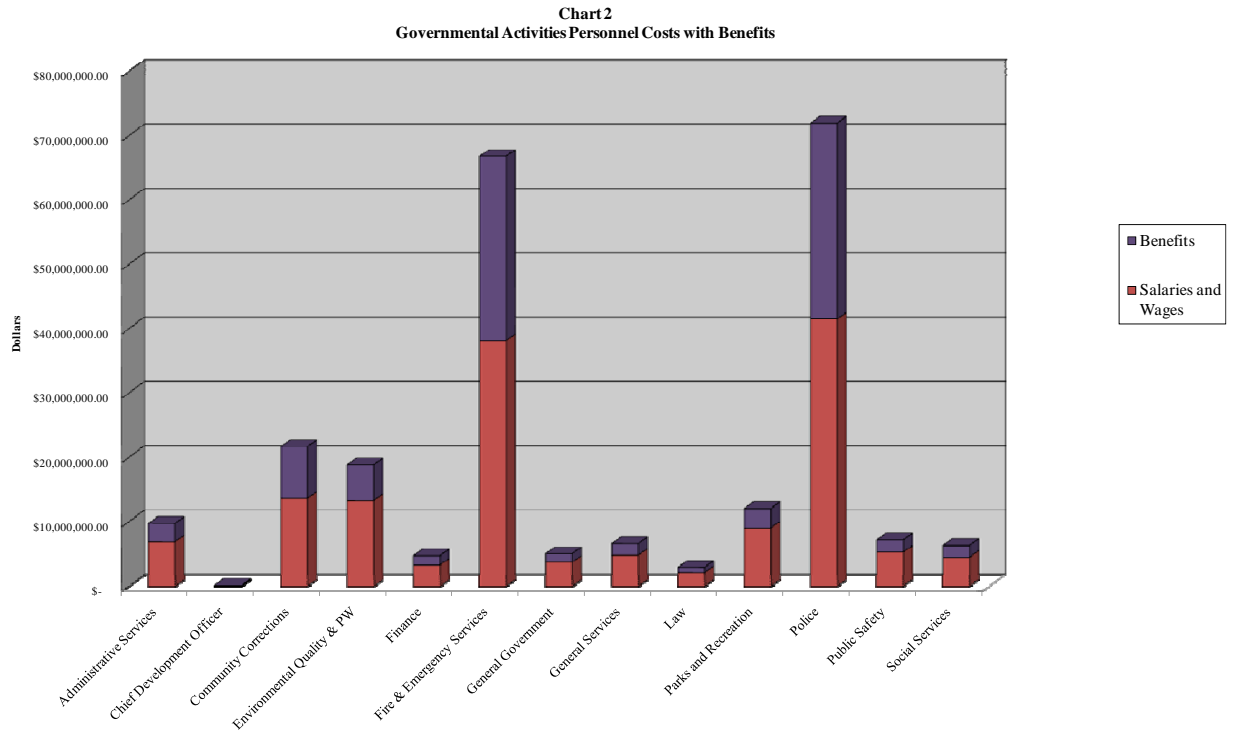
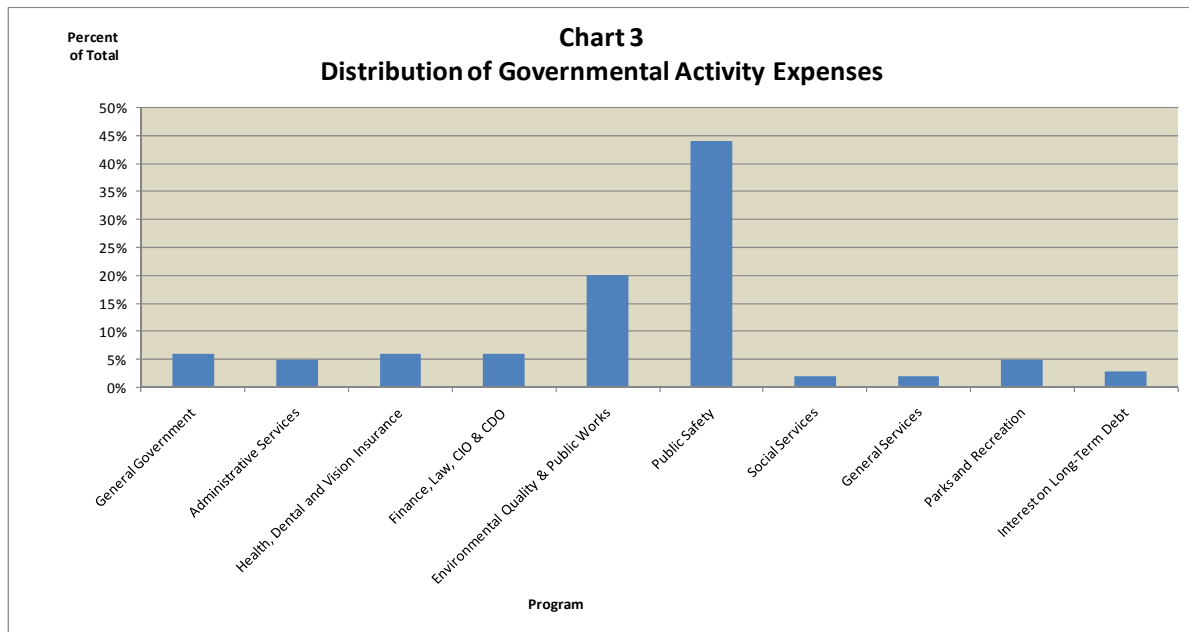


Chart 3 displays the distribution of total costs by governmental activity.



FUNDS OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

As discussed earlier, the Lexington-Fayette Urban County uses fund accounting to ensure and demonstrate compliance with Generally Accepted Accounting Principles (GAAP) and other finance-related legal requirements.

Governmental Funds

The Urban County Government's total governmental funds for the year ended June 30, 2012 reflect a combined ending fund balance of \$98.46 million, an increase of \$8.29 million from the previous fiscal year. The Urban County Government reports fund balance as nonspendable, restricted, committed, assigned, or unassigned (refer to Note 1 to the financial statements for detailed information on the fund balance classifications). The Urban County Government had \$3.27 million of unassigned fund balance available in the General Fund at June 30, 2012. Unassigned fund balance of the General Fund (Urban County Government's main operating fund) represents approximately 1.1% of total general fund expenditures for fiscal year 2012.

At the end of Fiscal Year 2012, the fund balance held by the General Fund totaled \$44.27 million, an increase of \$20.08 million, or 83.0%, from the previous fiscal year. This was primarily due to an increase in revenues of \$2.16 million and other financing sources of \$33.82 million, offset by an increase in program expenditures of \$16.53 million. The Government issued bond series 2012A during fiscal year 2012. The 2012A series was issued to contribute \$31 million to the Police and Fire pension plan. For more details on long-term debt, please see Note 3.D. to the financial statements.

The Urban Services Fund is used to finance solid waste collection, streetlights, and street cleaning services for properties within designated property tax districts. At the end of the fiscal year, the Urban Services Fund held a total fund balance of \$22.77 million, an increase of \$2.34 million over the prior fiscal year. This increase is primarily due to revenues in excess of expenditures. Revenues of the Urban Services Fund increased \$0.41 million from the prior fiscal year due to increases in Property Taxes allocated to the Urban Services Fund. This increase was a result of increased assessed tax values and an increase in new development.

The Federal and State Grants Fund held a balance of \$1.26 million for fiscal year ended June 30, 2012, an increase of \$0.72 million compared to the previous fiscal year. This fund balance represents grant revenues received, but not spent, that are restricted for specific activities. During Fiscal Year 2012, an outstanding loan receivable balance was paid in full which contributed to the increase in fund balance from the prior year. This funding will be used in the future for urban development projects.

The Other Governmental Funds primarily relate to costs associated with various capital bond projects. During Fiscal Year 2012, \$16.26 million was expended on these projects. Revenues received of \$8.94 million were used to partially offset these expenditures. An additional issuance of \$6.28 million Series 2012B bonds partially refunded series 2002C and 2004C bonds. For more details on long term debt, please see Note 3.D. to the financial statements.

Proprietary Funds

The Urban County Government's proprietary funds statements provide the same type of information found in the *Government-Wide Financial Statements*, but in more detail. Total net assets for the Urban County Government's proprietary funds totaled \$304.58 million as of June 30, 2012, an increase of \$11.64 million from the prior fiscal year.

The Sanitary Sewer Fund held total net assets of \$217.01 million, an increase of \$7.86 million over the prior year. Revenues in excess of expenses primarily contributed to this increase. Of the total net assets held by the Sanitary Sewer Fund, \$56.18 million is restricted by bond covenants for maintenance, capital replacement and projects, and debt service. Unrestricted net assets totaled \$4.77 million.

The Public Facilities Corporation (PFC) was created by the Government to act as an agency and instrumentality of the Government to finance and operate public projects. The net assets of the Public Facilities Corporation were \$31.21 million, a decrease of \$2.55 million from the prior fiscal year. This is primarily due to non-operating expenses of \$2.77 million.

The Public Parking Corporation (PPC) was created in a similar fashion to the PFC. The Public Parking Corporation, an agency and authority of the Urban County Government, was established to acquire, finance, and operate public parking facilities for the Urban County Government. The net assets of the Public Parking Corporation totaled \$16.33 million, remaining fairly stable with an increase of \$0.13 million from the prior fiscal year.

As of June 30, 2012, the total net assets of the Landfill Fund held a balance of \$25.40 million, an increase of \$1.72 million from the prior fiscal year, a 7.2% increase. Revenues in excess of expenses primarily contributed to this increase.

The other enterprise funds were established to account for the acquisition, operation and maintenance of the Government's facilities and services which are entirely or predominantly self-supported by user charges or where the Government has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes. As of June 30, 2012 the other enterprise funds held total net assets of \$14.31 million, an increase of \$4.24 million over the previous fiscal year. Revenues in excess of expenses primarily contributed to this increase.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund is the primary operating fund of the Urban County Government. Over the course of the year, the Urban County Council revises the budget numerous times; thus, exercising one of the primary duties of the Council as guardian of the Government's funds. Supplemental appropriations are approved to reflect actual beginning fund balances and to re-appropriate funds for capital projects. As the year progresses and actual revenue collections and budgetary experience is known, amendments are processed in order to reflect the actual results and revised expectations of future revenue and expenditures.

For Fiscal Year ended June 30, 2012, General Fund revenues totaled \$283.53 million, an increase of 0.8% from the previous fiscal year. Total revenues were \$8.39 million above the final budgeted amount. This increase in actual revenue is the result of a slight rebound in the U.S. economy, which positively affects both employee withholdings and business returns. In addition, Detention Center revenues increased \$1.62 million over the budgeted amount. The increase is primarily due to higher than expected revenues from prisoner and bed fees of \$1.40 million and medical reimbursements of \$0.17 million.

General Fund expenditures of the Urban County Government totaled \$300.48 million, an increase of \$16.53 million, or 5.82% over the previous fiscal year. Expenditures were \$22.70 million above the final budgeted amount. Personnel expenditures accounted for 71.2% of General Fund expenditures and this category accounted for the largest increase among all expenditures, approximately \$25.4 million over the prior fiscal year. Public Safety expenditures were \$36.56 million over the final budgeted amount. Divisions with collective bargaining agreements increased personnel expenditures by \$31.16 million, primarily due to the payment of \$31 million to the Police and Firefighters' Retirement Fund that was financed through the issuance of pension bonds in fiscal year 2012. Personnel expenditures from these divisions account for 52.1% of the general fund expenditures. The increase was offset by personnel savings in the divisions covered by non-collective bargaining agreements of \$5.76 million. Please see the Table 5 below for more details regarding the distribution of general fund personnel cost and the changes from prior year.

Table 5
Lexington-Fayette Urban County Government
Summary of General Fund Personnel Costs with Benefits
For Years Stated
(in Thousands)

Departments	2012	2011	Change	% Change	% General Fund Expenditures
Non-Collective Bargaining Divisions					
Administrative Services	\$7,921	\$1,167	\$6,754	578.7%	2.6%
Chief Development Officer	159		159		0.1%
Chief Information Officer		5,476	(5,476)	-100.0%	0.0%
Department of Finance	4,706	6,131	(1,425)	-23.2%	1.6%
Department of General Services	6,862	8,810	(1,948)	-22.1%	2.3%
Department of Law	2,901	2,229	672	30.1%	1.0%
Department of Public Safety	7,223	5,446	1,777	32.6%	2.4%
Department of Social Services	4,943	5,610	(667)	-11.9%	1.6%
Department of Environmental Quality & PW	5,713	11,379	(5,666)	-49.8%	1.9%
General Government	5,036	5,909	(873)	-14.8%	1.7%
Parks and Recreation	11,999	11,061	938	8.5%	4.0%
Total Non-Collective Bargaining Divisions	<u>57,463</u>	<u>63,218</u>	<u>(5,755)</u>	<u>-9.1%</u>	<u>19.1%</u>
Divisions with Collective Bargaining					
Police	69,124	53,751	15,373	28.6%	23.0%
Community Corrections	21,627	21,112	515	2.4%	7.2%
Fire and Emergency Services	<u>65,700</u>	<u>50,433</u>	<u>15,267</u>	<u>30.3%</u>	<u>21.9%</u>
Total Collective Bargaining Divisions	<u>156,451</u>	<u>125,296</u>	<u>31,155</u>	<u>24.9%</u>	<u>52.1%</u>
Total Personnel Costs with Benefits	<u>\$213,914</u>	<u>\$188,514</u>	<u>\$25,400</u>	<u>13.5%</u>	<u>71.2%</u>

CAPITAL ASSETS

The Urban County Government's capital assets totaled \$1.40 billion as of June 30, 2012, details of which are in Note 3.B. of the financial statements. This investment includes land, buildings, equipment, park facilities, roads, bridges, and sewer systems. For Governmental Activities, the recorded capital investments, net of related debt totaled \$899.35 million. Governmental activity capital assets, net of related debt decreased by \$21.89 million from the prior fiscal year. The capital assets, net of related debt of Business-Type Activities totaled \$217.43 million, an increase of \$8.16 million from the previous fiscal year.

This year's major changes in capital assets included:

- The decrease in infrastructure and sewer line assets of \$23.13 million over the prior year was primarily responsible for the overall decrease in capital assets in the Governmental activity. The decrease was primarily due to depreciation of \$30.44 million, offset by capital additions of \$1.42 million and completed capital projects of \$5.98 million. Infrastructure includes roads, bridges, storm water, fiber optics, traffic signals and similar items. In addition, construction in progress assets decreased \$4.92 million from the previous fiscal year.

- Capital Assets for Business-Type Activities decreased by \$4.65 million. The decrease was primarily due to Building assets, decreasing by \$4.45 million. The decrease was due to depreciation of \$4.52 million, offset by additions of \$0.07 million.
- Infrastructure assets totaled \$753.85 million in the Governmental Activities and \$202.22 million in Business-Type Activities. The overall decrease from the previous year in infrastructure assets totaled \$25.15 million. The decrease was primarily due to depreciation of \$36.89 million, offset by net additions of \$11.74 million.

TABLE 6
Lexington-Fayette Urban County Government
Summary of Capital Assets
For Years as Stated
(in thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	\$59,174	\$56,317	\$49,110	\$47,942	\$108,284	\$104,259
Purchase of Developmental Rights	70,087	67,938			70,087	67,938
Intangibles	5,790	6,580	956	30	6,746	6,610
Buildings	98,550	100,625	57,071	61,525	155,621	162,150
Vehicles, Equipment and Furniture	32,026	34,824	3,005	2,358	35,031	37,182
Land and Leasehold Improvements	12,158	10,641	12,881	14,127	25,039	24,768
Infrastructure and Sewer Lines/Plants	753,845	776,973	202,223	204,243	956,068	981,216
Construction in Progress	24,543	29,467	3,314	3,066	27,857	32,533
Developments in Progress	13,042	13,162	4,145	4,066	17,187	17,228
Total	<u>\$1,069,215</u>	<u>\$1,096,527</u>	<u>\$332,705</u>	<u>\$337,357</u>	<u>\$1,401,920</u>	<u>\$1,433,884</u>

Additional information on the Government's capital assets activity can be found in Note 3.B. to the financial statements beginning on page 72 of the report.

DEBT ADMINISTRATION

The Government began issuing General Obligation (GO) bonds in fiscal year 1999 because of changes in state law that had previously precluded this type of financing. Since GO bonds are backed by the full faith and credit of the Urban County Government, they carry a higher credit rating than other forms of debt and have lower interest rates. As a result, future debt issues on behalf of the Urban County Government will be GO debt unless such debt is secured by Enterprise Fund activities.

Prior to the issuance of GO bonds, mortgage revenue bonds were issued through various public corporations in order to finance public projects. For mortgage revenue bonds, the Urban County Government enters into annual renewable lease agreements automatically with the corporations whereby lease payments from the Government, combined with revenues generated by the operation of the facilities, are sufficient to meet debt service obligations. The underlying security for the bond is the annual lease agreements and the underlying mortgages on the property. Revenue bonds, where only the revenues from the operation of the facilities are pledged as security for the bonds, are issued to finance improvements to the sanitary sewer system.

At the end of Fiscal Year 2012, the Urban County Government had \$435.31 million in bonds and notes outstanding; Governmental Activities' debt increased by \$12.86 million, while total debt decreased by \$0.18 million. The increase in debt for Governmental Activities resulted primarily from the issuance of pension and refunding bonds totaling \$37.28 million, offset by principal payments and amortized bond costs in the current fiscal year on outstanding debt of \$24.42 million. The Business-Type Activities debt decreased \$12.85 million

due primarily to principal payments. Additional information on the Governments long-term debt can be found in Note 3.D. beginning on page 75 of the report.

Despite recent legal changes that provide for the issuance of GO debt, legal limits remain on the total amount of GO indebtedness that may be incurred. The Kentucky Constitution provides that the total principal amount of GO debt cannot exceed 10% of the value of taxable property in the county, or \$2.7 billion. State law provides the same limitation as set forth in the constitution except that the limitation applies to “net indebtedness”, which excludes self-supporting obligations, revenue bonds, special assessment debt and non-tax supported debt issued prior to July 15, 1996 (the effective date of the previously discussed statutory change). The total amount of debt subject to the legal limitation is \$149.08 million.

TABLE 7
Lexington-Fayette Urban County Government
Summary of Outstanding Debt
For Years as Stated
(in thousands)

	Governmental		Business-Type Activities		Total Primary Government	
	2012	2011*	2012	2011*	2012	2011*
General Obligation Bonds, Notes, Leases	\$315,715	\$302,851	\$14,767	\$15,105	\$330,482	\$317,956
Mortgage Revenue Bonds			56,709	58,507	56,709	\$58,507
Revenue Bonds			48,121	58,831	48,121	\$58,831
Total	\$315,715	\$302,851	\$119,597	\$132,443	\$435,312	\$435,294

*Certain items in FY 2011 have been reclassified to conform to the 2012 presentation.

The Urban County Government maintains a general obligation bond rating of “Aa2” from Moody’s and “AA” from Standard & Poor’s. The revenue bonds of the sanitary sewer system have a bond rating of “Aa3” from Moody’s and “AA” from Standard & Poor’s. The rating of the Urban County Government’s lease revenue debt is “AA3” from Moody’s and “AA-” from Standard & Poor’s. The Government has not issued lease revenue debt since 1998 due to changes in state law that provided for the issuance of general obligation debt.

Additional information regarding the Urban County Government’s long-term debt can be found in Note 3.D. to the financial statements beginning on page 75 of the report.

NEXT YEAR’S BUDGET

The Lexington-Fayette Urban County Government Fiscal Year 2013 Budget, for all funds combined, net of interfund transfers, is \$471,438 million. Significant initiatives in the budget include:

- A commitment of \$60.31 million for storm sewer projects and programs as required by the U.S. Environmental Protection Agency Consent Decree.
- GO bonds were approved as part of the FY 2013 budget for \$3.53 million. The bonds will fund projects for Purchase of Development Rights conservation easements, Public Safety radios, renovation and construction of Parks, and funding for the Arena, Arts, and Entertainment District.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Government’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Commissioner of Finance, 200 East Main Street, Lexington-Fayette Urban County Government, Lexington, Kentucky, 40507.

BASIC FINANCIAL STATEMENTS

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government			
	Governmental	Business-		Component
	Activities	Type	Total	Units
		Activities		
ASSETS				
Cash	\$26,406,658	\$22,350,326	\$48,756,984	\$28,910,645
Investments	62,658,040	60,939,366	123,597,406	6,881,088
Receivables (net)	23,597,606	4,542,289	28,139,895	4,928,497
Due from Other Governments	5,080,676		5,080,676	1,417,132
Due from Fiduciary Funds	1,598,976		1,598,976	
Due from Component Units	532,214		532,214	172,157
Due from Primary Government				318,206
Other Current Assets				633,469
Inventories and Prepaid Expenses	1,715,336	140,356	1,855,692	1,049,142
Net Pension Asset	54,530,231		54,530,231	731,175
Restricted Assets:				
Cash				7,446,395
Receivables (net)				399,045
Grants Receivable				522,378
Investments	18,428,318	29,807,120	48,235,438	21,559,826
Other				56,222
Capital Assets:				
Non-depreciable	169,855,142	56,568,522	226,423,664	27,102,514
Depreciable (Net)	899,360,165	276,136,879	1,175,497,044	221,552,630
Other Assets				442,679
Unamortized Bond Costs	1,402,852	698,643	2,101,495	2,738,614
Total Assets	1,265,166,214	451,183,501	1,716,349,715	326,861,814
LIABILITIES				
Accounts, Contracts Payable and				
Accrued Liabilities	15,336,279	3,654,521	18,990,800	5,204,145
Interest Payable	3,644,910	617,838	4,262,748	19,053
Internal-Balances	573,641	(573,641)		
Line of Credit				700,000
Due to Component Units	318,206		318,206	172,157
Due to Primary Government				532,214
Unearned Revenue and Other	1,240,583	600,420	1,841,003	241,729
Claims Liabilities	23,448,545		23,448,545	
Liabilities Payable from				
Restricted Assets:				
Accounts, Contracts and Retainage				
Payable		124,250	124,250	221,043
Bonds and Notes Payable		3,401,676	3,401,676	
Interest Payable		850,162	850,162	741,000
Non-Current Liabilities:				
Due Within One Year:				
Bonds and Notes Payable	17,855,000	2,108,041	19,963,041	3,061,681
Compensated Absences	2,975,597	464,603	3,440,200	575,513
Landfill Closure and				
Postclosure Care Costs		5,365,370	5,365,370	
Due in More Than One Year:				
Unearned Revenue and Other	4,233,089	1,346,677	5,579,766	1,706,429
Bonds and Notes Payable	297,859,650	114,086,804	411,946,454	89,777,249
Compensated Absences	18,278,669	965,016	19,243,685	1,028,883
Landfill Closure and				
Postclosure Care Costs		13,589,212	13,589,212	
Unfunded Other Post Retirement				
Benefit Liability	56,962,856		56,962,856	
Unfunded Pension Liability	1,513,988		1,513,988	
Total Liabilities	444,241,013	146,600,949	590,841,962	103,981,096

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET ASSETS
June 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business- Type Activities	Total	
NET ASSETS				
Investment in Capital Assets, Net of Related Debt	899,350,344	217,434,369	1,116,784,713	157,724,015
Restricted for:				
Governmental and Program Funds				964,223
Capital Projects	19,027,031	38,968,863	57,995,894	332,627
Debt Service		9,609,826	9,609,826	22,538,171
Capital Replacement		2,479,230	2,479,230	
Pension				731,175
Grants	1,262,100		1,262,100	
Maintenance and Operations		6,654,840	6,654,840	
Unrestricted (Deficit)	(98,714,274)	29,435,424	(69,278,850)	40,590,507
Total Net Assets	<u>\$820,925,201</u>	<u>\$304,582,552</u>	<u>\$1,125,507,753</u>	<u>\$222,880,718</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

					Net (Expenses) Revenue and Changes in Net Assets			
Function/Program Activities	Expenses	Program Revenues			Primary Government			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$22,985,046	\$15,086,369	\$57,517	\$177,420	(\$7,663,740)	\$0	(\$7,663,740)	\$0
Administrative Services	21,143,480	1,603,453	862,513	1,918,335	(16,759,179)		(16,759,179)	
Health, Dental, and Vision	26,211,457	26,211,457						
Chief Development Officer	470,018		300,000		(170,018)		(170,018)	
Finance	19,357,661	2,511,142			(16,846,519)		(16,846,519)	
Environmental Quality & Public Works	80,559,723	2,912,917	3,232,774	5,954,872	(68,459,160)		(68,459,160)	
Public Safety	13,042,036	2,045,401	1,068,836		(9,927,799)		(9,927,799)	
Police	68,164,371	1,528,342	2,855,100	235,088	(63,545,841)		(63,545,841)	
Fire and Emergency Services	66,413,015	7,340,946	2,105,012		(56,967,057)		(56,967,057)	
Community Corrections	31,286,365	7,707,225	129,012		(23,450,128)		(23,450,128)	
Social Services	9,780,945	1,766,790	3,317,224	30,521	(4,666,410)		(4,666,410)	
General Services	10,041,709	63,132	202,640		(9,775,937)		(9,775,937)	
Parks and Recreation	19,386,251	4,810,535	8,798		(14,566,918)		(14,566,918)	
Law and Risk Management	3,497,483	35,293			(3,462,190)		(3,462,190)	
Interest on Long-Term Debt	12,835,920				(12,835,920)		(12,835,920)	
Total Governmental Activities	405,175,480	73,623,002	14,139,426	8,316,236	(309,096,816)	0	(309,096,816)	
Business-type Activities:								
Sanitary Sewer System	40,124,346	47,287,791				7,163,445	7,163,445	
Public Facilities	10,333,320	7,156,666				(3,176,654)	(3,176,654)	
Public Parking	847,894	977,414				129,520	129,520	
Landfill	5,271,593	7,183,611				1,912,018	1,912,018	
Right of Way	298,896	419,676				120,780	120,780	
Extended School Program	2,339,148	2,338,243				(905)	(905)	
Prisoners' Account System	1,373,473	1,524,127				150,654	150,654	
Enhanced 911	2,973,088	3,999,658				1,026,570	1,026,570	
LexVan Program	29,307	51,798				22,491	22,491	
Stormwater	9,182,669	12,095,514				2,912,845	2,912,845	
Total Business-Type Activities	72,773,734	83,034,498	0	0	0	10,260,764	10,260,764	
Total Primary Government	\$477,949,214	\$156,657,500	\$14,139,426	\$8,316,236	(\$309,096,816)	\$10,260,764	(\$298,836,052)	

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

Function/Program Activities Component Units:	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Lexington Center Corporation	\$18,072,318	\$14,964,003	\$948,000	\$1,375,555				(\$784,760)
Lexington Airport Board	21,432,091	16,868,319	42,281	4,120,272				(401,219)
Fayette County Department of Health	18,064,826	3,875,336	6,620,543					(7,568,947)
Nonmajor component units	44,909,302	5,497,759	5,244,803	3,533,416				(30,633,324)
Total Component Units	\$102,478,537	\$41,205,417	\$12,855,627	\$9,029,243	0	0	0	(39,388,250)
General Revenues:								
Property Taxes					52,860,840		52,860,840	44,191,719
Licenses Fees - Wages and Net Profits Taxes					230,580,201		230,580,201	
Grants and Contributions Not Restricted to Specific Programs:								
Community Development Block Grant					2,171,901		2,171,901	
Income on Investments					589,967	1,029,866	1,619,833	665,148
Gain (Loss) on Sale of Capital Assets					311,259	7,824	319,083	(194,527)
Miscellaneous								56,857
Payment to Lexington-Fayette Urban County Government								168,252
Transfers					(346,507)	346,507		
Total General Revenues and Transfers					286,167,661	1,384,197	287,551,858	44,887,449
Transfer of assets and liabilities to HealthFirst Bluegrass, Inc.								(1,644,277)
Miscellaneous								81,089
					286,167,661	1,384,197	287,551,858	43,324,261
Change in Net Assets					(22,929,155)	11,644,961	(11,284,194)	3,936,011
Net Assets, Beginning					843,854,356	292,937,591	1,136,791,947	219,180,110
Adjustment to Opening Net Assets (Note 2.D.)								(235,403)
Net Assets, Beginning-Restated					843,854,356	292,937,591	1,136,791,947	218,944,707
Net Assets, Ending					\$820,925,201	\$304,582,552	\$1,125,507,753	\$222,880,718

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Urban Services	Federal and State Grants	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$17,297,375	\$46,152	\$2,090,758	\$4,110,186	\$23,544,471
Investments	31,676,641	22,377,206		8,604,193	62,658,040
Receivables:					
Loans			3,579,830		3,579,830
License Fees	17,026,515				17,026,515
Other	9,416,459	210,044	1,547	795,157	10,423,207
Less Allowance for Uncollectible Amounts	(4,026,365)		(3,579,830)		(7,606,195)
Due from Other Governments			5,080,676		5,080,676
Due from Component Units	532,214				532,214
Due from Fiduciary Funds	1,598,976				1,598,976
Due from Other Funds		1,565,586		2,345,609	3,911,195
Inventories and Prepaid Expenses	1,461,447	604		6,604	1,468,655
Restricted Investments	33,900		27,531	18,366,887	18,428,318
Total Assets	75,017,162	24,199,592	7,200,512	34,228,636	140,645,902
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and Contracts Payable	5,148,670	1,036,074	1,496,675	1,672,202	9,353,621
Accrued Payroll & Related Liabilities	5,245,720	395,344	87,479	4,274	5,732,817
Due to Other Funds	19,325,291		3,827,361	2,389,450	25,542,102
Due to Component Units	318,206				318,206
Unearned Revenue and Other	713,686		526,897		1,240,583
Total Liabilities	30,751,573	1,431,418	5,938,412	4,065,926	42,187,329
Fund Balances:					
Nonspendable	1,461,447	604		6,604	1,468,655
Restricted for:					
Public Works				8,238,721	8,238,721
Public Safety				2,812,852	2,812,852
Capital Projects				19,027,031	19,027,031
Grants Projects			1,262,100		1,262,100
Urban Services		22,767,570			22,767,570
Assigned to:					
General Government	11,583,075			447,605	12,030,680
Economic Stabilization	18,482,971				18,482,971
Capital Projects	6,972,224				6,972,224
Urban Services	2,500,000				2,500,000
Unassigned	3,265,872			(370,103)	2,895,769
Total Fund Balances	44,265,589	22,768,174	1,262,100	30,162,710	98,458,573
Total Liabilities and Fund Balances	\$75,017,162	\$24,199,592	\$7,200,512	\$34,228,636	\$140,645,902

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total Fund balances - governmental funds	\$98,458,573
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Amounts reported for Governmental Activities in the Statement of
Net Assets are different because:

Capital assets used in Governmental Activities are not financial resources and,
therefore, are not reported in the funds.

Governmental capital assets	1,454,042,071	
Less accumulated depreciation	<u>(384,826,764)</u>	1,069,215,307

Debt issuance costs are capitalized and amortized over the life of the debt in the statement of net assets, but are recorded as expenditures, when paid, in the Governmental Funds.	1,402,852
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The net pension asset is not an available resource and, therefore, is not reported in the funds.	54,530,231
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Long-term liabilities, including bonds and notes payable, are not due and payable
in the current period and, therefore, are not reported in the funds.

Bonds and notes payable	(315,714,650)	
Unearned revenue and other	(4,233,089)	
Interest payable	(3,644,910)	
Compensated absences	(21,254,266)	
Unfunded pension liability and other post retirement benefits	<u>(58,476,845)</u>	(403,323,760)

Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in Governmental Activities in the Statement of Net Assets.	973,175
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Internal balances due to non-governmental activities related to items listed above	<u>(331,177)</u>
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Net Assets of Governmental Activities	<u><u>\$820,925,201</u></u>
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The accompanying notes are an integral part of the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2012

	General	Urban Services	Federal and State Grants	Other Governmental Funds	Total Governmental Funds
REVENUES					
License Fees and Permits	\$233,898,045	\$1,328,072	\$0	\$0	\$235,226,117
Taxes	20,880,351	31,980,489			52,860,840
Charges for Services	23,879,484	2,380,838		2,500	26,262,822
Fines and Forfeitures	170,001	6,318			176,319
Intergovernmental	1,942,553	85,823	24,627,563	8,469,133	35,125,072
Exactions				129,603	129,603
Property Sales	152,194	291,618		9,728	453,540
Income on Investments	390,823	112,165	32,033	54,881	589,902
Other	2,213,409	98,264	1,419,134	271,268	4,002,075
Total Revenues	283,526,860	36,283,587	26,078,730	8,937,113	354,826,290
EXPENDITURES					
Current:					
General Government	1,686,017	3,231,415	139,869	1,876	5,059,177
Administrative Services	15,972,927	1,465,939	2,173,601		19,612,467
Chief Development Officer	158,932		300,000		458,932
Finance	5,387,968	15,860		1,261	5,405,089
Environmental Quality & Public Works	8,067,655	27,452,215	782,117	13,416	36,315,403
Public Safety	12,229,934		780,008	55,468	13,065,410
Police	73,334,231		3,017,279	651,837	77,003,347
Fire and Emergency Services	71,728,651		1,894,739		73,623,390
Community Corrections	29,590,456		38,987	6,875	29,636,318
Social Services	5,997,960		1,806,789		7,804,749
Environmental Quality					0
General Services	6,350,270	54,429			6,404,699
Parks and Recreation	17,594,886	95,721	184		17,690,791
Law	3,494,863	76,585			3,571,448
Outside Agencies	17,206,291		3,365,436		20,571,727
Debt Service:					
Principal	18,220,760	22,500		221,740	18,465,000
Interest	12,625,461	170,380		40,490	12,836,331
Other Debt Service	91,598				91,598
Capital:					
Equipment	203,146	1,247,641	1,449,096	3,357,418	6,257,301
Acquisitions and Construction	538,228	76,093	11,005,445	11,908,729	23,528,495
Total Expenditures	300,480,234	33,908,778	26,753,550	16,259,110	377,401,672
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,953,374)	2,374,809	(674,820)	(7,321,997)	(22,575,382)
OTHER FINANCING SOURCES (USES)					
Issuance of Debt	31,000,000				31,000,000
Issuance of Refunding Debt				6,275,000	6,275,000
Premium on Bonds	1,064,841				1,064,841
Discount on Bonds	(437,749)				(437,749)
Payment to Refunded Debt Escrow Agent				(6,642,013)	(6,642,013)
Transfers In	15,252,831	290	1,944,857	904,697	18,102,675
Transfers Out	(9,848,795)	(31,697)	(554,398)	(8,058,241)	(18,493,131)
Total Other Financing Sources (Uses)	37,031,128	(31,407)	1,390,459	(7,520,557)	30,869,623
Net Change in Fund Balances	20,077,754	2,343,402	715,639	(14,842,554)	8,294,241
Fund Balances, Beginning	24,187,835	20,424,772	546,461	45,005,264	90,164,332
Fund Balances, Ending	\$44,265,589	\$22,768,174	\$1,262,100	\$30,162,710	\$98,458,573

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012**

Net change in fund balances - Governmental Funds \$8,294,241

Amounts reported for Governmental Activities in the Statement
of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the
Statement of Activities, the cost of those assets is depreciated over their
estimated useful lives.

Expenditure for capital assets	19,360,058	
Less current year depreciation	<u>(45,611,960)</u>	(26,251,902)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.		(1,370,144)
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Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds:

Exaction fees		310,504
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Bond proceeds provide current financial resources to governmental funds,
but issuing debt increases long-term liabilities in the Statement of Net
Assets. Repayment of bond principal is an expenditure in the Governmental
Funds, but the repayment reduces long-term liabilities in the Statement of
Net Assets.

Issuance of debt	(37,275,000)	
Bond issuance costs	137,394	
Premium on bonds	(1,064,841)	
Discount on bonds	437,749	
Loss on refunding	452,013	
Principal payment to refunded bond escrow agent	6,190,000	
Principal payments	<u>18,465,000</u>	(12,657,685)

Some expenses in the Statement of Activities do not require the use of
current financial resources and, therefore, are not reported as expenditures
in the Governmental Funds

Change in net pension asset	18,916,903	
Amortization of current year bond (discounts) premiums	(189,127)	
Change in unfunded pension liability	62,746	
Change in unfunded other post retirement benefit liability	(12,317,494)	
Unearned revenue and other	414,182	
Change in accrued interest payable	411	
Change in compensated absences	<u>1,128,328</u>	8,015,949

Internal Service Funds are used by management to charge self-insurance
to individual funds. The net expense of the Internal Service Funds is
reported within Governmental Activities.

729,882

Change in net assets of Governmental Activities		<u><u>(\$22,929,155)</u></u>
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The accompanying notes are an integral part of the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
GENERAL FUND
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget-Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses and Permits:				
Employee Withholdings	\$156,060,000	\$156,060,000	\$159,615,915	\$3,555,915
Business Returns	28,560,000	28,570,000	29,839,407	1,269,407
Individual Returns			178	178
Insurance Premiums	22,018,000	22,018,000	23,374,165	1,356,165
Bond Deposits	2,000	2,000	4,000	2,000
Regulated License Fee	856,500	856,500	957,845	101,345
Franchise Fee	18,500,000	18,545,760	16,788,691	(1,757,069)
Bank Franchise Fee	1,300,000	1,300,000	1,328,072	28,072
Vehicle License	160,000	160,000	220,768	60,768
Deed Tax Fee	1,100,000	1,100,000	1,164,010	64,010
Contractor Registration Fee	350,000	350,000	417,541	67,541
Filing Fee - Planning & Zoning	120,000	120,000	104,517	(15,483)
Animal License	42,000	42,000	46,018	4,018
Certificates of Occupancy	15,000	15,000	10,295	(4,705)
Hotel - Motel License Fee	25,000	25,000	26,623	1,623
Total Licenses and Permits	229,108,500	229,164,260	233,898,045	4,733,785
Taxes:				
Realty Taxes	17,752,000	17,898,000	17,821,795	(76,205)
Personal Taxes	1,517,000	1,576,000	1,583,413	7,413
PSC Taxes	686,000	736,000	670,811	(65,189)
Property Tax Discount	(328,000)	(331,000)	(343,113)	(12,113)
Property Tax Commission	(819,000)	(828,000)	(843,611)	(15,611)
Delinquent - Realty & Personal	53,000	53,000	234,519	181,519
Motor Vehicle Ad Valorem Tax	1,475,000	1,535,000	1,518,928	(16,072)
County Clerk Com - Motor Vehicle	(59,000)	(61,000)	(62,680)	(1,680)
Supplementary Tax Bills	8,000	8,000	11,682	3,682
Omitted Tax	77,000	77,000	288,607	211,607
Total Taxes	20,362,000	20,663,000	20,880,351	217,351
Charges for Services:				
Accident Report Sales	6,000	6,000	43,174	37,174
Administrative Collection Fees			15,672	15,672
Adult Probation Fees	175,000	175,000	95,969	(79,031)
Animal Shelter Collections	24,000	24,000	16,525	(7,475)
Building Permits	800,000	800,000	1,175,531	375,531
Computer Services Fees	8,500	8,500	34,391	25,891
Detention Center	5,361,850	5,361,850	6,980,870	1,619,020
Developer Landscape Fees	12,000	12,000	4,680	(7,320)
District Court Jail Fees	758,400	758,400	630,387	(128,013)
Domestic Relations Collection	8,000	8,000	4,133	(3,867)
EMS	6,600,000	6,600,000	6,991,080	391,080
Excess Fees and Collections	2,300,000	2,300,000	2,968,135	668,135
Golf Course Collections	2,943,430	2,943,430	2,942,975	(455)
Park Land Acquisition	140,000	140,000	334,882	194,882
Parking	54,500	54,500	15,983	(38,517)
Parks & Recreation Programs	1,216,540	1,216,540	1,075,475	(141,065)
Rent or Lease Income	529,120	529,470	549,622	20,152
Total Charges for Services	20,937,340	20,937,690	23,879,484	2,941,794
Fines and Forfeitures	191,000	191,000	170,001	(20,999)
Intergovernmental	2,038,012	2,038,012	1,942,553	(95,459)
Property Sales			152,194	152,194
Investments	30,000	30,000	390,823	360,823
Other Income:				
Assistance Repayment			23,721	23,721
Contributions		90,672	172,613	81,941
Penalties and Interest	1,720,000	1,730,000	1,362,006	(367,994)
School Board Tax Fee	12,000	12,000	12,000	0
Payment in Lieu of Taxes	45,000	45,000	48,692	3,692
Miscellaneous	91,000	236,787	594,377	357,590
Total Other Income	1,868,000	2,114,459	2,213,409	98,950
Total Revenues	274,534,852	275,138,421	283,526,860	8,388,439

continued

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
GENERAL FUND
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget-Positive (Negative)
	Original	Final	Actual	
EXPENDITURES				
General Government:				
Council Office	2,314,636	2,311,959	2,148,839	(163,120)
Office of the Mayor	1,646,461	1,012,108	1,194,614	182,506
Special Programs	707,663	806,830	617,731	(189,099)
Board of Elections	1,015,167	1,015,167	915,278	(99,889)
Clerk of the Urban County Council	486,150	486,150	446,324	(39,826)
County Attorney	789,170	789,170	789,170	0
Coroner	608,819	636,188	667,702	31,514
Property Valuation Administrator	328,500	328,500	328,500	0
Contingency	4,611,800	4,611,800		(4,611,800)
Circuit Judges	319,888	319,888	326,842	6,954
County Court Clerk	121,510	121,510	80,330	(41,180)
Citizens' Advocate	92,758	92,758	52,967	(39,791)
Commonwealth Attorney	69,515	74,015	65,798	(8,217)
County Judge Executive	18,847	18,847	16,156	(2,691)
Indirect Cost Allocation	(6,437,587)	(6,437,587)	(5,950,153)	487,434
Total General Government	6,693,297	6,187,303	1,700,098	(4,487,205)
Administrative Services:				
Office of the Chief Administrative Officer	463,213	956,469	740,089	(216,380)
Computer Services	5,329,642	5,374,800	4,319,654	(1,055,146)
Enterprise Solutions	1,035,324	1,035,324	928,354	(106,970)
Government Communications	784,193	779,815	921,912	142,097
Grants & Special Projects	396,898	396,101	387,577	(8,524)
Historic Preservation	356,126	356,126	374,561	18,435
Planning	1,475,518	1,532,943	1,601,619	68,676
Planning, Preservation, & Dev		129,553	5,026	(124,527)
Purchase of Development Rights	137,673	139,373	143,494	4,121
Risk Management	5,934,408	5,934,408	6,041,817	107,409
Internal Audit Office	679,058	681,758	509,322	(172,436)
Total Administrative Services	16,592,053	17,316,670	15,973,425	(1,343,245)
Chief Development Officer				
Chief Development Officer		152,662	158,932	6,270
Total Chief Development Officer	0	152,662	158,932	6,270
Department of Finance:				
Accounting	1,253,425	1,395,961	1,295,488	(100,473)
Office of Policy and Budget	471,890	471,890	485,508	13,618
Central Purchasing	566,433	566,433	615,124	48,691
Revenue	2,297,846	2,308,396	2,224,545	(83,851)
Finance Administration	721,992	682,324	767,303	84,979
Total Finance	5,311,586	5,425,004	5,387,968	(37,036)
Division of Environmental Quality & Public Works:				
Environmental Quality & PW Admin	194,165	198,065	255,936	57,871
Division of Environmental Policy	142,825	106,440	152,005	45,565
Engineering	1,111,978	1,303,403	1,203,917	(99,486)
Streets & Roads	4,330,946	4,207,739	3,035,568	(1,172,171)
Traffic Engineering	3,288,566	3,706,286	3,733,101	26,815
Public Works Administration			(117)	(117)
Total Environmental Quality & Public Works	9,068,480	9,521,933	8,380,410	(1,141,523)
Department of Public Safety:				
Building Inspection	2,471,585	2,365,602	2,500,235	134,633
Police	55,464,053	55,313,568	73,334,231	18,020,663
Fire & Emergency Services	51,736,678	52,050,991	71,917,263	19,866,272
Community Corrections	26,797,171	30,557,435	29,590,456	(966,979)
Public Safety Administration	5,241,442	5,322,242	4,995,696	(326,546)
Code Enforcement	1,664,485	1,679,710	1,595,132	(84,578)
DEEM/Enhanced 911	3,232,537	3,226,124	3,138,871	(87,253)
Total Public Safety	146,607,951	150,515,672	187,071,884	36,556,212
Department of Social Services:				
Youth Services	1,984,966	1,906,512	1,959,745	53,233
Family Services	2,312,517	2,356,289	2,149,225	(207,064)
Adult Services	937,443	1,003,814	1,000,919	(2,895)
Social Services Administration	1,151,411	1,268,000	893,624	(374,376)
Total Social Services	6,386,337	6,534,615	6,003,513	(531,102)

continued

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
GENERAL FUND
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget-Positive (Negative)
	Original	Final	Actual	
Department of General Services:				
Parks and Recreation	16,585,579	17,934,821	17,680,560	(254,261)
Fleet and Facilities Management	10,182,554	8,667,641	5,054,467	(3,613,174)
General Services Administration	1,695,107	1,710,117	1,430,004	(280,113)
Total General Services	<u>28,463,240</u>	<u>28,312,579</u>	<u>24,165,031</u>	<u>(4,147,548)</u>
Department of Law:				
Human Resources	1,954,066	1,840,010	1,519,433	(320,577)
Law	1,890,222	1,940,725	1,975,430	34,705
Total Law	<u>3,844,288</u>	<u>3,780,735</u>	<u>3,494,863</u>	<u>(285,872)</u>
Outside Agencies:				
Commerce Lexington	496,578	496,578	457,210	(39,368)
Downtown Arts Center	91,310	91,310	91,310	0
Downtown Lexington Corporation	42,710	42,710	42,710	0
Environmental Commission	1,910	1,910	1,283	(627)
World Trade Center	90,950	90,950	90,950	0
Grants & Special Projects Agencies	209,920	226,471	209,920	(16,551)
Social Service Agencies	1,770,230	1,779,232	1,770,230	(9,002)
Lexington Public Library	13,218,100	13,580,901	13,580,901	0
Explorium of Lexington	169,047	169,047	169,000	(47)
Carnegie Literacy Center	36,000	36,000		(36,000)
Downtown Development Authority	211,230	657,777	657,777	0
Lyric Theatre	135,000	135,000	135,000	0
Total Outside Agencies	<u>16,472,985</u>	<u>17,307,886</u>	<u>17,206,291</u>	<u>(101,595)</u>
Debt Service:				
Principal	19,598,260	19,598,595	18,220,760	(1,377,835)
Interest	12,640,636	12,640,636	12,625,461	(15,175)
Other Debt Service	488,900	488,900	91,598	(397,302)
Total Debt Service	<u>32,727,796</u>	<u>32,728,131</u>	<u>30,937,819</u>	<u>(1,790,312)</u>
Total Expenditures	<u>272,168,013</u>	<u>277,783,190</u>	<u>300,480,234</u>	<u>22,697,044</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,366,839	(2,644,769)	(16,953,374)	(14,308,605)
OTHER FINANCING SOURCES (USES)				
Issuance of Debt			31,000,000	31,000,000
Premium on Bonds			1,064,841	1,064,841
Discount on Bonds			(437,749)	(437,749)
Transfers In	250,000	22,730	15,252,831	15,230,101
Transfers Out	(1,350,967)		(9,848,795)	(9,848,795)
Total Other Financing Sources	<u>(1,100,967)</u>	<u>22,730</u>	<u>37,031,128</u>	<u>37,008,398</u>
Net Change in Fund Balances	1,265,872	(2,622,039)	20,077,754	22,699,793
Fund Balance, Beginning	<u>500,000</u>	<u>500,000</u>	<u>24,187,835</u>	<u>23,687,835</u>
Fund Balance, Ending	<u>\$1,765,872</u>	<u>(\$2,122,039)</u>	<u>\$44,265,589</u>	<u>\$46,387,628</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
FULL URBAN SERVICES DISTRICT FUND
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget-Positive (Negative)
REVENUES				
Licenses and Permits:				
Bank Franchise Fee	\$1,300,000	\$1,300,000	\$1,328,072	\$28,072
Total Licenses and Permits	1,300,000	1,300,000	1,328,072	28,072
Taxes:				
Realty Taxes	31,896,000	32,305,000	32,206,542	(98,458)
PSC Taxes	216,000	216,000	285,253	69,253
Property Tax Discount	(542,000)	(549,000)	(538,874)	10,126
Property Tax Commission	(350,000)	(350,000)	(350,000)	0
Delinquent - Realty & Personal	6,000	6,000	352,638	346,638
Supplementary Tax Bills	10,000	10,000	24,930	14,930
Total Taxes	31,236,000	31,638,000	31,980,489	342,489
Charges for Services:				
Rent or Lease Income			4,000	4,000
Commodities	2,800,000	2,800,000	2,364,522	(435,478)
Dumpster Permit Fees	66,000	66,000	12,316	(53,684)
Total Charges for Services	2,866,000	2,866,000	2,380,838	(485,162)
Property Sales			291,618	291,618
Fines and Forfeitures	5,000	5,000	6,318	1,318
Intergovernmental	85,730	85,730	85,823	93
Investments	20,000	20,000	112,165	92,165
Other Income:				
Penalties and Interest	20,000	20,000	93,210	73,210
Miscellaneous		3,132	5,054	1,922
Total Other Income	20,000	23,132	98,264	75,132
Total Revenues	35,532,730	35,937,862	36,283,587	345,725
EXPENDITURES				
General Government:				
Contingency	256,340	256,340		(256,340)
Indirect Cost Allocation	3,606,535	3,606,535	3,231,415	(375,120)
Total General Government	3,862,875	3,862,875	3,231,415	(631,460)
Administrative Services:				
Office of the Chief Administrative Office	44,976	44,976	26,064	(18,912)
Computer Services	296,303	316,779	23,649	(293,130)
Government Communications	540,149	540,149	522,818	(17,331)
Risk Management	912,990	912,990	893,408	(19,582)
Total Administrative Services	1,794,418	1,814,894	1,465,939	(348,955)
Department of Finance:				
Finance	9,450	15,860	15,860	0
Total Finance	9,450	15,860	15,860	0
Division of Environmental Quality & Public Works				
Waste Management	23,066,950	24,416,882	21,332,327	(3,084,555)
Office of Compliance	843,687	817,952	733,732	(84,220)
Environmental Quality	279,352	204,521	103,930	(100,591)
Streets & Roads	1,487,916	1,509,316	1,483,032	(26,284)
Traffic Engineering	4,859,165	4,859,165	5,040,730	181,565
Environmental Quality & Public Works Administration	181,109	276,773	82,198	(194,575)
Total Environmental Quality & Public Works	30,718,179	32,084,609	28,775,949	(3,308,660)
Department of General Services:				
Parks and Recreation		202,000	95,721	(106,279)
Fleet and Facilities Management	72,950	72,950	54,429	(18,521)
Total General Services	72,950	274,950	150,150	(124,800)
				continue

continued

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
FULL URBAN SERVICES DISTRICT FUND
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
EXPENDITURES, continued				
Department of Law:				
Human Resources	14,000	14,000	4,835	(9,165)
Law	48,605	380,605	71,750	(308,855)
Total Law	<u>62,605</u>	<u>394,605</u>	<u>76,585</u>	<u>(318,020)</u>
Debt Service:				
Principal	22,500	22,500	22,500	0
Interest	206,763	206,763	170,380	(36,383)
Total Debt Service	<u>229,263</u>	<u>229,263</u>	<u>192,880</u>	<u>(36,383)</u>
Total Expenditures	<u>36,749,740</u>	<u>38,677,056</u>	<u>33,908,778</u>	<u>(4,768,278)</u>
Excess (Deficiency) of Revenues Over (Under)				
Expenditures	(1,217,010)	(2,739,194)	2,374,809	5,114,003
OTHER FINANCING SOURCES (USES)				
Transfers In		6,410	290	(6,120)
Transfers Out		(22,002)	(31,697)	(9,695)
Total Other Financing Sources (Uses)	<u>0</u>	<u>(15,592)</u>	<u>(31,407)</u>	<u>(15,815)</u>
Net Change in Fund Balances	(1,217,010)	(2,754,786)	2,343,402	5,098,188
Fund Balance, Beginning	12,670,000	12,670,000	20,424,772	7,754,772
Fund Balance, Ending	<u>\$11,452,990</u>	<u>\$9,915,214</u>	<u>\$22,768,174</u>	<u>\$12,852,960</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

	Business-Type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Public Parking Corporation	Landfill	Other Enterprise Funds	Total	
ASSETS							
Current Assets:							
Cash	\$5,044,605	\$1,595,935	\$1,015,287	\$6,629,588	\$8,064,911	\$22,350,326	\$2,862,187
Investments	34,216,964	290,662		23,993,052	2,438,688	60,939,366	
Receivables:							
User Fees Receivable	2,534,080			882,419	954,186	4,370,685	
Other Receivables	235,957	99,865	1,657	105,521	411,268	854,268	174,249
Less Allowance for Uncollectible Accounts	(138,660)			(343,996)	(200,008)	(682,664)	
Inventories and Prepaid Expenses	87,058				53,298	140,356	246,681
Due from Other Funds		568,730	743,980		1,922,343	3,235,053	21,388,443
Restricted Investments:							
Reserved for Maintenance and Operation	6,654,905					6,654,905	
Reserved for Sinking Fund	7,454,480					7,454,480	
Total Current Assets	<u>56,089,389</u>	<u>2,555,192</u>	<u>1,760,924</u>	<u>31,266,584</u>	<u>13,644,686</u>	<u>105,316,775</u>	<u>24,671,560</u>
Non-Current Assets:							
Restricted Investments:							
Reserved for Construction & Capital Acquisitions	3,626,843					3,626,843	
Reserved for Capital Replacement	2,461,024					2,461,024	
Reserved for Debt Service	9,609,868					9,609,868	
Capital Assets:							
Land	1,825,534	32,578,646	7,985,094	5,194,637	1,526,469	49,110,380	
Land Improvements	254,476	26,067,064	3,197,206	16,572,299	167,788	46,258,833	
Buildings	2,220,400	117,880,057	10,342,967	219,445		130,662,869	
Sewer Plants	163,269,363					163,269,363	
Sewer Lines	177,937,709			366,314	1,422,086	179,726,109	
Leasehold Improvements		2,137,090				2,137,090	
Vehicles, Equipment, and Furniture	8,142,164	3,134,966	289,793	73,430	1,983,207	13,623,560	
Intangibles	1,484,617	69,281			1,534,910	3,088,808	
Less Accumulated Depreciation	(147,610,272)	(96,359,819)	(7,082,144)	(8,105,524)	(3,471,994)	(262,629,753)	
Construction in Progress	2,372,220				940,462	3,312,682	
Developments in Progress	4,145,460					4,145,460	
Unamortized Bond Costs		698,643				698,643	
Total Non-Current Assets	<u>229,739,406</u>	<u>86,205,928</u>	<u>14,732,916</u>	<u>14,320,601</u>	<u>4,102,928</u>	<u>349,101,779</u>	<u>0</u>
Total Assets	<u>285,828,795</u>	<u>88,761,120</u>	<u>16,493,840</u>	<u>45,587,185</u>	<u>17,747,614</u>	<u>454,418,554</u>	<u>24,671,560</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2012

		Business-Type Activities Enterprise Funds						
		Sanitary Sewer System	Public Facilities Corporation	Public Parking Corporation	Landfill	Other Enterprise Funds	Total	Governmental Activities Internal Service Funds
LIABILITIES								
Current Liabilities:								
Accounts, Contracts and Retainage Payable	973,351	231,180	161,264	507,978	1,160,985	3,034,758	249,840	
Accrued Payroll	310,630			15,382	293,751	619,763		
Due to Other Funds	2,454,595			103,135	434,859	2,992,589		
Claims Payable								23,448,545
Bonds Payable		2,050,000			58,041	2,108,041		
Interest Payable		615,527			2,311	617,838		
Unearned Revenue and Other	595,849		4,571			600,420		
Compensated Absences	349,204			726	114,673	464,603		
Landfill Closure and Postclosure Care Costs				5,365,370		5,365,370		
Payable from Restricted Investments:								
Accounts, Contracts and Retainage Payable	124,250					124,250		
Bonds and Notes Payable	3,401,676					3,401,676		
Interest Payable	850,162					850,162		
Total Current Liabilities	9,059,717	2,896,707	165,835	5,992,591	2,064,620	20,179,470	23,698,385	
Non-Current Liabilities:								
Unearned Revenues and Other	746,677			600,000		1,346,677		
Bonds and Notes Payable	58,204,441	54,658,663			1,223,700	114,086,804		
Compensated Absences	805,572			6,536	152,908	965,016		
Landfill Closure and Postclosure Care Costs				13,589,212		13,589,212		
Total Non-Current Liabilities	59,756,690	54,658,663	0	14,195,748	1,376,608	129,987,709	0	
Total Liabilities	68,816,407	57,555,370	165,835	20,188,339	3,441,228	150,167,179	23,698,385	
NET ASSETS								
Invested in Capital Assets, Net of Related Debt	156,062,397	29,497,265	14,732,917	14,320,603	2,821,187	217,434,369		
Restricted for:								
Capital Projects	37,453,768	38,657			26,400	37,518,825		
Capital Projects - Park Acquisition		1,450,038				1,450,038		
Debt Service	9,609,826					9,609,826		
Capital Replacement	2,461,000	18,230				2,479,230		
Maintenance and Operations	6,654,840					6,654,840		
Unrestricted	4,770,557	201,560	1,595,088	11,078,243	11,458,799	29,104,247	973,175	
Total Net Assets	\$217,012,388	\$31,205,750	\$16,328,005	\$25,398,846	\$14,306,386	\$304,251,375	\$973,175	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						331,177		
Net Assets of Business-Type Activities						\$304,582,552		

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Business-Type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Public Parking Corporation	Landfill	Other Enterprise Funds	Total	
OPERATING REVENUES							
User Charges	\$44,334,743	\$0	\$0	\$6,776,472	\$12,078,848	\$63,190,063	\$43,647,026
Fees	1,944,010			206,759	6,387,119	8,537,888	
Exactions	150,120					150,120	
License Fees and Permits					419,676	419,676	
Rental Income		5,901,488	47,013			5,948,501	
Parking Revenues		418,320	929,757			1,348,077	
Theater Revenues		815,989				815,989	
Gross Profit - Commissary					1,198,010	1,198,010	
Other	615,624	20,869	644	200,380	345,363	1,182,880	
Total Operating Revenues	47,044,497	7,156,666	977,414	7,183,611	20,429,016	82,791,204	43,647,026
OPERATING EXPENSES							
Treatment Plant	7,933,477					7,933,477	
Collection System	5,064,273					5,064,273	
Property Management		1,949,458				1,949,458	
Theater Management		747,065				747,065	
Landfill				3,229,916		3,229,916	
Right of Way					293,699	293,699	
Extended School Program					2,060,920	2,060,920	
Prisoners' Account					421,202	421,202	
Inmate Trust Account					948,137	948,137	
Enhanced 911					2,962,738	2,962,738	
LexVan Program					29,307	29,307	
Administration	17,142,578		540,016	1,199,103	9,373,972	28,255,669	116,877
Depreciation	7,299,442	4,868,878	307,878	842,574	79,925	13,398,697	
Claims and Benefit Payments							42,559,812
Total Operating Expenses	37,439,770	7,565,401	847,894	5,271,593	16,169,900	67,294,558	42,676,689
Operating Income (Loss)	9,604,727	(408,735)	129,520	1,912,018	4,259,116	15,496,646	970,337

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Business-Type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Public Parking Corporation	Landfill	Other Enterprise Funds	Total	
NON-OPERATING REVENUES (EXPENSES)							
Income on Investments	978,911	314	213	2,992	47,436	1,029,866	2,838
Interest Expense and Fiscal Agent Fees	(2,701,900)	(2,494,862)			(26,607)	(5,223,369)	
Amortization of Bond Costs	(125,313)	(208,397)				(333,710)	
Gain (Loss) on Sale of Capital Assets	150,461	(64,660)			(74)	85,727	
Total Non-Operating Revenues (Expenses)	(1,697,841)	(2,767,605)	213	2,992	20,755	(4,441,486)	2,838
Income (Loss) Before Contributions and Transfers	7,906,886	(3,176,340)	129,733	1,915,010	4,279,871	11,055,160	973,175
Transfers In	422,187	627,631	455	780	47,454	1,098,507	
Transfers Out	(466,138)			(200,000)	(85,862)	(752,000)	
Change in Net Assets	7,862,935	(2,548,709)	130,188	1,715,790	4,241,463	11,401,667	973,175
Net Assets, Beginning	209,149,453	33,754,459	16,197,817	23,683,056	10,064,923		0
Net Assets, Ending	\$217,012,388	\$31,205,750	\$16,328,005	\$25,398,846	\$14,306,386		\$973,175
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						243,294	
Change in net assets of Business-Type Activities						<u>\$11,644,961</u>	

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Business-Type Activities Enterprise Funds						Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Public Parking Corporation	Landfill	Other Enterprise Funds	Total	
Cash Flows from Operating Activities:							
Receipts from Customers	\$52,805,070	\$3,146,881	\$977,462	\$6,757,343	\$19,891,450	\$83,578,206	\$31,122,684
Receipts from Employees and Other Sources							3,825,926
Receipts from Interfund Services Provided		3,995,869				3,995,869	\$8,656,290
Payments to Suppliers	(18,683,374)	(3,308,807)	(899,183)	(3,874,941)	(7,968,515)	(34,734,820)	(283,182)
Payments to Employees	(10,492,665)			(652,599)	(7,696,904)	(18,842,168)	
Payments for Interfund Services Used	(2,087,250)			(167,042)	(1,024,766)	(3,279,058)	
Payments for Claims							(43,354,860)
Net Cash Provided by (Used in) Operating Activities	<u>21,541,781</u>	<u>3,833,943</u>	<u>78,279</u>	<u>2,062,761</u>	<u>3,201,265</u>	<u>30,718,029</u>	<u>(33,142)</u>
Cash Flows from Noncapital Financing Activities:							
Transfers In		627,631	455	780	47,454	676,320	
Transfers Out				(200,000)	(85,862)	(285,862)	
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>0</u>	<u>627,631</u>	<u>455</u>	<u>(199,220)</u>	<u>(38,408)</u>	<u>390,458</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities:							
Purchase of Capital Assets	(6,171,693)		(86,567)	(123,056)	(2,257,348)	(8,638,664)	
Principal Paid on Bonds	(11,116,600)	(1,970,000)			(56,898)	(13,143,498)	
Interest and Fiscal Agent Fees Paid on Bonds	(3,181,020)	(2,494,862)			(26,607)	(5,702,489)	
Proceeds on Sale of Capital Assets	9,460					9,460	
Net Cash Used in Capital and Related Financing Activities	<u>(20,459,853)</u>	<u>(4,464,862)</u>	<u>(86,567)</u>	<u>(123,056)</u>	<u>(2,340,853)</u>	<u>(27,475,191)</u>	<u>0</u>
Cash Flows from Investing Activities:							
Purchase of Investments	(345,950)	(29)		(2,211)	(18,026)	(366,216)	
Income on Investments	978,911	314	213	2,992	47,436	1,029,866	2,838
Net Cash Flows Provided by Investing Activities	<u>632,961</u>	<u>285</u>	<u>213</u>	<u>781</u>	<u>29,410</u>	<u>663,650</u>	<u>2,838</u>
Net Increase (Decrease)	1,714,889	(3,003)	(7,620)	1,741,266	851,414	4,296,946	(30,304)
Cash at Beginning of Year	3,329,716	1,598,938	1,022,907	4,888,322	7,213,497	18,053,380	2,892,491
Cash at End of Year	<u>\$5,044,605</u>	<u>\$1,595,935</u>	<u>\$1,015,287</u>	<u>\$6,629,588</u>	<u>\$8,064,911</u>	<u>\$22,350,326</u>	<u>\$2,862,187</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Business-Type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Public Parking Corporation	Landfill	Other Enterprise Funds	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Operating Income (Loss)	\$9,604,727	(\$408,735)	\$129,520	\$1,912,018	\$4,259,116	\$15,496,646
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:						
Depreciation	7,299,442	4,868,878	307,878	842,574	79,925	13,398,697
Allowance for Bad Debts	(22,700)			44,208	78,602	100,110
(Increase) Decrease in Assets:						
Accounts Receivable	146,442			(212,295)	(155,922)	(221,775)
Other Receivables	44,046	(13,916)	48	(13,973)	(381,644)	(365,439)
Inventories and Prepaid Expenses	(81,319)				(29,418)	(110,737)
Due from Other Funds	2,903,087	(568,730)	(467,040)	583	(930,880)	937,020
Developments in Progress	(75,339)					(75,339)
Increase (Decrease) in Liabilities:						
Accounts Payable	(1,058,162)	(9,615)	103,302	52,046	232,682	(679,747)
Accrued Payroll	(2,703)			(2,189)	72,994	68,102
Claims Payable						(795,048)
Due to Other Funds	2,454,595	(14,959)		103,135	27,736	2,570,507
Unearned Revenue	287,742			(200,000)		87,742
Other Liabilities	45,848	(18,980)	4,571	(462,427)	117	(430,871)
Compensated Absences	(3,925)			(919)	(52,043)	(56,887)
Total Adjustments	11,937,054	4,242,678	(51,241)	150,743	(1,057,851)	15,221,383
Net Cash Provided by (Used In) Operating Activities	\$21,541,781	\$3,833,943	\$78,279	\$2,062,761	\$3,201,265	\$30,718,029

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	\$21,543,907	\$649,418
Receivables:		
Interest Receivable	1,823,953	
Investments, at Fair Value:		
Debt Securities:		
US Agencies	43,225,525	
US Government Obligations	20,943,581	
Municipal Obligations	6,770,590	
International Bonds	15,490,060	
Corporate Debt	74,922,294	
Repurchase Agreements	16,548,352	
Other Investments:		
Equity Mutual Funds	105,594,266	
Equity Real Estate	46,571,577	
Equity Securities - Domestic	121,486,988	
Equity Securities - International	79,579,302	
Total Investments	<u>531,132,535</u>	<u>0</u>
Total Assets	<u><u>554,500,395</u></u>	<u><u>649,418</u></u>
LIABILITIES		
Accounts Payable and Accrued Expenses	62,697	
Securities Lending Transactions	16,548,352	
Compensated Absences - Current	2,372	
Compensated Absences - Non Current	2,372	
Due to Other Funds	1,598,976	
Payable to Others		649,418
Total Liabilities	<u><u>18,214,769</u></u>	<u><u>649,418</u></u>
NET ASSETS		
Net Assets Held in Trust for Pension Benefits	<u><u>\$536,285,626</u></u>	<u><u>\$0</u></u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CHANGES IN NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2012

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$44,066,558
Employer - Administration	3,443,911
Plan Members	8,022,094
Other	137,955
Total Contributions	55,670,518
Investment Income (Loss):	
Net Change in Fair Value of Investments	(899,238)
Interest	8,155,201
Dividends	3,786,220
Total Investment Income	11,042,183
Less Investment Expense	2,720,209
Net Investment Income	8,321,974
Income from Securities Lending Activities:	
Securities Lending Income	29,302
Securities Lending Expenses:	
Borrower Rebates	(68,132)
Management Fees	38,001
Total Securities Lending Expenses	(30,131)
Net Income on Securities Lending Activities	59,433
Total Additions	64,051,925
DEDUCTIONS	
Benefit Payments	46,000,779
Administrative Expense	188,583
Total Deductions	46,189,362
Net Increase	17,862,563
Net Assets, Beginning	518,423,063
Net Assets, Ending	\$536,285,626

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2012

	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	Total
ASSETS					
Cash	\$1,490,370	\$5,089,565	\$2,975,616	\$19,355,094	\$28,910,645
Investments		1,578,130		5,302,958	6,881,088
Receivables:					
Accounts Receivable	983,891	1,555,381	860,032	1,440,135	4,839,439
Other		3,196		94,591	97,787
Less Allowance for Uncollectible Accounts	(8,729)				(8,729)
Due from Component Units	172,157				172,157
Due from Primary Government	281,751			36,455	318,206
Due from Other Governments				1,417,132	1,417,132
Other Current Assets	286,192	347,277			633,469
Inventories and Prepaid Expenses			58,914	990,228	1,049,142
Restricted Current Assets:					
Cash		6,952,817		493,578	7,446,395
Accounts Receivable		399,045			399,045
Investments	2,495,828	13,260,732		509,044	16,265,604
Grants Receivable		522,378			522,378
Other		56,222			56,222
Pension Assets				731,175	731,175
Restricted Non-Current Investments	5,294,222				5,294,222
Unamortized Bond Costs		2,569,263		169,351	2,738,614
Capital Assets:					
Non-depreciable	12,164,538	7,009,868		7,928,108	27,102,514
Depreciable (Net)	45,279,309	136,773,135	4,083,103	35,417,083	221,552,630
Other Assets	301,917	43,447		97,315	442,679
Total Assets	68,741,446	176,160,456	7,977,665	73,982,247	326,861,814
LIABILITIES					
Accounts, Contracts Payable and					
Accrued Liabilities	1,034,078	949,208	1,478,203	1,742,656	5,204,145
Interest Payable				19,053	19,053
Line of Credit			700,000		700,000
Due to Primary Government				532,214	532,214
Due to Component Units				172,157	172,157
Unearned Revenues and Other	237,283			4,446	241,729
Liabilities Payable from Restricted Assets:					
Accounts Payable		221,043			221,043
Interest Payable		741,000			741,000
Non-Current Liabilities:					
Due Within One Year					
Compensated Absences				575,513	575,513
Bonds and Notes Payable	2,550,000		110,000	401,681	3,061,681
Due in More Than One Year					
Compensated Absences			716,937	311,946	1,028,883
Bonds and Notes Payable	20,142,129	60,804,704	515,000	8,315,416	89,777,249
Other		1,706,429			1,706,429
Total Liabilities	23,963,490	64,422,384	3,520,140	12,075,082	103,981,096
NET ASSETS					
Investment in Capital Assets, Net of Related Debt	34,751,718	84,886,100	3,458,103	34,628,094	157,724,015
Restricted for:					
Governmental and Program Funds			67,289	896,934	964,223
Capital Projects		332,627			332,627
Debt Service	5,294,222	17,243,949			22,538,171
Pension				731,175	731,175
Unrestricted	4,732,016	9,275,396	932,133	25,650,962	40,590,507
Total Net Assets	\$44,777,956	\$111,738,072	\$4,457,525	\$61,907,165	\$222,880,718

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended June 30, 2012

		Program Revenues			Net (Expenses) Revenue and Changes in Net Assets				Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	
	Expenses								
Lexington Center Corporation									
Lexington Center Operations	\$12,455,464	\$14,964,003	\$948,000	\$1,375,555	\$4,832,094				\$4,832,094
Depreciation	4,602,160				(4,602,160)				(4,602,160)
Interest on Long-Term Debt	1,014,694				(1,014,694)				(1,014,694)
Total Lexington Center Corporation	18,072,318	14,964,003	948,000	1,375,555					(784,760)
Lexington Airport Board									
Airport Operations	9,950,607	16,868,319	42,281	4,120,272		\$11,080,265			11,080,265
Depreciation	9,444,715					(9,444,715)			(9,444,715)
Interest on Long-Term Debt	2,036,769					(2,036,769)			(2,036,769)
Total Lexington Airport Board	21,432,091	16,868,319	42,281	4,120,272					(401,219)
Fayette County Department of Health									
Department of Health Operations	17,630,258	3,875,336	6,620,543				(\$7,134,379)		(7,134,379)
Depreciation	400,469						(400,469)		(400,469)
Interest on Long-Term Debt	34,099						(34,099)		(34,099)
Total Fayette County Department of Health	18,064,826	3,875,336	6,620,543	0					(7,568,947)
Nonmajor Component Units									
	44,909,302	5,497,759	5,244,803	3,533,416				(\$30,633,324)	(30,633,324)
Total Component Units	\$102,478,537	\$41,205,417	\$12,855,627	\$9,029,243	(784,760)	(401,219)	(7,568,947)	(30,633,324)	(39,388,250)
General Revenues:									
					2,646,604		7,256,093	34,289,022	44,191,719
								168,252	168,252
					27,036	537,492	3,363	97,257	665,148
						(220,446)		25,919	(194,527)
								56,857	56,857
					2,673,640	317,046	7,259,456	34,637,307	44,887,449
							(1,644,277)		(1,644,277)
							81,089		81,089
					1,888,880	(84,173)	(1,872,679)	4,003,983	3,936,011
					42,889,076	111,822,245	6,330,204	58,138,585	219,180,110
								(235,403)	(235,403)
					42,889,076	111,822,245	6,330,204	57,903,182	218,944,707
					\$44,777,956	\$111,738,072	\$4,457,525	\$61,907,165	\$222,880,718

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
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LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lexington-Fayette Urban County Government (the Government) have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for government accounting and financial reporting. In accordance with GASB Statement No. 20, all applicable GASB pronouncements as well as Statements and Interpretations of the Financial Accounting Standards Board, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements, have been selected in accounting for proprietary funds. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

A. Reporting Entity – The Lexington-Fayette Urban County Government is a merged city-county government governed by an elected mayor and a fifteen-member council. The accompanying financial statements present the Government and its component units (traditionally separate reporting entities), for which the Government is considered to be financially accountable. The Government (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the Government. Additionally, the Government is required to consider other organizations for which the nature and significance of their relationship with the Government are such that exclusion would cause the Government's financial statements to be misleading or incomplete. The financial statements are formatted to allow the user to clearly distinguish between the primary government and its component units.

1. Blended Component Units – The agencies and organizations listed below are, in substance, the same as the Government, despite being legally separate from the Government. Therefore, they are reported as part of the primary government. They have a governing body that is substantially the same as the governing body of the Government; provide services entirely, or almost entirely, to the Government; or otherwise exclusively, or almost exclusively, benefit the Government even though they do not provide services directly to the Government.

The Public Library Corporation (PLC) is an instrumentality of the Government created solely for acquiring, constructing, equipping, and financing public projects to be used for public library purposes. The board consists of the Mayor, Vice Mayor, two members appointed by the Lexington Public Library, and one member appointed by the other four board members.

The Policemen's and Firefighters' Retirement Fund and the City Employees' Pension Fund are single employer defined benefit pension plans that cover eligible Government personnel. Members of both boards are comprised of officials, employees and retirees of the Government.

The Public Facilities Corporation (PFC) was created to act as an agency and instrumentality of the Government in acquiring, developing and financing public improvements and public projects. The Mayor, Vice Mayor and Commissioner of Finance serve ex officio on the board.

The Public Parking Corporation (PPC) was created to act as an agency and instrumentality of the Government in the acquisition and financing of public parking projects. The Mayor, Vice Mayor and Commissioner of Finance serve ex officio on the board.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

2. Discretely Presented Component Units – The agencies described below are included in the Government's reporting entity because the Government appoints the governing body and the agencies are fiscally dependent on the Government. All of these agencies are reported as discretely presented component units since the governing body is not substantively the same as the governing body of the Government, and they provide services to the citizens of Fayette County and the surrounding area as opposed to only the primary government. To emphasize that they are legally separate from the Government, they are reported in a separate column in the financial statements. Fund information for the component units, if applicable, may be found in their separately issued financial statements. Requests for separately issued financial statements should be directed to the attention of those respective entities.

The Lexington Public Library's (Library) primary mission is to maintain a free public library in Lexington-Fayette County. The Mayor appoints all seven members of the board with approval by the Urban County Council and they may be removed by the vote of the Urban County Council. The Government provides financial support in the form of annual appropriations based upon property tax collections.

The Lexington-Fayette Urban County Department of Health (Board of Health) has the general statutory responsibility of promoting and protecting the health of Fayette County residents. This entity provides critical services to the citizens of Fayette County on behalf of the Government. The Government appoints the nine members of the Board of Health. In addition, the Lexington-Fayette Urban County Council approves their Ad Valorem tax rate annually.

The Lexington Downtown Development Authority, Inc. (DDA) is a non-profit government corporation created in fiscal year 2002 to act as an agency of the Government in various economic development, redevelopment and physical improvement activities associated with downtown. The DDA is governed by a nine-member board that is appointed by the Mayor and approved by the Urban County Council. The Government provides in-kind and financial support to the DDA by providing accounting and payroll services and annual appropriations to help meet operating expenses.

The Lexington Transit Authority (LexTran) was organized to provide unification and coordination of a mass transportation system for Fayette County. This entity provides critical services to the citizens of Fayette County on behalf of the Government. The business activities and affairs of LexTran are directed by an eight-member board appointed by the Government. In addition, the Lexington-Fayette Urban County Council approves the annual budget for LexTran.

The Lexington Convention and Visitors Bureau (Visitors Bureau) was established by the Government for the purpose of promoting recreational, convention and tourist activity in Fayette County. The Government may abolish the Visitors Bureau by repealing the ordinance that created it. All nine members of the Visitors Bureau are appointed by the Mayor and may be removed by a majority vote of the Urban County Council. The Government has a statutory authority to provide funds for the operation of the Visitors Bureau by imposing a transient room tax not exceeding four percent of qualified occupancy rental.

The Lexington Center Corporation (LCC) is a non-profit, non-stock corporate agency and instrumentality of the Government. The purpose of the LCC is to plan, finance, develop and operate a convention, trade show, performing arts and a sports facility. The thirteen-member board is appointed by the Mayor and approved by the Urban County Council. The Government has statutory authority to impose a transient room tax, not exceeding two percent of qualified occupancy rental, to provide funds for payment of debt service. As discussed in Note 5.D., the Government entered into a Lease Agreement that provides for an annual rental to be paid by the Government if net revenues are not sufficient to pay all debt service costs.

The Lexington-Fayette Urban County Airport Board (Airport Board) is responsible for the operation, maintenance, and planning of airport facilities designed to serve the general public of the Central Kentucky area. The ten board members are appointed by the Mayor and approved by the Urban County Council. The

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

Government has entered into a Contract Lease and Option Agreement, discussed in Note 5.E., which requires an annual rental to be paid by the Government if net revenues are not sufficient to pay all debt service costs. Parking Authority of Lexington (Parking Authority) was established to centralize all public parking functions into one entity, to improve parking operations and ultimately to improve the availability of parking in downtown Lexington. The Parking Authority has a five-member board of commissioners appointed by the Mayor. The Parking Authority is financially dependent on the Government for both accounting and administrative services.

The Parking Authority and the DDA are included in the comprehensive audit of the Government and do not issue separate financial statements. The Parking Authority and the DDA each have one fund for financial reporting. Complete audited financial statements for the other component units may be obtained from the Commissioner of Finance of the Government or from the respective agencies.

B. Related Organization – A related organization is an entity for which the Government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the Government appoints a voting majority of the related organization's governing board.

The Lexington-Fayette Urban County Housing Authority (Housing Authority) was created in order to develop and operate decent, safe and sanitary housing for low income, elderly and disabled residents. The appointment of the governing board by the Mayor and the scope of public service are not considered an adequate demonstration of oversight and control. The Government has no responsibility for their budget, debt, financing deficits, or fiscal management. Additionally, the Government does not influence their operations in any respect. Therefore, the Housing Authority is not considered to be a component unit of the Government.

Explorium of Lexington was established to provide a unique educational opportunity for Fayette County and Central Kentucky children. The Government has no responsibility for their budget, debt, financing deficits, or fiscal management. Additionally, the Government does not influence their operations in any respect. Therefore, the Explorium is not considered to be a component unit of the Government.

C. Jointly Governed Organizations – The Government has some level of representation in the following organizations. Since the Government does not retain an ongoing financial interest or an ongoing financial responsibility for these organizations, these are not joint ventures and are not presented in the financial statements.

The Bluegrass Regional Recycling Center (BRRC) is a non-profit Kentucky corporation whose purpose is to reduce the volume of solid waste being placed in landfills and engage in activities that promote recycling. Pursuant to an Interlocal Agreement, the BRRC is operated by the Government and fourteen counties. The Government has no legal interest in or access to the resources of the BRRC. Neither does it have any legal responsibility for the deficits or debts of, or financial support to, the BRRC.

The Valley View Ferry Authority is a legally separate entity that operates and maintains the Ferry on the Kentucky River at Valley View. The board consists of seven members, two appointed by the Lexington-Fayette Urban County Government, three appointed by the Madison County Fiscal Court and two appointed by the Jessamine County Fiscal Court. The Government is not legally responsible for the Valley View Ferry Authority's finances. The Government contributed \$14,000 to support the Ferry's operations in fiscal year 2012.

D. Basic Financial Statements

Government-Wide and Fund Financial Statements

The basic financial statements include both the government-wide and the fund financial statements. The reporting model focus is either on the Government as a whole or on major individual funds. The government-wide financial

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

statements report information on all of the non-fiduciary activities of the Government and its component units. Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities normally are supported by taxes and intergovernmental revenues. Business-type activities rely to a significant extent on fees and charges for support. In the government-wide Statement of Net Assets, both the governmental and business-type activities are presented on a consolidated basis by column.

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a function (Public Works, Police, Fire and Emergency Services, Parks and Recreation, etc.) are offset by program revenues. Direct expenses (including depreciation) are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function and include charges for services and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants are capital-specific. Occupational license fees applied to gross wages and net profits, other license fees and permits, taxes, interest income and other revenues not included in program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Non-major funds (by category) are summarized into a single column.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide, proprietary, and fiduciary fund (with the exception of the agency fund, which has no measurement focus) financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities, including long-term assets as well as long-term debt and obligations, are included in the Statement of Net Assets. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Government considers revenues to be available if they are collected within 60 days of the end of the period. Revenues susceptible to accrual are intergovernmental revenues, investment earnings, emergency medical services (EMS), insurance revenues and license fees. Major revenue sources not susceptible to accrual include charges for services (other than EMS), fines and forfeitures and miscellaneous revenues. Such revenues are recorded as revenues when received because they are generally not measurable or available until actually received. Intergovernmental revenues received for specific purposes or projects are recognized when the applicable eligibility requirements are met. Revenues received before the eligibility requirements are met are reported as unearned revenue. Expenditures are recorded when the liability is incurred except: (1) principal and interest on long-term debt is recorded when due and (2) compensated absences are accounted for as expenditures in the period used.

Agency fund financial statements report only assets and liabilities and accordingly have no measurement focus. Agency funds use the accrual basis of accounting to recognize receivables and payables.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

Internal service funds provide services primarily to other funds of the Government and are presented in summary form as part of the proprietary fund statements. Since the principal users of the internal services are the

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

Government's governmental activities, the internal service funds' financial statements are consolidated into the governmental activities column in the government-wide financial statements. To the extent possible, the costs of these services are reflected in the appropriate functional activity. The internal service funds also provide services to the proprietary funds. Therefore, a portion of the net assets of the internal service funds is allocated to business-type activities and is reported as an adjustment on the Statement of Net Assets of the proprietary funds.

The Government's fiduciary funds are presented in the fund financial statements by type (pension and agency). Since these assets are being held for the benefit of a third party (private parties, pension participants, etc.) and cannot be used for activities or obligations of the Government, these funds are not incorporated into the government-wide financial statements.

The Government reports the following major governmental funds:

The *General Fund* is the primary operating unit of the Government and accounts for the revenues and expenditures not specifically provided for in other funds. Most of the essential governmental services such as police and fire protection, community services, and general administration are reported in this fund.

The *Urban Services Fund* accounts for the taxes that are assessed on property within designated areas, or taxing districts, based on the type of services available to property owners. These services include solid waste collection, streetlights and street cleaning. Property taxes raised from the urban services taxing districts can only be used to finance these services.

The *Federal and State Grants Fund* accounts for the receipts of intergovernmental funds that are restricted for operational and capital use of a particular function.

The Government reports the following major proprietary funds:

The *Sanitary Sewer System Fund* accounts for the construction activities, operation and maintenance, and the payment of principal and interest for bond issues of the Government's sanitary sewer system.

The *Public Facilities Corporation Fund* accounts for the acquisition, construction and operation of government-owned facilities.

The *Public Parking Corporation Fund* accounts for the construction and operation of government-owned parking facilities.

The *Landfill Fund* accounts for the operations, closure, and postclosure care costs of the Government's landfill.

Additionally, the Government reports the following fund types:

Internal Service Funds account for the Government's insurance programs for employee health, dental and vision care insurance benefits. Workers' compensation, vehicle liability and physical damage, general liability, and property damage insurance coverage are also accounted for in Internal Service Funds.

Fiduciary Funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Government. Trust funds account for assets held by the Government under the terms of a formal trust agreement. Agency funds generally are used to account for assets that the Government holds on behalf of others as their agent, are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Fiduciary funds are as follows:

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

Pension Trust Funds account for the revenues received, expenses incurred and the net assets available for retirement benefits of the Policemen's and Firefighters' Retirement Fund and the City Employees' Pension Fund.

Agency Funds account for assets held by the Government for others in an agency capacity. These are funds collected from juvenile and adult offenders and disbursed to victims in accordance with court decrees, funds collected from and disbursed for inmates who are on work release, funds collected from special assessments for payment of debt service for neighborhood capital projects, and funds collected from noncustodial parents for child support and disbursed to the custodial parents.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Government's sewer, landfill and public facilities and parking functions and various other functions of the Government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include occupational license fees on wages and net profits, taxes and interest income.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Government's enterprise and internal service funds are charges to customers for services. Operating expenses for enterprise and internal service funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Government administers the *Expansion Area Master Plan* as follows:

The Government established a program in 1996, called the Expansion Area Master Plan (EAMP), to ensure uniform development of the Urban Services Area in Fayette County. The EAMP allows for the collection of exaction fees on new construction. The Government requires that those who develop property bear the cost of improvements in rough proportion to the need generated by the development. Ordinance 196-96 acknowledges that it is in the best interest of the Government to encourage developers to build the system improvements identified in the Infrastructure Element of the EAMP and to provide developers who "front end" public improvements with credits against fair share fees and repayment for costs incurred in excess of their fair share.

Generally credits are granted to developers via a resolution passed by the Urban County Council. The Chief Administrative Officer has the authority to grant credits outside the resolution process and has occasionally done so. Exaction fees are assessed according to the guidelines established in the EAMP. They are due and payable when a developer applies for a building permit. Fees may be satisfied either with a cash payment or the surrender of exaction credits.

E. Budgetary Control

Budget Policy – The Urban County Council annually approves the budget ordinance for all operating funds of the Government, which includes governmental, proprietary, fiduciary, and agency funds. Federal and State Grant funds and capital projects funds adopt project-length budgets. Additional special revenue funds which are not budgeted include the Industrial Revenue Bond Fund, Police Confiscated Funds and the Public Safety Fund. Budgets are adopted on a basis consistent with GAAP except that budgetary basis expenditures include purchase orders and contracts (encumbrances). Budgetary control is maintained at the division level, e.g. Division of Police, Division of Parks and Recreation, etc. The Mayor may authorize transfers within a division; however, the Urban County Council

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

must approve by ordinance any other amendments to the budget. All budgeted amounts presented in the financial statements reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year). Appropriations lapse at year-end; however, uncompleted capital projects may be re-appropriated at the beginning of each fiscal year. The Council made several supplemental budgetary appropriations throughout Fiscal Year 2012. The net effect of these supplemental appropriations was an increase of \$5,615,177 in the General Fund and an increase of \$1,927,316 in the Urban Services Fund, which included re-appropriations of encumbrances from prior fiscal years and various waste management and street light reappropriations, respectively.

F. Assets, Liabilities and Fund Equity

Cash and Investments – Management has adopted written policies and procedures for cash and investment management. Cash and cash equivalents include cash on hand, demand deposits and cash with fiscal agents. Cash balances of most Government funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to each of the funds based on the fund's average monthly cash balance, except as required by ordinance for various restricted reserves. Funds that incur a negative balance in pooled cash and investments during the year are not allocated interest. The Government has adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement requires that investments in interest-earning investment contracts, external investment pools, open-end mutual funds and debt and equity securities be reported at fair value. Investments in the Pension Trust Funds and investments with a maturity of more than one year at the time of purchase are stated at fair value. Fair value for securities traded on a national exchange is determined by the last reported sales price. All other investments are stated at cost.

Receivables – Receivables are amounts due representing revenues earned or accrued in the current period. Allowances for uncollectible loans in the Federal and State Grants Fund fully reserve loan balances due to the nature of the individual projects and terms of the loans. Accounts receivable from other governments include amounts due from grantors for grants for specific programs and capital projects. The majority of other receivables in the General Fund are for taxpayer-assessed revenues that are collected 30 days after year end. Franchise fee revenues are recognized if collected within 60 days after year end.

Property taxes for fiscal year 2012 were levied on September 14, 2011 on the assessed valuation of property located in Fayette County as of the preceding January 1, the lien date.

The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

<u>Description</u>	<u>Per KRS 134.020</u>
Due date for payment of taxes	Upon receipt
2% discount period	By November 1
Face value amount payment dates	November 2 to December 31
Delinquent date, 5% penalty	January 1 to January 31
10% penalty plus 10% add on fee date	April 15

Per Kentucky statute, the county sheriffs are responsible for collection of property taxes. Vehicle taxes, collected by the County Clerk of Fayette County, are due and collected in the birth month of the vehicle's licensee. During the year, property tax revenues are recognized when cash is received. At year-end, a receivable is recorded for delinquent property taxes but revenues are only recognized for taxes collected within 60 days of the close of the fiscal year.

Allowance for Uncollectable Amounts – An allowance for uncollectable amounts relates to the estimated uncollectable balance of the revenues earned or accrued that have been included in accounts receivable at year end. An allowance is recorded on receivable balances based on historical bad debt experience related to the nature of each receivable balance.

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Interfund Receivables/Payables – During the course of its operations, the Government has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2012, balances of interfund amounts receivable or payable have been recorded as “due to/from other funds”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Inventories and Prepaid Items – Fuel and vehicle parts inventories are stated at average cost. Other inventories are valued using the first-in, first-out method. The costs of inventory items are recognized as expenditures or expenses when used.

Payments made to vendors for goods and services that will benefit periods beyond June 30, 2012 are recorded in assets as prepaid items.

In the governmental fund financial statements, reported inventories and prepaid items are equally offset in the fund balance as nonspendable, which indicates that they do not constitute “available spendable resources” even though they are a component of total assets.

Restricted Assets – Restricted assets are liquid assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. Certain proceeds of revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet and statement of net assets since their use is limited by applicable bond indentures. The other restricted assets are required to be maintained until the related bonds mature. The Construction and Capital Acquisitions account is used to report proceeds of general obligation and revenue bonds and notes that are restricted for use in construction and capital acquisitions. The Government uses the Construction and Capital Acquisitions assets for their intended purpose before using unrestricted assets. The Maintenance and Operations account represents the resources set aside to operate, maintain and insure the Sanitary Sewer System for three full months. The Capital Replacement account represents the resources set aside to provide reasonable reserves for renewals, replacements, improvements, extensions, extraordinary major repairs and contingencies in the operation of the Sanitary Sewer System. The Debt Service account is used to report resources set aside to prevent a default in payment of principal or interest on the bonds. The Sinking Fund account represents the resources accumulated for debt service payments over the next twelve months.

The balances of the restricted asset’s accounts in the governmental funds are as follows:

Various Purpose general obligation notes account	\$18,107,430
Equipment general obligation notes account	259,457
Federal Grants and Contracts	27,531
Pension bonds	33,900
Total restricted assets	<u>\$18,428,318</u>

The balances of the restricted asset’s accounts in the enterprise funds are as follows:

Sanitary sewer system maintenance and operations account	\$6,654,905
Sanitary sewer revenue bond sinking fund account	7,454,480
Sanitary sewer revenue bonds construction account	3,626,843
Sanitary sewer capital replacement account	2,461,024
Sanitary sewer debt service reserve account	9,609,868
Total restricted assets	<u>\$29,807,120</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
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Unrestricted Assets – Unrestricted assets represent unrestricted liquid assets. While Government management may have categorized and segmented portions for various purposes, the Urban County Council has the unrestricted authority to revisit or alter these management decisions.

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, traffic signals and similar items) and intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary funds. Expenditures for items having a useful life greater than one year and having a cost greater than \$5,000 for equipment and \$25,000 for land, buildings and related improvements are capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value and recorded as donations at the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Government are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	10-40 years
Land improvements	10-50 years
Public domain infrastructure	10-50 years
Sanitary Sewer System infrastructure	50 years
Vehicles and equipment	5-25 years
Office equipment	5 years
Computer equipment	5-7 years
Intangibles	3-5 years

Construction in progress (CIP) represents construction projects for capital assets that have not yet been placed in service. Developments in progress (DIP) represent fees accrued on urban development projects in the EAMP currently underway that have not yet been completed, where settlement of the fees by the respective developer is expected to be made through contributing infrastructure type assets (e.g. roads, sewer systems, etc.) to the Government. CIP and DIP are not depreciated until the projects are complete and placed in service.

Compensated Absences – Compensated absences include accumulated unpaid vacation, sick and holiday leave. Government employees are granted vacation and sick leave in varying amounts in accordance with administrative policy. In the event of termination, an employee is reimbursed for accumulated holiday and vacation days. Employees receive annual compensation for accumulated unused sick leave in excess of 600 hours (or 840 hours for firefighters). Employees are reimbursed for all accumulated unused sick leave upon retirement. All accumulated leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. In governmental funds, compensated absences are not payable with available and spendable resources, and, therefore, are only recorded when they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations – In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Assets. The discounts, premiums and issuance costs related to bonds and notes issued are deferred and amortized over the life of the bond or note using the straight-line method. Bonds and notes payable are reported net of the applicable bond premium or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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The difference between the re-acquisition price (new debt) and the net carrying value of the old debt on refunded debt of the proprietary funds is amortized as a component of interest expense over the life of the old or new bonds, whichever is shorter, using the straight-line method. The deferred amount is offset against the new liability.

Long-term liabilities include the following:

- Principal outstanding on general obligation bonds, general obligation notes, and revenue bonds.
- Unfunded Post-Retirement Health Benefits, which is the net retirement health benefit obligation for the Policemen's and Firefighters' Retirement Fund and the City Employees' Pension Fund.
- Landfill closure and postclosure care liability, which is the estimated total current cost to place a final cover on the Government's landfill sites and to perform certain maintenance and monitoring functions for thirty years after closure.

G. Net Assets/Fund Balances

The government-wide and proprietary financial statements utilize a net asset presentation. Net assets are categorized as follows:

Invested in Capital Assets, Net of Related Debt – is intended to reflect the portion of net assets associated with capital assets (net of accumulated depreciation), less outstanding capital assets related debt, net of unspent bond proceeds.

Restricted Net Assets – represents amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, laws/regulations of other governments or constitutional provisions, or (b) resources resulting from enabling legislation.

Unrestricted Net Assets – This category represents net assets not appropriated for expenditures or legally segregated for a specific future use.

In the balance sheet of governmental funds the difference between the assets and liabilities of governmental funds is reported as fund balance. The Government's fund balance is divided into the following classifications, as applicable:

Nonspendable – These resources include amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The Government's nonspendable funds consisted of prepaid expenses and inventories as of June 30, 2012.

Restricted – Restricted amounts represent resources that are constrained for a specific purpose by external parties, constitutional provisions or enabling legislation. The Government had restricted funds for various projects: public works, public safety, capital projects, grants, and urban services as of June 30, 2012.

Committed – Committed amounts are constrained for a specific purpose by the Government using its highest level of decision-making authority. For resources to be considered committed, the Urban County Council issues an ordinance that can only be changed with another corresponding ordinance. The Government had no committed funds as of June 30, 2012.

Assigned – Assigned amounts represent resources that the Government intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

Urban County Council or by the Commissioner of Finance under the authorization of the Mayor. The Government has assigned funds for general government, economic stabilization, capital projects, and urban services as of June 30, 2012.

The Government developed and adopted an Unrestricted General Fund Balance (“Economic Stabilization Fund” or “Economic Contingency Fund”) Policy on December 5, 1996. It is the Government’s policy to:

- Maintain an Economic Contingency Fund balance of not less than \$4,000,000. Interest earned on monies will accrue to the Economic Contingency Fund.
- A budgeted deposit of \$50,000 per month will be required each fiscal year until the Economic Contingency Fund is at least equal to 10% of the last completed fiscal year total General Fund revenues, beginning with the 2007 fiscal year.
- The Government shall, on an annual basis, following the annual audit report, examine the General Fund Unassigned Fund Balance and allocate 25% of the available balance above the Budgeted Fund Balance Carry forward and a reserve for Capital Re-appropriations to be deposited into the Economic Contingency Fund.
- Utilize the Economic Contingency Fund for unanticipated emergencies consistent with the stated policy.

The Economic Contingency Fund balance may only be used if all of the following conditions exist:

- An unanticipated emergency of an extreme nature that cannot be remedied by reasonable budget changes and/or the use of budgeted ending fund balance.
- The Government has made a complete and rational analysis, with justifying evidence that the Economic Contingency Fund can be maintained in the future.

Unassigned – Unassigned amounts represent resources that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

When both restricted and unrestricted resources are available for use, it is the Government’s policy to use restricted resources first, then unrestricted resources as they are needed. Likewise, fund balances that are committed or assigned would be used first for their approved purposes. Unassigned fund balances would be used as needed.

H. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

I. Revenues, Expenditures and Expenses

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same fiscal year in which the taxes are levied. Emergency medical service fees are billed and collected by Software

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NOTES TO FINANCIAL STATEMENTS (Continued)
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Development, Inc. (SDI) as an agent for the Government. Cash collected by SDI is remitted daily to the Government. The Government records all revenues (net of an allowance for doubtful accounts) billed through the end of the fiscal year by SDI.

The majority of the sanitary sewer user fees and the landfill user fees are billed and collected by the Kentucky American Water Company (KAWC) as an agent for the Government. Cash collected by the KAWC is remitted to the Government daily. All revenues (net of an allowance for doubtful accounts) billed by KAWC are recorded by the Government.

Expenditures are recognized when the related fund liability is incurred except for the following permitted by GAAP:

- General obligation long-term debt principal and interest are reported when due.
- Inventory costs are reported in the period when inventory items are consumed, rather than when purchased.
- Compensated absences are recorded when payable rather than when earned.

Interfund transactions that would be treated as revenues or expenditures/expenses if they involved organizations external to the Government are similarly treated when involving funds of the Government. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the reimbursed fund. Transfers from funds receiving revenues to funds through which the resources are to be expended and operating subsidies are classified as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

The Government has no material violations of finance related legal and contractual provisions.

B. Excess of Expenditures over Appropriations - The following divisions, in funds that have budgets adopted annually, had excess expenditures over appropriations for the fiscal year ended June 30, 2012:

	<u>Excess Expenditures</u>
General Fund:	
Building Inspection	\$134,633
Central Purchasing	48,691
Chief Development Officer	6,270
Circuit Judges	6,954
Coroner	31,514
Environmental Policy	45,565
Environmental Quality & PW Admin	57,871
Finance Administration	84,979
Fire & Emergency Services	19,866,272
Government Communications	142,097
Historic Preservation	18,435
Law	34,705
Office of the Mayor	182,506
Planning	68,676

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NOTES TO FINANCIAL STATEMENTS (Continued)
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Police	18,020,663
Policy & Budget	13,618
Purchase of Development Rights	4,121
Risk Management	107,409
Traffic Engineering	26,815
Youth Services	53,233

Urban Services Fund:

Traffic Engineering	\$181,565
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Excess expenditures over appropriations were funded by available fund balances.

C. Fund Deficits

Capital Projects Funds – The Roads, Parks, Open Spaces, Storm Water Exactions Fund had a deficit fund balance of \$370,103. The deficit is a result of credits issued for developments in progress, where settlement of the fees by the respective developer is expected to be made through contributing infrastructure type assets.

D. Prior Period Adjustments

Component Units

The Lexington Transit Authority (Authority) recorded a prior period adjustment of \$235,403 related to an over-accrual of grant receivables which reduced federal capital contributions revenue and accounts receivable. The beginning net assets have been restated to reflect the adjustment.

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. Cash, Investments, and Securities Lending

Primary Government

The Government's bank balances at June 30, 2012 are entirely insured by the Federal Deposit Insurance Corporation (FDIC) and/or collateralized with securities held by the Government's agent in the Government's name. In accordance with Kentucky Revised Statute (KRS) 66.480 and the Government's investment policy, the Government is allowed to invest in obligations of the U.S. Treasury and U.S. agencies and instrumentalities, repurchase agreements, bankers' acceptances, commercial paper, obligations of the Commonwealth of Kentucky and its agencies and instrumentalities, shares of mutual funds or interest bearing deposits of insured national or state banks. In addition, the Pension Trust Funds are allowed to invest in equity securities, corporate bonds and international stocks listed as American Depositary Receipts (ADR).

Investments of the Government as of June 30, 2012 are summarized and categorized in the following table:

<u>Investment Maturities (in years)</u>					
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1 Year</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More Than 10</u>
Money Market Mutual Funds	\$128,936,125	\$128,936,125	\$0	\$0	\$0
Certificates of Deposit	13,419,286	3,236,739	3,145,501	5,124,095	1,912,951
US Government Agency Obligations	23,791,000		5,003,737	4,222,661	14,564,602
Repurchase Agreements	5,686,433	5,686,433			
Total Investments	<u>\$171,832,844</u>	<u>\$137,859,297</u>	<u>\$8,149,238</u>	<u>\$9,346,756</u>	<u>\$16,477,553</u>

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NOTES TO FINANCIAL STATEMENTS (Continued)
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Interest Rate Risk – The risk that changes in interest rates will adversely affect the fair value of an investment. While the Government has adopted an investment policy that recommends controlling interest rate risk through maturity diversification, the policy does not place any formal limits of investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments are made under the “prudent person rule” outlined in the Government’s investment policy. This rule is defined to mean “investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived.” The prudent investor standard shall be applied in the context of managing the overall portfolio.

In accordance with its investment policy, the Government is permitted to invest in the following:

1. Obligations of the United States and of its agencies and instrumentalities, including obligations subject to repurchase agreements, provided that delivery of these obligations subject to repurchase agreements is taken either directly or through an authorized custodian.
2. Obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States or a United States government agency.
3. Obligations of any corporation of the United States government.
4. Certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the FDIC or similar entity or which are collateralized, to the extent uninsured.
5. Bankers’ acceptances for banks rated in one (1) of the three (3) highest categories by a nationally recognized rating agency.
6. Commercial paper rated in the highest category by a nationally recognized rating agency.
7. Bonds or certificates of indebtedness of the Commonwealth of Kentucky and of its agencies and instrumentalities.
8. Securities issued by a state or local government, or any instrumentality or agency thereof, in the United States, and rated in one (1) of the three (3) highest categories by a nationally recognized rating agency.
9. Shares of mutual funds, each of which shall have the following characteristics:
 - a. The Mutual Fund shall be an open-end diversified investment company registered under the Federal Investment Company Act of 1940, as amended
 - b. The management company of the investment company shall have been in operation for at least five (5) years; and
 - c. All of the securities in the mutual fund shall be eligible investments under this section.

Concentration of Credit Risk – The risk of loss attributed to the magnitude of the Government’s investment in a single issuer. Government securities and investments in mutual funds are excluded from this risk. In order to reduce the Credit risk, the investments held by a financial institution in the Government’s name should be limited to no more than 35% of the total investments, excluding that held in a Money Market Mutual fund.

Pension Trust Funds

The Government’s Pension Trust Funds are made up of the Policemen’s and Firefighters’ Retirement Fund (PFRF) and the City Employee’s Pension Fund (CEPF). The disclosures below are separate as the pension funds have different investment policies and different objectives. The PFRF is an active growing fund, while the City Employee’s Pension Fund has been closed since 1983.

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NOTES TO FINANCIAL STATEMENTS (Continued)
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Investments of the PFRF as of June 30, 2012 are summarized and categorized in the following table:

Policemen's and Firefighters' Retirement Fund

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More Than 10</u>
Debt Securities:					
US Agencies	\$36,418,058	\$1,010,710	\$4,780,440	\$4,673,841	\$25,953,066
US Government Obligations	17,573,395	6,060,417	2,285,192	2,302,266	6,925,520
Municipal Obligations	6,770,590		2,422,536	2,624,829	1,723,225
International Bonds	14,895,154	2,425,643	4,778,289	7,022,789	668,434
Corporate Debt	71,877,676	3,087,601	34,907,859	30,303,396	3,578,820
Repurchase Agreements	16,548,352	16,548,352			
	<u>\$164,083,225</u>	<u>\$29,132,723</u>	<u>\$49,174,316</u>	<u>\$46,927,121</u>	<u>\$38,849,065</u>
Other Investments:					
Equity Mutual Funds	\$105,594,266				
Equity Real Estate	46,571,577				
Equity Securities - Domestic	109,894,611				
Equity Securities - International	78,818,806				
	<u>\$504,962,485</u>				

The PFRF has contracted with external investment managers to manage all of the funds. The board has adopted an investment policy that recommends the following target allocations based on asset class:

<u>Asset Class</u>	<u>Target Allocation</u>
US Large Cap Value Equities	12.5%
US Large Cap Growth Equities	12.5%
US Small Cap Value Equities	15.0%
International Growth Equities	10.0%
International Value Equities	10.0%
Total Equities	<u>60.0%</u>
US Broad Market Fixed Income	20.0%
US High Yield Fixed Income	10.0%
Total Fixed Income	<u>30.0%</u>
Real Estate	<u>10.0%</u>
Total Plan	<u>100.0%</u>

Interest Rate Risk – The PFRF does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair market losses arising from increasing interest rates.

Credit Risk – The PFRF investment policy manages credit risk by the limitation of certain investments within the above asset classes. For US Equity asset classes up to 10% of each US Small Cap Value, 15% of US Large Cap Growth, and 20% of US Large Cap Value portfolio's current market value may be invested in ADR's. The US Broad Market Fixed Income manager's debt securities must have a minimum quality rating of Baa/BBB or above, while

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the overall portfolio rating must be A+ or above. The US High Yield Fixed Income manager's portfolio may have, on average, no more than 20% of the portfolio in debt securities with a quality rating of CCC/Caa and below, while the overall portfolio rating should be B or above.

Debt Securities by Investment Type

	US Agencies	US Government Obligations	Municipal Obligations	International Bonds	Corporate Debt	Total	%
Quality Ratings							
AAA	\$0	\$0	\$2,029,197	\$0	\$208,819	\$2,238,016	2%
AA	8,975,291	10,451,619	3,220,901	4,412,056	2,312,229	29,372,096	20%
A			857,674	2,100,226	14,746,326	17,704,226	12%
BBB				2,052,358	12,393,229	14,445,587	10%
BB				2,587,775	16,525,354	19,113,129	13%
B				2,413,732	19,501,440	21,915,172	15%
CCC				235,682	2,712,087	2,947,769	1%
NR	27,442,767	7,121,776	662,818	1,093,325	3,478,192	39,798,878	27%
Fair Value	\$36,418,058	\$17,573,395	\$6,770,590	\$14,895,154	\$71,877,676	\$147,534,873	100%

Concentration of Credit Risk – Government securities and investments in mutual funds are excluded from this risk. The PFRF places a restriction on equity managers that at the time of purchase they may not invest in more than 5% of the outstanding securities of one issuer nor invest more than 5% of their portfolios' assets in the outstanding securities with one issuer. The US Broad Market Fixed Income manager may not invest more than 5% of the outstanding securities with one issuer nor invest more than 5% of the portfolio's assets in the outstanding securities of one issuer, except for Treasury and Agency securities. The US High Yield Fixed Income manager may not invest more than the greater of 1.5 times the index weight or 20% of the portfolio in any one industry. The US High Yield Fixed Income manager may not invest more than 5% of the Plan's assets in the outstanding securities of any one issuer.

Securities Lending – The PFRF has a securities lending agreement with J.P. Morgan, a national banking association (the agent). J.P. Morgan, also the custodian for the retirement fund, acts as an agent to lend securities held in the retirement fund portfolios.

Per the agreement, the retirement fund has authorized the lending of domestic bonds and securities in return for collateral. Collateral for loaned securities may be in the form of cash, securities issued or guaranteed by the United States Government or its agencies or irrevocable letters of credit. The broker/dealer collateralizes their borrowing to 102% of the security value, plus accrued interest. If the broker/dealer fails to return the security upon request, then the agent will utilize the collateral to replace the security loaned. The Government does not have the ability to pledge or sell collateral securities without a borrower default.

Investment of the cash collateral may be in commercial paper that is rated in the highest category of at least two nationally recognized security agencies, short-term obligations of banks, short-term obligations of the United States Government or its agencies, repurchase agreements, funding agreements issued by insurance companies rated "A" or higher by A. M. Best & Company or money market mutual funds. The investments of the collateral do not generally match the maturities of the securities lending arrangements themselves; they are typically very short-term in nature and mostly invested in overnight repurchase agreements.

The agent agrees to indemnify the retirement fund for losses resulting directly or indirectly from the failure of the borrower to return the loaned securities in accordance with the terms of the loan agreement, limited to an indemnification amount equal to the difference between the market value of the loaned securities and the value of

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NOTES TO FINANCIAL STATEMENTS (Continued)
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the collateral. There are no restrictions in the agreement that limit the amount of securities that can be lent at one time or to one borrower.

As of June 30, 2012, the securities loaned in the portfolio did not have credit risk, and the fair value of securities on loan is \$16,548,352.

Investments of the CEPF as of June 30, 2012 are summarized and categorized in the following table:

City Employees Pension Fund

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities:					
US Agencies	\$6,807,467	\$0	\$835,745	\$1,734,528	\$4,237,194
US Government Obligations	3,370,186		1,836,657	597,639	935,890
International Bonds	594,906	50,955	209,157	156,260	178,534
Corporate Debt	3,044,618	153,501	1,537,721	765,153	588,243
	<u>\$13,817,177</u>	<u>\$204,456</u>	<u>\$4,419,280</u>	<u>\$3,253,580</u>	<u>\$5,939,861</u>
Other Investments:					
Equity Securities - Domestic	\$11,592,377				
Equity Securities - International	760,496				
	<u>\$26,170,050</u>				

The CEPF has contracted with external investment managers to manage all of the funds. The board has adopted an investment policy that recommends the following target allocations based on asset class:

<u>Asset Class</u>	<u>Target Allocation</u>
US Equities	40%
US Broad Market Fixed Income	60%
Total Plan	<u>100%</u>

Interest Rate Risk – The CEPF does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair market losses arising from increasing interest rates.

Credit Risk – The CEPF investment policy limits its equity manager to investments in ADR's to 10% of the equity portfolio's current market value. The fixed income manager's debt securities must have a minimum quality rating of Baa/BBB or above, while the overall fixed income portfolio rating must be A+ or above. No more than 10% of the equity portfolio can be of quality rating Baa/BBB.

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Debt Securities by Investment Type						
	US Agencies	US Government Obligations	International Bonds	Corporate Debt	Total	%
Quality Ratings						
AAA	\$0	\$0	\$0	\$342,801	\$342,801	2%
AA	6,807,467	3,370,186	98,521	252,840	10,529,014	76%
A			297,680	1,605,060	1,902,740	14%
BBB			198,705	843,917	1,042,622	8%
	<u>\$6,807,467</u>	<u>\$3,370,186</u>	<u>\$594,906</u>	<u>\$3,044,618</u>	<u>\$13,817,177</u>	<u>100%</u>

Concentration of Credit Risk – The CEPF investment policy places a restriction on equity managers that at the time of purchase, managers may not invest in more than 5% of the outstanding securities of one issuer nor invest more than 5% of their portfolios' assets in the outstanding securities with one issuer. The fixed income manager may not invest in more than 5% of the outstanding securities of one issuer nor invest more than 5% of the fixed income portfolio assets in the outstanding securities of one issuer, except for Treasury and Agency securities.

Component Units

For complete information on custodial credit risk, interest rate risk, credit risk, and concentration of credit risk, refer to the individual reports on each component unit.

Summarized investment information for the component units is included in the table below:

	Reported Amount/ Fair Value
U.S. Government and Government Agency Obligations	\$15,940,171
Investments not subject to categorization:	
Certificates of Deposit	8,307,830
Money Market Funds	4,192,913
Total Investments	<u>\$28,440,914</u>

As of June 30, 2012, LCC had \$1,084,850 and \$2,245,828 in deposits and investments, respectively that were uninsured and uncollateralized.

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NOTES TO FINANCIAL STATEMENTS (Continued)
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B. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$56,316,783	\$2,857,558	\$0	\$59,174,341
Purchase of Development Rights	67,938,038	2,148,569		70,086,607
Intangibles	2,907,361	101,026		3,008,387
Construction in Progress	29,467,745	7,657,190	(12,581,538)	24,543,397
Developments in Progress	13,162,052	310,504	(430,146)	13,042,410
Depreciable Assets:				
Buildings	141,548,714	2,731,770	(673,106)	143,607,378
Intangibles	8,063,603	126,167		8,189,770
Vehicles, Equipment and Furniture	103,746,837	5,402,653	(6,811,180)	102,338,310
Land and Leasehold Improvements	22,249,481	3,672,194		25,921,675
Infrastructure	992,086,099	6,808,376	(964,757)	997,929,718
Sewer Lines	5,603,524	596,554		6,200,078
Totals at historical cost	1,443,090,237	32,412,561	(21,460,727)	1,454,042,071
Less accumulated depreciation for:				
Buildings	(40,924,965)	(4,207,770)	75,952	(45,056,783)
Vehicles, Equipment and Furniture	(68,922,753)	(7,789,161)	6,399,778	(70,312,136)
Land and Leasehold Improvements	(11,608,335)	(2,155,671)		(13,764,006)
Infrastructure	(220,561,677)	(30,309,012)	872,854	(249,997,835)
Sewer Lines	(154,437)	(133,505)		(287,942)
Intangibles	(4,391,221)	(1,016,841)		(5,408,062)
Total accumulated depreciation	(346,563,388)	(45,611,960)	7,348,584	(384,826,764)
Governmental Activities capital assets, net	1,096,526,849	(13,199,399)	(14,112,143)	1,069,215,307
Business-Type Activities:				
Non-Depreciable Assets:				
Land	47,941,856	1,598,524	(430,000)	49,110,380
Construction in Progress	3,066,435	4,832,034	(4,585,787)	3,312,682
Developments in Progress	4,066,143	79,750	(433)	4,145,460
Depreciable Assets:				
Buildings	130,590,758	72,111		130,662,869
Vehicles, Equipment and Furniture	12,714,849	1,421,103	(512,392)	13,623,560
Land and Leasehold Improvements	48,048,207	347,716		48,395,923
Infrastructure	6,629,568	89,798	(36,485)	6,682,881
Sewer Lines	168,664,921	4,378,307		173,043,228
Sewer Plants	163,269,363			163,269,363
Intangibles	2,036,612	1,052,196		3,088,808
Totals at historical cost	587,028,712	13,871,539	(5,565,097)	595,335,154
Less accumulated depreciation for:				
Buildings	(69,065,699)	(4,525,906)		(73,591,605)
Vehicles, Equipment and Furniture	(10,357,248)	(700,512)	439,886	(10,617,874)
Land and Leasehold Improvements	(33,921,220)	(1,593,908)		(35,515,128)
Infrastructure	(264,757)	(122,275)		(387,032)
Sewer Lines	(53,144,465)	(3,262,113)		(56,406,578)
Sewer Plants	(80,911,420)	(3,067,303)		(83,978,723)
Intangibles	(2,006,133)	(126,680)		(2,132,813)
Total accumulated depreciation	(249,670,942)	(13,398,697)	439,886	(262,629,753)
Business-Type Activities capital assets, net	\$337,357,770	\$472,842	(\$5,125,211)	\$332,705,401

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government	\$653,967
Administrative Services	1,275,810
Finance	392,875
Public Safety	262,897
Environmental Quality & Public Works	33,991,749
Police	1,093,133
Fire and Emergency Services	1,542,623
Law	4,278
Community Corrections	1,606,606
Social Services	270,383
General Services	3,183,589
Parks and Recreation	1,334,050
Total depreciation expense - Governmental Activities	45,611,960

Business-Type Activities:

Sanitary Sewers	7,299,442
Public Facilities	4,868,878
Public Parking	307,878
Landfill	842,574
Right of Way	5,197
Extended School Program	10,837
Prisoners' Account System	4,134
Enhanced 911	10,350
Stormwater	49,407
Total depreciation expense - Business-Type Activities	\$13,398,697

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

	Discretely Presented Component Units			
	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Assets:				
Land	\$22,906,071	\$0	\$0	\$22,906,071
Construction in Progress	4,896,616	8,642,138	(9,833,855)	3,704,899
Other	490,694	850		491,544
Depreciable Assets:				
Buildings and Improvements	303,007,283	5,484,903	(2,203,224)	306,288,962
Vehicles, Equipment and Furniture *	55,964,173	5,794,994	(6,142,506)	55,616,661
Land and Leasehold Improvements	61,852,575	3,037,494	(669,428)	64,220,641
Intangibles	63,916		(5,376)	58,540
Totals at historical cost	449,181,328	22,960,379	(18,854,389)	453,287,318
Less accumulated depreciation *	(193,804,648)	(18,062,852)	7,235,326	(204,632,174)
Component unit activities				
capital assets, net	\$255,376,680	\$4,897,527	(\$11,619,063)	\$248,655,144

* Beginning balances restated.

Construction Commitments

The Government has active construction projects as of June 30, 2012. The projects include improvements to major roadways, government buildings, sanitary sewer and stormwater systems. At fiscal year end, the Government had the following commitments on construction contracts:

Project	Commitment
Buildings	\$105,115
Capital Repairs and Maintenance	1,292,168
Land Improvements	424,709
Sanitary Sewer Collection System	3,692,151
Sanitary Sewer Treatment System	1,509,866
Storm Drainage	841,562
Street Resurfacing Maintenance	234,926
Streets and Roadways	3,667,967
Traffic Control and Markings	6,232
	<u>\$11,774,696</u>

Intergovernmental revenues and local contributions provide funding for the major roadway improvements. The Urban Services Fund and intergovernmental revenues fund the renovations to government buildings. General obligation bonds finance the commitments for stormwater system improvements. Intergovernmental revenues and general obligation bonds fund the parks improvements.

C. Interfund Receivables, Payables and Transfers

The principal purpose of the Government's interfund transfers is indicative of funding for capital projects or subsidies of various Government operations and reallocation of special revenues. Due to our practice of cash management by concentrating the Government's funds, interfund balances exist as of June 30, 2012. In addition, Federal and State Grants revenues are based on reimbursable expenditures.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

The composition of interfund balances as of June 30, 2012, is as follows:

Fund Description	Due from (to) General Fund
Sanitary Sewer System	(\$2,454,595)
Public Facilities Corporation	568,730
Public Parking Corporation	743,980
Landfill	(103,135)
Other Enterprise Funds	1,487,484
Total due from Proprietary Funds	242,464
Urban Service	1,565,586
Federal and State Grants	(3,827,361)
Other Governmental Funds	(43,841)
Internal Service Funds	21,388,443
Total due from General Fund	\$19,325,291

Receivable Entity	Payable Entity	Amount
Primary government - General fund	Component unit - Lexington Transit Authority	\$305,239
Primary government - General fund	Component unit - Parking Authority	226,975
Component unit - Lexington Convention and Visitor's Bureau	Component unit - Lexington Center Corporation	172,157
Total		704,371
Component unit - Downtown Development Authority	Primary government - General fund	36,455
Component unit - Lexington Center Corporation	Primary government - General fund	281,751
Component unit - Lexington Center Corporation	Component unit - Lexington Convention and Visitor's Bureau	172,157
Total		\$490,363

Interfund transfers:

Transfers are indicative of 1) funding for capital projects, 2) moving unrestricted revenues collected in the General Fund to subsidize various programs accounted for in other funds in accordance with budgetary authorization, and 3) reallocation of special revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The following schedule briefly summarizes the Government's transfer activity:

	General	Urban Services	Fed St Grants	Non Major Governmental	Total Governmental	Major Proprietary	Non Major Proprietary	Total Proprietary
General	\$0	\$290	\$0	(\$6,874,052)	(\$6,873,762)	(\$243,170)	\$47,454	(\$195,716)
Urban Services	(290)				(290)			
Fed St Grants	(993,408)	(31,697)	1,390,459	(279,492)	85,862		(85,862)	(85,862)
Non-Major Governmental	6,245,968				6,245,968	628,086		628,086
Major Proprietary	199,220				199,220			
Non-Major Proprietary	(47,454)				(47,454)			
Grand Total	\$5,404,036	(\$31,407)	\$1,390,459	(\$7,153,544)	(\$390,456)	\$384,915	(\$38,408)	\$346,507

D. Long-term Debt

Revenue bonds and other directly related long-term liabilities, which are intended to be paid from proprietary funds, are included in the accounts of such funds. All other long-term indebtedness is accounted for in the governmental column of the Government-Wide Statement of Net Assets.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

Primary Government

Bonds payable, notes payable, compensated absences, landfill closure and postclosure care costs, and unfunded pension liabilities at June 30, 2012 are as follows:

	Purpose of Issue	Original Issue	Interest Rates	Final Maturity	Amount Outstanding	Due Within One Year
Governmental Activities						
Bonds, notes, loans, and leases:						
General Obligation, Series 2001B	Purchase of Development Rights	\$7,635,000	3.80% - 3.90%	1-Dec-2012	\$375,000	\$375,000
General Obligation, Series 2002C	Storm Water & Road Construction	4,570,000	3.00% - 4.93%	1-Dec-2022	480,000	355,000
General Obligation, Series 2004C	Multi-Purpose Project	9,640,000	2.50% - 4.75%	1-Jul-2024	2,275,000	420,000
General Obligation, Series 2005C	PDR /Building Renovation	4,490,000	3.00% - 4.20%	1-Jun-2025	2,705,000	290,000
General Obligation, Series 2006B	Blvd/Stormwater/Fire Station/Cars	10,310,000	4.00% - 4.50%	1-Jun-2026	5,950,000	695,000
General Obligation, Series 2006C	Purchase of Development Rights	2,055,000	3.50% - 4.20%	1-Nov-2026	1,675,000	85,000
General Obligation, Series 2006D	Refunding	56,850,000	4.00% - 4.25%	1-May-2024	46,730,000	3,325,000
General Obligation, Series 2008A	Equipment/HVAC/Vehicles	13,520,000	3.50%	1-Feb-2014	3,805,000	1,870,000
General Obligation, Series 2009A	PDR /Building Renovation/CIP	24,830,000	2.25% - 5.00%	1-Feb-2029	20,640,000	1,465,000
Pension Obligation, Series 2009B	Police/Fire Pension Fund	70,610,000	3.50% - 6.00%	1-Apr-2029	63,070,000	2,480,000
General Obligation, Series 2010A	CIP projects	69,320,000	1.00% - 5.60%	1-Sep-2030	66,820,000	2,575,000
General Obligation, Series 2010B	Refunding of 1999B and 2000A	7,735,000	1.00% - 3.00%	1-Sep-2019	6,280,000	735,000
General Obligation, Series 2010C	Refunding of 2000E	6,635,000	1.00% - 3.00%	1-Dec-2020	5,470,000	565,000
Pension Obligation, Series 2010D	Police/Fire Pension Fund	35,825,000	.95% - 5.45%	1-Jun-2030	33,345,000	1,305,000
General Obligation, Series 2010F	CIP projects	6,305,000	1.00% - 2.90%	1-Dec-2016	6,260,000	1,260,000
General Obligation, Series 2010G	CIP projects	8,950,000	3.20% - 5.40%	1-Dec-2025	8,950,000	
General Obligation, Series 2010H	Refunding of 2001B	4,465,000	1.00% - 3.80%	1-Dec-2021	4,380,000	55,000
Pension Obligation, Series 2012A	Police/Fire Pension Fund	31,000,000	2.50% - 4.00%	1-Oct-2032	31,000,000	
General Obligation, Series 2012B	Refunding of 2002C and 2004C	6,275,000	2.00% - 4.00%	1-Jul-2024	6,275,000	
Premiums, deferred charges and discounts on bond obligations					(770,350)	
Total bonds, notes and loans payable					315,714,650	17,855,000
Other Liabilities:						
Compensated Absences					21,254,266	2,975,597
Unfunded Other Post Employment Benefit Liability					56,962,856	
Unfunded Pension Liability					1,513,988	
Total other liabilities					79,731,110	2,975,597
Total Governmental Activities					395,445,760	20,830,597
Business-type Activities						
Bonds, notes and loans:						
Sanitary Sewer, Series 2001A	Sewer Rehabilitation	25,150,000	4.00% - 5.00%	1-Jul-2013	1,295,000	1,295,000
Sanitary Sewer, Series 2009A	Sewer Rehabilitation	35,960,000	1.75% - 5.875%	1-Jul-2024	34,575,000	1,405,000
Sanitary Sewer, Series 2010A	Refunding	13,860,000	2.25% - 3.75%	30-Jun-2021	13,350,000	130,000
Public Facilities, Series 2006	Refunding	66,725,000	3.88% - 4.25%	1-Oct-2031	60,020,000	2,050,000
Radcliff road A209-09	SRF Loan	113,523	2.00%	1-Jun-2030	104,548	4,878
KIA Streetscape A209-8	SRF Loan	1,254,980	2.00%	1-Dec-2030	1,177,193	53,163
So. Elkhorn A09-01	SRF Loan	13,766,388	2.00%	1-Dec-2031	13,484,789	571,676
Premiums, deferred charges and discounts on bond obligations					(4,410,009)	
Total bonds, notes and loans					119,596,521	5,509,717
Other Liabilities:						
Compensated Absences					1,429,619	464,603
Landfill Closure & Postclosure Care Costs					18,954,582	5,365,370
Total other liabilities					20,384,201	5,829,973
Total Business-Type Activities					\$139,980,722	\$11,339,690

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Beginning Balance*	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds, Notes, Loans, and Leases:					
General Obligation Bonds, Notes and Leases	\$303,865,000	\$37,275,000	(\$24,655,000)	\$316,485,000	\$17,855,000
Bonds, notes, loans and leases payable	303,865,000	37,275,000	(24,655,000)	316,485,000	17,855,000
Net of bond premiums, discounts and deferred amount on refundings	(1,014,396)	175,078	68,968	(770,350)	
Total bonds, notes, loans and leases payable	302,850,604	37,450,078	(24,586,032)	315,714,650	17,855,000
Other Liabilities:					
Compensated Absences	22,382,594	2,544,877	(3,673,205)	21,254,266	2,975,597
Unfunded Other Post Employment Benefit Liability	44,645,362	12,317,494		56,962,856	
Unfunded Pension Liability	1,576,734		(62,746)	1,513,988	
Total Governmental Activities long-term liabilities	371,455,294	52,312,449	(28,321,983)	395,445,760	20,830,597
Business-Type Activities					
Bonds, Notes and Loans:					
Revenue Bonds	60,055,000		(10,835,000)	49,220,000	2,830,000
Mortgage Revenue Bonds	61,990,000		(1,970,000)	60,020,000	2,050,000
Notes and Loans	15,105,027		(338,497)	14,766,530	629,717
Bonds, notes, and loans payable	137,150,027	0	(13,143,497)	124,006,530	5,509,717
Net of bond premiums, discounts and deferred amount on refundings	(4,707,411)		297,402	(4,410,009)	
Total bonds, notes, and loans payable	132,442,616	0	(12,846,095)	119,596,521	5,509,717
Other Liabilities:					
Compensated Absences	1,486,504	182,000	(238,885)	1,429,619	464,603
Landfill Closure and Postclosure Care Costs	19,417,009		(462,427)	18,954,582	5,365,370
Total Business-Type Activities long-term liabilities	\$153,346,129	\$182,000	(\$13,547,407)	\$139,980,722	\$11,339,690

*Certain amounts in the beginning balance column have been reclassified to conform to the current year presentation

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for Governmental Activities. For the Governmental Activities, compensated absences are generally liquidated by the General Fund and the Urban Services Fund. The General Fund is used to liquidate both the net pension obligation and the net other postemployment benefit obligation. For Business-Type Activities, landfill closure and postclosure care costs are liquidated from fees charged for landfill services.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

Principal and interest requirements to maturity for the Primary Government's bonds and notes are as follows:

Fiscal Year	Governmental Activities		Business-Type Activities					
	General Obligation Bonds, Notes and Leases		Revenue Bonds, Notes and Leases		Mortgage Revenue Bonds		Total Primary Government	
	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2013	\$13,118,351	\$17,855,000	\$2,421,481	\$3,459,717	\$2,435,925	\$2,050,000	\$17,975,757	\$23,364,717
2014	12,999,808	20,465,000	2,304,788	2,202,374	2,354,938	2,130,000	17,659,533	24,797,374
2015	12,373,454	18,915,000	2,226,739	3,465,286	2,269,368	2,215,000	16,869,561	24,595,286
2016	11,749,410	19,625,000	2,122,598	3,673,457	2,178,869	2,310,000	16,050,877	25,608,457
2017	11,079,216	17,955,000	2,005,418	3,771,893	2,084,569	2,405,000	15,169,204	24,131,893
2018 - 2022	46,956,149	93,210,000	7,899,863	20,640,650	8,867,409	13,565,000	63,723,422	127,415,650
2023 - 2027	25,523,941	79,690,000	4,549,561	13,754,450	5,782,662	16,645,000	35,856,165	110,089,450
2028 - 2033	5,298,011	48,770,000	1,279,551	13,018,703	1,979,012	18,700,000	8,556,575	80,488,703
Total	<u>139,098,340</u>	<u>316,485,000</u>	<u>24,810,000</u>	<u>63,986,530</u>	<u>27,952,754</u>	<u>60,020,000</u>	<u>191,861,094</u>	<u>440,491,530</u>
Less principal payable within one year		<u>17,855,000</u>		<u>3,459,717</u>		<u>2,050,000</u>		<u>23,364,717</u>
Long term principal due after one year		<u>\$298,630,000</u>		<u>\$60,526,812</u>		<u>\$57,970,000</u>		<u>\$417,126,812</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

Component Units

The Government is contingently liable for the Lexington Center Corporation and Airport Board's debt. Principal and interest requirements for component units' debt are as follows:

Fiscal Year	Principal				Total
	Lexington Center Corporation	Lexington Airport Board	Fayette County Board of Health	Nonmajor Component Units	
2013	\$2,550,000	\$0	\$110,000	\$401,681	\$3,061,681
2014	1,935,000		115,000	356,199	2,406,199
2015	2,005,000	1,100,000	125,000	384,912	3,614,912
2016	2,075,000	1,700,000	130,000	448,470	4,353,470
2017	2,160,000	2,000,000	145,000	415,181	4,720,181
2018-2022	12,158,459	11,350,000		2,460,697	25,969,156
2023-2027		13,565,000		2,946,901	16,511,901
2028-2032		15,850,000		902,867	16,752,867
2033-2037		11,785,000		400,189	12,185,189
2038-2039		2,090,000			2,090,000
Total	22,883,459	59,440,000	625,000	8,717,097	91,665,556
Less payable within one year	2,550,000		110,000	401,681	3,061,681
Less refinancing loss/premium-discount	191,330	(1,364,704)			(1,173,374)
Long term principal due after one year	<u>\$20,142,129</u>	<u>\$60,804,704</u>	<u>\$515,000</u>	<u>\$8,315,416</u>	<u>\$89,777,249</u>

Fiscal Year	Interest				Total
	Lexington Center Corporation	Lexington Airport Board	Fayette County Board of Health	Nonmajor Component Units	
2013	\$836,279	\$1,805,114	\$24,330	\$383,973	\$3,049,696
2014	748,948	1,804,303	19,118	384,643	2,957,012
2015	679,387	1,804,378	13,480	349,444	2,846,689
2016	603,484	1,749,378	7,599	293,484	2,653,945
2017	519,232	1,699,114	600	296,884	2,515,830
2018-2022	1,177,729	7,219,977		1,216,034	9,613,740
2023-2027		4,242,302		744,495	4,986,797
2028-2032		1,491,134		343,770	1,834,904
2033-2037		441,065		44,641	485,706
2038-2039		36,081			36,081
Total	<u>\$4,565,059</u>	<u>\$22,292,846</u>	<u>\$65,127</u>	<u>\$4,057,368</u>	<u>\$30,980,400</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

General Description of the Government's Bonds and Notes Payable

Revenue and Mortgage Revenue Bonds

The Sanitary Sewer System (the System) issues revenue bonds to finance improvements and expansions of the sanitary sewer system operated by the Government. The Sanitary Sewer System has issued the following bonds:

1. \$25,150,000 of Revenue Bonds, Series 2001A, issued at a discount and payable annually in principal installments ranging from \$200,000 to \$1,545,000 plus interest over 20 years, to pay for the rehabilitation of gravity sewer pipe and appurtenances at various locations throughout the Urban Services area. Of the original issue Series 2001A, approximately \$13,860,000 was partially refunded through the issuance of Series 2010A leaving a remaining balance of \$5,760,000.
2. \$16,860,000 of Refunding Bonds, Series 2001B, issued at par, are payable annually in principle installments ranging from \$140,000 to \$3,170,000 plus interest ranging from 4.0% to 5.50% over 11 years. The refunding provided for a cumulative savings of \$1,771,529 over the life of the bonds resulting in a net present value savings of \$1,319,735 or 7.82% of refunded principal. The remaining outstanding principal balance of \$6,160,000 was paid in full during the fiscal year ended June 30, 2012.
3. \$35,960,000 of Sewer System Revenue Bonds, Series 2009A, (Taxable Build America Bonds) issued at a discount and payable annually in principal installments ranging from \$1,385,000 to \$2,420,000 plus interest over 20 years, to be utilized along with other available funds of financing for the construction of major additions, betterment and extensions to the sanitary sewer system. The 2009A Bonds were issued under the guidelines provided under the American Recovery and Reinvestment Act (ARRA). Under the Guidelines set forth in the ARRA the Government is eligible to apply for an interest subsidy payment from the United States Treasury of 35% for Build America Bonds (BABs). The Government received a subsidy for the year ended June 30, 2012 of \$579,725.
4. \$13,860,000 of Sewer System Refunding Revenue Bonds Series 2010A, issued at a premium, are payable annually in principal installments ranging from \$125,000 to \$1,860,000 plus interest over 12 years. The refunding provided for a cumulative savings of \$1,101,593 over the life of the bonds resulting in a net present value savings of \$934,076 or 6.739% of refunded principal.

The bond ordinances provide that the gross income and revenues of the System be deposited into the Revenue and Operations Account. Monies in the Revenue and Operations Account are to be disbursed as follows:

- Each month to the Sinking Fund, 1/6 of the next interest payment and 1/12 of the next principal payment and, if necessary, 1/24th of the required Debt Service Reserve which is 125% of the average annual debt service on the 2001 Series A and B Bonds, 2009 Series A, and 2010 Series A and any parity bonds until the Debt Service Reserve equals the requirement.
- Pay, as they accrue, the proper and necessary costs of operating, maintaining and insuring the System as set out in the "Current Expenses" contained in the annual budget and to accumulate and maintain an amount sufficient to pay said costs for three months.
- Each month to the Capital Replacement Fund, 1/24th of the required Capital Replacement Reserve (defined as 5% of the outstanding bonds or such larger amount as required by an Independent Consulting Engineer) until the required Capital Replacement Reserve has been accumulated.
- To the Capital Projects Fund any surpluses after the Sinking Fund, Debt Service Reserve and Capital Replacement Fund are fully funded and the Revenue and Operations Account contains an amount sufficient to operate, maintain and insure the System for three full months.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

The bond ordinances also outline parity provisions for the issuance of additional bonds for the acquisition or construction of sewer system facilities. The "net income and revenues" of the System, as defined in the bond ordinance, must provide coverage of 125% of Maximum Annual Debt Service. The bonds are insured by Municipal Bond Insurance Association; and supplemental issues, if insured, must also be approved by the insurer.

The Public Facilities Corporation (PFC) was created by the Government to act as the agency and instrumentality of the Government in acquiring, developing and financing public improvements and public projects. The PFC financed various projects through bank and mortgage notes and the issuance of revenue bonds. The debt is collateralized by the properties, a pledge of specified Government revenues and lease payments from the Government sufficient to retire the debt and to provide for the operation and maintenance of the facilities.

The Government entered into various contracts, leases and option agreements with the PFC. These agreements provide that the PFC receives title to the properties mortgaged as security for the revenue bond issues, the proceeds of which have been used to finance the acquisition, construction and improvements to the properties. Upon payment of the outstanding bonds, title to the properties will be conveyed to the Government. The lease agreements are renewable annually, and the likelihood of the leases not being renewed is remote.

The Public Facilities Corporation issued the \$66,725,000 Mortgage Revenue Refunding Bonds, Series 2006, issued at a discount and payable annually in principal installments ranging from \$1,005,000 to \$3,820,000 plus interest over 25 years, to refund the \$62,825,000 total principal remaining on the Series 1998 bonds. The refunded bonds were issued to finance a court facility that includes a Circuit Court Building, a District Court Building and an adjoining parking garage. The Government entered into a sublease with the Administrative Office of the Court (AOC) of the Commonwealth of Kentucky which provides for lease payments based on the percentage of space occupied by AOC functions in the courthouses and the AOC share of costs of the parking garage. The resulting AOC sublease payments will account for approximately 89% of the debt service payments; the remaining debt service payments will be paid by the Government.

Kentucky Infrastructure Authority (KIA) State Revolving Fund (SRF) Loans

SRF Loans are loans that are issued by the Commonwealth of Kentucky for infrastructure improvements. These loans are 20 year loans with a 2% interest rate. The Government has qualified and received the following KIA SRF Loans.

1. Radcliffe Road A209-09 issued in the amount of \$113,523, payable annually in principal installments ranging from \$1,837 to \$3,438 plus interest over 20 years. Financing improvements to the storm water system along Radcliffe Road in Fayette County.
2. KIA Streetscape A209-08 issued in the amount of \$1,254,980, payable annually in principal installments ranging from \$25,671 to \$37,843 plus interest over 20 years. Financing improvements to the storm water system in the city center of Lexington. These funds were used in conjunction with the Streetscape project that included upgrades to the sidewalks, sewer and storm water systems. This capital project included South Limestone, East and West Main Street and Vine Street.
3. South Elkhorn Pumpstation KIA A09-01 issued in the amount of \$13,766,388, payable annually in principal installments ranging from \$281,600 to \$415,112 plus interest over 20 years. Financing the upgrade of the South Elkhorn pump station and construction of a new 36 inch force main.

General Obligation Bonds and Notes

The Government issues general obligation bonds and notes to provide funds for the acquisition and construction of capital assets used by governmental activities. The Government has issued the following general obligation bonds and notes:

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1. \$7,635,000, Series 2001B, issued at a discount and payable annually in principal installments ranging from \$265,000 to \$550,000 plus interest over 20 years, to finance the Purchase of Development Rights Program (PDR), a program to purchase conservation easements in Fayette County. This program is one component of an overall rural land use plan to preserve and manage the unique agricultural, rural and natural lands of Fayette County. The PDR program purchases and/or accepts donations of conservation easements from rural property owners in exchange for removal of future development rights from rural land.
2. \$2,330,000, Series 2002B, to finance the acquisition, installation, and renovation of the Government Center, including replacement of the elevators and the HVAC system. The remaining outstanding principal balance of \$270,000 was paid in full during the fiscal year ended June 30, 2012.
3. \$4,570,000, Series 2002C, issued at a discount and payable annually in principal installments ranging from \$125,000 to \$355,000 plus interest over 20 years, to finance the construction of various stormwater improvements and two lanes of a four-lane boulevard. Of the outstanding balance of \$2,220,000 as of June 30, 2011, \$1,400,000 was partially refunded through the issuance of Series 2012B during fiscal year 2012 leaving a remaining balance of \$480,000 as of June 30, 2012.
4. \$9,640,000, Series 2004C, issued at a discount and payable annually in principal installments ranging from \$335,000 to \$700,000 plus interest over 20 years, to finance the costs associated with the acquisition, construction, and equipping of a day treatment facility; the acquisition, renovation and equipping of a multi-use facility; and the acquisition of rights of way and construction of road improvements. Of the outstanding balance of \$7,470,000 as of June 30, 2011, \$4,790,000 was partially refunded through the issuance of Series 2012B during fiscal year 2012 leaving a remaining balance of \$2,275,000 as of June 30, 2012.
5. \$2,830,000 Series 2005B, to finance the acquisition and installation of certain fire equipment including fire engines, EMS units, fire aerial units and other equipment. The remaining outstanding principal balance of \$440,000 was paid in full during the fiscal year ended June 30, 2012.
6. \$4,490,000, Series 2005C, issued at a discount and payable annually in principal installments ranging from \$150,000 to \$355,000 plus interest over 20 years, to finance the costs of the Purchase of Development Rights Program, renovating and upgrading space in two government office buildings, and making structural repairs to two parking garages owned and operated by the Government.
7. \$10,310,000, Series 2006B, issued at a discount and payable annually in principal installments ranging from \$255,000 to \$785,000 plus interest over 20 years, to finance stormwater improvements, neighborhood redevelopment projects, Bluegrass Aspendale Parkway, Veterans Park fire station and police cars.
8. \$2,055,000, Series 2006C, issued at par and payable annually in principal installments ranging from \$70,000 to \$145,000 plus interest over 20 years, to finance the costs of the Purchase of Development Rights Program.
9. \$56,850,000, Refunding Series 2006D, to refund the Public Facilities Corporation Series 1995 bonds for \$2,500,000 in principal and to partially refund the 1999 General Obligation Bonds, Series 1999A, issued at a premium, the bonds are payable annually in principal installments ranging from \$35,000 to \$4,680,000 plus interest over 18 years. The refunding provided for a cumulative savings of \$2,372,454 over the life of the bonds resulting in net present value savings of \$1,756,185 or 3.319% of refunded principal.
10. \$13,520,000, Series 2008A, issued at a premium and payable annually in principal installments ranging from \$1,870,000 to \$3,370,000 plus interest over 5 years, to finance acquisition of certain equipment and vehicles in addition to various parks projects.

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11. \$24,830,000, Series 2009A, issued at a premium and payable annually in principal installments ranging from \$745,000 to \$1,725,000 plus interest over 20 years, to finance the cost of the Purchase of Development Rights Program, Street Resurfacing, Bluegrass Aspendale improvements and other various construction projects.
12. \$70,610,000, Series 2009B, Taxable General Obligation Pension Funding Bonds issued at a discount and payable annually in principal installments ranging from \$2,315,000 to \$5,515,000 plus interest over 20 years, to finance additional contributions to the Policemen's and Firefighters' Retirement Plan.
13. \$69,320,000, Series 2010A, (Build America Bonds) Taxable General Obligation Public Project Bonds, to finance various projects for departments within the Government, including acquisition of equipment, infrastructure projects and purchase of development rights. The 2010A Bonds were issued under the guidelines provided under the ARRA. Under the Guidelines set forth in the ARRA the Government is eligible to apply for an interest subsidy payment from the United States Treasury of 35% for BABs. The Government received a subsidy for the year ended June 30, 2012 of \$1,040,466.
14. \$7,735,000, Series 2010B, General Obligation Refunding Bonds, for refunding the Series 1999B and 2000A General Obligation Bonds. The Series 2010B bonds, issued at a discount, are payable annually in principal installments ranging from \$715,000 to \$850,000 plus interest over 10 years. The refunding provided for a cumulative savings of \$1,394,276 over the life of the bonds resulting in a net present value savings of \$1,189,304 or 15.376% of refunded principal.
15. \$6,635,000, Series 2010C, General Obligation Refunding Bonds, for refunding the Series 2000E General Obligation Bonds. The Series 2010C bonds, issued at a discount, are payable annually in principal installments ranging from \$60,000 to \$675,000 plus interest over 12 years. The refunding provided for a cumulative savings of \$675,874 over the life of the bonds resulting in net present value savings of \$593,504 or 8.945% of refunded principal.
16. \$35,825,000, Series 2010D, Taxable General Obligation Pension Funding Bonds issued at a discount and payable annually in principal installments ranging from \$1,195,000 to \$1,990,000 plus interest over 20 years, to finance additional contributions to the Policemen's and Firefighters' Retirement Plan.
17. \$6,305,000, Series 2010F, Various Purpose General Obligation Public Projects Build America Bonds issued at a discount and payable annually in principal installments ranging from \$45,000 to \$1,305,000 plus interest over 5 years, to finance the acquisition of various equipment for Departments within the Government including but not limited to Computer Services, Public Safety, Parks and Recreation and Solid Waste. The 2010F Bonds were issued under the guidelines provided under the ARRA. Under the Guidelines set forth in the ARRA the Government is eligible to apply for an interest subsidy payment from the United States Treasury of 35% for BABs. The Government received a subsidy for the year ending June 30, 2012 of \$44,221.
18. \$8,950,000, Series 2010G, Various Purpose General Obligation Public Projects Recovery Zone Economic Development Bonds (RZEDB) issued at a discount and payable annually in principal installments ranging from \$200,000 to \$1,445,000 plus interest over 10 years, to finance the acquisition of various equipment for Departments within the Government including but not limited to Public Safety, Purchase Development Rights, Recycling Center and Public Works utility design. The 2010G Bonds were issued under the guidelines provided under the ARRA. Under the Guidelines set forth in the ARRA the Government is eligible to apply for an interest subsidy payment from the United States Treasury of 45% for RZEDB. The Government received a subsidy for the year ending June 30, 2012 of \$175,053.
19. \$4,465,000, Series 2010H, General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2001B. The Series 2010H bonds, issued at a discount, are payable in annual principal payments ranging from \$30,000 to \$540,000 plus interest over 12 years. The refunding provided for a

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cumulative savings of \$150,459 over the life of the bonds resulting in a net present value savings of \$126,407 or 3.028% of refunded principal.

20. \$31,000,000, Series 2012A, Taxable General Obligation Pension Funding Bonds issued at a premium and payable annually in principal installments ranging from \$1,170,000 to \$1,620,000 plus interest over 20 years, to finance additional contributions to the Policemen's and Firefighters' Retirement Plan .
21. \$6,275,000, Series 2012B, General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2002C and the General Obligation Bond Series 2004C. The Series 2012B, issued at a discount, are payable annually in principal installments ranging from \$20,000 to \$675,000 plus interest over 12 years. The refunding provided for a cumulative savings of \$597,633 over the life of the bonds resulting in net present value savings of \$545,403 or 8.759% of refunded principal.

General Obligation Lease Agreement

In FY2002 the Government entered into a general obligation lease agreement as lessee with the Kentucky League of Cities Funding Trust for the financing of the Webasto Roof Systems, Inc. economic development project. The principal amount of the lease is \$360,000 and is amortized over ten years. The remaining outstanding principal balance of \$50,000 was paid in full during the fiscal year ended June 30, 2012.

Landfill Closure and Postclosure Care Cost

State and federal laws and regulations require the Government to place final covers on its landfills and to perform certain maintenance and postclosure monitoring functions at its landfills for thirty years. Since the operations and maintenance of the Government's landfills are accounted for in an Enterprise Fund, the accrued liability for these costs are reported in the Landfill Fund as required by GASB 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. The liability at June 30, 2012 is based on the estimated cost of maintaining and monitoring the Old Frankfort Pike Landfill (OFPLF) and capping and closing the Haley Pike Landfill. Actual cost may be higher due to inflation, changes in technology, or changes in regulations and these costs will be funded by the Landfill Fund. The OFPLF ceased accepting waste decades ago. The Haley Pike Landfill ceased accepting waste in December 2011. Both of these landfills are at 100% capacity. Closure costs for the Haley Pike Landfill are estimated at \$4,391,000. This includes the construction management consultant, the geosynthetic liner and other materials, the earth work, and a contingency factor. Construction is occurring in the fall of 2012 and will be completed by the close of fiscal year 2013.

NOTE 4. SELF-INSURANCE PROGRAM

A. Health, Dental, and Vision Care – The Government offers health, dental, and vision care insurance options to employees of the Government. The self insured medical and pharmacy health plan is provided by Humana and City Pharmacy. The fully insured dental and vision plans are provided by Delta Dental and Eye Med respectively. Third party administrators are responsible for the processing of claims and cost containment. Premiums are paid through payroll deductions and may be funded fully or partially by the Benefit Pool provided by the Government. The Health, Dental, and Vision Care Insurance Fund accounts for these activities and is reported in an internal service fund.

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Changes in the balances of claims liabilities during the past two years are as follows:

Claims and changes in estimates - FY 2011	\$36,973,848
Claims paid FY 2011	<u>(36,973,848)</u>
Surplus at June 30, 2011	<u><u>0</u></u>
Claims and changes in estimates - FY 2012	34,948,610
Claims paid FY 2012	<u>(34,948,610)</u>
Surplus at June 30, 2012	<u><u>\$0</u></u>

B. Insurance and Risk Management – The Government 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. These risks are covered through the Property and Casualty Claims Fund (the Fund), a self-insured program established in 1982. There are five types of coverage provided by the self-insured program: auto liability, auto physical damage, general liability, property (including boiler and machinery), and workers' compensation.

All assets and employees of the primary government are covered by the Fund. Premiums are paid into the fund by the General Fund, the Urban Services Fund, and the Sanitary Sewer Fund and are based on both exposure and experience factors. Premiums include amounts needed to pay prior and current-year claims and administrative costs.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not exact as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends, and other economic and social factors. Estimated recoveries, from subrogation and excess insurance policies, for example, are another component of the claims liability estimate.

Annually, as of June 30, the Fund has a third party actuary review the claim histories for all claim years for which open claims are outstanding. The actuary projects the ultimate claim payment obligation (including the IBNR claims) for each year's claim experience. The Government elected to establish the liability for these claims and loss expenses at their present value with a discount rate of 3.5%. As of June 30, 2012 the undiscounted estimated liability was \$26,667,090. The discounted estimated liability as of June 30, 2012 was \$22,024,444.

Changes in the balances of claims liabilities during the past two years are as follows:

	Auto Liability and Physical Damage	General Liability	Property	Workmens' Compensation	Total
Liability at June 30, 2010	\$1,438,147	\$6,049,859	\$142,783	\$13,537,891	\$21,168,680
Claims and changes in estimates FY 2011	1,445,698	1,936,364	719,261	4,749,288	8,850,611
Claims Paid FY 2011	<u>(1,477,517)</u>	<u>(1,490,787)</u>	<u>(573,062)</u>	<u>(4,432,332)</u>	<u>(7,973,698)</u>
Liability at June 30, 2011	1,406,328	6,495,436	288,982	13,854,847	22,045,593
Claims and changes in estimates FY 2012	622,261	1,097,129	394,400	5,571,816	7,685,606
Claims Paid FY 2012	<u>(1,049,206)</u>	<u>(1,224,692)</u>	<u>(547,150)</u>	<u>(4,885,706)</u>	<u>(7,706,755)</u>
Liability at June 30, 2012	<u><u>\$979,383</u></u>	<u><u>\$6,367,873</u></u>	<u><u>\$136,232</u></u>	<u><u>\$14,540,957</u></u>	<u><u>\$22,024,444</u></u>

The Fund uses excess insurance policies, purchased from various commercial carriers, to reduce its exposure to large losses on all types of insured events or for exposures that are difficult to self-insure. These insurance policies permit recovery of losses above the self-insured retention limits from the insurance carriers, although it does not

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discharge the primary liability of the Self-Insured Retention Fund as the direct source for payment of claims made against the Government. Workers' compensation self-insured retention was \$750,000 and property self-insured retention was \$250,000. The following schedule indicates the types of excess insurance purchased, the SIR (self-insured retention level) maintained by the Fund, limits and some of the sub-limits of the excess insurance coverage:

Line of coverage	Self-insured Retention	
	Per Occurrence	Excess Reinsurance Annual Limit
Property	\$250,000	\$500,000,000 Per Occurrence
Flood Loss	250,000	100,000,000 Per Occurrence
Flood Loss (Zones A,V, and all other 100 – year floodplains)	250,000	2,000,000 Per Occurrence
Earthquake Loss	250,000	100,000,000 Per Occurrence
Electronic Data Processing	250,000	Included in Property Limits
Traffic Control Equipment	250,000	Included in Property Limits
Cyber Coverage –Third Party	100,000	20,000,000 Aggregate
Cyber Coverage – First Party	100,000	2,000,000 Aggregate
Boiler and Machinery	100,000	100,000,000 Per Occurrence
Electronic Data Processing	100,000	10,000,000 Per Occurrence
Auto Physical Damage	100,000	Included in Property Limits
Auto Liability	2,000,000	5,000,000 Per Occurrence
General Liability	2,000,000	5,000,000 Per Occurrence
Public Officials Liability	2,000,000	5,000,000 Per Occurrence
Workers' Compensation	750,000	Statutory Per Occurrence
Employers' Liability	750,000	1,000,000 Per Occurrence w/250,000 Corridor

NOTE 5. CONTINGENT LIABILITIES AND COMMITMENTS

A. Litigation – The Government is party to numerous legal proceedings where the ultimate outcome cannot be determined with certainty or cannot be reasonably estimated, many of which normally occur in government operations. Management does not anticipate such actions will have a material impact on the financial position of the Government. The Government's Department of Law estimates that there are pending cases in which there is a reasonably possible likelihood that the Government will incur some liability. As of June 30, 2012 the Government has accrued approximately \$9,200,000 for potential liabilities for the cases covered by self-insurance (See Note 4.B.) and approximately \$4,000,000 in the General Fund in the Government-Wide Financial Statements for matters not covered by the self-insurance program.

In 2005, a case was filed by multiple firefighters alleging that their overtime wages, pension contributions, and benefits were not calculated accurately. They seek compensatory damages and attorneys fees. The Government filed a Motion for Judgment on the Pleadings on state wage and hour claims, and the Motion was granted by the Fayette Circuit Court. The Court granted the Government's motion to make the judgment final and appealable, and the Plaintiffs appealed to the Court of Appeals. The Court of Appeals upheld the Circuit Court's decision in favor of the Government. The Plaintiffs have filed a Motion for Discretionary Review with the Kentucky Supreme Court and the Government's Response has been submitted. The Kentucky Supreme Court issued an Order holding in abeyance the Motion for Discretionary Review until another firefighter wage and hour case is decided. The Kentucky Supreme Court ultimately issued a decision in the other firefighter case, and the Lexington case was remanded to the Court of Appeals. The Court of Appeals issued a decision which necessitated further review at the Kentucky Supreme Court. Currently, the case is pending there on a motion for discretionary review. The Plaintiffs' claim could be in excess of \$1,000,000, depending on the form of calculation of back overtime wages. The Government intends to vigorously defend the claims asserted in the lawsuit, but at the same time, and at the Plaintiffs' counsels' request, has indicated a willingness to attempt to mediate the parties' differences while continuing to litigate the Government's defenses.

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B. United States Environmental Protection Agency Consent Decree – The United States Environmental Protection Agency (EPA) and the Kentucky Environmental and Public Protection Cabinet (KYEPPC) filed suit in federal court against the Government in 2006 alleging various violations of the Clean Water Act. The Government completed negotiations with EPA and KYEPPC to resolve the alleged violations. The resulting Consent Decree agreement was entered in the United States District Court – Eastern District of Kentucky on January 3, 2011. The settlement agreement requires the Government to undertake extensive studies, sewer improvement projects, and management plans to correct the problems that were alleged. The settlement affords the Government up to 13 years to correct the problems. The Government has estimated that the cost of remedial measures would approach \$300 million over the life of the Consent Decree. The Government increased sanitary sewer rates to fund obligations under the Consent Decree and also adopted a storm water management fee.

C. Federal and State Grants – The Government receives grant funds from various federal and state government agencies to be used for specific designated purposes and are governed by various rules and regulations of the grantor agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions surrounding the granting of funds. If a grantor's review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse to reimburse the Government for its expenditures. In management's opinion, any liability for any refunds or reimbursements which may arise as a result of audits of grant funds would not have a material impact on the financial position of the Government. Continuation of the Government's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

D. Lexington Center Corporation – LCC is a non-profit, non-stock corporate agency and instrumentality of the Government. The Government entered into a Lease Agreement that provides for leasing the Lexington Center from LCC on an annual basis beginning June 15, 1993. This Lease Agreement replaces a Contract Lease and Option Agreement that began October 1, 1974. The annual rental to be paid by the Government to LCC is an amount equal to interest and principal on the bonds, plus costs of operating, maintaining and insuring the leased premises, less all receipts of LCC that are not required to be otherwise applied. The agreement grants the Government an exclusive option to renew the lease for additional one-year periods through June 30, 2022, but the Government may elect not to renew the lease with written notice to LCC. The Government may acquire title to the facilities on any interest payment date by notifying LCC and the Trustee within sixty days before such date and by paying to the Trustee an amount equal to principal, interest and redemption premiums on bonds outstanding at that time, plus costs associated with the redemption of the bonds. The Government may also acquire title at the retirement of the bond issue if all annual renewals of the lease were executed and all rental payments were made.

On July 13, 2001, LCC and the University of Kentucky Athletic Association entered into a lease agreement for a term through the 2017-18 basketball season for the use of Rupp Arena.

An agreement between LCC and the Lexington Convention and Visitors Bureau, dated March 20, 2001, provides for annual contributions of \$948,000 to LCC for the period beginning 2001 and ending 2012. Contributions shall decrease in the amount of \$100,000 each successive fiscal year beginning in 2013, with a final contribution of \$48,000 in 2021.

On April 15, 2011, LCC and the Triangle Foundation entered into a lease agreement of the Triangle Park property through August 15, 2011 for the purpose of renovation of the property. On May 16, 2011, LCC and Triangle Foundation entered into a grant agreement in which the Triangle Foundation shall renovate Triangle Park in accordance with the lease agreement for an approximate value of \$1,300,000.

On May 29, 2012, the Blue Grass Community Foundation awarded LCC a grant in the amount of \$2,500,000 for renovations and upgrades to student-athlete locker room facilities, dressing rooms for entertainment acts and artists and other public areas within Rupp Arena. Construction activity is in process however no grant proceeds were received as of June 30, 2012.

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E. Lexington-Fayette Urban County Airport Corporation (Airport Corporation) – The Lexington-Fayette Urban County Airport Corporation is a nonprofit, nonstock corporate agency and instrumentality of the Government and the Lexington-Fayette Urban County Airport Board (Airport Board). The Government and the Airport Board have entered into a joint and severable Contract Lease and Option Agreement that provides for leasing the Bluegrass Airport from the Airport Corporation on an annual basis beginning October 1, 1976. The annual rental to be paid by the Government to the Airport Corporation is an amount equal to interest and principal on the bonds, plus costs of operating, maintaining and insuring the leased premises, less all receipts of the Airport Corporation that are not required to be otherwise applied. The agreement grants the Government the option to renew the lease for additional one-year periods through June 30, 2024, but the Government may elect not to renew the lease with written notice to the Airport Corporation. The Airport Corporation has had sufficient revenues to pay all debt service costs without a lease payment from the Government. The financial status is expected to remain the same.

As of June 30, 2012, several uncompleted construction projects funded in-part by Federal grants remain open. Upon completion and final approval by the Inspector General, these projects will be closed out and a final account will be rendered. Outstanding construction contract commitments are \$720,000 at June 30, 2012.

The Airport Corporation is subject to federal, state, and local regulations in regards to the discharge of various materials into the environment. Costs are routinely incurred to remove, contain, and neutralize existing environmental contaminants and these costs are generally expensed as incurred. Future costs for existing conditions are not readily determinable and are not reflected in the financial statements.

The Airport Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; general liability claims; and natural disasters. The Airport Corporation manages these risks through the purchase of commercial insurance.

F. Lexington Public Library – The Library is a non-profit, non-stock corporate agency and instrumentality of the Government. The former executive director of the Library has filed a suit against them seeking in excess of \$3,000,000 for damages. The suit has been submitted for arbitration; however, the arbitration has not been scheduled. Therefore, no evaluation of outcome or estimate of loss could be reasonably estimated.

G. Lexington Downtown Housing Fund, LLC – On December 9, 2004 the Government passed ordinance 319-2004 approving a lease and sublease for the purpose of creating, enhancing and extending market-rate housing in downtown Lexington (the Project). The Ordinance authorized entering into one or more leases with the Kentucky League of Cities Funding Trust to enable the Government to finance the Project for an aggregate principal amount of \$2,000,000 outstanding at any one time. The lease is a general obligation pledge of the Government. The sublease agreement between the Government and the Lexington Downtown Housing Fund, LLC (DHL LLC) assigns administrative management and support of the loan programs to DHL LLC. Under the loan program, DHL LLC makes loans to developers of approved projects. The loans made by DHL LLC are funded in part by the sublease and in part from funds contributed or loaned from local participating banks. The interest on the loans are paid by the developers and the principal of the loans are subsequently repaid by the revenues from the projects. In the event of default by the developer on the loan payment, the portion of the loan funded by the sublease would become an obligation of the Government. As of June 30, 2012 the total principal outstanding was \$1,005,000.

H. Liens and Encumbrances – While the Government does have satisfactory title to all owned assets, there may be some liens and encumbrances on such assets for matters unrelated to bond issues. Only a complete accurate title search of all properties would disclose such liens and encumbrances.

I. Conduit Debt – The Government has issued Industrial Revenue Bonds to provide financial assistance to private sector and nonprofit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired

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facilities transfers to the private sector or nonprofit entity served by the bond issue. The Government is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2012, there were 29 series of Industrial Revenue Bonds outstanding with an aggregate amount payable of approximately \$214,595,874.

To provide for the construction of a hospital facility, the Public Facilities Corporation (PFC) issued Lease Revenue Bonds, Series 2011A (Eastern State Hospital Project). The bonds are a special limited obligation of the PFC, payable solely from and secured by a pledge of rentals to be received from a lease agreement between the PFC and the Commonwealth of Kentucky. The bonds do not constitute a debt or pledge of the faith and credit of the PFC or the Government, and accordingly have not been reported in the accompanying financial statements. At June 30, 2012, the Lease Revenue Bonds outstanding total approximately \$138,635,000.

J. Encumbrances – Encumbrance accounting is utilized during the year to facilitate effective budgetary control. Encumbrances are treated as budgeted expenditures in the year of incurrence of the commitment to purchase. Budgetary comparisons presented in this report are on this budgetary basis of accounting. Adjustments necessary to convert from the budgetary basis to GAAP are provided on the face of the budgetary comparison statements.

In governmental funds, encumbrances outstanding at year-end represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriations, is utilized in the governmental funds. Encumbrances are not treated as expenditures or liabilities because the commitments will be honored during the subsequent year. Outstanding encumbrances for the governmental funds at June 30, 2012 were as follows:

General Fund	\$408,013
Urban Service Fund	301,706
Nonmajor Governmental Funds	1,673,186

Encumbrances are not recorded in the financial statements for proprietary fund types and Pension Trust Funds. However, the purchase orders outstanding at June 30, 2012 for these funds are as follows:

Sanitary Sewer System	\$9,857,527
Public Parking Corporation	45,745
Landfill	511,620
Nonmajor Enterprise Funds	3,228,998

NOTE 6. THE SINGLE AUDIT ACT

The U.S. Office of Management and Budget's Circular No. A-133 for Audits of States, Local Governments and Non-Profit Organizations requires non-federal entities that expend \$500,000 or more a year in federal awards to have an audit performed in accordance with the provisions of the Circular. A separate supplemental report will be issued on active grant programs of the Government in accordance with applicable provisions of the Single Audit Act of 1984, P.L. 98-502 and the Single Audit Act Amendments of 1996, P.L. 104-156.

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NOTE 7. SUBSEQUENT EVENTS

Primary Government

Effective July 1, 2012, the Government entered into a transfer agreement with a component unit, Parking Authority of Lexington. The transfer agreement encompasses relinquishing management and control of four properties, formerly listed as assets of the Government. The net book value of the properties transferred is \$12,629,464.

On July 10, 2012, the Urban County Council authorized an assistance agreement with the Kentucky Infrastructure Authority for the purpose of acquiring and constructing certain facilities and improvements to the Government's Wastewater system. The authorized loan amount is \$10,500,000.

Effective September 1, 2012, the Government entered into a four year Billing and Collections Services agreement with Greater Cincinnati Water Works at an estimated annual cost of \$1,550,000. The contract covers user fees related to city services for Landfill, Water Quality, and Sanitary Sewer. There were no changes to billing rates.

On September 25, 2012, the Government issued General Obligation bonds, series 2012C, with a par value of \$3,455,000. The proceeds will be used to finance the acquisition of vehicles and equipment, renovation of the Emergency Operations Center, and various parks projects.

Component Units

Parking Authority of Lexington – On October 5, 2012, the Lexington-Fayette Urban County Parking Authority (The Authority) issued Revenue Bond Anticipation Notes, Series 2012, not to exceed \$2 million. The proceeds will be used to finance the acquisition, construction, and installation of renovations and improvements to The Authority's existing parking structures at Victorian Square, the Transit Center, the Annex, and the Lexington-Fayette County Government Courthouse.

NOTE 8. TRANSFER OF ASSETS

Component Units

Lexington Health Department – In 1981, the Lexington-Fayette Urban County Board of Health (the Health Department) received a Federal Grant from HRSA/PBHC for a primary medical care clinic and thereby integrated traditional public health programs and comprehensive basic medical care targeted at lower income and medically underserved members of the community.

Effective July 1, 2011, the Primary Care Division of the Health Department incorporated as a separate 501(c)(3) entity under the name of HealthFirst Bluegrass, Inc. The Health Department transferred certain assets and liabilities to HealthFirst Bluegrass, Inc. (HFB) and HFB continues to operate out of the existing facilities under a cooperative agreement where HFB reimburses the Health Department for its space and administration costs. HFB continues to receive an allocation of public health tax funds as a pass-through from the Health Department.

NOTE 9. DEFINED BENEFIT PENSION PLANS AND OTHER POST EMPLOYMENT BENEFITS

The Policemen's and Firefighters' Retirement Fund and The City Employees' Pension Fund

A. Plan Descriptions – The Government contributes to two single employer defined benefit pension plans: The Policemen's and Firefighters' Retirement Fund (PFRF) and The City Employees' Pension Fund (CEPF).

The sworn personnel of the divisions of Police and Fire are eligible to participate in the Policemen's and Firefighters' Retirement Fund. Benefits vest in this fund after twenty years of service. Employees who retire with

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
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20 years of credited service receive 2.5% of their average salary times years of service. Members may add unused sick leave to service credit and average annual salary for purposes of calculating retirement benefits. In addition, the plan includes post-retirement benefits where any retired member who has been retired one year or more, will have an annual increase to his pension payment of between 2% and 5%, as determined by the Board of Trustees. The PFRF also provides death and disability benefits. The costs of administering the PFRF are financed by a combination of additional contributions as well as investment income.

Civil service employees of the City of Lexington were covered by the City Employees' Pension Fund. In 1973, the Governments of the City of Lexington and Fayette County merged to form the Lexington-Fayette Urban County Government. In December 1973 the City of Lexington froze admission of new entrants into the CEPF, and in January 1974 the new merged Government assumed the City of Lexington's liability for covered employees and the CEPF was closed to any new members. A member who has attained age 60 and completed 20 years of service or completed 30 years of service regardless of age may apply for retirement. Members who are 45 years old or older with 10 years of service may request a deferred retirement benefit to be paid when they reach 60 years of age. Retirees receive 2.5% of their average salary for each year of service up to 20 years plus 1% of average salary for each year of service over 20 years, with a maximum benefit of 65% of average salary. Members may add unused sick leave to service credit and average annual salary for purposes of calculating retirement benefits. Death and disability benefits are also provided under certain conditions. In addition, the plan includes an annual cost of living adjustment of 3% for any member retiring after July 1, 1981 that has attained age 61 or has been retired for one year. The costs of administering the CEPF are financed by a combination of additional contributions as well as investment income.

Both pension plans are included in the Government's comprehensive annual report and do not issue stand-alone financial reports.

Membership of each plan consisted of the following at June 30, 2012:

	Number
Inactive Plan Participants:	
Retirees and beneficiaries currently receiving benefits	1,091
Active Plan Participants:	
Active members	1,014
Total	2,105

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting – The preparation of the financial statements of the Policemen's and Firefighters' Retirement Fund and the City Employees' Pension Fund conform to the provisions of GASB Statement No. 25. Benefits and refunds of both plans are recognized when due and payable in accordance with the terms of each plan. The financial statements are prepared on an accrual basis.

Investments – Investments are stated at fair value. Securities traded on a national exchange are valued at the last reported sales price. Gains or losses on the sale of fixed income securities are recognized using the completed transaction method. There are no significant investments (other than U.S. Government and U.S. Government Agencies & Instrumentalities) in any one organization that represents 5% or more of net assets available for benefits.

C. Contributions – The contribution requirements and benefit provisions for the Policemen's & Firefighters' Pension Fund and City Employees' Pension Fund are established by state statute and Government ordinance. In fiscal year 2012, the Government contributed 17.51% to the PFRF and 17.5% to the CEPF. Administrative costs were financed by a combination of additional contributions as well as investment income.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

The required contribution rates are shown in the following table:

	Policemen's and Firefighters' Pension Fund	City Employees' Pension Fund
Required Contribution Rates:		
Government	17.51%	17.5%
Plan Member	11.0%	8.5%

D. Supplemental Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
<i>Policemen's and Firefighters' Pension Fund (3% COLA)</i>						
7/1/07	\$397,712,302	\$627,939,926	\$230,227,624	63.3%	\$57,717,156	398.9%
7/1/08	418,311,038	664,935,356	246,624,318	62.9%	61,368,960	401.9%
7/1/09	441,772,820	699,851,128	258,078,308	63.1%	65,765,448	392.4%
7/1/10	502,259,967	724,140,738	221,880,771	69.4%	60,512,412	366.7%
7/1/11	501,069,884	758,851,546	257,781,662	66.0%	64,258,162	401.2%
7/1/12	525,849,582	822,656,074	296,806,492	63.9%	54,595,799	543.6%
<i>City Employees' Pension Fund</i>						
7/1/07	\$28,801,253	\$26,081,614	\$(2,719,639)	110.4%	\$40,944	(6,642.3)%
7/1/08	27,299,997	22,917,270	(4,382,727)	119.1%	42,972	(10,199.0)%
7/1/09	24,865,567	20,179,074	(4,686,493)	123.2%	43,416	(10,794.4)%
7/1/10	25,529,868	16,080,311	(9,449,557)	158.8%	0*	NA
7/1/11	27,052,395	15,068,768	(11,983,627)	179.5%	0*	NA
7/1/12	26,875,985	14,012,737	(12,863,248)	191.8%	0*	NA

*All city employees are currently retired, therefore covered payroll is \$0.

Annual Pension Cost and Net Pension Obligation (Asset)

	Policemen's and Firefighters' Pension Fund	City Employees' Pension Fund
Annual Required Contribution	\$30,665,280	\$0
Interest on net pension obligation (asset)	(2,671,000)	110,371
Adjustment to annual required contribution	(2,636,148)	173,117
Annual pension cost	28,668,786	(62,746)
Contributions made	47,585,689	0
Decrease in net pension obligation (asset)	(18,916,903)	(62,746)
Net pension obligation (asset), beginning of year	(35,613,328)	1,576,734
Net pension obligation (asset), end of year	<u>\$(54,530,231)</u>	<u>\$1,513,988</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

<i>Six-Year Trend Information</i>				
Fiscal Year Ending	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
<i>Policemen's and Firefighters' Pension Fund</i>				
2007	\$17,633,647	\$16,504,722	93.6%	\$16,751,720
2008	27,080,947	18,791,796	69.4%	25,040,871
2009	28,839,699	84,023,573	291.3%	(30,143,003)
2010	30,485,067	49,469,806	162.3%	(49,127,742)
2011	27,923,223	14,408,809	51.6%	(35,613,328)
2012	28,668,786	47,585,689	165.9%	(54,530,231)
<i>City Employees' Pension Fund</i>				
2007	\$(2,593)	\$6,729	N/A	\$1,948,880
2008	(71,777)	7,116	N/A	1,869,987
2009	(74,415)	7,864	N/A	1,787,708
2010	(71,141)	74,488	N/A	1,642,079
2011	(65,345)	0	N/A	1,576,734
2012	(62,746)	0	N/A	1,513,988

The information presented in the supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is presented in the following table.

	<u>Policemen's and Firefighters' Pension Fund</u>	<u>City Employees' Pension Fund</u>
Valuation date	July 1, 2012	July 1, 2012
Actuarial cost method	Entry Age Normal Funding	Entry Age Normal Funding
Amortization method	Level Percent of Payroll	Level Dollar - Open
Remaining amortization period	23 years open	15 years open
Asset valuation method	Actuarial Related Value	Market
Actuarial assumptions:		
Investment rate of return	7.5%	7.0%
Projected salary increases	10.50 to 4.00%	N/A
Cost-of-living adjustments	3.0%	3.0%
Inflation	3.0%	N/A

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

The Government's annual required contribution (ARC), amount contributed, and percentage of required contribution to actual contribution for the last six years are as follows:

Fiscal Year Ending	ARC	Contribution	Percentage of ARC Contributed
<i>Policemen's and Firefighters' Retirement</i>			
2007	\$17,541,055	\$16,504,722	94.1%
2008	26,980,795	18,791,796	69.6%
2009	28,689,989	84,023,573	292.9%
2010	30,665,280	49,469,806	161.3%
2011	28,216,938	14,408,809	51.1%
2012	30,665,280	47,585,689	155.2%

City Employees' Pension*

2007	\$69,527	\$6,729	9.7%
2008	0	7,116	
2009	0	7,864	
2010	0	74,488	
2011	0	0	
2012	0	0	

E. Other Post Employment Benefit

Plan Description – In August 1999, the Council passed an ordinance that authorized the Government to provide a health insurance benefit to the retirees of both retirement funds, effective July 1, 1999. All retirees who continue to participate in the Government's group health insurance plan are eligible for this benefit.

Funding Policy – The Government pays the premiums for single coverage on a pay-as-you-go basis. In fiscal year 2012, 800 retirees of the PFRF received this benefit for a total cost of \$3,381,176; and 16 retirees of the CEPF received this benefit for a total cost to the Government of \$62,735.

Annual OPEB Cost and Net OPEB Obligation – The Government's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

The following table shows the components of the Government's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Government's net OPEB obligation to the Retiree Medical Plan:

	Retiree Medical Plan
Annual Required Contribution	\$16,524,963
Interest on net OPEB obligation	2,009,041
Adjustment to annual required contribution	1,820,981
Annual OPEB cost (expense)	16,713,023
Contributions made	(4,395,529)
Increase in net OPEB obligation	12,317,494
Net OPEB obligation beginning of year	44,645,362
Net OPEB obligation end of year	<u>\$56,962,856</u>

The Government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 and the two preceding fiscal years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2010	\$13,946,155	26.0%	\$31,827,030
2011	16,659,028	23.1%	44,645,362
2012	16,713,023	26.3%	56,962,856

Funded Status and Funding Progress – The Government completed an actuarial valuation of the future unfunded actuarial accrued liability of these benefits and it was determined that as of July 1, 2012 the liability was \$171,684,066. The annual required contribution to fund this liability over a period of 30 years is \$13,261,194. These figures represent the amount needed to provide benefits for 876 current retirees and beneficiaries and 1,014 active members. To date there has not been any funding of this liability.

Actuarial assumptions of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

The actuarial assumptions used for the calculations are listed below.

Valuation date	July 1, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level Percent of Pay, Open
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	4.5%
Medical cost trend rate*	
Pre-Medicare trend rate	9.5% - 5.0%
Post-Medicare trend rate	7.0% - 5.0%
Year of ultimate trend rate	2018
* Includes inflation at	3.0%

Supplementary Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
7/1/08	\$0	\$181,181,934	\$181,181,934	0.00%	\$61,409,904	295.0%
7/1/10	0	211,706,877	211,706,877	0.00%	60,512,412	349.9%
7/1/12	0	171,684,066	171,684,066	0.00%	54,595,799	314.5%

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

F. Pension Plan Financial Statements

**STATEMENT OF NET ASSETS
June 30, 2012**

	Policemen's and Firefighters' Retirement Fund	City Employees' Pension Fund	Total Pension Trust Funds
ASSETS			
Cash and Cash Equivalents	\$20,797,925	\$745,982	\$21,543,907
Receivables:			
Interest Receivable	1,718,652	105,301	1,823,953
Investments, at Fair Value:			
Debt Securities:			
US Agencies	36,418,058	6,807,467	43,225,525
US Government Obligations	17,573,395	3,370,186	20,943,581
Municipal Obligations	6,770,590		6,770,590
International Bonds	14,895,154	594,906	15,490,060
Corporate Debt	71,877,676	3,044,618	74,922,294
Repurchase Agreements	16,548,352		16,548,352
Other Investments:			
Equity Mutual Funds	105,594,266		105,594,266
Equity Real Estate	46,571,577		46,571,577
Equity Securities - Domestic	109,894,611	11,592,377	121,486,988
Equity Securities - International	78,818,806	760,496	79,579,302
Total Investments	504,962,485	26,170,050	531,132,535
Total Assets	527,479,062	27,021,333	554,500,395
LIABILITIES			
Accounts Payable and Accrued Expenses	62,697		62,697
Securities Lending Transactions	16,548,352		16,548,352
Compensated Absences - Current	2,372		2,372
Compensated Absences - Non Current	2,372		2,372
Due to Other Funds	1,453,628	145,348	1,598,976
Total Liabilities	18,069,421	145,348	18,214,769
NET ASSETS			
Net Assets Held in Trust for Pension Benefits	\$509,409,641	\$26,875,985	\$536,285,626

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

STATEMENT OF CHANGES IN NET ASSETS
June 30, 2012

	Policemen's and Firefighters' Retirement Fund	City Employees' Pension Fund	Total
ADDITIONS			
Contributions:			
Employer	\$44,066,558	\$0	\$44,066,558
Employer - Administration	3,381,176	62,735	3,443,911
Plan Members	8,022,094		8,022,094
Other	137,955		137,955
Total Contributions	<u>55,607,783</u>	<u>62,735</u>	<u>55,670,518</u>
Investment Income (Loss):			
Net Change in Fair Value of Investments	(1,633,325)	734,087	(899,238)
Interest	7,535,083	620,118	8,155,201
Dividends	3,549,802	236,418	3,786,220
Total Investment Income	<u>9,451,560</u>	<u>1,590,623</u>	<u>11,042,183</u>
Less Investment Expense	2,654,405	65,804	2,720,209
Net Investment Income	<u>6,797,155</u>	<u>1,524,819</u>	<u>8,321,974</u>
Income from Securities Lending Activities:			
Securities Lending Income	29,302		29,302
Securities Lending Expenses			
Borrower Rebates	(68,132)		(68,132)
Management Fees	38,001		38,001
Total Securities Lending Expenses	<u>(30,131)</u>	<u>0</u>	<u>(30,131)</u>
Net Income on Securities Lending Activities	<u>59,433</u>	<u>0</u>	<u>59,433</u>
Total Additions	<u>62,464,371</u>	<u>1,587,554</u>	<u>64,051,925</u>
DEDUCTIONS			
Benefit Payments	44,267,378	1,733,401	46,000,779
Administrative Expense	158,020	30,563	188,583
Total Deductions	<u>44,425,398</u>	<u>1,763,964</u>	<u>46,189,362</u>
Net Increase (Decrease)	18,038,973	(176,410)	17,862,563
Net Assets, Beginning	<u>491,370,668</u>	<u>27,052,395</u>	<u>518,423,063</u>
Net Assets, Ending	<u>\$509,409,641</u>	<u>\$26,875,985</u>	<u>\$536,285,626</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

G. The County Employees' Retirement System

The Government contributes to the Commonwealth of Kentucky's County Employees' Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county and school board and any additional eligible local agencies electing to participate in the System. At June 30, 2012, there were over 1,400 local government agencies participating in CERS, which provides for retirement, disability and death benefits. Beginning October 27, 1975, all eligible full-time employees of the Government were required to participate in CERS. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601, or by telephone at (502) 696-8800.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The Government's contribution rate for nonhazardous employees was 18.96 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund. The Government's contribution rate for hazardous employees was 35.76 percent.

The contribution requirements and the amounts contributed to CERS were \$16,388,805, \$15,277,032, and \$18,580,548, respectively for the years ended June 30, 2012, 2011, and 2010.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to maximum dollar amount.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2012

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

NOTE 10. RECENT GASB PRONOUNCEMENTS

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The provisions of this statement are effective for financial statements for periods beginning after December 15, 2012. The Government is currently evaluating the effects of this statement on its financial statements.

In June 2012, the GASB approved Statement No. 68, *Accounting and Financial Reporting for Pensions (Statement 68)*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

Governmental employers participating in a cost-sharing plan will also be required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan. All governments participating in the defined benefit pension plan would also have the following in their note disclosures:

- Descriptions of the plan and benefits provided
- Significant assumptions employed in the measurement of the net pension liability
- Descriptions of benefit changes and changes in assumptions
- Assumptions related to the discount rate and impact on the total pension liability of a 1 percentage point increase and decrease in the discount rate
- Net pension assets and liabilities

The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014. The Government is currently evaluating the effects of this statement on its financial statements.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

The **County Aid Program Fund** accounts for the allocation of county road funds from the Commonwealth of Kentucky as provided by HB 973 and adopted by the 1980 General Assembly based upon the motor fuels taxes collected.

The **Municipal Aid Program Fund** accounts for the allocation from the Commonwealth of Kentucky as provided by KRS 174 for design, right-of-way acquisitions, utilities, construction and other municipal road expenditures.

The **Industrial Revenue Bond Fund** accounts for receipts and disbursements of IRB issuance fees.

The **Mineral Severance Fund** and **Coal Severance Fund** account for receipts and disbursements of the Coal and Mineral Severance Tax received from the Commonwealth of Kentucky.

The **Police Confiscated Fund** accounts for recoveries from federal criminal case settlements awarded to the LFUCG Division of Police. Expenditures are restricted to police law enforcement programs.

The **Police Confiscated State Fund** accounts for recoveries from state criminal case settlements awarded to the Government's Division of Police. Expenditures are restricted to police law enforcement programs.

The **Public Safety Fund** accounts for revenues and disbursements of the House Bill 413 fees received from the Commonwealth of Kentucky.

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities and equipment other than those financed by proprietary funds.

The **Lexington Cultural Center** is a project to construct performing arts and exhibit facility in downtown Lexington.

The **Storm Water Bond Projects** is a storm water management project funded by general obligation bonds.

The **Public Safety Capital Projects** include the construction and equipping of a new detention center and a new fire station.

The **Reynolds Road Project** is the widening and renovations of Reynolds Road, funded by the Commonwealth of Kentucky.

The **2001 Bond Projects** are for the acquisition and renovations of a building to house Government offices and the renovations of the Douglass and Tates Creek swimming pools funded by general obligation bonds.

The **2003 Bond Projects** are for acquisition of vehicles, equipment, the next phase of replacement of the Government Center HVAC system and fire trucks.

The **Golf Course Bond Projects** are for the acquisition of and improvements to the Picadome Golf Course and improvements to other golf courses funded by general obligation bonds.

The **Purchase of Development Rights** is a program to purchase conservation easements, funded by general obligation bonds, grant funds from the Commonwealth of Kentucky, and General Fund revenues.

The **Equipment Lease Notes** are general obligation notes used for the acquisition of vehicles and capital equipment for the various departments of the Government.

The **2004 Bond Projects** are for the purchase of property and the renovation of a multi-purpose building, roadway construction, and construction of a day treatment facility.

The **2005 Bond Projects** are for the Purchase of Development Rights program, garage and building renovation projects, and Neighborhood Development projects.

The **2006 Bond Projects** are for storm water improvement projects, Police vehicles, and park improvement projects.

The **2007, 2008, & 2009 Bond Projects** are for park projects, computer equipment, and building renovations and improvements.

The **2010 Bond Projects** are to finance various projects for departments within the Government, including acquisition of equipment, infrastructure projects and the Purchase of Development Rights program.

The **2011 & 2012 Bond Projects** to finance the acquisition of various equipment for departments within the Government including but not limited to Computer Services, Public Safety, Parks and Recreation, Solid Waste, Purchase of Development Rights, Recycling Center and Public Works utility design.

The **Public Works Bond Projects** are for storm water and road improvement projects.

The **Public Library Corporation** is for the acquisition, construction, equipping and financing of public projects to be used for public library purposes.

The **Roads, Parks, Open Space, Storm Water Exactions** are for improvements necessary to provide roads, parks, open space and storm water management in the Expansion Area Master Plan funded by developer and property owner exaction fees.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

Special Revenue Funds									Capital Projects Funds					
Local Economic Assistance														
County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Mineral Severance	Coal Severance	Police Confiscated Funds	Police Confiscated State Funds	Public Safety Fund	Total	Lexington Cultural Center	Storm Water Bond Projects	Public Safety Capital Projects	Reynolds Road Project	2001 Bond Projects	2003 Bond Projects
\$1,695,111	\$31,360	\$154,661	\$116,058	\$182,450	\$0	\$938,140	\$0	\$3,117,780	\$4,304	\$0	\$0	\$0	\$0	\$0
189,590	6,561,423		63,197		1,062,429			7,876,639	348,172					
75,039	535,117		28,811	33,079	3,796		85,697	761,539						
593,115		2,682	239,539	304,536	3,685	189,501	762,778	2,092,151						
														346,429
2,552,855	7,127,900	157,343	447,605	520,065	1,069,910	1,127,641	848,475	13,851,794	352,476	0	0	0	0	346,429
ES														
397,000	835,227			95	35,746	21,514	1,163	1,290,745						37,214
	1,892				2,382			4,274						
	885,228				168,684			1,053,912	311,089					
397,000	1,722,347	0	0	95	206,812	21,514	1,163	2,348,931	311,089	0	0	0	0	37,214
					3,685			3,685						
2,155,855	5,405,553	157,343		519,970				8,238,721						
					859,413	1,106,127	847,312	2,812,852						
									41,387					309,215
			447,605					447,605						
2,155,855	5,405,553	157,343	447,605	519,970	863,098	1,106,127	847,312	11,502,863	41,387	0	0	0	0	309,215
\$2,552,855	\$7,127,900	\$157,343	\$447,605	\$520,065	\$1,069,910	\$1,127,641	\$848,475	\$13,851,794	\$352,476	\$0	\$0	\$0	\$0	\$346,429

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING BALANCE SHEET, Continued
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

Capital Projects Funds													
Golf Course Bond Projects	Purchase of Development Rights	Equipment Lease Notes	2004 Bond Projects	2005 Bond Projects	2006 Bond Projects	2007, 2008, & 2009 Bond Projects	2010 Bond Projects	2011 & 2012 Bond Projects	Public Works Bond Projects	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total	Total Nonmajor Governmental Funds
ASSETS													
Current Cash	\$0	\$0	\$0	\$0	\$0	\$0	\$188	\$0	\$0	\$473,834	\$514,080	\$992,406	\$4,110,186
Current Investments										311,328	68,054	727,554	8,604,193
Receivables :													
Other											33,618	33,618	795,157
Inventories and Prepaid Expenses						323		2,596				2,919	6,604
Due from Other Funds			63,460			919	173,389		15,690			253,458	2,345,609
Restricted Investments			259,457			3,034,294	8,571,575	6,155,132				18,366,887	18,366,887
Total Assets	<u>0</u>	<u>0</u>	<u>322,917</u>	<u>0</u>	<u>0</u>	<u>3,035,536</u>	<u>8,745,152</u>	<u>6,157,728</u>	<u>15,690</u>	<u>785,162</u>	<u>615,752</u>	<u>20,376,842</u>	<u>34,228,636</u>
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts and Contracts Payable						111,886	174,461	42,206	15,690			381,457	1,672,202
Accrued Payroll & Related Liabilities												4,274	
Due to Other Funds								38,594			985,855	1,335,538	2,389,450
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>111,886</u>	<u>174,461</u>	<u>80,800</u>	<u>15,690</u>	<u>0</u>	<u>985,855</u>	<u>1,716,995</u>	<u>4,065,926</u>
Fund Balances:													
Nonspendable						323		2,596				2,919	6,604
Restricted for:													
Public Works													8,238,721
Public Safety													2,812,852
Capital Projects			322,917			2,923,327	8,570,691	6,074,332		785,162		19,027,031	19,027,031
Assigned													447,605
Unassigned											(370,103)	(370,103)	(370,103)
Total Fund Balances (Deficits)	<u>0</u>	<u>0</u>	<u>322,917</u>	<u>0</u>	<u>0</u>	<u>2,923,650</u>	<u>8,570,691</u>	<u>6,076,928</u>	<u>0</u>	<u>785,162</u>	<u>(370,103)</u>	<u>18,659,847</u>	<u>30,162,710</u>
Total Liabilities and Fund Balances	<u>\$0</u>	<u>\$0</u>	<u>\$322,917</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,035,536</u>	<u>\$8,745,152</u>	<u>\$6,157,728</u>	<u>\$15,690</u>	<u>\$785,162</u>	<u>\$615,752</u>	<u>\$20,376,842</u>	<u>\$34,228,636</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

	Special Revenue Funds								Capital Projects Funds					
	Local Economic Assistance				Police Confiscated Funds	Police Confiscated State Funds	Public Safety Fund	Total	Lexington Cultural Center	Storm Water Bond Projects	Public Safety Capital Projects	Reynolds Road Project	2001 Bond Projects	2003 Bond Projects
	County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Mineral Severance										
REVENUES														
Charges for Services	\$0	\$0	\$2,500	\$0	\$0	\$0	\$0	\$2,500	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental	956,320	6,338,858		117,003	189,547	258,433	268,941	340,031	8,469,133					
Exactions														
Property Sales						9,728		9,728						
Other		31,492						31,492						
Income on Investments	294	964	24	58	59	162	183	96	1,840	48				721
Total Revenues	<u>956,614</u>	<u>6,371,314</u>	<u>2,524</u>	<u>117,061</u>	<u>189,606</u>	<u>268,323</u>	<u>269,124</u>	<u>340,127</u>	<u>8,514,693</u>	<u>48</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>721</u>
EXPENDITURES														
Current:														
General Government										1,209				
Finance														
Environmental Quality & Public Works		13,416							13,416					
Public Safety														
Police						487,401	164,436		651,837					
Community Corrections								6,875	6,875					
Debt Service:														
Principal														
Interest														
Capital:														
Equipment						60,388	167,388		227,776					
Acquisitions and Construction	788,249	7,002,047		80,000	693	179,000	7,976	1,162	8,059,127	7,610	10,375			103,381
Total Expenditures	<u>788,249</u>	<u>7,015,463</u>	<u>0</u>	<u>80,000</u>	<u>693</u>	<u>726,789</u>	<u>339,800</u>	<u>8,037</u>	<u>8,959,031</u>	<u>8,819</u>	<u>10,375</u>	<u>0</u>	<u>0</u>	<u>103,381</u>
Excess (Deficiency) of Revenues over (under) Expenditures	168,365	(644,149)	2,524	37,061	188,913	(458,466)	(70,676)	332,090	(444,338)	(8,771)	(10,375)	0	0	(102,660)
OTHER FINANCING SOURCES (USES)														
Transfers In										126,937				
Transfers Out		(1,834,108)				(3,813)		(100,000)	(1,937,921)		(579,236)	(493,075)	(81,575)	(221,606)
Total Other Financing Sources (Uses)	<u>0</u>	<u>(1,834,108)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,813)</u>	<u>0</u>	<u>(100,000)</u>	<u>(1,937,921)</u>	<u>0</u>	<u>126,937</u>	<u>(579,236)</u>	<u>(493,075)</u>	<u>(221,606)</u>
Net Change in Fund Balances	168,365	(2,478,257)	2,524	37,061	188,913	(462,279)	(70,676)	232,090	(2,382,259)	(8,771)	116,562	(579,236)	(493,075)	(324,266)
Fund Balances (Deficits), Beginning	<u>1,987,490</u>	<u>7,883,810</u>	<u>154,819</u>	<u>410,544</u>	<u>331,057</u>	<u>1,325,377</u>	<u>1,176,803</u>	<u>615,222</u>	<u>13,885,122</u>	<u>50,158</u>	<u>(116,562)</u>	<u>579,236</u>	<u>493,075</u>	<u>81,575</u>
Fund Balances (Deficits), Ending	<u>\$2,155,855</u>	<u>\$5,405,553</u>	<u>\$157,343</u>	<u>\$447,605</u>	<u>\$519,970</u>	<u>\$863,098</u>	<u>\$1,106,127</u>	<u>\$847,312</u>	<u>\$11,502,863</u>	<u>\$41,387</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$309,215</u>

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2012

Capital Projects Funds														
	Golf Course Bond Projects	Purchase of Development Rights	Equipment Lease Notes	2004 Bond Projects	2005 Bond Projects	2006 Bond Projects	2007, 2008, & 2009 Bond Projects	2010 Bond Projects	2011 & 2012 Bond Projects	Public Works Bond Projects	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total	Total Nonmajor Governmental Funds
REVENUES														
Charges for Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,500
Intergovernmental Exactions												129,603	129,603	8,469,133
Property Sales								185			239,591		239,776	9,728
Other														271,268
Income on Investments	0		540				8,396	23,940	17,974		810	612	53,041	54,881
Total Revenues	0	0	540	0	0	0	8,396	24,125	17,974	0	240,401	130,215	422,420	8,937,113
EXPENDITURES														
Current:														
General Government							667						1,876	1,876
Finance											1,261		1,261	1,261
Environmental Quality & Public Works														13,416
Public Safety									55,468				55,468	55,468
Police														651,837
Community Corrections														6,875
Debt Service:														
Principal											221,740		221,740	221,740
Interest											40,490		40,490	40,490
Capital:														
Equipment							51,283	518,729	2,559,630				3,129,642	3,357,418
Acquisitions and Construction						3,444	1,554,903	1,684,004	134,510	351,375			3,849,602	11,908,729
Total Expenditures	0	0	0	0	0	3,444	1,606,853	2,202,733	2,749,608	351,375	263,491	0	7,300,079	16,259,110
Excess (Deficiency) of Revenues over (under) Expenditures	0	0	540	0	0	(3,444)	(1,598,457)	(2,178,608)	(2,731,634)	(351,375)	(23,090)	130,215	(6,877,659)	(7,321,997)
OTHER FINANCING SOURCES (USES)														
Transfers In		357,604					395,332			23,744	1,080		904,697	904,697
Transfers Out	(48,869)		(809,059)	(667,889)	(522,347)	(541,251)		(2,112,379)	(43,034)				(6,120,320)	(8,058,241)
Issuance of Refunding Debt									6,275,000				6,275,000	6,275,000
Payment to Refunded Debt Escrow Agent									(6,642,013)				(6,642,013)	(6,642,013)
Total Other Financing Sources (Uses)	(48,869)	357,604	(809,059)	(667,889)	(522,347)	(541,251)	395,332	(2,112,379)	(410,047)	23,744	1,080	0	(5,582,636)	(7,520,557)
Net Change in Fund Balances	(48,869)	357,604	(808,519)	(667,889)	(522,347)	(544,695)	(1,203,125)	(4,290,987)	(3,141,681)	(327,631)	(22,010)	130,215	(12,460,295)	(14,842,554)
Fund Balances (Deficits), Beginning	48,869	(357,604)	1,131,436	667,889	522,347	544,695	4,126,775	12,861,678	9,218,609	327,631	807,172	(500,318)	31,120,142	45,005,264
Fund Balances (Deficits), Ending	\$0	\$0	\$322,917	\$0	\$0	\$0	\$2,923,650	\$8,570,691	\$6,076,928	\$0	\$785,162	(\$370,103)	\$18,659,847	\$30,162,710

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending June 30, 2012

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2011	Revenue Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2012
US Department of Agriculture:						
Direct Programs:						
Child Care Food Program	10.558	034-L95-999	\$4,646	\$20,221	\$15,575	\$0
Child Care Food Program	10.558	034-L95-999		53,261	49,468	(3,793)
Purchase of Development Rights (PDR)	10.913	68-5C16-9-152	260,510	363,230	102,720	
Purchase of Development Rights (PDR)	10.913	68-5C16-11-128			1,000,000	1,000,000
Total US Department of Agriculture			<u>265,156</u>	<u>436,712</u>	<u>1,167,763</u>	<u>996,207</u>
US Department of Housing and Urban Development:						
Direct Programs:						
Community Dev Block Grant	14.218	B10MC210004	93,635	1,742,996	1,965,921	316,560
Emergency Shelter	14.231	S10MC210003	4,335	29,263	24,928	
Emergency Shelter	14.231	E11MC210003		91,188	92,314	1,126
HOME	14.239	M09MC210201		1,150,412	1,150,412	
HOME	14.239	M10MC210201	66,052	505,456	631,552	192,148
Housing Opp for Pers with AIDS (HOPWA)	14.241	KY-H08-0007	91,282	469,339	378,988	931
Housing Opp for Pers with AIDS (HOPWA)	14.241	KY-H11-0012		31,637	67,560	35,923
Community Dev Block Grant-ARRA	14.253	B-08-MY-21-0004	5,632	174,498	205,979	37,113
HPRP_R_2010-ARRA	14.257	S-09-MY-21-0003	10,253	275,538	267,648	2,363
Passed through Commonwealth of Kentucky:						
Neighborhood Stabilization Program-Land	14.228	09N-043	7,838	45,883	90,739	52,694
Neighborhood Stabilization Program-REACH	14.228	09N-042	1		35,251	35,252
Total US Department of Housing and Urban Development			<u>279,028</u>	<u>4,516,210</u>	<u>4,911,292</u>	<u>674,110</u>
US Department of Justice:						
Direct Programs:						
Police Confiscated Funds	16.000	NA	(1,325,376)	268,323	730,602	(863,097)
Safe Havens	16.527	2010-CW-AX-K013	17,842	56,529	83,556	44,869
Arrest Policy	16.590	2006-WE-AX-0053	67,386	79,426	75,901	63,861
Arrest Policy	16.590	2011-WE-AX-0011		30,083	99,519	69,436
SCAAP	16.606	2011-AP-BX-0370		129,533	111,129	(18,404)
Bulletproof Vests	16.607	07037695	215	3,106	2,891	
Bulletproof Vests	16.607	2009 BOBX 080 41220	6,758	6,758		
Bulletproof Vests	16.607	2009 BOBX 090 47311	2,019	2,592	573	
Bulletproof Vests	16.607	2010-BOBX-10051351	1,815	31,586	36,546	6,775
Project Safe Neighborhoods	16.609	2008-GP-CX-0060	11,368	35,553	24,185	
Project Safe Neighborhoods	16.609	2009-GP-BX-0020	17,910	36,819	35,834	16,925
Project Safe Neighborhoods	16.609	2010-GP-BX-0095		1,077	2,277	1,200
Justice Assistance Grant	16.738	2009-DJ-BX-0469	119,850	119,850	8,923	8,923
Justice Assistance Grant	16.738	2010-DJ-BX-1245		367,774	91,902	(275,872)
Justice Assistance Grant	16.738	2011-DJ-BX-3120		308,854	101,508	(207,346)
Justice Assistance Grant (JAG)-ARRA	16.804	2009-SB-BP-1627	(440,452)		240,740	(199,712)
Redeploy-ARRA	16.808	2009-SC-B9-0104	75,119	220,732	145,613	
Passed through Commonwealth of Kentucky:						
Juv Accountability Block Grant	16.523	JABG-2011-LFUCG-00011	4,547	11,226	6,679	
Juv Accountability Block Grant	16.523	JABG-2012-LFUCG-00008		5,539	10,040	4,501
Safe Havens Recovery-ARRA	16.588	VAWA-ARRA-2009	3,102	3,102		
Safe Sun	16.588	VAWA-2010-LFUCG-ST-0	4,406	19,060	14,654	
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2010-LFUCG ST-00132	15,792	33,582	17,790	
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2011-LFUCG-ST-00220		6,542	17,762	11,220
Street Sales	16.579	2010-JAG-LFUCG-STRE-00655	63,676	63,676		
Street Sales	16.579	2011-JAG-LFUCG STRE-00800		50,000	50,000	
Street Sales (Confiscated Funds)	16.579	2011-JAG-LFUCG STRE-00800		21,449	21,449	
National PAL Recovery Act Mentoring Day	16.808	2009-SC-B9-0162		4,980	4,980	
PALYEP	16.726	2010-JU-FX-0025	3,066	11,640	16,985	8,411
PALYEP	16.726	2011-JU-FX-0015			2,579	2,579
Total US Department of Justice			<u>(1,350,957)</u>	<u>1,929,391</u>	<u>1,954,617</u>	<u>(1,325,731)</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending June 30, 2012

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2011	Revenue Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2012
US Department of Transportation:						
Direct Programs:						
Passed through Commonwealth of Kentucky:						
Air Quality Planning	20.205	0800020840	11,752	11,752		
Air Quality Planning	20.205	0800020840	8,000	8,000		
Air Quality Planning	20.205	1200000158		50,000	54,000	4,000
Bicycle and Pedestrian Planning	20.205	1200000158		36,217	49,560	13,343
Brighton Rail Trail Bridge	20.205	PO2-628-0900022378		56,070	56,070	
Citation Boulevard	20.205	C-05396856	165,963	1,030,594	865,893	1,262
Clays Mill Road	20.205	C-03328686	323,302	2,307,802	3,147,940	1,163,440
Coldstream Trail	20.205	PO2-628-0800015657	40,743	40,743		
Congestion Management	20.205	1200000158		52,306	67,200	14,894
Federal Highway Planning	20.205	1000005192	102,874	102,874		
Federal Highway Planning	20.205	1100004277		178,888	284,777	105,889
Fiber Optic Cable Installation	20.205	PO2-628-0700013795	242,381	241,695		686
Fiber Optic Cable Installation	20.205	PO2-628-0900022383	718	10,124	116,623	107,217
Intelligent Transpor. System (ITS)	20.205	1000001289	35,327	35,327		
Intelligent Transpor. System (ITS)	20.205	1000002782	5,977	67,811	393,962	332,128
Intelligent Transpor. System (ITS)	20.205	1200000760			6,759	6,759
Lexvan Program Project	20.205	PO2-628-0900022384			105,600	105,600
Lexington Traffic	20.205	1200001306			79,981	79,981
Liberty Road/Todds Road	20.205	C-00021586	(1,593)	133,459		(135,052)
Liberty Road/Todds Road	20.205	C-04073306	59,761	26,602	63,463	96,622
Loudon Avenue Project	20.205	C-02279716	65,062			65,062
Maine Chance	20.205	PO2-628-0700013769	110,676	110,676		
Maxwell Bike Ped	20.205	PO2-628-0700008015	4,161	103,898	99,737	
Newtown Landscape	20.205	PO2-628-1200005511	6,000	6,000	177,420	177,420
Newtown Pike	20.205	C-00343167	36,976	44,295	37,485	30,166
Newtown Pike	20.205	C-01261650	907,393	982,421	358,102	283,074
Newtown Pike Supplement #2	20.205	076-2011	12,333	451,380	603,699	164,652
Share The Road	20.205	PO2-628-0900022380		8,080	8,080	
South Elkhorn Bike	20.205	KYTC Item 7-229	368	10,746	10,378	
South Limestone Streetscape	20.205	PO2-628-1100004324		18,930	35,906	16,976
Southland	20.205	PO2-628-1100001374			2,094	2,094
Tates Creek Sidewalks	20.205	PO2-628-0900022382	9,163	39,120	120,839	90,882
Town Branch	20.205	PO2-628-1200004353			882	882
West Hickman	20.205	C-04482975	353,701	334,607	40,323	59,417
MCSAP	20.218	No Number	13,604	70,908	57,304	
MCSAP	20.218	No Number			22,846	22,846
Tact	20.218	No Number		16,514	16,514	
Tact	20.218	No Number		10,283	22,686	12,403
Fed Transit Admin Section 5303	20.505	KY-80-0003-02	8,140	8,140		
Fed Transit Admin Section 5303	20.505	KY-80-0003-03		38,926	48,400	9,474
Mobility Office	20.505	MA-8418201N	51,818	51,818		
Mobility Office	20.205	MA-1200000158		48,827	100,219	51,392
Traffic QC	20.600	K9-11-06	1,104	1,104		
Traffic Safety	20.600	AL-11-23	8,388	9,351	963	
Traffic Safety	20.600	AL-12-22		54,701	73,709	19,008
Traffic Safety Supplement	20.600	K2-11-46	23,380	23,380		
Traffic Safety Supplement	20.602	K2-12-38			19,741	19,741
Traffic SP	20.600	PT-11-26	3,704	4,006	302	
Traffic SP	20.601	PT-12-30		14,919	21,024	6,105
Total US Department of Transportation			2,611,176	6,853,294	7,170,481	2,928,363
US Environmental Protection Agency:						
Direct Programs:						
Passed through Commonwealth of Kentucky:						
South Elkhorn Pump Station	66.604	XP-95438509-0	50,293	55,771	5,478	
Brownfield Assessment Project	66.818	BF-95461610-0	16,269	41,606	32,167	6,830
Passed through Commonwealth of Kentucky:						
State Clean Diesel	66.040	PON2-129-1100000656		202,640	202,640	
Wolf Run	66.460	C9994861-09	19,868	73,808	75,517	21,577
South Elkhorn Pump Station - KIA	66.458	A09-01	101,514	101,514		
Total US Environmental Protection Agency			187,944	475,339	315,802	28,407

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending June 30, 2012

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2011	Revenue Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2012
US Department of Health and Human Services:						
Direct Programs:						
Runaway Youth	93.623	90CY236402	41,159	102,691	61,532	
Runaway Youth	93.623	90CY236403		18,180	80,668	62,488
Passed through Commonwealth of Kentucky:						
Senior Citizens	93.044	AS-2011-2012-2015		90,523	90,523	
Childcare-Resource-Referral (CCRR)	n/a	n/a		497	497	
New Chance-Cab For Families	93.558	PON2 736 1000001491	38,099	38,099		
New Chance-Cab For Families	93.558	PON2 736 1000001890		318,177	345,395	27,218
Home Network	93.597	2009-2010-PUBLIC-R	(53,866)		53,866	
Home Network	93.597	2010-2011-PUBLIC-R	(252,108)	20,320	225,851	(46,577)
Home Network	93.597	2011-2012-PUBLIC-R		383,610		(383,610)
Total US Department of Health and Human Services			<u>(226,716)</u>	<u>972,097</u>	<u>858,332</u>	<u>(340,481)</u>
US Department of Homeland Security Office of Domestic Preparedness:						
Passed through Commonwealth of Kentucky:						
Hazard Mitigation Grant Prog.(HMGP_Plan)	97.039	PON209511000015691	607	4,138	57,905	54,374
Hazard Mitigation Grant Prog.(HMGP_Shan)	97.039	PON209511000007591	592,441	608,763	16,322	
Hazard Mitigation Grant Prog.(HMGP_South)	97.039	PON209511000014261	743,284	940,661	325,969	128,592
Sugarmill	97.039	PON2-095-0600003029-1	130,213	130,213		
Chemical Stockpile Emergency (CSEPP)	97.040	PON209508000112861	88,197	106,429	18,232	
Chemical Stockpile Emergency (CSEPP)	97.040	PON209510000009491	92,084	143,300	196,515	145,299
Chemical Stockpile Emergency (CSEPP)	97.040	PON209511000014051	547	16,733	230,779	214,593
Chemical Stockpile Emergency (CSEPP)	97.040	PON209512000005371			612	612
Emergency Management Assistance	97.042	PON209511000006691	80,794	103,987	23,193	
Emergency Management Assistance	97.042	PON209511000003831		11,739	74,353	62,614
Assistance to Firefighters Grant	97.044	EMW-2009-FO-06135	7,890	40,652	32,762	
Bomb Squad	97.067	PO209411000022141	13,017	46,809	33,792	
Bomb Squad	97.067	PO209412000030072		4,705	4,705	
State Homeland (FIRE)	97.067	P02 094 1100002237 1	17,207	17,207		
State Homeland (FIRE)	97.067	P02 094 1200003008 1		121,000	121,000	
State Homeland Dive	97.067	P02 094 1100002216 1	1,539	113,493	111,954	
State Homeland Police	97.067	P02 094 1100002230 1		1,482	1,482	
State Homeland Police	97.067	P02 094 1200003009 1		4,715	43,515	38,800
State Homeland Security (COM)	97.067	P02 094 1200003527 1		69,400	69,400	
Metro Medical Response System (MMRS)	97.071	P0N2 094 1000002389 1	102	41,801	41,699	
Metro Medical Response System (MMRS)	97.071	P02 094 1100002296 1	11,164	168,758	158,158	564
Metro Medical Response System (MMRS)	97.071	P02 094 1200003498 2		18,434	30,070	11,636
Total US Dept. of Homeland Security Office of Domestic Preparedness			<u>1,779,086</u>	<u>2,714,419</u>	<u>1,592,417</u>	<u>657,084</u>
US Department of Energy:						
Direct Programs:						
Energy Efficiency & Conservation Bl.Grt (EEBCG_R)-AI	81.128	DE-EE0000728	58,966	1,436,131	1,487,812	110,647
Total US Department of Energy			<u>58,966</u>	<u>1,436,131</u>	<u>1,487,812</u>	<u>110,647</u>
Total Federal Financial Assistance			<u>\$3,603,683</u>	<u>\$19,333,593</u>	<u>\$19,458,516</u>	<u>\$3,728,606</u>

Note: Per generally accepted accounting principles, grant revenues received but not earned with purpose restrictions only are recognized as revenues and fund balance in the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2012

Grantor/Program Title	Grantor's Number	Grantor	Accrued or (Deferred) Revenue at July 1, 2011	Revenue Received	Expenditures	Accrued or (Deferred) Revenue at June 30, 2012
ADF Dunbar	N/A	Bluegrass Area Development District	\$0	\$0	\$8,798	8,798
Bluesky	SX21067007	Kentucky Infrastructure Authority		260,851	276,136	15,285
Day Treatment	PON252310000028991	Kentucky Dept. of Juvenile Justice	20,154	20,154		
Day Treatment	PON252311000025341	Kentucky Dept. of Juvenile Justice		221,691	241,845	20,154
Economic Development-Belcan Engineer.	N/A	Kentucky Cabinet Economic Development		98,000		(98,000)
Economic Development-Tiffany	N/A	Kentucky Cabinet Economic Development		300,000	300,000	
Emergency Medical Services	N/A	Kentucky Bd. Emergency Medical Services	(358)		358	
Emergency Medical Services	N/A	Kentucky Bd. Emergency Medical Services		11,009	11,009	
Expansion	127N-2008	Kentucky Infrastructure Authority	14,250	14,250	516,638	516,638
Federal Highway Planning	1000005192	Kentucky Transportation Cabinet	6,429	6,429		
Federal Highway Planning	1100004277	Kentucky Transportation Cabinet		11,180	17,798	6,618
Fire Training Incentive	155	Kentucky Commission on Fire Protection		1,827,928	1,827,928	
Green Acres	276N-2007	Kentucky Infrastructure Authority	52,878	106,499	63,276	9,655
Hazard Mitigation Grant (HMGP_Plan)	PON209511000014261	Kentucky Emergency Management Agency	97	662	9,265	8,700
Hazard Mitigation Grant (HMGP_Shan)	PON209511000014261	Kentucky Emergency Management Agency	94,790	97,402	2,612	
Hazard Mitigation Grant (HMGP_South)	PON209511000014261	Kentucky Emergency Management Agency	118,925	150,505	52,155	20,575
Home Network	2010-2011-PUBLIC-R	Lexington Fayette County Health Dept	(85,023)	10,510	95,533	
Home Network	2011-2012-PUBLIC-R	Lexington Fayette County Health Dept		64,370		(64,370)
Isaac Murphy Memorial Garden	N/A	Kentucky Transportation Cabinet	3,882	3,882	7,181	7,181
Kentucky Pride	N/A	Kentucky Dept. Natural Resources	(60,409)		60,409	
Kentucky Pride	N/A	Kentucky Dept. Natural Resources		146,023	87,601	(58,422)
KY Household Hazardous Waste	N/A	Kentucky Energy & Environmental Cabinet	(70,544)		7,286	(63,258)
KY Recycle	N/A	Kentucky Energy & Environmental Cabinet	(1,148)			(1,148)
KY Recycle	N/A	Kentucky Energy & Environmental Cabinet		18,970	18,282	(688)
Law Enforcement Service Fee	LSF-2010-LFUCG-STRELAW-0012	Kentucky Justice Cabinet	7,546	7,546		
Law Enforcement Service Fee	LSF-2011-LFUCG-Stre-00166	Kentucky Justice Cabinet		77,501	99,196	21,695
Liberty Road/Todds Road	C-0021586	Kentucky Transportation Cabinet		33,365		(33,365)
Liberty Road/Todds Road	C-04073306	Kentucky Transportation Cabinet	14,942	6,650	15,866	24,158
Newtown Pike Extension	C00343167	Kentucky Transportation Cabinet	9,244	11,074	9,371	7,541
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation	158,715	158,715		
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation		1,681,135	1,830,090	148,955
Purchase of Development Rights (PDR)	A2012-0023	Kentucky Dept. Agriculture		25,000		(25,000)
Raven Run Acquisition	N/A	Kentucky Heritage Land Conservation Fund	(20,824)	(20,824)		
SANE3 (Sexual Assault Treatment Project)	VAWA-2010-LFUCG ST-00132	Kentucky Justice Cabinet	5,000	4,600	8,600	9,000
SANE3 (Sexual Assault Treatment Project)	VAWA-2011-LFUCG-ST-00220	Kentucky Justice Cabinet			7,400	7,400
State Homeland CMRS	PO2 094 1100002341 1	Governor's Office for Homeland Security		158,255	159,122	867
Sugarmill	PON2-095-0600003029-1	Kentucky Emergency Management Agency	20,528	20,528		
Unsewered Areas 2	SX21067001 & SX21067008	Kentucky Infrastructure Authority	139,457	271,626	132,169	
Waste Tire	N/A	Kentucky Energy & Environment Cabinet		3,000	3,000	
Total State Financial Assistance			<u>\$428,531</u>	<u>\$5,808,486</u>	<u>\$5,868,924</u>	<u>\$488,969</u>

Note Per generally accepted accounting principles, grant revenues received but not earned with purpose restrictions only are recognized as revenues and fund balance in the financial statements.

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are established to account for the acquisition, operation and maintenance of the Government's facilities and services which are entirely or predominantly self-supported by user charges or where the Government has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes.

The **Right of Way** program was established in 2003 to account for fees levied to monitor and manage public facilities located in public rights-of-way.

The **Extended School Program** was established in 1994 to provide before and after school care for children in participating elementary and middle schools.

The **Prisoners' Account System** was transferred to the Government in 1994 and accounts for the operations of the commissary at the Fayette County Detention Center.

The **Enhanced 911 Fund** was established in 1996 to account for the revenues and expenses of developing and operating an enhanced 911 system.

The **LexVan Program** was transferred effective July 1, 2003 from the Transit Authority to the Government to provide commuter van pool service to the Lexington metropolitan area.

The **Small Business Development Fund** was established in 2000 to promote and assist the growth and development of business concerns. This program was previously administered by the Urban County Development Corporation, a component unit of the Government, which was dissolved in March 2000.

The **Stormwater Fund** was established in 2009 to account for the revenues and expenses of developing and operating storm water related activities.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2012

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	LexVan Program	Small Business Development	Stormwater	Total
ASSETS								
Current Assets:								
Cash	\$476,279	\$28,655	\$301,314	\$183,776	\$171,226	\$131,954	\$6,771,707	\$8,064,911
Investments				1,400,763		34,945	1,002,980	2,438,688
Receivables:								
User Fees Receivable							954,186	954,186
Other Receivables		515	30,345	344,277	264	35,867		411,268
Less Allowance for Uncollectible Accounts						(35,867)	(164,141)	(200,008)
Due from Other Funds	305,582	129,019		1,434,197	52,491	1,054		1,922,343
Inventories and Prepaid Expenses				36,000			17,298	53,298
Total Current Assets	781,861	158,189	331,659	3,399,013	223,981	167,953	8,582,030	13,644,686
Non-Current Assets:								
Land							1,526,469	1,526,469
Land Improvements		10,000					157,788	167,788
Sewer Lines							1,422,086	1,422,086
Vehicles, Equipment, and Furniture	56,652	94,334	188,902	1,623,320			19,999	1,983,207
Intangibles			152,726	1,382,184				1,534,910
Less Accumulated Depreciation	(37,064)	(84,097)	(337,161)	(2,941,044)			(72,628)	(3,471,994)
Construction in Progress							940,462	940,462
Total Non-Current Assets	19,588	20,237	4,467	64,460	0	0	3,994,176	4,102,928
Total Assets	801,449	178,426	336,126	3,463,473	223,981	167,953	12,576,206	17,747,614
LIABILITIES								
Current Liabilities:								
Accounts, Contracts and Retainage Payable	1,323	26,972	297,035	100,598			735,057	1,160,985
Accrued Payroll	7,027	94,978		57,565			134,181	293,751
Due to Other Funds			45,533				389,326	434,859
Compensated Absences	5,274	1,220		22,739			85,440	114,673
Bond Payable Current							58,041	58,041
Interest Payable							2,311	2,311
Total Current Liabilities	13,624	123,170	342,568	180,902	0	0	1,404,356	2,064,620
Non-Current Liabilities:								
Bond Payable Non Current							1,223,700	1,223,700
Compensated Absences	5,274	39,455		22,739			85,440	152,908
Total Non-Current Liabilities	5,274	39,455	0	22,739	0	0	1,309,140	1,376,608
Total Liabilities	18,898	162,625	342,568	203,641	0	0	2,713,496	3,441,228
NET ASSETS								
Invested in Capital Assets, Net of Related Debt	19,588	20,237	4,467	64,460			2,712,435	2,821,187
Restricted for:								
Capital Projects					26,400			26,400
Unrestricted (Deficits)	762,963	(4,436)	(10,909)	3,195,372	197,581	167,953	7,150,275	11,458,799
Total Net Assets	\$782,551	\$15,801	(\$6,442)	\$3,259,832	\$223,981	\$167,953	\$9,862,710	\$14,306,386

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2012

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	LexVan Program	Small Business Development	Stormwater	Total
Operating Revenues								
User Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$12,078,848	\$12,078,848
Fees		2,337,357		3,997,964	51,798			6,387,119
Licenses & Permits	419,676							419,676
Gross Profit-Commissary			1,198,010					1,198,010
Other		886	326,117	1,694			16,666	345,363
Total Operating Revenues	<u>419,676</u>	<u>2,338,243</u>	<u>1,524,127</u>	<u>3,999,658</u>	<u>51,798</u>	<u>0</u>	<u>12,095,514</u>	<u>20,429,016</u>
Operating Expenses								
Right of Way	293,699							293,699
Extended School Program		2,060,920						2,060,920
Prisoners' Account			421,202					421,202
Inmate Trust Account			948,137					948,137
Enhanced 911				2,962,738				2,962,738
LexVan Program					29,307			29,307
Administration		267,317					9,106,655	9,373,972
Depreciation	5,197	10,837	4,134	10,350			49,407	79,925
Total Operating Expenses	<u>298,896</u>	<u>2,339,074</u>	<u>1,373,473</u>	<u>2,973,088</u>	<u>29,307</u>	<u>0</u>	<u>9,156,062</u>	<u>16,169,900</u>
Operating Income (Loss)	120,780	(831)	150,654	1,026,570	22,491	0	2,939,452	4,259,116
Non-Operating Revenues (Expenses)								
Income on Investments	102	4		161	36	1,683	45,450	47,436
Interest Expense and Fiscal Agent Fees							(26,607)	(26,607)
Gain on Sale of Capital Assets		(74)						(74)
Total Non-Operating Revenues	<u>102</u>	<u>(70)</u>	<u>0</u>	<u>161</u>	<u>36</u>	<u>1,683</u>	<u>18,843</u>	<u>20,755</u>
Income (Loss) Before Contributions and Transfers	120,882	(901)	150,654	1,026,731	22,527	1,683	2,958,295	4,279,871
Transfers In		47,454						47,454
Transfers Out					(26,400)		(59,462)	(85,862)
Change in Net Assets	<u>120,882</u>	<u>46,553</u>	<u>150,654</u>	<u>1,026,731</u>	<u>(3,873)</u>	<u>1,683</u>	<u>2,898,833</u>	<u>4,241,463</u>
Net Assets, Beginning	661,669	(30,752)	(157,096)	2,233,101	227,854	166,270	6,963,877	10,064,923
Net Assets, Ending	<u>\$782,551</u>	<u>\$15,801</u>	<u>(\$6,442)</u>	<u>\$3,259,832</u>	<u>\$223,981</u>	<u>\$167,953</u>	<u>\$9,862,710</u>	<u>\$14,306,386</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2012

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	LexVan Program	Small Business Development	Stormwater	Total
Cash Flows from Operating Activities:								
Receipts from Customers	\$444,451	\$2,209,223	\$1,493,780	\$3,751,194	\$53,210	\$0	\$11,939,592	\$19,891,450
Payments to Suppliers	(151,662)	(342,811)	(1,444,530)	(1,900,153)	28,658	(1,054)	(4,156,963)	(7,968,515)
Payments to Employees	(292,812)	(1,689,151)		(1,842,140)			(3,872,801)	(7,696,904)
Payments for Interfund Services Used		(267,317)		(1,207)	(55,504)		(700,738)	(1,024,766)
Net Cash Provided by (Used in) Operating Activities	(23)	(90,056)	49,250	7,694	26,364	(1,054)	3,209,090	3,201,265
Cash Flows from Noncapital Financing Activities:								
Transfers In		47,454						47,454
Transfers Out					(26,400)		(59,462)	(85,862)
Net Cash Flows Provided by (Used in) Noncapital Financing Activities	0	47,454	0	0	(26,400)	0	(59,462)	(38,408)
Cash Flows from Capital and Related Financing Activities:								
Purchases of Capital Assets				(7,833)			(2,249,515)	(2,257,348)
Principal Paid on Bonds							(56,898)	(56,898)
Interest and Fiscal Agent Fees Paid on Bonds							(26,607)	(26,607)
Net Cash Flows from Capital and Related Financing Activities	0	0	0	(7,833)	0	0	(2,333,020)	(2,340,853)
Cash Flows Provided by Investing Activities:								
Purchases of Investments				(20)		(436)	(17,570)	(18,026)
Income on Investments	102	4	0	161	36	1,683	45,450	47,436
Net Cash Flows Provided by (Used in) Investing Activities	102	4	0	141	36	1,247	27,880	29,410
Net Increase (Decrease)	79	(42,598)	49,250	2		193	844,488	851,414
Cash at Beginning of Year	476,200	71,253	252,064	183,774	171,226	131,761	5,927,219	7,213,497
Cash at End of Year	476,279	28,655	301,314	183,776	171,226	131,954	6,771,707	8,064,911
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:								
Operating Income (Loss)	120,780	(831)	150,654	1,026,570	22,491	0	2,939,452	4,259,116
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:								
Depreciation	5,197	10,837	4,134	10,350			49,407	79,925
Allowance for Bad Debts							78,602	78,602
(Increase) Decrease in Assets:								
Accounts Receivable							(155,922)	(155,922)
Other Receivables	24,775	(129,020)	(30,347)	(248,464)	1,412			(381,644)
Inventories and Prepaid Expenses				(36,000)			6,582	(29,418)
Due from Other Funds	(148,449)			(783,838)	2,461	(1,054)		(930,880)
Increase (Decrease) in Liabilities:								
Accounts Payable	242	8,973	(1,080)	63,561			160,986	232,682
Accrued Payroll	(1,292)	20,799		2,901			50,586	72,994
Due to Other Funds		(5,666)	(74,111)				107,513	27,736
Other Liabilities							117	117
Compensated Absences	(1,276)	4,852		(27,386)			(28,233)	(52,043)
Total Adjustments	(120,803)	(89,225)	(101,404)	(1,018,876)	3,873	(1,054)	269,638	(1,057,851)
Net Cash Provided by (Used In) Operating Activities	(\$23)	(\$90,056)	\$49,250	\$7,694	\$26,364	(\$1,054)	\$3,209,090	\$3,201,265

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing on a cost-reimbursement basis of services provided by one department to other departments within the Government and outside agencies associated with the Government. Individual funds included in this fund type are as follows:

The **Health, Dental and Vision Care Insurance Fund** accounts for the Government's self-insurance programs for employee medical, dental and vision care benefits.

The **Insurance and Risk Management Fund** accounts for the Government's self-insurance programs for workers' compensation, vehicle liability and physical, general liability and property damage coverage.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2012

	Health Dental and Vision Care	Insurance and Risk Management	Total
ASSETS			
Current Assets:			
Cash	\$109,000	\$2,753,187	\$2,862,187
Due from Other Funds	1,277,743	20,110,700	21,388,443
Receivables	2,515	171,734	174,249
Inventories and Prepaid Expenses	246,681		246,681
Total Current Assets	<u>1,635,939</u>	<u>23,035,621</u>	<u>24,671,560</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	211,839	38,001	249,840
Claims Payable:			
Reported		10,073,945	10,073,945
Incurred But Not Reported	1,424,100	11,950,500	13,374,600
Total Liabilities	<u>1,635,939</u>	<u>22,062,446</u>	<u>23,698,385</u>
NET ASSETS			
Unrestricted	<u>\$0</u>	<u>\$973,175</u>	<u>\$973,175</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES, & CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2012

	Health, Dental and Vision Care Insurance				Insurance and Risk Management	
	Health	Dental	Vision Care	Total		Total
Operating Revenues						
Premiums	\$33,033,738	\$1,816,632	\$98,240	\$34,948,610	\$8,698,416	\$43,647,026
Total Operating Revenues	<u>33,033,738</u>	<u>1,816,632</u>	<u>98,240</u>	<u>34,948,610</u>	<u>8,698,416</u>	<u>43,647,026</u>
Operating Expenses						
Claims and Benefit Payments	32,876,847	1,856,205	98,681	34,831,733	7,728,079	42,559,812
Operating Supplies and Expense	116,877			116,877		116,877
Total Operating Expenses	<u>32,993,724</u>	<u>1,856,205</u>	<u>98,681</u>	<u>34,948,610</u>	<u>7,728,079</u>	<u>42,676,689</u>
Operating Income (Loss)	40,014	(39,573)	(441)	0	970,337	970,337
Non-Operating Revenues						
Income on Investments					2,838	2,838
Total Non-Operating Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,838</u>	<u>2,838</u>
Change in Net Assets	40,014	(39,573)	(441)	0	973,175	973,175
Net Assets, Beginning	372,289	(382,965)	10,676	0	0	0
Net Assets, Ending	<u>\$412,303</u>	<u>(\$422,538)</u>	<u>\$10,235</u>	<u>\$0</u>	<u>\$973,175</u>	<u>\$973,175</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2012

	Health Dental and Vision Care	Insurance and Risk Management	Total
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Receipts from Other Funds	\$31,122,684	\$0	\$31,122,684
Receipts from Employees and Other Sources	3,825,926		3,825,926
Receipts from Interfund Services Provided	871,628	7,784,662	8,656,290
Refunds from/(Payments) to Suppliers	(246,005)	(37,177)	(283,182)
Payments for Claims	(35,605,633)	(7,749,227)	(43,354,860)
Net Cash Used in Operating Activities	<u>(31,400)</u>	<u>(1,742)</u>	<u>(33,142)</u>
Cash Flows from Investing Activities:			
Income on Investments		2,838	2,838
Net Cash Flows from Investing Activities	<u>0</u>	<u>2,838</u>	<u>2,838</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(31,400)	1,096	(30,304)
Cash at Beginning of Year	<u>140,400</u>	<u>2,752,091</u>	<u>2,892,491</u>
Cash at End of Year	<u><u>109,000</u></u>	<u><u>2,753,187</u></u>	<u><u>2,862,187</u></u>
Reconciliation of Operating Income to Net Cash Used In Operating Activities:			
Operating Income	0	970,337	970,337
Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities:			
(Increase) Decrease in Assets:			
Due from Other Funds	874,143	(916,703)	(42,560)
Other Receivables	(2,515)	2,949	434
Inventories and Prepaid Expenses	(246,681)		(246,681)
Increase (Decrease) in Liabilities:			
Accounts Payable	117,553	(37,177)	80,376
Claims Payable	(773,900)	(21,148)	(795,048)
Total Adjustments	<u>(31,400)</u>	<u>(972,079)</u>	<u>(1,003,479)</u>
Net Cash Used In Operating Activities	<u><u>(\$31,400)</u></u>	<u><u>(\$1,742)</u></u>	<u><u>(\$33,142)</u></u>

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the Government in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. These include pension trust, expendable trust, and agency funds. Individual funds included in this fund type are as follows:

AGENCY FUNDS

The **Neighborhood Sewer Projects Fund** is an agency fund that accounts for the collection of special assessments and debt service payments on financing for neighborhood capital projects.

The **Juvenile and Adult Probation Fund** accounts for funds collected by the divisions of Youth Services and Detention Services from juvenile and adult offenders and disbursed to victims in accordance with court decrees and funds collected from and disbursed for inmates on work release.

The **Domestic Relations Fund** accounts for the child support payments collected by the Government from non-custodial parents and disbursed to custodial parents.

The **Representative Payee Fund** accounts for funds managed by the Government on behalf of adults who are unable to manage their own money in order to prevent the exploitation, abuse, and neglect of these citizens.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF NET ASSETS
AGENCY FUNDS
For the Year Ended June 30, 2012

	<u>Balance July 1, 2011</u>	<u>Balance June 30, 2012</u>
NEIGHBORHOOD SEWER PROJECTS FUND		
Cash and Short-Term Investments	\$714	\$714
Total Assets	<u>714</u>	<u>714</u>
Payable to Property Owners	714	714
Total Liabilities	<u>714</u>	<u>714</u>
JUVENILE AND ADULT PROBATION FUND		
Cash	331,363	328,582
Total Assets	<u>331,363</u>	<u>328,582</u>
Accounts Payable	331,363	328,582
Total Liabilities	<u>331,363</u>	<u>328,582</u>
DOMESTIC RELATIONS FUND		
Cash	314,740	314,032
Total Assets	<u>314,740</u>	<u>314,032</u>
Accounts Payable	314,740	314,032
Total Liabilities	<u>314,740</u>	<u>314,032</u>
REPRESENTATIVE PAYEE PROGRAM		
Cash		6,090
Total Assets	<u>0</u>	<u>6,090</u>
Accounts Payable		6,090
Total Liabilities	<u>0</u>	<u>6,090</u>
TOTALS - AGENCY FUNDS		
Cash and Short-Term Investments	646,817	649,418
Total Assets	<u>646,817</u>	<u>649,418</u>
Liabilities	646,817	649,418
Total Liabilities	<u>\$646,817</u>	<u>\$649,418</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2012

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
NEIGHBORHOOD SEWER PROJECTS FUND				
Cash and Short-Term Investments	\$714	\$0	\$0	\$714
Total Assets	<u>714</u>	<u>0</u>	<u>0</u>	<u>714</u>
Payable to Property Owners	714			714
Total Liabilities	<u>714</u>	<u>0</u>	<u>0</u>	<u>714</u>
JUVENILE AND ADULT PROBATION FUND				
Cash	331,363	35,994	38,774	328,583
Total Assets	<u>331,363</u>	<u>35,994</u>	<u>38,774</u>	<u>328,583</u>
Accounts Payable	331,363	35,994	38,774	328,583
Total Liabilities	<u>331,363</u>	<u>35,994</u>	<u>38,774</u>	<u>328,583</u>
DOMESTIC RELATIONS FUND				
Cash	314,740		708	314,032
Total Assets	<u>314,740</u>	<u>0</u>	<u>708</u>	<u>314,032</u>
Accounts Payable	314,740	18	726	314,032
Total Liabilities	<u>314,740</u>	<u>18</u>	<u>726</u>	<u>314,032</u>
REPRESENTATIVE PAYEE PROGRAM				
Cash		72,295	66,206	6,089
Total Assets	<u>0</u>	<u>72,295</u>	<u>66,206</u>	<u>6,089</u>
Accounts Payable		72,295	66,206	6,089
Total Liabilities	<u>0</u>	<u>72,295</u>	<u>66,206</u>	<u>6,089</u>
TOTALS - AGENCY FUNDS				
Cash and Short-Term Investments	646,817	108,289	105,688	649,418
Total Assets	<u>646,817</u>	<u>108,289</u>	<u>105,688</u>	<u>649,418</u>
Liabilities	646,817	108,307	105,706	649,418
Total Liabilities	<u>\$646,817</u>	<u>\$108,307</u>	<u>\$105,706</u>	<u>\$649,418</u>



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NONMAJOR COMPONENT UNITS

The **Lexington Transit Authority** is authorized to promote and develop mass transportation, including acquisition, operation and extension of the existing mass transit system.

The **Lexington Public Library** provides educational, informational and recreational service needs to Lexington and Fayette County through circulating and reference materials.

The **Lexington Convention and Visitors Bureau** promotes recreational, convention and tourist activity in Fayette County.

The **Downtown Development Authority** acts as an agency of the Government in various economic development, redevelopment, and physical improvement activities associated with downtown.

The **Parking Authority of Lexington** acts as an agency of the Government in the provision, maintenance and operation of parking facilities, structures, and meters along with the enforcement of non-moving traffic violations.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF NET ASSETS
NONMAJOR COMPONENT UNITS
June 30, 2012

	Lexington Transit Authority	Lexington Public Library	Lexington Convention and Visitors Bureau
ASSETS			
Cash	\$13,257,489	\$3,997,341	\$832,527
Investments		5,302,958	
Receivables:			
Accounts Receivable	59,609	68,681	1,311,845
Other	94,591		
Due from Primary Government			
Due from Other Governments	1,417,132		
Inventories and Prepaid Expenses	811,083	77,262	92,233
Restricted Current Assets:			
Cash			493,578
Investments			509,044
Pension Assets	731,175		
Restricted Non-Current Investments			
Bond Issuance Costs-Net of Accumulated Amortization		169,351	
Capital Assets:			
Non-depreciable	3,275,592	4,638,152	14,364
Depreciable (Net)	18,809,842	16,132,393	80,736
Other Assets		97,315	
Total Assets	38,456,513	30,483,453	3,334,327
LIABILITIES			
Accounts, Contracts Payable and Accrued Liabilities	949,249	427,486	191,392
Interest Payable		19,053	
Due to Primary Government	305,239		
Due to Component Units			172,157
Unearned Revenues and Other		501	2,622
Non-Current Liabilities:			
Due Within One Year:			
Compensated Absences	176,663	311,312	79,274
Bonds and Notes Payable		401,681	
Due in More Than One Year:			
Compensated Absences	307,915		
Bonds and Notes Payable		8,315,416	
Total Liabilities	1,739,066	9,475,449	445,445
NET ASSETS			
Investment in Capital Assets, net of related debt	22,085,434	12,053,448	95,100
Restricted for:			
Pension	731,175		
Governmental and Program Funds		896,934	
Unrestricted	13,900,838	8,057,622	2,793,782
Total Net Assets	\$36,717,447	\$21,008,004	\$2,888,882

Downtown Development Authority	Parking Authority of Lexington	Total Nonmajor Component Units
\$9,776	\$1,257,961	\$19,355,094 5,302,958
		1,440,135 94,591
36,455		36,455 1,417,132
1,245	8,405	990,228
		493,578 509,044 731,175
		169,351
		7,928,108
	394,112	35,417,083 97,315
<u>47,476</u>	<u>1,660,478</u>	<u>73,982,247</u>
13,883	160,646	1,742,656 19,053
	226,975	532,214 172,157
	1,323	4,446
5,424	2,840	575,513 401,681
1,191	2,840	311,946 8,315,416
<u>20,498</u>	<u>394,624</u>	<u>12,075,082</u>
	394,112	34,628,094
		731,175 896,934
26,978	871,742	25,650,962
<u>\$26,978</u>	<u>\$1,265,854</u>	<u>\$61,907,165</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF ACTIVITIES
NONMAJOR COMPONENT UNITS
For the Year Ended June 30, 2012

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Lexington Transit Authority				
Transit Operations	\$22,008,855	\$2,913,862	\$4,398,901	\$3,428,416
Depreciation	2,444,995			
Total Lexington Transit Authority	24,453,850	2,913,862	4,398,901	3,428,416
Lexington Public Library				
Library Operations	11,690,419	839,300	356,597	105,000
Depreciation	1,287,245			
Interest on Long-Term Debt	348,285			
Total Lexington Public Library	13,325,949	839,300	356,597	105,000
Lexington Convention and Visitors Bureau				
Convention and Tourism Operations	5,680,219	163,590	489,305	
Depreciation	21,533			
Total Lexington Convention and Visitors Bureau	5,701,752	163,590	489,305	0
Downtown Development Authority				
Downtown Design Center	184,653			
Total Downtown Development Authority	184,653	0	0	0
Parking Authority of Lexington				
Parking Operations	1,154,960	1,581,007		
Depreciation	88,138			
Total Parking Authority of Lexington	1,243,098	1,581,007	0	0
Total nonmajor component units	\$44,909,302	\$5,497,759	\$5,244,803	\$3,533,416
General Revenues:				
Taxes				
Payment from/to Lexington-Fayette Urban County Government				
Income on Investments				
Gain on Sale of Capital Assets				
Miscellaneous				
Total General Revenues				
Change in Net Assets				
Net Assets, Beginning				
Adjustment to Opening Net Assets (Note 2.D.)				
Net Assets, Beginning - Restated				
Net Assets, Ending				

**Net (Expenses) Revenue and
Changes in Net Assets**

Lexington Transit Authority	Lexington Public Library	Lexington Convention and Visitors Bureau	Downtown Development Authority	Parking Authority of Lexington	Total Nonmajor Component Units
(\$11,267,676)					(\$11,267,676)
(2,444,995)					(2,444,995)
					<u>(13,712,671)</u>
	(\$10,389,522)				(10,389,522)
	(1,287,245)				(1,287,245)
	(348,285)				(348,285)
					<u>(12,025,052)</u>
		(\$5,027,324)			(5,027,324)
		(21,533)			(21,533)
					<u>(5,048,857)</u>
			(\$184,653)		(184,653)
					<u>(184,653)</u>
				\$426,047	426,047
				(88,138)	(88,138)
					<u>337,909</u>
<u>(13,712,671)</u>	<u>(12,025,052)</u>	<u>(5,048,857)</u>	<u>(184,653)</u>	<u>337,909</u>	<u>(30,633,324)</u>
15,390,095	13,580,901	5,318,026			34,289,022
			211,230	(42,978)	168,252
	89,805	5,741	14	1,697	97,257
49,549		(23,630)			25,919
	12,099	39,724	17	5,017	56,857
<u>15,439,644</u>	<u>13,682,805</u>	<u>5,339,861</u>	<u>211,261</u>	<u>(36,264)</u>	<u>34,637,307</u>
1,726,973	1,657,753	291,004	26,608	301,645	4,003,983
35,225,877	19,350,251	2,597,878	370	964,209	58,138,585
(235,403)					(235,403)
<u>34,990,474</u>					<u>57,903,182</u>
<u>\$36,717,447</u>	<u>\$21,008,004</u>	<u>\$2,888,882</u>	<u>\$26,978</u>	<u>\$1,265,854</u>	<u>\$61,907,165</u>



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STATISTICAL SECTION

The Lexington-Fayette Urban County Government's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the Government's overall financial health.

Financial Trends: Tables 1 – 6

These schedules contain trend information to help the reader understand how the Government's financial performance and well-being have changed over time.

Revenue Capacity: Tables 7 – 12

These schedules contain information to help the reader assess the Government's most significant local revenue sources.

Debt Capacity: Tables 13 – 17

These schedules present information to help the reader assess the affordability of the Government's current level of outstanding debt and the Government's ability to issue additional debt in the future.

Demographic & Economic Indicators: Tables 18 – 21

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Government's financial activity takes place.

Operating Information: Tables 22 – 24

These schedules contain service and infrastructure data to help the reader understand how the information in the Government's financial report relates to the services the government provides and the activities it performs.

TABLE 1

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NET ASSETS
LAST TEN FISCAL YEARS

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities										
Investment in Capital Assets, net of related debt	\$106,003,137	\$108,187,766	\$128,533,898	\$964,032,556	\$965,683,982	\$963,823,728	\$934,789,342	\$920,938,945	\$921,236,876	\$899,350,344
Restricted	2,238,907	1,253,571	1,316,495	10,509,131	19,918,500	2,241,711	6,255,432	(31,494,181)	32,640,718	20,289,131
Unrestricted (Deficit)	15,083,835	15,892,881	29,526,571	50,390,084	30,807,379	5,930,420	(6,454,734)		(110,023,238)	(98,714,274)
Total governmental activities net assets	<u>123,325,879</u>	<u>125,334,218</u>	<u>159,376,964</u>	<u>1,024,931,771</u>	<u>1,016,409,861</u>	<u>971,995,859</u>	<u>934,590,040</u>	<u>889,444,764</u>	<u>843,854,356</u>	<u>820,925,201</u>
Business-type Activities										
Investment in Capital Assets, net of related debt	224,820,344	245,267,827	243,680,021	245,818,433	244,593,588	239,407,215	254,269,159	239,666,463	209,276,568	217,434,369
Restricted	31,352,044	31,575,194	33,688,305	34,565,941	39,914,276	24,129,422	24,680,839	35,249,098	50,637,360	57,712,759
Unrestricted (Deficit)	(6,993,925)	(204,318)	5,634,802	11,084,804	14,020,822	24,615,573	7,399,034	14,702,006	33,023,663	29,435,424
Total business-type activities net assets	<u>249,178,463</u>	<u>276,638,703</u>	<u>283,003,128</u>	<u>291,469,178</u>	<u>298,528,686</u>	<u>288,152,210</u>	<u>286,349,032</u>	<u>289,617,567</u>	<u>292,937,591</u>	<u>304,582,552</u>
Primary Government										
Investment in Capital Assets, net of related debt	330,823,481	353,455,593	372,213,919	1,209,850,989	1,210,277,570	1,203,230,943	1,189,058,501	1,160,605,408	1,130,513,444	1,116,784,713
Restricted	33,590,951	32,828,765	35,004,800	45,075,072	59,832,776	26,371,133	30,936,271	3,754,917	83,278,078	78,001,890
Unrestricted (Deficit)	8,089,910	15,688,563	35,161,373	61,474,888	44,828,201	30,545,993	944,300	14,702,006	(76,999,575)	(69,278,850)
Total primary government net assets	<u>\$372,504,342</u>	<u>\$401,972,921</u>	<u>\$442,380,092</u>	<u>\$1,316,400,949</u>	<u>\$1,314,938,547</u>	<u>\$1,260,148,069</u>	<u>\$1,220,939,072</u>	<u>\$1,179,062,331</u>	<u>\$1,136,791,947</u>	<u>\$1,125,507,753</u>

2006 was the first year LFUCG reported all capital assets, including infrastructure, pursuant to GASB 34.

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 2

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities:										
General Government*	\$9,744,039	\$21,293,008	\$22,840,721	\$21,977,521	\$23,927,771	\$30,660,951	\$22,706,306	\$22,726,537	\$24,197,239	\$22,985,046
Administrative Services*	24,993,517	18,938,746	23,522,220	27,674,322	34,445,260	3,832,639	3,315,306	1,299,382	1,386,040	21,143,480
Health, Dental and Vision Insurance	10,480,431	10,592,090	14,011,082	14,740,182	13,301,058	14,564,306	25,824,211	26,711,492	34,755,417	26,211,457
Chief Information Officer*						11,216,315	14,522,324	9,161,677	9,713,226	
Chief Development Officer*										470,018
Finance*	6,280,716	6,876,648	6,670,050	6,629,421	10,464,204	12,376,624	13,378,819	24,047,223	28,515,655	19,357,661
Public Works*	37,484,504	33,960,939	35,320,695	93,199,722	68,896,198	71,695,702	62,907,588	61,841,096	63,671,436	
Environmental Quality & Public Works*										80,559,723
Public Safety*	7,078,379	7,232,363	9,001,079	8,363,244	11,937,598	26,717,271	13,145,251	11,259,687	11,162,765	13,042,036
Police	43,399,766	42,794,170	47,320,658	56,588,057	56,980,657	63,533,856	69,507,685	70,694,372	71,714,415	68,164,371
Fire and Emergency Services	36,207,002	36,841,543	39,390,542	47,469,043	53,242,082	58,497,360	66,077,180	63,116,000	67,106,441	66,413,015
Community Corrections	24,505,670	24,478,660	27,326,172	28,539,978	29,028,326	30,686,297	30,670,339	30,894,261	31,104,781	31,286,365
Building Inspection*										
Environmental Quality*						23,947,831	24,729,110	21,516,034	23,500,067	
Social Services	8,931,694	9,070,442	10,579,394	13,379,478	15,493,804	16,392,173	14,719,158	11,836,703	10,672,881	9,780,945
General Services	12,854,362	16,242,299	16,998,086	18,493,537	10,855,412	11,531,344	13,944,835	14,629,238	14,242,698	10,041,709
Parks and Recreation	14,012,815	13,380,436	14,840,330	16,739,980	19,428,046	21,961,714	19,955,406	18,320,506	19,064,298	19,386,251
Law and Risk Management*	1,824,518	1,642,220	2,041,719	1,946,786	2,115,341	12,593,109	10,803,413	9,301,249	10,227,268	3,497,483
Outside Agencies	32,704,463	27,718,643	267,976	178,667						
Special Projects										
Interest on Long-Term Debt	5,840,627	5,739,105	6,236,280	6,291,512	6,378,169	5,727,995	6,357,236	10,692,416	13,131,617	12,835,920
Debt Service - Other	5,957,246	6,444,538	1,261,204	1,040,970	1,056,289	1,056,179				
Total governmental activities	282,299,749	283,245,850	277,628,208	363,252,420	357,550,215	416,991,666	412,564,167	408,047,873	434,166,244	405,175,480
Business-type Activities:										
Sanitary Sewer System	21,319,274	22,347,738	23,554,596	24,553,305	26,703,501	36,565,069	35,438,026	41,453,360	42,472,580	40,124,346
Public Facilities	13,568,097	13,500,561	12,121,284	12,175,005	10,444,503	11,359,294	10,971,103	10,806,267	10,741,225	10,333,320
Public Parking	967,952	941,821	891,857	909,544	511,198	463,177	1,012,399	927,900	906,926	847,894
Landfill	4,662,162	5,423,413	4,233,412	1,391,578	1,651,318	7,250,365	6,209,619	6,641,801	6,581,625	5,271,593
Right of Way	75,665	261,494	266,933	292,284	307,012	333,723	299,598	313,383	312,770	298,896
Extended School Program	1,230,845	1,387,203	1,452,385	1,578,873	1,967,573	2,081,422	2,333,357	2,456,874	2,207,310	2,339,148
Prisoners' Account System	1,053,084	1,360,709	1,472,693	1,363,204	1,273,913	1,724,224	1,628,156	1,421,523	1,287,139	1,373,473
Enhanced 911	2,650,745	2,300,114	2,112,518	2,107,592	3,057,919	3,870,267	3,314,149	3,634,032	3,083,806	2,973,088
LexVan Program		17,545	40,296	35,122	62,228	54,347	63,502	57,644	84,242	29,307
Small Business Development		108,343	3,562	8,838						
Stormwater							1,841,975	4,528,403	6,280,081	9,182,669
Total business-type activities	45,527,824	47,648,941	46,149,536	44,415,345	45,979,165	63,701,888	63,111,884	72,241,187	73,957,704	72,773,734
Total primary government	\$327,827,573	\$330,894,791	\$323,777,744	\$407,667,765	\$403,529,380	\$480,693,554	\$475,676,051	\$480,289,060	\$508,123,948	\$477,949,214

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (contd.)
(Accrual Basis of Accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Program Revenues										
Governmental Activities:										
Charges for Services	\$35,905,736	\$33,999,515	\$41,277,818							
General Government*				\$3,103,058	\$8,708,357	\$14,562,857	\$14,300,517	\$13,541,123	\$15,644,382	\$15,086,369
Administrative Services*				1,577,237	7,167,050				1,000	1,603,453
Health, Dental, and Vision				14,676,675	13,297,984	14,564,306	25,824,211	26,711,492	34,755,417	26,211,457
Chief Information Officer*						77,900	56,344	14,368	20,876	
Chief Development Officer*										
Finance*				866,815	1,233,796	1,526,545	4,385,600	3,807,077	3,145,043	2,511,142
Public Works*				1,574,355	1,304,217	14,388,414	3,775,946	5,770,608	4,088,338	
Environmental Quality & Public Works*										2,912,917
Public Safety*				2,394,577	2,419,149	1,482,000	403,491	445,029	329,460	2,045,401
Police				1,088,235	309,799	614,408	2,031,643	2,007,988	2,402,840	1,528,342
Fire and Emergency Services				3,645,180	4,166,741	4,686,614	6,773,040	6,191,913	6,478,108	7,340,946
Community Corrections				5,995,495	6,955,537	7,822,586	6,413,349	6,319,484	7,429,351	7,707,225
Environmental Quality*						2,155,407	1,265,393	1,850,487	2,406,997	
Social Services				355,936	2,071,456	3,362,329	3,754,793	2,848,473	3,542,915	1,766,790
General Services				69,488		71,059	104,442	113,498	97,898	63,132
Parks and Recreation				4,338,295	4,520,111	4,566,558	5,381,956	4,691,533	4,258,091	4,810,535
Law and Risk Management*				1,145	475	2,935	21,528	34,444	18,217	35,293
Outside Agencies				923,420						
Debt Service - other				485,304	73,448					
Operating Grants and Contributions	22,330,711	33,101,398	20,838,959	19,297,952	31,988,064	17,500,905	13,251,883	20,192,672	13,849,522	14,139,426
Capital Grants and Contributions	12,607,442	13,256,243	12,970,715	15,349,943	3,138,381	7,838,458	10,276,393	10,434,599	7,078,729	8,316,236
Total governmental activities	70,843,889	80,357,156	75,087,492	75,743,110	87,354,565	95,223,281	98,020,529	104,974,788	105,547,184	96,078,664
Business-type Activities:										
Charges for Services	51,414,204	54,421,012	49,825,599							
Sanitary Sewer System				28,471,944	26,199,037	27,532,422	36,605,347	47,470,305	48,803,593	47,287,791
Public Facilities				7,251,009	5,390,398	6,237,836	6,841,271	6,405,531	7,157,088	7,156,666
Public Parking				1,303,998	593,995	1,192,523	1,373,037	1,203,102	859,874	977,414
Landfill				7,999,651	7,870,493	8,556,220	8,499,137	8,240,762	7,203,610	7,183,611
Right of Way				412,292	413,705	310,950	403,771	479,012	483,196	419,676
Extended School Program				1,494,955	2,220,509	2,203,771	1,808,121	2,097,145	2,038,391	2,338,243
Prisoners' Account System				1,452,156	1,950,786	2,066,361	2,026,429	1,915,910	1,121,799	1,524,127
Enhanced 911				2,365,264	2,383,332	2,621,394	3,453,310	4,069,027	3,749,409	3,999,658
LexVan Program				27,449	26,609	61,360	84,045	91,090	140,699	51,798
Small Business Development				6,258	23,384	188				
Stormwater							68,268	5,581,104	11,604,569	12,095,514
Operating Grants and Contributions	117,840	125,744								
Total business-type activities	51,532,044	54,546,756	49,825,599	50,784,976	47,072,248	50,783,025	61,162,736	77,552,988	83,162,228	83,034,498
Total primary government	122,375,933	134,903,912	124,913,091	126,528,086	134,426,813	146,006,306	159,183,265	182,527,776	188,709,412	179,113,162
Net (Expense)/Revenue										
Governmental activities	(211,455,860)	(202,888,694)	(202,540,716)	(287,509,310)	(270,195,650)	(321,768,385)	(314,543,638)	(303,073,085)	(328,619,060)	(309,096,816)
Business-type activities	6,004,220	6,897,815	3,676,063	6,369,631	1,093,083	(12,918,863)	(1,949,148)	5,311,801	9,204,524	10,260,764
Total primary government	(205,451,640)	(195,990,879)	(198,864,653)	(281,139,679)	(269,102,567)	(334,687,248)	(316,492,786)	(297,761,284)	(319,414,536)	(298,836,052)
General Revenues and Other Changes in Net Assets										
Governmental Activities:										
Property Taxes	40,127,166	41,964,425	43,189,707	44,889,961	47,791,867	51,455,185	54,301,749	51,143,199	52,548,109	52,860,840
Licenses and Permits	165,005,241	178,942,755	188,973,285	197,857,140	210,698,736	220,015,258	218,194,593	215,196,838	224,399,866	230,580,201
Grants and Contributions Not Restricted to Specific Programs:										
Community Development Block Grant	8,547,728	3,567,315	2,570,656	2,264,419	2,126,818	2,463,746	2,577,631	2,250,779	2,175,565	2,171,901
Income on Investments	804,561	507,868	1,839,509	3,395,527	6,121,269	3,582,709	804,510	300,149	129,839	589,967
Sale of Assets	1,617,773	457,849	523,841	956,340	(1,041,367)	457,516	641,460	(45,882)	2,300,242	311,259
Bond Refunding		(19,185,000)								
Miscellaneous	938,222	918,323	767,547	827,029	963,926					
Conveyance of Asset					(2,116,880)					
Transfers	94,318	(1,136,353)	(1,281,083)	670,254	(3,308,054)	(620,031)	617,876	1,737,854	1,249,888	(346,507)
Total governmental activities	217,135,009	206,037,182	236,583,462	250,860,670	261,236,315	277,354,383	277,137,819	270,582,937	282,803,509	286,167,661
Business-type Activities:										
Income on Investments	977,186	662,485	1,397,929	2,728,854	2,802,634	1,907,250	669,955	96,285	540,692	1,029,866
Sale of Assets		3,587	9,350	17,819	(183,523)	15,106	93,891	(401,697)	39,149	7,824
Bond Refunding		18,760,000								
Transfers	(94,318)	1,136,353	1,281,083	(670,254)	3,308,054	620,031	(617,876)	(1,737,854)	(1,249,888)	346,507
Total business-type activities	882,868	20,562,425	2,688,362	2,076,419	5,927,165	2,542,387	145,970	(2,043,266)	(670,047)	1,384,197
Total primary government	218,017,877	226,599,607	239,271,824	252,937,089	267,163,480	279,896,770	277,283,789	268,539,671	282,133,462	287,551,858
Change in Net Assets										
Governmental activities	5,679,149	3,148,488	34,042,746	(36,648,640)	(8,959,335)	(44,414,002)	(37,405,819)	(32,490,148)	(45,815,551)	(22,929,155)
Business-type activities	6,887,088	27,460,240	6,364,425	8,446,050	7,020,248	(10,376,476)	(1,803,178)	3,268,535	8,534,477	11,644,961
Prior Period Adjustment - Government Activities		(1,140,149)		902,203,447	437,425			(12,655,128)	225,143	
Prior Period Adjustment-Business-type Activities				20,000	39,260				(5,214,453)	
Total primary government	\$12,566,237	\$29,468,579	\$40,407,171	\$874,020,857	(\$1,462,402)	(\$54,790,478)	(\$39,208,997)	(\$41,876,741)	(\$42,270,384)	(\$11,284,194)

*Affected by departmental reorganization; see Table 22 explanation.

TABLE 3

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$6,345,782	\$3,473,224	\$4,940,741	\$4,845,381	\$4,637,101	\$5,254,246	\$12,177,430	\$12,019,893	\$0	\$0
Unreserved										
Designated for Economic Contingency	5,825,468	5,878,356	5,996,710	8,272,087	11,894,147	13,219,620	14,470,569	14,470,569		
Designated for Payroll	2,890,562	3,300,418	4,260,723		556,400	1,293,279	2,116,169	2,923,169		
Designated for Working Capital	3,600,360	3,864,830	3,394,250	7,036,780	9,634,602					
Designated for Pay Adjustments		906,180								
Undesignated	3,674,154	12,177,065	17,468,671	17,734,190	15,713,298	4,620,501	4,365,746	2,106,483		
Nonspendable									1,493,737	1,461,447
Assigned to:										
General Government									3,931,000	11,583,075
Economic Stabilization									18,200,738	18,482,971
Capital Projects										6,972,224
Urban Services										2,500,000
Unassigned									562,360	3,265,872
Total	22,336,326	29,600,073	36,061,095	37,888,438	42,435,548	24,387,646	33,129,914	31,520,114	24,187,835	44,265,589
Urban Services										
Reserved	3,031,240	1,419,156	3,796,313	2,963,095	1,661,414	1,064,326	5,612,288	8,842,245		
Designated for Payroll	233,899	302,654	367,505		45,700	99,401	127,622	154,622		
Undesignated	15,193,297	18,167,725	17,637,287	20,771,372	26,852,738	31,935,168	28,237,751	16,986,960		
Nonspendable									4,031	604
Restricted for:										
Urban Service Projects									20,420,741	22,767,570
Unassigned										
Total	18,458,436	19,889,535	21,801,105	23,734,467	28,559,852	33,098,895	33,977,661	25,983,827	20,424,772	22,768,174
All Other Governmental Funds										
Reserved	12,562,673	9,770,889	9,119,957	11,641,885	6,521,414	18,430,040	7,944,462	12,702,665		
Undesignated, reported in:										
Nonspendable									369	6,604
Restricted for:										
Public Works									10,357,176	8,238,721
Public Safety									3,117,402	2,812,852
Special Revenue Funds	3,462,414	3,486,847	4,315,924	6,789,094	8,770,810	9,269,371	12,137,914	13,742,070		
Capital Projects	5,883,281	1,014,962	19,410,938	25,849,967	14,852,272	(13,728,932)	6,138,952	36,272,857	32,094,257	19,027,031
Grants Projects	1,169,455	329,493	514,983	235,303	313,460	119,184	100,842	116,485	546,461	1,262,100
Assigned to:										
General Government									410,544	447,605
Unassigned									(974,484)	(370,103)
Total	\$23,077,823	\$14,602,191	\$33,361,802	\$44,516,249	\$30,457,956	\$14,089,663	\$26,322,170	\$62,834,077	\$45,551,725	\$31,424,810

LFUCG elected to implement GASB Statement No. 54, Fund Balance Reporting and the Governmental Fund Type Definitions, in fiscal year 2011.

This statement allows the entity to apply prospectively in the statistical section. Therefore, LFUCG has not reclassified prior information.

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 4

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Licenses and Permits	\$165,274,588	\$179,533,692	\$189,786,177	\$198,653,467	\$215,760,874	\$224,874,954	\$222,841,928	\$219,586,264	\$228,816,452	\$235,226,117
Taxes	40,127,166	41,964,425	43,189,707	44,889,961	47,791,867	51,455,185	54,301,749	51,143,199	52,548,109	52,860,840
Charges for Services	20,489,827	20,449,154	21,561,092	20,648,157	22,350,901	21,357,602	22,073,405	21,182,005	24,158,224	26,262,822
Fines and Forfeitures	236,226	245,150	184,104	323,063	57,192	180,785	303,205	268,459	220,449	176,319
Local Contributions										
Intergovernmental	41,632,430	47,380,792	30,321,835	31,784,556	32,419,475	45,587,385	36,462,389	41,088,818	33,622,666	35,125,072
Exactions	1,754,136	1,754,558	4,767,468	2,823,892	1,584,199	1,282,254	379,575	601,993	96,613	129,603
Grant Match	2,766,839	2,450,210	2,025,396	2,256,329	2,178,329	1,709,521	2,734,433	2,619,353		
Property Sales	138,315	457,849	523,841	956,340	785,073	557,071	803,382	499,119	2,681,463	453,540
Income on Investments	773,032	451,123	1,420,555	3,366,361	5,737,945	3,582,709	804,510	300,149	129,839	589,902
Other	5,667,056	4,230,933	5,544,293	5,787,271	7,260,457	8,145,477	7,928,848	9,988,984	8,998,513	4,002,075
Total Revenues	278,859,615	298,917,886	299,324,468	311,489,397	335,926,312	358,732,943	348,633,424	347,278,343	351,272,328	354,826,290
Expenditures										
General Government*	9,552,502	21,330,624	9,812,520	8,635,249	6,706,895	13,651,464	6,761,982	6,962,873	7,382,550	5,059,177
Administrative Services*	17,683,142	29,924,619	24,077,384	25,104,922	25,431,738	1,845,175	3,213,262	1,098,505	1,209,504	19,612,467
Chief Information Officer*						9,919,332	13,566,187	10,287,205	8,450,628	
Chief Development Officer*										458,932
Finance*	6,118,472	6,488,798	6,593,458	7,145,881	9,890,462	11,561,109	11,488,448	11,979,265	9,271,854	5,405,089
Public Works*	42,235,913	36,175,381	41,247,381	40,430,609	34,857,640	23,013,365	24,708,831	22,514,826	21,858,996	
Environmental Quality & Public Works*										36,315,403
Public Safety*	103,806,458	106,315,766	118,307,014	137,232,016	142,764,740	153,492,722	227,892,046	191,233,566	160,552,216	193,328,465
Social Services	9,929,597	11,162,991	13,389,135	12,245,264	13,347,071	12,006,737	11,623,944	9,615,423	8,402,054	7,804,749
Environmental Quality*						19,441,341	21,076,668	20,398,457	22,544,214	
General Services	25,270,975	23,757,464	24,696,780	30,279,293	28,040,506	28,280,713	29,246,730	26,370,443	25,763,110	24,095,490
Law and Risk Management*	1,879,329	1,630,466	1,861,769	1,575,637	2,064,825	23,551,596	10,851,780	9,327,861	10,237,207	3,571,448
Outside Agencies	32,513,602	27,557,006	18,876,456	15,846,048	15,613,480	20,090,648	19,236,209	18,123,297	19,244,315	20,571,727
Special Projects										
Debt Service:										
Principal	9,711,219	10,404,328	14,156,321	15,030,273	18,797,661	16,740,000	13,760,000	26,230,000	20,035,000	18,465,000
Interest and Other	11,914,692	12,150,607	7,634,836	7,384,493	7,594,762	6,907,518	5,495,982	9,409,512	13,703,243	12,927,929
Capital	22,168,069	17,883,186	12,927,159	21,389,866	36,861,883	47,475,384	45,435,689	70,941,523	49,010,038	29,785,796
Total Expenditures	292,783,970	304,781,236	293,580,213	322,299,551	341,971,663	387,977,104	444,357,758	434,492,756	377,664,929	377,401,672
Excess (Deficiency) of Revenues over (under) Expenditures	(13,924,355)	(5,863,350)	5,744,255	(10,810,154)	(6,045,351)	(29,244,161)	(95,724,334)	(87,214,413)	(26,392,601)	(22,575,382)
Other Financing Sources (Uses)										
Transfers In	2,620,303	1,820,461	5,719,846	6,807,387	3,746,037	1,375,483	4,238,345	6,723,504	3,843,657	18,102,675
Transfers Out	(3,666,134)	(2,956,814)	(7,000,929)	(6,137,133)	(7,054,091)	(2,008,473)	(3,620,469)	(4,985,650)	(3,773,123)	(18,493,131)
Property Sales	1,479,458									
Debt Proceeds (net of bond refunding)	10,490,000	6,590,000	22,325,000	24,700,000	4,667,606		116,960,000	119,515,000	19,720,000	37,275,000
Bond Anticipation Note		445,187	304,813	7,599						
Premium (Discount) on Bonds Issued	65,121	183,730	39,218	210,968				(7,130,168)	(4,580,255)	(6,014,921)
Total Other Financing Sources (Uses)	10,988,748	6,082,564	21,387,948	25,588,821	1,359,552	(632,990)	117,577,876	114,122,686	15,210,279	30,869,623
Net Change in Fund Balances	(\$2,935,607)	\$219,214	\$27,132,203	\$14,778,667	(\$4,685,799)	(\$29,877,151)	\$21,853,542	\$26,908,273	(\$11,182,322)	\$8,294,241
Debt Service as a percentage of noncapital expenditures	5.6%	5.6%	7.3%	5.8%	7.3%	5.5%	4.1%	8.5%	9.0%	7.8%

*Affected by departmental reorganization; see Table 22 explanation.

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 5

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
CHANGES IN FUND BALANCE, GENERAL FUND
LAST TEN FISCAL YEARS
(Budgetary Basis of Accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Licenses and Permits	\$164,661,161	\$177,623,046	\$188,632,470	\$197,805,430	\$214,665,674	\$223,622,531	\$221,612,009	\$218,333,096	\$227,486,734	\$233,898,045
Taxes	14,547,490	15,729,458	17,731,787	17,156,666	18,150,819	19,509,219	20,737,242	20,222,945	20,992,845	20,880,351
Charges for Services	20,402,491	20,279,414	21,260,954	21,003,296	22,215,574	21,313,927	21,965,618	21,002,080	24,084,059	23,879,484
Fines and Forfeitures	236,226	245,150	184,104	323,063	57,192	137,659	270,598	262,040	215,493	170,001
Intergovernmental	2,079,144	3,693,236	2,418,670	2,465,624	2,133,350	3,315,630	2,405,778	1,156,085	2,441,417	1,942,553
Property Sales	1,479,458	438,709	516,536	349,715	465,537	392,892	646,007	473,784	1,985,318	152,194
Income on Investments	127,728	90,639	533,607	1,481,463	2,971,942	1,827,694	288,720	62,901	(2,381)	390,823
Other	1,483,755	1,138,913	1,873,064	1,743,395	4,088,217	3,206,921	3,559,545	5,640,858	4,159,715	2,213,409
Total Revenues	205,017,453	219,238,565	233,151,192	242,328,652	264,748,305	273,326,473	271,485,517	267,153,789	281,363,200	283,526,860
Expenditures and Other										
Financing Sources (Uses)										
General Government ^{(1)*}	5,513,279	3,680,801	3,668,705	4,458,163	5,048,021	11,450,829	3,337,821	3,206,859	3,872,271	1,700,098
Administrative Services*	15,396,156	14,858,450	13,228,125	15,582,368	15,276,489	1,081,760	1,052,574	1,098,505	1,209,504	15,973,425
Chief Information Officer*						6,513,655	7,610,707	7,366,977	7,820,811	
Chief Development Officer*										158,932
Finance*	6,061,481	6,473,910	6,773,332	7,256,067	7,745,982	7,955,937	9,057,361	8,297,391	7,936,589	5,387,968
Public Works*	11,377,147	10,706,996	12,389,534	12,637,417	11,771,654	18,553,415	17,198,118	18,296,963	16,628,445	
Environmental Quality & Public Works*										8,380,410
Public Safety*	94,704,416	99,730,690	111,767,425	131,079,150	138,132,390	146,778,076	219,175,755	183,918,587	154,017,726	187,071,884
Social Services ⁽¹⁾	6,590,974	7,871,084	9,143,767	9,274,916	10,617,866	10,245,245	9,604,663	7,439,405	6,801,050	6,003,513
Environmental Quality*						2,025,452	53,206	3,217	6,407	
General Services	22,410,805	21,644,848	24,917,618	25,299,456	28,318,762	28,032,856	28,401,996	26,464,121	25,414,155	24,165,031
Law*	1,820,584	1,613,724	1,876,412	1,923,928	1,782,008	20,032,934	9,602,925	8,601,967	9,607,308	3,494,863
Outside Agencies	23,526,902	22,818,075	18,258,584	14,349,512	15,464,809	16,843,781	16,913,570	16,786,200	16,935,373	17,206,291
Debt Service	18,851,660	20,447,860	20,802,641	21,585,420	25,662,867	23,163,080	19,386,936	27,749,206	33,701,269	30,937,819
Other Financing (Sources) Uses	(1,981,067)	(479,708)	4,860,964	140,864	202,328	(685,501)	(78,652,384)	(40,465,809)	(3,207,654)	(37,031,128)
Residual Equity Transfers										
Total Expenditures and Other										
Financing Sources (Uses)	204,272,337	209,366,730	227,687,107	243,587,261	260,023,176	291,991,519	262,743,248	268,763,589	280,743,254	263,449,106
Net Change in Fund Balance	\$745,116	\$9,871,835	\$5,464,085	(\$1,258,609)	\$4,725,129	(\$18,665,046)	\$8,742,269	(\$1,609,800)	\$619,946	\$20,077,754

(1) Department reorganization in FY 2004 moved the Mayor's Training Center to Social Services.

*Affected by departmental reorganization; see Table 22 explanation.

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 6

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SANITARY SEWER SYSTEM
SUMMARY OF REVENUES AND EXPENSES

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Sewer Service Charges	\$24,298,724	\$25,457,887	\$24,049,216	\$25,602,266	\$24,014,195	\$25,884,142	\$35,213,276	\$45,578,971	\$45,663,797	\$44,334,743
Sewer Tap on Fees	1,227,111	1,428,449	1,584,341	1,661,417	1,629,573	1,223,820	1,048,864	1,072,452	1,523,169	1,944,010
Exactions	826,960	878,035	1,974,660	1,160,296	513,539	343,998	198,914	287,677	885,730	150,120
Other Income	181,146	193,694	50,204	47,965	41,731	80,462	93,293	448,880	776,339	615,624
Total Revenues	26,533,941	27,958,065	27,658,421	28,471,944	26,199,038	27,532,422	36,554,347	47,387,980	48,849,035	47,044,497
Operating Expenses										
Treatment Plant	6,428,699	6,616,161	6,088,076	7,106,877	7,259,708	8,164,345	8,447,048	8,502,531	8,411,093	7,933,477
Collection System	3,048,143	3,179,687	3,485,272	3,760,098	4,236,199	5,411,212	4,427,863	4,297,166	5,544,184	5,064,273
Administration	3,931,198	4,656,945	6,002,433	5,959,400	6,786,349	15,083,099	14,325,685	18,974,390	18,243,183	17,142,578
Depreciation	5,908,134	6,291,982	6,373,506	6,225,299	6,361,511	6,417,656	6,393,816	7,113,944	7,214,960	7,299,442
Total Operating Expenses	19,316,174	20,744,775	21,949,287	23,051,674	24,643,767	35,076,312	33,594,412	38,888,031	39,413,420	37,439,770
Operating Income	7,217,767	7,213,290	5,709,134	5,420,270	1,555,271	(7,543,890)	2,959,935	8,499,949	9,435,615	9,604,727
Net Nonoperating Revenues/(Expenses)	(1,138,325)	(1,074,183)	(504,103)	555,560	(279,228)	(406,882)	(1,255,146)	(2,909,369)	(2,486,197)	(1,697,841)
Capital Contributions	117,312	88,944								
Transfers In		10,000	10,000	10,000	533,401	81,331	453,974		3,010,299	422,187
Transfers Out	(1,014)	(4,400)	(952)	(1,149,277)	(910,455)	(596,775)	(888,779)	(394,869)	(4,283,344)	(466,138)
Net Income/Change in Net Assets	\$6,195,740	\$6,233,651	\$5,214,079	\$4,836,553	\$898,989	(\$8,466,216)	\$1,269,984	\$5,195,711	\$5,676,373	\$7,862,935

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 7

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NET ASSESSED VALUE
REAL, TANGIBLE, & INTANGIBLE PROPERTY
(In Thousands)

Fiscal Year	Residential	Farms	Commercial	Oil, Mineral & Timber Rights	Tangible	Intangible	Total	Less Intangible	Total Taxable Assessed Value	Total Direct Tax Rate (Per \$100 of Assessed value)
2003	\$9,823,998	\$465,697	\$4,543,167	\$ 870	\$4,303,219	\$4,208,933	\$23,345,884	\$4,208,933	\$19,136,951	0.2945
2004	10,486,255	545,897	4,695,549	806	4,397,630	3,183,438	23,309,575	3,183,438	20,126,137	0.2904
2005	11,287,422	559,829	4,897,578	770	4,315,023	3,527,423	24,588,044	3,527,423	21,060,621	0.2704
2006	12,304,135	596,790	5,110,109	839	4,615,906	4,255,901	26,883,680	4,255,901	22,627,779	0.2704
2007	13,207,008	624,912	5,444,972	1,524	5,030,923		24,309,339		24,309,339	0.2704
2008	14,116,473	819,013	5,890,069	1,544	4,931,925		25,759,025		25,759,025	0.2694
2009	14,681,278	836,738	6,219,162	1,516	5,723,817		27,462,511		27,462,511	0.2535
2010	14,887,510	866,958	6,310,733	1,530	5,076,606		27,143,337		27,143,337	0.2535
2011	15,043,326	880,219	6,377,418	2,241	4,975,027		27,278,231		27,278,231	0.2535
2012	\$15,164,243	\$898,982	\$6,421,877	\$1,880	\$5,014,698		\$27,501,680		\$27,501,680	0.2535

Note: Property is assessed at 100% fair market value. The intangible property tax rate was repealed as of January 1, 2006 per Kentucky Revised Statute 132.208.

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 8

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2003	\$39,997,319	\$39,116,817	97.8%	\$496,473	\$39,607,194	99.0%
2004	41,930,263	40,877,962	97.5%	1,429,648	41,374,435	98.7%
2005	41,915,431	41,211,370	98.3%	231,649	42,641,018	101.7%
2006	44,526,763	44,342,484	99.6%	47,172	44,574,133	100.1%
2007	47,282,303	47,245,216	99.9%	34,628	47,292,388	100.0%
2008	51,138,980	51,077,055	99.9%	25,838	51,102,893	99.9%
2009	53,823,142	53,779,117	99.9%	872,363	54,651,480	101.5%
2010	51,262,112	50,085,884	97.7%	890,279	50,976,163	99.4%
2011	52,264,220	51,732,977	99.0%	323,036	52,056,013	99.6%
2012	\$52,631,283	\$52,011,046	98.8%	\$389,724 1	\$52,400,770	99.6%

Note: Data provided by the Sheriff's Tax Settlement Report
1. FY 2012 reflects collections through September 30, 2012.

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 9

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(RATE PER \$100)

Fiscal Year	LFUCG Direct Rates					Overlapping Rates						
	Urban Services				Total Direct	Fayette County School	Commonwealth of Kentucky	Extension Services	Soil & Water Conservation	Health Department	Lextran	Total
	General	Refuse	Street Lights	Street Cleaning								
2003	0.0790	0.1750	0.0311	0.0094	0.2945	0.5280	0.1350					0.9575
2004	0.0800	0.1750	0.0260	0.0094	0.2904	0.5330	0.1330	0.0032	0.0004			0.9600
2005	0.0800	0.1600	0.0210	0.0094	0.2704	0.5350	0.1310	0.0032	0.0004	0.0280		0.9680
2006	0.0800	0.1600	0.0210	0.0094	0.2704	0.5380	0.1310	0.0031	0.0004	0.0280	0.0600	1.0309
2007	0.0800	0.1600	0.0210	0.0094	0.2704	0.5410	0.1280	0.0031	0.0004	0.0280	0.0600	1.0309
2008	0.0800	0.1590	0.0210	0.0094	0.2694	0.5940	0.1240	0.0031	0.0004	0.0280	0.0600	1.0789
2009	0.0800	0.1590	0.0210	0.0094	0.2694	0.6050	0.1220	0.0032	0.0004	0.0280	0.0600	1.0880
2010	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0280	0.0600	1.0951
2011	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0280	0.0600	1.0951
2012	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0280	0.0600	1.0951

Note: All taxpayers in Fayette County are subject to the General Service rate. Total Direct rate is for taxpayers receiving complete urban services. Rates would be reduced for those taxpayers receiving less than full urban services.

The annual increase in real property tax revenue, excluding new assessments, must be 4% or less. Any amount over 4% is subject to a recall vote.

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 10

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Name	2012			2003		
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Fayette Mall SPE LLC	\$117,000,000	1	0.43%			
Fourth Quarter Properties	94,605,300	2	0.34%	\$42,878,500	4	0.31%
Lexmark International Inc.	55,806,600	3	0.20%	56,175,500	1	0.41%
Weingarten Realty Inc.	48,274,200	4	0.18%			
War Admiral Place LLC	44,570,900	5	0.16%			
Fayette Plaza CMBS LLC	40,000,000	6	0.15%			
Ball Realty Inc.	38,463,600	7	0.14%	53,207,750	3	0.35%
Newtown Crossing LLC	37,000,000	8	0.13%			
Diamondrock Griffin	35,950,000	9	0.13%			
Mid American Apts LLC	32,700,000	10	0.12%			
Lexington Joint Venture*				50,463,800	2	0.37%
Meijer Stores Ltd				36,297,200	5	0.27%
W T Young Inc.				33,604,600	6	0.24%
Griffin Gate Association				30,516,000	7	0.22%
ASH Samaritan Hospital				27,197,700	8	0.20%
Wal Mart Jdn Dev Co				26,175,400	9	0.19%
MCV Venture				25,500,000	10	0.19%
Total	<u>\$544,370,600</u>		<u>1.98%</u>	<u>\$382,016,450</u>		<u>2.75%</u>

*Lexington Joint Venture - changed name to Fayette Mall SPE LLC in 2010

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 11

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
DIRECT AND OVERLAPPING
LICENSE FEE RATES
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>LFUCG Direct Rate</u>	<u>Fayette County School</u>	<u>Total</u>
2003	2.25%	0.50%	2.75%
2004	2.25%	0.50%	2.75%
2005	2.25%	0.50%	2.75%
2006	2.25%	0.50%	2.75%
2007	2.25%	0.50%	2.75%
2008	2.25%	0.50%	2.75%
2009	2.25%	0.50%	2.75%
2010	2.25%	0.50%	2.75%
2011	2.25%	0.50%	2.75%
2012	2.25%	0.50%	2.75%

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 12

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
TEN MAJOR OCCUPATIONAL TAX WITHHOLDERS
CURRENT YEAR AND NINE YEARS AGO

<u>Name</u>	<u>2012 Rank</u>	<u>2003 Rank</u>
University of Kentucky	1	1
Lexmark International	2	2
Fayette County Board of Education	3	3
Lexington-Fayette Urban County Government	4	4
St. Joseph Hospital	5	5
Baptist Healthcare	6	6
Defense Finance & Acctg System	7	8
Lexington Clinic	8	
ACS Commercial Solutions	9	
Ashland, Inc.	10	10
Commonwealth of Kentucky		9
IBM Information Products		7
Source: Department of Finance, Lexington-Fayette Urban County Government		

TABLE 13

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				Business-type Activities			Total Primary Government	% of Personal Income	Primary Government Debt Per Capita
	General Obligation Bonds, Notes, Leases	Mortgage Revenue Bonds	Lease Revenue Notes Payable	Bond Anticipation Notes	Revenue Bonds	Mortgage Revenue Bonds	Notes Payable			
2003	\$119,795,000	\$285,000	\$1,543,585	\$0	\$53,375,000	\$98,320,000	\$0	\$273,318,585	3.1%	\$1,021
2004	136,560,000		434,255		50,040,000	73,940,000		260,974,255	2.8%	968
2005	144,905,000		257,934	742,401	46,560,000	71,680,000		264,145,335	2.7%	970
2006	154,760,000		72,661	750,000	42,915,000	69,625,000		268,122,661	2.5% *	972
2007	142,805,000				39,400,000	68,885,000		251,090,000	2.3%	900
2008	126,065,000				35,715,000	68,195,000		229,975,000	2.0% *	816
2009	229,265,000				31,860,000	66,470,000		327,595,000	3.0% *	1,105
2010	308,355,000			8,000,000	64,565,000	63,890,000		444,810,000	4.0% *	1,504
2011	303,865,000				60,055,000	61,990,000	* 15,105,027	441,015,027	na	1,462
2012	\$315,714,650	\$0	\$0	\$0	\$48,121,327	\$56,708,664	\$14,766,530	\$435,311,171	na	na

Note: Details regarding LFUCG outstanding debt can be found in the notes to the financial statements.

See table 18 for population data.

Personal income data for 2011 and 2012 not available at time of publication.

Population data for 2012 not available at time of publication.

* updated in 2012

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 14

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>% of Assessed Value of Property</u>	<u>Per Capita</u>
2003	\$119,795,000	0.63%	\$447
2004	136,560,000	0.68%	506
2005	144,905,000	0.69%	532
2006	154,760,000	0.68%	561
2007	142,805,000	0.59%	512
2008	126,065,000	0.49%	447
2009	229,265,000	0.83%	773
2010	308,355,000	1.14%	1,042 *
2011	303,865,000	1.11%	1,008 *
2012	\$315,714,650	1.15%	na

Notes: Details regarding LFUCG outstanding debt can be found in the notes to the financial statements.
See table 7 for property value date and table 18 for population data.
Population data for 2012 not available at time of publication.

*updated in 2012

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 15

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF DIRECT AND OVERLAPPING INDEBTEDNESS
AS OF JUNE 30, 2012

	Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Overlapping Debt
Lexington Center Corporation			
Refunding and Improvement Mortgage Revenue Bonds, Series 1993	\$2,513,459	3.91%	\$98,400
Mortgage Revenue Bonds, Series 2008A	20,370,000	3.91%	797,466
Lexington-Fayette Urban County Government Airport Corporation			
Fixed Rate General Airport, Revenue and Refunding Bond 2009A (non-AMT)	31,880,000	4.41%	1,406,901
Variable Rate General Airport, Revenue and Refunding Bond 2009B (non-AMT)	16,420,000	4.41%	724,633
Variable Rate General Airport, Revenue and Refunding Bond 2008B (non-AMT)	11,140,000	4.41%	491,621
Fayette County School & Kentucky School Commission Bonds	297,289,528	100.00%	297,289,528
Lexington-Fayette Urban County Department of Health	\$625,000	100.00%	625,000
Subtotal, Overlapping Debt			301,433,549
LFUCG, Direct Debt			315,714,650
Total Direct and Overlapping Indebtedness			<u>\$617,148,199</u>

Notes

(1) Industrial Revenue Bonds, Industrial Development Bonds, Multi-Family and Single Family Housing Bonds are not included in this schedule of overlapping debt as they are not secured by the full faith and credit of Lexington-Fayette Urban County Government.

(2) Determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in LFUCG or by ratio of total revenue of overlapping unit to total revenue of LFUCG.

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 16

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(In Thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Assessed Value	\$23,345,884	\$23,309,575	\$24,588,044	\$26,883,680	\$24,309,339	\$25,759,025	\$27,462,511	\$27,143,337	\$27,278,231	\$27,501,680
Debt limit (10% of Assessed Value)	2,334,588	2,330,958	2,458,804	2,688,368	2,430,934	2,575,902	2,746,251	2,714,334	2,727,823	2,750,168
Total net debt applicable to limit	187,635	187,350	181,675	176,110	171,270	166,455	195,775	171,510	108,710	203,817
Legal debt margin	\$2,146,953	\$2,143,608	\$2,277,129	\$2,512,258	\$2,259,664	\$2,409,447	\$2,550,476	\$2,542,824	\$2,619,113	\$2,546,351
Total net debt applicable to the limit as a percentage of debt limit	8.04%	8.04%	7.39%	6.55%	7.05%	6.46%	7.13%	6.32%	3.99%	7.41%

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 17

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS
(In Thousands)

Fiscal Year	Sanitary Sewer System						Public Facilities Corporation					
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage				Principal	Interest	Coverage
2003	\$27,196	\$13,408	\$13,788	\$3,336	\$2,725	2.27	\$11,183	\$2,328	\$8,855	\$4,580	\$4,733	0.95
2004	28,428	14,453	13,975	3,335	2,570	2.37	11,504	2,474	9,030	4,760	4,530	0.97
2005	28,701	15,576	13,125	3,480	2,414	2.23	6,943	2,479	4,464	1,365	3,473	0.92
2006	28,472	16,826	11,646	3,515	2,076	2.08	7,251	2,600	4,651	1,485	3,348	0.96
2007	26,199	18,282	7,917	3,685	1,906	1.42	5,439	2,095	3,344		3,495	0.96
2008	28,994	28,659	335	3,855	1,726	0.06	6,238	2,853	3,385	1,005	3,721	0.72
2009	37,049	27,201	9,848	3,855	1,706	1.77	6,841	2,681	4,160	1,005	2,716	1.12
2010	47,446	31,774	15,672	4,040	1,849	2.66	6,431	2,670	3,761	2,643	2,661	0.71
2011*	49,383	32,198	17,185	4,510	2,608	2.41	7,159	2,789	4,370	1,900	2,570	0.98
2012	\$48,023	\$30,140	\$17,883	\$11,117	\$3,181	1.25	\$7,157	\$2,697	\$4,460	\$1,970	\$2,495	1.00

Fiscal Year	Public Parking Corporation						Special Assessment Bonds			
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Special Assessment Collections	Debt Service		
				Principal	Interest	Coverage		Principal	Interest	Coverage
2003	\$1,447	\$335	\$1,112	\$830	\$268	1.01	\$49	\$555	\$39	0.08
2004	1,563	306	1,257	860	229	1.15	46	45	14	0.78
2005	1,451	343	1,108	895	190	1.02	34	45	12	0.60
2006	1,304	387	917	655	129	1.17	29	50	9	0.49
2007	594	149	445	690	100	0.56	26	50	7	0.46
2008	1,193	0	1,193	720	70	1.51	35	55	4	0.59
2009	1,383	580	803	720	70	1.02		50	1	0.00
2010	1,203	539	664	750	36	0.84				
2011	861	600	261							
2012	\$978	\$540	\$438							

*Updated

Note: Details regarding LFUCG outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses.

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 18

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population	Personal Income (Thousands)	Per Capita Personal Income	Civilian Labor Force		
				Employed	Unemployed	Unemployment Rate
2003	267,794	\$8,887,448 *	\$32,928 *	139,285	6,837	4.7%
2004	269,631	9,333,754 *	34,268 *	137,816	6,033	4.2%
2005	272,219	9,713,901 *	35,254 *	139,182	6,679	4.6%
2006	275,915	10,542,071 *	37,654 *	142,077	6,582	4.4%
2007	279,044	11,004,358 *	38,845 *	144,393	6,056	4.0%
2008	282,000	11,388,063 *	39,585 *	144,068	7,311	4.8%
2009	296,545	11,066,824 *	37,833 *	141,049	13,087	8.5%
2010	295,803	11,240,671 *	37,874 *	142,196	12,029	7.8%
2011	301,569 *	n/a	n/a	147,052	12,146	7.6%
2012	n/a	n/a	n/a	146,775	10,192	6.5%

* updated in 2012

Note:

Personal Income and Per Capita Personal Income data for 2011 and 2012 not available at time of publication.

Population data for 2012 not available at time of publication.

Source: The Bureau of Economic Analysis

Source: U.S. Census Bureau

Source: The Bureau of Labor Statistics

TABLE 19

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
PRINCIPAL EMPLOYERS, FAYETTE COUNTY
CURRENT YEAR AND NINE YEARS AGO

Name	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Kentucky	12,278	1	8.37%	n/a	n/a	n/a
Lexington-Fayette Urban County Government	4,057	2	2.76%	n/a	n/a	n/a
Fayette County Board of Education	3,558	3	2.42%	n/a	n/a	n/a
Xerox	3,000	4	2.04%	n/a	n/a	n/a
Lexmark International	2,800	5	1.91%	n/a	n/a	n/a
St. Joseph Hospital	2,500	6	1.70%	n/a	n/a	n/a
Baptist Healthcare	2,496	7	1.70%	n/a	n/a	n/a
Wal-Mart	2,027	8	1.38%	n/a	n/a	n/a
Lockheed Martin (formerly L3 Communications)	1,750	9	1.19%	n/a	n/a	n/a
Kroger	1,665	10	1.13%	n/a	n/a	n/a
	<u>36,131</u>		<u>24.62%</u>			

Note:

First year of presentation for Employees and Percentage of Total City Employment was FY2010. This data is not available for FY2003.

Source: Lexington Chamber of Commerce

TABLE 20

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
EMPLOYMENT BY INDUSTRY, FAYETTE COUNTY
Based on 1987 Standard Industrial Classification

Year	Farm	Agricultural Service	Mining	Construction	Manufacturing	Transportation & Public Utilities	Wholesale Trade	Retail Trade	Finance, Insurance and Real Estate	Services	Government and Government Enterprises	Total Employment by Place of Work
1997	1,984	3,759	396	11,547	18,894	8,839	9,184	36,281	12,404	62,323	32,240	197,851
1998	1,793	3,949	392	11,900	19,301	9,211	9,331	36,650	12,455	63,440	32,605	201,027
1999	1,831	4,327	312	12,687	19,417	9,235	9,215	37,534	12,481	65,535	33,326	205,900
2000	1,805	4,506	308	13,076	19,142	9,225	9,177	38,238	12,768	66,775	35,434	210,454

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
EMPLOYMENT BY INDUSTRY, FAYETTE COUNTY
Based on 2002 North American Industry Standard

Year	Farm	Forestry, Fishing and Related Activities	Mining	Construction	Manufacturing	Wholesale Trade, Transportation and Utilities	Information	Retail Trade	Finance, Insurance and Real Estate	Services	Government and Government Enterprises	Total Employment by Place of Work
2001	1,852	3,107	335	12,727	16,252	13,314	5,315	24,222	13,180	79,852	35,156	205,312
2002	1,821	2,924	339	11,478	14,993	12,860	5,075	23,878	13,259	81,320	34,208	202,155
2003	2,067	2,644	438	11,432	14,347	13,024	4,883	23,897	13,330	82,154	35,099	203,315
2004	2,000	2,484	452	11,524	14,174	12,621	4,367	23,831	13,978	85,688	34,607	205,726
2005	1,717	2,499	494	11,875	14,864	13,225	4,456	24,022	14,277	87,802	34,910	210,141
2006	1,708	2,882	589	11,980	15,034	13,083	4,445	24,091	15,129	89,795	36,138	214,874
2007	1,667	3,060	646	11,716	15,601	13,565	4,323	24,207	15,340	89,812	38,641	218,578

Source: The Bureau of Economic Analysis

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
EMPLOYMENT BY INDUSTRY, FAYETTE COUNTY
Reflects Current Industry Standards

Year	Construction	Education and Health Services	Financial Activities	Information	Leisure and Hospitality	Manufacturing	Natural Resources and Mining	Other Services	Professional and Business Services	Trade, Transportation, and Utilities	Others	Total Employment by Place of Work
2008	7,723	21,035	8,583	5,086	19,427	14,929	2,260	4,941	23,700	34,320	110,466	252,470
2009	7,109	21,603	7,921	4,403	19,455	13,194	2,043	5,138	23,745	32,697	104,602	241,910
2010	6,937	21,477	8,046	4,628	20,176	12,882	2,170	5,383	22,186	30,782	104,273	238,940
2011	7,078	23,186	8,167	5,144	20,123	12,241	2,245	5,514	22,646	31,404	101,592	239,340

Source: Bureau of Labor Statistics

TABLE 21

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
U.S. CENSUS BUREAU STATISTICS

	1990 Census		2000 Census		2010 Census	
	Value	%	Value	%	Value	%
Population and Number of Households						
Population						
Under 18 years	50,416	22.4%	55,533	21.3%	62,633	21.2%
18 - 64 years	152,638	67.7%	178,805	68.6%	202,032	68.3%
65 years and over	22,312	9.9%	26,174	10.0%	31,138	10.5%
Total	<u>225,366</u>	100.0%	<u>260,512</u>	100.0%	<u>295,803</u>	100.0%
Number of Households	89,529		108,288		123,043	
Economic and Education						
Family Income						
Less than \$10,000	5,979	10.5%	3,587	5.6%	4,407	6.3%
\$10,000 - \$24,999	12,365	21.7%	8,947	14.1%	8,791	12.7%
\$25,000 - \$49,999	20,889	36.7%	17,124	26.9%	15,164	21.8%
\$50,000 - \$74,999	10,790	19.0%	14,759	23.2%	12,913	18.6%
\$75,000 or more	6,850	12.0%	19,231	30.2%	28,149	40.5%
Total Families	<u>56,873</u>	100.0%	<u>63,648</u>	100.0%	<u>69,424</u>	100.0%
Median Family Income	\$35,936		\$53,264		\$63,086	
Mean Family Income	\$44,467		\$52,261		\$76,373	
Per Capita Income	\$20,355		\$23,109		\$25,561	
School Enrollment						
Elementary/Secondary	32,858		36,938		43,918	
College	28,339		31,508		41,238	
Education for Individuals 25+ years of age						
Less than 9th grade	11,760	8.3%	8,539	5.1%	8,813	4.6%
High School, No Diploma	16,365	11.5%	15,213	9.1%	13,986	7.3%
High School Graduate	33,238	23.4%	37,448	22.4%	43,875	22.9%
College 1 - 3 years	37,299	26.2%	46,420	27.8%	54,796	28.6%
College 4 or more years	43,454	30.6%	59,615	35.6%	70,124	36.6%
Total	<u>142,116</u>	100.0%	<u>167,235</u>	100.0%	<u>191,595</u>	100.0%
Unemployment Rate	3.7%		1.8%		7.0%	

Source: U.S. Census Bureau

TABLE 22

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 LFUCG EMPLOYEES BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
 (Excluding Temporary, Seasonal, and Part-Time Employees)

Function/Program	2003	2004	2005	2006	2007	2008*	2009	2010	2011	2012**
Administrative Services	150	140	139	143	145	77	89	91	86	129
General Government	94	67	64	70	74	77	48	73	70	66
Finance & Administration	100	94	90	98	94	104	108	103	94	68
General Services										
Parks and Recreation	169	172	180	187	183	180	145	138	132	140
Other	169	157	124	129	132	123	132	134	130	97
Law	20	19	18	19	21	34	31	26	26	37
Public Safety										
Fire and Emergency Services										
Firefighters and Officers	473	464	498	504	530	512	504	522	520	500
Civilians	40	38	39	37	23	20	18	15	18	17
Police										
Officers	469	471	472	527	534	538	557	542	511	504
Civilians	162	192	184	177	151	117	77	102	93	127
Community Corrections	347	371	383	357	376	359	341	294	284	321
Other	71	72	73	78	78	99	101	75	79	81
Public Works & Development						221	218	244		
Solid Waste	238	236	217	221	211					
Sanitary Sewers	121	129	125	130	135					
Other	173	168	154	162	162				240	
Environmental Quality & Public Works										508
Waste Management						208	199	206	196	
Water & Air Quality						135	145	149	151	
Other						18	10	15	16	
Social Services	156	163	160	174	169	137	128	113	99	94
	<u>2,952</u>	<u>2,953</u>	<u>2,920</u>	<u>3,013</u>	<u>3,018</u>	<u>2,959</u>	<u>2,851</u>	<u>2,842</u>	<u>2,745</u>	<u>2,689</u>

*The following Departmental reorganization took place in FY2008:

Human Resources and Community Development moved from Administrative Services to Finance & Administration
 Risk Management moved from Administrative Services to Law
 Historic Preservation, Planning and Purchase of Development Rights moved from Administrative Services to Public Works & Development
 Computer Services moved from Finance & Administration to Administrative Services
 Building Inspection moved from Public Safety to Public Works & Development
 Solid Waste (Waste Management) and Sanitary Sewers (Water & Air Quality) moved from Public Works and Development to Environmental Quality

**The following Departmental reorganization took place in FY2012:

Communications, Enterprise Solutions, Information Technology and PeopleSoft moved from Chief Information Officer to Administrative Services
 Historic Preservation, Planning and Purchase of Development Rights moved from Public Works to Administrative Services
 Risk Management moved from Law to Administrative Services
 Budgeting moved from Administrative Services to Finance
 Chief Development Administration was created under Chief Development Officer
 Office of Economic Development moved from General Government to Chief Development Officer
 Community Development changed to Grants and Special Projects and moved from Finance to Administrative Services
 Human Resources moved from Finance to Law
 Environmental Quality and Public Works were merged to form Environmental Quality & Public Works
 Police and Fire Pension moved from Public Safety to Finance
 Building Inspection moved from Public Works to Public Safety
 Community Corrections, Police and Fire and Emergency Services moved to Public Safety

Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 23

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Fire and Emergency Services										
Emergency Medical Calls	28,345	27,750	28,698	28,772	30,087	31,336	31,490	32,199	34,197	37,000
False Calls	3,082	2,721	2,606	2,560	2,667	2,804	2,715	2,653	2,870	2,673
Fire Incidents	1,366	1,356	1,194	1,315	1,402	1,322	1,301	1,129	1,337	1,564
Good Intent Calls	na	na	na	na	1,112	1,090	1,245	1,265	1,271	1,153
Hazardous Materials Calls	1,484	1,115	1,155	1,090	1,087	1,252	1,295	1,192	1,118	1,248
Other	na	na	na	na	129	109	134	62	79	60
Rescues	na	na	na	na	517	387	366	451	460	421
Rupture - Gas, Water, etc.	na	na	na	na	52	32	51	45	47	36
Service Calls	1,065	985	1,022	1,128	1,161	1,313	1,330	1,227	1,529	1,707
Police										
Physical Arrests	**19,835	**22,422	**22,295	**23,411	**24,677	19,460	18,155	17,126	15,248	20,214
Parking Violations	**18,185	**16,325	**20,874	**21,668	**17,665	8,945	49,471	46,949	42,675	41,849
Traffic Violations	**57,351	**67,115	**66,954	**67,487	**75,014	76,529	73,945	64,954	63,546	52,086
Parks and Recreation										
Rounds of Golf	160,958	159,505	154,124	152,659	139,353	141,776	122,153	107,565	89,291	95,382
Pool Visits	209,408	180,417	180,619	199,496	198,181	202,093	217,917	188,389	185,421	205,353
Building Inspection										
Permits Issued *	19,172	19,875	20,514	20,719	16,620	14,173	13,660	13,646	***13,090	13,623
Inspections	32,869	36,937	38,669	39,773	29,991	27,650	29,404	28,915	***24,563	23,957
Sanitary Sewers										
Tap-on Inspections	**2,025	**2,212	**2,131	**2,108	**1,681	1,057	879	946	625	644
Average daily sewage treatment (mgd) **	43	48	51	38	42	38	40	36	41	39
Solid Waste										
Annual tons of refuse collected	157,121	157,618	156,347	152,969	154,637	165,087	155,645	141,831	138,331	134,788
Annual tons of recyclables collected	6,825	10,412	11,668	15,188	18,740	18,355	20,190	18,831	20,402	21,834
Annual tons of yard waste collected								18,199	18,049	21,801
Other Public Works										
Street Resurfacing (miles)	19	21	23	16	40	38	35	30	15	28

* Increase in FY 2003 was due to the February 2003 ice storm event and the addition of a new mechanical permitting program.

** Calendar Year

*** Revised

Source: Department of Finance, Lexington-Fayette Urban County Government

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

TABLE 24

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Fire and Emergency Services										
Number of Fire Stations	21	21	21	22	23	23	23	23	23	23
Number of Engines	21	21	21	22	24	24	24	23	23	22
Number of Aerials	6	6	8	8	8	8	8	7	7	7
Number of EC Units	7	7	9	9	9	9	10	10	10	10
Number of Haz-Mat Units	3	3	3	3	3	3	3	2	2	2
Police										
Stations	3	3	3	3	3	3	3	3	3	3
Patrol Units	na	460	463	467	467	481	438	444	440	429
Parks and Recreation										
Acres of Parks	4,263	4,263	4,261	4,261	4,261	4,565	4,565	4,917	4,917	4,282
Number of Golf Courses	6	6	6	6	6	6	6	6	6	5
Number of Swimming Pools	10	8	10	10	10	9	9	9	9	7
Sanitary Sewers										
Treatment Capacity (mgd)	64	64	64	64	64	64	64	64	64	64
Solid Waste										
Collection Trucks	na	117	117	118	126	116	115	119	113	119
Other Public Works										
Streets (miles)	na	1,516	1,544	1,563	1,542	1,589	1,599	1,628	1,634	1,636
Acres in County	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,762
Acres in Urban Services Area	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,618
Traffic Signals	344	340	349	353	357	363	367	376	380	382

Source: Department of Finance, Lexington-Fayette Urban County Government