



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2014



Cover by: Malcolm Stallons

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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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TABLE OF CONTENTS

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT Comprehensive Annual Financial Report Year Ended June 30, 2014

INTRODUCTORY SECTION

| | |
|---|----|
| Mayor's Letter of Transmittal..... | 1 |
| Elected Officials | 2 |
| Commissioner of Finance and Administration Letter of Transmittal | 3 |
| GFOA Certificate of Achievement for Excellence in Financial Reporting | 9 |
| Organizational Chart..... | 10 |
| Directory of Government Officials..... | 11 |

FINANCIAL SECTION

| | |
|---|-----|
| Report of the Independent Auditors..... | 13 |
| Management's Discussion and Analysis..... | 15 |
| Basic Financial Statements | 29 |
| Government-Wide Financial Statements | |
| Statement of Net Position..... | 30 |
| Statement of Activities | 32 |
| Fund Financial Statements | |
| Governmental Fund Financial Statements | |
| Balance Sheet – Governmental Funds | 34 |
| Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds | 35 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 36 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 37 |
| Statement of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Comparison – General Fund | 38 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Budgetary Comparison – Full Urban Services District Fund | 41 |
| Proprietary Fund Financial Statements | |
| Statement of Net Position..... | 43 |
| Statement of Revenues, Expenses, and Changes in Net Position | 45 |
| Statement of Cash Flows | 47 |
| Fiduciary Fund Financial Statements | |
| Statement of Net Position | 49 |
| Statement of Changes in Net Position | 50 |
| Component Unit Financial Statements | |
| Statement of Net Position | 51 |
| Statement of Activities | 52 |
| Notes to Financial Statements | 54 |
| Other Supplementary Information | |
| Combining Balance Sheet – Nonmajor Governmental Funds..... | 104 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds..... | 106 |
| Schedule of Expenditures of Federal Awards | 108 |
| Schedule of Expenditures of State Awards | 111 |
| Combining Statement of Net Position – Nonmajor Enterprise Funds..... | 113 |
| Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Funds | 114 |
| Combining Statement of Cash Flows – Nonmajor Enterprise Funds | 115 |

| | |
|--|-----|
| Combining Statement of Net Position – Internal Service Funds | 118 |
| Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds..... | 119 |
| Combining Statement of Cash Flows – Internal Service Funds | 120 |
| Combining Statement of Net Position – Agency Funds..... | 122 |
| Combining Statement of Changes in Assets and Liabilities – Agency Funds..... | 123 |
| Combining Statement of Net Position – Nonmajor Component Units..... | 126 |
| Combining Statement of Activities – Nonmajor Component Units | 128 |

STATISTICAL SECTION

| | |
|--|-----|
| Net Position..... | 132 |
| Changes in Net Position | 133 |
| Fund Balances, Governmental Funds..... | 135 |
| Changes in Fund Balances, Governmental Funds..... | 136 |
| Changes in Fund Balance, General Fund | 137 |
| Sanitary Sewer System, Summary of Revenues and Expenses..... | 138 |
| Net Assessed Value – Real, Tangible & Intangible Property..... | 139 |
| Property Tax Levies and Collections | 140 |
| Direct and Overlapping Property Tax Rates | 141 |
| Principal Property Tax Payers..... | 142 |
| Direct and Overlapping License Fee Rates | 143 |
| Ten Major Occupational Tax Withholders..... | 144 |
| Ratios of Outstanding Debt by Type..... | 145 |
| Ratios of General Bonded Debt Outstanding..... | 146 |
| Schedule of Direct and Overlapping Indebtedness | 147 |
| Legal Debt Margin Information | 148 |
| Revenue Bond Coverage..... | 149 |
| Demographic and Economic Statistics..... | 150 |
| Principal Employers, Fayette County..... | 151 |
| Employment by Industry, Fayette County | 152 |
| U.S. Census Bureau Statistics | 153 |
| LFUCG Employees by Function/Program..... | 154 |
| Operating Indicators by Function/Program..... | 155 |
| Capital Asset Statistics by Function/Program | 156 |

INTRODUCTORY SECTION



Lexington-Fayette Urban County Government
OFFICE OF THE MAYOR

Jim Gray
Mayor

November 17, 2014

Dear Citizen,

The Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014, reflects our city's return to financial health, the result of sound financial management policies, and living within our means.

Savings realized by moving our employee health insurance toward a cost-of-service model compound, year over year, as do the cost-cutting changes to our pension system. Both are major factors in this budget.

These and other cost controls have made it possible to improve services to citizens and to make much needed infrastructure and public safety investments, for example new equipment and personnel in police and fire, and ongoing work to clean up our environment, citywide. At the same time we are making significant contributions to the city's Rainy Day Fund.

We continue our focus on growing jobs and attracting new businesses. Today, approximately 9,000 more citizens are working in Lexington than were working here four years ago. With a workforce of approximately 150,000, more people are employed in Lexington than ever before.

Lexington is competing and winning. We are firmly on the path to a bright future.

Sincerely,

Jim Gray
Mayor

FOLLOW MAYOR GRAY:

www.facebook.com/JimGrayLexKY www.twitter.com/JimGrayLexKY

ELECTED OFFICIALS

MAYOR

Jim Gray

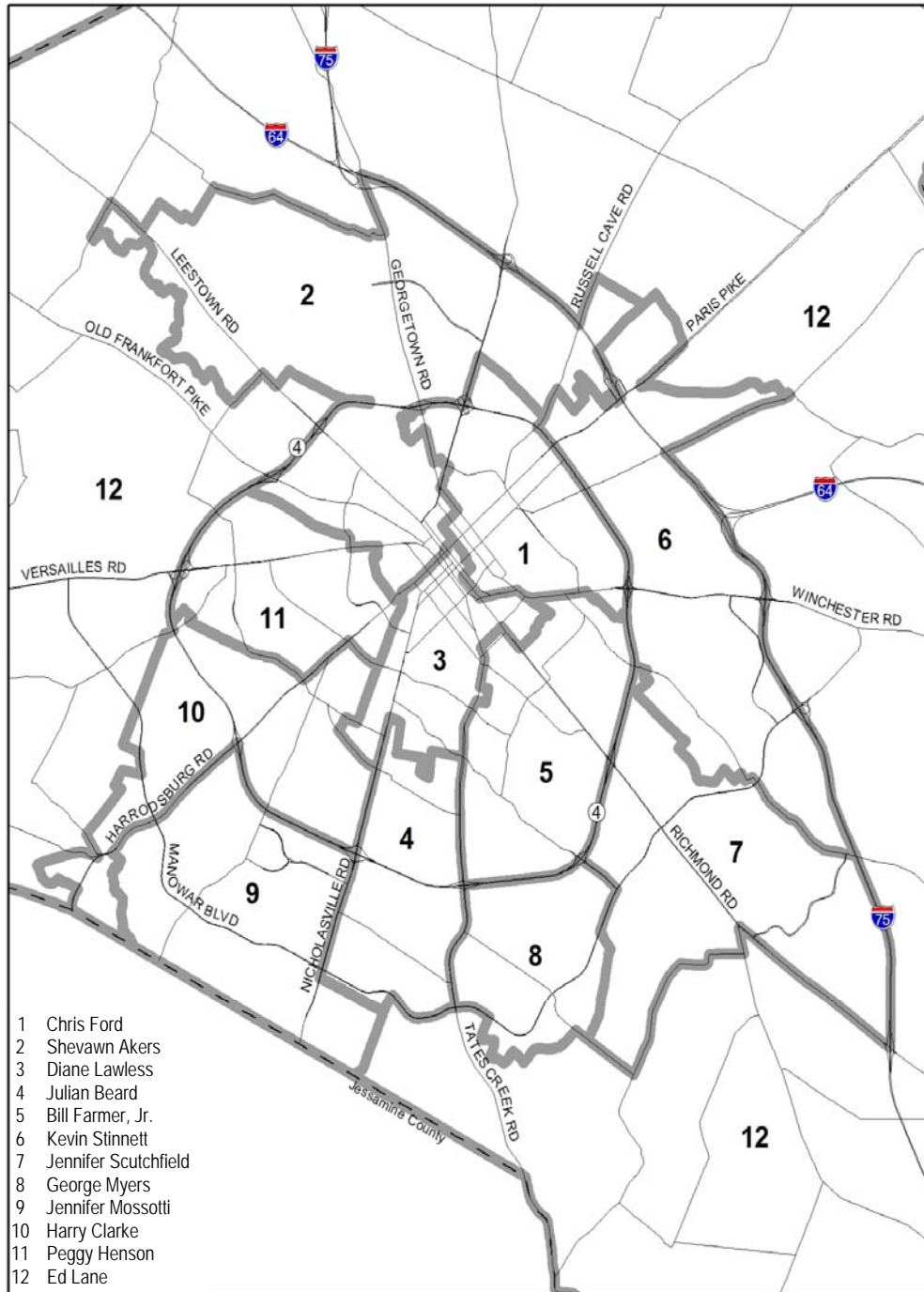
COUNCILMEMBERS-AT-LARGE

Linda S. Gorton – Vice Mayor

Charles W. Ellinger, II

Steve Kay

DISTRICT COUNCILMEMBERS





Lexington-Fayette Government
DEPARTMENT OF FINANCE

Jim Gray
Mayor

William O'Mara
Commissioner

November 17, 2014

Citizens of Lexington-Fayette Urban County
Honorable Mayor Jim Gray
Members of the Urban County Council
Lexington-Fayette 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 Government (the Government) for the fiscal year ended June 30, 2014. 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 auditor's report on the financial statement audit, management discussion and analysis, 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 Divisions 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, 2014. 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, 2014 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 auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the Government's financial statements for the fiscal year ended June 30, 2014, 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 the 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 June 30, 2014)

The Government 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. The Government operates pursuant to Chapter 67A of the Kentucky Revised Statutes. The 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), the Chief Information Officer (CIO) and seven Department Commissioners. The senior advisors, CAO, CIO 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 which are managed by division directors who are civil service employees.

The CAO is charged with the responsibility of providing supervision, direction and management to the Department of the CIO and the seven Departments of the 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 ensures that policies established by the Mayor, Urban County Council and Charter are followed and develops programs to meet current and future organizational and community needs. Additionally, the Offices of Risk Management, Government Communications, and Grants and Special Programs report to the Chief Administration Officer.

The CIO is charged with providing leadership to all of government in matters of technology. The Department includes the Division of Computer Services and the Division of Enterprise Solutions. Computer Services provides mainframe and microcomputer support, database development and information services to the Government and some outside agencies. The Division of Enterprise Solutions supports enterprise level software applications and develops policy related to information technology.

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

The Department of Finance includes the Divisions of Accounting, Central Purchasing, Revenue and Budgeting. 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 Urban County Council each year. Additionally, the Division coordinates with the Urban County Council as they review the Mayor's recommendations and ultimately authorize government revenue and expenditure levels for the fiscal year. The Division also monitors the spending of the various Departments throughout the fiscal year and ensures that all units stay within the expenditure levels adopted by the Urban County Council.

The Department of General Services includes the Divisions of Fleet and Facilities Management and Parks and Recreation. The Division of Fleet and Facilities Management handles the acquisition, maintenance and repair of more than 1500 vehicles and pieces of equipment owned by the Government. Additionally it maintains the city's primary buildings and performs minor renovations. The Government's real estate holdings comprise approximately four 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 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 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 reside in the Department of Law. The Commissioner also oversees the Division of Human Resources, which manages all hiring of employees, and benefits administration.

The Department of Planning, Preservation and Development centralizes the different functions involved in the urban planning and development process and consists of these organizations: Division of Planning, Division of Historic Preservation, Purchase of Development Rights, Division of Engineering, Division of Building Inspection and Division of Code Enforcement.

The Department of Public Safety is the largest in the Government. It includes the Divisions of Community Corrections, Police, Fire and Emergency Services, Emergency Management and Enhanced 911.

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.

Significant Events (as of November 17, 2014)

Infrastructure Highlights

- Lexington made a strong commitment to public safety in 2014 through the purchase of 25 marked and 11 unmarked police vehicles, 2 fire engines and 2 EMS buggies. The total cost for the new additions to public safety will be approximately \$3.25 million. All vehicles have been purchased and are being outfitted for use.
- Lexington's parks received significant attention as approximately \$1.38 million went to 14 different parks projects. This will add new game fields, bathrooms, trails and necessary maintenance.
- Lexington's government owned facilities were approved by the Urban County Council to receive needed maintenance in 2014. Several buildings will receive new boilers and HVAC systems while four others will receive roof improvements. The old courthouse is undergoing an architectural review to develop a long term stabilization plan. The approximate cost of these projects is \$1 million.
- In August 2013 Urban County Council unanimously approved the construction of a new senior citizens' center in Idle Hour Park on land already owned by the Government. As part of the fiscal year 2015 budget Urban County Council approved the Mayor's proposal of \$8 million to build the senior citizens' center. The total cost for the building and all furnishings is expected to be approximately \$13 million. Construction bids were opened in September 2014 and a groundbreaking ceremony was held on October 13, 2014.

Accela Implementation Phase 2

In 2011 the Government agreed to a Consent Decree requiring various projects to repair sanitary and storm sewer systems and to improve wastewater treatment plants in order to be in compliance with the Federal Clean Water Act. The Environmental Protection Agency (EPA) has strict requirements for compliance with regards to the monitoring, managing and reporting of these projects and repairs. The Government has successfully implemented Accela Asset Management, Mobile Office and GIS for purposes of tracking capital construction projects, establishing and monitoring

work orders, mapping overflows, conducting field assessments of existing infrastructure and generating reports to the EPA.

Accela has proven to be a valuable tool. Based on the success achieved thus far the Government is expanding the use of Accela and expects it to become an enterprise-wide application. Phase 2 of the project launched in August 2014 with the formation of the project team and training of key users.

Consent Decree

The Government is required to reduce sanitary sewer overflows (SSOs) as part of its court ordered settlement with the United States Department of Justice, the EPA and the Commonwealth of Kentucky's Energy and Environmental Protection Cabinet (the Consent Decree). The Consent Decree requires the Government to address structural, operational, and procedural issues within its storm and sanitary sewer systems in accordance with the schedule developed jointly with the EPA. To date the Government has met every Consent Decree deadline and has not been assessed any stipulated penalties.

In fiscal year 2014 construction began on the Blue Sky pump station to replace the privately owned Blue Sky package treatment plant—a non-compliant wastewater plant that had been a serious environmental problem. The closure of the old Blue Sky package treatment plant and the construction of a new pump station was one of four (4) Supplemental Environmental Projects (SEPs) specifically required in the Consent Decree. This project will be completed in early fiscal year 2015.

In fiscal year 2015, construction should commence on Phase I of the Town Branch Wet Weather Storage Tank—the most recent engineering cost estimate for Phase I is \$32 million. This project is one of 80 capital improvement projects identified in the Remedial Measures Plans (RMP) intended to rehabilitate the sanitary sewer system to prevent recurring SSOs/unpermitted bypasses. The cost estimate for the RMP capital projects is \$591 million, and the Government must complete the projects over the next 12 years.

While RMP outlines structural changes required for Consent Decree compliance, the Capacity, Management, Operations and Maintenance (CMOM) Plan is also a requirement of the Consent Decree. CMOM outlines the operational changes that must be implemented. In fiscal year 2014 the Division of Water Quality completed 24 required CMOM program elements—to date the Government has completed 91 CMOM program elements required by the EPA with 60 remaining.

LEXserv Utility Billing

LEXserv continues to work with Greater Cincinnati Water Works to furnish billing services and collection of sewer fees, landfill fees, and water quality fees. The Government began calculating and assessing penalty and interest charges beginning October 1, 2013. The Government began water shut offs for nonpayment of LEXserv fees on June 10, 2014. Currently 19% of the LEXserv customers are paying their fees through the automated debit program that was launched in 2013. On March 26, 2014, the Government launched a campaign to convert customers to paperless billing.

Compensation Study

The Government engaged Management Advisory Group International, Inc. to complete a comprehensive job classification and compensation study. The study included an in-depth analysis of all classified and unclassified Civil Service positions. Recommendations were made to the Urban County Council regarding the adoption of findings and were approved for implementation this fiscal year.

Strengthening Fiscal Management

Introduction

The Government continues to manage its way through the uncertainties of the current financial climate. Nationally, local governments have worked to position themselves on a safe course in the near term while maintaining the flexibility to respond to the effects of the Federal Reserve's gradual ending of quantitative easing policies.

Local Economy

The unemployment rate in Fayette County was 6.3% in June 2014, down from 7.1% in June 2013. The June 2014 rate was below the state rate of 7.4%. Total employment is well above pre-2008 levels. Employment, as measured by a household survey, which is by place of residence, was 189,321 for the quarter ended December 31, 2013. By comparison, total employment was 179,300 for the quarter ended December 31, 2007.

Budget Control and Financial Management

The Mayor of the 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 Urban County Council, upon receipt of the proposed budget, conducts a series of public hearings on the proposed budget. The Charter of the 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.

The Administration conducts monthly departmental budget reviews. Supplemental information on budget amendments, upcoming issues and long-term plans are discussed. These meetings, along with the standing Urban County Council Committee of Budget and Finance, give the Government a platform to discuss critical questions related to programs, policies and priorities in addition to the more routine aspects of governmental budget management.

Police and Fire Pension Fund

Lexington's financial position benefits from the large-scale reform to the police and fire pension fund in fiscal year 2013 which restructured the benefits to retired policemen and firefighters while increasing the Government's yearly contribution to the fund. The 30 year financial plan to stabilize the funding needed to resolve the Government's unfunded liability is in place.

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 fiscal year 2014 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 22nd 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 Government for its comprehensive annual financial report for the fiscal year ended June 30, 2013. 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 Divisions 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 black ink, appearing to read "William O'Mara". The signature is fluid and cursive, with the first name "William" and last name "O'Mara" clearly distinguishable.

William O'Mara, Commissioner
Department Of Finance



Government Finance Officers Association

**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

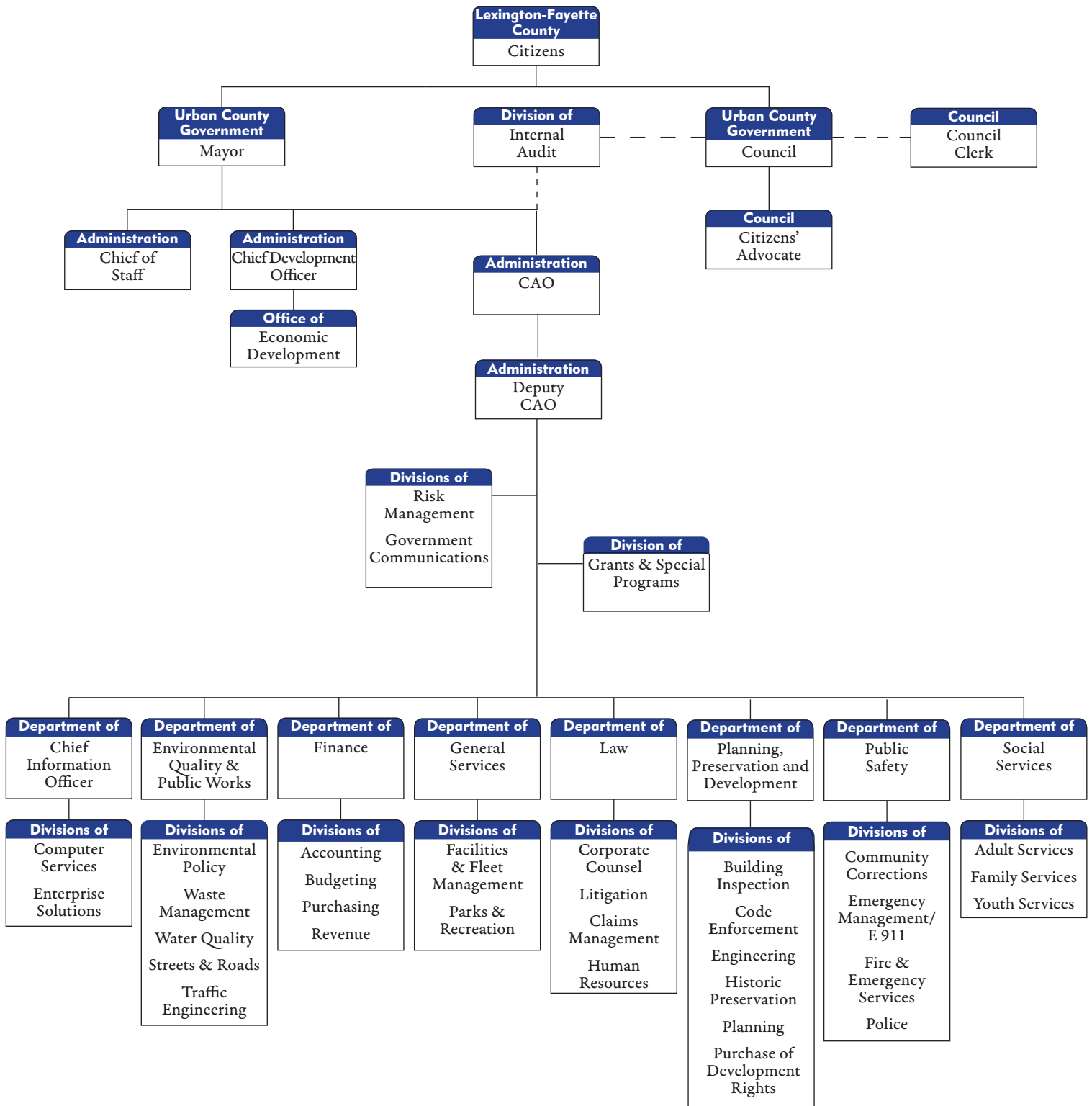
June 30, 2013

Executive Director/CEO



Lexington-Fayette Urban County Government

Organizational Chart



DIRECTORY OF GOVERNMENTAL OFFICIALS

Council Office
Citizens' Advocate Office

Council Clerk's Office

Office of the Mayor

Chief Development Officer

Internal Audit

Office of the Chief Administrative Officer
Grants and Special Programs
Risk Management
Government Communications

Chief Information Officer
Computer Services
Enterprise Solutions

Planning, Preservation, and Development
Planning
Purchase of Development Rights
Historic Preservation
Engineering
Building Inspection
Code Enforcement

Finance
Accounting and Payroll
Purchasing
Revenue
Budgeting

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

Law
Corporate Counsel
Litigation
Human Resources
Claims Management

Public Safety
Community Corrections
Division of Emergency Management/E911
Division of Emergency Management/E911
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, Citizens' Advocate

Meredith Nelson, Council Clerk

Jim Gray, Mayor

Kevin Atkins

Bruce Sahli, Director

Sally Hamilton, Chief Administrative Officer
Irene Gooding, Director
Patrick R. Johnston, Director
Vacant

Aldona Valicenti, Chief Information Officer
Mike Nugent, Director
Chad Cottle, Director

Derek Paulsen, Commissioner
Chris King, Director
Elizabeth Overman, Program Manager
Bettie L. Kerr, Director
Brad Frazier, Director
Dewey Crowe, Director
David Jarvis, Director

William O'Mara, Commissioner
Phyllis Cooper, Director
Todd Slatin, Director
Rusty Cook, Director
Melissa Lueker, Director

David Holmes, Commissioner
Susan Plueger, Director
Charles H. Martin, Director
Tracey Thurman, Director
Albert Miller, Director
Mary (Dowell) Hoskins-Squier, Director

Janet Graham, Commissioner
Keith Horn
Vacant
John Maxwell, Director
Tom Sweeney

Clay Mason, Commissioner
Rodney Ballard, Director
Patricia Dugger, Director of Emergency Management
Robert Stack, Director of Enhanced 911
Keith Jackson, Chief
Ronnie Bastin, Chief

Beth Mills, Commissioner
Connie Godfrey, Director
Joanna Rhodes, Director
Stephanie Hong, Director

Geoff Reed, Commissioner
Jamshid Baradaran, Director
Brad Chambers, Director



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FINANCIAL SECTION

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements 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 Lexington-Fayette Urban County Government (the Government), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Transit Authority of the Lexington-Fayette Urban County Government, 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 93%, 93% and 96%, respectively, of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the Transit Authority of the Lexington-Fayette Urban County Government, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Full Urban Services District Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

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, Combining and Individual Nonmajor Fund Statements on pages 104 through 107 and 113 through 129, the Schedule of Expenditures of Federal Awards on page 108 through 110, as required by U.S Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, the Schedule of Expenditures of State Awards on page 111 and the Statistical Section on pages 131 through 156 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining and Individual Nonmajor Fund Statements, the Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of State Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America 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 Combining and Individual Fund Statements, the Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of State Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory Section and the Statistical Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2014 on our consideration of the Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.

Dean Dotson Allen Ford, PLLC

Lexington, Kentucky
November 17, 2014

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 Government's financial performance for the fiscal year ended June 30, 2014. 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 Primary Government exceeded its liabilities at the close of the fiscal year by \$1.12 billion (net position).

- Total assets of the Primary Government exceeded total liabilities by approximately \$1,123.37 million at the close of fiscal year 2014. This amount includes a deficit of approximately \$51.04 million in unrestricted net assets.
- Governmental Activities' net position was \$799.01 million at the end of fiscal year 2014. Of this amount, \$860.08 million was invested in capital assets, net of related debt. The investments in capital assets, net of related debt comprises 107.6% of total net position.
- Business-Type Activities held a balance of \$324.36 million in net position. The unrestricted fund balance at June 30, 2014 is \$33.24 million, or 44.3% of Business-Type Activity expenses.

Fund Highlights

- As of June 30, 2014, the Government's governmental funds reported combined ending fund balances of \$129.93 million, an increase of \$9.24 million compared to the previous fiscal year. Of this total amount, \$65.00 million is restricted for various projects: public works, public safety, capital projects, grants, urban services, and energy improvements.
- The General Fund, the primary operating fund of the Government, held an unassigned fund balance of \$4.18 million or 1.4% of General Fund expenditures. There are two categories of committed fund balance; general government and economic stabilization. Committed funds represent amounts restricted for use by the highest level of governing authority, an ordinance passed by the Urban County Council. The total committed fund balance is \$36.47 million. The committed fund balance designation for economic stabilization held a balance of \$25.22 million, available for spending in the event of an economic downturn or unforeseen event. There are two categories of assigned fund balance; general government and capital projects. Assignments for general government and capital projects represent planning for various projects. These assignments total \$20.84 million for fiscal year 2014.

OVERVIEW OF THE FINANCIAL STATEMENTS

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 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 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 Position* and the *Statement of Activities*.

The *Statement of Net Position* reflects the financial position of the Government at fiscal year ended June 30, 2014. Accordingly, the Government's net position, the difference between assets (what the citizens own) and liabilities (what the citizens owe) are one way to determine the financial condition of the Government. Over time, increases or decreases in net position are one indicator of whether the financial health of the Government is improving or deteriorating. However, additional factors such as changes in the 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 Government.

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

The *Government-Wide Financial Statements* divide the 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 Government. The Business-Type Activities of the Government include the operations of various Enterprise Funds, including sanitary sewer services, landfill and disposal costs, water quality, and leases and operating costs for public facilities related to debt issues.
3. **Discretely Presented Component Units** – The Government includes eight separate legal entities in its reports. Although legally separate and possessing independent qualities, the 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 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 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 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 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 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 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 Government. The 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 Government considers the Sanitary Sewer System Fund, the Public Facilities Corporation Fund, the Landfill Fund, and the Water Quality 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 Government. The accounting used for the fiduciary funds is similar to that used for proprietary funds. The 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 Position

Net position may serve as a useful indicator of a government's financial position. In Table 1 below, the Government's combined net position (Governmental and Business-Type Activities) totaled \$1.12 billion as of June 30, 2014, an increase of \$3.02 million from the previous year. Total depreciation expense government wide was \$64.56 million.

The largest proportion of the Government's net position, \$1.08 billion, 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. The 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 Position
For Years As Stated
(in thousands)

| | Total Net Position | | |
|---|---------------------------|-----------------------------|----------------|
| | FY 2014 | Restated FY 2013 | Change |
| ASSETS | | | |
| Current and other assets | \$364,367 | \$351,316 | \$13,051 |
| Capital assets | 1,377,119 | 1,371,136 | 5,983 |
| Total assets | 1,741,486 | 1,722,452 | 19,034 |
| LIABILITIES | | | |
| Current and other liabilities | 70,233 | 70,142 | 91 |
| Long-term liabilities | 547,886 | 531,965 | 15,921 |
| Total liabilities | 618,119 | 602,107 | 16,012 |
| NET POSITION | | | |
| Invested in capital assets net of related debt | 1,082,988 | 1,095,005 | (12,017) |
| Restricted for: | | | |
| Capital Projects | 64,368 | 69,034 | (4,666) |
| Energy Improvement Projects | 746 | 419 | 327 |
| Debt Service | 9,833 | 8,772 | 1,061 |
| Capital Replacement | 2,192 | 2,338 | (146) |
| Water Quality Incentive Program | 4,548 | 4,031 | 517 |
| Grants | 1,262 | 1,262 | 0 |
| Maintenance and Operations | 7,306 | 7,235 | 71 |
| Unrestricted | (49,876) | (67,751) | 17,875 |
| Total net position | \$1,123,367 | \$1,120,345 | \$3,022 |

Approximately \$90.26 million, or 8.03% of total net position, is subject to external restrictions regarding its use. Restricted amounts within 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 position of Governmental Activities totaled \$799.01 million, or 62.9% of total assets, a decrease of \$10.40 million from the previous year. Of this total, \$860.08 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 Position
For Years as Stated
(in thousands)

| | Governmental Activities | | |
|-------------------------------|--------------------------------|-----------------------------|-------------------|
| | FY 2014 | Restated FY 2013 | Change |
| ASSETS | | | |
| Current and other assets | \$238,466 | \$229,763 | \$8,703 |
| Capital assets | 1,030,957 | 1,042,817 | (11,860) |
| Total assets | <u>1,269,423</u> | <u>1,272,580</u> | <u>(3,157)</u> |
| LIABILITIES | | | |
| Current and other liabilities | 57,174 | 57,898 | (724) |
| Long-term liabilities | 413,242 | 405,274 | 7,968 |
| Total liabilities | <u>470,416</u> | <u>463,172</u> | <u>7,244</u> |
| NET POSITION | | | |
| Invested in capital assets | | | |
| net of related debt | 860,075 | 877,691 | (17,616) |
| Restricted for: | | | |
| Capital Projects | 20,133 | 25,215 | (5,082) |
| Energy Improvement Projects | 650 | 419 | 231 |
| Grants | 1,262 | 1,262 | 0 |
| Unrestricted | (83,113) | (95,179) | 12,066 |
| Total net position | <u>\$799,007</u> | <u>\$809,408</u> | <u>(\$10,401)</u> |

Table 3 shows the net position of Business-Type Activities totaled \$324.36 million at the end of fiscal year 2014, an increase of \$13.42 million from the previous fiscal year. Of total net position, \$222.91 million, or 68.7%, is invested in capital assets, minus related debt which is still outstanding and used to acquire those assets. The Government uses these capital assets in the same way as the capital assets held by Governmental Activities.

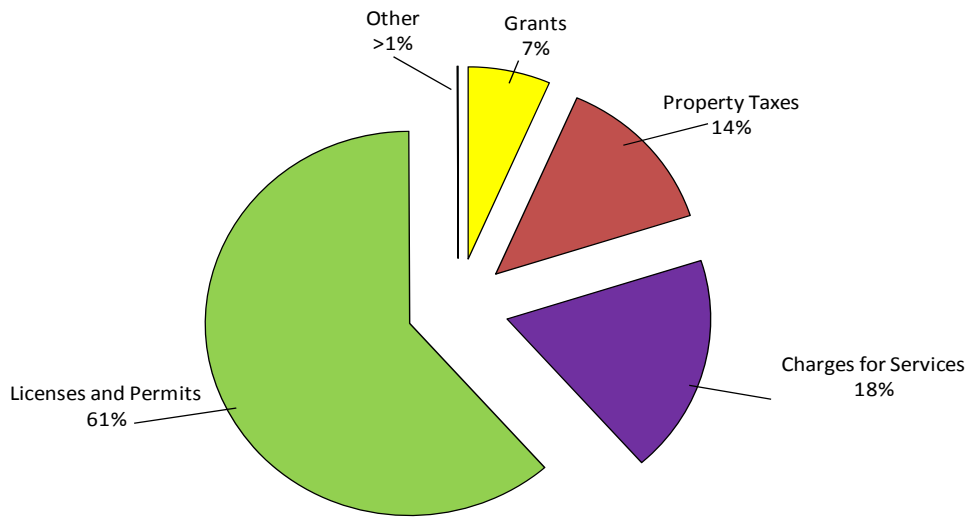
Table 3
Lexington-Fayette Urban County Government
Summary of Net Position
For Years as Stated
(in thousands)

| | Business-Type Activities | | |
|---------------------------------|---------------------------------|------------------|-----------------|
| | FY 2014 | FY 2013 | Change |
| ASSETS | | | |
| Current and other assets | \$125,901 | \$121,552 | \$4,349 |
| Capital assets | 346,162 | 328,321 | 17,841 |
| Total assets | <u>472,063</u> | <u>449,873</u> | <u>22,190</u> |
| LIABILITIES | | | |
| Current and other liabilities | 13,059 | 12,245 | 814 |
| Long-term liabilities | 134,644 | 126,691 | 7,953 |
| Total liabilities | <u>147,703</u> | <u>138,936</u> | <u>8,767</u> |
| NET POSITION | | | |
| Invested in capital assets | | | |
| net of related debt | 222,913 | 217,313 | 5,600 |
| Restricted for: | | | |
| Capital Projects | 44,235 | 43,819 | 416 |
| Energy Improvement Projects | 95 | 0 | 95 |
| Debt Service | 9,833 | 8,772 | 1,061 |
| Capital Replacement | 2,192 | 2,338 | (146) |
| Water Quality Incentive Program | 4,548 | 4,031 | 517 |
| Maintenance and Operations | 7,306 | 7,235 | 71 |
| Unrestricted | 33,237 | 27,429 | 5,808 |
| Total net position | <u>\$324,359</u> | <u>\$310,937</u> | <u>\$13,422</u> |

Governmental Activities

As indicated in Chart 1, the Government funds its Governmental Activities from revenue received from four significant categories. A clear majority, 61%, of the Government's revenue is provided through licenses and permits. This category included fees placed on employee withholdings, business returns, insurance premiums, and franchise fees. Charges for Services were 18%, which was the second largest contributing category to governmental activity revenues. Revenues collected in this category included 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 7%. The remaining Other category represented miscellaneous revenues collected by the Government.

Chart 1
Distribution of Governmental Activity Revenues



As indicated by Table 4, revenues from Governmental Activities totaled \$404.14 million, which was an increase of \$11.10 million, or 2.8%, from the previous fiscal year. Licenses and permits totaled \$248.27 million, representing 61.4 % 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 \$9.35 million, or 3.91% from the previous fiscal year. This is primarily due to increases in occupational license and franchise fees collected during the fiscal year of \$4.91 million and \$4.73 million, respectively. Property taxes increased by \$1.16 million, due to an increase in property valuations. Charges for services decreased by \$4.70 million from the previous fiscal year, or 5.94% which was primarily due to a decrease in exaction credits used, related to development of the Expansion Area in Fayette County.

As noted on Table 4, total expenses of Governmental Activities were \$413.68 million; an increase of \$11.77 million from the previous fiscal year. This is primarily due to increases in personnel and capital expenses of \$8.95 million and \$19.66 million, respectively, offset by a decrease in operating expenses of \$16.84 million.

Business-Type Activities

Also indicated on Table 4, revenues from Business-Type Activities increased \$1.92 million from the previous fiscal year. Revenues collected for services provided by the Government increased \$0.68 million. In addition, income from investments increased by \$1.24 million. Total expenses of Business-Type Activities increased when compared to fiscal year 2013, by \$7.24 million. This is primarily due to increases in expenses related to the Sanitary Sewer System, Landfill, and Water Quality of \$4.65 million, \$1.96 million, and \$0.83 million, respectively. The Government has several infrastructure improvement projects completed and underway relating to the EPA Consent Decree. For more information on the EPA Consent Decree, please see Note 5.B. to the financial statements. The largest program among these activities is the Sanitary Sewer system, with expenses of \$43.66 million during the fiscal year, representing 58.23% of all Business-Type Activities expenses.

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

| | Governmental Activities | | Business-Type Activities | | Total Primary Government | |
|--|--------------------------------|------------------|---------------------------------|------------------|---------------------------------|--------------------|
| | Restated | | | | | Restated |
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Revenues | | | | | | |
| Program Revenues: | | | | | | |
| Charges for Services | \$74,532 | \$79,235 | \$86,520 | \$85,840 | \$161,052 | \$165,075 |
| Operating Grants and Contributions | 15,108 | 13,066 | | | 15,108 | 13,066 |
| Capital Grants and Contributions | 9,201 | 6,273 | | | 9,201 | 6,273 |
| General Revenues: | | | | | | |
| Property Taxes | 54,759 | 53,597 | | | 54,759 | 53,597 |
| Licenses and Permits | 248,272 | 238,924 | | | 248,272 | 238,924 |
| Grants and Unrestricted Contributions | 2,009 | 2,176 | | | 2,009 | 2,176 |
| Other General Revenues | 263 | (226) | 1,022 | (215) | 1,285 | (441) |
| Total Revenues | <u>404,144</u> | <u>393,045</u> | <u>87,542</u> | <u>85,625</u> | <u>491,686</u> | <u>478,670</u> |
| Program Expenses | | | | | | |
| General Government | 26,974 | 23,693 | | | 26,974 | 23,693 |
| Administrative Services* | 5,343 | 12,302 | | | 5,343 | 12,302 |
| Health, Dental, Vision, Workers Comp, | | | | | | |
| General Insurance | 24,894 | 25,007 | | | 24,894 | 25,007 |
| Chief Development Officer | 193 | 621 | | | 193 | 621 |
| Chief Information Officer* | 6,983 | | | | 6,983 | 0 |
| Finance | 16,726 | 14,744 | | | 16,726 | 14,744 |
| Environmental Quality & Public Works* | 45,340 | 83,879 | | | 45,340 | 83,879 |
| Planning, Preservation, & Development* | 47,344 | 3,767 | | | 47,344 | 3,767 |
| Public Safety* | 10,776 | 14,666 | | | 10,776 | 14,666 |
| Police | 69,822 | 69,945 | | | 69,822 | 69,945 |
| Fire and Emergency Services | 67,690 | 62,781 | | | 67,690 | 62,781 |
| Community Corrections | 34,001 | 32,632 | | | 34,001 | 32,632 |
| Social Services | 10,479 | 10,195 | | | 10,479 | 10,195 |
| General Services | 10,551 | 10,899 | | | 10,551 | 10,899 |
| Parks and Recreation | 19,693 | 19,654 | | | 19,693 | 19,654 |
| Law and Risk Management | 3,812 | 4,006 | | | 3,812 | 4,006 |
| Interest on Long-Term Debt | 13,054 | 13,116 | | | 13,054 | 13,116 |
| Sanitary Sewer System | | | 43,664 | 39,014 | 43,664 | 39,014 |
| Public Facilities | | | 8,895 | 9,420 | 8,895 | 9,420 |
| Public Parking | | | 265 | 85 | 265 | 85 |
| Landfill | | | 6,060 | 4,100 | 6,060 | 4,100 |
| Right of Way | | | 309 | 284 | 309 | 284 |
| Extended School Program | | | 1,977 | 2,199 | 1,977 | 2,199 |
| Prisoners' Account System | | | 1,844 | 1,394 | 1,844 | 1,394 |
| Enhanced 911 | | | 2,385 | 2,930 | 2,385 | 2,930 |
| LexVan Program | | | 451 | 11 | 451 | 11 |
| Water Quality | | | 9,139 | 8,309 | 9,139 | 8,309 |
| Total Expenses | <u>413,675</u> | <u>401,907</u> | <u>74,989</u> | <u>67,746</u> | <u>488,664</u> | <u>469,653</u> |
| Increase (Decrease) in Net Position before Transfers | (9,531) | (8,862) | 12,553 | 17,879 | 3,022 | 9,017 |
| Transfers | (871) | (1,106) | 871 | (11,903) | 0 | (13,009) |
| Increase (Decrease) in Net Position | (10,402) | (9,968) | 13,424 | 5,976 | 3,022 | (3,992) |
| Net Position, July 1 | 809,408 | 819,376 | 310,937 | 304,961 | 1,120,345 | 1,124,337 |
| Net Position, June 30 | <u>\$799,006</u> | <u>\$809,408</u> | <u>\$324,361</u> | <u>\$310,937</u> | <u>\$1,123,367</u> | <u>\$1,120,345</u> |

*The following divisional organizational changes took place in fiscal year 2014:

Building Inspection and Code Enforcement moved from Public Safety to Planning, Preservation & Development; Engineering moved from Environmental Quality & Public Works to Planning, Preservation & Development; Computer Services and Enterprise Solutions moved from Administrative Services to Chief Information Officer; Office of the CIO was created under Chief Information Officer

PERSONNEL COSTS

During the year, personnel related expenses for Police, Fire & Emergency Services, and Community Corrections, which are covered by collective bargaining agreements, increased approximately \$7.91 million. Fire & Emergency Services, Police, and Community Corrections increased by \$4.72 million, \$1.78 million, and \$1.41 million, respectively. Salary and wage costs, including benefits, for non-collective bargaining employees decreased 5.3%. See Chart 2 for more information on personnel costs for Governmental Activities during fiscal year 2014.

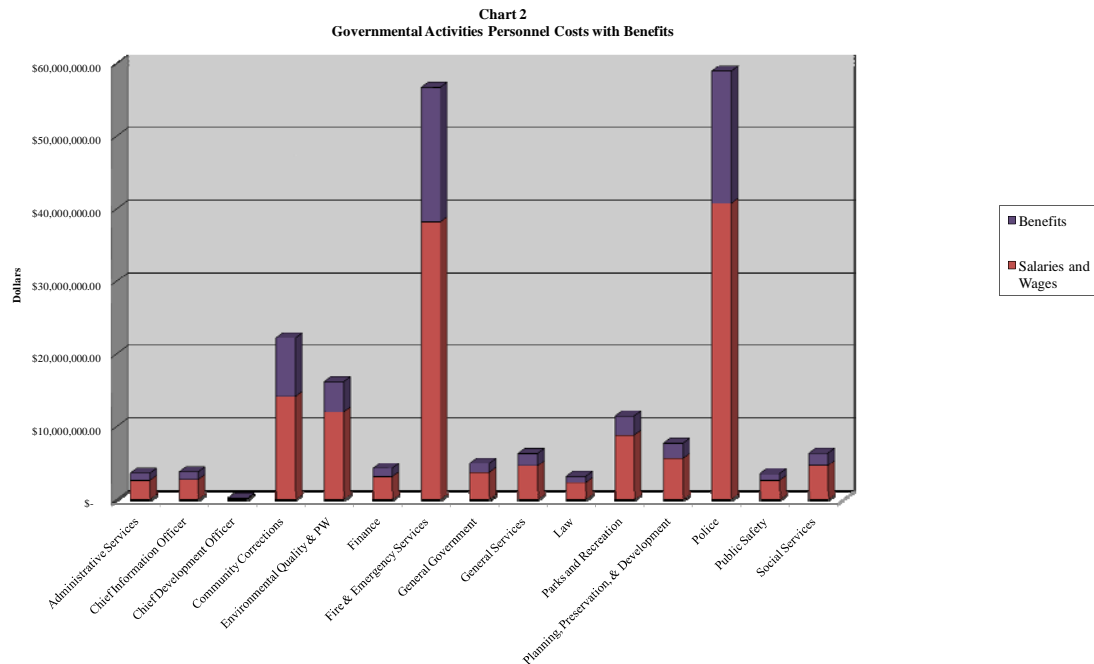
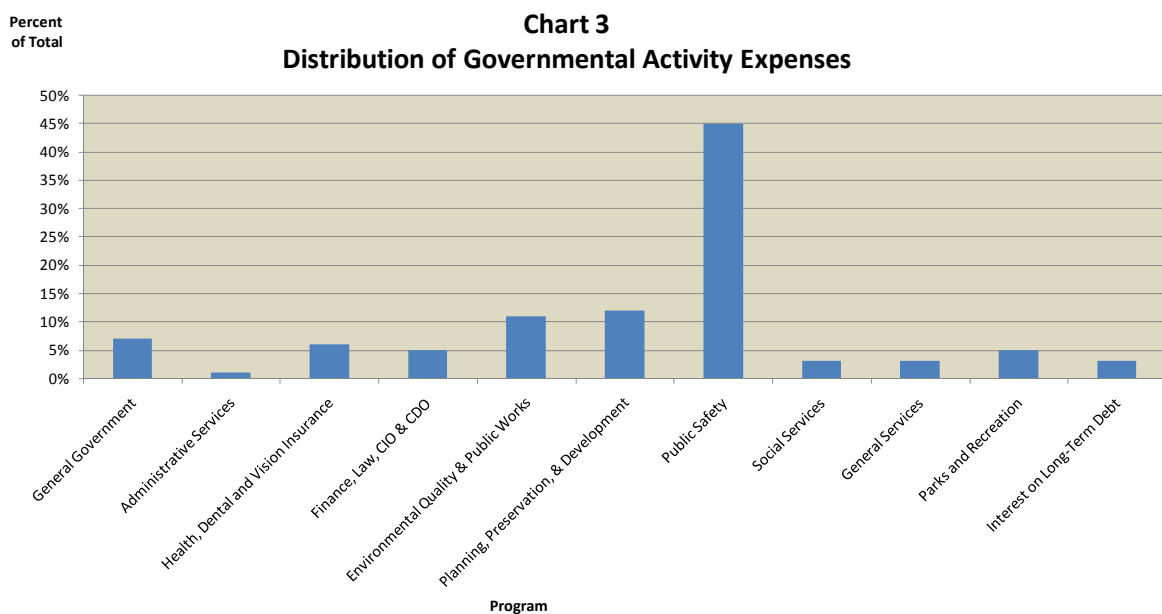


Chart 3 displays the distribution of total costs by governmental activity.



FUNDS OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

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

Governmental Funds

The Government's total governmental funds for the year ended June 30, 2014 reflect a combined ending fund balance of \$129.93 million, an increase of \$9.24 million from the previous fiscal year. The 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 increase is primarily due to General Fund revenues in excess of expenditures of \$9.34 million, offset by \$0.10 million combined decrease in net position of the Urban Services and Other Governmental Funds.

The Government had \$4.18 million of unassigned fund balance available in the General Fund at June 30, 2014. Unassigned fund balance of the General Fund (the Government's main operating fund) represents approximately 1.4% of total general fund expenditures for fiscal year 2014. At the end of fiscal year 2014, the fund balance held by the General Fund totaled \$63.75 million, an increase of \$9.34 million, or 17.2%, from the previous fiscal year. This was primarily due to revenues in excess of expenditures of \$11.88 million, offset by other financing uses of \$2.54 million.

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 \$29.88 million, an increase of \$1.24 million over the prior fiscal year. This increase is primarily due to expenditures in excess of revenues of \$1.26 million, offset by net transfers of \$2.50 million. Revenues of the Urban Services Fund remained stable compared to the prior fiscal year. Expenditures increased \$5.04 million over the prior fiscal year. This was primarily due to an increase in capital and operating expenditures of \$4.88 million and \$0.55 million respectively. Personnel expenditures decreased by \$0.39 million.

The Federal and State Grants Fund held a balance of \$1.26 million for fiscal year ended June 30, 2014, stable when compared to the prior 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. The 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 2014, \$26.49 million was expended on these projects. Bonds in the amount of \$17.04 million were issued to reimburse these expenditures and cover any additional costs associated with the projects. An additional issuance of \$55.93 million fully refunded prior year bonds. For more details on long term debt, please see Note 3.D. to the financial statements.

Proprietary Funds

The Government's proprietary fund statements provide the same type of information found in the *Government-Wide Financial Statements*, but in more detail. Total net position for the Government's proprietary funds totaled \$324.36 million as of June 30, 2014, an increase of \$13.42 million from the prior fiscal year.

The Sanitary Sewer System Fund held total net position of \$239.85 million, an increase of \$7.89 million over the prior year. Revenues in excess of expenses primarily contributed to this increase. Of the total net position held by the Sanitary Sewer System Fund, \$61.37 million is restricted by bond covenants for maintenance, capital replacement and projects, and debt service.

The Public Facilities Corporation was created by the Government to act as an agency and instrumentality of the Government to finance and operate public projects. The net position of the Public Facilities Corporation was \$25.99 million, a decrease of \$1.47 million from the prior fiscal year. Operating income during fiscal year 2014 was \$6.38 million. The decrease in net position is primarily due to non-operating expenses of \$2.51 million, offset by transfers in of \$1.05 million.

The Water Quality Fund was established to account for the revenues and expenses of developing and operating storm water related activities. The net position of the Water Quality Fund totaled \$18.02 million, an increase of \$4.00 million from the prior fiscal year. Revenues in excess of expenses primarily contributed to this increase.

As of June 30, 2014, the total net position of the Landfill Fund held a balance of \$28.86 million, an increase of \$0.81 million from the prior fiscal year, a 2.88% increase. Revenues in excess of expenses of \$1.00 million offset by transfers of \$0.20 million, 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, 2014 the other enterprise funds held total net position of \$11.38 million, an increase of \$2.25 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 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 Urban County 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 2014, General Fund revenues totaled \$303.72 million, an increase of 4.0% from the previous fiscal year. Total revenues were \$0.97 million above the final budgeted amount. This increase in actual revenue is the result of a continued rebound in the U.S. economy, which positively affected both employee withholdings and business returns. Revenues received for services provided were \$0.74 million above the final budgeted amount. This is primarily due to detention center fees of \$1.39 million. This was offset by various collections under budget by \$0.65 million.

General Fund expenditures of the Government totaled \$291.84 million, an increase of \$12.18 million, or 4.4% over the previous fiscal year. Expenditures were \$9.35 million below the final budgeted amount. Operating expenditures were \$5.92 million below the final budgeted amount. Personnel expenditures, accounting for 63.2% of General Fund expenditures, were \$2.48 million below the final budgeted amount. Divisions with collective bargaining agreements had personnel expenditures \$3.61 million over the final budgeted amount. Personnel expenditures from these divisions account for 44.1% of the General Fund expenditures. Please see Table 5 below for more details regarding the distribution of General Fund personnel costs and the changes from prior year.

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

| Departments | 2014 | 2013 | Change | % Change | % General Fund Expenditures |
|--|-------------|-------------|---------------|-----------------|------------------------------------|
| Non-Collective Bargaining Divisions | | | | | |
| Administrative Services | \$2,464 | \$5,678 | (\$3,214) | -56.6% | 0.8% |
| Chief Development Officer | 169 | 164 | 5 | 3.0% | 0.1% |
| Chief Information Officer | 3,613 | | 3,613 | | 1.2% |
| Department of Finance | 4,256 | 4,333 | (77) | -1.8% | 1.5% |
| Department of General Services | 6,280 | 6,168 | 112 | 1.8% | 2.2% |
| Department of Law | 3,149 | 2,967 | 182 | 6.1% | 1.1% |
| Department of Public Safety | 3,341 | 6,437 | (3,096) | -48.1% | 1.1% |
| Department of Social Services | 5,157 | 4,901 | 256 | 5.2% | 1.8% |
| Department of Environmental Quality & PW | 3,895 | 5,315 | (1,420) | -26.7% | 1.3% |
| Department of Planning, Preservation & Dev | 7,049 | 2,497 | 4,552 | | 2.4% |
| General Government | 5,016 | 4,705 | 311 | 6.6% | 1.7% |
| Parks and Recreation | 11,490 | 11,357 | 133 | 1.2% | 3.9% |
| Total Non-Collective Bargaining Divisions | 55,879 | 54,522 | 1,357 | 2.5% | 19.1% |
| Divisions with Collective Bargaining | | | | | |
| Police | 55,146 | 54,426 | 720 | 1.3% | 18.9% |
| Community Corrections | 22,038 | 20,909 | 1,129 | 5.4% | 7.6% |
| Fire and Emergency Services | 51,497 | 50,317 | 1,180 | 2.3% | 17.6% |
| Total Collective Bargaining Divisions | 128,681 | 125,652 | 3,029 | 2.4% | 44.1% |
| Total Personnel Costs with Benefits | \$184,560 | \$180,174 | \$4,386 | 2.4% | 63.2% |

CAPITAL ASSETS

The Government's capital assets totaled \$1.38 billion as of June 30, 2014, details of which are in Note 3.B. to 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 \$860.07 million. Governmental Activities capital assets, net of related debt decreased by \$17.62 million from the prior fiscal year. The capital assets, net of related debt of Business-Type Activities totaled \$222.91 million, an increase of \$5.60 million over the previous fiscal year.

This year's major changes in capital assets included:

- Governmental Activities total capital assets decreased by \$11.86 million compared to the previous fiscal year. The decrease was primarily due to depreciation of \$47.08 million and asset retirements of \$0.54 million, respectively, offset by capital additions of \$35.76 million. Infrastructure assets decreased by \$32.28 million, primarily due to depreciation. Infrastructure includes roads, bridges, storm water, fiber optics, traffic signals and similar items. In addition, construction in progress increased \$15.72 from the previous fiscal year. Purchases of Development Rights (PDR) increased by \$3.27 million.
- Capital assets for Business-Type Activities increased by \$17.84 million. The overall increase was primarily due to construction in progress increasing by \$25.65 million. The increase represents several projects underway related to the Government's Remedial Measures Plan, filed with the Environmental Protection Agency. Additional information can be found in Note 5.B. to the financial statements. This was

offset primarily by decreases in buildings and infrastructure, sewer lines/plants of \$4.20 million and \$5.64 million, respectively.

- Infrastructure assets totaled \$697.74 million in the Governmental Activities and \$192.25 million in Business-Type Activities. The overall decrease from the previous year in infrastructure assets totaled \$37.92 million. The decrease was primarily due to depreciation of \$39.54 million, offset by net additions and reclassifications of \$1.62 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 | |
|---------------------------------------|--------------------------------|--------------------|---------------------------------|------------------|---------------------------------|--------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land | \$58,813 * | \$58,813 | \$41,543 | \$41,525 | \$100,356 * | \$100,338 |
| Purchase of Development Rights | 75,460 | 72,187 | | | 75,460 | 72,187 |
| Intangibles | 4,527 | 4,975 | 1,228 | 883 | 5,755 | 5,858 |
| Buildings | 92,958 | 96,485 | 44,373 | 48,568 | 137,331 | 145,053 |
| Vehicles, Equipment and Furniture | 29,853 | 27,785 | 8,102 | 5,632 | 37,955 | 33,417 |
| Land and Leasehold Improvements | 12,812 | 10,748 | 10,417 | 11,560 | 23,229 | 22,308 |
| Infrastructure and Sewer Lines/Plants | 697,738 | 730,013 | 192,249 | 197,891 | 889,987 | 927,904 |
| Construction in Progress | 37,029 | 21,308 | 40,208 | 14,562 | 77,237 | 35,870 |
| Developments in Progress | 21,767 | 20,502 | 8,042 | 7,700 | 29,809 | 28,202 |
| Total | <u>\$1,030,957</u> | <u>\$1,042,816</u> | <u>\$346,162</u> | <u>\$328,321</u> | <u>\$1,377,119</u> | <u>\$1,371,137</u> |

* Restated beginning balance due to prior period adjustment, see Note 2.D. to the financial statements

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

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 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 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 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 2014, the Government had \$433.29 million in bonds and notes outstanding; Governmental Activities' debt decreased by \$4.50 million and total debt increased by \$4.11 million. The decrease in debt for Governmental Activities resulted primarily from the issuance of GO bonds totaling \$17.04 million, offset by principal payments, bond refunding and amortized bond costs in the current fiscal year on outstanding debt of

\$21.23 million. The Business-Type Activities debt increased \$8.61 million primarily from note payable proceeds of \$14.04 million, offset by principal payments and amortized bond costs of \$5.43 million.

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 \$2.83 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 \$200.82 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 | |
|---|---------------------|------------------|---------------------------------|------------------|---------------------------------|------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| General Obligation Bonds, Notes, Leases | \$310,041 | \$314,541 | \$27,785 | \$14,404 | \$337,826 | \$328,945 |
| Mortgage Revenue Bonds | | | 52,873 | 54,831 | 52,873 | \$54,831 |
| Revenue Bonds | | | 42,591 | 45,400 | 42,591 | \$45,400 |
| Total | <u>\$310,041</u> | <u>\$314,541</u> | <u>\$123,249</u> | <u>\$114,635</u> | <u>\$433,290</u> | <u>\$429,176</u> |

The 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 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 Government’s long-term debt can be found in Note 3.D. to the financial statements.

NEXT YEAR’S BUDGET

The Lexington-Fayette Urban County Government Fiscal Year 2015 Budget, for all funds combined, net of interfund transfers, is \$540,053 million. Significant initiatives in the budget include:

- A commitment of \$87.68 million for storm sewer projects and programs as required by the Environmental Protection Agency Consent Decree.
- GO bonds were approved as part of the fiscal year 2015 budget for \$26.19 million. The bonds will fund projects for Information Technology infrastructure improvements, the E911 Radio System, Facilities and Fleet maintenance and replacement, relocation of Fire Station #2, Kentucky Theatre renovations, and local parks.

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 POSITION
June 30, 2014

| | Primary Government | | | |
|---|------------------------------------|-------------------------------------|------------------------|----------------------------|
| | Governmental Activities | Business-Type Activities | Total | Component Units |
| ASSETS | | | | |
| Cash | \$24,989,945 | \$53,113,425 | \$78,103,370 | \$29,122,848 |
| Investments | 100,620,595 | 46,296,001 | 146,916,596 | 10,949,491 |
| Receivables (Net) | 24,378,448 | 6,778,206 | 31,156,654 | 3,377,869 |
| Due from Other Governments | 7,018,064 | | 7,018,064 | 4,353,094 |
| Due from Fiduciary Funds | 2,757,127 | | 2,757,127 | |
| Due from Component Units | 959,355 | | 959,355 | |
| Due from Primary Government | | | | 1,378,530 |
| Other Current Assets | | | | 720,456 |
| Inventories and Prepaid Expenses | 2,050,868 | 399,924 | 2,450,792 | 501,202 |
| Net Pension Asset | 54,120,506 | | 54,120,506 | |
| Restricted Assets: | | | | |
| Cash | | | | 9,912,356 |
| Receivables (Net) | | | | 431,456 |
| Grants Receivable | | | | |
| Investments | 21,016,233 | 19,313,125 | 40,329,358 | 22,139,102 |
| Other | | | | 54,956 |
| Pension Asset | | | | 826,307 |
| Capital Assets: | | | | |
| Non-depreciable | 196,172,937 | 90,020,027 | 286,192,964 | 43,913,868 |
| Depreciable (Net) | 834,783,629 | 256,142,057 | 1,090,925,686 | 213,738,398 |
| Other Assets | 555,000 | | 555,000 | 2,769,485 |
| Total Assets | \$1,269,422,707 | \$472,062,765 | \$1,741,485,472 | \$344,189,418 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Amount on Bond Refunding | \$0 | \$0 | \$0 | \$143,715 |
| Total Deferred Outflows of Resources | \$0 | \$0 | \$0 | \$143,715 |
| LIABILITIES | | | | |
| Accounts, Contracts Payable and | | | | |
| Accrued Liabilities | \$18,187,353 | \$6,705,343 | \$24,892,696 | \$7,611,115 |
| Interest Payable | 3,409,584 | 579,763 | 3,989,347 | 20,997 |
| Internal Balances | 325,907 | (325,907) | | |
| Due to Component Units | 1,378,530 | | 1,378,530 | |
| Due to Primary Government | | | | 959,355 |
| Unearned Revenue and Other | 4,851,990 | 76,834 | 4,928,824 | 272,052 |
| Claims Liabilities | 29,020,705 | | 29,020,705 | |
| Liabilities Payable from | | | | |
| Restricted Assets: | | | | |
| Accounts, Contracts and Retainage | | | | |
| Payable | | 1,611,912 | 1,611,912 | 208,573 |
| Bonds and Notes Payable | | 3,582,184 | 3,582,184 | |
| Interest Payable | | 829,272 | 829,272 | 1,214,119 |
| Non-Current Liabilities: | | | | |
| Due Within One Year: | | | | |
| Bonds and Notes Payable | 20,850,000 | 2,275,398 | 23,125,398 | 3,979,035 |
| Compensated Absences | 3,392,876 | 433,472 | 3,826,348 | 505,568 |
| Landfill Closure and | | | | |
| Postclosure Care Costs | | 436,159 | 436,159 | |
| Due in More Than One Year: | | | | |
| Unearned Revenue and Other | 4,592,171 | 455,246 | 5,047,417 | 722,478 |
| Bonds and Notes Payable | 289,190,731 | 117,391,225 | 406,581,956 | 87,575,327 |
| Compensated Absences | 19,653,850 | 934,132 | 20,587,982 | 863,492 |
| Landfill Closure and | | | | |
| Postclosure Care Costs | | 12,717,802 | 12,717,802 | |
| Unfunded Other Post Retirement | | | | |
| Benefit Liability | 74,166,338 | | 74,166,338 | |
| Unfunded Pension Liability | 1,395,888 | | 1,395,888 | |
| Total Liabilities | \$470,415,923 | \$147,702,835 | \$618,118,758 | \$103,932,111 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
June 30, 2014

| | Primary Government | | | |
|---------------------------------|------------------------------------|-------------------------------------|------------------------|----------------------------|
| | Governmental Activities | Business-Type Activities | Total | Component Units |
| NET POSITION | | | | |
| Investment in Capital Assets, | | | | |
| Net of Related Debt | \$860,074,409 | \$222,913,279 | \$1,082,987,688 | \$166,227,897 |
| Restricted for: | | | | |
| Governmental and Program Funds | | | | 214,328 |
| Capital Projects | 20,133,026 | 44,234,664 | 64,367,690 | 100,195 |
| Energy Improvement Projects | 650,188 | 95,474 | 745,662 | |
| Debt Service | | 9,833,181 | 9,833,181 | 24,372,253 |
| Capital Replacement | | 2,192,230 | 2,192,230 | |
| Pension | | | | 826,307 |
| Water Quality Incentive Program | | 4,547,806 | 4,547,806 | |
| Grants | 1,262,100 | | 1,262,100 | |
| Maintenance and Operations | | 7,305,945 | 7,305,945 | |
| Unrestricted (Deficit) | (83,112,939) | 33,237,351 | (49,875,588) | 48,660,042 |
| Total Net Position | \$799,006,784 | \$324,359,930 | \$1,123,366,714 | \$240,401,022 |

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, 2014

| Function/Program Activities | 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 | |
| Primary Government: | | | | | | | |
| Governmental Activities: | | | | | | | |
| General Government | \$26,973,537 | \$17,046,255 | \$98,125 | \$0 | (\$9,829,157) | \$0 | \$0 |
| Administrative Services | 5,342,699 | 367,363 | 1,773,420 | 14,560 | (3,187,356) | | (3,187,356) |
| Health, Dental, and Vision | 24,893,545 | 24,893,545 | | | | | |
| Chief Development Officer | 192,555 | 6,281 | | | | | |
| Chief Information Officer | 6,983,029 | 4,271 | | | (186,274) | | (186,274) |
| Finance | 16,726,346 | 3,358,781 | | | (6,978,758) | | (6,978,758) |
| Environmental Quality & Public Works | 45,339,718 | 2,681,977 | 2,078,102 | 474,864 | (13,367,565) | | (13,367,565) |
| Planning, Preservation, & Development | 47,343,980 | 2,245,228 | 211,457 | 8,351,388 | (40,104,775) | | (40,104,775) |
| Public Safety | 10,776,283 | 64,898 | 933,487 | | (36,535,907) | | (36,535,907) |
| Police | 69,822,219 | 2,039,209 | 3,207,264 | 270,696 | (9,777,898) | | (9,777,898) |
| Fire and Emergency Services | 67,689,682 | 7,036,029 | 3,810,559 | | (64,305,050) | | (64,305,050) |
| Community Corrections | 34,000,937 | 9,161,315 | 35,914 | | (56,843,094) | | (56,843,094) |
| Social Services | 10,478,516 | 1,703,695 | 2,909,769 | 72,567 | (24,803,708) | | (24,803,708) |
| General Services | 10,551,162 | 4,155 | | | (5,792,485) | | (5,792,485) |
| Parks and Recreation | 19,693,483 | 3,869,990 | 50,328 | 16,497 | (10,547,007) | | (10,547,007) |
| Law and Risk Management | 3,811,867 | 49,006 | | | (15,756,668) | | (15,756,668) |
| Interest on Long-Term Debt | 13,053,635 | | | | (3,762,861) | | (3,762,861) |
| Total Governmental Activities | 413,673,193 | 74,531,998 | 15,108,425 | 9,200,572 | (13,053,635) | 0 | (314,832,198) |
| Business-Type Activities: | | | | | | | |
| Sanitary Sewer System | 43,664,387 | 50,480,049 | | | 6,815,662 | | 6,815,662 |
| Public Facilities | 8,895,507 | 6,375,794 | | | (2,519,713) | | (2,519,713) |
| Public Parking | 265,226 | | | | (265,226) | | (265,226) |
| Landfill | 6,060,197 | 7,064,989 | | | 1,004,792 | | 1,004,792 |
| Right of Way | 308,683 | 520,812 | | | 212,129 | | 212,129 |
| Extended School Program | 1,977,394 | 2,202,171 | | | 224,777 | | 224,777 |
| Prisoners' Account System | 1,844,393 | 2,372,285 | | | 527,892 | | 527,892 |
| Enhanced 911 | 2,384,796 | 4,273,106 | | | 1,888,310 | | 1,888,310 |
| CKY Network | 450,919 | 111,576 | | | (339,343) | | (339,343) |
| Water Quality | 9,139,302 | 13,119,524 | | | 3,980,222 | | 3,980,222 |
| Total Business-Type Activities | 74,990,804 | 86,520,306 | 0 | 0 | 11,529,502 | | 11,529,502 |
| Total Primary Government | \$488,663,997 | \$161,052,304 | \$15,108,425 | \$9,200,572 | (\$314,832,198) | \$11,529,502 | (\$303,302,696) |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

| Function/Program Activities Component Units: | Program Revenues | | | | Net (Expenses) Revenue and Changes in Net Assets | | |
|---|----------------------|-------------------------|---------------------------------------|-------------------------------------|---|-----------------------------|-----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-Type Activities | Total |
| Lexington Center Corporation | \$20,495,093 | \$14,603,070 | \$748,000 | \$3,767,750 | | | (\$1,376,273) |
| Lexington Airport Board | 22,147,776 | 17,365,645 | | 2,467,049 | | | (2,315,082) |
| Fayette County Department of Health | 14,833,005 | 3,274,625 | 5,538,101 | | | | (6,020,279) |
| Parking Authority of Lexington | 2,921,479 | 3,559,984 | | 267,500 | | | 906,005 |
| Nonmajor Component Units | 46,372,569 | 3,636,774 | 5,814,106 | 1,127,317 | | | (35,794,372) |
| Total Component Units | \$106,769,922 | \$42,440,098 | \$12,100,207 | \$7,629,616 | \$0 | \$0 | (\$44,600,001) |
| General Revenues: | | | | | | | |
| Property Taxes | | | | | \$54,759,199 | \$0 | \$54,759,199 |
| Licenses Fees - Wages and Net Profits Taxes | | | | | 248,271,270 | | 248,271,270 |
| Grants and Contributions Not Restricted to Specific Programs: | | | | | | | |
| Community Development Block Grant | | | | | 2,009,120 | | 2,009,120 |
| Income on Investments | | | | | 263,242 | 1,021,558 | 1,284,800 |
| Net Change in Fair Value of Investments | | | | | | | 466,806 |
| Gain (Loss) on Sale of Capital Assets | | | | | | | 190,369 |
| Miscellaneous | | | | | | | (2,350,349) |
| Debt Issuance Costs | | | | | | | 35,556 |
| Payment to Lexington-Fayette Urban County Government | | | | | | | (86,360) |
| Transfers | | | | | (871,447) | 871,447 | 348,000 |
| Total General Revenues and Transfers | | | | | 304,431,384 | 1,893,005 | 306,324,389 |
| Change in Net Position | | | | | (10,400,814) | 13,422,507 | 3,021,693 |
| Net Position, Beginning | | | | | 809,948,755 | 310,937,423 | 1,120,886,178 |
| Adjustment to Opening Net Position (Note 2.D.) | | | | | (541,157) | | (541,157) |
| Net Position, Beginning - Restated | | | | | 809,407,598 | 310,937,423 | 1,120,345,021 |
| Net Position, Ending | | | | | \$799,006,784 | \$324,359,930 | \$1,123,366,714 |
| | | | | | | | \$240,401,022 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

| | General | Urban Services | Federal and State Grants | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------------|-------------------------------------|---|---|
| ASSETS | | | | | |
| Cash | \$4,017,753 | \$7,912,995 | \$149,180 | \$8,565,921 | \$20,645,849 |
| Investments | 71,304,895 | 20,777,582 | | 8,538,118 | 100,620,595 |
| Receivables: | | | | | |
| Loans | | | 3,292,976 | | 3,292,976 |
| License Fees | 15,355,521 | | | | 15,355,521 |
| Other | 11,628,022 | 399,295 | 518,342 | 1,390,378 | 13,936,037 |
| Less Allowance for Uncollectible Amounts | (5,033,549) | | (3,292,976) | | (8,326,525) |
| Due from Other Governments | | | 7,018,064 | | 7,018,064 |
| Due from Component Units | 959,355 | | | | 959,355 |
| Due from Fiduciary Funds | 2,757,127 | | | | 2,757,127 |
| Due from Other Funds | | 2,180,879 | | 4,324,761 | 6,505,640 |
| Inventories and Prepaid Items | 1,627,367 | 11,112 | | 77,859 | 1,716,338 |
| Restricted Investments | 901 | | 28,298 | 20,987,034 | 21,016,233 |
| Total Assets | \$102,617,392 | \$31,281,863 | \$7,713,884 | \$43,884,071 | \$185,497,210 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts and Contracts Payable | \$5,440,938 | \$1,084,277 | \$1,626,115 | \$2,923,569 | \$11,074,899 |
| Accrued Payroll & Related Liabilities | 6,319,125 | 317,292 | 126,991 | 2,189 | 6,765,597 |
| Due to Other Funds | 24,803,327 | | 2,238,870 | 4,454,553 | 31,496,750 |
| Due to Component Units | 1,378,530 | | | | 1,378,530 |
| Unearned Revenue and Other | 923,967 | | 2,459,808 | 1,468,215 | 4,851,990 |
| Total Liabilities | 38,865,887 | 1,401,569 | 6,451,784 | 8,848,526 | 55,567,766 |
| Fund Balances: | | | | | |
| Nonspendable | 1,627,367 | 11,112 | | 77,859 | 1,716,338 |
| Restricted for: | | | | | |
| Public Works | | | | 11,534,007 | 11,534,007 |
| Public Safety | | | | 1,569,569 | 1,569,569 |
| Capital Projects | | | | 20,133,026 | 20,133,026 |
| Grants Projects | | | 1,262,100 | | 1,262,100 |
| Urban Services | | 29,855,868 | | | 29,855,868 |
| Energy Improvement Projects | 636,874 | 13,314 | | | 650,188 |
| Committed for: | | | | | |
| General Government | 11,249,146 | | | | 11,249,146 |
| Economic Stabilization | 25,224,221 | | | | 25,224,221 |
| Assigned to: | | | | | |
| General Government | 12,700,000 | | | 1,721,084 | 14,421,084 |
| Capital Projects | 8,137,251 | | | | 8,137,251 |
| Unassigned | 4,176,646 | | | | 4,176,646 |
| Total Fund Balances | 63,751,505 | 29,880,294 | 1,262,100 | 35,035,545 | 129,929,444 |
| Total Liabilities and Fund Balances | \$102,617,392 | \$31,281,863 | \$7,713,884 | \$43,884,071 | \$185,497,210 |

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 POSITION
June 30, 2014

| | | |
|--|----------------------|-----------------------------|
| Total Fund balances - Governmental Funds | | \$129,929,444 |
| Amounts reported for Governmental Activities in the Statement of Net Position is different because: | | |
| Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds. | | |
| Governmental capital assets | 1,504,701,112 | |
| Less accumulated depreciation | <u>(473,744,546)</u> | 1,030,956,566 |
| The net pension asset is not an available resource and, therefore, is not reported in the funds. | | |
| | | 54,120,506 |
| Other long-term assets are not available to pay for expenditures in the current period and, therefore, are not reported in the funds. | | |
| Other assets | | 555,000 |
| 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 | (310,040,731) | |
| Unearned revenue and other | (4,592,171) | |
| Interest payable | (3,409,584) | |
| Compensated absences | (23,046,726) | |
| Unfunded pension liability and other post retirement benefits | <u>(75,562,226)</u> | (416,651,438) |
| 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. | | |
| | | 360,487 |
| Internal balances due to non-governmental activities related to items listed above | <u>(263,781)</u> | |
| Net Position of Governmental Activities | | <u><u>\$799,006,784</u></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 BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

| | General | Urban Services | Federal and State Grants | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------------|-------------------------------------|---|---|
| REVENUES | | | | | |
| License Fees and Permits | \$252,196,981 | \$1,384,978 | \$0 | \$0 | \$253,581,959 |
| Taxes | 21,899,738 | 32,859,461 | | | 54,759,199 |
| Charges for Services | 24,643,221 | 2,153,866 | | | 26,797,087 |
| Fines and Forfeitures | 257,039 | 1,073 | | | 258,112 |
| Intergovernmental | 1,720,761 | 122,489 | 26,318,118 | 10,038,373 | 38,199,741 |
| Exactions | | | | 486,643 | 486,643 |
| Property Sales | 56,688 | 114,414 | | 9,950 | 181,052 |
| Income on Investments | 432,454 | (220,093) | 22,372 | 28,565 | 263,298 |
| Other | 2,509,949 | 85,657 | 409,294 | 1,062,319 | 4,067,219 |
| Total Revenues | 303,716,831 | 36,501,845 | 26,749,784 | 11,625,850 | 378,594,310 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government | 3,461,232 | 2,158,207 | 59,100 | | 5,678,539 |
| Administrative Services | 2,656,142 | 750,072 | 1,608,158 | | 5,014,372 |
| Chief Development Officer | 182,074 | | 8,265 | | 190,339 |
| Chief Information Officer | 6,018,607 | | | | 6,018,607 |
| Finance | 4,998,095 | 21,760 | | 370 | 5,020,225 |
| Environmental Quality & Public Works | 7,264,436 | 28,394,020 | 748,590 | | 36,407,046 |
| Planning, Preservation, & Development | 7,706,768 | | 945,870 | 17,379 | 8,670,017 |
| Public Safety | 9,056,369 | | 610,362 | 433,942 | 10,100,673 |
| Police | 63,522,382 | | 3,312,593 | 524,046 | 67,359,021 |
| Fire and Emergency Services | 60,306,674 | | 3,767,608 | | 64,074,282 |
| Community Corrections | 31,950,424 | | 22,993 | | 31,973,417 |
| Social Services | 6,622,125 | | 1,573,916 | | 8,196,041 |
| General Services | 6,168,119 | 77,565 | | | 6,245,684 |
| Parks and Recreation | 18,089,109 | | 13,688 | | 18,102,797 |
| Law | 3,974,171 | 31,508 | | 29,714 | 4,035,393 |
| Outside Agencies | 18,935,337 | | 5,804,169 | | 24,739,506 |
| Debt Service: | | | | | |
| Principal | 20,952,280 | 746,520 | | 226,200 | 21,925,000 |
| Interest | 13,208,488 | 192,620 | | 35,840 | 13,436,948 |
| Other Debt Service | | | | 230,697 | 230,697 |
| Capital: | | | | | |
| Equipment | 5,814,118 | 5,180,361 | 847,274 | 8,887,177 | 20,728,930 |
| Acquisitions and Construction | 948,516 | 212,425 | 10,826,004 | 16,100,066 | 28,087,011 |
| Total Expenditures | 291,835,466 | 37,765,058 | 30,148,590 | 26,485,431 | 386,234,545 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 11,881,365 | (1,263,213) | (3,398,806) | (14,859,581) | (7,640,235) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Issuance of Debt | | | | 17,035,000 | 17,035,000 |
| Premium on Bonds | | | | 615,210 | 615,210 |
| Discount on Bonds | | | | (86,367) | (86,367) |
| Issuance of Refunding Debt, par | | | | 55,925,000 | 55,925,000 |
| Issuance of Refunding Debt, premium | | | | 5,390,131 | 5,390,131 |
| Payment to Refunded Debt Escrow Agent | | | | (61,146,118) | (61,146,118) |
| Transfers In | 21,033,341 | 2,542,532 | 3,733,022 | 1,000,000 | 28,308,895 |
| Transfers Out | (23,575,013) | (41,437) | (334,216) | (5,212,824) | (29,163,490) |
| Total Other Financing Sources (Uses) | (2,541,672) | 2,501,095 | 3,398,806 | 13,520,032 | 16,878,261 |
| Net Change in Fund Balances | 9,339,693 | 1,237,882 | 0 | (1,339,549) | 9,238,026 |
| Fund Balances, Beginning | 54,411,812 | 28,642,412 | 1,262,100 | 36,375,094 | 120,691,418 |
| Fund Balances, Ending | \$63,751,505 | \$29,880,294 | \$1,262,100 | \$35,035,545 | \$129,929,444 |

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, 2014**

| | |
|--|-------------|
| Net change in fund balances - Governmental Funds | \$9,238,026 |
|--|-------------|

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 | 34,491,974 | |
| Less current year depreciation | <u>(47,075,058)</u> | (12,583,084) |

| | |
|---|-----------|
| The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position. | (557,715) |
|---|-----------|

The change in other assets is reported in the Statement of Activities and does not require the use of current resources, therefore the change is not reported as an expenditure in the funds:

| | |
|--------------|---------|
| Other assets | 555,000 |
|--------------|---------|

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

| | |
|---------------|-----------|
| Exaction fees | 1,281,310 |
|---------------|-----------|

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 Position.

| | | |
|---|-------------------|-----------|
| Issuance of debt | (17,035,000) | |
| Issuance of refunding debt | (55,925,000) | |
| Premium on bonds | (615,210) | |
| Premium on refunding bonds | (5,390,131) | |
| Discount on bonds | 86,367 | |
| Loss on refunding | 676,118 | |
| Principal payment to refunded bond escrow agent | 60,470,000 | |
| Principal payments | <u>21,925,000</u> | 4,192,144 |

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 | (204,476) | |
| Amortization of current year bond (discounts) premiums | 308,466 | |
| Change in unfunded pension liability | 57,851 | |
| Change in unfunded other post retirement benefit liability | (9,185,932) | |
| Unearned revenue and other | (450,240) | |
| Change in accrued interest payable | 383,313 | |
| Change in claims liability | | |
| Change in compensated absences | <u>(2,890,185)</u> | <u>(11,981,203)</u> |

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.

| | |
|--|------------------|
| | <u>(545,292)</u> |
|--|------------------|

| | |
|---|------------------------------|
| Change in net assets of Governmental Activities | <u><u>(\$10,400,814)</u></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
GENERAL FUND
For the Year Ended June 30, 2014

| | Budgeted Amounts | | | Variance with Final Budget-Positive (Negative) |
|-----------------------------------|-------------------------|--------------------|--------------------|---|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Licenses and Permits: | | | | |
| Employee Withholdings | \$166,250,000 | \$168,000,000 | \$166,397,404 | (\$1,602,596) |
| Business Returns | 33,375,000 | 33,500,000 | 32,938,397 | (561,603) |
| Individual Returns | | | 1,658 | 1,658 |
| Insurance Premiums | 26,500,000 | 26,500,000 | 25,354,944 | (1,145,056) |
| Bond Deposits | 2,000 | 2,000 | 100 | (1,900) |
| Regulated License Fee | 853,300 | 853,300 | 973,917 | 120,617 |
| Franchise Fee | 20,225,000 | 21,000,000 | 22,604,850 | 1,604,850 |
| Bank Franchise Fee | 1,337,160 | 1,337,160 | 1,384,978 | 47,818 |
| Vehicle License | 220,000 | 220,000 | 197,273 | (22,727) |
| Deed Tax Fee | 1,100,000 | 1,400,000 | 1,767,479 | 367,479 |
| Registration Fee | 310,000 | 310,000 | 381,312 | 71,312 |
| Filing Fee - Planning & Zoning | 126,700 | 126,700 | 113,699 | (13,001) |
| Animal License | 40,000 | 40,000 | 43,231 | 3,231 |
| Certificates of Occupancy | 10,000 | 10,000 | 8,500 | (1,500) |
| Hotel - Motel License Fee | 24,000 | 24,000 | 29,239 | 5,239 |
| Total Licenses and Permits | 250,373,160 | 253,323,160 | 252,196,981 | (1,126,179) |
| Taxes: | | | | |
| Realty Taxes | 18,305,000 | 18,274,000 | 18,218,631 | (55,369) |
| Personal Taxes | 1,634,000 | 1,619,000 | 1,690,104 | 71,104 |
| PSC Taxes | 782,000 | 737,000 | 810,981 | 73,981 |
| Property Tax Discount | (339,000) | (338,000) | (352,647) | (14,647) |
| Property Tax Commission | (848,000) | (846,000) | (868,483) | (22,483) |
| Delinquent - Realty & Personal | 53,000 | 53,000 | 293,655 | 240,655 |
| Motor Vehicle Ad Valorem Tax | 1,645,000 | 1,659,000 | 1,990,784 | 331,784 |
| County Clerk Com - Motor Vehicle | (66,000) | (66,000) | (63,927) | 2,073 |
| Supplementary Tax Bills | 8,000 | 8,000 | 3,693 | (4,307) |
| Omitted Tax | 77,000 | 77,000 | 176,947 | 99,947 |
| Total Taxes | 21,251,000 | 21,177,000 | 21,899,738 | 722,738 |
| Charges for Services: | | | | |
| Accident Report Sales | 90,000 | 90,000 | 103,438 | 13,438 |
| Administrative Collection Fees | 16,000 | 16,000 | 11,802 | (4,198) |
| Adult Probation Fees | 65,000 | 65,000 | 141,966 | 76,966 |
| Animal Shelter Collections | 16,000 | 16,000 | 18,650 | 2,650 |
| Building Permits | 1,008,130 | 1,108,130 | 1,227,651 | 119,521 |
| Computer Services Fees | | | 4,266 | 4,266 |
| Detention Center | 5,884,000 | 7,285,500 | 8,676,114 | 1,390,614 |
| Developer Landscape Fees | 5,500 | 5,500 | 5,650 | 150 |
| District Court Jail Fees | 200,000 | 400,000 | 343,235 | (56,765) |
| Domestic Relations Collection | 3,800 | 3,800 | 1,667 | (2,133) |
| EMS | 7,000,000 | 7,000,000 | 6,921,155 | (78,845) |
| Excess Fees and Collections | 2,400,000 | 2,700,000 | 2,742,475 | 42,475 |
| Golf Course Collections | 3,262,220 | 3,262,220 | 2,483,379 | (778,841) |
| Park Land Acquisition | 170,000 | 170,000 | 258,154 | 88,154 |
| Parks & Recreation Programs | 1,074,550 | 1,074,550 | 955,118 | (119,432) |
| Rent or Lease Income | 711,120 | 711,120 | 748,501 | 37,381 |
| Total Charges for Services | 21,906,320 | 23,907,820 | 24,643,221 | 735,401 |
| Fines and Forfeitures | 167,000 | 227,000 | 257,039 | 30,039 |
| Intergovernmental | 1,756,950 | 1,813,550 | 1,720,761 | (92,789) |
| Property Sales | 20,000 | 20,000 | 56,688 | 36,688 |
| Investments | 120,000 | 120,000 | 432,454 | 312,454 |
| Other Income: | | | | |
| Contributions | | 90,113 | 125,281 | 35,168 |
| Other Income | | | 19,328 | 19,328 |
| Penalties and Interest | 1,385,000 | 1,595,000 | 1,640,132 | 45,132 |
| School Board Tax Fee | 15,000 | 15,000 | 14,500 | (500) |
| Tourist Commission Fee | | | 316 | 316 |
| Payment in Lieu of Taxes | | | 30,269 | 30,269 |
| Miscellaneous | 346,750 | 460,597 | 680,123 | 219,526 |
| Total Other Income | 1,746,750 | 2,160,710 | 2,509,949 | 349,239 |
| Total Revenues | 297,341,180 | 302,749,240 | 303,716,831 | 967,591 |

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, 2014

| | Budgeted Amounts | | | Variance with Final Budget-Positive (Negative) |
|---|-------------------------|--------------------|--------------------|---|
| | Original | Final | Actual | |
| EXPENDITURES | | | | |
| General Government: | | | | |
| Council Office | 2,743,840 | 2,733,724 | 2,386,792 | (346,932) |
| Office of the Mayor | 1,486,740 | 1,481,740 | 1,418,354 | (63,386) |
| Special Programs | 753,150 | 764,811 | 733,099 | (31,712) |
| Board of Elections | 602,450 | 757,385 | 774,303 | 16,918 |
| Clerk of the Urban County Council | 526,640 | 518,210 | 494,319 | (23,891) |
| County Attorney | 851,310 | 851,310 | 851,310 | |
| Coroner | 894,560 | 884,560 | 863,156 | (21,404) |
| Property Valuation Administrator | 342,500 | 342,500 | 342,500 | |
| Contingency | 3,821,200 | 3,821,200 | | (3,821,200) |
| Circuit Judges | 336,650 | 336,650 | 327,863 | (8,787) |
| County Court Clerk | 125,600 | 123,283 | 80,353 | (42,930) |
| Citizens' Advocate | 37,280 | 37,280 | 29,034 | (8,246) |
| Commonwealth Attorney | 156,510 | 156,510 | 153,622 | (2,888) |
| County Judge Executive | 20,950 | 20,450 | 13,162 | (7,288) |
| Indirect Cost Allocation | (5,694,000) | (5,694,000) | (4,803,313) | 890,687 |
| Total General Government | 7,005,380 | 7,135,613 | 3,664,554 | (3,471,059) |
| Administrative Services: | | | | |
| Office of the Chief Administrative Officer | 952,360 | 941,360 | 869,219 | (72,141) |
| Government Communications | 816,540 | 815,540 | 782,253 | (33,287) |
| Grants & Special Projects | 442,770 | 435,989 | 420,770 | (15,219) |
| Internal Audit Office | 594,470 | 576,470 | 583,899 | 7,429 |
| Total Administrative Services | 2,806,140 | 2,769,359 | 2,656,141 | (113,218) |
| Chief Development Officer | | | | |
| Chief Development Officer | 200,330 | 150,330 | 182,074 | 31,744 |
| Total Chief Development Officer | 200,330 | 150,330 | 182,074 | 31,744 |
| Chief Information Officer | | | | |
| Office of the CIO | 239,130 | 189,130 | 114,303 | (74,827) |
| Computer Services | 5,492,400 | 5,154,147 | 4,766,808 | (387,339) |
| Enterprise Solutions | 1,179,150 | 1,188,405 | 1,137,494 | (50,911) |
| Total Chief Information Officer | 6,910,680 | 6,531,682 | 6,018,605 | (513,077) |
| Department of Finance: | | | | |
| Accounting | 1,382,140 | 1,345,140 | 1,339,688 | (5,452) |
| Office of Policy and Budget | 472,550 | 472,550 | 437,339 | (35,211) |
| Central Purchasing | 565,430 | 545,430 | 527,808 | (17,622) |
| Revenue | 2,428,880 | 2,278,025 | 2,020,722 | (257,303) |
| Finance Administration | 791,200 | 803,700 | 696,531 | (107,169) |
| Total Finance | 5,640,200 | 5,444,845 | 5,022,088 | (422,757) |
| Division of Environmental Quality & Public Works: | | | | |
| Environmental Quality & PW Admin | 254,520 | 269,004 | 244,415 | (24,589) |
| Division of Environmental Policy | 527,490 | 9,103 | 162,973 | 153,870 |
| Streets & Roads | 3,351,240 | 3,672,137 | 3,734,533 | 62,396 |
| Traffic Engineering | 3,596,250 | 3,412,383 | 3,224,294 | (188,089) |
| Total Environmental Quality & Public Works | 7,729,500 | 7,362,627 | 7,366,215 | 3,588 |
| Department of Planning, Preservation, & Development: | | | | |
| Building Inspection | 2,269,270 | 2,159,770 | 2,002,936 | (156,834) |
| Code Enforcement | 2,010,420 | 1,939,020 | 1,683,409 | (255,611) |
| Engineering | 1,451,730 | 1,336,690 | 1,398,377 | 61,687 |
| Planning, Preservation, & Dev | 483,890 | 274,192 | 248,422 | (25,770) |
| Historic Preservation | 401,870 | 388,941 | 365,468 | (23,473) |
| Planning | 2,228,690 | 2,020,048 | 1,925,392 | (94,656) |
| Purchase of Development Rights | 143,370 | 124,570 | 118,325 | (6,245) |
| Total Planning, Preservation & Development | 8,989,240 | 8,243,231 | 7,742,329 | (500,902) |
| Department of Public Safety: | | | | |
| Police | 62,918,500 | 63,147,478 | 63,546,723 | 399,245 |
| Fire & Emergency Services | 59,711,090 | 58,252,401 | 61,038,024 | 2,785,623 |
| Community Corrections | 32,610,800 | 32,646,516 | 31,990,325 | (656,191) |
| Public Safety Administration | 1,499,540 | 5,857,319 | 5,830,975 | (26,344) |
| DEEM/Enhanced 911 | 3,631,620 | 3,275,889 | 3,225,394 | (50,495) |
| Total Public Safety | 160,371,550 | 163,179,603 | 165,631,441 | 2,451,838 |
| Department of Social Services: | | | | |
| Youth Services | 2,157,130 | 2,021,252 | 1,868,950 | (152,302) |
| Family Services | 2,677,880 | 2,704,833 | 2,373,930 | (330,903) |
| Adult Services | 1,209,370 | 1,155,661 | 1,112,303 | (43,358) |
| Social Services Administration | 1,373,900 | 1,419,988 | 1,278,700 | (141,288) |
| Total Social Services | 7,418,280 | 7,301,734 | 6,633,883 | (667,851) |

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, 2014

| | Budgeted Amounts | | | Variance with Final Budget-Positive (Negative) |
|---|-------------------------|--------------------|---------------------|---|
| | Original | Final | Actual | |
| EXPENDITURES, continued | | | | |
| Department of General Services: | | | | |
| Parks and Recreation | 20,262,130 | 19,933,359 | 18,933,766 | (999,593) |
| Fleet and Facilities Management | 8,976,370 | 13,090,038 | 9,192,041 | (3,897,997) |
| General Services Administration | 1,898,720 | 1,868,913 | 1,722,053 | (146,860) |
| Total General Services | 31,137,220 | 34,892,310 | 29,847,860 | (5,044,450) |
| Department of Law: | | | | |
| Human Resources | 2,206,730 | 2,038,633 | 1,883,052 | (155,581) |
| Law | 2,095,800 | 2,094,666 | 2,091,119 | (3,547) |
| Total Law | 4,302,530 | 4,133,299 | 3,974,171 | (159,128) |
| Outside Agencies: | | | | |
| Commerce Lexington | 457,000 | 457,000 | 457,000 | |
| Downtown Arts Center | 109,250 | 109,250 | 109,250 | |
| Downtown Lexington Corporation | 42,710 | 42,710 | 42,710 | |
| Environmental Commission | 5,910 | 5,910 | 6,838 | 928 |
| World Trade Center | 100,000 | 100,000 | 100,000 | |
| Grants & Special Projects Agencies | 690,670 | 636,050 | 637,435 | 1,385 |
| Social Service Agencies | 1,907,495 | 1,866,636 | 1,905,090 | 38,454 |
| Lexington Public Library | 13,744,250 | 13,868,108 | 13,868,108 | |
| Explorium of Lexington | 246,950 | 246,950 | 246,600 | (350) |
| Carnegie Literacy Center | 48,260 | 48,260 | 47,818 | (442) |
| Downtown Development Authority | 348,000 | 1,356,000 | 1,354,488 | (1,512) |
| Lyric Theatre | 160,000 | 160,000 | 160,000 | |
| Total Outside Agencies | 17,860,495 | 18,896,874 | 18,935,337 | 38,463 |
| Debt Service: | | | | |
| Principal | 21,523,500 | 21,241,690 | 20,952,280 | (289,410) |
| Interest | 13,132,370 | 13,414,180 | 13,208,488 | (205,692) |
| Other Debt Service | 488,440 | 488,440 | | (488,440) |
| Total Debt Service | 35,144,310 | 35,144,310 | 34,160,768 | (983,542) |
| Total Expenditures | 295,515,855 | 301,185,817 | 291,835,466 | (9,350,351) |
| Excess (Deficiency) of Revenues Over (Under) | | | | |
| Expenditures | 1,825,325 | 1,563,423 | 11,881,365 | 10,317,942 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 250,000 | 27,532,837 | 21,033,341 | (6,499,496) |
| Transfers Out | (2,886,010) | (23,115,468) | (23,575,013) | (459,545) |
| Total Other Financing Sources | (2,636,010) | 4,417,369 | (2,541,672) | (6,959,041) |
| Net Change in Fund Balances | (810,685) | 5,980,792 | 9,339,693 | 3,358,901 |
| Fund Balance, Beginning | 1,500,000 | 1,500,000 | 54,411,812 | 52,911,812 |
| Fund Balance, Ending | \$689,315 | \$7,480,792 | \$63,751,505 | \$56,270,713 |

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, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget-Positive (Negative) |
|---|-------------------------|--------------|---------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Licenses and Permits: | | | | |
| Bank Franchise Fee | \$1,337,160 | \$1,337,160 | \$1,384,978 | \$47,818 |
| Total Licenses and Permits | 1,337,160 | 1,337,160 | 1,384,978 | 47,818 |
| Taxes: | | | | |
| Realty Taxes | 33,138,000 | 33,210,000 | 33,038,513 | (171,487) |
| PSC Taxes | 216,000 | 227,000 | 313,843 | 86,843 |
| Property Tax Discount | (563,000) | (565,000) | (583,474) | (18,474) |
| Property Tax Commission | (350,000) | (350,000) | (350,000) | |
| Delinquent - Realty & Personal | 6,000 | 6,000 | 432,867 | 426,867 |
| Supplementary Tax Bills | 10,000 | 10,000 | 7,712 | (2,288) |
| Total Taxes | 32,457,000 | 32,538,000 | 32,859,461 | 321,461 |
| Charges for Services: | | | | |
| Rent or Lease Income | 2,500 | 2,500 | 4,500 | 2,000 |
| Commodities | 2,016,210 | 2,016,210 | 2,139,296 | 123,086 |
| Dumpster Permit Fees | 6,250 | 6,250 | 10,070 | 3,820 |
| Total Charges for Services | 2,024,960 | 2,024,960 | 2,153,866 | 128,906 |
| Property Sales | 105,000 | 105,000 | 114,414 | 9,414 |
| Fines and Forfeitures | 3,000 | 3,000 | 1,073 | (1,927) |
| Intergovernmental | 73,800 | 73,800 | 122,489 | 48,689 |
| Investments | | | (220,093) | (220,093) |
| Other Income: | | | | |
| Penalties and Interest | 101,800 | 101,800 | 77,837 | (23,963) |
| Miscellaneous | | 3,096 | 7,820 | 4,724 |
| Total Other Income | 101,800 | 104,896 | 85,657 | (19,239) |
| Total Revenues | 36,102,720 | 36,186,816 | 36,501,845 | 315,029 |
| EXPENDITURES | | | | |
| General Government: | | | | |
| Contingency | 236,100 | 236,100 | | (236,100) |
| Indirect Cost Allocation | 2,570,000 | 2,570,000 | 2,158,207 | (411,793) |
| Total General Government | 2,806,100 | 2,806,100 | 2,158,207 | (647,893) |
| Administrative Services: | | | | |
| Office of the Chief Administrative Office: | 33,870 | 33,870 | 33,178 | (692) |
| Government Communications: | 1,318,820 | 1,318,820 | 593,897 | (724,923) |
| Total Administrative Services | 1,352,690 | 1,352,690 | 627,075 | (725,615) |
| Department of CIO: | | | | |
| Computer Services | 143,680 | 143,680 | 122,996 | (20,684) |
| Total CIO | 143,680 | 143,680 | 122,996 | (20,684) |
| Department of Finance: | | | | |
| Finance | 21,760 | 21,760 | 21,760 | |
| Total Finance | 21,760 | 21,760 | 21,760 | |
| Division of Environmental Quality & Public Works | | | | |
| Waste Management | 26,067,730 | 26,229,955 | 21,842,049 | (4,387,906) |
| Office of Compliance | 883,320 | 814,128 | 656,006 | (158,122) |
| Environmental Quality | 277,630 | 277,630 | 119,507 | (158,123) |
| Streets & Roads | 2,165,710 | 2,165,710 | 2,056,344 | (109,366) |
| Traffic Engineering | 5,968,920 | 6,082,587 | 5,566,770 | (515,817) |
| Environmental Quality & Public Works Administration | 171,250 | 171,250 | 99,233 | (72,017) |
| Total Environmental Quality & Public Works | 35,534,560 | 35,741,260 | 30,339,909 | (5,401,351) |
| Department of General Services: | | | | |
| Fleet and Facilities Management | 1,992,530 | 3,516,905 | 3,524,463 | 7,558 |
| Total General Services | 1,992,530 | 3,516,905 | 3,524,463 | 7,558 |

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, 2014

| | Budgeted Amounts | | Actual | Variance with Final Budget-Positive (Negative) |
|--|-------------------------|--------------|---------------|---|
| | Original | Final | | |
| EXPENDITURES, continued | | | | |
| Department of Law: | | | | |
| Human Resources | 13,780 | 13,780 | 3,484 | (10,296) |
| Law | 27,050 | 27,050 | 28,024 | 974 |
| Total Law | 40,830 | 40,830 | 31,508 | (9,322) |
| Debt Service: | | | | |
| Principal | 746,520 | 746,520 | 746,520 | |
| Interest | 192,620 | 192,620 | 192,620 | |
| Total Debt Service | 939,140 | 939,140 | 939,140 | 0 |
| Total Expenditures | 42,831,290 | 44,562,365 | 37,765,058 | (6,797,307) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (6,728,570) | (8,375,549) | (1,263,213) | 7,112,336 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 2,529,220 | 2,542,532 | 2,542,532 | |
| Transfers Out | (7,590) | (56,957) | (41,437) | 15,520 |
| Total Other Financing Sources (Uses) | 2,521,630 | 2,485,575 | 2,501,095 | 15,520 |
| Net Change in Fund Balances | (4,206,940) | (5,889,974) | 1,237,882 | 7,127,856 |
| Fund Balance, Beginning | 22,250,000 | 22,250,000 | 28,642,412 | 6,392,412 |
| Fund Balance, Ending | \$18,043,060 | \$16,360,026 | \$29,880,294 | \$13,520,268 |

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

| | Business-Type Activities Enterprise Funds | | | | | Governmental Activities Internal Service Funds |
|---|--|----------------------------------|---------------------|---------------------|------------------------------|--|
| | Sanitary Sewer System | Public Facilities Corporation | Landfill | Water Quality | Other Enterprise Funds | Total |
| ASSETS | | | | | | |
| Current Assets: | | | | | | |
| Cash | \$31,330,755 | \$1,598,941 | \$5,100,947 | \$11,703,646 | \$3,379,136 | \$53,113,425 |
| Investments | 19,638,369 | 290,730 | 23,998,495 | 931,700 | 1,436,707 | 46,296,001 |
| Receivables: | | | | | | |
| User Fees Receivable | 8,004,377 | | 1,367,773 | 1,699,880 | | 11,072,030 |
| Other Receivables | 310,722 | 73,849 | 30,468 | | 456,971 | 872,010 |
| Less Allowance for Uncollectible Accounts | (3,723,629) | | (702,186) | (704,152) | (35,867) | (5,165,834) |
| Inventories and Prepaid Expenses | 356,547 | | 433 | 6,041 | 36,903 | 399,924 |
| Due from Other Funds | | 1,104,153 | 8,819 | 576,985 | 3,235,653 | 4,925,610 |
| Restricted Investments: | | | | | | |
| Reserved for Maintenance and Operation | 7,305,945 | | | | | 7,305,945 |
| Reserved for Sinking Fund | 4,916,590 | | | | | 4,916,590 |
| Total Current Assets | 68,139,676 | 3,067,673 | 29,804,749 | 14,214,100 | 8,509,503 | 123,735,701 |
| Non-Current Assets: | | | | | | |
| Restricted Investments: | | | | | | |
| Reserved for Capital Replacement | 2,174,000 | | | | | 2,174,000 |
| Reserved for Debt Service | 4,916,590 | | | | | 4,916,590 |
| Capital Assets: | | | | | | |
| Land | 1,825,534 | 32,578,646 | 5,194,637 | 1,543,824 | 400,000 | 41,542,641 |
| Land Improvements | 254,476 | 25,500,678 | 16,575,425 | 157,788 | 3,207,206 | 45,695,573 |
| Buildings | 3,034,578 | 117,534,398 | 219,445 | | 55,351 | 120,843,772 |
| Sewer Plants | 163,269,363 | | | | | 163,269,363 |
| Sewer Lines | 179,645,170 | | 366,314 | 2,921,112 | | 182,932,596 |
| Leasehold Improvements | | 2,137,090 | | | | 2,137,090 |
| Vehicles, Equipment, and Furniture | 15,008,608 | 3,105,627 | 125,330 | 35,432 | 2,079,308 | 20,354,305 |
| Intangibles | 1,985,902 | 69,281 | | 228,455 | 1,534,909 | 3,818,547 |
| Less Accumulated Depreciation | (163,275,746) | (104,348,117) | (9,802,895) | (297,173) | (4,957,887) | (282,681,818) |
| Construction in Progress | 37,126,722 | | | 2,081,123 | 1,000,000 | 40,207,845 |
| Developments in Progress | 8,042,170 | | | | | 8,042,170 |
| Total Non-Current Assets | 254,007,367 | 76,577,603 | 12,678,256 | 6,670,561 | 3,318,887 | 353,252,674 |
| Total Assets | \$322,147,043 | \$79,645,276 | \$42,483,005 | \$20,884,661 | \$11,828,390 | \$476,988,375 |
| | | | | | | 0 |
| | | | | | | \$29,728,049 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

| | Business-Type Activities Enterprise Funds | | | | | Governmental Activities Internal Service Funds |
|---|---|-------------------------------|---------------------|--------------------|------------------------|--|
| | Sanitary Sewer System | Public Facilities Corporation | Landfill | Water Quality | Other Enterprise Funds | Total |
| LIABILITIES | | | | | | |
| Current Liabilities: | | | | | | |
| Accounts, Contracts and Retainage Payable | \$4,811,801 | \$210,406 | \$236,306 | \$697,344 | \$209,275 | \$6,165,132 |
| Accrued Payroll | 273,316 | | 16,689 | 114,694 | 135,512 | 540,211 |
| Due to Other Funds | 4,863,484 | | | | | 4,863,484 |
| Claims Payable | | | | | | |
| Bonds Payable | | 2,215,000 | | 60,398 | | 2,275,398 |
| Interest Payable | | 575,256 | | 4,507 | | 579,763 |
| Unearned Revenue and Other | 76,834 | | | | | 76,834 |
| Compensated Absences | 344,235 | | 1,341 | 56,425 | 31,471 | 433,472 |
| Landfill Closure and Postclosure Care Costs | | | 436,159 | | | 436,159 |
| Payable from Restricted Investments: | | | | | | |
| Accounts, Contracts and Retainage Payable | 1,611,912 | | | | | 1,611,912 |
| Bonds and Notes Payable | 3,582,184 | | | | | 3,582,184 |
| Interest Payable | 829,272 | | | | | 829,272 |
| Total Current Liabilities | 16,393,038 | 3,000,662 | 690,495 | 933,368 | 376,258 | 21,393,821 |
| Non-Current Liabilities: | | | | | | |
| Unearned Revenue and Other | 255,214 | | 200,000 | | 32 | 455,246 |
| Bonds and Notes Payable | 64,859,386 | 50,657,841 | | 1,873,998 | | 117,391,225 |
| Compensated Absences | 794,109 | | 12,068 | 56,425 | 71,530 | 934,132 |
| Landfill Closure and Postclosure Care Costs | | | 12,717,802 | | | 12,717,802 |
| Total Non-Current Liabilities | 65,908,709 | 50,657,841 | 12,929,870 | 1,930,423 | 71,562 | 131,498,405 |
| Total Liabilities | \$82,301,747 | \$53,658,503 | \$13,620,365 | \$2,863,791 | \$447,820 | \$152,892,226 |
| NET POSITION | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$178,475,207 | \$23,704,764 | \$12,678,256 | \$4,736,165 | \$3,318,887 | \$222,913,279 |
| Restricted for: | | | | | | |
| Capital Projects | 41,970,885 | | | | | 41,970,885 |
| Capital Projects - Park Acquisition | | 2,263,779 | | | | 2,263,779 |
| Debt Service | 9,833,181 | | | | | 9,833,181 |
| Capital Replacement | 2,174,000 | 18,230 | | | | 2,192,230 |
| Energy Improvement Projects | 86,078 | | 9,396 | | | 95,474 |
| Water Quality Incentive Program | | | | 4,547,806 | | 4,547,806 |
| Maintenance and Operations | 7,305,945 | | 16,174,988 | 8,736,899 | 8,061,683 | 7,305,945 |
| Unrestricted | \$239,845,296 | \$25,986,773 | \$28,862,640 | \$18,020,870 | \$11,380,570 | 32,973,570 |
| Total Net Position | | | | | | \$324,359,930 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | | | 263,781 |
| Net Assets of Business-Type Activities | | | | | | \$324,359,930 |

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

| | Business-Type Activities | | | | Governmental |
|---------------------------------|---------------------------------|--------------------|----------------------|-------------------|-------------------------|
| | Enterprise Funds | | | | Activities |
| | Sanitary Sewer | Public | Water Quality | Other | Internal Service |
| | System | Facilities | Landfill | Enterprise | Funds |
| | | Corporation | | Funds | Total |
| OPERATING REVENUES | | | | | |
| User Charges | \$46,577,092 | \$0 | \$6,616,607 | \$0 | \$66,178,372 |
| Fees | 2,013,656 | | 175,915 | 6,431,871 | 8,622,401 |
| Exactions | 801,569 | | | | 801,569 |
| Licenses Fees and Permits | | | | 520,812 | 520,812 |
| Rental Income | | 5,706,491 | | | 5,706,491 |
| Theater Revenues | | 669,303 | | | 669,303 |
| Gross Profit - Commissary | | | | 1,375,813 | 1,375,813 |
| Other | 1,155,128 | | 272,467 | 1,151,454 | 2,712,941 |
| Total Operating Revenues | 50,547,445 | 6,375,794 | 7,064,989 | 9,479,950 | 86,587,702 |
| | | | | | 38,938,662 |
| OPERATING EXPENSES | | | | | |
| Treatment Plant | 7,935,854 | | | | 7,935,854 |
| Collection System | 4,461,052 | | | | 4,461,052 |
| Property Management | | 1,503,466 | | | 1,503,466 |
| Theater Management | | 607,387 | | | 607,387 |
| Landfill | | | 3,685,709 | | 3,685,709 |
| Right of Way | | | | 301,325 | 301,325 |
| Extended School Program | | | | 1,809,867 | 1,809,867 |
| Prisoners' Account | | | | 573,409 | 573,409 |
| Inmate Trust Account | | | | 1,269,784 | 1,269,784 |
| Enhanced 911 | | | | 2,361,860 | 2,361,860 |
| CKY Network | 20,773,379 | | 1,525,660 | 450,919 | 450,919 |
| Administration | 8,047,827 | 4,278,149 | 848,828 | 161,615 | 31,471,986 |
| Depreciation | | | | 104,400 | 13,380,494 |
| Claims and Benefit Payments | | | | | 2,584,778 |
| Total Operating Expenses | 41,218,112 | 6,389,002 | 6,060,197 | 7,033,179 | 69,813,112 |
| | | | | | 36,966,572 |
| Operating Income (Loss) | 9,329,333 | (13,208) | 1,004,792 | 2,446,771 | (612,688) |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

| | Business-Type Activities Enterprise Funds | | | | Governmental Activities Internal Service Funds |
|---|--|-------------------------------------|---------------------|---------------------|---|
| | Sanitary Sewer System | Public Facilities Corporation | Landfill | Water Quality | Other Enterprise Funds |
| | | | | | Total |
| NON-OPERATING REVENUES (EXPENSES) | | | | | |
| Income on Investments | 994,308 | 29 | 2,791 | 23,720 | 1,021,558 |
| Interest Expense and Fiscal Agent Fees | (2,345,864) | (2,334,416) | | (26,680) | (4,706,960) |
| Amortization of Bond Costs | (100,411) | (172,089) | | | (272,500) |
| Gain (Loss) on Sale of Capital Assets | | | | | (198,233) |
| Total Non-Operating Revenues (Expenses) | (1,451,967) | (2,506,476) | 2,791 | (2,960) | (4,156,135) |
| | | | | | 0 |
| Income (Loss) Before Contributions and Transfers | | | | | |
| Transfers In | 7,877,366 | (2,519,684) | 1,007,583 | 4,003,942 | 12,618,455 |
| Transfers Out | 88,369,088 | 1,054,641 | 9,396 | 2,698,058 | 92,642,183 |
| Change in Net Position | (88,351,969) | (1,465,043) | (209,396) | (2,698,104) | (91,770,736) |
| | 7,894,485 | | 807,583 | 4,003,896 | 13,489,902 |
| | | | | | (612,688) |
| Net Position, Beginning | 231,950,811 | 27,451,816 | 28,055,057 | 14,016,974 | 973,175 |
| Net Position, Ending | \$239,845,296 | \$25,986,773 | \$28,862,640 | \$18,020,870 | \$360,487 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | | (67,395) |
| Change in net assets of Business-Type Activities | | | | | <u>\$13,422,507</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, 2014

| | Business-Type Activities Enterprise Funds | | | | | Governmental Activities Internal Service Funds |
|---|--|----------------------------------|--------------------|---------------------|------------------------------|---|
| | Sanitary Sewer System | Public Facilities Corporation | Landfill | Water Quality | Other Enterprise Funds | Total |
| Increase (Decrease) in Cash and Cash Equivalents: | | | | | | |
| Cash Flows from Operating Activities: | | | | | | |
| Receipts from Customers | \$47,593,542 | \$3,529,246 | \$6,656,747 | \$12,823,185 | \$8,735,376 | \$79,338,096 |
| Receipts from Employees and Other Sources | | | | | | \$0 |
| Payments to Suppliers | (15,104,610) | 2,839,659 | (5,294,024) | (4,684,139) | (5,077,494) | 27,970,275 |
| Payments to Employees | (9,237,412) | (2,911,991) | (658,114) | (3,760,327) | (3,403,226) | (8,344,207) |
| Payments for Interfund Services Used | (2,111,930) | | (112,994) | (648,089) | (164,969) | (2,440,095) |
| Payments for Claims | | | | | | (3,037,982) |
| | | | | | | (37,710,064) |
| Net Cash Provided by (Used in) Operating Activities | 21,139,590 | 3,456,914 | 591,615 | 3,730,630 | 89,687 | 29,008,436 |
| | | | | | | (20,524,091) |
| Cash Flows from Noncapital Financing Activities: | | | | | | |
| Transfers In | 88,369,088 | 1,054,641 | 9,396 | 2,698,058 | 511,000 | 92,642,183 |
| Transfers Out | (88,351,969) | | (209,396) | (2,698,104) | (511,000) | (91,770,469) |
| Net Cash Provided by (Used in) Noncapital Financing Activities | 17,119 | 1,054,641 | (200,000) | (46) | 0 | 871,714 |
| | | | | | | 0 |
| Cash Flows from Capital and Related Financing Activities: | | | | | | |
| Purchase of Capital Assets | (28,407,848) | (47,135) | (16,629) | (1,670,644) | (737,567) | (30,879,823) |
| Proceeds from Note Payable | 13,265,955 | | | 769,904 | | 14,035,859 |
| Principal Paid on Bonds | (3,505,220) | (2,130,000) | | (59,208) | | (5,694,428) |
| Interest and Fiscal Agent Fees Paid on Bonds | (2,348,241) | (2,334,416) | | (26,680) | | (4,709,337) |
| Net Cash Used in Capital and Related Financing Activities | (20,995,354) | (4,511,551) | (16,629) | (986,628) | (737,567) | (27,247,729) |
| | | | | | | 0 |
| Cash Flows from Investing Activities: | | | | | | |
| Purchase of Investments | | (30) | (2,791) | | (410) | (3,231) |
| Proceeds from Sales and Maturities of Investments | 22,603,774 | | | | | 22,603,774 |
| Income on Investments | 613,915 | 29 | 2,791 | 20,000 | 710 | 637,445 |
| Net Cash Flows Provided by Investing Activities | 23,217,689 | (1) | 0 | 20,000 | 300 | 23,237,988 |
| | | | | | | 0 |
| Net Increase (Decrease) | 23,379,044 | 3 | 374,986 | 2,763,956 | (647,580) | 25,870,409 |
| | | | | | | (20,524,091) |
| Cash at Beginning of Year | 7,951,711 | 1,598,938 | 4,725,961 | 8,939,690 | 4,026,716 | 27,243,016 |
| | | | | | | 24,868,187 |
| Cash at End of Year | \$31,330,755 | \$1,598,941 | \$5,100,947 | \$11,703,646 | \$3,379,136 | \$53,113,425 |
| | | | | | | \$4,344,096 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

| | Business-Type Activities | | | | | Governmental Activities |
|--|--------------------------|-------------------------------|-------------|---------------|------------------------|-------------------------|
| | Enterprise Funds | | | | | |
| | Sanitary Sewer System | Public Facilities Corporation | Landfill | Water Quality | Other Enterprise Funds | Total |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities: | | | | | | |
| Operating Income (Loss) | \$9,329,333 | (\$13,208) | \$1,004,792 | \$4,006,902 | \$2,446,771 | \$16,774,590 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities: | | | | | | |
| Depreciation | 8,047,827 | 4,278,149 | 848,828 | 101,290 | 104,400 | 13,380,494 |
| Allowance for Bad Debts | 2,475,289 | | 268,649 | 394,179 | | 3,138,117 |
| (Increase) Decrease in Assets: | | | | | | |
| Accounts Receivable | (2,531,482) | | (231,548) | (296,339) | | (3,059,369) |
| Other Receivables | (77,764) | (6,889) | 23,306 | | (744,574) | (805,921) |
| Inventories and Prepaid Expenses | (265,733) | | 9 | 2,059 | (27,375) | (291,040) |
| Due from Other Funds | | (820,914) | 98,520 | (576,985) | (1,558,302) | (2,857,681) |
| Developments in Progress | (342,213) | | | | | (342,213) |
| Increase (Decrease) in Liabilities: | | | | | | |
| Accounts Payable | 1,109,869 | 40,298 | (785,625) | 89,899 | (137,319) | 317,122 |
| Accrued Payroll | 36,875 | | (1,780) | 19,420 | 7,671 | 62,186 |
| Claims Payable | | | | | | |
| Due to Other Funds | 3,270,862 | | | (8,132) | (990) | 3,261,740 |
| Unearned Revenue | (2,444) | | (200,000) | | (691) | (203,135) |
| Other Liabilities | 33,170 | (20,522) | (435,251) | 2,501 | | (420,102) |
| Compensated Absences | 56,001 | | 1,715 | (4,164) | 96 | 53,648 |
| Total Adjustments | 11,810,257 | 3,470,122 | (413,177) | (276,272) | (2,357,084) | 12,233,846 |
| Net Cash Provided by (Used In) Operating Activities | \$21,139,590 | \$3,456,914 | \$591,615 | \$3,730,630 | \$89,687 | \$29,008,436 |
| | | | | | | (\$20,524,091) |

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2014

| | <u>Pension Trust Funds</u> | <u>Agency Funds</u> |
|--|--------------------------------|-------------------------|
| ASSETS | | |
| Cash and Cash Equivalents | \$12,090,958 | \$672,970 |
| Inventories and Prepaid Expenses | 36 | |
| Receivables: | | |
| Interest Receivable | 1,559,435 | |
| Investments, at Fair Value: | | |
| Debt Securities: | | |
| US Agencies | 38,601,548 | |
| US Government Obligations | 17,737,430 | |
| Municipal Obligations | 4,311,306 | |
| International Bonds | 14,511,546 | |
| Corporate Debt | 73,121,450 | |
| Repurchase Agreements | 39,838,438 | |
| Other Investments: | | |
| Equity Mutual Funds | 274,718,357 | |
| Equity Real Estate | 59,591,263 | |
| Equity Securities - Domestic | 104,668,875 | |
| Equity Securities - International | 68,911,611 | |
| Total Investments | <u>696,011,824</u> | <u>0</u> |
| Total Assets | <u><u>\$709,662,253</u></u> | <u><u>\$672,970</u></u> |
| LIABILITIES | | |
| Accounts Payable and Accrued Expenses | \$2,360 | \$0 |
| Securities Lending Transactions | 39,838,438 | |
| Due to Other Funds | 2,757,127 | |
| Payable to Others | | 672,970 |
| Total Liabilities | <u><u>\$42,597,925</u></u> | <u><u>\$672,970</u></u> |
| NET POSITION | | |
| Amounts Held in Trust for Pension Benefits | <u><u>\$667,064,328</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 POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2014

| | <u>Pension Trust Funds</u> |
|--|---------------------------------------|
| ADDITIONS | |
| Contributions: | |
| Employer | \$23,217,413 |
| Employer - Administration | 4,348,978 |
| Plan Members | 9,730,115 |
| Other | 124,281 |
| Total Contributions | <u>37,420,787</u> |
| Investment Income: | |
| Net Change in Fair Value of Investments | 93,993,717 |
| Interest | 6,656,709 |
| Dividends | 3,384,626 |
| Total Investment Income | <u>104,035,052</u> |
| Less Investment Expense | <u>3,358,171</u> |
| Net Investment Income | <u>100,676,881</u> |
| Income from Securities Lending Activities: | |
| Securities Lending Income | 47,229 |
| Securities Lending Expenses: | |
| Borrower Rebates | (62,599) |
| Management Fees | 43,903 |
| Total Securities Lending Expenses (Income) | <u>(18,696)</u> |
| Net Income on Securities Lending Activities | <u>65,925</u> |
| Total Additions | <u>138,163,593</u> |
| DEDUCTIONS | |
| Benefit Payments | 55,226,145 |
| Administrative Expense | 626,172 |
| Total Deductions | <u>55,852,317</u> |
| Net Increase | 82,311,276 |
| Net Position, Beginning | <u>584,753,052</u> |
| Net Position, Ending | <u><u>\$667,064,328</u></u> |

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
COMPONENT UNITS
June 30, 2014

| | Lexington Center Corporation* | Lexington Airport Board | Fayette County Department of Health | Parking Authority of Lexington | Nonmajor Component Units | Total |
|---|--|--|--|---|---|----------------------|
| ASSETS | | | | | | |
| Cash | \$660,042 | \$4,679,952 | \$4,492,998 | \$3,086,524 | \$16,203,332 | \$29,122,848 |
| Investments | | 4,635,922 | | | 6,313,569 | 10,949,491 |
| Receivables: | | | | | | |
| Accounts Receivable | 846,223 | 1,673,238 | 265,598 | | 323,990 | 3,109,049 |
| Other | | 13,352 | | 10,276 | 268,833 | 292,461 |
| Less Allowance for Uncollectible Accounts | (23,641) | | | | | (23,641) |
| Due from Primary Government | 285,628 | | | | 1,092,902 | 1,378,530 |
| Due from Other Governments | | | | | 4,353,094 | 4,353,094 |
| Other Current Assets | 291,634 | 428,822 | | | | 720,456 |
| Inventories and Prepaid Expenses | | | 23,713 | 529 | 476,960 | 501,202 |
| Restricted Current Assets: | | | | | | |
| Cash | | 8,796,279 | | | 1,116,077 | 9,912,356 |
| Accounts Receivable | | 431,456 | | | | 431,456 |
| Investments | 4,952,651 | 10,480,491 | | 724,214 | 510,616 | 16,667,972 |
| Other | | 54,956 | | | | 54,956 |
| Pension Assets | | | | | 826,307 | 826,307 |
| Restricted Non-Current Investments | 5,471,130 | | | | | 5,471,130 |
| Capital Assets: | | | | | | |
| Non-depreciable | 15,261,613 | 10,260,494 | 450,000 | 7,829,434 | 10,112,327 | 43,913,868 |
| Depreciable (Net) | 40,784,857 | 126,511,644 | 2,543,309 | 11,205,052 | 32,693,536 | 213,738,398 |
| Other Assets | 125,407 | | 2,494,078 | | 150,000 | 2,769,485 |
| Total Assets | \$68,655,544 | \$167,966,606 | \$10,269,696 | \$22,856,029 | \$74,441,543 | \$344,189,418 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Deferred amount on bond refunding | \$143,715 | \$0 | \$0 | \$0 | \$0 | \$143,715 |
| Total Deferred Outflows of Resources | \$143,715 | \$0 | \$0 | \$0 | \$0 | \$143,715 |
| LIABILITIES | | | | | | |
| Accounts, Contracts Payable and | | | | | | |
| Accrued Liabilities | \$824,862 | \$1,798,757 | \$1,666,257 | \$940,107 | \$2,381,132 | \$7,611,115 |
| Interest Payable | | | | | 20,997 | 20,997 |
| Due to Primary Government | | | | 571,363 | 387,992 | 959,355 |
| Unearned Revenue and Other | 204,563 | | 59,514 | 5,781 | 2,194 | 272,052 |
| Liabilities Payable from Restricted Assets: | | | | | | |
| Accounts Payable | | 208,573 | | | | 208,573 |
| Interest Payable | | 1,214,119 | | | | 1,214,119 |
| Non-Current Liabilities: | | | | | | |
| Due Within One Year | | | | | | |
| Compensated Absences | | | | 7,407 | 498,161 | 505,568 |
| Bonds and Notes Payable | 2,005,000 | 1,100,000 | 125,000 | 364,123 | 384,912 | 3,979,035 |
| Due in More Than One Year | | | | | | |
| Compensated Absences | | | 564,569 | 7,407 | 291,516 | 863,492 |
| Bonds and Notes Payable | 16,451,851 | 58,081,293 | 275,000 | 5,247,208 | 7,519,975 | 87,575,327 |
| Other | | 722,478 | | | | 722,478 |
| Total Liabilities | \$19,486,276 | \$63,125,220 | \$2,690,340 | \$7,143,396 | \$11,486,879 | \$103,932,111 |
| NET POSITION | | | | | | |
| Investment in Capital Assets, | | | | | | |
| Net of Related Debt | 37,733,334 | 77,427,123 | 2,593,309 | 13,423,155 | 35,050,976 | 166,227,897 |
| Restricted for: | | | | | | |
| Governmental and Program Funds | | | 16,894 | | 197,434 | 214,328 |
| Capital Projects | 51,608 | | | 48,587 | | 100,195 |
| Debt Service | 5,419,522 | 18,504,212 | | 448,519 | | 24,372,253 |
| Pension | | | | | 826,307 | 826,307 |
| Unrestricted | 6,108,519 | 8,910,051 | 4,969,153 | 1,792,372 | 26,879,947 | 48,660,042 |
| Total Net Position | \$49,312,983 | \$104,841,386 | \$7,579,356 | \$15,712,633 | \$62,954,664 | \$240,401,022 |

* Restated to conform to the Government's implementation of GASB 65

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, 2014

| | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Assets | | | | | | |
|--|------------------|----------------------|------------------------------------|--|-------------------------------|-------------------------|-------------------------------------|--------------------------------|--------------------------|----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Lexington Center Corporation* | Lexington Airport Board | Fayette County Department of Health | Parking Authority of Lexington | Nonmajor Component Units | Total |
| Lexington Center Corporation | | | | | | | | | | |
| Lexington Center Operations | \$15,079,198 | \$14,603,070 | \$748,000 | \$3,767,750 | \$4,039,622 | | | | | \$4,039,622 |
| Depreciation | 4,636,095 | | | | (4,636,095) | | | | | (4,636,095) |
| Interest on Long-Term Debt | 779,800 | | | | (779,800) | | | | | (779,800) |
| Total Lexington Center Corporation | 20,495,093 | 14,603,070 | 748,000 | 3,767,750 | | | | | | (1,376,273) |
| Lexington Airport Board | | | | | | | | | | |
| Airport Operations | 10,339,137 | 17,365,645 | | 2,467,049 | | \$9,493,557 | | | | 9,493,557 |
| Depreciation | 9,607,242 | | | | | (9,607,242) | | | | (9,607,242) |
| Interest on Long-Term Debt | 2,201,397 | | | | | (2,201,397) | | | | (2,201,397) |
| Total Lexington Airport Board | 22,147,776 | 17,365,645 | 0 | 2,467,049 | | | | | | (2,315,082) |
| Fayette County Department of Health | | | | | | | | | | |
| Department of Health Operations | 14,441,865 | 3,274,625 | 5,538,101 | | | | (\$5,629,139) | | | (5,629,139) |
| Depreciation | 343,956 | | | | | | (343,956) | | | (343,956) |
| Interest on Long-Term Debt | 47,184 | | | | | | (47,184) | | | (47,184) |
| Total Fayette County Department of Health | 14,833,005 | 3,274,625 | 5,538,101 | 0 | | | | | | (6,020,279) |
| Parking Authority of Lexington | | | | | | | | | | |
| Parking Operations | 2,403,869 | 3,559,984 | | 267,500 | | | | \$1,423,615 | | 1,423,615 |
| Depreciation | 517,610 | | | | | | | (517,610) | | (517,610) |
| Total Parking Authority of Lexington | 2,921,479 | 3,559,984 | 0 | 267,500 | | | | | | 906,005 |
| | 46,372,569 | 3,636,774 | 5,814,106 | 1,127,317 | | | | | (\$35,794,372) | (35,794,372) |
| Nonmajor Component Units | | | | | | | | | (\$35,794,372) | (\$35,794,372) |
| Total Component Units | \$106,769,922 | \$42,440,098 | \$12,100,207 | \$7,629,616 | (\$1,376,273) | (\$2,315,082) | (\$6,020,279) | \$906,005 | (\$35,794,372) | (\$44,600,001) |
| General Revenues: | | | | | | | | | | |
| Taxes | | | | | \$2,923,907 | \$0 | \$7,463,357 | \$0 | \$35,713,689 | \$46,100,953 |
| Payment from Lexington-Fayette Urban County Government | | | | | | | | | 348,000 | 348,000 |
| Income on Investments | | | | | 28,317 | 353,487 | 2,287 | 951 | 81,764 | 466,806 |
| Net Change in Fair Value of Investments | | | | | | 190,369 | | | | 190,369 |
| Gain (Loss) on Sale of Capital Assets | | | | | (8,285) | (1,655,528) | (719,227) | 40,015 | (7,324) | (2,350,349) |
| Issuance of Debt | | | | | | (86,360) | | | | (86,360) |
| Miscellaneous | | | | | | | | 12,301 | 23,255 | 35,556 |
| Total General Revenues | | | | | 2,943,939 | (1,198,032) | 6,746,417 | 53,267 | 36,159,384 | 44,704,975 |
| Change in Net Position | | | | | 1,567,666 | (3,513,114) | 726,138 | 959,272 | 365,012 | 104,974 |
| Net Position, Beginning | | | | | 47,602,411 | 108,354,500 | 6,851,750 | 14,753,361 | 62,589,652 | 240,151,674 |
| Adjustment to Opening Net Position (Note 2.D.) | | | | | 142,906 | | 1,468 | | | 144,374 |
| Net Position, Beginning-Restated | | | | | 47,745,317 | 108,354,500 | 6,853,218 | 14,753,361 | 62,589,652 | 240,296,048 |
| Net Position, Ending | | | | | \$49,312,983 | \$104,841,386 | \$7,579,356 | \$15,712,633 | \$62,954,664 | \$240,401,022 |

* Restated to conform to the Government's implementation of GASB 65

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
INDEX

| | | |
|----------|---|-----|
| NOTE 1. | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES | 54 |
| | A. Reporting Entity | 54 |
| | B. Related Organization | 56 |
| | C. Jointly Governed Organizations | 56 |
| | D. Basic Financial Statements | 57 |
| | E. Budgetary Control | 60 |
| | F. Assets, Liabilities and Fund Equity | 60 |
| | G. Net Position/Fund Balances | 63 |
| | H. Use of Estimates | 65 |
| | I. Revenues, Expenditures and Expenses | 65 |
| NOTE 2. | STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY | 65 |
| | A. Compliance With Finance Related Legal and Contractual Provisions | 65 |
| | B. Excess of Expenditures over Appropriations | 65 |
| | C. Fund Deficits | 66 |
| | D. Prior Period Adjustments | 66 |
| NOTE 3. | DETAIL NOTES ON ALL FUNDS | 66 |
| | A. Cash, Investments, and Securities Lending | 66 |
| | B. Capital Assets | 72 |
| | C. Interfund Receivables, Payables and Transfers | 74 |
| | D. Long-Term Debt | 75 |
| NOTE 4. | SELF-INSURANCE PROGRAM | 84 |
| | A. Health, Dental, and Vision Care | 84 |
| | B. Insurance and Risk Management | 84 |
| NOTE 5. | CONTINGENT LIABILITIES AND COMMITMENTS | 86 |
| | A. Litigation | 86 |
| | B. United States Environmental Protection Agency Consent Decree | 86 |
| | C. Federal and State Grants | 86 |
| | D. Lexington Center Corporation | 86 |
| | E. Lexington-Fayette Urban County Airport Corporation (Airport Corporation) | 87 |
| | F. Lexington Public Library | 87 |
| | G. Lexington Downtown Housing Fund, LLC | 88 |
| | H. Liens and Encumbrances | 88 |
| | I. Conduit Debt | 88 |
| | J. Encumbrances | 89 |
| NOTE 6. | THE SINGLE AUDIT ACT | 89 |
| NOTE 7. | SUBSEQUENT EVENTS | 89 |
| NOTE 8. | TRANSFER OF ASSETS | 90 |
| NOTE 9. | DEFINED BENEFIT PENSION PLANS AND OTHER POST EMPLOYMENT BENEFITS | 90 |
| | A. Plan Descriptions | 90 |
| | B. Summary of Significant Accounting Policies and Plan Asset Matters | 91 |
| | C. Contributions | 91 |
| | D. Supplemental Information | 92 |
| | E. Other Post Employment Benefit | 94 |
| | F. Pension Plan Financial Statements | 97 |
| | G. The County Employees' Retirement System | 99 |
| NOTE 10. | RECENT GASB PRONOUNCEMENTS | 100 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

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 accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for government accounting and financial reporting. 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 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; and whose total debt outstanding is expected to be repaid entirely, or almost entirely, with resources of 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, 2014

2. Discretely Presented Component Units – The agencies described below are included in the Government's reporting entity because the Government appoints the governing body or a financial benefit or burden relationship exists. Additionally, 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 board 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 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, 2014

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 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 \$39,000 to support the Ferry's operations in fiscal year 2014.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

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 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 Position, 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 Position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 fees (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, pension liabilities, and claims and judgements are 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

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 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 position of the internal service funds is allocated to Business-Type Activities and is reported as an adjustment on the Statement of Net Position 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 *Landfill Fund* accounts for the operations, closure, and postclosure care costs of the Government's landfill.

The *Water Quality Fund* accounts for the revenues and expenses of developing and operating storm water related activities.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

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:

Pension Trust Funds account for the revenues received, expenses incurred and the net position 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

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 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 2014. The net effect of these supplemental appropriations was an increase of \$5,669,962 in the General Fund and an increase of \$1,731,075 in the Urban Services Fund, which included re-appropriations of encumbrances from prior fiscal years and various waste management and street light re-appropriations to the following fiscal year 2015, 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 2014 were levied on August 29, 2013 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 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

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.

Interfund Transactions – 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, 2014, balances of interfund amounts receivable or payable have been recorded as “due to/from other funds”. These accounts are eliminated on the government-wide Statement of Net Position. Any residual balances outstanding between the Governmental Activities and Business-Type Activities are reported in the government-wide financial statements as “internal balances.”

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.

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, 2014 are recorded in assets as prepaid items under the consumption method.

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 position 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

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

| | |
|--|---------------------|
| Various purpose general obligation notes account | \$20,984,846 |
| Equipment general obligation notes account | 2,188 |
| Federal Grants and Contracts | 28,298 |
| Pension bonds | 901 |
| Total restricted assets | <u>\$21,016,233</u> |

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

| | |
|--|---------------------|
| Sanitary sewer system maintenance and operations account | \$7,305,945 |
| Sanitary sewer revenue bond sinking fund account | 4,916,590 |
| Sanitary sewer capital replacement account | 2,174,000 |
| Sanitary sewer debt service reserve account | 4,916,590 |
| Total restricted assets | <u>\$19,313,125</u> |

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, infrastructure 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 | 10-40 years |
| Land and leasehold improvements | 10-50 years |
| Infrastructure | 10-50 years |
| Sanitary sewer system lines and plants | 50 years |
| Vehicles, equipment, and furniture | 5-25 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. For more information on the EAMP plan, please see page 59. Land, purchase of development rights and permanent easements are not depreciated.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

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 Position. The discounts and premiums related to bonds and notes issued are 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 expensed when incurred.

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.

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.

Long-term liabilities include the following:

- Compensated absences, which is the accrual for vacation time earned but not taken by employees.
- 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 cost to perform certain maintenance and monitoring functions for thirty years after closure.
- Unearned revenue and other liabilities, which is the cash received in advance of being earned, and other long term liabilities.
- Unfunded pension liability, which is the net retirement obligation for the Policemen's and Firefighters' Retirement Fund.

G. Net Position/Fund Balances

The government-wide and proprietary financial statements utilize a net position presentation. Net position is categorized as follows:

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

Restricted Net Position – 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

Unrestricted Net Position – This category represents amounts 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, 2014.

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, urban services and energy improvement as of June 30, 2014.

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 has committed funds for general government and economic stabilization as of June 30, 2014.

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.
- Budget a deposit of \$50,000 per month, for 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.
- Examine the General Fund Unassigned Fund Balance on an annual basis, following the annual audit report, 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.

The Economic Contingency Fund balance may only be used for 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.

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 Urban County Council or by the Commissioner of Finance under the authorization of the Mayor. The Government has assigned funds for general government and capital projects as of June 30, 2014.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

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

Emergency medical service fees are billed and collected by Software 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 and landfill user fees, together with the water quality management fees, are billed and collected by Greater Cincinnati Water Works (GCWW), the third party vendor hired September 2012 to replace Kentucky American Water Company (KAWC). Cash collected by GCWW is remitted to the Government daily. All revenues (net of an allowance for doubtful accounts) billed by GCWW are recorded by the Government.

Unearned revenue in the government-wide and proprietary funds Statement of Net Position and the governmental funds Balance Sheet result from resources that the Government has received before it has a legal claim to it, such as when grant money is received prior to incurring eligible expenditures. In a subsequent period, when revenue is earned, the liability is removed and revenue recognized.

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, 2014:

| | Excess Expenditures |
|------------------------------------|------------------------|
| General Fund: | |
| Board of Elections | \$16,918 |
| Chief Development Officer | 31,744 |
| Division of Environmental Policy | 153,870 |
| Engineering | 61,687 |
| Environmental Commission | 928 |
| Fire & Emergency Services | 2,785,623 |
| Grants & Special Projects Agencies | 1,385 |
| Internal Audit Office | 7,429 |
| Police | 399,245 |
| Social Service Agencies | 38,454 |
| Streets & Roads | 62,396 |
| Urban Services Fund: | |
| Fleet and Facilities Management | 7,558 |
| Law | \$974 |

Excess expenditures over appropriations were funded by available fund balances.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

C. Fund Deficits

There were no fund deficits to report at June 30, 2014.

D. Prior Period Adjustments

Primary Government

Capital assets for Governmental Activities on the government-wide Statement of Net Position were decreased by \$541,157 in fiscal year 2014 for property retirements in the prior fiscal year.

Component Units

In fiscal year 2014, the Lexington Center Corporation net position was increased \$142,906 to reflect a correction in the Government's early implementation of GASB 65 in the prior fiscal year. The amount represents the fiscal year 2013 ending balance related to prepaid insurances costs. Prepaid insurance costs are reported in other assets and are being amortized as an expense on a straight-line basis over the life of the bonds. During fiscal year 2014 amortization expense totaled \$17,499. The ending balance of unamortized prepaid insurance at June 30, 2014 was \$125,407.

The Board of Health's net position was increased by \$1,468 to recognize grant activity revenues from the prior fiscal year.

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. Cash, Investments and Securities Lending

Primary Government

The Government's bank balances at June 30, 2014 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 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

- 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.

In addition, the Pension Trust Funds are allowed to invest in equity securities, corporate bonds and international stocks listed as American Depository Receipts (ADR). Investments of the Government as of June 30, 2014 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 | \$146,840,587 | \$146,840,587 | \$0 | \$0 | \$0 |
| Certificates of Deposit | 9,192,371 | 526,779 | 2,599,178 | 4,923,472 | 1,142,942 |
| U.S. Government Agency Obligations | 25,524,664 | | 4,901,650 | 8,167,190 | 12,455,824 |
| Repurchase Agreements | 5,688,332 | 5,688,332 | | | |
| Total Investments | <u>\$187,245,954</u> | <u>\$153,055,698</u> | <u>\$7,500,828</u> | <u>\$13,090,662</u> | <u>\$13,598,766</u> |

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.

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 Employees’ 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 CEPF has been closed since 1983.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

Investments of the PFRF as of June 30, 2014 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 | \$32,750,564 | \$750,540 | \$1,609,097 | \$4,072,616 | \$26,318,311 |
| US Government Obligations | 14,796,803 | 819,593 | 4,457,719 | 3,213,999 | 6,305,492 |
| Municipal Obligations | 4,311,306 | 977,210 | 1,250,547 | 1,121,189 | 962,360 |
| International Bonds | 13,693,994 | 670,938 | 8,013,745 | 3,845,276 | 1,164,035 |
| Corporate Debt | 69,922,741 | 907,487 | 31,047,993 | 31,004,190 | 6,963,071 |
| Repurchase Agreements | 39,838,438 | 39,838,438 | | | |
| | <u>175,313,846</u> | <u>\$43,964,206</u> | <u>\$46,379,101</u> | <u>\$43,257,270</u> | <u>\$41,713,269</u> |
| Other Investments | | | | | |
| Equity Mutual Funds | 274,718,357 | | | | |
| Equity Real Estate | 59,591,263 | | | | |
| Equity Securities - Domestic | 88,727,409 | | | | |
| Equity Securities - International | 67,571,888 | | | | |
| | <u>\$665,922,763</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> |
|-------------------------------|--------------------------|
| Passive Large Cap Core | 10% |
| Active Large Cap Growth | 7.5% |
| Active Large Cap Value | 7.5% |
| Small Cap Equity | 15% |
| International Growth Equities | 9.25% |
| International Value Equities | 9.25% |
| Emerging Markets | 4.5% |
| Total Equities | <u>63.0%</u> |
| US Core Fixed Income | 15.5% |
| US High Yield Fixed Income | 7.5% |
| Total Fixed Income | <u>23.0%</u> |
| Real Estate | 9.0% |
| Real Return | <u>5.0%</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 15% of US Small Cap Value, 7.5% of US Large Cap Growth, 7.5% of US Large Cap Value and 10% of Passive Large Cap Core portfolio's current market value may be invested

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

in ADR's. The US Core Fixed Income manager's debt securities must have a minimum quality rating of Baa/BBB or above, while the overall portfolio weighted average credit quality rating must not fall below AA- or equivalent. 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 must not fall below Baa3, BBB-, A2 or P2.

| Debt Securities by Investment Type | | | | | | | |
|------------------------------------|---------------------|------------------------------|--------------------------|------------------------|---------------------|----------------------|-------------|
| | US Agencies | US Government Obligations | Municipal Obligations | International Bonds | Corporate Debt | Total | % |
| Quality Ratings: | | | | | | | |
| AAA | \$0 | \$0 | \$1,694,279 | \$508,694 | \$4,046,042 | \$6,249,015 | 5% |
| AA | 7,093,670 | 9,122,712 | 1,397,430 | 2,911,137 | 3,852,786 | 24,377,735 | 18% |
| A | | | 599,084 | 1,081,849 | 12,897,499 | 14,578,432 | 11% |
| BBB | | | | 1,754,422 | 10,791,370 | 12,545,792 | 9% |
| BB | | | | 3,144,725 | 15,800,632 | 18,945,357 | 14% |
| B | | | | 3,381,488 | 17,893,843 | 21,275,331 | 16% |
| CCC | | | | 216,775 | 2,316,749 | 2,533,524 | 2% |
| NR | 25,656,894 | 5,674,091 | 620,513 | 694,904 | 2,323,820 | 34,970,222 | 26% |
| | <u>\$32,750,564</u> | <u>\$14,796,803</u> | <u>\$4,311,306</u> | <u>\$13,693,994</u> | <u>\$69,922,741</u> | <u>\$135,475,408</u> | <u>100%</u> |

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 Core 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 PFRF 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 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

As of June 30, 2014, the securities loaned in the portfolio did not have credit risk, and the fair value of securities on loan is \$39,838,438. Investments of the CEPF as of June 30, 2014 are summarized and categorized in the following table:

City Employees Pension 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 | \$5,850,984 | \$105 | \$668,810 | \$1,117,428 | \$4,064,641 |
| US Government Obligations | 2,940,627 | | 1,493,114 | 572,180 | 875,333 |
| International Bonds | 817,552 | | 332,192 | 297,882 | 187,478 |
| Corporate Debt | 3,198,709 | 15,105 | 1,550,663 | 718,416 | 914,525 |
| | <u>12,807,872</u> | <u>\$15,210</u> | <u>\$4,044,779</u> | <u>\$2,705,906</u> | <u>\$6,041,977</u> |
| Other Investments: | | | | | |
| Equity Securities - Domestic | 15,941,466 | | | | |
| Equity Securities - International | <u>1,339,723</u> | | | | |
| | <u>\$30,089,061</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 Core 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 and below.

Debt Securities by Investment Type

| | <u>US</u> | | <u>International</u> | <u>Corporate</u> | <u>Total</u> | <u>%</u> |
|------------------|--------------------|--------------------|----------------------|--------------------|---------------------|-------------|
| | <u>US Agencies</u> | <u>Government</u> | <u>Bonds</u> | <u>Debt</u> | | |
| Quality Ratings: | | | | | | |
| AAA | \$76,692 | \$0 | \$0 | \$0 | \$76,692 | 1% |
| AA | 3,212,845 | | 817,552 | 867,834 | 4,898,231 | 38% |
| A | | | | 2,276,678 | 2,276,678 | 18% |
| BBB | 2,561,447 | 2,940,627 | | | 5,502,074 | 43% |
| NR | | | | 54,197 | 54,197 | < 1% |
| | <u>\$5,850,984</u> | <u>\$2,940,627</u> | <u>\$817,552</u> | <u>\$3,198,709</u> | <u>\$12,807,872</u> | <u>100%</u> |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

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:

| | <u>Reported Amount/ Fair Value</u> |
|--|--|
| U.S. Government and Government | |
| Agency Obligations | \$18,276,840 |
| Investments not subject to categorization: | |
| Certificates of Deposit | 11,776,836 |
| Money Market Funds | <u>3,034,917</u> |
| Total Investments | <u>\$33,088,593</u> |

As of June 30, 2014, LCC had \$711,467 and \$0 in deposits and investments, respectively that were uninsured and uncollateralized.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

B. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

| | Primary Government | | |
|---|----------------------|---------------------|----------------------|
| | Beginning Balance | Increases | Decreases |
| Governmental Activities: | | | |
| Non-Depreciable Assets: | | | |
| Land * | \$58,813,098 | \$0 | \$0 |
| Purchase of Development Rights | 72,187,476 | 3,272,544 | |
| Intangibles | 3,104,387 | | |
| Construction in Progress | 21,307,552 | 21,731,184 | (6,009,846) |
| Developments in Progress | 20,502,413 | 1,264,186 | (56) |
| Depreciable Assets: | | | |
| Buildings | 145,931,792 | 1,007,590 | (210,679) |
| Intangibles | 8,333,157 | 534,055 | |
| Vehicles, Equipment and Furniture | 101,981,831 | 9,048,218 | (2,208,554) |
| Land and Leasehold Improvements | 26,347,309 | 3,912,827 | |
| Infrastructure | 1,005,101,284 | 664,892 | |
| Sewer Lines | 8,084,452 | | |
| Totals at Historical Cost | 1,471,694,751 | 41,435,496 | (8,429,135) |
| Less Accumulated Depreciation For: | | | |
| Buildings | (49,446,651) | (4,369,885) | 45,966 |
| Intangibles | (6,462,696) | (982,045) | |
| Vehicles, Equipment and Furniture | (74,196,687) | (6,934,700) | 2,163,239 |
| Land and Leasehold Improvements | (15,599,261) | (1,849,282) | |
| Infrastructure | (282,713,807) | (32,778,307) | |
| Sewer Lines | (459,591) | (160,839) | |
| Total Accumulated Depreciation | (428,878,693) | (47,075,058) | 2,209,205 |
| Governmental Activities Capital Assets, Net | 1,042,816,058 | (5,639,562) | (6,219,930) |
| Business-Type Activities: | | | |
| Non-Depreciable Assets: | | | |
| Land | 41,525,286 | 17,355 | |
| Construction in Progress | 14,562,078 | 26,725,583 | (1,079,816) |
| Developments in Progress | 7,699,957 | 342,399 | (186) |
| Intangibles | 144,094 | 311,732 | |
| Depreciable Assets: | | | |
| Buildings | 120,843,771 | | |
| Intangibles | 3,088,807 | 273,914 | |
| Vehicles, Equipment and Furniture | 16,899,913 | 3,671,953 | (217,561) |
| Land and Leasehold Improvements | 47,829,535 | 3,128 | |
| Infrastructure | 8,150,332 | 4,201 | |
| Sewer Lines | 173,826,290 | 951,770 | |
| Sewer Plants | 163,269,363 | | |
| Totals at Historical Cost | 597,839,426 | 32,302,035 | (1,297,563) |
| Less Accumulated Depreciation For: | | | |
| Buildings | (72,276,126) | (4,194,295) | |
| Intangibles | (2,349,754) | (240,348) | |
| Vehicles, Equipment and Furniture | (11,267,469) | (1,202,616) | 217,295 |
| Land and Leasehold Improvements | (36,269,773) | (1,145,739) | |
| Infrastructure | (569,185) | (158,645) | |
| Sewer Lines | (59,740,281) | (3,371,771) | |
| Sewer Plants | (87,046,027) | (3,067,080) | |
| Total Accumulated Depreciation | (269,518,615) | (13,380,494) | 217,295 |
| Business-Type Activities Capital Assets, Net | \$328,320,811 | \$18,921,541 | (\$1,080,268) |

* Restated beginning balance due to prior period adjustment

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

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

Governmental Activities:

| | |
|---|---------------------|
| General Government | \$638,446 |
| CIO | 312,292 |
| Administrative Services | 741,691 |
| Finance | 389,736 |
| Public Safety | 331,331 |
| Environmental Quality & Public Works | 4,841,331 |
| Police | 731,317 |
| Fire and Emergency Services | 1,412,353 |
| Law | 1,958 |
| Community Corrections | 1,616,467 |
| Social Services | 243,164 |
| General Services | 2,998,250 |
| Parks and Recreation | 1,009,551 |
| Planning, Preservation & Development | 31,807,171 |
| Total depreciation expense - Governmental Activities | \$47,075,058 |

Business-Type Activities:

| | |
|--|---------------------|
| Sanitary Sewer System | \$8,047,827 |
| Public Facilities Corporation | 4,278,149 |
| Public Parking Corporation | 66,994 |
| Landfill | 848,828 |
| Right of Way | 7,358 |
| Extended School Program | 5,912 |
| Prisoners' Account System | 1,200 |
| Enhanced 911 | 22,936 |
| Water Quality | 101,290 |
| Total depreciation expense - Business-Type Activities | \$13,380,494 |

| | Discretely Presented Component Units | | | |
|--------------------------------------|---|---------------------|----------------------|---------------------------|
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Non-Depreciable Assets: | | | | |
| Land | \$30,491,165 | \$2,155,671 | \$0 | \$32,646,836 |
| Construction in Progress | 2,998,935 | 8,726,144 | (4,421,314) | 7,303,765 |
| Other | 1,208,874 | 4,147,685 | (1,393,292) | 3,963,267 |
| Depreciable Assets: | | | | |
| Buildings and Improvements * | 323,131,518 | 3,953,453 | (5,941,982) | 321,142,989 |
| Vehicles, Equipment and Furniture * | 58,442,701 | 4,835,095 | (3,433,522) | 59,844,274 |
| Land and Leasehold Improvements | 66,373,187 | 283,335 | (43,276) | 66,613,246 |
| Intangibles | 60,455 | | | 60,455 |
| Totals at Historical Cost | 482,706,835 | 24,101,383 | (15,233,386) | 491,574,832 |
| Less Accumulated Depreciation | (221,102,897) | (19,286,989) | 6,467,317 | (233,922,569) |
| Component Unit Activities | | | | |
| Capital Assets, Net | \$261,603,938 | \$4,814,394 | (\$8,766,069) | \$257,652,263 |

* Beginning balances restated.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

Construction Commitments

The Government has active construction projects as of June 30, 2014. The projects include improvements to major roadways, government buildings, sanitary sewer and stormwater systems. At June 30, 2014, the Government had the following commitments on construction contracts:

| Project | Commitment |
|----------------------------------|---------------------|
| Buildings | \$379,992 |
| Capital Repairs and Maintenance | 2,444,879 |
| Land Improvements | 2,230,911 |
| Sanitary Sewer Collection System | 7,807,394 |
| Sanitary Sewer Treatment System | 4,733,878 |
| Storm Drainage | 1,158,295 |
| Street Resurfacing Maintenance | 4,808,611 |
| Streets and Roadways | 6,134,560 |
| Traffic Control and Markings | 583,663 |
| | <u>\$30,282,183</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 pooling the Government's funds, interfund balances exist as of June 30, 2014. In addition, Federal and State Grants revenues are based on reimbursable expenditures.

The composition of interfund balances as of June 30, 2014, is as follows:

| Fund Description | Due from (to) General Fund |
|----------------------------------|-------------------------------|
| Sanitary Sewer System | (\$4,863,484) |
| Public Facilities Corporation | 1,104,153 |
| Water Quality | 576,985 |
| Landfill | 8,819 |
| Other Enterprise Funds | <u>3,235,653</u> |
| Total due from Proprietary Funds | 62,126 |
| Urban Service | 2,180,879 |
| Federal and State Grants | (2,238,870) |
| Other Governmental Funds | (129,792) |
| Internal Service Funds | <u>24,928,984</u> |
| Total due from General Fund | <u>\$24,803,327</u> |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

| Receivable Entity | Payable Entity | Amount |
|--|---|--------------------|
| Primary government - General fund | Component unit - Downtown Development Authority | \$387,992 |
| Primary government - General fund | Component unit - Parking Authority | 571,363 |
| Total | | <u>959,355</u> |
| Component unit - Lexington Convention and Visitor's Bureau | Primary government - General fund | 1,092,902 |
| Component unit - Lexington Center Corporation | Primary government - General fund | 285,628 |
| Total | | <u>\$1,378,530</u> |

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 | \$2,529,220 | \$1,241,015 | (\$2,083,204) | \$1,687,031 | \$854,641 | \$0 | \$854,641 |
| Urban Services | (2,529,220) | | 28,125 | | (2,501,095) | | | |
| Fed St Grants | (1,241,015) | (28,125) | | (2,129,620) | (3,398,760) | (17,166) | | (17,166) |
| Non-Major Governmental | 2,083,204 | | 2,129,620 | | 4,212,824 | 34,239 | (267) | 33,972 |
| Major Proprietary | (854,641) | | 46 | | (854,595) | | | |
| Grand Total | <u>(\$2,541,672)</u> | <u>\$2,501,095</u> | <u>\$3,398,806</u> | <u>(\$4,212,824)</u> | <u>(\$854,595)</u> | <u>\$871,714</u> | <u>(\$267)</u> | <u>\$871,447</u> |

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 Position.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

Primary Government

Bonds payable, notes payable, compensated absences, landfill closure and postclosure care costs, and unfunded pension liabilities at June 30, 2014 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 2004C | Multi-Purpose Project | 9,640,000 | 2.50% - 4.75% | 1-Jul-2024 | 455,000 | 455,000 |
| General Obligation, Series 2005C | PDR /Building Renovation | 4,490,000 | 3.00% - 4.20% | 1-Jun-2025 | 315,000 | 315,000 |
| General Obligation, Series 2006B | Blvd/Stormwater/Fire Station/Cars | 10,310,000 | 4.00% - 4.50% | 1-Jun-2026 | 1,540,000 | 755,000 |
| General Obligation, Series 2006C | Purchase of Development Rights | 2,055,000 | 3.50% - 4.20% | 1-Nov-2026 | 1,505,000 | 90,000 |
| General Obligation, Series 2006D | Refunding | 56,850,000 | 4.00% - 4.25% | 1-May-2024 | 39,955,000 | 3,590,000 |
| General Obligation, Series 2009A | PDR /Building Renovation/CIP | 24,830,000 | 2.25% - 5.00% | 1-Feb-2029 | 17,685,000 | 1,535,000 |
| Pension Obligation, Series 2009B | Police/Fire Pension Fund | 70,610,000 | 3.50% - 6.00% | 1-Apr-2029 | 58,010,000 | 2,685,000 |
| General Obligation, Series 2010B | Refunding of 1999B and 2000A | 7,735,000 | 1.00% - 3.00% | 1-Sep-2019 | 4,795,000 | 760,000 |
| General Obligation, Series 2010C | Refunding of 2000E | 6,635,000 | 1.00% - 3.00% | 1-Dec-2020 | 4,335,000 | 575,000 |
| Pension Obligation, Series 2010D | Police/Fire Pension Fund | 35,825,000 | .95% - 5.45% | 1-Jun-2030 | 30,710,000 | 1,370,000 |
| General Obligation, Series 2010F | CIP projects | 6,305,000 | 1.00% - 2.90% | 1-Dec-2016 | 3,725,000 | 1,290,000 |
| 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 | 3,885,000 | 445,000 |
| Pension Obligation, Series 2012A | Police/Fire Pension Fund | 31,000,000 | 2.50% - 4.00% | 1-Oct-2032 | 29,830,000 | 1,200,000 |
| General Obligation, Series 2012B | Refunding of 2002C and 2004C | 6,275,000 | 2.00% - 4.00% | 1-Jul-2024 | 6,255,000 | 25,000 |
| General Obligation, Series 2012C | CIP projects | 3,455,000 | 1.50% - 3.00% | 1-Jul-2017 | 2,925,000 | 710,000 |
| General Obligation, Series 2013A | Road Resurfacing | 11,275,000 | 2.00% - 5.00% | 1-Oct-2023 | 10,430,000 | 865,000 |
| General Obligation, Series 2013B | Refunding of 2004, 2005C, 2006B | \$6,005,000 | 2.00% - 4.00% | 1-Jul-2025 | 5,920,000 | 40,000 |
| General Obligation, Series 2013C | CIP projects | \$17,035,000 | 3.00% - 4.00% | 1-Oct-2033 | 17,035,000 | 595,000 |
| General Obligation, Series 2014A | Refunding of 2010A | \$55,925,000 | 3.00% - 5.00% | 1-Sep-2030 | 55,925,000 | 3,550,000 |
| Premiums, Discounts, and Unamortized Amounts on Bond Obligations | | | | | 5,855,731 | |
| Total Bonds, Notes and Loans Payable | | | | | 310,040,731 | 20,850,000 |
| Other Liabilities: | | | | | | |
| Compensated Absences | | | | | 23,046,726 | 3,392,876 |
| Unfunded Other Post Employment Benefit Liability | | | | | 74,166,338 | |
| Unfunded Pension Liability | | | | | 1,395,888 | |
| Total Other Liabilities | | | | | 98,608,952 | 3,392,876 |
| Total Governmental Activities | | | | | \$408,649,683 | \$24,242,876 |
| Business-Type Activities | | | | | | |
| Bonds, Notes and Loans: | | | | | | |
| Sanitary Sewer, Series 2009A | Sewer Rehabilitation | \$35,960,000 | 1.75% - 5.875% | 1-Jul-2030 | \$31,740,000 | \$1,460,000 |
| Sanitary Sewer, Series 2010A | Refunding | 13,860,000 | 2.25% - 3.75% | 30-Jun-2021 | 11,740,000 | 1,515,000 |
| Public Facilities, Series 2006 | Refunding | 66,725,000 | 3.88% - 4.25% | 1-Oct-2031 | 55,840,000 | 2,215,000 |
| Radcliffe road A209-09 | SRF Loan | 113,523 | 2.00% | 1-Jun-2030 | 94,693 | 5,076 |
| KIA Streetscape A209-8 | SRF Loan | 1,254,980 | 2.00% | 1-Dec-2030 | 1,069,799 | 55,322 |
| So. Elkhorn A09-01 | SRF Loan | \$14,045,119 | 2.00% | 1-Dec-2031 | 12,584,807 | 607,184 |
| Wolf Run A10-08 | SRF Loan | \$7,972,209 | 2.00% | | 7,972,209 | |
| A13-002 Bob-O-Link | SRF Loan | \$1,070,057 | 2.00% | | 1,070,057 | |
| A13-003 East Lake | SRF Loan | \$536,778 | 2.00% | | 536,778 | |
| A13-003 Century Hills | SRF Loan | \$522,274 | 2.00% | | 522,274 | |
| A13-18 E2A | SRF Loan | \$3,164,637 | 2.00% | | 3,164,637 | |
| A13-007 AW PH3 | SRF Loan | \$352,623 | 2.00% | | 352,623 | |
| A13-007 IDLHR N | SRF Loan | \$417,280 | 2.00% | | 417,280 | |
| Premiums, Discounts, and Unamortized Amounts on Bond Obligations | | | | | (3,856,350) | |
| Total Bonds, Notes and Loans Payable | | | | | 123,248,807 | 5,857,582 |
| Other Liabilities: | | | | | | |
| Compensated Absences | | | | | 1,367,604 | 433,472 |
| Landfill Closure & Postclosure Care Costs | | | | | 13,153,961 | 436,159 |
| Total Other Liabilities | | | | | 14,521,565 | 869,631 |
| Total Business-Type Activities | | | | | \$137,770,372 | \$6,727,213 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2014, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|---------------------|-----------------------|----------------------|------------------------|
| Governmental Activities | | | | | |
| Bonds, Notes, Loans, and Leases: | | | | | |
| General and Pension Obligation Bonds | \$313,620,000 | \$72,960,000 | (\$82,395,000) | \$304,185,000 | \$20,850,000 |
| Net of Bond Premiums, Discounts and Unamortized Amounts on Refundings | 921,343 | 5,065,711 | (131,323) | 5,855,731 | |
| Total Bonds, Notes, and Loans Payable | <u>314,541,343</u> | <u>78,025,711</u> | <u>(82,526,323)</u> | <u>310,040,731</u> | <u>20,850,000</u> |
| Other Liabilities: | | | | | |
| Compensated Absences | 20,156,541 | 4,295,779 | (1,405,594) | 23,046,726 | 3,392,876 |
| Unfunded Other Post Employment Benefit Liability | 64,980,406 | 9,185,932 | | 74,166,338 | |
| Unfunded Pension Liability | 1,453,739 | | (57,851) | 1,395,888 | |
| Total Governmental Activities Long-Term Liabilities | <u>\$401,132,029</u> | <u>\$91,507,422</u> | <u>(\$83,989,768)</u> | <u>\$408,649,683</u> | <u>\$24,242,876</u> |
| Business-Type Activities | | | | | |
| Bonds, Notes and Loans: | | | | | |
| Revenue Bonds | \$46,390,000 | \$0 | (\$2,910,000) | \$43,480,000 | \$2,975,000 |
| Mortgage Revenue Bonds | 57,970,000 | | (2,130,000) | 55,840,000 | 2,215,000 |
| Notes and Loans | 14,403,727 | 14,035,858 | (654,428) | 27,785,157 | 667,582 |
| Bonds, Notes, and Loans Payable | 118,763,727 | 14,035,858 | (5,694,428) | 127,105,157 | 5,857,582 |
| Net of Bond Premiums, Discounts and Unamortized Amounts on Refundings | (4,128,850) | | 272,500 | (3,856,350) | |
| Total Bonds, Notes, and Loans Payable | <u>114,634,877</u> | <u>14,035,858</u> | <u>(5,421,928)</u> | <u>123,248,807</u> | <u>5,857,582</u> |
| Other Liabilities: | | | | | |
| Compensated Absences | 1,313,956 | 63,700 | (10,052) | 1,367,604 | 433,472 |
| Landfill Closure and Postclosure Care Costs | 13,589,212 | | (435,251) | 13,153,961 | 436,159 |
| Total Business-Type Activities Long-Term Liabilities | <u>\$129,538,045</u> | <u>\$14,099,558</u> | <u>(\$5,867,231)</u> | <u>\$137,770,372</u> | <u>\$6,727,213</u> |

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, 2014

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

| | Governmental Activities | | Business-Type Activities | | | | | |
|---|--|----------------------|-----------------------------------|---------------------|------------------------|---------------------|--------------------------|----------------------|
| | General Obligation Bonds, Notes and Loans | | Revenue Bonds, Notes and Loans | | Mortgage Revenue Bonds | | Total Primary Government | |
| Fiscal Year | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal |
| 2015 | \$12,521,153 | \$20,850,000 | \$2,474,641 | \$3,642,582 | \$2,269,369 | \$2,215,000 | \$17,265,163 | \$26,707,582 |
| 2016 | 12,080,531 | 21,320,000 | 2,365,354 | 4,308,660 | 2,178,869 | 2,310,000 | 16,624,754 | 27,938,660 |
| 2017 | 11,199,493 | 19,860,000 | 2,228,978 | 4,428,902 | 2,084,569 | 2,405,000 | 15,513,041 | 26,693,902 |
| 2018 | 10,471,416 | 20,490,000 | 2,080,749 | 4,554,648 | 1,986,469 | 2,500,000 | 14,538,634 | 27,544,648 |
| 2019 | 9,675,488 | 20,475,000 | 1,926,054 | 4,686,012 | 1,884,369 | 2,605,000 | 13,485,911 | 27,766,012 |
| 2020 - 2024 | 35,533,721 | 100,520,000 | 7,336,326 | 19,617,493 | 7,721,840 | 14,710,000 | 50,591,887 | 134,847,493 |
| 2025 - 2029 | 15,184,211 | 76,215,000 | 4,037,850 | 18,272,578 | 4,322,619 | 18,105,000 | 23,544,680 | 112,592,578 |
| 2030 - 2035 | 1,703,315 | 24,455,000 | 688,104 | 11,754,282 | 713,787 | 10,990,000 | 3,105,206 | 47,199,282 |
| Total | <u>\$108,369,328</u> | <u>304,185,000</u> | <u>\$23,138,057</u> | <u>71,265,157</u> | <u>\$23,161,891</u> | <u>55,840,000</u> | <u>\$154,669,275</u> | <u>431,290,157</u> |
| Less principal payable within one year | | <u>20,850,000</u> | | <u>3,642,582</u> | | <u>2,215,000</u> | | <u>26,707,582</u> |
| Long term principal due after one year | | <u>\$283,335,000</u> | | <u>\$67,622,575</u> | | <u>\$53,625,000</u> | | <u>\$404,582,575</u> |

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:

| | Principal | | | | | |
|--|---------------------------------|----------------------------|--------------------------------------|--------------------------------------|--------------------------------|---------------------|
| | Lexington Center Corporation | Lexington Airport Board | Fayette County Board of Health | Parking Authority of Lexington | Nonmajor Component Units | Total |
| Fiscal Year | | | | | | |
| 2015 | \$2,005,000 | \$1,100,000 | \$125,000 | \$364,123 | \$384,912 | \$3,979,035 |
| 2016 | 2,075,000 | 1,700,000 | 130,000 | 369,807 | 448,470 | 4,723,277 |
| 2017 | 2,160,000 | 2,000,000 | 145,000 | 375,580 | 415,181 | 5,095,761 |
| 2018 | 2,245,000 | 2,100,000 | | 4,501,821 | 440,018 | 9,286,839 |
| 2019 | 2,340,000 | 2,200,000 | | | 518,462 | 5,058,462 |
| 2020-2024 | 7,610,000 | 12,115,000 | | | 2,617,443 | 22,342,443 |
| 2025-2029 | | 13,390,000 | | | 2,315,464 | 15,705,464 |
| 2030-2034 | | 16,055,000 | | | 764,937 | 16,819,937 |
| 2035-2039 | | 4,620,000 | | | | 4,620,000 |
| Total | <u>18,435,000</u> | <u>55,280,000</u> | <u>400,000</u> | <u>5,611,331</u> | <u>7,904,887</u> | <u>87,631,218</u> |
| Less payable within one year | <u>2,005,000</u> | <u>1,100,000</u> | <u>125,000</u> | <u>364,123</u> | <u>384,912</u> | <u>3,979,035</u> |
| Less refinancing loss/premium- discount | <u>(21,851)</u> | <u>(3,901,293)</u> | | | | <u>(3,923,144)</u> |
| Long term principal due after one year | <u>\$16,451,851</u> | <u>\$58,081,293</u> | <u>\$275,000</u> | <u>\$5,247,208</u> | <u>\$7,519,975</u> | <u>\$87,575,327</u> |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

| Fiscal Year | Interest | | | | | Total |
|-------------|------------------------------|-------------------------|--------------------------------|--------------------------------|--------------------------|---------------------|
| | Lexington Center Corporation | Lexington Airport Board | Fayette County Board of Health | Parking Authority of Lexington | Nonmajor Component Units | |
| 2015 | \$677,372 | \$2,373,008 | \$13,480 | \$84,396 | \$349,444 | \$3,497,700 |
| 2016 | 601,468 | 2,322,134 | 7,599 | 78,712 | 293,484 | 3,303,397 |
| 2017 | 517,215 | 2,257,008 | 600 | 72,939 | 296,884 | 3,144,646 |
| 2018 | 428,265 | 2,173,008 | | 61,712 | 301,165 | 2,964,150 |
| 2019 | 335,615 | 2,085,008 | | | 219,106 | 2,639,729 |
| 2020-2024 | 403,749 | 8,642,042 | | | 1,075,619 | 10,121,410 |
| 2025-2029 | | 5,350,666 | | | 521,377 | 5,872,043 |
| 2030-2034 | | 1,994,961 | | | 231,671 | 2,226,632 |
| 2035-2039 | | 334,048 | | | | 334,048 |
| Total | <u>\$2,963,684</u> | <u>\$27,531,883</u> | <u>\$21,679</u> | <u>\$297,759</u> | <u>\$3,288,750</u> | <u>\$34,103,755</u> |

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. \$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, 2014 of \$510,428.
2. \$13,860,000 of Sewer System Refunding Revenue Bonds Series 2010A, issued at a premium, and payable annually in principal installments ranging from \$125,000 to \$1,860,000 plus interest over 12 years, to partially refund Revenue Bonds Series 2001A. 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 the 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 2009 Series A, 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

- 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.

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 PFC issued the \$66,725,000 Mortgage Revenue Refunding Bonds, Series 2006, 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 for 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 \$14,045,119, payable annually in principal installments ranging from \$281,600 to \$423,692 plus interest over 20 years. Financing the upgrade of the South Elkhorn pump station and construction of a new 36 inch force main.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

4. KIA A10-08 issued in the amount of \$10,500,000 for the upgrade and expansion of the Wolf Run pump station. As of June 30, 2014, the Government had received only a partial draw of \$7,972,209 with the remaining balance of \$2,527,791 to be requested in fiscal year 2015. Until the remaining balance is requested the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government.
5. KIA Loan A13-002 issued in the amount of \$13,674,302 for the upgrades to the Bob-O-Link Trunk Line, Wolf Run Trunk Line and the Wolf Run Storage Tank Capacity Upgrade. As of June 30, 2014, the Government had received only a partial draw of \$1,070,057 with the remaining balance of \$12,604,245 to be requested in fiscal years 2015 and 2016. Until the remaining balance is requested the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government.
6. KIA Loan A13-003 issued in the amount of \$10,194,421 for the upgrades to the Eastlake Trunk Line, Century Hills Trunk Line, West Hickman Trunk Line and the Woodhill Trunk Line. As of June 30, 2014, the Government had received only a partial draw of \$1,059,052 with the remaining balance of \$9,135,369 to be requested in fiscal year 2015 and 2016. Until the remaining balance is requested the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government.
7. KIA Loan A13-007 issued in the amount of \$4,657,640 for the upgrades to the Storm Water Systems of Anniston Wickland, Idlehour, Walhampton Rogers and Perimeter Park Neighborhoods. As of June 30, 2014, the Government had received only a partial draw of \$769,903 with the remaining balance of \$3,887,737 to be requested in fiscal year 2015. Until the remaining balance is requested the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government.
8. KIA Loan A13-18 issued in the amount of \$6,000,000 for the upgrades to the Expansion Area 2A Wastewater System. As of June 30, 2014, the Government had received only a partial draw of \$3,164,637 with the remaining balance of \$2,835,363 to be requested in fiscal year 2015. Until the remaining balance is requested the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government.

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:

1. \$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. Approximately \$4,790,000 was partially refunded through the issuance of Series 2012B and \$960,000 was partially refunded through the issuance of Series 2013B leaving a remaining balance of \$895,000.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

2. \$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. Of the outstanding balance, \$1,795,000 was partially refunded through the issuance of Series 2013B leaving a remaining balance of \$620,000.
3. \$10,310,000, Series 2006B, issued at a discount and payable annually in principal installments ranging from \$255,000 to \$840,000 plus interest over 20 years, to finance stormwater improvements, neighborhood redevelopment projects, Bluegrass Aspendale Parkway, Veterans Park fire station and police cars. Of the outstanding balance, \$2,990,000 was partially refunded through the issuance of Series 2013B leaving a remaining balance of \$2,265,000.
4. \$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.
5. \$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 and 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 the refunded principal.
6. \$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.
7. \$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.
8. \$7,735,000, Series 2010B, General Obligation Refunding Bonds, for refunding the Series 1999B and 2000A General Obligation Bonds. Issued at a discount and 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 the refunded principal.
9. \$6,635,000, Series 2010C, General Obligation Refunding Bonds, for refunding the Series 2000E General Obligation Bonds. Issued at a discount and 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 the refunded principal.
10. \$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 \$2,700,000 plus interest over 20 years, to finance additional contributions to the Policemen's and Firefighters' Retirement Plan.
11. \$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 Divisions within the Government including but not limited to Computer Services, Public Safety, Parks and Recreation and Waste Management. 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, 2014 of \$33,253.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

12. \$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 15 years, to finance the acquisition of various equipment for Departments within the Government including but not limited to Public Safety, Planning, Preservation and Development, and Environmental Quality and Public Works. 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, 2014 of \$162,450.
13. \$4,465,000, Series 2010H, General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2001B. Issued at a discount and payable in annual principal payments ranging from \$30,000 to \$540,000 plus interest over 12 years. The refunding provided for a 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 the refunded principal.
14. \$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 \$2,110,000 plus interest over 20 years, to finance additional contributions to the Policemen's and Firefighters' Retirement Plan.
15. \$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. Issued at a discount and payable in annual principal payments ranging from \$20,000 to \$825,000 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 the refunded principal.
16. \$3,455,000, series 2012C, Various Purpose General Obligation notes to finance various projects including construction, acquisition and installation of various projects including but not limited to street and sidewalk improvements, safety equipment, various park and recreation improvements and other equipment and vehicles for the benefit of numerous Departments of the Government. Issued at a premium and payable in annual principal payments ranging from \$530,000 to \$750,000 plus interest over 5 years.
17. \$11,275,000, Series 2013A, Various Purpose General Obligation Bonds to finance various street and highway improvements including the rehabilitation and paving of existing roads and streets throughout Lexington, Fayette County, Kentucky. Issued at a premium and payable in annual principal payments ranging from \$845,000 to \$1,265,000 plus interest over 10 years.
18. \$6,005,000, Series 2013B, Various Purpose General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2004C, General Obligation Bond Series 2005C and General Obligation Bond Series 2006B. Issued at a premium and payable annually in principal installments ranging from \$40,000 to \$925,000 plus interest over 13 years. The refunding provided for a cumulative savings of \$402,579 over the life of the bonds resulting in net present value savings of \$293,222 or 5.103% of the refunded principal.
19. \$17,035,000, Series 2013C, Various Purpose General Obligation Bonds to finance various projects for Departments within the Government, including but not limited to communications and computer equipment and other equipment, traffic engineering equipment, police and fire equipment, police and fire vehicles, and golf carts, remodeling and renovation of public safety buildings, Kentucky Theatre, maintenance building, fire stations, street and sidewalk improvements, various park projects and improvements, HVAC system maintenance and weather and emergency systems upgrades. Issued at a premium and payable in annual principal payments ranging from \$595,000 to \$1,195,000 plus interest over 20 years.
20. \$55,925,000 Series 2014A, Various Purpose General Obligation Refunding Bonds, for refunding the General Obligation Bond Series 2010A Build America Bonds. Issued at a premium and payable annually in principal installments ranging from \$2,325,000 to \$4,220,000 plus interest over 17 years. The refunding provided for a

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

cumulative savings of \$2,214,916 over the life of the bonds resulting in net present value savings of \$2,437,443 or 4.35% of the refunded principal.

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, 2014 is based on the estimated cost of maintaining and monitoring the Old Frankfort Pike Landfill (OFPLF) and 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. The Haley Pike Landfill has been capped. Environmental monitoring and maintenance of the property will occur over the next 30 years, in accordance with Kentucky State Law.

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

| | |
|---------------------------------|---------------------|
| Surplus at June 30, 2012 | \$0 |
| Claims and changes in estimates | 28,097,342 |
| Claims paid | <u>(28,097,342)</u> |
| Surplus at June 30, 2013 | 0 |
| Claims and changes in estimates | 27,970,275 |
| Claims paid | <u>(27,970,275)</u> |
| Surplus at June 30, 2014 | <u>\$0</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 System 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 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

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, 2014 the undiscounted estimated liability was \$33,201,973. The discounted estimated liability as of June 30, 2014 was \$27,653,705. 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, 2012 | \$979,383 | \$6,367,873 | \$136,232 | \$14,540,957 | \$22,024,445 |
| Claims and changes in estimates | 5,483,185 | 5,784,985 | 420,511 | 3,656,313 | 15,344,994 |
| Claims paid 2013 | <u>(2,483,714)</u> | <u>(2,649,710)</u> | <u>(416,868)</u> | <u>(3,312,950)</u> | <u>(8,863,242)</u> |
| Liability at June 30, 2013 | 3,978,854 | 9,503,148 | 139,875 | 14,884,320 | 28,506,197 |
| Claims and changes in estimates | 1,375,494 | 4,915 | 1,049,178 | 6,630,619 | 9,060,206 |
| Claims paid 2014 | <u>(2,111,833)</u> | <u>(893,898)</u> | <u>(1,002,291)</u> | <u>(5,904,676)</u> | <u>(9,912,698)</u> |
| Liability at June 30, 2014 | <u>\$3,242,515</u> | <u>\$8,614,165</u> | <u>\$186,762</u> | <u>\$15,610,263</u> | <u>\$27,653,705</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 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 | 1,000,000 | Statutory Per Occurrence |
| Employers' Liability | \$75,000 with \$250,000 corridor | \$1,000,000 Per Occurrence |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

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. 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, 2014 the Government has accrued approximately \$11,000,000 for potential liabilities for the cases covered by self-insurance (See Note 4.B.) and approximately \$4,500,000 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.

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 the 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 \$591 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

to interest and principal paid on the Series 2008A Bonds and Capital Appreciation Bonds, less a credit for interest earned by investments in the Debt Service Reserve Account and Bonds Service Account, plus a credit for any revenues or assets of LCC constituting operation revenue. 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.

On July 13, 2001, LCC and the University of Kentucky Athletic Association entered into a lease agreement 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 \$748,000 to LCC for the period beginning 2001 and ending 2021. 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 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.

E. Lexington-Fayette Urban County Airport Corporation (Airport Corporation) – The Airport Corporation is a non-profit, non-stock corporate agency and instrumentality of the Government and the 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, 2014, 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 \$2,291,000 at June 30, 2014.

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. The amount of settlements has not exceeded coverage in any of the past three fiscal years.

F. Lexington Public Library – The Library is a non-profit, non-stock corporate agency and instrumentality of the Government. The Lexington Public Library Board of Trustees is a defendant in a lawsuit filed by the Library's former Director, for contract damages associated with her 2009 termination by the Board. This matter came before an American Arbitration Association panel that on May 17, 2013 issued an Order of Damages totaling \$907,762. On each of the panel's findings for damages a panel member dissented to the order except in the case of

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

the salary remaining on the contract which totals \$257,731. The Lexington Public Library Board of Trustee's legal counsel presented to the Fayette Circuit Court arguments and memoranda supporting the Board's position that the Arbitration Panel exceeded its authority under Kentucky law.

It is probable that the damages awarded for salary remaining on the contract will be upheld as well as interest damages at 8% per annum per Kentucky statute. As such, the Lexington Public Library has recorded a liability of \$316,253 for damages in the lawsuit filed by its former Director.

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 leases are 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. In June, 2014, the Government paid U.S. Bank \$1,006,488 to fulfill the general obligation pledge with the Kentucky League of Cities. Of that amount, \$1,005,000 is principal and \$1,488 is interest and fees. The Government has entered into financial agreements with the remaining developers. Artek, LLC has agreed to a promissory note made payable to the Government of \$150,000, maturing June 13, 2019. In addition, Artek, LLC agrees to use its best efforts to pay any additional funds that may be available at the maturity date, up to a maximum amount of \$75,000. Lastly, Artek, LLC paid \$20,000 to the Government on April 25, 2014. The Government has recorded a long term note receivable in the guaranteed amount of \$150,000. The remaining principal balance of \$355,000 has been forgiven.

The Government has recorded a long term note receivable in the amount of \$405,000 due from Lexington Centercourt on June 13, 2019. The Government anticipates the amount to be paid in full.

H. Liens and Encumbrances – While the Government has 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 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, 2014, there were 28 series of Industrial Revenue Bonds outstanding with an aggregate amount payable of approximately \$218,078,316.

To provide for the construction of a hospital facility, the 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, 2014, the Lease Revenue Bonds outstanding total approximately \$134,460,000.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

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, 2014 were as follows:

| | |
|-----------------------------|-------------|
| General Fund | \$3,244,147 |
| Urban Service Fund | 1,700,667 |
| Nonmajor Governmental Funds | \$8,369,885 |

Encumbrances are not recorded in the financial statements for proprietary fund types and Pension Trust Funds. However, the purchase orders outstanding at June 30, 2014 for these funds are as follows:

| | |
|-------------------------------|--------------|
| Sanitary Sewer System | \$16,344,205 |
| Public Facilities Corporation | 14,070 |
| Water Quality | 3,398,293 |
| Landfill | 54,267 |
| Nonmajor Enterprise Funds | \$36,810 |

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 (the Circular) 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.

NOTE 7. SUBSEQUENT EVENTS

Primary Government

On September 29, 2014, the Kentucky Infrastructure Authority Board approved an additional low interest loan for the purpose of constructing additional wet weather storage tanks for the Government's Wastewater system in the amount of \$36,000,000. These projects are required as part of the EPA Consent Decree. The total amount is \$92,167,393. As of June 30, 2014, the Government had received proceeds of \$14,035,858.

On October 20, 2014, the Government issued Sanitary Sewer System Series 2014 refunding bonds with a par value of \$34.6 million. The proceeds will be used to refund Series 2009 and Series 2010A, \$30.28 million and \$11.74 million outstanding principal, respectively.

On October 21, 2014, the Urban County Council approved the issuance of General Obligation bonds with a par value of \$27.69 million. The bonds will fund various capital projects. In addition, the Urban County Council approved issuance of Qualified Energy Conservation Bonds (QECB) with a par value of \$2.9 million. The QECB bonds are qualified tax credit bonds issued by the state and allow the Government to recoup part of the interest

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

through a direct subsidy from the Department of Treasury. The Government plans to use proceeds on capital improvements for the Detention Center.

Component Units

On June 11, 2014, the Board of Trustees for the Lexington Public Library voted to purchase a building for approximately \$4 million that will be renovated and placed in service to replace the existing Eagle Creek Branch. As such, the Library paid a refundable \$150,000 deposit on the property. The Eagle Creek Branch building will be sold, and the proceeds used to pay down the debt associated with the new branch. The new branch is expected to open by May 2015. The purchase will be completed upon the Library obtaining appropriate financing.

NOTE 8. TRANSFER OF ASSETS

Primary Government

Parking Authority of Lexington – 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. During fiscal year 2014, the net book value of the Governmental Activities capital assets transferred was \$69,267. The net book value of the Business-Type Activities capital assets transferred was \$198,233. The total net book value of the properties transferred was \$267,500.

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

The Policemen's and Firefighters' Retirement Fund (PFRF) and The City Employees' Pension Fund (CEPF)

A. Plan Descriptions

The Government contributes to two single employer defined benefit pension plans: The PFRF and the CEPF.

The sworn personnel of the divisions of Police and Fire are eligible to participate in the PFRF. For members whose participation date in the PFRF is prior to March 14, 2013, benefits vest after twenty years of service. The annuity is 2.5% of average salary multiplied by years of total service. For members whose participation date is on or after March 14, 2013, benefits vest after twenty-five years of service. The annuity is 2.25% of average salary multiplied by years of total service. Cost of living adjustments (COLA) will be granted on the following schedule for both current and future retirees beginning on the earlier of a member turning age 50 or being retired for five years until the PFRF, utilizing the current COLA provisions, is 85% funded. At that time, COLA's will be granted each year by an amount, determined by the Board, of between 2% and 5% compounded annually. In addition, those receiving an annuity of over \$100,000 will not be eligible to receive a COLA until the later of the proposed conditions or January 1, 2016.

| <u>Annual Annuity</u> | <u>COLA %</u> |
|-----------------------|---------------|
| Above \$100,000 | 1% |
| \$75,000 to \$99,000 | 1% |
| \$50,000 to \$74,999 | 1.5% |
| \$40,000 to \$49,999 | 1.5% |
| \$35,000 to \$39,999 | 2% |
| \$30,000 to \$24,999 | 2% |
| Under \$30,000 | 2% |

Members may add unused sick leave to service credit and average annual salary for purposes of calculating retirement benefits. The costs of administering the PFRF are financed by a combination of additional contributions as well as investment income.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

Civil service employees of the City of Lexington were covered by the CEPF. In 1973, the governments of the City of Lexington and Fayette County merged to form the 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, 2014:

| | Number |
|---|--------|
| Inactive Plan Participants: | |
| Retirees and beneficiaries currently receiving benefits | 1,153 |
| Active Plan Participants: | |
| Active members | 1,097 |
| Total | 2,250 |

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting – The preparation of the financial statements of the PFRF and CEPF 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 PFRF and CEPF are established by state statute and Government ordinance. In fiscal year 2014, the Government contributed 36.53% to the PFRF and 17.5% to the CEPF. Administrative costs were financed by a combination of additional contributions as well as investment income. The required contribution rates are shown in the following table:

| | PFRF | CEPF |
|------------------------------|--------|-------|
| Required Contribution Rates: | | |
| Government | 36.53% | 17.5% |
| Plan Member | 12.0% | 8.5% |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

D. Supplemental Information

Schedule of Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued | | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a % of Covered Payroll (b-a)/(c) |
|--|-------------------------------------|--------------------|-----------------|--------------------------|---------------------------|--|
| | | Liability (AAL) | Unfunded AAL | | | |
| | | - Entry Age (b) | (UAAL) (b-a) | | | |
| <i>Policemen's and Firefighters' Pension Fund (3% COLA)</i> | | | | | | |
| 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 | 687,673,831 | 161,824,249 | 76.5% | 54,595,799 | 296.4% |
| 7/1/13 | 533,892,554 | 738,343,325 | 204,450,771 | 72.3% | 62,455,725 | 327.4% |
| 7/1/14 | \$579,749,633 | \$760,384,029 | \$180,634,396 | 76.2% | \$63,248,485 | 285.6% |
| <i>City Employees' Pension Fund</i> | | | | | | |
| 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 |
| 7/1/13 | 28,029,242 | 12,970,313 | (15,058,929) | 216.1% | 0* | NA |
| 7/1/14 | \$30,783,518 | \$11,925,758 | \$(18,857,760) | 258.1% | 0* | NA |

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

Annual Pension Cost and Net Pension Obligation (Asset)

| | PFRF | CEPF |
|---|------------------------------|---------------------------|
| Annual required contribution | \$23,217,413 | \$0 |
| Interest on net pension obligation (asset) | (4,074,374) | 101,762 |
| Adjustment to annual required contribution | (4,278,850) | 159,613 |
| Annual pension cost | 23,421,889 | (57,851) |
| Contributions made | 23,217,413 | 0 |
| Decrease in net pension obligation (asset) | 204,476 | (57,851) |
| Net pension obligation (asset), beginning of year | (54,324,982) | 1,453,739 |
| Net pension obligation (asset), end of year | <u><u>\$(54,120,506)</u></u> | <u><u>\$1,395,888</u></u> |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

Six-Year Trend Information

| <u>Fiscal Year Ending</u> | <u>Annual Pension Cost (APC)</u> | <u>Contribution</u> | <u>Percentage of APC Contributed</u> | <u>Net Pension Obligation (Asset)</u> |
|--|--|---------------------|--|---|
| <i>Policemen's and Firefighters' Pension Fund</i> | | | | |
| 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) |
| 2013 | 22,527,317 | 22,322,068 | 99.1% | (54,324,982) |
| 2014 | \$23,421,889 | \$23,217,413 | 99.1% | \$(54,120,506) |

City Employees' Pension Fund

| | | | | |
|------|------------|----------|-----|-------------|
| 2009 | \$(74,415) | \$7,864 | N/A | \$1,787,708 |
| 2010 | (71,141) | \$74,488 | N/A | 1,642,079 |
| 2011 | (65,345) | | N/A | 1,576,734 |
| 2012 | (62,746) | | N/A | 1,513,988 |
| 2013 | (60,249) | | N/A | 1,453,739 |
| 2014 | \$(57,851) | | N/A | \$1,395,888 |

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, 2014 | July 1, 2014 |
| Actuarial cost method | Entry Age Normal Funding | Entry Age Normal Funding |
| Amortization method | Level Dollar - Closed | Level Dollar - Open |
| Remaining amortization period | 29 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 | See Note 9.A. on page 90 | 3.0% |
| Inflation | 3.0% | N/A |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

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> | | | |
| 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 | 28,703,638 | 47,585,689 | 165.8% |
| 2013 | 22,322,068 | 22,322,068 | 100.0% |
| 2014 | \$23,217,413 | \$23,217,413 | 100.0% |

City Employees' Pension*

| | |
|------|----------|
| 2009 | \$7,864 |
| 2010 | \$74,488 |
| 2011 | |
| 2012 | |
| 2013 | |
| 2014 | |

*Closed plan

E. Other Post Employment Benefit (OPEB)

Plan Description – In August 1999, the Urban County 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 (the Plan). 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 2014, 870 retirees of the PFRF received this benefit for a total cost of \$4,294,779; and 16 retirees of the CEPF received this benefit for a total cost to the Government of \$54,199.

Annual OPEB Cost and Net OPEB Obligation – The Government's annual 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, 2014

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:

| | |
|--|----------------------------|
| Annual required contribution | \$13,261,194 |
| Interest on net OPEB obligation | 2,924,118 |
| Adjustment to annual required contribution | <u>2,650,401</u> |
| Annual OPEB cost (expense) | 13,534,911 |
| Contributions made | <u>(4,348,979)</u> |
| Increase in net OPEB obligation | 9,185,932 |
| Net OPEB obligation, beginning of year | <u>64,980,406</u> |
| Net OPEB obligation, end of year | <u><u>\$74,166,338</u></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 2014 and the two preceding fiscal years were as follows:

| Fiscal Year Ending | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|--------------------------|------------------------|--|---------------------------|
| 2012 | \$16,713,023 | 26.3% | \$56,962,856 |
| 2013 | 13,501,140 | 40.6% | 64,980,406 |
| 2014 | 13,534,911 | 32.13% | 74,166,338 |

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, 2014 the liability was \$195,064,091. The annual required contribution to fund this liability over a period of 30 years is \$16,301,497. These figures represent the amount needed to provide benefits for 870 current retirees and beneficiaries and 1,097 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 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 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, 2014

The actuarial assumptions used for the calculations are listed below.

| | |
|-------------------------------|----------------------------|
| Valuation date | July 1, 2014 |
| 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% |

Schedule of Funding Progress

| Actuarial | Actuarial Value | Actuarial Accrued | Unfunded AAL | Funded | Covered | UAAL as a % of |
|-----------|-----------------|-------------------|---------------|--------|--------------|-----------------|
| Valuation | of Assets | Liability (AAL) | (UAAL) | Ratio | Payroll | Covered Payroll |
| | | - Projected Unit | | | | |
| | | Credit | | | | |
| Date | (a) | (b) | (b-a) | (a/b) | (c) | (b-a)/(c) |
| 7/1/10 | | \$211,706,877 | \$211,706,877 | 0.00% | \$60,512,412 | 349.9% |
| 7/1/12 | | 171,684,066 | 171,684,066 | 0.00% | 54,595,799 | 314.5% |
| 7/1/14 | | \$195,064,091 | \$195,064,091 | 0.00% | \$63,248,485 | 308.4% |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

F. Pension Plan Financial Statements

STATEMENT OF NET POSITION

June 30, 2014

| | <u>PFRF</u> | <u>CEPF</u> | <u>Total Pension Trust Funds</u> |
|--|----------------------|---------------------|--------------------------------------|
| ASSETS | | | |
| Cash and Cash Equivalents | \$11,360,170 | \$730,788 | \$12,090,958 |
| Inventories and Prepaid Expenses | 36 | | 36 |
| Receivables: | | | |
| Interest Receivable | 1,460,134 | 99,301 | 1,559,435 |
| Investments, at Fair Value: | | | |
| Debt Securities: | | | |
| US Agencies | 32,750,564 | 5,850,984 | 38,601,548 |
| US Government Obligations | 14,796,803 | 2,940,627 | 17,737,430 |
| Municipal Obligations | 4,311,306 | | 4,311,306 |
| International Bonds | 13,693,994 | 817,552 | 14,511,546 |
| Corporate Debt | 69,922,741 | 3,198,709 | 73,121,450 |
| Repurchase Agreements | 39,838,438 | | 39,838,438 |
| Other Investments: | | | |
| Equity Mutual Funds | 274,718,357 | | 274,718,357 |
| Equity Real Estate | 59,591,263 | | 59,591,263 |
| Equity Securities - Domestic | 88,727,409 | 15,941,466 | 104,668,875 |
| Equity Securities - International | 67,571,888 | 1,339,723 | 68,911,611 |
| Total Investments | <u>665,922,763</u> | <u>30,089,061</u> | <u>696,011,824</u> |
| Total Assets | <u>\$678,743,103</u> | <u>\$30,919,150</u> | <u>\$709,662,253</u> |
| LIABILITIES | | | |
| Accounts Payable and Accrued Expenses | \$2,360 | \$0 | \$2,360 |
| Securities Lending Transactions | 39,838,438 | | 39,838,438 |
| Due to Other Funds | 2,621,424 | 135,703 | 2,757,127 |
| Total Liabilities | <u>\$42,462,222</u> | <u>\$135,703</u> | <u>\$42,597,925</u> |
| NET POSITION | | | |
| Amounts Held in Trust for Pension Benefits | <u>\$636,280,881</u> | <u>\$30,783,447</u> | <u>\$667,064,328</u> |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

STATEMENT OF CHANGES IN NET POSITION
June 30, 2014

| | <u>PFRF</u> | <u>CEPF</u> | <u>Total Pension Trust Funds</u> |
|--|----------------------|---------------------|--------------------------------------|
| ADDITIONS | | | |
| Contributions: | | | |
| Employer | \$23,217,413 | \$0 | \$23,217,413 |
| Employer - Administration | 4,294,779 | 54,199 | 4,348,978 |
| Plan Members | 9,730,115 | | 9,730,115 |
| Other | 124,281 | | 124,281 |
| Total Contributions | <u>37,366,588</u> | <u>54,199</u> | <u>37,420,787</u> |
| Investment Income: | | | |
| Net Change in Fair Value of Investments | 90,642,753 | 3,350,964 | 93,993,717 |
| Interest | 5,921,838 | 734,871 | 6,656,709 |
| Dividends | 3,071,592 | 313,034 | 3,384,626 |
| Total Investment Income | <u>99,636,183</u> | <u>4,398,869</u> | <u>104,035,052</u> |
| Less Investment Expense | 3,315,350 | 42,821 | 3,358,171 |
| Net Investment Income | <u>96,320,833</u> | <u>4,356,048</u> | <u>100,676,881</u> |
| Income from Securities Lending Activities: | | | |
| Securities Lending Income | 47,229 | | 47,229 |
| Securities Lending Expenses: | | | |
| Borrower Rebates | (62,599) | | (62,599) |
| Management Fees | 43,903 | | 43,903 |
| Total Securities Lending Expenses (Income) | <u>(18,696)</u> | <u>0</u> | <u>(18,696)</u> |
| Net Income on Securities Lending Activities | <u>65,925</u> | <u>0</u> | <u>65,925</u> |
| Total Additions | <u>133,753,346</u> | <u>4,410,247</u> | <u>138,163,593</u> |
| DEDUCTIONS | | | |
| Benefit Payments | 53,597,352 | 1,628,793 | 55,226,145 |
| Administrative Expense | 598,923 | 27,249 | 626,172 |
| Total Deductions | <u>54,196,275</u> | <u>1,656,042</u> | <u>55,852,317</u> |
| Net Increase | 79,557,071 | 2,754,205 | 82,311,276 |
| Net Position, Beginning | <u>556,723,810</u> | <u>28,029,242</u> | <u>584,753,052</u> |
| Net Position, Ending | <u>\$636,280,881</u> | <u>\$30,783,447</u> | <u>\$667,064,328</u> |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

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, 2014, 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 18.89 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 35.70 percent.

The contribution requirements and the amounts contributed to CERS were \$16,161,747, \$16,625,248 and \$16,388,805 respectively for the years ended June 30, 2014, 2013 and 2012.

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, 2014

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.

As a result of Senate Bill 2 (2013 General Assembly), members whose participation begins on or after January 14, 2014, may have reduced benefits and rights provided under KRS 78.510 to 78.852, except amounts the member has accrued at the time of amendment.

NOTE 10. RECENT GASB PRONOUNCEMENTS

In June 2012, the GASB approved Statement No. 68, *Accounting and Financial Reporting for Pensions*. 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 No. 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.

Cost-sharing governmental employers 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.

In January 2013, the GASB approved Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. The Government does not expect this Statement to have a significant effect on its financial statements.

In April 2013, the GASB approved Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The requirements of this Statement were implemented as of June 30, 2014. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement were applied retroactively. This Statement did not significantly affect the Government's financial statements.

In November 2013, the GASB approved Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2014

government's beginning net pension liability. This Statement amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. Statement No. 68, as amended, continues to require that beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions be reported at transition only if it is practical to determine all such amounts. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68.

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 **Property & Evidence Fund** accounts for monies collected from prisoners. Once the case has been adjudicated through the court system, money is distributed as ordered.

The **Lexington Jobs Fund** was established as a local economic development program to promote employment growth. All program loan payments and collections remain within the fund.

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 a performing arts and exhibit facility in downtown Lexington.

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

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** are 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 **2013 Bond Projects** are to finance the acquisition of vehicles and equipment, various parks projects and complete renovation of the Emergency Operations Center.

The **2014 Bond Projects** 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.

The **2015 Bond Projects** will fund projects for Purchase of Development Rights, conservation easements, Public Safety, traffic signal upgrades, renovation and construction of Parks, Facilities and Fleet Management vehicle replacement and repairs and a new senior citizens center.

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, 2014

| Special Revenue Funds | | | | | | | | | | | |
|--|---------------------------|-----------------------|-------------------------|-------------------|------------------|---------------------|---------------------|--------------------|--------------------------------|--------------------|---------------------|
| | Local Economic Assistance | | | | | | | Police | | | |
| | County Aid Program | Municipal Aid Program | Industrial Revenue Bond | Mineral Severance | Coal Severance | Property & Evidence | Lexington Jobs Fund | Confiscated Funds | Police Confiscated State Funds | Public Safety Fund | Total |
| ASSETS | | | | | | | | | | | |
| Current Cash | \$2,468,110 | \$100 | \$154,661 | \$407,357 | \$372,630 | \$384,559 | \$0 | \$411,043 | \$791,304 | \$0 | \$4,989,764 |
| Current Investments | 189,638 | 6,562,942 | | 63,213 | | | | 1,062,673 | | | 7,878,466 |
| Receivables: | | | | | | | | | | | |
| Other | 77,627 | 594,063 | | 75,386 | 15,238 | | | 4,330 | | 71,987 | 838,631 |
| Inventories and Prepaid Items | | | | | | | | 8,391 | | | 8,391 |
| Due from Other Funds | 65,532 | 1,687,773 | 14,689 | 200,095 | 3,949 | 1,581 | 1,000,000 | | 82,213 | 919,413 | 3,975,245 |
| Total Assets | \$2,800,907 | \$8,844,878 | \$169,350 | \$746,051 | \$391,817 | \$386,140 | \$1,000,000 | \$1,486,437 | \$873,517 | \$991,400 | \$17,690,497 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | |
| Accounts and Contracts Payable | \$458,006 | \$212,750 | \$0 | \$24,967 | \$0 | \$2,774 | \$0 | \$59,642 | \$295,373 | \$0 | \$1,053,512 |
| Accrued Payroll & Related Liabilities | | 2,189 | | | | | | 333,530 | | | 2,189 |
| Due to Other Funds | | | | | | 383,341 | | 1,084,874 | | | 333,530 |
| Unearned Revenue and Other | | | | | | | | | | | 1,468,215 |
| Total Liabilities | 458,006 | 214,939 | 0 | 24,967 | 0 | 386,115 | 0 | 1,478,046 | 295,373 | 0 | 2,857,446 |
| Fund Balances: | | | | | | | | | | | |
| Nonspendable | | | | | | | | 8,391 | | | 8,391 |
| Restricted for: | | | | | | | | | | | |
| Public Works | 2,342,901 | 8,629,939 | 169,350 | | 391,817 | | | | 578,144 | 991,400 | 11,534,007 |
| Public Safety | | | | | | 25 | | | | | 1,569,569 |
| Assigned | | | | 721,084 | | | 1,000,000 | | | | 1,721,084 |
| Total Fund Balances | 2,342,901 | 8,629,939 | 169,350 | 721,084 | 391,817 | 25 | 1,000,000 | 8,391 | 578,144 | 991,400 | 14,833,051 |
| Total Liabilities and Fund Balances | \$2,800,907 | \$8,844,878 | \$169,350 | \$746,051 | \$391,817 | \$386,140 | \$1,000,000 | \$1,486,437 | \$873,517 | \$991,400 | \$17,690,497 |

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING BALANCE SHEET, Continued
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

| Capital Projects Funds | | | | | | | | | | | |
|--|--------------------|-----------------------|----------------------------------|--------------------|---------------------------|--------------------|---------------------|--------------------|----------------------------|---|-----------------------------------|
| Lexington Cultural Center | 2003 Bond Projects | Equipment Lease Notes | 2007, 2008, & 2009 Bond Projects | 2010 Bond Projects | 2011 & 2012 Bond Projects | 2013 Bond Projects | 2014 Bond Projects | 2015 Bond Projects | Public Library Corporation | Roads, Parks, Open Space, Storm Water Exactions | Total Nonmajor Governmental Funds |
| ASSETS | | | | | | | | | | | |
| Current Cash | \$0 | \$0 | \$76,575 | \$0 | \$0 | \$0 | \$1,420,980 | \$0 | \$468,348 | \$1,605,946 | \$8,565,921 |
| Current Investments | 348,253 | | | | | | | | 311,399 | | 8,538,118 |
| Receivables: | | | | | | | | | | | |
| Other | | | | | | | | | | | |
| Inventories and Prepaid Items | | 321,494 | | | 17,823 | 717 | 518,123 | | | 33,624 | 1,390,378 |
| Due from Other Funds | | 2,188 | | | | 6,241 | 50,928 | | | | 77,859 |
| Restricted Investments | 347,449 | | 1,341,733 | 5,235,949 | 858,452 | 1,425,054 | 11,774,021 | | 21,781 | 349,516 | 4,324,761 |
| Total Assets | \$352,561 | \$323,682 | \$1,418,308 | \$5,235,949 | \$876,275 | \$1,432,012 | \$13,764,052 | 2,188 | \$801,528 | \$26,193,574 | \$43,884,071 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | |
| Accounts and Contracts Payable | \$0 | \$0 | \$2,399 | \$71,352 | \$11,892 | \$138,351 | \$1,646,063 | \$0 | \$0 | \$0 | \$2,923,569 |
| Accrued Payroll & Related Liabilities | | | | | | | | | | | 2,189 |
| Due to Other Funds | 311,089 | 113,547 | 952,834 | 144,547 | 594,713 | | 1,015,828 | | | 988,465 | 4,454,553 |
| Unearned Revenue and Other | | | | | | | | | | | 1,468,215 |
| Total Liabilities | 311,089 | 113,547 | 955,233 | 215,899 | 606,605 | 138,351 | 2,661,891 | 0 | 0 | 988,465 | 8,848,526 |
| Fund Balances: | | | | | | | | | | | |
| Nonspendable | | | | | | | | | | | |
| Restricted for: | | | | | | | | | | | |
| Public Works | | | | | 17,823 | 717 | 50,928 | | | | 77,859 |
| Public Safety | | | | | | | | | | | |
| Capital Projects | 41,472 | 233,902 | 463,075 | 5,020,050 | 251,847 | 1,292,944 | 11,051,233 | 2,188 | 801,528 | 651,105 | 11,534,007 |
| Assigned | | | | | | | | | | | 0 |
| Total Fund Balances | 41,472 | 233,902 | 463,075 | 5,020,050 | 269,670 | 1,293,661 | 11,102,161 | 2,188 | 801,528 | 20,202,494 | 20,133,026 |
| Total Liabilities and Fund Balances | \$352,561 | \$323,682 | \$1,418,308 | \$5,235,949 | \$876,275 | \$1,432,012 | \$13,764,052 | \$2,188 | \$801,528 | \$26,193,574 | \$43,884,071 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

| | Special Revenue Funds | | | | | | | | | |
|--|---------------------------|--------------------|-------------------------|-------------------|------------------|---------------------|---------------------|--------------------------|--------------------------------|---------------------|
| | Local Economic Assistance | | | | | | | | | |
| | County Aid Program | Municipal Program | Industrial Revenue Bond | Mineral Severance | Coal Severance | Property & Evidence | Lexington Jobs Fund | Police Confiscated Funds | Police Confiscated State Funds | Public Safety Fund |
| REVENUES | | | | | | | | | | |
| Charges for Services | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Intergovernmental | 973,769 | 7,410,407 | | 349,372 | 119,267 | | | 434,421 | 464,767 | 10,038,373 |
| Property Sales | | | | | | | | | 9,950 | 9,950 |
| Other | | | | | | | | 1,377 | | 1,377 |
| Income on Investments | 28 | 681 | | 9 | | 25 | | 106 | | 849 |
| Total Revenues | <u>973,797</u> | <u>7,411,088</u> | <u>0</u> | <u>349,381</u> | <u>119,267</u> | <u>25</u> | <u>0</u> | <u>435,904</u> | <u>474,717</u> | <u>10,050,549</u> |
| EXPENDITURES | | | | | | | | | | |
| Current: | | | | | | | | | | |
| Planning, Preservation, & Development | | 17,379 | | | | | | | | 17,379 |
| Police | | | | | | | | 348,170 | 175,876 | 524,046 |
| Capital: | | | | | | | | | | |
| Equipment | | | | | | | | | | |
| Acquisitions and Construction | 1,282,464 | 1,286,114 | | 73,987 | 240,191 | | | 87,283 | 393,554 | 480,837 |
| Total Expenditures | <u>1,282,464</u> | <u>1,303,493</u> | <u>0</u> | <u>73,987</u> | <u>240,191</u> | <u>0</u> | <u>0</u> | <u>435,453</u> | <u>651,044</u> | <u>2,964,370</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures | <u>(308,667)</u> | <u>6,107,595</u> | <u>0</u> | <u>275,394</u> | <u>(120,924)</u> | <u>25</u> | <u>0</u> | <u>451</u> | <u>(176,327)</u> | <u>6,063,917</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | |
| Transfers In | | | | | | | 1,000,000 | | | 1,000,000 |
| Transfers Out | 0 | (3,176,950) | 0 | 0 | 0 | 0 | 1,000,000 | 0 | (200,000) | (3,376,950) |
| Total Other Financing Sources (Uses) | <u>(308,667)</u> | <u>2,930,645</u> | <u>0</u> | <u>275,394</u> | <u>(120,924)</u> | <u>25</u> | <u>1,000,000</u> | <u>451</u> | <u>(176,327)</u> | <u>3,686,967</u> |
| Fund Balances (Deficits), Beginning | <u>2,651,568</u> | <u>5,699,294</u> | <u>169,350</u> | <u>445,690</u> | <u>512,741</u> | | | <u>7,940</u> | <u>754,471</u> | <u>11,146,084</u> |
| Fund Balances (Deficits), Ending | <u>\$2,342,901</u> | <u>\$8,629,939</u> | <u>\$169,350</u> | <u>\$721,084</u> | <u>\$391,817</u> | <u>\$25</u> | <u>\$1,000,000</u> | <u>\$8,391</u> | <u>\$578,144</u> | <u>\$14,833,051</u> |

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, Continued
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2014

| Capital Projects Funds | | | | | | | | | | | | | | |
|---|--------------------|-----------------------|----------------------------------|-------------|--------------------|---------------------------|-------------|--------------------|--------------------|--------------------|----------------------------|---|--------------|-----------------------------------|
| Lexington Cultural Center | 2003 Bond Projects | Equipment Lease Notes | 2007, 2008, & 2009 Bond Projects | | 2010 Bond Projects | 2011 & 2012 Bond Projects | | 2013 Bond Projects | 2014 Bond Projects | 2015 Bond Projects | Public Library Corporation | Roads, Parks, Open Space, Storm Water Exactions | Total | Total Nonmajor Governmental Funds |
| | | | | | | | | | | | | | | |
| | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| | | | | | | | | | | | | | | 10,038,373 |
| | | | | | | | | | | | | 486,643 | | 486,643 |
| | | | | | | | | | | | | | | 9,950 |
| | | | | | 800,000 | | | | | | 260,942 | | | 1,062,319 |
| 42 | 395 | 296 | 1,542 | 7,377 | | 3,237 | 2,527 | 10,827 | | | 39 | 1,434 | | 28,565 |
| 42 | 395 | 296 | 1,542 | 807,377 | | 3,237 | 2,527 | 10,827 | | 0 | 260,981 | 488,077 | 1,575,301 | 11,625,850 |
| EXPENDITURES | | | | | | | | | | | | | | |
| Current: | | | | | | | | | | | | | | |
| Finance | | | | | | | | | | | 370 | | 370 | 370 |
| Planning, Preservation, & Development | | | | | | | | | | | | | 0 | 17,379 |
| Public Safety | | | | | | 433,942 | | | | | | | 433,942 | 433,942 |
| Police | | | | | | | | | | | | | 0 | 524,046 |
| Parks and Recreation | | | | | | | 29,714 | | | | | | 29,714 | 29,714 |
| Debt Service: | | | | | | | | | | | | | | |
| Principal | | | | | | | | | | | 226,200 | | 226,200 | 226,200 |
| Interest | | | | | | | | | 63,872 | 166,825 | 35,840 | | 35,840 | 35,840 |
| Other Debt Service | | | | | | | | | | | | | 230,697 | 230,697 |
| Capital: | | | | | | | | | | | | | | |
| Equipment | | | 178,680 | 521,722 | | 3,273,580 | 212,640 | 4,219,718 | | | | | 8,406,340 | 8,887,177 |
| Acquisitions and Construction | | | 576,144 | 380,900 | | 683,590 | 827,745 | 10,667,317 | | | | | 13,135,696 | 16,100,066 |
| Total Expenditures | 0 | 0 | 754,824 | 902,622 | | 4,391,112 | 1,070,099 | 14,950,907 | | 166,825 | 262,410 | 0 | 22,498,799 | 26,485,431 |
| Excess (Deficiency) of Revenues over (under) Expenditures | | | | | | | | | | | | | | |
| 42 | 395 | 296 | (753,282) | (95,245) | | (4,387,875) | (1,067,572) | (14,940,080) | | (166,825) | (1,429) | 488,077 | (20,923,498) | (14,859,581) |
| OTHER FINANCING SOURCES (USES) | | | | | | | | | | | | | | |
| Transfers In | | | | | | | | | | | | | 0 | 1,000,000 |
| Transfers Out | | | (23,374) | (875,000) | | | | (937,500) | | | | | (1,835,874) | (5,212,824) |
| Issuance of Debt | | | | | | | | 17,035,000 | | | | | 17,035,000 | 17,035,000 |
| Premium on Bonds | | | | | | | | 615,210 | | | | | 615,210 | 615,210 |
| Discount on Bonds | | | | | | | | (86,367) | | | | | (86,367) | (86,367) |
| Issuance of Refunding Debt, par | | | | | | | | | | 55,925,000 | | | 55,925,000 | 55,925,000 |
| Issuance of Refunding Debt, premium | | | | | | | | | | 5,390,131 | | | 5,390,131 | 5,390,131 |
| Payment to Refunded Debt Escrow Agent | | | | | | | | | | (61,146,118) | | | (61,146,118) | (61,146,118) |
| Total Other Financing Sources (Uses) | 0 | 0 | (23,374) | (875,000) | | 0 | 0 | 16,626,343 | | 169,013 | 0 | 0 | 15,896,982 | 13,520,032 |
| Net Change in Fund Balances | | | | | | | | | | | | | | |
| 42 | 395 | 296 | (776,656) | (970,245) | | (4,387,875) | (1,067,572) | 1,686,263 | | 2,188 | (1,429) | 488,077 | (5,026,516) | (1,339,549) |
| Fund Balances (Deficits), Beginning | | | | | | | | | | | | | | |
| 41,430 | 233,507 | 323,386 | 1,239,731 | 5,990,295 | | 4,657,545 | 2,361,233 | 9,415,898 | | | 802,957 | 163,028 | 25,229,010 | 36,375,094 |
| Fund Balances (Deficits), Ending | | | | | | | | | | | | | | |
| \$41,472 | \$233,902 | \$323,682 | \$463,075 | \$5,020,050 | | \$269,670 | \$1,293,661 | \$11,102,161 | | \$2,188 | \$801,528 | \$651,105 | \$20,202,494 | \$35,035,545 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

| Grantor/Program Title | Federal CFDA Number | Direct/ Pass-through Grantor's Number | Accrued (Deferred) Revenue at July 1, 2013 | Revenue Received | Expenditures | Accrued (Deferred) Revenue at June 30, 2014 |
|---|------------------------------------|--|---|-----------------------------|---------------------|--|
| US Department of Agriculture: | | | | | | |
| Direct Programs: | | | | | | |
| Child Care Food Program | 10.558 | 11475 | \$4,551 | \$21,462 | \$16,911 | \$0 |
| Child Care Food Program | 10.558 | 11475 | | 45,432 | 49,112 | 3,680 |
| Purchase of Development Rights (PDR) | 10.913 | 68-5C16-11-128 | 872,340 | 872,340 | | |
| Purchase of Development Rights (PDR) | 10.913 | 68-5C16-11-128 | | 196,850 | 1,087,071 | 890,221 |
| Passed through Commonwealth of Kentucky: | | | | | | |
| Emerald Ash Borer Treatment Site | 10.664 | PON2 128 1200003374 | 9,477 | 9,477 | | |
| Total US Department of Agriculture | | | 886,368 | 1,145,561 | 1,153,094 | 893,901 |
| US Department of Housing and Urban Development: | | | | | | |
| Direct Programs: | | | | | | |
| Community Dev Block Grant | 14.218 | B11MC210004 | 184,542 | 552,113 | 367,571 | |
| Community Dev Block Grant | 14.218 | B12MC210004 | | 1,278,342 | 1,641,550 | 363,208 |
| Emergency Solutions | 14.231 | E11MC210003 | (1,166) | 23,983 | 25,149 | |
| Emergency Solutions | 14.231 | E12MC210003 | 17,987 | 161,892 | 144,701 | 796 |
| Emergency Solutions | 14.231 | E13MC210003 | | 62,203 | 86,829 | 24,626 |
| HOME | 14.239 | M10MC210201 | 25,197 | 871,037 | 845,840 | |
| HOME | 14.239 | M11MC210201 | | | 188,228 | 188,228 |
| Housing Opp for Pers with AIDS (HOPWA) | 14.241 | KY-H11-0012 | 26,584 | 392,999 | 469,854 | 103,439 |
| Total US Department of Housing and Urban Development | | | 253,144 | 3,342,569 | 3,769,722 | 680,297 |
| US Department of Interior: | | | | | | |
| Passed through Commonwealth of Kentucky: | | | | | | |
| Hisle Farm Park | 15.611 | PON2 660 13000024351 | | 49,962 | 49,962 | |
| | | | 0 | 49,962 | 49,962 | 0 |
| US Department of Justice: | | | | | | |
| Direct Programs: | | | | | | |
| Police Confiscated Funds | 16.000 | NA | (908,899) | 611,428 | 435,453 | (1,084,874) |
| Safe Havens | 16.527 | 2010-CW-AX-K013 | 31,622 | 110,808 | 118,142 | 38,956 |
| Safe Havens | 16.527 | 2013-FL-AX-K011 | | | 2,123 | 2,123 |
| Arrest Policy | 16.590 | 2011-WE-AX-0011 | 55,829 | 121,319 | 95,347 | 29,857 |
| SCAAP | 16.606 | 2011-AP-BX-0370 | (9,757) | | 9,747 | (10) |
| SCAAP | 16.606 | 2012-AP-BX-0690 | (65,503) | | 2,837 | (62,666) |
| SCAAP | 16.606 | 2013-AP-BX-0161 | | 53,662 | | (53,662) |
| Bulletproof Vests | 16.607 | 2011-BOBX-11055448 | 295 | 295 | | |
| Bulletproof Vests | 16.607 | 2012-BOBX-12064748 | 345 | 345 | | |
| Project Safe Neighborhoods | 16.609 | 2010-GP-BX-0095 | 52,782 | 52,782 | | |
| Project Safe Neighborhoods | 16.609 | 2011-GP-BX-0027 | 1,840 | 33,668 | 49,044 | 17,216 |
| Cops Hire | 16.710 | 2011ULWX0015 | 124,886 | 339,347 | 218,408 | 3,947 |
| National PAL Mentoring Program | 16.726 | 2013-JU-FX-0024 | | 468 | 3,835 | 3,367 |
| PALYEP | 16.726 | 2011-JU-FX-0015 | 1,827 | 1,827 | | |
| Lex-Fayette Co Detention Center (PREA) | 16.735 | 2010-RP-BX-K001 | | 18,187 | 23,329 | 5,142 |
| Justice Assistance Grant | 16.738 | 2010-DJ-BX-1245 | (33,428) | | 33,428 | |
| Justice Assistance Grant | 16.738 | 2011-DJ-BX-3120 | (129,767) | | 92,052 | (37,715) |
| Justice Assistance Grant | 16.738 | 2012-DJ-BX-0432 | 113,181 | 252,727 | 133,885 | (5,661) |
| Justice Assistance Grant | 16.738 | 2013-DJ-BX-0325 | | 229,909 | 203,920 | (25,989) |
| Passed through Commonwealth of Kentucky: | | | | | | |
| Juv Accountability Block Grant | 16.523 | JABG-2013-LFUCG St-00007 | 10,707 | 13,220 | 2,513 | |
| Juv Accountability Block Grant | 16.523 | JABG-2014-LFUCG St-00006 | | 5,023 | 13,400 | 8,377 |
| Sexual Assault Nurse Examiner (SANE) | 16.588 | AWA-2012-LFUCG-ST-0029 | 6,455 | 25,126 | 18,671 | |
| Sexual Assault Nurse Examiner (SANE) | 16.588 | AWA-2013-LFUCG-ST-0033 | | 4,247 | 12,753 | 8,506 |
| Street Sales | 16.738 | 2012-JAG-LFUCG STRE-0091 | 25,914 | 25,914 | | |
| Street Sales (Confiscated Funds) | 16.738 | 2012-JAG-LFUCG STRE-0091 | | 19,623 | 19,623 | |
| Street Sales | 16.738 | 2013-JAG-LFUCG-STRE-0094 | | 21,473 | 49,385 | 27,912 |
| Total US Department of Justice | | | (721,671) | 1,941,398 | 1,537,895 | (1,125,174) |
| US Department of Labor: | | | | | | |
| Passed through Commonwealth of Kentucky: | | | | | | |
| WIA | 17.259 | 13-010Y | 15,064 | 25,278 | 10,214 | |
| WIA | 17.259 | 14-006Y | | 55,360 | 62,834 | 7,474 |
| Total US Department of Labor | | | 15,064 | 80,638 | 73,048 | 7,474 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

| Grantor/Program Title | Federal CFDA Number | Direct/ Pass-through Grantor's Number | Accrued (Deferred) Revenue at July 1, 2013 | Revenue Received | Expenditures | Accrued (Deferred) Revenue at June 30, 2014 |
|---|------------------------------------|--|---|-----------------------------|---------------------|--|
| US Department of Transportation: | | | | | | |
| Direct Programs: | | | | | | |
| Passed through Commonwealth of Kentucky: | | | | | | |
| Air Quality Planning | 20.205 | 1300000048 | 10,715 | 10,715 | | |
| Air Quality Planning | 20.205 | 1300006289 | | 24,963 | 43,242 | 18,279 |
| Alexander Drive/Stone | 20.205 | PO2-628-0800020946 | 126,394 | 156,797 | 30,403 | |
| Bicycle and Pedestrian Planning | 20.205 | 1300006289 | | 20,969 | 37,531 | 16,562 |
| Brighton East | 20.205 | 1000001796 | 79,717 | 296,207 | 234,354 | 17,864 |
| Citation Boulevard | 20.205 | C-05396856 | | 99,667 | | |
| Clays Mill Road | 20.205 | C-03328686 | 629,671 | 1,313,752 | 2,488,004 | 1,803,923 |
| Congestion Management | 20.205 | 1300000048 | 2,602 | 2,602 | | |
| Congestion Management | 20.205 | 1300006289 | | 25,727 | 49,772 | 24,045 |
| Distracted Driving | 20.205 | PO2-625-14000015611 | | 14,662 | 14,662 | |
| Distracted Driving-Supplemental | 20.205 | PO2-625-14000051191 | | | 29,984 | 29,984 |
| Federal Highway Planning | 20.205 | 1200004765 | 128,334 | 128,334 | | |
| Federal Highway Planning | 20.205 | 1300004307 | | 210,255 | 350,400 | 140,145 |
| Fiber Optic Cable Installation | 20.205 | PO2-628-1300002569 | | | 20,800 | 20,800 |
| Gainesway Trail CMAQ Project | 20.205 | PO2-628-0700013794 | 1,753 | 4,197 | 16,497 | 14,053 |
| Grimes Mill Bridge | 20.205 | C-05354512 | | 570,579 | 699,806 | 129,227 |
| Illuminated Street Signs | 20.205 | PO2-628-0900022381 | 322,905 | 322,905 | | |
| Intelligent Transpor. System (ITS) | 20.205 | 1200000760 | 70,818 | 70,818 | | |
| Intelligent Transpor. System (ITS) | 20.205 | PO2-625-1300000653 | 8,172 | 296,992 | 451,828 | 163,008 |
| Intelligent Transpor. System (ITS) | 20.205 | PO2-625-1400003771 | | | 2,236 | 2,236 |
| Legacy Trail Enhancements | 20.205 | PO2-625-1200003879 | 79 | | 5,052 | 5,131 |
| Lexington Traffic | 20.205 | PO2-625-1200001306 | | 67,964 | 88,889 | 20,925 |
| Liberty Road/Todds Road | 20.205 | C-00021586 | (135,052) | | | (135,052) |
| Liberty Road/Todds Road | 20.205 | C-04073306 | 126,546 | 161,995 | 24,927 | (10,522) |
| Loudon Avenue Sidewalk Project | 20.205 | PO2-628-1100001626 | 6,421 | 6,421 | 602 | 602 |
| Newtown Pike | 20.205 | C-00343167 | 37,050 | 51,060 | 35,336 | 21,326 |
| Newtown Pike Supplement #1 | 20.205 | C-00343167 | 13,108 | 66,666 | 91,156 | 37,598 |
| Newtown Pike Supplement #2 | 20.205 | C-00343167 | 1,201,576 | 2,219,551 | 1,428,227 | 410,252 |
| Old Frankfort Pike Corridor | 20.205 | PO2-628-1200001790 | 12,480 | 27,040 | 14,560 | |
| Polo Club Boulevard Project | 20.205 | PO2-625-1300001036 | | 125,720 | 143,339 | 17,619 |
| Rose Street Bike Lanes | 20.205 | C-01099430 | 3,200 | 15,327 | 12,127 | |
| Share The Road | 20.205 | PO2-628-0900022380 | 22,012 | 22,012 | 8,400 | 8,400 |
| Southland | 20.205 | PO2-628-1100001374 | 16,866 | 35,432 | 20,701 | 2,135 |
| Tates Creek Sidewalks | 20.205 | PO2-628-1300001250 | | 996,387 | 1,334,187 | 337,800 |
| Town Branch | 20.205 | PO2-628-1200004353 | 857 | 2,683 | 1,826 | |
| Mobility Office | 20.205 | MA-1300000048 | 44,862 | 44,862 | | |
| Mobility Office | 20.205 | MA-1300006289 | | 61,911 | 101,716 | 39,805 |
| MCSAP | 20.218 | No Number | 20,971 | 63,574 | 42,603 | |
| MCSAP | 20.218 | No Number | | | 42,827 | 42,827 |
| Tact | 20.218 | No Number | 1,025 | 5,713 | 4,688 | |
| Cool Trail | 20.219 | 1000003084 | 4,812 | 4,812 | 23,374 | 23,374 |
| Fed Transit Admin Section 5303 | 20.505 | KY-80-0003-04 | 8,555 | 8,555 | | |
| Fed Transit Admin Section 5303 | 20.505 | KY-80-0004-00 | | 29,321 | 45,266 | 15,945 |
| Traffic Safety | 20.600 | AL-13-16 | 27,550 | 34,989 | 7,439 | |
| Traffic Safety | 20.601 | DUIK8-14-04 | | 90,976 | 99,500 | 8,524 |
| Traffic Safety Speed Program | 20.600 | PT-14-28 | | 24,651 | 24,864 | 213 |
| Traffic Safety Click It or Ticket Enforcement | 20.602 | K2-14-19 | | | 4,128 | 4,128 |
| Traffic Safety Supplement | 20.602 | K2-13-17 | 10,000 | 10,000 | | |
| Total US Department of Transportation | | | 2,903,666 | 7,747,763 | 8,075,253 | 3,231,156 |
| US Environmental Protection Agency | | | | | | |
| Direct Programs: | | | | | | |
| Passed through Commonwealth of Kentucky: | | | | | | |
| Brownfield Assessment Project | 66.818 | BF-95461610-0 | 10,758 | 132,000 | 247,691 | 126,449 |
| Wolf Run | 66.460 | C9994861-09 | 878 | 878 | 69 | 69 |
| Wolf Run | 66.460 | PON2 129 1400000015 | | | 187 | 187 |
| Wolf Run | 66.458 | A10-08 SWR | | 7,972,209 | 8,355,763 | 383,554 |
| Century Hills | 66.458 | A13-003 SWR | | 522,274 | 613,201 | 90,927 |
| East Lake | 66.458 | A13-003 SWR | | 536,779 | 642,586 | 105,807 |
| Anniston Wickland PH3 | 66.458 | A13-007 WQ | | 352,623 | 629,060 | 276,437 |
| Idle Hour | 66.458 | A13-007 WQ | | 417,280 | 417,280 | |
| E2A | 66.458 | A13-18 SWR | | 3,164,637 | 3,911,376 | 746,739 |
| Bob-O-Link | 66.458 | A13-002 SWR | | 1,070,057 | 1,265,569 | 195,512 |
| Total US Environmental Protection Agency | | | 11,636 | 14,168,737 | 16,082,782 | 1,925,681 |
| US Department of Health and Human Services: | | | | | | |
| Passed through Commonwealth of Kentucky: | | | | | | |
| Senior Citizens | 93.044 | AS-2012-2013-2015 | 11,502 | 11,502 | | |
| Senior Citizens | 93.044 | AS-2013-2014-2015 | | 103,798 | 122,682 | 18,884 |
| New Chance-Cab For Families | 93.558 | PON2 736 1200001514 | 10,055 | 10,055 | | |
| Home Network | 93.597 | 2011-2012-PUBLIC-R | (172,952) | | 162,089 | (10,863) |
| Home Network | 93.597 | 2012-1013-PUBLIC-R | (378,350) | 62,640 | 148,015 | (292,975) |
| Home Network | 93.597 | 2013-1014-PUBLIC-R | | 286,340 | | (286,340) |
| Total US Department of Health and Human Services | | | (529,745) | 474,335 | 432,786 | (571,294) |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

| <u>Grantor/Program Title</u> | <u>Federal CFDA Number</u> | <u>Direct/ Pass-through Grantor's Number</u> | <u>Accrued (Deferred) Revenue at July 1, 2013</u> | <u>Revenue Received</u> | <u>Expenditures</u> | <u>Accrued (Deferred) Revenue at June 30, 2014</u> |
|--|------------------------------------|--|---|-----------------------------|---------------------|--|
| US Department of Homeland Security Office of Domestic Preparedness: | | | | | | |
| Direct Programs: | | | | | | |
| Fire Prevention | 97.044 | EMW-2012-FP-00294 | | 18,116 | 18,116 | |
| Passed through Commonwealth of Kentucky: | | | | | | |
| Hazard Mitigation Grant Prog.(HMGP_Plan) | 97.039 | PON209511000015692 | 5,297 | 5,297 | | |
| Chemical Stockpile Emergency (CSEPP) | 97.040 | PON209510000009494 | 19,953 | 21,668 | 1,715 | |
| Chemical Stockpile Emergency (CSEPP) | 97.040 | PON209511000014052 | 167,937 | 306,772 | 138,835 | |
| Chemical Stockpile Emergency (CSEPP) | 97.040 | PON209512000005372 | 223,142 | 391,842 | 173,139 | 4,439 |
| Chemical Stockpile Emergency (CSEPP) | 97.040 | PO209513000036521 | 28,783 | 99,480 | 329,711 | 259,014 |
| Chemical Stockpile Emergency (CSEPP) | 97.040 | PO209514000033041 | | | 116,376 | 116,376 |
| Emergency Management Assistance | 97.042 | PON209513000006711 | 79,646 | 93,745 | 14,099 | |
| Emergency Management Assistance | 97.042 | PON209514000003351 | | | 18,879 | 18,879 |
| State Homeland Dive | 97.067 | PO2 094 1400002977 1 | | 11,610 | 11,610 | |
| State Homeland Police | 97.067 | PO2 094 1300003027 1 | | 55,000 | 55,000 | |
| State Homeland Police | 97.067 | PO2 094 1400003000 1 | | 15,761 | 15,761 | |
| State Homeland Training | 97.067 | PO2 094 1300003012 1 | | 53,000 | 53,000 | |
| State Homeland Fire | 97.067 | PO2 094 1400003390 1 | | 48,000 | 48,000 | |
| Metro Medical Response System (MMRS) | 97.067 | PO2 094 1100002296 5 | 37,510 | 37,510 | | |
| Metro Medical Response System (MMRS) | 97.067 | PO2 094 1200003498 4 | 27,108 | 108,491 | 91,689 | 10,306 |
| Staffing for Adequate Fire & Emerg Respons | 97.083 | EMW-2011-FH-00445 | 175,476 | 873,710 | 1,459,241 | 761,007 |
| Total US Dept. of Homeland Security Office of Domestic Preparedness | | | 764,852 | 2,140,002 | 2,545,171 | 1,170,021 |
| US Election Assistance Commission | | | | | | |
| Passed through Commonwealth of Kentucky: | | | | | | |
| Help America Vote | 90.401 | N/A | | | 53,800 | 53,800 |
| Total US Department of Energy | | | 0 | 0 | 53,800 | 53,800 |
| Total Federal Financial Assistance | | | \$3,583,314 | \$31,041,003 | \$33,723,551 | \$6,265,862 |

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, 2014

| Grantor/Program Title | Grantor's Number | Grantor | Accrued or (Deferred) Revenue at July 1, 2013 | Revenue Received | Expenditures | Accrued or (Deferred) Revenue at June 30, 2014 |
|--|---------------------------|---|--|-------------------------|---------------------|---|
| ADF Family Care Center | A834 (2014-A) | Bluegrass Area Development District | \$0 | \$27,980 | \$27,980 | \$0 |
| Bluesky | SX21067007 | Kentucky Infrastructure Authority | 88,539 | 253,443 | 164,904 | |
| Day Treatment | PON252312000035321 | Kentucky Dept. of Juvenile Justice | 18,137 | 18,137 | | |
| Day Treatment | PON252313000023611 | Kentucky Dept. of Juvenile Justice | | 199,522 | 217,660 | 18,138 |
| Economic Development-Belcan Engineer. | N/A | Kentucky Cabinet Economic Development | (234,000) | | | (234,000) |
| Economic Development-Bingham McCutche | N/A | Kentucky Cabinet Economic Development | 450,000 | 450,000 | | |
| Emergency Medical Services | N/A | Kentucky Bd. Emergency Medical Services | | 10,714 | 10,714 | |
| Expansion | SX21067006 | Kentucky Infrastructure Authority | 310,937 | 1,549,434 | 1,443,442 | |
| Federal Highway Planning | 1200004765 | Kentucky Transportation Cabinet | 8,021 | | | |
| Federal Highway Planning | 1300004307 | Kentucky Transportation Cabinet | | 13,141 | | |
| Fire Training Incentive | 155 | Kentucky Commission on Fire Protection | | 2,209,878 | 2,209,878 | 8,759 |
| Green Acres | SX21067103 | Kentucky Infrastructure Authority | 9,708 | 114,348 | 104,670 | 30 |
| Hazard Mitigation Grant (HMGP_Plan) | PON209511000015692 | Kentucky Emergency Management Agency | 848 | | | |
| Home Network | 2012-1013-PUBLIC-R | Lexington Fayette County Health Dept | (59,180) | 19,390 | 78,570 | |
| Home Network | 2013-1014-PUBLIC-R | Lexington Fayette County Health Dept | | 85,100 | 507 | (84,593) |
| Isaac Murphy Memorial Garden | PO2-625-1000004542 | Kentucky Transportation Cabinet | 2,250 | 11,450 | 9,200 | |
| Kentucky Pride | N/A | Kentucky Dept. Natural Resources | (29,315) | | 29,315 | |
| Kentucky Pride | N/A | Kentucky Dept. Natural Resources | | 149,036 | 80,683 | (68,353) |
| KY Recycle | N/A | Kentucky Energy & Environmental Cabinet | (112,000) | | 112,000 | |
| LPS Settlement | N/A | Kentucky Office of the Attorney General | | 759,125 | 59,199 | (699,926) |
| Law Enforcement Protection Program | PO2 094 1300002728 1 | Governor's Office for Homeland Security | 15,875 | 15,875 | | |
| Law Enforcement Service Fee | LSF-2012-LFUCG-Stre-00201 | Kentucky Justice Cabinet | 70,007 | 70,007 | | |
| Law Enforcement Service Fee | LSF-2013-LFUCG-Stre-00226 | Kentucky Justice Cabinet | | 92,406 | 99,790 | 7,384 |
| Legacy Trail Enhancements | PO2-625-1200003879 | Kentucky Transportation Cabinet | | 33 | 1,283 | 1,250 |
| Lexington Downtown Redevelopment Proj | PON2 112 1300001077 1 | Kentucky Dept. Local Government | 375,000 | 2,187,500 | 1,812,500 | |
| Liberty Road/Todds Road | C-0021586 | Kentucky Transportation Cabinet | (33,365) | | | (33,365) |
| Liberty Road/Todds Road | C-04073306 | Kentucky Transportation Cabinet | 31,639 | 40,499 | 6,232 | (2,628) |
| Newtown Pike Extension | C00343167 | Kentucky Transportation Cabinet | 9,262 | 12,765 | 8,834 | 5,331 |
| Police Training Incentive | N/A | Kentucky Law Enforcement Foundation | 164,746 | 164,746 | | |
| Police Training Incentive | N/A | Kentucky Law Enforcement Foundation | | 1,960,781 | 2,146,593 | 185,812 |
| SANE3 (Sexual Assault Treatment Project) | VAWA-2010-LFUCG ST-00132 | Kentucky Justice Cabinet | 1,800 | | | 1,800 |
| SANE3 (Sexual Assault Treatment Project) | VAWA-2011-LFUCG-ST-00220 | Kentucky Justice Cabinet | 10,800 | 8,600 | | 2,200 |
| SANE3 (Sexual Assault Treatment Project) | VAWA-2012-LFUCG-ST-00296 | Kentucky Justice Cabinet | 5,000 | 3,400 | 5,400 | 7,000 |
| SANE3 (Sexual Assault Treatment Project) | VAWA-2013-LFUCG-ST-00334 | Kentucky Justice Cabinet | | | 4,800 | 4,800 |
| Tates Creek Rd/Lansdowne Dr Traffic Sig | N/A | Kentucky Transportation Cabinet | 2,600 | 2,600 | 97,400 | 97,400 |
| Total State Financial Assistance | | | <u>\$1,107,309</u> | <u>\$10,438,779</u> | <u>\$8,753,454</u> | <u>(\$578,016)</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 **Central Kentucky Network Fund** was established in 2014 to ensure the appropriate treatment of revenues or other monies received from jurisdictions participating in the Central Kentucky 911 Network.

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 **Public Parking Corporation** was established in 1984 to account for the construction and operation of government-owned parking facilities.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2014

| | Right of Way | Extended School Program | Prisoners' Account System | Enhanced 911 | CKY Network | Small Business Development | Public Parking Corporation | Total |
|---|---------------------|--|--|---------------------|--------------------|---|---|---------------------|
| ASSETS | | | | | | | | |
| Current Assets: | | | | | | | | |
| Cash | \$476,279 | \$3,602 | \$284,916 | \$1,355,391 | \$111,576 | \$132,085 | \$1,015,287 | \$3,379,136 |
| Investments | | | | 1,401,115 | | 35,592 | | 1,436,707 |
| Receivables: | | | | | | | | |
| Other Receivables | | 515 | 32 | 420,557 | | 35,867 | | 456,971 |
| Less Allowance for Uncollectible Accounts | | | | | | (35,867) | | (35,867) |
| Due from Other Funds | 647,980 | 618,831 | 564,348 | 960,248 | 60,081 | 1,654 | 382,511 | 3,235,653 |
| Inventories and Prepaid Expenses | | | 150 | 36,753 | | | | 36,903 |
| Total Current Assets | <u>1,124,259</u> | <u>622,948</u> | <u>849,446</u> | <u>4,174,064</u> | <u>171,657</u> | <u>169,331</u> | <u>1,397,798</u> | <u>8,509,503</u> |
| Non-Current Assets: | | | | | | | | |
| Land | | | | | | | 400,000 | 400,000 |
| Land Improvements | | 10,000 | | | | | 3,197,206 | 3,207,206 |
| Buildings | | | | | | | 55,351 | 55,351 |
| Vehicles, Equipment, and Furniture | 56,651 | 94,334 | 188,902 | 1,739,421 | | | | 2,079,308 |
| Intangibles | | | 152,726 | 1,382,183 | | | | 1,534,909 |
| Less Accumulated Depreciation | (51,779) | (100,834) | (341,028) | (2,957,008) | | | (1,507,238) | (4,957,887) |
| Construction in Progress | | | | 1,000,000 | | | | 1,000,000 |
| Total Non-Current Assets | <u>4,872</u> | <u>3,500</u> | <u>600</u> | <u>1,164,596</u> | <u>0</u> | <u>0</u> | <u>2,145,319</u> | <u>3,318,887</u> |
| Total Assets | <u>\$1,129,131</u> | <u>\$626,448</u> | <u>\$850,046</u> | <u>\$5,338,660</u> | <u>\$171,657</u> | <u>\$169,331</u> | <u>\$3,543,117</u> | <u>\$11,828,390</u> |
| LIABILITIES | | | | | | | | |
| Current Liabilities: | | | | | | | | |
| Accounts, Contracts and Retainage Payable | \$1,143 | \$87,115 | \$102,481 | \$18,536 | \$0 | \$0 | \$0 | \$209,275 |
| Accrued Payroll | 7,550 | 74,944 | | 53,018 | | | | 135,512 |
| Compensated Absences | 8,881 | 1,278 | | 21,312 | | | | 31,471 |
| Unearned Revenue and Other | | | 32 | | | | | 32 |
| Total Current Liabilities | <u>17,574</u> | <u>163,337</u> | <u>102,513</u> | <u>92,866</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>376,290</u> |
| Non-Current Liabilities: | | | | | | | | |
| Compensated Absences | 8,881 | 41,337 | | 21,312 | | | | 71,530 |
| Total Non-Current Liabilities | <u>8,881</u> | <u>41,337</u> | <u>0</u> | <u>21,312</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>71,530</u> |
| Total Liabilities | <u>\$26,455</u> | <u>\$204,674</u> | <u>\$102,513</u> | <u>\$114,178</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$447,820</u> |
| NET POSITION | | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | \$4,872 | \$3,500 | \$600 | \$1,164,596 | \$0 | \$0 | \$2,145,319 | \$3,318,887 |
| Unrestricted (Deficits) | 1,097,804 | 418,274 | 746,933 | 4,059,886 | 171,657 | 169,331 | 1,397,798 | 8,061,683 |
| Total Net Position | <u>\$1,102,676</u> | <u>\$421,774</u> | <u>\$747,533</u> | <u>\$5,224,482</u> | <u>\$171,657</u> | <u>\$169,331</u> | <u>\$3,543,117</u> | <u>\$11,380,570</u> |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2014

| | Right of Way | Extended School Program | Prisoners' Account System | Enhanced 911 | CKY Network | Small Business Development | Public Parking Corporation | Total |
|---|-------------------------|--|--|-------------------------|------------------------|---|---|---------------------|
| Operating Revenues | | | | | | | | |
| User Charges | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Fees | | 2,202,171 | | 4,118,124 | 111,576 | | | 6,431,871 |
| License Fees and Permits | 520,812 | | | | | | | 520,812 |
| Gross Profit - Commissary | | | 1,375,813 | | | | | 1,375,813 |
| Other | | | 996,472 | 154,982 | | | | 1,151,454 |
| Total Operating Revenues | <u>520,812</u> | <u>2,202,171</u> | <u>2,372,285</u> | <u>4,273,106</u> | <u>111,576</u> | <u>0</u> | <u>0</u> | <u>9,479,950</u> |
| Operating Expenses | | | | | | | | |
| Right of Way | 301,325 | | | | | | | 301,325 |
| Extended School Program | | 1,809,867 | | | | | | 1,809,867 |
| Prisoners' Account | | | 573,409 | | | | | 573,409 |
| Inmate Trust Account | | | 1,269,784 | | | | | 1,269,784 |
| Enhanced 911 | | | | 2,361,860 | | | | 2,361,860 |
| CKY Network | | | | | 450,919 | | | 450,919 |
| Administration | | 161,615 | | | | | | 161,615 |
| Depreciation | 7,358 | 5,912 | 1,200 | 22,936 | | | 66,994 | 104,400 |
| Total Operating Expenses | <u>308,683</u> | <u>1,977,394</u> | <u>1,844,393</u> | <u>2,384,796</u> | <u>450,919</u> | <u>0</u> | <u>66,994</u> | <u>7,033,179</u> |
| Operating Income (Loss) | 212,129 | 224,777 | 527,892 | 1,888,310 | (339,343) | 0 | (66,994) | 2,446,771 |
| Non-Operating Revenues (Expenses) | | | | | | | | |
| Income on Investments | | | | 210 | | 500 | | 710 |
| Gain (Loss) on Sale of Capital Assets | | | | | | | (198,233) | (198,233) |
| Total Non-Operating Revenues | <u>0</u> | <u>0</u> | <u>0</u> | <u>210</u> | <u>0</u> | <u>500</u> | <u>(198,233)</u> | <u>(197,523)</u> |
| Income (Loss) Before Contributions and Transfers | 212,129 | 224,777 | 527,892 | 1,888,520 | (339,343) | 500 | (265,227) | 2,249,248 |
| Transfers In | | | | | 511,000 | | | 511,000 |
| Transfers Out | | | | (511,267) | | | | (511,267) |
| Change in Net Position | <u>212,129</u> | <u>224,777</u> | <u>527,892</u> | <u>1,377,253</u> | <u>171,657</u> | <u>500</u> | <u>(265,227)</u> | <u>2,248,981</u> |
| Net Position, Beginning | 890,547 | 196,997 | 219,641 | 3,847,229 | | 168,831 | 3,808,344 | 9,131,589 |
| Net Position, Ending | <u>\$1,102,676</u> | <u>\$421,774</u> | <u>\$747,533</u> | <u>\$5,224,482</u> | <u>\$171,657</u> | <u>\$169,331</u> | <u>\$3,543,117</u> | <u>\$11,380,570</u> |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2014

| | Right of Way | Extended School Program | Prisoners' Account System | Enhanced 911 | CKY Network | Small Business Development | Public Parking Corporation | Total |
|---|------------------|-------------------------|---------------------------|--------------------|--------------------|----------------------------|----------------------------|--------------------|
| Cash Flows from Operating Activities: | | | | | | | | |
| Receipts from Customers | \$520,812 | \$1,878,186 | \$2,372,253 | \$3,852,549 | \$111,576 | \$0 | \$0 | \$8,735,376 |
| Payments to Suppliers | (255,368) | (292,762) | (2,362,250) | (1,655,814) | (511,000) | (300) | | (5,077,494) |
| Payments to Employees | (265,444) | (1,435,852) | | (1,701,930) | | | | (3,403,226) |
| Payments for Interfund Services Used | | (161,546) | | (3,423) | | | | (164,969) |
| Net Cash Provided by (Used in) Operating Activities | <u>0</u> | <u>(11,974)</u> | <u>10,003</u> | <u>491,382</u> | <u>(399,424)</u> | <u>(300)</u> | <u>0</u> | <u>89,687</u> |
| Cash Flows from Noncapital Financing Activities: | | | | | | | | |
| Transfers In | | | | | 511,000 | | | 511,000 |
| Transfers Out | | | | (511,000) | | | | (511,000) |
| Net Cash Flows Provided by (Used in) Noncapital Financing Activities | <u>0</u> | <u>0</u> | <u>0</u> | <u>(511,000)</u> | <u>511,000</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Cash Flows from Capital and Related Financing Activities: | | | | | | | | |
| Purchases of Capital Assets | | | | (737,567) | | | | (737,567) |
| Disposals of Property, Plant and Equipment | | | | | | | | 0 |
| Net Cash Flows from Capital and Related Financing Activities | <u>0</u> | <u>0</u> | <u>0</u> | <u>(737,567)</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>(737,567)</u> |
| Cash Flows Provided by Investing Activities: | | | | | | | | |
| Purchases of Investments | | | | (210) | | (200) | | (410) |
| Income on Investments | | | | 210 | | 500 | | 710 |
| Net Cash Flows Provided by (Used in) Investing Activities | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>300</u> | <u>0</u> | <u>300</u> |
| Net Increase (Decrease) | <u>0</u> | <u>(11,974)</u> | <u>10,003</u> | <u>(757,185)</u> | <u>111,576</u> | <u>0</u> | <u>0</u> | <u>(647,580)</u> |
| Cash at Beginning of Year | <u>476,279</u> | <u>15,576</u> | <u>274,913</u> | <u>2,112,576</u> | <u>0</u> | <u>132,085</u> | <u>1,015,287</u> | <u>4,026,716</u> |
| Cash at End of Year | <u>\$476,279</u> | <u>\$3,602</u> | <u>\$284,916</u> | <u>\$1,355,391</u> | <u>\$111,576</u> | <u>\$132,085</u> | <u>\$1,015,287</u> | <u>\$3,379,136</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities: | | | | | | | | |
| Operating Income (Loss) | \$212,129 | \$224,777 | \$527,892 | \$1,888,310 | (\$339,343) | \$0 | (\$66,994) | \$2,446,771 |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities: | | | | | | | | |
| Depreciation | 7,358 | 5,912 | 1,200 | 22,936 | | | 66,994 | 104,400 |
| Other Receivables | | (323,985) | (32) | (420,557) | | | | (744,574) |
| Inventories and Prepaid Expenses | | 7,947 | (150) | (35,172) | | | | (27,375) |
| Due from Other Funds | | | (313,691) | (960,248) | (60,081) | (300) | | (1,558,302) |
| Increase (Decrease) in Liabilities: | | | | | | | | |
| Accounts Payable | (1,996) | 75,483 | (204,525) | (6,281) | | | | (137,319) |
| Accrued Payroll | 795 | (2,396) | | 9,272 | | | | 7,671 |
| Due to Other Funds | | | | (990) | | | | (990) |
| Unearned Revenues & Other | | | (691) | | | | | (691) |
| Compensated Absences | | 288 | | (5,888) | | | | 96 |
| Total Adjustments | <u>(212,129)</u> | <u>(236,751)</u> | <u>(517,889)</u> | <u>(1,396,928)</u> | <u>(60,081)</u> | <u>(300)</u> | <u>66,994</u> | <u>(2,357,084)</u> |
| Net Cash Provided by (Used In) Operating Activities | <u>\$0</u> | <u>(\$11,974)</u> | <u>\$10,003</u> | <u>\$491,382</u> | <u>(\$399,424)</u> | <u>(\$300)</u> | <u>\$0</u> | <u>\$89,687</u> |



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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 POSITION
INTERNAL SERVICE FUNDS
June 30, 2014

| | Health, Dental and Vision Care | Insurance and Risk Management | Total |
|----------------------------------|---|--|---------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash | \$615,000 | \$3,729,096 | \$4,344,096 |
| Due from Other Funds | 653,835 | 24,275,149 | 24,928,984 |
| Receivables | 4,194 | 116,245 | 120,439 |
| Inventories and Prepaid Expenses | 334,530 | | 334,530 |
| Total Current Assets | \$1,607,559 | \$28,120,490 | \$29,728,049 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | \$240,559 | \$106,298 | \$346,857 |
| Claims Payable: | | | |
| Reported | | 12,866,154 | 12,866,154 |
| Incurred But Not Reported | 1,367,000 | 14,787,551 | 16,154,551 |
| Total Liabilities | \$1,607,559 | \$27,760,003 | \$29,367,562 |
| NET POSITION | | | |
| Unrestricted | \$0 | \$360,487 | \$360,487 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES, & CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2014

| | Health, Dental and Vision Care Insurance | | | | Insurance and Risk Management | |
|--------------------------------|--|-------------|-------------|--------------|-------------------------------|--------------|
| | Health | Dental | Vision Care | Total | | Total |
| Operating Revenues | | | | | | |
| Premiums | \$25,868,733 | \$1,976,736 | \$124,806 | \$27,970,275 | \$10,968,387 | \$38,938,662 |
| Total Operating Revenues | 25,868,733 | 1,976,736 | 124,806 | 27,970,275 | 10,968,387 | 38,938,662 |
| Operating Expenses | | | | | | |
| Claims and Benefit Payments | 23,292,284 | 1,976,494 | 116,719 | 25,385,497 | 11,581,075 | 36,966,572 |
| Operating Supplies and Expense | 2,584,778 | | | 2,584,778 | | 2,584,778 |
| Total Operating Expenses | 25,877,062 | 1,976,494 | 116,719 | 27,970,275 | 11,581,075 | 39,551,350 |
| Operating Income (Loss) | (8,329) | 242 | 8,087 | 0 | (612,688) | (612,688) |
| Change in Net Position | (8,329) | 242 | 8,087 | 0 | (612,688) | (612,688) |
| Net Position, Beginning | 430,201 | (437,768) | 7,567 | 0 | 973,175 | 973,175 |
| Net Position, Ending | \$421,872 | (\$437,526) | \$15,654 | \$0 | \$360,487 | \$360,487 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2014

| | <u>Health, Dental and Vision Care</u> | <u>Insurance and Risk Management</u> | <u>Total</u> |
|--|---|--|------------------------------|
| Increase (Decrease) in Cash and Cash Equivalents: | | | |
| Cash Flows from Operating Activities: | | | |
| Receipts from Employees and Other Sources | \$27,970,275 | \$0 | \$27,970,275 |
| Receipts from Interfund Services Provided | (232,530) | (8,111,677) | (8,344,207) |
| Refunds from/(Payments to) Suppliers | (2,461,248) | 21,153 | (2,440,095) |
| Payments for Claims | (25,276,497) | (12,433,567) | (37,710,064) |
| Net Cash Used in Operating Activities | <u>0</u> | <u>(20,524,091)</u> | <u>(20,524,091)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 0 | (20,524,091) | (20,524,091) |
| Cash at Beginning of Year | <u>615,000</u> | <u>24,253,187</u> | <u>24,868,187</u> |
| Cash at End of Year | <u><u>\$615,000</u></u> | <u><u>\$3,729,096</u></u> | <u><u>\$4,344,096</u></u> |
| Reconciliation of Operating Income to Net Cash Used In Operating Activities: | | | |
| Operating Income | \$0 | (\$612,688) | (\$612,688) |
| Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities: | | | |
| (Increase) Decrease in Assets: | | | |
| Due from Other Funds | (354,686) | (19,176,005) | (19,530,691) |
| Other Receivables | 122,156 | 95,941 | 218,097 |
| Inventories and Prepaid Expenses | 34,283 | | 34,283 |
| Increase (Decrease) in Liabilities: | | | |
| Accounts Payable | 89,247 | 21,153 | 110,400 |
| Claims Payable | 109,000 | (852,492) | (743,492) |
| Total Adjustments | <u>0</u> | <u>(19,911,403)</u> | <u>(19,911,403)</u> |
| Net Cash Provided by Operating Activities | <u><u>\$0</u></u> | <u><u>(\$20,524,091)</u></u> | <u><u>(\$20,524,091)</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 POSITION
AGENCY FUNDS
For Years as Stated

| | Balance June 30, 2013 | Balance June 30, 2014 |
|--|----------------------------------|----------------------------------|
| NEIGHBORHOOD SEWER PROJECTS FUND | | |
| Cash and Short-Term Investments | \$714 | \$714 |
| Total Assets | \$714 | \$714 |
| Payable to Property Owners | \$714 | \$714 |
| Total Liabilities | \$714 | \$714 |
| JUVENILE AND ADULT PROBATION FUND | | |
| Cash | \$327,627 | \$329,563 |
| Total Assets | \$327,627 | \$329,563 |
| Accounts Payable | \$327,627 | \$329,563 |
| Total Liabilities | \$327,627 | \$329,563 |
| DOMESTIC RELATIONS FUND | | |
| Cash | \$313,982 | \$314,277 |
| Total Assets | \$313,982 | \$314,277 |
| Accounts Payable | \$313,982 | \$314,277 |
| Total Liabilities | \$313,982 | \$314,277 |
| REPRESENTATIVE PAYEE FUND | | |
| Cash | \$18,552 | \$28,416 |
| Total Assets | \$18,552 | \$28,416 |
| Accounts Payable | \$18,552 | \$28,416 |
| Total Liabilities | \$18,552 | \$28,416 |
| TOTALS - AGENCY FUNDS | | |
| Cash and Short-Term Investments | \$660,875 | \$672,970 |
| Total Assets | \$660,875 | \$672,970 |
| Liabilities | \$660,875 | \$672,970 |
| Total Liabilities | \$660,875 | \$672,970 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2014

| | <u>Balance</u> <u>June 30, 2013</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2014</u> |
|--|--|------------------|-------------------|--|
| NEIGHBORHOOD SEWER PROJECTS FUND | | | | |
| Cash and Short-Term Investments | \$714 | \$0 | \$0 | \$714 |
| Payable to Property Owners | \$714 | \$0 | \$0 | \$714 |
| JUVENILE AND ADULT PROBATION FUND | | | | |
| Cash | \$327,627 | \$15,077 | \$13,141 | \$329,563 |
| Total Assets | \$327,627 | \$15,077 | \$13,141 | \$329,563 |
| Accounts Payable | \$327,627 | \$15,722 | \$13,786 | \$329,563 |
| Due to Other Funds | | 965 | 965 | |
| Total Liabilities | \$327,627 | \$16,687 | \$14,751 | \$329,563 |
| DOMESTIC RELATIONS FUND | | | | |
| Cash | \$313,982 | \$295 | | \$314,277 |
| Accounts Payable | \$313,982 | \$295 | | \$314,277 |
| REPRESENTATIVE PAYEE FUND | | | | |
| Cash | \$18,552 | \$189,413 | \$179,549 | \$28,416 |
| Accounts Payable | \$18,552 | \$189,413 | \$179,549 | \$28,416 |
| TOTALS - AGENCY FUNDS | | | | |
| Cash and Short-Term Investments | \$660,875 | \$204,785 | \$192,690 | \$672,970 |
| Liabilities | \$660,875 | \$206,395 | \$194,300 | \$672,970 |



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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.

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF NET POSITION
NONMAJOR COMPONENT UNITS**

June 30, 2014

| | Lexington Transit Authority | Lexington Public Library | Lexington Convention and Visitors Bureau |
|--|--|---|---|
| ASSETS | | | |
| Cash | \$9,413,040 | \$4,560,835 | \$1,711,232 |
| Investments | | 6,313,569 | |
| Receivables: | | | |
| Accounts Receivable | 82,857 | 28,054 | 213,079 |
| Other | 141,248 | 127,585 | |
| Due from Primary Government | | | 1,092,902 |
| Due from Other Governments | 4,353,094 | | |
| Inventories and Prepaid Expenses | 420,552 | 7,791 | 48,262 |
| Restricted Current Assets: | | | |
| Cash | | | 1,116,077 |
| Investments | | | 510,616 |
| Pension Assets | 826,307 | | |
| Restricted Non-Current Investments | | | |
| Capital Assets: | | | |
| Non-depreciable | 6,075,577 | 4,017,023 | 19,727 |
| Depreciable (Net) | 15,778,872 | 16,698,442 | 216,222 |
| Other Assets | | 150,000 | |
| Total Assets | \$37,091,547 | \$31,903,299 | \$4,928,117 |
| LIABILITIES | | | |
| Accounts, Contracts Payable and Accrued Liabilities | \$1,030,912 | \$1,084,269 | \$254,323 |
| Interest Payable | | 20,997 | |
| Due to Primary Government | | | |
| Due to Component Units | | | |
| Unearned Revenue and Other | | 501 | 1,693 |
| Non-Current Liabilities: | | | |
| Due Within One Year: | | | |
| Compensated Absences | 167,764 | 311,312 | 11,655 |
| Bonds and Notes Payable | | 384,912 | |
| Due in More Than One Year: | | | |
| Compensated Absences | 289,885 | | |
| Bonds and Notes Payable | | 7,519,975 | |
| Total Liabilities | \$1,488,561 | \$9,321,966 | \$267,671 |
| NET POSITION | | | |
| Investment in Capital Assets, Net of Related Debt | \$21,854,449 | \$12,960,578 | \$235,949 |
| Restricted for: | | | |
| Pension | 826,307 | | |
| Governmental and Program Funds | | 197,434 | |
| Unrestricted | 12,922,230 | 9,423,321 | 4,424,497 |
| Total Net Position | \$35,602,986 | \$22,581,333 | \$4,660,446 |

| Downtown Development Authority | Total Nonmajor Component Units |
|---|---|
| \$518,225 | \$16,203,332 6,313,569 |
| | 323,990 |
| | 268,833 |
| | 1,092,902 |
| | 4,353,094 |
| 355 | 476,960 |
| | 1,116,077 |
| | 510,616 |
| | 826,307 |
| | 10,112,327 |
| | 32,693,536 |
| | 150,000 |
| <u>\$518,580</u> | <u>\$74,441,543</u> |
| | |
| \$11,628 | \$2,381,132 |
| | 20,997 |
| 387,992 | 387,992 |
| | 0 |
| | 2,194 |
| | |
| 7,430 | 498,161 |
| | 384,912 |
| | |
| 1,631 | 291,516 |
| | 7,519,975 |
| <u>\$408,681</u> | <u>\$11,486,879</u> |
| | |
| \$0 | \$35,050,976 |
| | 826,307 |
| | 197,434 |
| 109,899 | 26,879,947 |
| <u>\$109,899</u> | <u>\$62,954,664</u> |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF ACTIVITIES
NONMAJOR COMPONENT UNITS
For the Year Ended June 30, 2014

| | | Program Revenues | | |
|---|-----------------|-------------------------|----------------------|----------------------|
| | | Charges for | Operating | Capital |
| | Expenses | Services | Grants and | Grants and |
| | | | Contributions | Contributions |
| Lexington Transit Authority | | | | |
| Transit Operations | \$23,298,602 | \$2,866,582 | \$5,068,431 | \$742,554 |
| Depreciation | 2,938,320 | | | |
| Total Lexington Transit Authority | 26,236,922 | 2,866,582 | 5,068,431 | 742,554 |
| Lexington Public Library | | | | |
| Library Operations | 12,658,549 | 770,192 | 248,280 | 105,000 |
| Depreciation | 1,190,147 | | | |
| Interest on Long-Term Debt | 360,769 | | | |
| Total Lexington Public Library | 14,209,465 | 770,192 | 248,280 | 105,000 |
| Lexington Convention and Visitors Bureau | | | | |
| Convention and Tourism Operations | 5,292,561 | | 497,395 | |
| Depreciation | 68,567 | | | |
| Total Lexington Convention and Visitors Bureau | 5,361,128 | 0 | 497,395 | 0 |
| Downtown Development Authority | | | | |
| Downtown Design Center | 565,054 | | | 279,763 |
| Total Downtown Development Authority | 565,054 | 0 | 0 | 279,763 |
| Total Nonmajor Component Units | \$46,372,569 | \$3,636,774 | \$5,814,106 | \$1,127,317 |
| General Revenues: | | | | |
| Taxes | | | | |
| Payment from/to Lexington-Fayette Urban County Government | | | | |
| Income on Investments | | | | |
| Gain (Loss) on Sale of Capital Assets | | | | |
| Miscellaneous | | | | |
| Total General Revenues | | | | |
| Change in Net Position | | | | |
| Net Position, Beginning | | | | |
| Net Position, Ending | | | | |

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

| Lexington Transit Authority | Lexington Public Library | Lexington Convention and Visitors Bureau | Downtown Development Authority | Total Nonmajor Component Units |
|--|---|---|---|---|
| (\$14,621,035) | | | | (\$14,621,035) |
| (2,938,320) | | | | (2,938,320) |
| | | | | <u>(17,559,355)</u> |
| | (\$11,535,077) | | | (11,535,077) |
| | (1,190,147) | | | (1,190,147) |
| | (360,769) | | | (360,769) |
| | | | | <u>(13,085,993)</u> |
| | | (\$4,795,166) | | (4,795,166) |
| | | (68,567) | | (68,567) |
| | | | | <u>(4,863,733)</u> |
| | | | (\$285,291) | (285,291) |
| | | | | <u>(285,291)</u> |
| <u>(\$17,559,355)</u> | <u>(\$13,085,993)</u> | <u>(\$4,863,733)</u> | <u>(\$285,291)</u> | <u>(\$35,794,372)</u> |
| \$15,919,267 | \$13,868,108 | \$5,926,314 | \$0 | \$35,713,689 |
| | | | 348,000 | 348,000 |
| | 77,822 | 3,713 | 229 | 81,764 |
| (7,324) | | | | (7,324) |
| | 2,545 | 20,710 | | 23,255 |
| <u>15,911,943</u> | <u>13,948,475</u> | <u>5,950,737</u> | <u>348,229</u> | <u>36,159,384</u> |
| <u>(1,647,412)</u> | <u>862,482</u> | <u>1,087,004</u> | <u>62,938</u> | <u>365,012</u> |
| <u>37,250,398</u> | <u>21,718,851</u> | <u>3,573,442</u> | <u>46,961</u> | <u>62,589,652</u> |
| <u>\$35,602,986</u> | <u>\$22,581,333</u> | <u>\$4,660,446</u> | <u>\$109,899</u> | <u>\$62,954,664</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 POSITION
LAST TEN FISCAL YEARS

| | Fiscal Year | | | | | | | | | |
|---|---------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Governmental Activities | | | | | | | | | | |
| Investment in Capital Assets, net of related debt | \$128,533,898 | \$964,032,556 | \$965,683,982 | \$963,823,728 | \$934,789,342 | \$920,938,945 | \$921,236,876 | \$899,350,344 | \$877,691,469 | \$860,074,409 |
| Restricted | 1,316,495 | 10,509,131 | 19,918,500 | 2,241,711 | 6,255,432 | (31,494,181) | 32,640,718 | 20,289,131 | 26,895,407 | 22,045,314 |
| Unrestricted (Deficit) | 29,526,571 | 50,390,084 | 30,807,379 | 5,930,420 | (6,454,734) | | (110,023,238) | (98,714,274) | (94,638,121) | (83,112,939) |
| Total governmental activities net position | 159,376,964 | 1,024,931,771 | 1,016,409,861 | 971,993,859 | 934,590,040 | 889,444,764 | 843,854,356 | 820,925,201 | 809,948,755 | 799,006,784 |
| Business-type Activities | | | | | | | | | | |
| Investment in Capital Assets, net of related debt | 243,680,021 | 245,818,433 | 244,593,588 | 239,407,215 | 254,269,159 | 239,666,463 | 209,276,568 | 217,434,369 | 217,313,258 | 222,913,279 |
| Restricted | 33,688,305 | 34,565,941 | 39,914,276 | 24,129,422 | 24,680,839 | 35,249,098 | 50,637,360 | 57,712,759 | 66,194,803 | 68,209,300 |
| Unrestricted (Deficit) | 5,634,802 | 11,084,804 | 14,020,822 | 24,615,573 | 7,399,034 | 14,702,006 | 33,023,663 | 29,435,424 | 27,429,362 | 33,237,351 |
| Total business-type activities net position | 283,003,128 | 291,469,178 | 298,528,686 | 288,152,210 | 286,349,032 | 289,617,567 | 292,937,591 | 304,582,552 | 310,937,423 | 324,359,930 |
| Primary Government | | | | | | | | | | |
| Investment in Capital Assets, net of related debt | 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 | 1,095,004,727 | 1,082,987,688 |
| Restricted | 35,004,800 | 45,075,072 | 59,832,776 | 26,371,133 | 30,936,271 | 3,754,917 | 83,278,078 | 78,001,890 | 93,090,210 | 90,254,614 |
| Unrestricted (Deficit) | 35,161,373 | 61,474,888 | 44,828,201 | 30,545,993 | 944,300 | 14,702,006 | (76,999,575) | (69,278,850) | (67,208,759) | (49,875,588) |
| Total primary government net position | \$442,380,092 | \$1,316,400,949 | \$1,314,938,547 | \$1,260,148,069 | \$1,220,939,072 | \$1,179,062,331 | \$1,136,791,947 | \$1,125,507,553 | \$1,120,886,178 | \$1,123,366,714 |

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

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

| | Fiscal Year | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Expenses | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| General Government | \$22,840,721 | \$21,977,521 | \$23,927,771 | \$30,660,951 | \$22,706,306 | \$22,726,537 | \$24,197,239 | \$22,985,046 | \$23,692,990 | \$26,973,537 |
| Administrative Services | 23,522,220 | 27,674,322 | 34,445,260 | 3,832,639 | 3,315,306 | 1,299,382 | 1,386,040 | 21,143,480 | 11,761,053 | 5,342,699 |
| Health, Dental and Vision Insurance | 14,011,082 | 14,740,182 | 13,301,058 | 14,564,306 | 25,824,211 | 26,711,492 | 34,755,417 | 26,211,457 | 25,006,634 | 24,893,545 |
| Chief Information Officer | | | | 11,216,315 | 14,522,324 | 9,161,677 | 9,713,226 | | 6,983,029 | 6,983,029 |
| Chief Development Officer | | | | | | | | 470,018 | 620,665 | 192,555 |
| Finance | 6,670,050 | 6,629,421 | 10,464,204 | 12,376,624 | 13,378,819 | 24,047,223 | 28,515,655 | 19,357,661 | 14,744,087 | 16,726,346 |
| Public Works | 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 | 83,878,537 | 45,339,718 |
| Planning, Preservation, & Development* | | | | | | | | | 3,767,295 | 47,343,980 |
| Public Safety | | | | | | | | | | 10,776,283 |
| Police | 9,001,079 | 8,363,244 | 11,937,598 | 26,717,271 | 13,145,251 | 11,259,687 | 11,162,765 | 13,042,036 | 14,666,437 | 10,776,283 |
| Fire and Emergency Services | 47,320,658 | 56,588,057 | 56,980,657 | 63,533,856 | 69,507,685 | 70,694,372 | 71,714,415 | 68,164,371 | 69,945,322 | 69,822,219 |
| Community Corrections | 39,390,542 | 47,469,043 | 53,242,082 | 58,497,360 | 66,077,180 | 63,116,000 | 67,106,441 | 66,413,015 | 62,781,239 | 67,689,682 |
| Building Inspection | 27,326,172 | 28,539,978 | 29,028,326 | 30,686,297 | 30,670,339 | 30,894,261 | 31,104,781 | 31,286,365 | 32,631,937 | 34,000,937 |
| Environmental Quality | | | | 23,947,831 | 24,729,110 | 21,516,034 | 23,500,067 | | | |
| Social Services | 10,579,394 | 13,379,478 | 15,493,804 | 16,392,173 | 14,719,158 | 11,836,703 | 10,672,881 | 9,780,945 | 10,194,745 | 10,478,516 |
| General Services | 16,998,086 | 18,493,537 | 10,855,412 | 11,531,344 | 13,944,835 | 14,629,238 | 14,242,698 | 10,041,709 | 10,898,533 | 10,551,162 |
| Parks and Recreation | 14,840,330 | 16,739,980 | 19,428,046 | 21,961,714 | 19,955,406 | 18,320,506 | 19,064,298 | 19,386,251 | 19,653,677 | 19,693,483 |
| Law and Risk Management | 2,041,719 | 1,946,786 | 2,115,341 | 12,593,109 | 10,803,413 | 9,501,249 | 10,227,268 | 3,497,483 | 4,006,240 | 3,511,867 |
| Outside Agencies | | 178,667 | | | | | | | | |
| Special Projects | | | | | | | | | | |
| Interest on Long-Term Debt | 6,236,280 | 6,291,512 | 6,378,169 | 5,727,995 | 6,357,236 | 10,692,416 | 13,131,617 | 12,835,920 | 13,116,205 | 13,053,635 |
| Debt Service - Other | 1,261,204 | 1,040,970 | 1,056,289 | 1,056,179 | | | | | | |
| Total governmental activities | 277,628,208 | 363,252,420 | 357,550,215 | 416,991,666 | 412,584,167 | 408,047,873 | 434,166,244 | 405,175,480 | 401,365,596 | 413,673,193 |
| Business-type Activities: | | | | | | | | | | |
| Sanitary Sewer System | 23,554,596 | 24,553,305 | 26,703,501 | 36,565,069 | 35,438,026 | 41,453,360 | 42,472,580 | 40,124,346 | 39,014,016 | 43,664,387 |
| Public Facilities | 12,121,284 | 12,175,005 | 10,444,503 | 11,359,294 | 10,971,103 | 10,806,267 | 10,741,225 | 10,333,320 | 9,419,886 | 8,895,507 |
| Public Parking | 801,857 | 909,544 | 511,198 | 463,177 | 1,012,399 | 977,900 | 906,926 | 847,894 | 84,866 | 265,226 |
| Landfill | 4,233,412 | 1,301,578 | 1,651,318 | 7,250,365 | 6,209,619 | 6,641,801 | 6,581,625 | 5,271,593 | 4,099,770 | 6,060,197 |
| Right of Way | 266,533 | 292,284 | 307,012 | 333,723 | 299,598 | 313,383 | 312,770 | 298,896 | 284,470 | 308,683 |
| Extended School Program | 1,452,385 | 1,578,873 | 1,967,573 | 2,081,422 | 2,333,357 | 2,456,874 | 2,207,310 | 2,339,148 | 2,198,555 | 1,977,594 |
| Prisoners' Account System | 1,472,693 | 1,363,204 | 1,273,913 | 1,724,224 | 1,628,156 | 1,287,139 | 1,373,473 | 1,393,543 | 1,844,393 | 1,844,393 |
| Enhanced 911 | 2,112,518 | 2,107,592 | 3,057,919 | 3,870,267 | 3,314,149 | 3,634,032 | 3,083,806 | 2,973,088 | 2,930,379 | 2,384,796 |
| CKY Network | 40,296 | 35,122 | 62,228 | 54,347 | 63,502 | 57,644 | 84,242 | 29,307 | 10,668 | 450,919 |
| Small Business Development | 3,562 | 8,838 | | | | | | | | |
| Water Quality | | | | 1,841,975 | | 4,528,403 | 6,280,081 | 9,182,669 | 8,308,501 | 9,139,302 |
| Total business-type activities | 46,149,536 | 44,415,345 | 45,979,165 | 63,701,888 | 63,111,884 | 72,721,187 | 73,957,704 | 72,773,734 | 67,744,654 | 74,990,804 |
| Total primary government | \$323,777,744 | \$407,667,765 | \$403,529,380 | \$480,693,554 | \$475,676,051 | \$480,289,060 | \$508,123,948 | \$477,949,214 | \$469,110,250 | \$488,663,997 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
CHANGES IN NET ASSETS
LAST TEN FISCAL YEARS (cont'd.)
(Annual Basis of Accounting)

| | Fiscal Year | | | | | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for Services | \$41,277,818 | \$3,103,068 | \$8,708,357 | \$14,562,857 | \$14,300,517 | \$13,541,123 | \$15,644,382 | \$15,086,369 | \$23,141,015 | \$17,046,255 |
| General Government | | 1,577,237 | 7,167,050 | | | | 1,000 | 1,603,453 | 559,050 | 367,363 |
| Administrative Services | | 14,676,675 | 13,297,984 | 14,564,306 | 25,824,211 | 26,711,492 | 34,755,417 | 26,211,457 | 25,006,634 | 24,893,545 |
| Health, Dental, and Vision | | | | 77,900 | 56,344 | 14,368 | 20,876 | | | 4,271 |
| Chief Information Officer | | | | | | | | | | 6,281 |
| Finance | | 866,815 | 1,233,796 | 1,526,545 | 4,385,600 | 3,807,077 | 3,145,043 | 2,511,142 | 2,413,363 | 3,358,781 |
| Public Works | | 1,574,355 | 1,304,217 | 14,388,414 | 3,775,946 | 5,770,608 | 4,088,338 | | | |
| Environmental Quality & Public Works | | | | | | | | | | |
| Planning, Preservation, & Development* | | | | | | | | | | |
| Public Safety | | | | | | | | | | |
| Police | | 2,394,577 | 2,419,149 | 1,482,000 | 403,491 | 445,029 | 329,460 | 2,045,401 | 2,045,401 | 2,681,977 |
| Fire and Emergency Services | | 1,088,235 | 309,799 | 614,408 | 2,031,643 | 2,007,988 | 2,402,840 | 1,528,342 | 1,857,059 | 2,245,228 |
| Community Corrections | | 3,645,180 | 4,166,741 | 4,686,614 | 6,773,040 | 6,191,913 | 6,478,108 | 7,340,946 | 1,942,297 | 64,898 |
| Environmental Quality | | 5,995,495 | 6,955,537 | 7,822,586 | 6,413,349 | 6,319,484 | 7,429,351 | 7,707,225 | 8,286,565 | 7,039,209 |
| Social Services | | 355,936 | 2,071,456 | 3,362,329 | 1,265,393 | 1,850,487 | 2,406,997 | | | 9,161,315 |
| General Services | | 69,488 | | 3,754,793 | 3,754,793 | 2,848,473 | 3,542,915 | 1,766,790 | 1,857,123 | 1,703,695 |
| Parks and Recreation | | 4,338,295 | 4,520,111 | 4,566,558 | 5,381,956 | 4,691,533 | 97,898 | 63,132 | 28,827 | 4,155 |
| Law and Risk Management | | | | | | | | 4,810,535 | 4,156,325 | 3,869,990 |
| Outside Agencies | | 1,145 | 475 | 2,935 | 21,528 | 34,444 | 18,217 | 35,293 | 36,944 | 49,006 |
| Debt Service - other | | | 73,448 | | | | | | | |
| Operating Grants and Contributions | 20,838,959 | | 31,988,064 | 17,500,905 | 13,251,883 | 20,192,672 | 13,849,522 | 14,139,426 | 13,065,758 | 15,108,425 |
| Capital Grants and Contributions | 12,970,715 | 15,349,943 | 7,838,381 | 7,838,458 | 10,276,393 | 10,434,599 | 7,078,729 | 8,316,236 | 6,272,539 | 9,200,572 |
| Total Governmental Activities | 75,087,492 | 75,743,110 | 87,354,565 | 95,232,281 | 98,020,529 | 104,974,788 | 105,547,184 | 96,078,664 | 98,573,466 | 98,840,995 |
| Business-Type Activities: | | | | | | | | | | |
| Charges for Services | 49,825,599 | 28,471,944 | 26,199,037 | 27,532,422 | 36,605,347 | 47,470,305 | 48,803,593 | 47,287,791 | 52,927,780 | 50,480,049 |
| Sanitary Sewer System | | 7,251,009 | 5,990,398 | 6,237,836 | 6,841,271 | 6,405,531 | 7,157,088 | 7,156,666 | 5,830,285 | 6,375,794 |
| Public Facilities | | 1,303,998 | 993,995 | 1,192,523 | 1,373,037 | 1,203,102 | 859,874 | 977,414 | 4,560 | |
| Public Parking | | 7,999,651 | 7,870,493 | 8,556,220 | 8,499,137 | 8,240,762 | 7,203,610 | 7,183,611 | 6,845,329 | 7,064,989 |
| Landfill | | 41,2392 | 413,705 | 310,950 | 403,771 | 479,012 | 483,196 | 419,676 | 392,466 | 520,812 |
| Right of Way | | 1,494,955 | 2,220,509 | 2,203,771 | 1,808,121 | 2,097,145 | 2,038,391 | 2,338,243 | 2,379,751 | 2,202,171 |
| Extended School Program | | 1,452,156 | 1,950,786 | 2,066,361 | 2,026,429 | 1,915,910 | 1,521,127 | 1,619,626 | 2,372,285 | 2,372,285 |
| Prisoners' Account System | | 2,365,264 | 2,383,332 | 2,621,394 | 3,453,310 | 4,069,027 | 3,749,409 | 3,999,658 | 3,517,654 | 4,273,106 |
| Enhanced 911 | | 27,449 | 26,609 | 61,360 | 84,045 | 91,090 | 140,699 | 51,798 | 25,738 | 111,576 |
| CKY Network | | 6,258 | 23,384 | 188 | | | | | | |
| Small Business Development | | | | | | | | | | |
| Water Quality | 49,825,599 | 50,784,976 | 47,072,248 | 50,783,025 | 61,162,736 | 77,552,988 | 83,162,228 | 83,034,498 | 85,839,645 | 13,119,524 |
| Total Business-Type Activities | 124,913,091 | 126,528,086 | 134,426,813 | 146,006,306 | 159,183,265 | 182,527,776 | 188,709,412 | 179,113,162 | 184,413,111 | 86,520,306 |
| Total Primary Government | | | | | | | | | | 185,361,301 |
| Net (Expense)/Revenue | | | | | | | | | | |
| Governmental Activities | (202,540,716) | (287,509,310) | (270,195,650) | (321,768,385) | (314,543,638) | (303,073,085) | (328,619,060) | (309,096,816) | (302,792,130) | (314,832,198) |
| Business-Type Activities | 3,676,063 | 6,369,631 | 1,093,083 | (12,918,863) | (1,949,148) | 5,311,801 | 9,204,524 | 10,260,764 | 18,094,991 | 11,529,502 |
| Total Primary Government | (198,864,653) | (281,139,679) | (269,102,567) | (334,687,248) | (316,492,786) | (297,761,284) | (319,414,536) | (298,836,052) | (284,697,139) | (303,302,696) |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Property Taxes | 43,189,707 | 44,889,961 | 47,791,867 | 51,455,185 | 54,301,749 | 51,143,199 | 52,548,109 | \$2,860,840 | 53,597,311 | 54,759,199 |
| Licenses and Permits | 188,973,385 | 197,857,140 | 210,698,736 | 220,015,258 | 218,194,593 | 215,196,838 | 224,399,866 | 230,580,201 | 238,924,158 | 248,271,270 |
| Grants and Contributions Not Restricted to Specific Programs: | | | | | | | | | | |
| Community Development Block Grant | 2,570,656 | 2,264,419 | 2,126,818 | 2,463,746 | 2,577,631 | 2,250,779 | 2,175,565 | 2,171,901 | 2,176,035 | 2,009,120 |
| Income on Investments | 1,839,509 | 3,395,527 | 6,121,269 | 3,582,709 | 804,510 | 300,149 | 129,839 | 389,967 | (509,890) | 263,242 |
| Sale of Assets | 523,841 | 956,340 | (1,041,367) | 457,516 | 641,460 | (45,882) | 2,300,242 | 311,259 | 283,406 | |
| Bond Refunding | | | | | | | | | | |
| Miscellaneous | 767,547 | 827,029 | 963,926 | | | | | | | |
| Conveyance of Asset | | | (2,116,880) | | | | | | | |
| Transfers | (1,281,083) | 670,254 | (3,308,054) | (620,031) | 617,876 | 1,737,854 | 1,249,888 | (346,507) | (1,106,585) | (871,447) |
| Total Governmental Activities | 236,583,462 | 250,860,670 | 261,236,315 | 277,354,383 | 277,137,819 | 270,582,937 | 282,803,599 | 286,167,661 | 293,364,435 | 304,431,384 |
| Business-Type Activities: | | | | | | | | | | |
| Income on Investments | 1,397,929 | 2,728,854 | 2,802,634 | 1,907,250 | 669,955 | 96,285 | 540,692 | 1,029,866 | (215,314) | 1,021,558 |
| Sale of Assets | 9,350 | 17,819 | (183,523) | 15,106 | 93,891 | (401,697) | 39,149 | 7,824 | | |
| Bond Refunding | | | | | | | | | | |
| Transfers | 1,281,083 | (670,254) | 3,308,054 | 620,031 | (617,876) | (1,737,854) | (1,249,888) | 346,507 | (11,902,981) | 871,447 |
| Total Business-Type Activities | 2,688,362 | 2,076,419 | 5,927,165 | 2,542,387 | 145,970 | (2,043,266) | (670,047) | 1,384,197 | (12,118,295) | 1,893,005 |
| Total Primary Government | 239,271,824 | 252,937,089 | 267,163,480 | 279,896,770 | 277,283,789 | 268,539,671 | 282,133,462 | 287,551,858 | 281,246,140 | 306,324,389 |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | 34,042,746 | (36,648,640) | (8,959,335) | (44,414,002) | (37,405,819) | (32,490,148) | (45,815,551) | (22,929,155) | (9,427,695) | (10,400,814) |
| Business-type activities | 6,364,425 | 8,446,050 | 7,020,248 | (10,376,476) | (1,803,178) | 3,268,535 | 8,534,477 | 11,644,961 | 5,976,696 | 13,422,507 |
| Prior Period Adjustment - Government Activities | | 902,203,447 | 437,425 | | | (12,655,128) | 225,143 | | (1,548,751) | (541,157) |
| Prior Period Adjustment-Business-Type Activities | | 20,000 | 39,260 | | | | (5,214,453) | | 378,175 | |
| Total Primary Government | \$40,407,171 | \$874,020,857 | (81,462,402) | (554,790,478) | (339,208,997) | (541,876,741) | (542,270,384) | (511,284,194) | (54,021,575) | \$2,480,536 |
| *Planning, Preservation, & Development was added in FY 13 and was previously included with Administration. | | | | | | | | | | |
| Source: Department of Finance, Lexington-Fayette Urban County Government | | | | | | | | | | |

TABLE 3

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

| | Fiscal Year | | | | | | | | | |
|-------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| General Fund | | | | | | | | | | |
| Reserved | \$4,940,741 | \$4,845,381 | \$4,637,101 | \$5,254,246 | \$12,177,430 | \$12,019,893 | \$0 | \$0 | \$0 | \$0 |
| Unreserved | | | | | | | | | | |
| Designated for Economic Contingency | 5,996,710 | 8,272,087 | 11,894,147 | 13,219,620 | 14,470,569 | 14,470,569 | | | | |
| Designated for Payroll | 4,260,723 | | 556,400 | 1,293,279 | 2,116,169 | 2,923,169 | | | | |
| Designated for Working Capital | 3,394,250 | 7,036,780 | 9,634,602 | | | | | | | |
| Designated for Pay Adjustments | | | | | | | | | | |
| Undesignated | 17,468,671 | 17,734,190 | 15,713,298 | 4,620,501 | 4,365,746 | 2,106,483 | 1,493,737 | 1,461,447 | 1,405,198 | 1,627,367 |
| Nonspendable | | | | | | | | | | |
| Restricted for: | | | | | | | | | | |
| Energy Improvement Projects | | | | | | | | | 408,227 | 636,874 |
| Committed for: | | | | | | | | | | |
| General Government | | | | | | | 3,931,000 | | 6,612,684 | 11,249,146 |
| Economic Stabilization | | | | | | | 18,200,738 | 18,482,971 | 23,290,466 | 25,224,221 |
| Assigned to: | | | | | | | | | | |
| Capital Projects | | | | | | | | 6,972,224 | 8,060,560 | 8,137,251 |
| General Government | | | | | | | | 11,583,075 | 10,325,000 | 12,700,000 |
| Urban Services | | | | | | | | 2,500,000 | | |
| Unassigned | | | | | | | 562,360 | 3,265,872 | 4,309,677 | 4,176,646 |
| Total | 36,061,095 | 37,888,438 | 42,435,548 | 24,387,646 | 33,129,914 | 31,520,114 | 24,187,835 | 44,265,589 | 54,411,812 | 63,751,505 |
| Urban Services | | | | | | | | | | |
| Reserved | 3,796,313 | 2,963,095 | 1,661,414 | 1,064,326 | 5,612,288 | 8,842,245 | | | | |
| Designated for Payroll | 367,505 | | 45,700 | 99,401 | 127,622 | 154,622 | | | | |
| Undesignated | 17,637,287 | 20,771,372 | 26,852,738 | 31,935,168 | 28,237,751 | 16,986,960 | | | | |
| Nonspendable | | | | | | | 4,031 | 604 | 175 | 11,112 |
| Restricted for: | | | | | | | | | | |
| Urban Service Projects | | | | | | | 20,420,741 | 22,767,570 | 28,631,854 | 29,855,868 |
| Energy Improvement Projects | | | | | | | | | 10,383 | 13,314 |
| Unassigned | | | | | | | | | | |
| Total | 21,801,105 | 23,734,467 | 28,559,852 | 33,098,895 | 33,977,661 | 25,983,827 | 20,424,772 | 22,768,174 | 28,642,412 | 29,880,294 |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | | | | | | | | | | |
| Undesignated, reported in: | | | | | | | | | | |
| Nonspendable | 9,119,957 | 11,641,885 | 6,521,414 | 18,430,040 | 7,944,462 | 12,702,665 | | | | |
| Restricted for: | | | | | | | 369 | 6,604 | 22,376 | 77,859 |
| Public Works | | | | | | | 10,357,176 | 8,238,721 | 9,032,953 | 11,534,007 |
| Public Safety | | | | | | | 3,117,402 | 2,812,852 | 1,659,378 | 1,569,569 |
| Special Revenue Funds | | | | | | | | | | |
| Capital Projects | 4,315,924 | 6,789,094 | 8,770,810 | 9,269,371 | 12,137,914 | 13,742,070 | 32,094,257 | 19,027,031 | 25,214,697 | 20,133,026 |
| Grants Projects | 19,410,938 | 25,849,967 | 14,852,272 | (13,728,932) | 6,138,952 | 36,272,857 | 546,461 | 1,262,100 | 1,262,100 | 1,262,100 |
| Grants Projects | 514,983 | 235,303 | 313,460 | 119,184 | 100,842 | 116,485 | | | | |
| Committed for: | | | | | | | | | | |
| General Government | | | | | | | 410,544 | 447,605 | | |
| Assigned to: | | | | | | | | | | |
| General Government | | | | | | | (974,484) | (370,103) | 445,690 | 1,721,084 |
| Unassigned | | | | | | | | | | |
| Total | \$33,361,802 | \$44,516,249 | \$30,457,956 | \$14,089,663 | \$26,322,170 | \$62,834,077 | \$45,551,725 | \$31,424,810 | \$37,637,194 | \$36,297,645 |

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 | | | | | | | | | |
|---|---------------------|---------------------|----------------------|-----------------------|---------------------|---------------------|-----------------------|--------------------|---------------------|--------------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Revenues | | | | | | | | | | |
| Licenses and Permits | \$189,786,177 | \$198,653,467 | \$215,760,874 | \$224,874,954 | \$222,841,928 | \$219,586,264 | \$228,816,452 | \$235,226,117 | \$243,655,298 | \$253,581,959 |
| Taxes | 43,189,707 | 44,889,961 | 47,791,867 | 51,455,185 | 54,301,749 | 51,143,199 | 52,548,109 | 52,860,840 | 53,597,311 | 54,759,199 |
| Charges for Services | 21,561,092 | 20,648,157 | 22,350,901 | 21,357,602 | 22,073,405 | 21,182,005 | 24,158,224 | 26,262,822 | 26,365,849 | 26,797,087 |
| Fines and Forfeitures | 184,104 | 323,063 | 57,192 | 180,785 | 303,205 | 268,459 | 220,449 | 176,319 | 311,930 | 258,112 |
| Local Contributions | | | | | | | | | | |
| Intergovernmental | 30,321,835 | 31,784,556 | 32,419,475 | 45,587,385 | 36,462,389 | 41,088,818 | 33,622,666 | 35,125,072 | 32,365,491 | 38,199,741 |
| Excise | 4,767,468 | 2,823,892 | 1,584,199 | 1,282,254 | 379,575 | 601,993 | 96,613 | 129,603 | 532,410 | 486,643 |
| Grant Match | 2,025,396 | 2,256,329 | 2,178,329 | 1,709,521 | 2,734,433 | 2,619,353 | | | | |
| Property Sales | 523,841 | 956,340 | 785,073 | 557,071 | 803,382 | 499,119 | 2,681,463 | 453,540 | 462,570 | 181,052 |
| Income on Investments | 1,420,555 | 3,366,361 | 5,737,945 | 3,582,709 | 804,510 | 300,149 | 129,839 | 589,902 | (509,785) | 263,298 |
| Other | 5,544,293 | 5,787,271 | 7,260,457 | 8,145,477 | 7,928,848 | 9,988,984 | 8,998,513 | 4,002,075 | 3,436,946 | 4,067,219 |
| Total Revenues | 299,324,468 | 311,489,397 | 335,926,312 | 358,732,943 | 348,633,424 | 347,278,343 | 351,272,328 | 354,826,290 | 360,218,020 | 378,594,310 |
| Expenditures | | | | | | | | | | |
| General Government | 9,812,520 | 8,635,249 | 6,706,895 | 13,651,464 | 6,761,982 | 6,962,873 | 7,382,550 | 5,059,177 | 5,647,407 | 5,678,539 |
| Administrative Services | 24,077,384 | 25,104,922 | 25,431,738 | 1,845,175 | 3,213,262 | 1,098,505 | 1,209,504 | 19,612,467 | 10,370,972 | 5,014,372 |
| Chief Information Officer | | | | 9,919,332 | 13,566,187 | 10,287,205 | 8,450,628 | | | 6,018,607 |
| Chief Development Officer | | | | | | | | 458,932 | 613,743 | 190,339 |
| Finance | 6,593,458 | 7,145,881 | 9,890,462 | 11,561,109 | 11,488,448 | 11,979,265 | 9,271,854 | 5,405,089 | 5,115,502 | 5,020,225 |
| Public Works | 41,247,381 | 40,430,609 | 34,857,640 | 23,013,365 | 24,708,831 | 22,514,826 | 21,858,996 | 36,315,403 | 37,037,311 | 36,407,046 |
| Environmental Quality & Public Works | | | | | | | | | 3,659,901 | 8,670,017 |
| Planning, Preservation, & Development* | | | | | | | | | 172,413,558 | 173,507,393 |
| Public Safety | 118,307,014 | 137,232,016 | 142,764,740 | 153,492,722 | 227,892,046 | 191,233,566 | 160,552,216 | 193,328,465 | 8,222,664 | 8,196,041 |
| Social Services | 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 | 24,696,780 | 30,279,293 | 28,040,506 | 28,280,713 | 29,246,730 | 26,370,443 | 25,763,110 | 24,095,490 | 26,517,790 | 24,348,481 |
| Law and Risk Management | 1,861,769 | 1,575,637 | 2,064,825 | 23,551,596 | 10,851,780 | 9,327,861 | 10,237,207 | 3,571,448 | 3,994,327 | 4,035,393 |
| Outside Agencies | 18,876,456 | 15,846,048 | 15,613,480 | 20,090,648 | 19,236,209 | 18,123,297 | 19,244,315 | 20,571,727 | 20,260,096 | 24,739,506 |
| Special Projects | | | | | | | | | | |
| Debt Service: | | | | | | | | | | |
| Principal | 14,156,321 | 15,030,273 | 18,797,661 | 16,740,000 | 13,760,000 | 26,230,000 | 20,035,000 | 18,465,000 | 17,855,000 | 21,925,000 |
| Interest and Other | 7,634,836 | 7,384,493 | 7,594,762 | 6,907,518 | 5,495,982 | 9,409,512 | 13,703,243 | 12,927,929 | 13,108,740 | 13,667,645 |
| Capital | 12,927,159 | 21,389,866 | 36,861,883 | 47,475,384 | 45,435,689 | 70,941,523 | 49,010,038 | 29,785,796 | 28,336,917 | 48,815,941 |
| Total Expenditures | 293,580,213 | 322,299,551 | 341,971,663 | 387,977,104 | 444,357,758 | 434,492,756 | 377,664,929 | 377,401,672 | 353,153,928 | 386,234,545 |
| Excess (Deficiency) of Revenues over (under) Expenditures | 5,744,255 | (10,810,154) | (6,045,351) | (29,244,161) | (95,724,334) | (87,214,413) | (26,392,601) | (22,575,382) | 7,064,092 | (7,640,235) |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Transfers In | 5,719,846 | 6,807,387 | 3,746,037 | 1,375,483 | 4,238,345 | 6,723,504 | 3,843,657 | 18,102,675 | 7,226,272 | 28,308,895 |
| Transfers Out | (7,000,929) | (6,137,133) | (7,054,091) | (2,008,473) | (3,620,469) | (4,985,650) | (3,773,123) | (18,493,131) | (7,822,695) | (29,163,490) |
| Property Sales | | | | | | | | | | |
| Debt Proceeds (net of bond refunding) | 22,325,000 | 24,700,000 | 4,667,606 | | 116,960,000 | 119,515,000 | 19,720,000 | 37,275,000 | 21,177,299 | 78,350,131 |
| Bond Anticipation Note | 304,813 | 7,599 | | | | | | | | |
| Premium (Discount) on Bonds Issued | 39,218 | 210,968 | | | | (7,130,168) | (4,580,255) | (6,014,921) | (4,549,025) | (60,617,275) |
| Total Other Financing Sources (Uses) | 21,387,948 | 25,588,821 | 1,359,552 | (632,990) | 117,577,876 | 114,122,686 | 15,210,279 | 30,869,623 | 16,031,851 | 16,878,261 |
| Net Change in Fund Balances | \$27,132,203 | \$14,778,667 | \$(4,685,799) | \$(29,877,151) | \$21,853,542 | \$26,908,273 | \$(11,182,322) | \$8,294,241 | \$23,095,943 | \$9,238,026 |
| Debt Service as a percentage of noncapital expenditures* | 7.8% | 7.2% | 8.3% | 6.2% | 4.5% | 9.5% | 10.2% | 8.7% | 9.1% | 10.1% |

*Planning, Preservation, & Development was added in FY13 and was previously included with Administration.

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 | | | | | | | | | |
|--|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Revenues | | | | | | | | | | |
| Licenses and Permits | \$188,632,470 | \$197,805,430 | \$214,665,674 | \$223,622,531 | \$221,612,009 | \$218,333,096 | \$227,486,734 | \$233,898,045 | \$242,304,633 | \$252,196,981 |
| Taxes | 17,731,787 | 17,156,666 | 18,150,819 | 19,509,219 | 20,737,242 | 20,222,945 | 20,992,845 | 20,880,351 | 21,368,326 | 21,899,738 |
| Charges for Services | 21,260,954 | 21,003,296 | 22,215,574 | 21,313,927 | 21,965,618 | 21,002,080 | 24,084,059 | 23,879,484 | 24,202,174 | 24,643,221 |
| Fines and Forfeitures | 184,104 | 323,063 | 57,192 | 137,659 | 270,598 | 262,040 | 215,493 | 170,001 | 309,442 | 257,039 |
| Intergovernmental | 2,418,670 | 2,465,624 | 2,133,350 | 3,315,630 | 2,405,778 | 1,156,085 | 2,441,417 | 1,942,553 | 1,978,891 | 1,720,761 |
| Property Sales | 516,536 | 349,715 | 465,537 | 392,892 | 646,007 | 473,784 | 1,985,318 | 152,194 | 137,719 | 56,688 |
| Income on Investments | 533,607 | 1,481,463 | 2,971,942 | 1,827,694 | 288,720 | 62,901 | (2,381) | 390,823 | (556,777) | 432,454 |
| Other | 1,873,064 | 1,743,395 | 4,088,217 | 3,206,921 | 3,559,545 | 5,640,858 | 4,159,715 | 2,213,409 | 2,388,300 | 2,509,949 |
| Total Revenues | 233,151,192 | 242,528,652 | 264,748,305 | 273,326,473 | 271,485,517 | 267,153,789 | 281,363,200 | 283,526,860 | 292,132,708 | 303,716,831 |
| Expenditures and Other Financing Sources (Uses) | | | | | | | | | | |
| General Government | 3,668,705 | 4,458,163 | 5,048,021 | 11,450,825 | 3,337,821 | 3,206,859 | 3,872,271 | 1,700,098 | 3,476,730 | 3,664,554 |
| Administrative Service; Chief Information Officer | 13,228,125 | 15,582,368 | 15,276,489 | 1,081,760 | 1,052,574 | 1,098,505 | 1,209,504 | 15,973,425 | 8,112,087 | 2,656,141 |
| Chief Development Officer | | | | 6,513,655 | 7,610,707 | 7,366,977 | 7,820,811 | | | 6,018,605 |
| Finance | 6,773,332 | 7,256,067 | 7,745,982 | 7,955,937 | 9,057,361 | 8,297,391 | 7,936,589 | 158,932 | 163,743 | 182,074 |
| Public Works | 12,389,534 | 12,637,417 | 11,771,654 | 18,553,415 | 17,198,118 | 18,296,963 | 16,628,445 | 5,387,968 | 5,101,158 | 5,022,088 |
| Environmental Quality & Public Works | | | | | | | | 8,380,410 | 8,103,750 | 7,366,215 |
| Planning, Preservation, & Development* | | | | | | | | | 2,738,011 | 7,742,329 |
| Public Safety | 111,767,425 | 131,079,150 | 138,132,390 | 146,778,076 | 219,175,755 | 183,918,587 | 154,017,726 | 187,071,884 | 167,821,104 | 165,631,441 |
| Social Services | 9,143,767 | 9,274,916 | 10,617,866 | 10,245,245 | 9,604,663 | 7,439,405 | 6,801,050 | 6,003,513 | 6,566,634 | 6,633,883 |
| Environmental Quality | | | | 2,025,452 | 53,206 | 3,217 | 6,407 | | | |
| General Services | 24,917,618 | 25,299,456 | 28,318,762 | 28,032,856 | 28,401,996 | 26,464,121 | 25,414,155 | 24,165,031 | 26,774,613 | 29,847,860 |
| Law | 1,876,412 | 1,923,928 | 1,782,008 | 20,032,934 | 9,602,925 | 8,601,967 | 9,607,308 | 3,494,863 | 3,926,008 | 3,974,171 |
| Outside Agencies | 18,258,584 | 14,349,512 | 15,464,809 | 16,843,781 | 16,913,570 | 16,786,200 | 16,935,373 | 17,206,291 | 17,121,904 | 18,935,337 |
| Debt Service | 20,802,641 | 21,585,420 | 25,662,867 | 23,163,080 | 19,386,936 | 27,749,206 | 33,701,269 | 30,937,819 | 29,748,196 | 34,160,768 |
| Other Financing (Sources) Uses | 4,860,964 | 140,864 | 202,328 | (685,501) | (78,652,384) | (40,465,809) | (3,207,654) | (37,031,128) | 2,332,547 | 2,541,672 |
| Residual Equity Transfers | | | | | | | | | | |
| Total Expenditures and Other Financing Sources (Uses) | 227,687,107 | 243,587,261 | 260,023,176 | 291,991,519 | 262,743,248 | 268,763,589 | 280,743,254 | 263,449,106 | 281,986,485 | 294,377,138 |
| Net Change in Fund Balance | \$5,464,085 | (\$1,258,609) | \$4,725,129 | (\$18,665,046) | \$8,742,269 | (\$1,609,800) | \$619,946 | \$20,077,754 | \$10,146,223 | \$9,339,693 |

*Planning, Preservation, & Development was added in FY13 and was previously included with Administration.

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 | | | | | | | | | |
|--------------------------------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Revenues | | | | | | | | | | |
| Sewer Service Charges | \$24,049,216 | \$25,602,266 | \$24,014,195 | \$25,884,142 | \$35,213,276 | \$45,578,971 | \$45,663,797 | \$44,334,743 | \$45,990,027 | \$46,577,092 |
| Sewer Tap on Fees | 1,584,341 | 1,661,417 | 1,629,573 | 1,223,820 | 1,048,864 | 1,072,452 | 1,523,169 | 1,944,010 | 2,325,787 | 2,013,656 |
| Exactions | 1,974,660 | 1,160,296 | 513,539 | 343,998 | 198,914 | 287,677 | 885,730 | 150,120 | 4,002,945 | 801,569 |
| Other Income | 50,204 | 47,965 | 41,731 | 80,462 | 93,293 | 448,880 | 776,339 | 615,624 | 609,021 | 1,155,128 |
| Total Revenues | 27,658,421 | 28,471,944 | 26,199,038 | 27,532,422 | 36,554,347 | 47,387,980 | 48,849,035 | 47,044,497 | 52,927,780 | 50,547,445 |
| Operating Expenses | | | | | | | | | | |
| Treatment Plant | 6,088,076 | 7,106,877 | 7,259,708 | 8,164,345 | 8,447,048 | 8,502,531 | 8,411,093 | 7,933,477 | 8,217,471 | 7,935,854 |
| Collection System | 3,485,272 | 3,760,098 | 4,236,199 | 5,411,212 | 4,427,863 | 4,297,166 | 5,544,184 | 5,064,273 | 4,405,020 | 4,461,052 |
| Administration | 6,002,433 | 5,959,400 | 6,786,349 | 15,083,099 | 14,325,685 | 18,974,390 | 18,243,183 | 17,142,578 | 16,216,619 | 20,773,379 |
| Depreciation | 6,373,506 | 6,225,299 | 6,361,511 | 6,417,656 | 6,393,816 | 7,113,944 | 7,214,960 | 7,299,442 | 7,683,896 | 8,047,827 |
| Total Operating Expenses | 21,949,287 | 23,051,674 | 24,643,767 | 35,076,312 | 33,594,412 | 38,888,031 | 39,413,420 | 37,439,770 | 36,523,006 | 41,218,112 |
| Operating Income | 5,709,134 | 5,420,270 | 1,555,271 | (7,543,890) | 2,959,935 | 8,499,949 | 9,435,615 | 9,604,727 | 16,404,774 | 9,329,333 |
| Net Nonoperating Revenues/(Expenses) | (504,103) | 555,560 | (279,228) | (406,882) | (1,255,146) | (2,909,369) | (2,486,197) | (1,697,841) | (2,649,715) | (1,451,967) |
| Capital Contributions | | | | | | | | | | |
| Transfers In | 10,000 | 10,000 | 533,401 | 81,331 | 453,974 | | 3,010,295 | 422,187 | 1,208,935 | 88,369,088 |
| Transfers Out | (952) | (1,149,277) | (910,455) | (596,775) | (888,779) | (394,869) | (4,283,344) | (466,138) | (1,039,194) | (88,351,969) |
| Net Income/Change in Net Position | \$5,214,079 | \$4,836,553 | \$898,989 | (\$8,466,216) | \$1,269,984 | \$5,195,711 | \$5,676,373 | \$7,862,935 | \$13,924,800 | \$7,894,485 |

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) |
|-------------|--------------|-----------|-------------|------------------------------|-------------|-------------|--------------|-----------------|------------------------------|---|
| 2005 | \$11,287,422 | \$559,829 | \$4,897,578 | \$770 | \$4,315,023 | \$3,527,423 | \$24,588,045 | \$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 | | 25,759,024 | | 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 |
| 2013 | 15,235,648 | 897,667 | 6,523,119 | 1,499 | 5,333,542 | | 27,991,475 | | 27,991,475 | 0.2535 |
| 2014 | \$15,299,695 | \$899,945 | \$6,757,308 | \$1,127 | \$5,395,493 | | \$28,353,568 | | \$28,353,568 | 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 |
| 2005 | \$41,915,431 | \$41,211,370 | 98.3% | \$704,061 * | \$41,915,431 | 100.0% |
| 2006 | 44,526,763 | 44,342,484 | 99.6% | 184,279 * | 44,526,763 | 100.0% |
| 2007 | 47,282,303 | 47,245,216 | 99.9% | 37,087 * | 47,282,303 | 100.0% |
| 2008 | 51,138,980 | 51,077,055 | 99.9% | 61,925 * | 51,138,980 | 100.0% |
| 2009 | 53,823,142 | 53,779,117 | 99.9% | 44,025 * | 53,823,142 | 100.0% |
| 2010 | 51,262,112 | 50,085,884 | 97.7% | 1,176,228 * | 51,262,112 | 100.0% |
| 2011 | 52,264,220 | 51,732,977 | 99.0% | 531,243 * | 52,264,220 | 100.0% |
| 2012 | 52,631,283 | 52,011,046 | 98.8% | 620,237 * | 52,631,283 | 100.0% |
| 2013 | 53,136,159 | 52,567,908 | 98.9% | 568,251 * | 53,136,159 | 100.0% |
| 2014 | \$53,598,026 | \$53,147,356 | 99.2% | \$130,529 | \$53,277,885 | 99.4% |

Note: Data provided by the Sheriff's Tax Settlement Report

*Corrected to reflect collections to date by fiscal year of levies

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 | | | | | | Total |
|----------------|--------------------|----------------|------------------|-----------------|-----------------------------|--------------------------------|-----------------------|---------------------------------|--------|----------------------|--------|
| | General | Urban Services | | Total Direct | Fayette County School | Commonwealth of Kentucky | Extension Services | Soil & Water Conservation | | Health Department | |
| | | Refuse | Street Lights | | | | | Street Cleaning | | | |
| 2005 | 0.0800 | 0.1600 | 0.0210 | 0.0094 | 0.2704 | 0.5350 | 0.0032 | 0.0004 | 0.0280 | | 0.9680 |
| 2006 | 0.0800 | 0.1600 | 0.0210 | 0.0094 | 0.2704 | 0.5380 | 0.0031 | 0.0004 | 0.0280 | 0.0600 | 1.0309 |
| 2007 | 0.0800 | 0.1600 | 0.0210 | 0.0094 | 0.2704 | 0.5410 | 0.0031 | 0.0004 | 0.0280 | 0.0600 | 1.0309 |
| 2008 | 0.0800 | 0.1590 | 0.0210 | 0.0094 | 0.2694 | 0.5940 | 0.0031 | 0.0004 | 0.0280 | 0.0600 | 1.0789 |
| 2009 | 0.0800 | 0.1590 | 0.0210 | 0.0094 | 0.2694 | 0.6050 | 0.0032 | 0.0004 | 0.0280 | 0.0600 | 1.0880 |
| 2010 | 0.0800 | 0.1431 | 0.0210 | 0.0094 | 0.2535 | 0.6280 | 0.0032 | 0.0004 | 0.0280 | 0.0600 | 1.0951 |
| 2011 | 0.0800 | 0.1431 | 0.0210 | 0.0094 | 0.2535 | 0.6280 | 0.0032 | 0.0004 | 0.0280 | 0.0600 | 1.0951 |
| 2012 | 0.0800 | 0.1431 | 0.0210 | 0.0094 | 0.2535 | 0.6280 | 0.0032 | 0.0004 | 0.0280 | 0.0600 | 1.0951 |
| 2013 | 0.0800 | 0.1431 | 0.0210 | 0.0094 | 0.2535 | 0.6280 | 0.0032 | 0.0004 | 0.0280 | 0.0600 | 1.0951 |
| 2014 | 0.0800 | 0.1431 | 0.0210 | 0.0094 | 0.2535 | 0.6740 | 0.0033 | 0.0004 | 0.0280 | 0.0600 | 1.1412 |

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 | 2014 | | | 2005 | | |
|-----------------------------|---------------------------|------|--|---------------------------|------|--|
| | 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 | 0.41% | | | |
| Fourth Quarter Properties | 94,755,300 | 2 | 0.33% | \$74,562,600 | 1 | 0.35% |
| Sir Forty 57 LLC | 52,500,000 | 3 | 0.19% | | | |
| Lexmark International Inc. | 48,898,600 | 4 | 0.17% | 56,151,400 | 2 | 0.27% |
| War Admiral Place LLC | 47,231,200 | 5 | 0.17% | | | |
| Weingarten Realty Inc. | 45,900,500 | 6 | 0.16% | | | |
| Fayette Plaza CMBS LLC | 40,000,000 | 7 | 0.14% | | | |
| Inland American Lodging LLC | 39,330,000 | 8 | 0.14% | | | |
| Beaumont Lexington | 37,525,300 | 9 | 0.13% | | | |
| Mid American Apts LLC | 37,400,000 | 10 | 0.13% | | | |
| Ball Realty Inc. | | | | 38,137,100 | 4 | 0.18% |
| Lexington Joint Venture* | | | | 50,468,800 | 3 | 0.24% |
| Meijer Stores Ltd | | | | 35,879,400 | 5 | 0.17% |
| W T Young Inc. | | | | 34,999,100 | 6 | 0.17% |
| Griffin Gate Association | | | | 26,700,000 | 8 | 0.13% |
| MCV Venture | | | | 27,200,000 | 7 | 0.13% |
| Lexington Financial | | | | 25,000,000 | 10 | 0.12% |
| Bluegrass Building Partners | | | | 25,100,000 | 9 | 0.12% |
| Total | \$560,540,900 | | 1.98% | \$394,198,400 | | 1.87% |

*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

| Fiscal Year | LFUCG Direct | | Fayette County School | |
|----------------|--------------|--|-----------------------|-------|
| | Rate | | | Total |
| 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% |
| 2013 | 2.25% | | 0.50% | 2.75% |
| 2014 | 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

| Name | 2014 Rank | 2005 Rank |
|---|-----------|-----------|
| University of Kentucky | 1 | 1 |
| Fayette County Board of Education | 2 | 3 |
| Lexmark International | 3 | 2 |
| Lexington-Fayette Urban County Government | 4 | 4 |
| Baptist Healthcare | 5 | 6 |
| Defense Finance & Acctg System | 6 | 10 |
| St. Joseph Hospital | 7 | 5 |
| Ashland, Inc. | 8 | 7 |
| Lexington Clinic | 9 | 9 |
| Lockheed Martin | 10 | |
| IBM Information Products | | 8 |

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 | | | | |
| 2005 | \$144,905,000 | \$0 | \$257,934 | \$742,401 | \$46,560,000 | \$71,680,000 | \$0 | \$264,145,335 | 2.7% | \$959 | |
| 2006 | 154,760,000 | | 72,661 | 750,000 | 42,915,000 | 69,625,000 | | 268,122,661 | 2.5% | 958 | |
| 2007 | 142,805,000 | | | | 39,400,000 | 68,885,000 | | 251,090,000 | 2.2% * | 886 | |
| 2008 | 126,065,000 | | | | 35,715,000 | 68,195,000 | | 229,975,000 | 2.0% | 799 | |
| 2009 | 229,265,000 | | | | 31,860,000 | 66,470,000 | | 327,595,000 | 2.9% * | 1,120 | |
| 2010 | 308,355,000 | | | 8,000,000 | 64,565,000 | 63,890,000 | | 444,810,000 | 3.8% * | 1,499 | |
| 2011 | 303,865,000 | | | | 60,055,000 | 61,990,000 | 15,105,027 | 441,015,027 | 3.6% * | 1,462 | |
| 2012 | 315,714,650 | | | | 48,121,327 | 56,708,664 | 14,766,530 | 435,311,171 | 3.4% * | 1,425 | |
| 2013 | 314,541,343 | | | | 45,400,398 | 54,830,752 | 14,403,727 | 429,176,220 | na | 1,391 | |
| 2014 | \$310,040,731 | \$0 | \$0 | \$0 | \$42,590,809 | \$52,872,841 | \$27,785,157 | \$433,289,538 | 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 2012 and 2013 not available at time of publication.

Population data for 2013 not available at time of publication.

* Updated in 2014

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

| Fiscal Year | General Obligation Bonds | % of Assessed Value of Property | Per Capita |
|-------------|--------------------------|---------------------------------|------------|
| 2005 | \$144,905,000 | 0.69% | \$526 * |
| 2006 | 154,760,000 | 0.68% | 553 * |
| 2007 | 142,805,000 | 0.59% | 504 * |
| 2008 | 126,065,000 | 0.49% | 438 * |
| 2009 | 229,265,000 | 0.83% | 784 * |
| 2010 | 308,355,000 | 1.14% | 1,039 * |
| 2011 | 303,865,000 | 1.11% | 1,008 |
| 2012 | 315,714,650 | 1.15% | 1,033 |
| 2013 | 314,541,343 | 1.12% | 1,020 |
| 2014 | \$310,040,731 | 1.09% | 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 2014 not available at time of publication.

* Updated in 2014

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, 2014

| | Debt Outstanding (1) | Estimated Percentage Applicable (2) | Estimated Share of Overlapping Debt |
|--|-------------------------|--|---|
| Lexington Center Corporation | | | |
| Mortgage Revenue Bonds, Series 2008A | \$18,435,000 | 3.62% | \$667,563 |
| Lexington-Fayette Urban County Government Airport Corporation | | | |
| Fixed Rate General Airport, Revenue and Refunding Bond 2009A (non-AMT) | 31,880,000 | 4.31% | 1,372,821 |
| Variable Rate General Airport, Revenue and Refunding Bond 2009B (AMT) | 5,400,000 | 4.31% | 232,536 |
| Fixed Rate General Airport, Revenue and Refunding Bond 2012A (AMT) | 6,770,000 | 4.31% | 291,531 |
| Fixed Rate General Airport, Revenue and Refunding Bond 2012B (non-AMT) | 11,230,000 | 4.31% | 483,588 |
| Fayette County School & Kentucky School Commission Bonds | 367,170,000 | 100.00% | 367,170,000 |
| Lexington-Fayette Urban County Department of Health | \$400,000 | 100.00% | 400,000 |
| Subtotal, Overlapping Debt | | | 370,618,039 |
| LFUCG, Direct Debt | | | 310,040,731 |
| Total Direct and Overlapping Indebtedness | | | <u>\$680,658,770</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 | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
| Assessed Value | \$24,588,044 | \$26,883,680 | \$24,309,339 | \$25,759,025 | \$27,462,511 | \$27,143,337 | \$27,278,231 | \$27,501,680 | \$27,991,475 | \$28,353,568 |
| Debt limit (10% of Assessed Value) | 2,458,804 | 2,688,368 | 2,430,934 | 2,575,902 | 2,746,251 | 2,714,334 | 2,727,823 | 2,750,168 | 2,799,148 | 2,835,357 |
| Total net debt applicable to limit | 181,675 | 176,110 | 171,270 | 166,455 | 195,775 | 171,510 | 108,710 | 203,817 | 194,414 | 200,820 |
| Legal debt margin | \$2,277,129 | \$2,512,258 | \$2,259,664 | \$2,409,447 | \$2,550,476 | \$2,542,824 | \$2,619,113 | \$2,546,351 | \$2,604,734 | \$2,634,537 |
| Total net debt applicable to the limit as a percentage of debt limit | 7.39% | 6.55% | 7.05% | 6.46% | 7.13% | 6.32% | 3.99% | 7.41% | 6.95% | 7.08% |
| 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 | | Coverage | Gross Revenue | Less: Operating Expenses | Net Available | | Coverage |
| | | | Revenue | Debt Service | | | | Revenue | Debt Service | |
| | | | Principal | Interest | | | | Principal | Interest | |
| 2005 | \$28,701 | \$15,576 | \$13,125 | \$2,414 | 2.23 | \$6,943 | \$2,479 | \$4,464 | \$1,365 | 0.92 |
| 2006 | 28,472 | 16,826 | 11,646 | 2,076 | 2.08 | 7,251 | 2,600 | 4,651 | 1,485 | 0.96 |
| 2007 | 26,199 | 18,282 | 7,917 | 1,906 | 1.42 | 5,439 | 2,095 | 3,344 | 3,495 | 0.96 |
| 2008 | 28,994 | 28,659 | 335 | 1,726 | 0.06 | 6,238 | 2,853 | 3,385 | 1,005 | 0.72 |
| 2009 | 37,049 | 27,201 | 9,848 | 1,706 | 1.77 | 6,841 | 2,681 | 4,160 | 1,005 | 1.12 |
| 2010 | 47,446 | 31,774 | 15,672 | 1,849 | 2.66 | 6,431 | 2,670 | 3,761 | 2,643 | 0.71 |
| 2011 | 49,383 | 32,198 | 17,185 | 2,608 | 2.41 | 7,159 | 2,789 | 4,370 | 1,900 | 0.98 |
| 2012 | 48,023 | 30,140 | 17,883 | 3,181 | 1.25 | 7,157 | 2,697 | 4,460 | 1,970 | 1.00 |
| 2013 | 52,769 | 28,839 | 23,930 | 2,400 | 4.12 | 5,830 | 2,305 | 3,525 | 2,050 | 0.79 |
| 2014 | \$51,542 | \$33,170 | \$18,372 | \$2,348 | 3.14 | \$6,376 | \$2,111 | \$4,265 | \$2,130 | 0.96 |

| Fiscal Year | Public Parking Corporation | | | | | Special Assessment Bonds | | | | |
|-------------|----------------------------|--------------------------|---------------|--------------|----------|--------------------------------|-----------|--------------|--|----------|
| | Gross Revenue | Less: Operating Expenses | Net Available | | Coverage | Special Assessment Collections | Principal | Debt Service | | Coverage |
| | | | Revenue | Debt Service | | | | Interest | | |
| 2005 | \$1,451 | \$343 | \$1,108 | \$190 | 1.02 | \$34 | \$45 | \$12 | | 0.60 |
| 2006 | 1,304 | 387 | 917 | 129 | 1.17 | 29 | 50 | 9 | | 0.49 |
| 2007 | 594 | 149 | 445 | 100 | 0.56 | 26 | 50 | 7 | | 0.46 |
| 2008 | 1,193 | 0 | 1,193 | 70 | 1.51 | 35 | 55 | 4 | | 0.59 |
| 2009 | 1,383 | 580 | 803 | 70 | 1.02 | | 50 | 1 | | 0.00 |
| 2010 | 1,203 | 539 | 664 | 36 | 0.84 | | | | | |
| 2011 | 861 | 600 | 261 | | | | | | | |
| 2012 | 978 | 540 | 438 | | | | | | | |
| 2013 | 5 | 4 | 1 | | | | | | | |
| 2014 | \$0 | \$0 | \$0 | | | | | | | |

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 |
| 2005 | 275,540 | \$9,960,143 * | \$36,148 * | 139,182 | 6,679 | 4.6% |
| 2006 | 279,971 | 10,732,777 * | 38,335 * | 142,077 | 6,582 | 4.4% |
| 2007 | 283,291 | 11,181,681 * | 39,471 * | 144,393 | 6,056 | 4.0% |
| 2008 | 287,683 | 11,524,761 * | 40,061 * | 144,068 | 7,311 | 4.8% |
| 2009 | 292,514 | 11,266,697 * | 38,517 * | 141,049 | 13,087 | 8.5% |
| 2010 | 296,715 * | 11,616,985 * | 39,152 * | 142,196 | 12,029 | 7.8% |
| 2011 | 301,429 * | 12,276,279 * | 40,727 * | 147,052 | 12,146 | 7.6% |
| 2012 | 305,489 | 12,816,786 | 41,955 | 146,775 | 10,192 | 6.5% |
| 2013 | 308,428 | na | na | 152,866 | 11,657 | 7.1% |
| 2014 | na | na | na | 148,833 | 9,938 | 6.3% |

* Updated in 2014

Note:

Personal Income and Per Capita Personal Income data for 2013 and 2014 not available at time of publication.

Population data for 2014 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 | 2014 | | | 2005 | | |
|---|---------------|------|---|-----------|------|---|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| University of Kentucky | 12,430 | 1 | 8.35% | n/a | n/a | n/a |
| Fayette County Public Schools | 5,427 | 2 | 3.65% | n/a | n/a | n/a |
| KentuckyOne Health | 3,000 | 3 | 2.02% | n/a | n/a | n/a |
| Xerox | 3,000 | 4 | 2.02% | | | |
| Lexington-Fayette Urban County Government | 2,821 | 5 | 1.90% | n/a | n/a | n/a |
| Lexmark International | 2,154 | 6 | 1.45% | n/a | n/a | n/a |
| Wal-Mart | 2,027 | 7 | 1.36% | n/a | n/a | n/a |
| Baptist Healthcare | 1,924 | 8 | 1.29% | n/a | n/a | n/a |
| Lockheed Martin | 1,470 | 9 | 0.99% | n/a | n/a | n/a |
| Amazon | 1,100 | 10 | 0.74% | n/a | n/a | n/a |
| | <u>35,353</u> | | | | | |
| | <u>35,353</u> | | <u>23.75%</u> | | | |

Note:

First year of presentation for Employees and Percentage of Total City Employment was FY2010. This data is not available for FY2004.

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 |
| 2012 | 6,733 | 24,230 | 7,994 | 5,393 | 20,313 | 12,325 | 2,059 | 5,348 | 27,491 | 35,039 | 147,031 | 293,956 |
| 2013 | 7,097 | 23,796 | 7,851 | 5,030 | 21,128 | 12,210 | 1,919 | 5,317 | 32,405 | 35,614 | 152,599 | 304,966 |

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% | 70,123 | 36.6% |
| Total | <u>142,116</u> | 100.0% | <u>167,235</u> | 100.0% | <u>191,594</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 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Administrative Services | 139 | 143 | 145 | 77 | 89 | 91 | 86 | 129 | 94 | 47 |
| General Government | 64 | 70 | 74 | 77 | 48 | 73 | 70 | 66 | 66 | 67 |
| Chief Information Officer | | | | | | | | | | 44 |
| Finance & Administration | 90 | 98 | 94 | 104 | 108 | 103 | 94 | 68 | 65 | 69 |
| General Services | | | | | | | | | | |
| Parks and Recreation | 180 | 187 | 183 | 180 | 145 | 138 | 132 | 140 | 139 | 138 |
| Other | 124 | 129 | 132 | 123 | 132 | 134 | 130 | 97 | 93 | 98 |
| Planning, Preservation & Development | | | | | | | | | 39 | 128 |
| Law | 18 | 19 | 21 | 34 | 31 | 26 | 26 | 37 | 40 | 39 |
| Public Safety | | | | | | | | | | |
| Fire and Emergency Services | | | | | | | | | | |
| Firefighters and Officers | 498 | 504 | 530 | 512 | 504 | 522 | 520 | 500 | 520 | 566 |
| Civilians | 39 | 37 | 23 | 20 | 18 | 15 | 18 | 17 | 16 | 16 |
| Police | | | | | | | | | | |
| Officers | 472 | 527 | 534 | 538 | 557 | 542 | 511 | 504 | 524 | 542 |
| Civilians | 184 | 177 | 151 | 117 | 77 | 102 | 93 | 127 | 126 | 122 |
| Community Corrections | 383 | 357 | 376 | 359 | 341 | 294 | 284 | 321 | 312 | 330 |
| Other | 73 | 78 | 78 | 99 | 101 | 75 | 79 | 81 | 80 | 68 |
| Public Works & Development | | | | | | | | | | |
| Solid Waste | 217 | 221 | 211 | 221 | 218 | 244 | | | | |
| Sanitary Sewers | 125 | 130 | 135 | | | | 240 | | | |
| Other | 154 | 162 | 162 | | | | | | | |
| Environmental Quality & Public Works | | | | | | | | | | |
| Waste Management | | | | 208 | 199 | 206 | | 508 | 484 | 451 |
| Water & Air Quality | | | | 135 | 145 | 149 | | | | |
| Other | | | | 18 | 10 | 15 | | | | |
| Social Services | 160 | 174 | 169 | 137 | 128 | 113 | 99 | 94 | 96 | 96 |
| | 2,920 | 3,013 | 3,018 | 2,959 | 2,851 | 2,842 | 2,745 | 2,689 | 2,694 | 2,821 |

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.

Planning, Preservation, & Development was added in FY2013 and was previously included with Administrative Services.

The following Departmental reorganization took place in FY2014:

Division of Engineering moved from Environmental Quality & Public Works to Planning, Preservation & Development; Division of Code Enforcement and Division of Building Inspection moved from Public Safety to Planning, Preservation & Development; Computer Services & Division of Enterprise Solutions moved from Administrative Services to Chief Information Officer.

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 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|--------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Fire and Emergency Services | | | | | | | | | | |
| Emergency Medical Calls | 28,698 | 28,772 | 30,087 | 31,336 | 31,490 | 32,199 | 34,197 | 37,000 | 36,619 | 37,971 |
| False Calls | 2,606 | 2,560 | 2,667 | 2,804 | 2,715 | 2,653 | 2,870 | 2,673 | 2,585 | 2,983 |
| Fire Incidents | 1,194 | 1,315 | 1,402 | 1,322 | 1,301 | 1,129 | 1,337 | 1,564 | 1,293 | 1,226 |
| Good Intent Calls | na | na | 1,112 | 1,090 | 1,245 | 1,265 | 1,271 | 1,153 | 1,107 | 1,108 |
| Hazardous Materials Calls | 1,155 | 1,090 | 1,087 | 1,252 | 1,295 | 1,192 | 1,118 | 1,248 | 1,451 | 1,686 |
| Other | na | na | 129 | 109 | 134 | 62 | 79 | 60 | 44 | 54 |
| Rescues | na | na | 517 | 387 | 366 | 451 | 460 | 421 | 449 | 443 |
| Rupture - Gas, Water, etc. | na | na | 52 | 32 | 51 | 45 | 47 | 36 | 34 | 31 |
| Service Calls | 1,022 | 1,128 | 1,161 | 1,313 | 1,330 | 1,227 | 1,529 | 1,707 | 1,598 | 2,209 |
| Police | | | | | | | | | | |
| Physical Arrests | 22,295 | 23,411 | 24,677 | 19,460 | 18,155 | 17,126 | 15,248 | 20,214 | 14,592 | 13,773 |
| Parking Violations | 20,874 | 21,668 | 17,665 | 8,945 | 49,471 | 46,949 | 42,675 | 41,849 | 47,201 | 46,709 |
| Traffic Violations | 66,954 | 67,487 | 75,014 | 76,529 | 73,945 | 64,954 | 63,546 | 52,086 | 40,478 | 48,193 |
| Parks and Recreation | | | | | | | | | | |
| Rounds of Golf | 154,124 | 152,659 | 139,353 | 141,776 | 122,153 | 107,565 | 89,291 | 95,382 | 96,607 | 90,410 |
| Pool Visits | 180,619 | 199,496 | 198,181 | 202,093 | 217,917 | 188,389 | 185,421 | 205,353 | 169,820 | 142,062 |
| Building Inspection | | | | | | | | | | |
| Permits Issued | 20,514 | 20,719 | 16,620 | 14,173 | 13,660 | 13,646 | 13,090 | 13,623 | 13,860 | 16,141 |
| Inspections | 38,669 | 39,773 | 29,991 | 27,650 | 29,404 | 28,915 | 24,563 | 23,957 | 24,518 | 23,262 |
| Sanitary Sewers | | | | | | | | | | |
| Tap-on Inspections | 2,131 | 2,108 | 1,681 | 1,057 | 879 | 946 | 625 | 644 | 861 | 897 |
| Average daily sewage treatment (mgd) | 51 | 38 | 42 | 38 | 40 | 36 | 41 | 39 | 39 | 42 |
| Solid Waste | | | | | | | | | | |
| Annual Tons of Refuse Collected | 156,347 | 152,969 | 154,637 | 165,087 | 155,645 | 141,831 | 138,331 | 134,788 | 135,595 | 137,728 |
| Annual Tons of Recyclables Collected | 11,668 | 15,188 | 18,740 | 18,355 | 20,190 | 18,831 | 20,402 | 21,834 | 22,446 | 22,583 |
| Annual Tons of Yard Waste Collected | | | | | | 18,199 | 18,049 | 21,801 | 20,492 | 19,984 |
| Other Public Works | | | | | | | | | | |
| Street Resurfacing (miles) | 23 | 16 | 40 | 38 | 35 | 30 | 15 | 28 | 22 | 27 |

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

TABLE 24

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

| Function/Program | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 |
|------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Fire and Emergency Services | | | | | | | | | | |
| Number of Fire Stations | 21 | 22 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 |
| Number of Engines | 21 | 22 | 24 | 24 | 24 | 23 | 23 | 22 | 22 | 22 |
| Number of Aerials | 8 | 8 | 8 | 8 | 8 | 7 | 7 | 7 | 7 | 7 |
| Number of EC Units | 9 | 9 | 9 | 9 | 10 | 10 | 10 | 10 | 10 | 10 |
| Number of Haz-Mat Units | 3 | 3 | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 2 |
| Police | | | | | | | | | | |
| Stations | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Patrol Units | 463 | 467 | 467 | 481 | 438 | 444 | 440 | 429 | 424 | 424 |
| Parks and Recreation | | | | | | | | | | |
| Acres of Parks | 4,261 | 4,261 | 4,261 | 4,565 | 4,565 | 4,917 | 4,917 | 4,282 | 4,282 | 4,282 |
| Number of Golf Courses | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 5 | 5 | 5 |
| Number of Swimming Pools | 10 | 10 | 10 | 9 | 9 | 9 | 9 | 7 | 7 | 7 |
| Sanitary Sewers | | | | | | | | | | |
| Treatment Capacity (mgd) | 64 | 64 | 64 | 64 | 64 | 64 | 64 | 64 | 64 | 64 |
| Solid Waste | | | | | | | | | | |
| Collection Trucks | 117 | 118 | 126 | 116 | 115 | 119 | 113 | 119 | 119 | 116 |
| Other Public Works | | | | | | | | | | |
| Streets (miles) | 1,544 | 1,563 | 1,542 | 1,589 | 1,599 | 1,628 | 1,634 | 1,636 | 1,638 | 1,641 |
| 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 | 349 | 353 | 357 | 363 | 367 | 376 | 380 | 382 | 376 | 378 |

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