

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT



Comprehensive Annual Financial Report for the year ending June 30, 2005



Lexington, Kentucky

Tubby's Clubhouses

Photographs of students participating in activities at one of five Tubby's Clubhouses are featured on the front cover. The mission of Tubby's Clubhouses is to close the technology gap and educate students on life skills. For additional information about the clubhouses, please see page 5.

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2005

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
LEXINGTON, KENTUCKY



PREPARED BY THE DEPARTMENT OF FINANCE

DONNA ALEXANDER COUNTS, COMMISSIONER OF FINANCE
LOIS E. VOGEL, CPA, DIRECTOR OF ACCOUNTING

Paid for with Lexington-Fayette Urban County Government Funds



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INTRODUCTORY SECTION



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

Teresa Ann Isaac, Mayor

December 5, 2005

Dear Fayette County Citizens:

I am pleased to submit the Comprehensive Annual Financial Report for the Lexington-Fayette Urban County Government for the fiscal year ended June 30, 2005. As reflected in this report, this past year we have built a strong financial base while continuing to provide basic services to the community. This report conforms to the highest standards of financial reporting and reflects our commitment to sound financial management and strengthening the financial condition of the Government. This financial report includes information that allows citizens, business leaders, creditors and investors to evaluate the activities and allocation of funds of the Government.

Fiscal year 2005 was a very busy and active year. We invested in new innovative programs and partnerships, such as the Tubby's Clubhouse program to improve technology access for at-risk middle school youth, and we improved program efficiency, such as going to once a week solid waste pick-up collection. We also invested in capital projects that will enable the Government to improve service delivery to our citizens. These improvements were accomplished by critically reviewing operations and holding the line on operating expenses. These efforts contributed to promoting a fiscally responsible government and improving services for our citizens.

I would like to extend my appreciation to all the departments and employees of the Government for their dedication and hard work. Their commitment to public service has allowed us to creatively meet the exciting challenges we face each year.

Sincerely,

Teresa Ann Isaac
Mayor

HORSE CAPITAL OF THE WORLD

200 East Main Street

Lexington, KY 40507

859-258-3100

Fax: (859) 258-3194

mayor@lfucg.com

ELECTED OFFICIALS

MAYOR

Teresa Ann Isaac

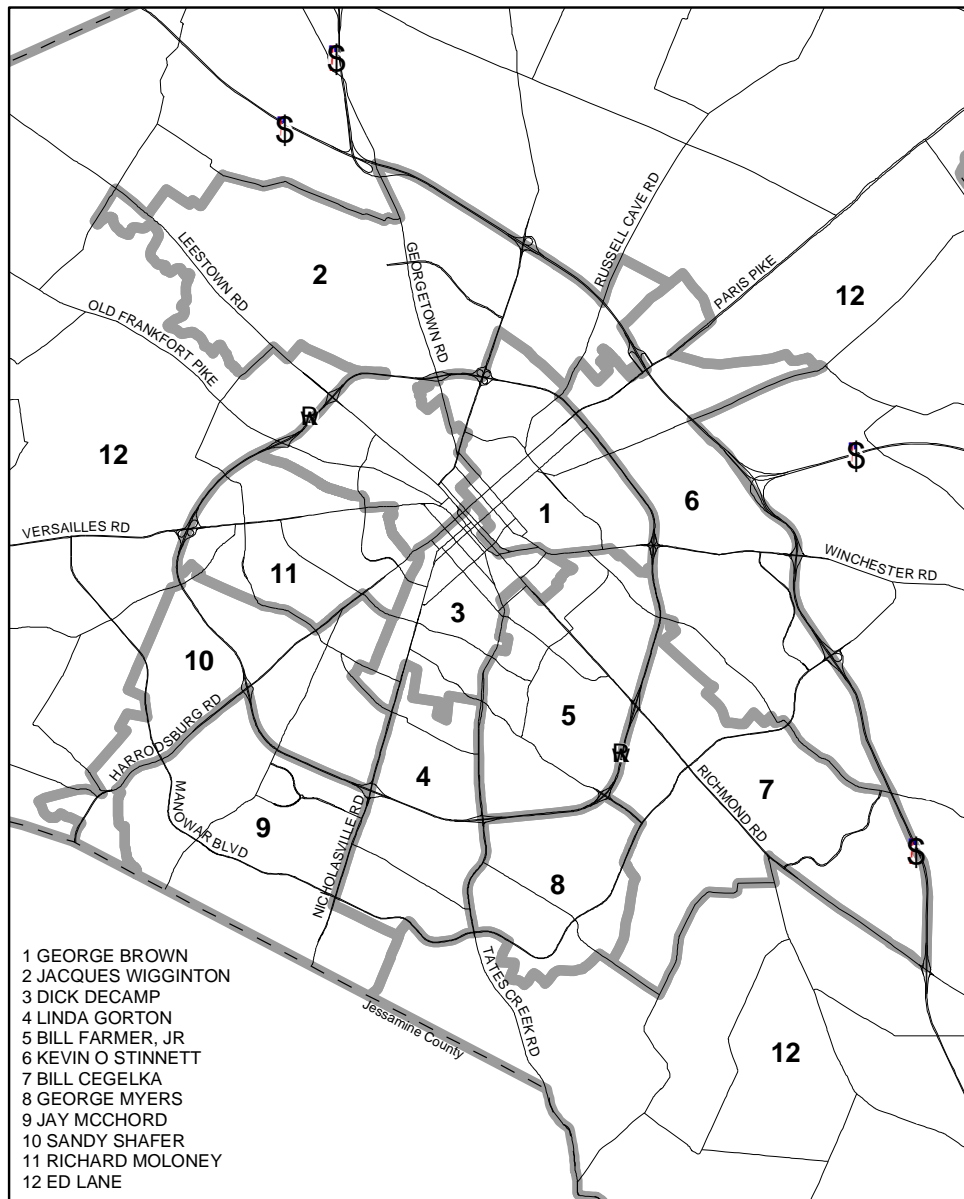
COUNCILMEMBERS-AT-LARGE

Mike Scanlon – Vice Mayor

Charles W. Ellinger, II

David B. Stevens, M.D.

DISTRICT COUNCILMEMBERS





Mayor Teresa Ann Isaac

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
Department of Finance

November 28, 2005

Honorable Mayor Teresa Ann Isaac
Members of the Urban County Council
Lexington-Fayette Urban County Government

Dear Mayor and Members of the Urban County Council:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Lexington-Fayette Urban County Government (the Government) for the fiscal year ended June 30, 2005. The CAFR was 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 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, the management discussion and analysis, the basic financial statements, required supplementary information and information on individual funds not separately provided in the basic financial statements. The statistical section provides a broad range of trend data covering financial, demographic and economic activity useful in assessing the Government's financial condition.

This CAFR was prepared by the Department of Finance, which is 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 an independent financial audit be conducted annually. The accounting firm of Mountjoy & Bressler, LLP performed the audit for the fiscal year ended June 30, 2005. 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, 2005 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and

H O R S E C A P I T A L O F T H E W O R L D

200 East Main Street Lexington, KY 40507 (859) 258-3300 FAX (859) 258-3385

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 unqualified opinion that the Government's financial statements for the fiscal year ended June 30, 2005 are fairly presented in conformity with GAAP. The independent auditor's 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 to meet the requirements of federal grantor agencies as outlined by the federal Single Audit Act of 1984, the Single Audit Act Amendment of 1996, and related OMB Circular A-133. These standards require the auditor to report not only on the fairness of the representation of the financial statements, but also on the internal controls and compliance with legal requirements of the federal awards. These reports are available in the Government's separately issued Single Audit Report.

PROFILE OF THE GOVERNMENT

The Urban County 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 and operates pursuant to Chapter 67A of the Kentucky Revised Statutes. The Urban County Government operates under a Mayor-Council form of government where executive and administrative functions are vested with the Mayor and legislative authority is vested with the Urban County Council.

The Mayor is the chief executive officer and is elected to serve a four-year term. The Urban County Council has fifteen members, including twelve 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 a Chief Administrative Officer (CAO) and department commissioners who are appointed by the Mayor with the approval of the Urban County Council. The Urban County Government has seven departments, headed by the CAO or department commissioners, which are responsible for administering programs and implementing policies. Each department is divided into divisions that are managed by division directors.

The Urban County Government has 3,568 authorized full-time positions. Of these positions, 1,940, or 54%, are employed in the Divisions of Police, Fire and Emergency Services or Community Corrections. The next largest division in terms of number of employees is the Division of Solid Waste with 263 employees representing seven percent of total employees.

The CAO is charged with the responsibility of providing supervision, direction and management of the Urban County Government. The CAO insures that policies established by the Mayor, Council and Charter are followed and develops programs to meet current and future organizational and community needs. In addition, the CAO provides supervision over the Department of Administrative Services. Included in this department are the Divisions of Budgeting, Community Development, Government Communications, Historic Preservation, Human Resources, Internal Audit, Planning, and Risk Management.

The Department of Finance includes the divisions of Accounting, Computer Services, Central Purchasing and Revenue. 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 Department of Public Safety is the largest department in the Urban County Government. It includes the divisions of Community Corrections, Police, Fire and Emergency Services, Environmental and Emergency Services, Enhanced 911, Building Inspection and Code Enforcement.

The Department of Public Works is responsible for providing a broad range of public services including solid waste collection and recycling, sanitary sewer conveyance and treatment, stormwater control, street maintenance, and construction design and maintenance. This department is also responsible for developing long-range capital plans for sanitary sewer and stormwater facilities. The divisions in the department include Engineering, Sanitary Sewers, Solid Waste, Streets and Roads, and Traffic Engineering.

The Department of Social Services provides human resources services to Fayette County residents including providing assistance to families and children and organizing programs for senior citizens. The divisions in this department include Adult Services, Family Services, Youth Services, and the Mayor's Training Center.

The Department of General Services includes the division of Fleet Services, Building Maintenance and Construction, and Parks and Recreation. In addition, the Commissioner's office oversees the management of the Urban County Government telephone system, utilities, parking facilities, and coordinates special events.

The Department of Law provides legal services for the Government. The Corporate Counsel section prepares all legal instruments for the Government and provides advice to its employees and agencies. The Litigation section represents the Urban County Government in civil cases and lawsuits and coordinates representation of cases handled by outside attorneys.

SIGNIFICANT EVENTS

Tubby's Clubhouses

A coalition of local government leaders, school system representatives and private business people formed an innovative program called "Tubby's Clubhouses" at five community centers in Lexington. These clubhouses are used to teach basic computer skills to at-risk middle school students. The Tubby Smith Foundation and the Parra Family Foundation provided the funding to create the computer learning centers and Dell Computer provided an education curriculum, called the TechKnow program. The graduates receive a refurbished Dell desktop computer and a printer. Numerous local technology companies contributed to the program.

Day Treatment Center

The Government continued construction of a \$5.1 million Day Treatment Center. The Day Treatment Center is a specialized community-based treatment program for high-risk youth in Fayette County who are between the ages of 13 – 17. The program has three primary components—counseling, social services, and education. The existing space is inadequate to meet the current space and programmatic requirements. The new Day Treatment Center will have capacity for 120 students and will be able to meet the multiple programming needs required by this population. The building was completed and operational in August 2005.

Collective Bargaining for Sworn Police and Fire Personnel

The Government successfully completed its first contract negotiations since the Kentucky General Assembly approved collective bargaining for Lexington police and firefighters in March of 2004. One goal of the agreements was to reverse recruiting and retention difficulties. The agreements run through 2008 and provide a five percent per year wage increase, benefit increases and changes to working conditions.

Water Company Acquisition Halted

In 2003 the Government initiated condemnation action to acquire the Kentucky American Water Company (KAWC), a subsidiary of American Water Works. KAWC is responsible for providing local water service to residents of Fayette and surrounding counties. In March of 2005 the Government halted all legal action in the condemnation and entered into a settlement agreement with the water company. In the fall of 2005 voters petitioned the Government to place an initiative on the purchase of the water company on the ballot at the next regularly scheduled election. This election is anticipated to take place in November 2006.

Storm Water Infrastructure Improvements

This year the government broke ground on Lexington's largest storm water project since the 1930's. The Elkhorn Park Drainage project will cost \$1.1 million and provide better drainage to multiple streets and neighborhoods. The Government has been engaged in a comprehensive program to address storm water problems from an inadequate and aging infrastructure. This program includes a coordinated program of infrastructure construction, home-buyouts when the infrastructure construction costs exceed the value of the properties, community awareness and education programs.

Health Department Property Tax

The Government received a request from the Lexington-Fayette County Health Department (Health Department), a component unit of the Government, to levy a property tax to support Health Department programs and expenses. The requested tax rate was 2.8 cents per \$100 of assessed value of real and personal property as of the January 1, 2004 assessment date. Taxes collected totaled \$5.2 million in Fiscal Year 2005 and replaced prior year appropriations from the Government. In fiscal year 2004 the Government's appropriation to the Health Department was \$4.4 million.

Lexington Transit Authority Tax Referendum

In November 2004 Lexington voters approved the levy of a special property tax for the Lexington Transit Authority (Lextran), a component unit of the government. The tax rate of six cents per \$100 of assessed value of property as of the January 1, 2005 assessment date. Collection of this tax will begin in October 2005 and is expected to result in \$10.9 million in revenue to finance operations of public bus service within the City of Lexington. This will replace Government general fund contributions of approximately \$3.5 million per year and federal grant funds that were slated to discontinue next year. The additional funding will not only enable Lextran to reinstate transit services reduced over the last few years but will also allow Lextran to expand public transportation services.

Once a Week Garbage Collections

The Government provides solid waste collection services to all properties within the Urban Service district, which includes approximately 90,000 properties. The services include residential garbage collection, recycling, yard waste and bulky item pick-up, and commercial dumpster and recycling service. The Government made significant changes in its solid waste management program by reducing residential collection frequency from twice a week to once per week. The change also included picking up all items on the same day rather than different days for different types of collection. The changes are expected to improve efficiency, reduce costs and encourage recycling.

Versailles Road Complex

The Government purchased and began renovating a building complex to be used for multiple operations that are currently performed in leased facilities. The building will house the Cardinal Valley Neighborhood Center, the archive operation for Government records, and various warehousing and assembly functions. It is anticipated that the renovation will be completed in fiscal year 2006.

FACTORS AFFECTING FINANCIAL CONDITION

Following is a brief discussion of factors affecting the financial condition of the Government. Additional detailed information and discussion of the Government's financial condition can be found in the Management Discussion and Analysis beginning on page 17.

Economic Performance

After two successive years of moderate decline the Lexington-Fayette County area experienced economic growth in fiscal year 2005, much of this occurring in the last quarter of the year. The unemployment rate in Fayette County was 4.7% in June 2005, up from 3.6% in June 2004. These rates are below the national and state rates of 5.2% and 6.0% respectively.

Employment, as measured by a household survey, which is by place of residence, increased from 140,917 to 143,704 an increase of 2.0% through June 2005. Employment data measured by place of work paints a similar picture. Average monthly employment in Fayette County increased from 159,233 for the first calendar quarter of 2004 to 161,879 by the first calendar quarter of 2005, or 1.7%.

The service and trade sectors are the primary sources of employment and income in Fayette County. The service sector, which is dominated by jobs in the professional services such as legal and medical services, accounted for 41% of Fayette County jobs. The Fayette County area is the retail center for the Lexington-Fayette MSA. Also, the convergence of two major highways, Interstates 75 and 64, makes it ideally suited for the location of wholesale trade facilities. These factors account for the strength of the utilities, trade and transportation sector, which is the second largest source of employment and accounts for 20% of jobs. A stabilizing characteristic of the Lexington economy is its share of employment in the government sector, of which the University of Kentucky is the largest component. This sector employed 17% of the workforce. Finally, the manufacturing sector is the fourth largest source of employment accounting for 9% of employment.

Budget Control and Financial Management

The Mayor of the Urban County Government submits a proposed annual operating budget and a five-year capital improvement budget to the Urban County Council at least sixty days prior to the beginning of each succeeding fiscal year. The Council, upon receipt of the proposed budget, conducts a series of public hearings on the proposed budget. The Charter of the Urban County Government provides that the Urban County Council may amend the budget; however, the adopted budget shall provide for all expenditures required by law or by other provisions of the Charter and for all debt service requirements. Other budgetary policies include that the budget must be balanced for each fund; 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. 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 a division's 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. At year-end, open encumbrances are recorded as a reservation of fund balance.

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 statute (KRS 66.480) and an investment policy approved by the Urban County Council. This fiscal year, all funds were invested in either obligations of the United States and its agencies or instrumentalities, mutual funds comprised of those securities, repurchase agreements, collateralized Certificates of Deposit or commercial paper.

Self Insurance and Risk Management

The Government has been self insured since 1982. The self insurance fund provides coverage for workers' compensation, property and casualty, general liability, health, dental, and vision care programs.

Workers' compensation, property and casualty, and general liability insurance programs are administered by the Division of Risk Management within the Department of Administrative Services. The Government reduces financial risks by purchasing reinsurance. Administration of these programs is combined with a risk management program designed to identify potential exposures to loss and reduce or eliminate risk or losses. Premiums are paid from other funds (the General Fund, the Urban Services Fund and the Sanitary Sewer Fund) in proportion to risk exposure associated with the personnel and physical assets of each fund. As of June 30, 2005, the Insurance and Risk Management Fund had a net asset deficit of \$7,738,617. This deficit will be addressed through increased appropriations in future years.

The Health, Dental, and Vision Care Insurance Fund is another self insurance fund that is administered by a third party. This fund had net assets of \$108,404 at June 30, 2005.

Retirement Funds

Employees of the Government participate in either the County Employees' Retirement System (CERS), the Policemen's and Firefighters' Retirement Fund (PFRF), or the City Employees' Pension Fund (CEPF).

The County Employees' Retirement System is the retirement system for the majority of Government personnel and is the system for all new Government employees except police and firefighters. Sworn employees in the Division of Community Corrections participate in the hazardous duty plan; all other employees participate in the non-hazardous duty plan. CERS is a cost sharing multi-employer public employee retirement system administered by the Commonwealth of Kentucky. Participating employers contribute 8.48% of an employee's salary in the non-hazardous duty plan and 22.08% in the hazardous duty plan. Employees contribute 5% to the non-hazardous duty plan and 8.0% to the hazardous duty plan. Employees are subject to FICA, and the Government matches this contribution.

The Policemen's and Firefighters' Retirement Fund is the retirement system for all police and firefighters. The PFRF currently includes 829 retirees and beneficiaries and 970 active employees. Employees are required to contribute 11% of their salary. The Government's contribution was 21%. As of June 30, 2005, the actuarial value of assets was \$355.5 million and the estimated total actuarial accrued liability was \$520.7 million, reflecting a funding ratio of 68.3%. This is a complete pension fund and members are not subject to Social Security Insurance withholding. However, members hired after April 1, 1986 are subject to the Medicare portion of Social Security Insurance.

The City Employees' Pension Fund was the retirement system of the City of Lexington. When the city and county merged in 1974 it became a closed plan. On June 30, 2005, there was one active member and 140 retirees and beneficiaries. The Government contributed 17.5% of the employee's salary while the employee contributed 8.5%. As of June 30, 2005, the actuarial value of assets was \$27.8 million, and the estimated actuarial accrued liability of \$27.9 million reflects a funding ratio of 99.3%. This is a complete pension fund and members are not subject to the Social Security Insurance.

In August 1999 the Government began paying single coverage health insurance premiums for retirees who had maintained participation in the Government health insurance plan. In fiscal year 2005, 610 retirees of the PFRF received this benefit for a total cost of \$2,081,933; and 30 retirees of the CEPF received this benefit for a total cost to the Government of \$82,718.

AWARDS AND ACKNOWLEDGEMENTS

For the twelfth consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lexington-Fayette Urban County Government for its comprehensive annual financial report for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government finance 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 a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

Preparation of this report could not have been accomplished without the professional, efficient and dedicated services of the Department of Finance staff. 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,

Donna Alexander Counts

Donna Alexander Counts
Commissioner of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lexington-Fayette
Urban County Government,
Kentucky

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2004

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



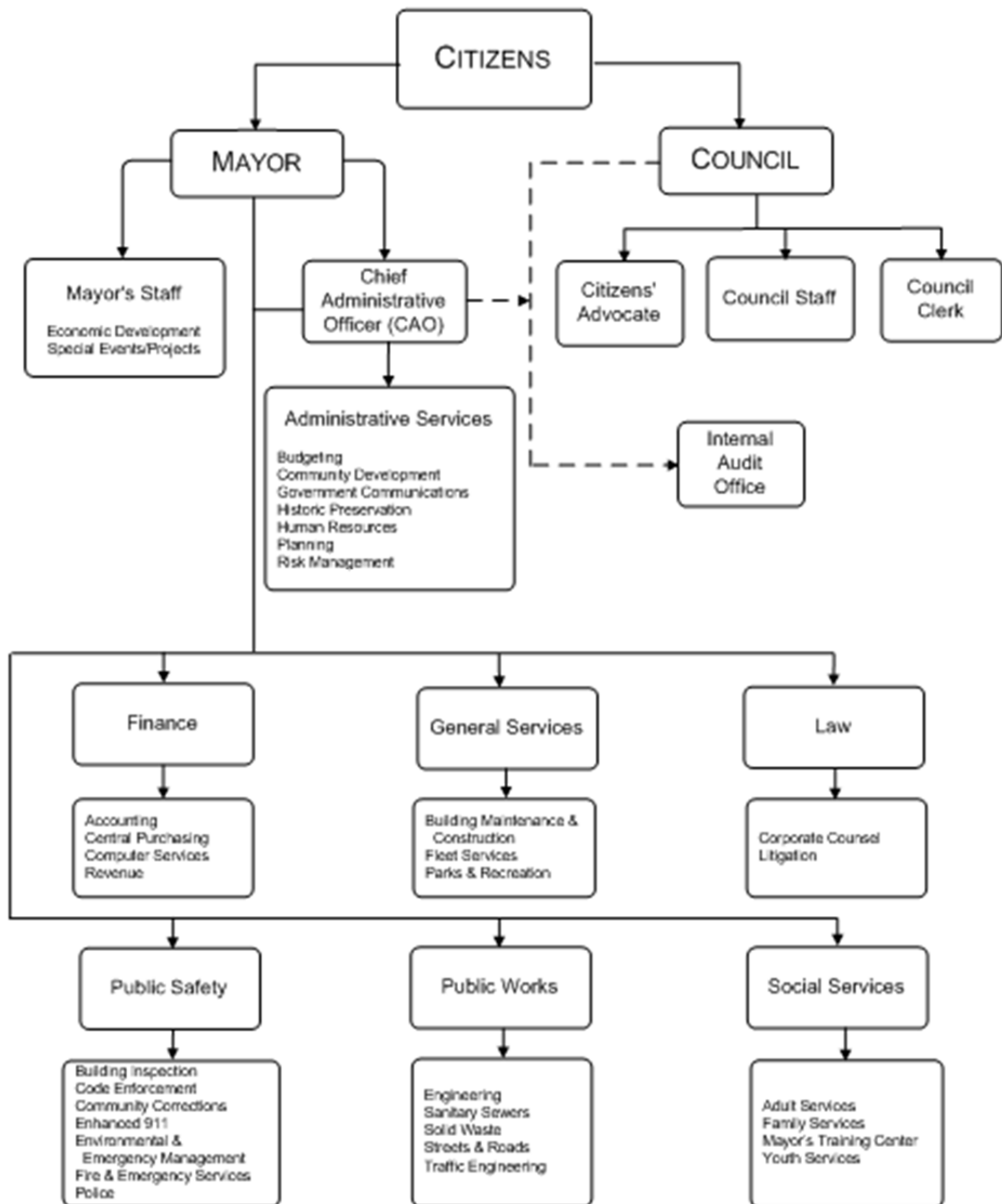
Nancy L. Ziehl

President

Jeffrey R. Enns

Executive Director

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT ORGANIZATIONAL CHART



DIRECTORY OF GOVERNMENT OFFICIALS

Office of the Mayor

Chief of Staff
Economic Development

W. Gerald Smith, Chief of Staff
Julian Beard, Director

Office of the Chief Administrative Officer

Milton Dohoney, CAO

Administrative Services

Budgeting
Community Development
Government Communications
Historic Preservation
Human Resources
Internal Audit
Planning
Risk Management

James E. Deaton, Director
Paula King, Director
C. C. Edwards, Acting Director
Bettie L. Kerr, Director
Michael Allen, Director
Bruce Sahli, CIA, Director
Christopher King, Director
Patrick R. Johnston, Director

Finance

Accounting
Central Purchasing
Computer Services
Revenue

Donna Alexander Counts, Commissioner
Lois E. Vogel, CPA, Director
Brian W. Marcum, Director
Michael J. Nugent, Director
William T. O'Mara, Director

General Services

Building Maintenance & Construction
Fleet Services
Parks and Recreation

Kathleen J. DeBoer, Commissioner
Wayne T. Wilson, Director
Richard Murray, Director
Chuck O. Ellis, Director

Law

Corporate Counsel
Litigation

David L. Holmes, Commissioner
Barbara B. Sledd, Director
Leslye Mercer Bowman, Director

Public Safety

Building Inspection
Code Enforcement
Community Corrections
Enhanced 911
Environmental & Emergency Management
Fire & Emergency Services
Police

Rebecca P. Langston, Commissioner
Dewey L. Crowe, Acting Director
David K. Jarvis, Acting Director
Ronald L. Bishop, Director
Davis S. Lucas, Director
Patricia Dugger, Director
Robert Hendricks, Chief
Anthany Beatty, Chief

Public Works

Engineering
Sanitary Sewers
Solid Waste
Streets and Roads
Traffic Engineering

Jay Whitehead, Commissioner
Marwan Rayan, Director
Charles H. Martin, Director
Michael Robinson, Director
Howard McMillen, Director
R.D. Herrington, Director

Social Services

Adult Services
Family Services
Mayor's Training Center
Youth Services

Alayne L. White, Commissioner
Cheryl D. Lewis, Director
J.D. Sabharwal, Director
Arnold Gaither, Director
William Kendrick, Director



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FINANCIAL SECTION

Report of Independent Accountants

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, 2005, which collectively comprise the Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lexington Transit Authority, Lexington Airport Board, Lexington Public Library, Fayette County Health Department, the Lexington Convention and Visitors Bureau, and the Lexington Center Corporation which represent 99 percent of the assets and 98 percent of the revenues as of and for the year ended June 30, 2005 of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lexington Transit Authority, Lexington Airport Board, Lexington Public Library, Fayette County Health Department, the Lexington Convention and Visitors Bureau, and the Lexington Center Corporation is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports 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, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and Urban Services Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2005 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 grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 17 through 27 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Government's basic financial statements. The introductory section on pages 1 through 13, combining and individual funds statements and schedules on pages 99 through 130, and the statistical section on pages 131 through 154 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on pages 107 through 109 is presented for purposes of additional analysis as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations, and is also not a required part of the basic financial statements of the Government. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Montjoy & Bruesler, L.L.P.

Lexington, Kentucky
October 28, 2005

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis (MD&A) gives readers an overview and analysis of the financial position and activity of the Lexington-Fayette Urban County Government (Government) for the fiscal year ended June 30, 2005. This information should be read in conjunction with the Letter of Transmittal (beginning on page 3) and the financial statements immediately following this analysis.

FINANCIAL HIGHLIGHTS

- The assets of the Government exceeded its liabilities at the close of fiscal year by \$442.4 million (net assets). Governmental activities' unrestricted net assets were \$29.5 million and may be used to meet the Government's ongoing obligations. Business-type activities had unrestricted net assets of \$5.6 million.
- The Government's total net assets increased \$40.4 million. Net assets of governmental activities increased \$34.0 million and net assets of business-type activities increased by \$6.4 million.
- As of June 30, 2005 the Government's governmental funds reported combined ending fund balances of \$91.2 million, an increase of \$27.1 million from the prior year. Of this amount, \$59.3 million was unreserved, undesignated and available for spending.
- The General Fund, the primary operating fund of the Government, has an unreserved, undesignated fund balance of \$17.5 million or 7.5% of General Fund revenues. The economic contingency designation, which is available for spending in the event of an economic downturn or unforeseen events, was \$6.0 million.
- Governmental activities debt increased by \$8.9 million. Debt increases included the issuance of \$9.6 million and \$4.5 million in general obligation bonds, and \$5.4 million and \$2.8 million in general obligation notes. Payment of principal on outstanding debt helped to offset this increase. Business-type activity debt decreased by \$5.7 million due to the payment of principal on outstanding debt.

REPORTING THE GOVERNMENT AS A WHOLE

This report is prepared under standards for governmental financial reporting proscribed by the Governmental Accounting Standards Board Statement No. 34 (GASB 34). The reporting format consists of a series of financial statements that provide an overview of all services provided by or supported by the Government (the Government-wide Statements) and provides more detailed information about major programs of the Government (the Fund Statements).

The statements present a financial picture of the Government as a whole through the use of a consolidated statement of all funds and eliminating interfund transfers. Secondly, the values of capital assets of governmental type operations are presented. The infrastructure asset additions for governmental type funds, including roads, bridges, storm sewers, etc., are reported since the fiscal year ended June 30, 2002, the effective date of GASB 34. The cost of capital assets, including those acquired prior to fiscal year 2002 will be reported no later than the fiscal year ended June 30, 2006.

Government-wide financial statements include the *Statement of Net Assets* and the *Statement of Activities*. These statements include all assets and liabilities using the accrual basis of accounting. All the revenues earned and expenses incurred in the fiscal year are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents information on all the Government's assets and liabilities as of June 30, 2005. The net assets are the difference between assets and liabilities. Over time, increases or decreases in net assets is one indicator of whether financial health is improving or deteriorating. Information on other factors, such as changes in the revenue structure and the condition of the Government's assets, is also needed to assess the overall financial situation of the Government.

The Statement of Activities presents the Government's annual revenues and expenses, as well as any other transactions that increase or reduce net assets. Program revenues are offset by program expenses to provide better information as to program costs financed by general government revenues.

The government-wide statements divide the Government's activities into three kinds of activities:

- Governmental activities – Most of the Government's basic services are reported here, including police, fire, solid waste, parks and general administration. Occupational license fees, property taxes and service charges finance most of these activities.
- Business-type activities – Activities primarily paid for from the charges and fees to cover the cost of services are reported here. This includes sanitary sewer services, landfill and disposal costs, and leases and operating costs for public facilities related to debt issues.
- Component units – The Government includes nine separate legal entities in its report. Although legally separate, these component units are important because the Government is financially accountable for them.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund financial statements report the Government's operations in more detail than the government-wide statements by providing information about the Government's most significant funds. Some funds are required to be established by local law or by bond covenants. Other funds are established to help control and manage money for a particular purpose. Two types of funds are presented in the fund financial statements: governmental funds and proprietary funds.

- Governmental funds – Most of the Government's basic services are reported in governmental funds. These statements provide a short-term view of general government operations and show how these services are financed as well as the balances left at year end that are available for future spending. 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. The relationship between the governmental *activities* (reported in the Statement of Net Assets and Statement of Activities) and the governmental *funds* is described in a reconciliation at the bottom of the fund financial statements. The Government considers the General Fund, the Urban Services Fund and the Federal and State Grants Fund to be its major governmental funds.
- Proprietary funds – When the Government charges fees for services which are intended to cover the cost of providing those services - whether to outside customers or to other units of the Government - these services are generally reported in proprietary funds. The subcategories of the funds include enterprise funds, which are business-type activities, and internal service funds, which report services provided to internal units of government. The proprietary funds are reported in the same way that all activities are reported in the government-wide statements but the fund statements provide more detail. The Government considers the Sanitary Sewer Fund,

the Public Facilities Corporation Fund, the Public Parking Corporation Fund and the Landfill Fund to be its major proprietary funds.

THE GOVERNMENT AS TRUSTEE

The Government is trustee, or fiduciary, for two employees' pension plans. It is also responsible for other assets that - because of the trust arrangement - can be used only for trust beneficiaries. The Government's fiduciary activities are disclosed in the notes and reported separately beginning on page 119. These activities are excluded from the other government-wide and fund statements but are included in the fiduciary funds statements because the Government cannot use these assets to finance its operations.

ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Assets

As of June 30, 2005, the Government as a whole had net assets greater than its liabilities by \$442.4 million, an increase of \$40.4 million. Net assets of governmental activities were \$159.4 million and increased by \$34.0 million over the prior year. Of these net assets, \$128.5 million, or 81%, is invested in capital assets, and \$29.5 million, or 19%, is unrestricted. The unrestricted net assets of governmental funds include fund balances of the general fund and various special revenue funds. Please refer to the fund analysis beginning on page 23 for more information.

| Net Assets June 30, 2005 (in millions) | | | | | | |
|--|----------------------------|---------|-----------------------------|---------|-----------------------------|---------|
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Current and other assets | \$122.8 | \$95.8 | \$81.4 | \$78.6 | \$204.1 | \$174.4 |
| Capital assets | 255.3 | 237.4 | 349.8 | 354.3 | 605.1 | 591.7 |
| Total assets | 378.1 | 333.2 | 431.2 | 433.0 | 809.3 | 766.1 |
| Long-term liabilities | 179.1 | 169.4 | 138.7 | 147.3 | 317.8 | 316.7 |
| Other liabilities | 39.5 | 38.4 | 9.5 | 9.0 | 49.1 | 47.5 |
| Total Liabilities | 218.7 | 207.8 | 148.2 | 156.3 | 366.9 | 364.2 |
| Net assets | | | | | | |
| Invested in capital assets | | | | | | |
| net of related debt | 128.5 | 108.2 | 243.7 | 245.3 | 372.2 | 353.5 |
| Restricted for: | | | | | | |
| Capital Projects | 0.8 | 0.9 | 21.7 | 18.0 | 22.5 | 18.9 |
| Debt Service | | | 5.4 | 7.0 | 5.4 | 7.0 |
| Depreciation | | | 2.3 | 2.5 | 2.3 | 2.5 |
| Grants | 0.5 | 0.3 | | 0.0 | 0.5 | 0.3 |
| Maintenance and Operations | | | 4.2 | 4.1 | 4.2 | 4.1 |
| Unrestricted | 29.5 | 15.9 | 5.6 | (0.2) | 35.2 | 15.7 |
| Total net assets | \$159.4 | \$125.3 | \$283.0 | \$276.6 | \$442.4 | \$402.0 |

*Numbers may not total due to rounding.

Statement of Activities
For the Year Ended June 30, 2005
(in millions)

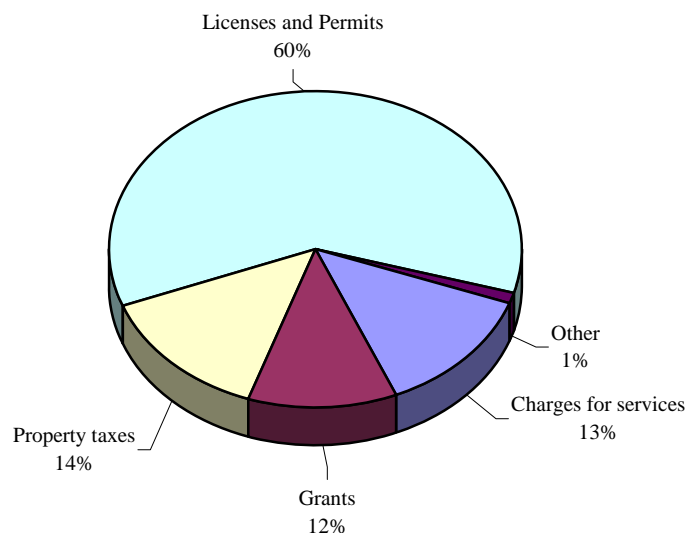
| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|--|----------------------------|----------------|-----------------------------|----------------|-----------------------------|----------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$41.3 | \$34.0 | \$49.8 | \$54.4 | \$91.1 | \$88.4 |
| Operating Grants and Contributions | 20.8 | 33.1 | | 0.1 | 20.8 | 33.2 |
| Capital Grants and Contributions | 13.0 | 13.3 | | | 13.0 | 13.3 |
| General revenues: | | | | | | |
| Property taxes | 43.2 | 42.0 | | | 43.2 | 42.0 |
| Licenses and permits | 189.0 | 178.9 | | | 189.0 | 178.9 |
| Grants and unrestricted contributions | 2.6 | 3.6 | | | 2.6 | 3.6 |
| Other general revenues | 3.1 | 1.9 | 1.4 | 0.7 | 4.5 | 2.6 |
| Total revenues | <u>313.0</u> | <u>306.7</u> | <u>51.2</u> | <u>55.2</u> | <u>364.2</u> | <u>361.9</u> |
| Program expenses | | | | | | |
| General Government | 22.8 | 21.3 | | | 22.8 | 21.3 |
| Administrative Services | 23.5 | 18.9 | | | 23.5 | 18.9 |
| Health, Dental and Vision Insurance | 14.0 | 10.6 | | | 14.0 | 10.6 |
| Finance | 6.7 | 6.9 | | | 6.7 | 6.9 |
| Public Works | 35.3 | 34.0 | | | 35.3 | 34.0 |
| Public Safety | 9.0 | 7.2 | | | 9.0 | 7.2 |
| Police | 47.3 | 42.8 | | | 47.3 | 42.8 |
| Fire and Emergency Services | 39.4 | 36.8 | | | 39.4 | 36.8 |
| Community Corrections | 27.3 | 24.5 | | | 27.3 | 24.5 |
| Social Services | 10.6 | 9.1 | | | 10.6 | 9.1 |
| General Services | 17.0 | 16.2 | | | 17.0 | 16.2 |
| Parks and Recreation | 14.8 | 13.4 | | | 14.8 | 13.4 |
| Law | 2.0 | 1.6 | | | 2.0 | 1.6 |
| Outside Agencies | 0.3 | 27.7 | | | 0.3 | 27.7 |
| Interest on Long-Term Debt | 6.2 | 5.7 | | | 6.2 | 5.7 |
| Debt Service - Other | 1.3 | 6.4 | | | 1.3 | 6.4 |
| Sanitary Sewer System | | | 23.6 | 22.3 | 23.6 | 22.3 |
| Public Facilities | | | 12.1 | 13.5 | 12.1 | 13.5 |
| Public Parking | | | 0.9 | 0.9 | 0.9 | 0.9 |
| Landfill | | | 4.2 | 5.4 | 4.2 | 5.4 |
| Right of Way | | | 0.3 | 0.3 | 0.3 | 0.3 |
| Extended School Program | | | 1.5 | 1.4 | 1.5 | 1.4 |
| Prisoners' Account System | | | 1.5 | 1.4 | 1.5 | 1.4 |
| Enhanced 911 | | | 2.1 | 2.3 | 2.1 | 2.3 |
| LexVan Program | | | 0.0 | | 0.0 | 0.0 |
| Small Business Development | | | 0.0 | 0.1 | 0.0 | 0.1 |
| Total expenses | <u>277.6</u> | <u>283.2</u> | <u>46.1</u> | <u>47.6</u> | <u>323.8</u> | <u>330.9</u> |
| Increase in Net Assets before Refunding and Transfers | 35.3 | 23.5 | 5.1 | 7.6 | 40.4 | 31.1 |
| Refunding | | (19.2) | | 18.8 | | (0.4) |
| Transfers | (1.3) | (1.1) | 1.3 | 1.1 | 0.0 | 0.0 |
| Increase in Net Assets | <u>34.0</u> | <u>3.1</u> | <u>6.4</u> | <u>27.5</u> | <u>40.4</u> | <u>30.6</u> |
| Prior Period Adjustment | | (1.1) | | | | (1.1) |
| Net Assets, July 1 | <u>125.3</u> | <u>123.3</u> | <u>276.6</u> | <u>249.2</u> | <u>402.0</u> | <u>372.5</u> |
| Net Assets, June 30 | <u>\$159.4</u> | <u>\$125.3</u> | <u>\$283.0</u> | <u>\$276.6</u> | <u>\$442.4</u> | <u>\$402.0</u> |

*Numbers may not total due to rounding.

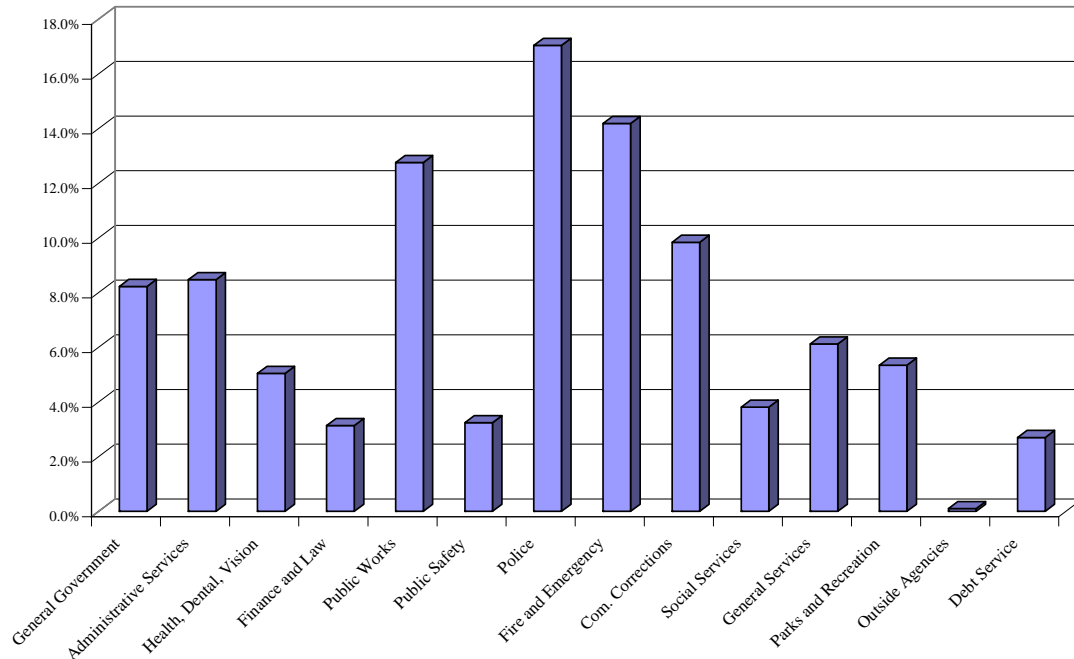
The net assets of the Government's business-type activities are \$283.0 million and increased by \$6.4 million over the prior year. Of these net assets, \$243.7 million is invested in capital assets, \$21.7 million is reserved for capital projects, \$5.4 million is reserved for debt service, and \$5.6 million was unrestricted.

Governmental Activities

Revenues for governmental activities totaled \$313.0 million. Licenses and permits totaled \$189.0 million, or 60% of the total. This category includes a 2.25% assessment on total wages paid and 2.25% of net profits of businesses operating in the Lexington-Fayette County area. The second largest category of governmental revenues, property taxes, accounted for \$43.2 million, or 14%. Charges for services account for \$41.3 million, or 13%. Grants and contributions totaled \$36.4 million and accounted for 12% of total revenues. Program operating grants and contributions decreased by \$13.6 million from 2004 due primarily to a state grant for the renovation of the Lexington Civic Center the prior year.

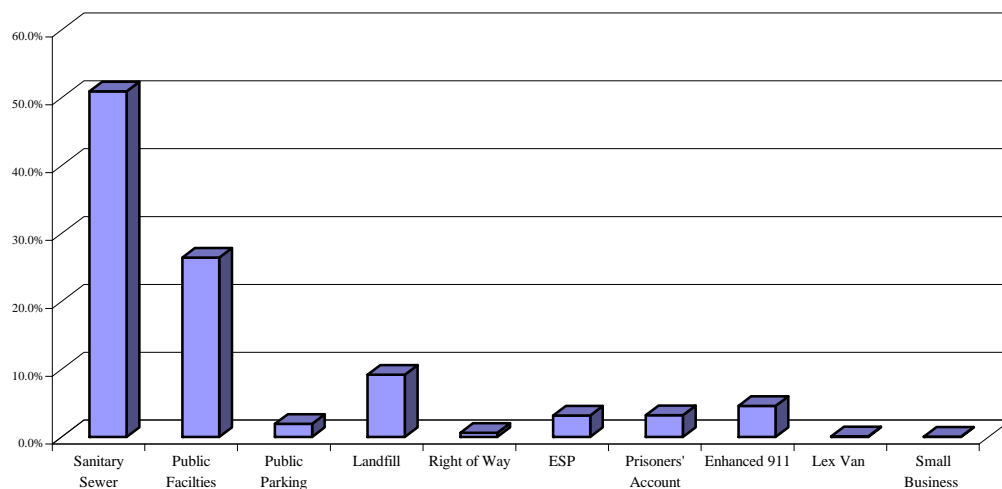


Total expenses of governmental activities were \$277.6 million and decreased \$5.6 million from the prior year. Significant fiscal events are reflected in the decrease of total governmental expenses. Two noteworthy decreases from the prior year include 2004 grant funding for the expansion of the Lexington Civic Center, a one time capital expenditure, and the elimination of General Fund support of Lexington-Fayette County Health Department, a component unit and outside agency of the Government. These decreases offset a 12% increase in personnel costs. Expenses for police activities totaled \$47.3 million and accounted for 17% of the total. The second largest category of expenses is Fire and Emergency Services which totaled \$39.4 million, 14% of the total. Public Works totaled \$35.3 million and accounted for 13% of expenses. Community Corrections expenses totaled \$27.3 million and accounted for 10% of expenses.



Business-type Activities

Revenues for business-type activities totaled \$51.2 million for the fiscal year ended June 30, 2005 and decreased 7.2% over the prior year. This decrease primarily reflects decreases in user fees in the Sanitary Sewer Fund. Ninety-seven percent of business-type revenues were from charges for services. Expenses for business-type activities totaled \$46.1 million in 2005, and decreased \$1.5 million or 3% primarily due to completion of a landfill capping capital project the prior year. The largest program in the business type-activity is sanitary sewer services, which accounted for 51% of business-type expenses. Public Facilities, a corporation set up to finance the acquisition of government facilities, accounted for 26% of business-type expenses.



FUNDS OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

The Government's governmental funds for the year ended June 30, 2005 reflect a combined ending fund balance of \$91.2 million, an increase of \$27.1 million from the prior year. Of this amount, \$59.3 million is unreserved and undesignated. The remainder is designated for special purposes or reserved because it has been committed to pay encumbrances.

At the end of the fiscal year, General Fund's total fund balance was \$36.1 million and increased by \$6.5 million, or 22% over the prior year. Of this total, unreserved, undesignated fund balance was \$17.5 million, or 7.5% of General Fund revenues, and increased by \$5.3 million from the prior year. Unreserved, designated fund balance totaled \$13.7 million, or 5.8% of General Fund revenues. The designations include:

- \$4.3 million for the 27th pay period that will occur in 2006.
- \$6.0 million is designated as an economic contingency to act as a cushion in the event of an economic downturn.
- \$3.4 million represents generally accepted accounting principles (GAAP) recognition of license fees collected within one month of the end of the fiscal year. The Government has chosen not to recognize these revenues on a budgetary basis.

The increase in undesignated unreserved fund balance of the General Fund from the prior year reflects extremely tight budgetary controls and a year of healthy local economic growth that resulted in strong growth in the occupational license fees for the fiscal year.

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 total fund balance was \$21.8 million and increased by \$1.9 million over the prior year. Unreserved, undesignated fund balance was \$17.6 million and reflects 62% of Urban Services revenues. Unreserved, designated fund balance totaled \$367.5 thousand for the 27th pay period that will occur in 2006.

Federal and State Grants fund balance was \$515.0 thousand at fiscal year end. This represents grant revenues received but not spent that are restricted for grant expenditures.

The Government's Proprietary Funds statements provide the same type of information found in the government-wide financial statements, but in more detail. Total net assets were \$283.0 million as of June 30, 2005, an increase of \$6.4 million or 2.3%.

The Sanitary Sewer Fund had total net assets of \$200.7 million, an increase of \$5.2 million, or 2.7%, over the prior year. Of the total net assets, \$11.2 million is restricted under bond covenants for maintenance, depreciation, capital improvements and debt service. Unrestricted net assets were \$8.8 million.

The Public Facilities Corporation (PFC) was created by the Government to act as an agency and instrumentality of the Government to finance and operate public projects. The net assets of the Public Facilities Corporation were \$55.3 million, a decrease of \$3.9 million from the prior year.

The Public Parking Corporation was created by the Government to act as an agency and instrumentality of the Government to finance and operate public parking facilities. The net assets of the Public Parking Corporation were \$14.3 million, an increase of \$559.4 thousand from the prior year.

The Landfill Fund had total net assets of \$10.8 million and increased by \$4.2 million from the prior year. An unrestricted net asset deficit of \$5.7 million results from the Government financing a portion of the landfill closure and postclosure liability, \$23.2 million in total, as it becomes due rather than when the liability is incurred.

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. 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.

For the year ended June 30, 2005 revenues totaled \$233.2 million and increased 6.0% over the prior year. Total revenues were \$10.7 million above the final budgeted amount. This increase resulted from economic growth. Employee withholdings totaled \$126.1 million, 54.1% of total revenues, and increased 3.7% over the prior year. Net profits totaled \$24.9 million, 10.7% of general fund revenues, and increased 7.1%. Insurance license fees totaled \$19.2 million, 8.2% of general fund revenues, and increased 7.2% over the prior year. Franchise fees totaled \$13.8 million and increased 25.3% due to increases in franchise fee rates which provide equalized rates of three percent across types of public sector companies. Realty and personalty taxes totaled \$17.7 million, 7.6% of general fund revenues, and increased 12.7%. The increase represents growth in assessments, new property additions and the purchase of delinquent property tax bills by the Commonwealth of Kentucky. Intergovernmental income totaled \$2.4 million and decreased \$1.3 million from the prior year due to prior year reimbursements for capital projects and program expenses. Income from investment totaled \$533.6 thousand and increased 488.7% over the prior year. This increase reflects higher interest rates and a revised method for allocating interest income between funds.

Expenditures totaled \$222.8 million and increased \$13.0 million, or 6.2% over the previous year, and were \$6.9 million below the final budget. Personnel expenditures totaled \$144.9 million and accounted for 65% of General Fund expenditures. This category accounted for the most significant increase in expenditures of \$15.6 million, or 12.0%. Transfers to other funds totaled \$5.8 million and increased \$4.6 million from the prior year. This increase reflects allocations of prior year fund balance to capital project funds for computer purchases, street resurfacings and fire equipment. These expenditure increases were offset by decreases in funding to component units, insurance and agency services. The most significant decrease was \$4.4 million for the elimination of funding for the Fayette County Health Department due to the imposition of a dedicated tax to fund this service.

Expenditures in the public safety divisions of Police, Fire & Emergency Services and Community Corrections were under budget by a combined \$1.6 million due to personnel vacancies. The Contingency budget category was under budget by \$873,000 due to accounting for the designation for the 27th pay period as a transfer from fund balance rather than a budgetary item. Expenditures for Engineering were \$1.1 million under budget due primarily to lapse of funds for storm water capital projects. Expenditures for the Division of Fleet Services were below budget by \$461.5 thousand for fuel and repairs and maintenance. Payment to the Lexington Center Corporation (LCC), an outside agency, exceeded budget by \$217,106 due to higher than anticipated collections of hotel motels fees legally dedicated to LCC.

CAPITAL ASSETS

The Government's investment in capital assets totaled \$605.1 million as of June 30, 2005. This investment includes land, buildings, equipment, park facilities, roads, bridges, and sewer systems. For governmental activities, the recorded investments total \$255.3 million. Pursuant to the provisions outlined in GASB 34, capital assets acquired or improved prior to 2002 will be added to the Government's financial statements on June 30, 2006. Governmental activity assets increased by \$17.9 million over the prior year. The assets of Business-type activities totaled \$349.8 million, and decreased by \$4.5 million from the prior year. This year's major changes in capital assets included:

- The Purchase of Development Rights program acquired \$7.4 million in conservation easements.
- Construction in Progress totaled \$26.6 million.
 - Building projects included \$4.0 million for the construction of the Day Treatment Center, \$2.5 million for renovation of the Versailles Road Center, \$1.4 million for Loudon House improvements, and \$1.4 million for the Recycling Center.
 - Road projects included in Construction in Progress include \$2.8 million for the Boulevard in Expansion Area 2C, \$1.9 million for Newtown Pike Extension, and \$861.0 thousand for the Liberty/Todds Road project.
 - Community Development Block Grant Projects in progress include \$1.5 million for the Shelby-Warfield project, \$1.5 million for Brown Avenue, \$1.1 million for the Northland/Meadows/Arlington project
- Building improvements include \$320.3 thousand for replacement of the HVAC system in the Government Center and \$304.9 thousand for improvements the Mayor's Training Center.
- Road improvements totaled \$4.9 million and included \$3.5 million for street resurfacing, \$621.0 thousand for the Reynolds Road project and \$430.0 thousand for work improvements to Clays Mill Road.
- \$4.3 million was reclassified from Land Related to Infrastructure to Infrastructure.
- Sanitary Sewer investments included \$5.4 million in completed sanitary sewer lines.
- Storm water improvements totaled \$576 thousand.
- Land improvements to the Haley Pike landfill for the installation of a compost operation resulted in adding \$370.2 thousand to business-type land and leasehold improvements.

Capital Assets at Year-end
(Net of Depreciation, in Millions)

| | Governmental Activities | | Business-type Activities | | Total Primary Government | |
|-----------------------------------|----------------------------|----------------|-----------------------------|----------------|-----------------------------|----------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Land | \$40.2 | \$43.8 | \$45.4 | \$45.4 | \$85.6 | \$89.2 |
| Development Rights | 36.1 | 28.7 | | | 36.1 | 28.7 |
| Buildings and Improvements | 93.9 | 95.8 | 89.5 | 93.3 | 183.4 | 189.1 |
| Vehicles, Equipment and Furniture | 24.8 | 26.8 | 1.5 | 2.1 | 26.4 | 28.8 |
| Land and Leasehold Improvements | 5.8 | 5.7 | 20.2 | 18.8 | 26.0 | 24.4 |
| Infrastructure | 31.1 | 23.2 | 190.1 | 190.4 | 221.1 | 213.6 |
| Construction in Progress | 23.4 | 13.5 | 3.2 | 4.4 | 26.6 | 17.9 |
| Total | <u>\$255.3</u> | <u>\$237.4</u> | <u>\$349.8</u> | <u>\$354.3</u> | <u>\$605.1</u> | <u>\$591.7</u> |

*Numbers may not total due to rounding

In fiscal year 2006 the Government has budgeted \$50.1 million on major capital projects, which includes projects that will take several years to implement. It is anticipated that capital improvement projects completed in fiscal year 2006 will be approximately \$5.3 million for sanitary sewer improvements, \$4.0 million for street resurfacing, \$3.3 million for the PDR program and \$2.7 million in computer equipment. These projects will be paid for from currently available funds, bond proceeds and grant funds.

Additional information on the Government's capital assets activity can be found in note 3B beginning on page 69 of the report.

DEBT ADMINISTRATION

The Government began issuing general obligation (GO) bonds in fiscal year 1999 as a result 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. Consequently, future debt issuance of the Government will be GO debt unless they are 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 automatically annually renewable lease agreements 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 bonds is the annually renewable 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 the fiscal year the Government had \$264.2 million in bonds and notes outstanding. Governmental activities debt increased by \$8.9 million. Payment of principal on outstanding debt helped to offset this increase. Business-type activity debt decreased by \$5.7 million due to the payment of principal on outstanding debt. New debt resulted from two note issues and two bond issues in fiscal year 2005.

- \$9.6 million in general obligation bonds to finance the costs associated with the acquisition, construction, and equipping 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.
- \$5.4 million in general obligation notes to finance the acquisition of certain equipment and vehicles including a fiber network, police cars, dump trucks and various other vehicles and equipment for the benefit of numerous departments of the Government.
- \$2.8 million general obligation notes to finance the acquisition and installation of fire equipment including fire engines, EMS units, fire aerial units and other equipment.
- \$4.5 million general obligation bonds 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.

Following is a summary of the outstanding debt.

Outstanding Debt
June 30, 2005
(in millions)

| | Governmental | | Business-type | | Total Primary | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| General Obligation Bonds, Notes, Leases | \$144.9 | \$136.6 | | | \$144.9 | \$136.6 |
| Mortgage Revenue Bonds | | | 71.7 | 73.9 | 71.7 | 73.9 |
| Condemnation Notes | 0.7 | | | | 0.7 | |
| Lease Revenue Notes | 0.3 | 0.4 | | | 0.3 | 0.4 |
| Revenue Bonds | | 0.0 | 46.6 | 50.0 | 46.6 | 50.0 |
| Total | <u>\$145.9</u> | <u>\$137.0</u> | <u>\$118.2</u> | <u>\$123.9</u> | <u>\$264.2</u> | <u>\$260.9</u> |

Despite the 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 \$2.5 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 \$181.7 million.

The Government general obligation debt maintains a 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 on the Government’s long-term debt can be found in note 3D beginning on page 74 of the report.

NEXT YEAR’S BUDGET

The fiscal year 2006 budget for all funds combined, net of interfund transfers, is \$411.5 million. Significant initiatives in the budget include \$3.4 million for costs for the first year of police and fire collective bargaining unit contracts, a 5% pay increase for employees who are not part of a collective bargaining unit, an increase of 99 public safety personnel and funding for a new financial and human resources information system. Funding for these initiatives was derived from a projected 6.0% increase in general fund revenues. Based on revenue collections through September 2005, this growth rate seems attainable. The Government will continue to monitor revenue collection trends to ensure that recent trends continue.

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 Commissioner of Finance, 200 East Main Street, Lexington-Fayette Urban County Government, Lexington, Kentucky, 40507.



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BASIC FINANCIAL STATEMENTS

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET ASSETS
June 30, 2005

| | Primary Government | | | Component Units |
|-----------------------------------|----------------------------|-----------------------------|----------------------|---------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| ASSETS | | | | |
| Cash | \$31,195,064 | \$13,228,511 | \$44,423,575 | \$5,935,038 |
| Investments | 44,563,686 | 30,767,589 | 75,331,275 | 8,422,680 |
| Receivables (net) | 20,960,048 | 5,799,713 | 26,759,761 | 3,501,680 |
| Due from Other Governments | 8,276,375 | | 8,276,375 | 842,861 |
| Due from Component Units | 343,852 | | 343,852 | 172,157 |
| Internal Balances | (750,059) | 750,059 | 0 | |
| Due from Primary Government | | | 0 | 732,927 |
| Inventories | 737,856 | 14,430 | 752,286 | 403,676 |
| Prepaid Items | 430,336 | 2,320,990 | 2,751,326 | 2,474,789 |
| Pension Assets | | | 0 | 177,527 |
| Restricted Assets: | | | | |
| Investments | 17,002,002 | 28,507,846 | 45,509,848 | 37,903,619 |
| Other | | | 0 | 629,532 |
| Capital Assets: | | | | |
| Non-depreciable | 99,670,071 | 48,566,263 | 148,236,334 | 37,849,012 |
| Depreciable (Net) | 155,622,181 | 301,248,948 | 456,871,129 | 150,437,384 |
| Other Assets | | | 0 | 531,810 |
| Total Assets | 378,051,412 | 431,204,349 | 809,255,761 | 250,014,692 |
| LIABILITIES | | | | |
| Accounts, Contracts Payable and | | | | |
| Accrued Liabilities | 18,966,617 | 2,598,710 | 21,565,327 | 4,339,638 |
| Interest Payable | 1,242,311 | 913,826 | 2,156,137 | 82,448 |
| Due to Pension Trust Fund | 659,089 | | 659,089 | |
| Due to Component Units | 732,927 | | 732,927 | 172,157 |
| Due to Primary Government | | | 0 | 343,852 |
| Unearned Revenue and Other | 1,443,375 | 761,969 | 2,205,344 | 672,009 |
| Claims Liabilities | 16,480,346 | | 16,480,346 | |
| Liabilities Payable from | | | | |
| Restricted Assets: | | | | |
| Accounts, Contracts and Retainage | | | | |
| Payable | | 451,995 | 451,995 | 1,941,183 |
| Bonds and Notes Payable | | 3,645,000 | 3,645,000 | 800,000 |
| Interest Payable | | 1,166,503 | 1,166,503 | 70,310 |
| Non-Current Liabilities: | | | | |
| Due Within One Year: | | | | |
| Bonds and Notes Payable | 15,030,519 | 2,055,000 | 17,085,519 | 2,861,980 |
| Compensated Absences | 2,440,360 | 259,945 | 2,700,305 | 96,762 |
| Capital Lease Obligations | | | | 6,160 |
| Landfill Closure and | | | | |
| Postclosure Care Costs | | 12,145,690 | 12,145,690 | |
| Due in More Than One Year: | | | | |
| Unearned Revenue and Other | | 137,597 | 137,597 | |
| Bonds and Notes Payable | 130,874,816 | 112,540,000 | 243,414,816 | 85,795,567 |
| Compensated Absences | 11,672,637 | 433,388 | 12,106,025 | 872,390 |
| Capital Lease Obligations | | | | 21,421 |
| Landfill Closure and | | | | |
| Postclosure Care Costs | | 11,091,598 | 11,091,598 | |
| Unfunded Pension Liability | 19,131,451 | | 19,131,451 | |
| Total Liabilities | \$218,674,448 | \$148,201,221 | \$366,875,669 | \$98,075,877 |

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

| | Primary Government | | | Component Units |
|--------------------------------|----------------------------|-----------------------------|----------------------|----------------------|
| | Governmental Activities | Business-Type Activities | Total | |
| NET ASSETS | | | | |
| Investment in Capital Assets, | | | | |
| net of related debt | \$128,533,898 | \$243,680,021 | \$372,213,919 | \$130,499,232 |
| Restricted for: | | | | |
| Governmental and Program Funds | | | 0 | 150,039 |
| Fees | | | 0 | 55,096 |
| Capital Projects | 801,512 | 21,723,779 | 22,525,291 | 23,651 |
| Debt Service | | 5,402,473 | 5,402,473 | 5,346,000 |
| Depreciation | | 2,338,060 | 2,338,060 | |
| Pension | | | 0 | 177,527 |
| Endowments | | | 0 | 110,066 |
| Grants | 514,983 | | 514,983 | |
| Maintenance and Operations | | 4,223,993 | 4,223,993 | |
| Unrestricted | 29,526,571 | 5,634,802 | 35,161,373 | 15,577,204 |
| Total Net Assets | \$159,376,964 | \$283,003,128 | \$442,380,092 | \$151,938,815 |

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, 2005

| 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 | | Total | |
| | | | | | Governmental Activities | Business-type Activities | | |
| Primary Government: | | | | | | | | |
| Governmental Activities: | | | | | | | | |
| General Government | \$22,840,721 | \$3,665,797 | \$2,190,982 | \$20,833 | (\$16,963,109) | | | (\$16,963,109) |
| Administrative Services | 23,522,220 | 618,524 | 2,731,023 | 5,627,291 | (14,545,382) | | | (14,545,382) |
| Health, Dental and Vision Insurance | 14,011,082 | 15,476,931 | | | 1,465,849 | | | 1,465,849 |
| Finance | 6,670,050 | 786,733 | | | (5,883,317) | | | (5,883,317) |
| Public Works | 35,320,695 | 1,302,339 | 4,976,748 | 6,494,447 | (22,547,161) | | | (22,547,161) |
| Public Safety | 9,001,079 | 2,055,215 | 563,419 | 225,566 | (6,156,879) | | | (6,156,879) |
| Police | 47,320,658 | 890,522 | 2,841,834 | 417,552 | (43,170,750) | | | (43,170,750) |
| Fire and Emergency Services | 39,390,542 | 4,037,476 | 1,747,457 | | (33,605,609) | | | (33,605,609) |
| Community Corrections | 27,326,172 | 7,122,371 | | | (20,203,801) | | | (20,203,801) |
| Social Services | 10,579,394 | 109,651 | 5,598,829 | 18,678 | (4,852,236) | | | (4,852,236) |
| General Services | 16,998,086 | 62,229 | 106,689 | | (16,829,168) | | | (16,829,168) |
| Parks and Recreation | 14,840,330 | 4,219,020 | 81,978 | 166,348 | (10,372,984) | | | (10,372,984) |
| Law | 2,041,719 | 1,074 | | | (2,040,645) | | | (2,040,645) |
| Outside Agencies | 267,976 | 444,270 | | | 176,294 | | | 176,294 |
| Interest on Long-Term Debt | 6,236,280 | | | | (6,236,280) | | | (6,236,280) |
| Debt Service - Other | 1,261,204 | 485,666 | | | (775,538) | | | (775,538) |
| Total governmental activities | 277,628,208 | 41,277,818 | 20,838,959 | 12,970,715 | (202,540,716) | 0 | | (202,540,716) |
| Business-type Activities: | | | | | | | | |
| Sanitary Sewer System | 23,554,596 | 27,658,421 | | | | 4,103,825 | | 4,103,825 |
| Public Facilities | 12,121,284 | 6,901,625 | | | | (5,219,659) | | (5,219,659) |
| Public Parking | 891,857 | 1,451,296 | | | | 559,439 | | 559,439 |
| Landfill | 4,233,412 | 8,147,735 | | | | 3,914,323 | | 3,914,323 |
| Right of Way | 266,933 | 207,304 | | | | (59,629) | | (59,629) |
| Extended School Program | 1,452,385 | 1,373,290 | | | | (79,095) | | (79,095) |
| Prisoners' Account System | 1,472,693 | 1,609,668 | | | | 136,975 | | 136,975 |
| Enhanced 911 | 2,112,518 | 2,440,307 | | | | 327,789 | | 327,789 |
| Lex Van Program | 40,296 | 31,690 | | | | (8,606) | | (8,606) |
| Small Business Development | 3,562 | 4,263 | | | | 701 | | 701 |
| Total business-type activities | 46,149,536 | 49,825,599 | 0 | 0 | 0 | 3,676,063 | | 3,676,063 |
| Total primary government | \$323,777,744 | \$91,103,417 | \$20,838,959 | \$12,970,715 | (202,540,716) | 3,676,063 | | (198,864,653) |

| | | | | | | |
|---|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
| Component Units: | | | | | | |
| Lexington Center Corporation | \$16,183,836 | \$11,297,210 | \$948,000 | \$1,484,956 | | (2,453,670) |
| Lexington Airport Board | 13,680,996 | 13,412,952 | | 9,322,516 | | 9,054,472 |
| Fayette County Department of Health | 21,083,067 | 6,287,192 | 9,380,890 | | | (5,414,985) |
| Nonmajor component units | 27,594,816 | 2,108,958 | 9,049,598 | 2,282,593 | | (14,153,667) |
| Total component units | <u>\$78,542,715</u> | <u>\$33,106,312</u> | <u>\$19,378,488</u> | <u>\$13,090,065</u> | <u>0</u> | <u>(12,967,850)</u> |
| General Revenues: | | | | | | |
| Property Taxes | | | 43,189,707 | | 43,189,707 | 6,853,187 |
| Licenses Fees - Wages and Net Profits Taxes | | | 188,973,285 | | 188,973,285 | |
| Grants and Contributions Not Restricted to Specific Programs: | | | | | | |
| Community Development Block Grant | | | 2,570,656 | | 2,570,656 | |
| Payment from Lexington-Fayette Urban County Government | | | 1,839,509 | | 0 | 16,193,907 |
| Income on Investments | | | | 1,397,929 | 3,237,438 | 487,993 |
| Net Change in Fair Value of Investments | | | | | 0 | 4,322 |
| Sale of Assets | | | 523,841 | 9,350 | 533,191 | (15,719) |
| Miscellaneous | | | 767,547 | | 767,547 | 264,648 |
| Transfers | | | (1,281,083) | 1,281,083 | 0 | |
| Total General Revenues and Transfers | | | <u>236,583,462</u> | <u>2,688,362</u> | <u>239,271,824</u> | <u>23,788,338</u> |
| Change in Net Assets | | | <u>34,042,746</u> | <u>6,364,425</u> | <u>40,407,171</u> | <u>10,820,488</u> |
| Prior Period Adjustment | | | | | 0 | 34,575 |
| Net Assets, July 1 | | | <u>125,334,218</u> | <u>276,638,703</u> | <u>401,972,921</u> | <u>141,083,752</u> |
| Net Assets, June 30 | | | <u>\$159,376,964</u> | <u>\$283,003,128</u> | <u>\$442,380,092</u> | <u>\$151,938,815</u> |

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

| | General | Urban Services | Federal and State Grants | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------------|-------------------------------------|---|---|
| ASSETS | | | | | |
| Current Cash | \$22,953,290 | \$941,940 | \$57,742 | \$5,827,200 | \$29,780,172 |
| Current Investments | 11,365,995 | 21,217,504 | 370,000 | 4,010,187 | 36,963,686 |
| Receivables : | | | | | |
| Local Contributions | | | 154,928 | | 154,928 |
| Loans | | | 4,394,567 | | 4,394,567 |
| License Fees | 9,767,907 | | | | 9,767,907 |
| Taxes | 126,836 | 251,103 | | | 377,939 |
| Other | 6,483,904 | 103,385 | | 5,731,109 | 12,318,398 |
| Less Allowance for Uncollectible Amounts | (1,742,010) | (251,103) | (4,394,567) | | (6,387,680) |
| Due from Other Governments | | | 7,723,495 | 552,880 | 8,276,375 |
| Due from Other Funds | 6,956,529 | 1,213,545 | 822 | 4,303,853 | 12,474,749 |
| Due from Component Units | 327,899 | | | 15,953 | 343,852 |
| Inventories | 737,856 | | | | 737,856 |
| Restricted Investments | | | | 17,002,002 | 17,002,002 |
| Total Assets | \$56,978,206 | \$23,476,374 | \$8,306,987 | \$37,443,184 | \$126,204,751 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts and Contracts Payable | \$3,438,026 | \$1,074,984 | \$1,719,571 | \$2,662,419 | \$8,895,000 |
| Accrued Payroll & Related Liabilities | 8,983,085 | 514,285 | | | 9,497,370 |
| Due to Other Funds | 6,444,317 | 86,000 | 5,950,314 | 1,931,446 | 14,412,077 |
| Due to Component Units | 732,927 | | | | 732,927 |
| Unearned Revenue and Other | 1,318,756 | | 122,119 | 2,500 | 1,443,375 |
| Total Liabilities | 20,917,111 | 1,675,269 | 7,792,004 | 4,596,365 | 34,980,749 |
| Fund Balances: | | | | | |
| Reserved for: | | | | | |
| Encumbrances | 4,940,741 | 3,796,313 | | 9,119,957 | 17,857,011 |
| Unreserved: | | | | | |
| Designated for Payroll | 4,260,723 | 367,505 | | | 4,628,228 |
| Designated for Economic Contingency | 5,996,710 | | | | 5,996,710 |
| Designated for Working Capital | 3,394,250 | | | | 3,394,250 |
| Undesignated | 17,468,671 | 17,637,287 | 514,983 | | 35,620,941 |
| Undesignated, reported in Special Revenue Funds | | | | 4,315,924 | 4,315,924 |
| Undesignated, reported in Capital Projects Funds | | | | 19,410,938 | 19,410,938 |
| Total Fund Balances | 36,061,095 | 21,801,105 | 514,983 | 32,846,819 | 91,224,002 |
| Total Liabilities and Fund Balances | \$56,978,206 | \$23,476,374 | \$8,306,987 | \$37,443,184 | \$126,204,751 |

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
June 30, 2005**

| | | |
|--|---------------------|-----------------------------|
| Fund balances - total governmental funds | | \$91,224,002 |
| Amounts reported for governmental activities in the statement of net assets are different because: | | |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | |
| Governmental capital assets | 340,481,292 | |
| Less accumulated depreciation | <u>(85,189,040)</u> | 255,292,252 |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds. | | |
| Bond Issuance Costs | 679,287 | |
| Current year amortization | <u>(91,389)</u> | 587,898 |
| Net Discount (Premiums) | (211,559) | |
| Current year amortization | <u>53,997</u> | (157,562) |
| 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 | (145,905,335) | |
| Accrued interest payable | (1,242,311) | |
| Compensated absences | (14,050,810) | |
| Unfunded pension liability | <u>(19,131,451)</u> | (180,329,907) |
| 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. | | <u>(7,239,719)</u> |
| Net assets of governmental activities | | <u><u>\$159,376,964</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, 2005

| | General | Urban Services | Federal and State Grants | Other Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------------|-------------------------------------|---|---|
| REVENUES | | | | | |
| License Fees and Permits | \$188,755,096 | \$1,031,081 | | | \$189,786,177 |
| Taxes | 17,731,787 | 25,457,920 | | | 43,189,707 |
| Charges for Services | 21,523,592 | 37,500 | | | 21,561,092 |
| Fines and Forfeitures | 184,104 | | | | 184,104 |
| Intergovernmental | 2,418,670 | | 22,149,731 | 5,753,434 | 30,321,835 |
| Exactions | | | | 4,767,468 | 4,767,468 |
| Grant Match | | | 2,025,396 | | 2,025,396 |
| Property Sales | 516,536 | 7,305 | | | 523,841 |
| Income on Investments | 533,607 | 462,781 | | 424,167 | 1,420,555 |
| Other | 1,873,064 | 1,286,702 | 1,534,191 | 850,336 | 5,544,293 |
| Total Revenues | 233,536,456 | 28,283,289 | 25,709,318 | 11,795,405 | 299,324,468 |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| General Government | 3,830,118 | 1,475,465 | 4,506,937 | | 9,812,520 |
| Administrative Services | 13,825,387 | 1,084,050 | 8,689,123 | 478,824 | 24,077,384 |
| Finance | 6,587,189 | 6,269 | | | 6,593,458 |
| Public Works | 12,309,935 | 21,926,435 | 2,053,040 | 4,957,971 | 41,247,381 |
| Public Safety | 7,341,333 | | 680,738 | 260,433 | 8,282,504 |
| Police | 41,295,960 | | 3,099,918 | | 44,395,878 |
| Fire and Emergency Services | 38,315,111 | | 1,859,101 | | 40,174,212 |
| Community Corrections | 25,454,420 | | | | 25,454,420 |
| Social Services | 9,198,457 | | 4,190,678 | | 13,389,135 |
| General Services | 8,763,903 | 1,577,363 | 144,710 | | 10,485,976 |
| Parks and Recreation | 13,994,225 | | 216,579 | | 14,210,804 |
| Law | 1,861,769 | | | | 1,861,769 |
| Outside Agencies | 18,634,022 | | | 242,434 | 18,876,456 |
| Debt Service: | | | | | |
| Principal | 13,675,710 | 174,290 | | 306,321 | 14,156,321 |
| Interest and Other | 5,865,727 | 23,763 | | 233,119 | 6,122,609 |
| Bond Issuance Costs | | | | 251,023 | 251,023 |
| Other | 1,261,204 | | | | 1,261,204 |
| Capital: | | | | | |
| Equipment | | | | 3,840,073 | 3,840,073 |
| Acquisitions and Construction | | | | 9,087,086 | 9,087,086 |
| Total Expenditures | 222,214,470 | 26,267,635 | 25,440,824 | 19,657,284 | 293,580,213 |
| Excess (Deficiency) of Revenues over (under) Expenditures | 11,321,986 | 2,015,654 | 268,494 | (7,861,879) | 5,744,255 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | 963,501 | | 4,634 | 4,751,711 | 5,719,846 |
| Transfers Out | (5,824,465) | (104,084) | (87,638) | (984,742) | (7,000,929) |
| Issuance of Debt | | | | 22,325,000 | 22,325,000 |
| Bond Anticipation Note | | | | 304,813 | 304,813 |
| Net Premium on Proceeds | | | | 39,218 | 39,218 |
| Total Other Financing Sources (Uses) | (4,860,964) | (104,084) | (83,004) | 26,436,000 | 21,387,948 |
| Net Change in Fund Balances | 6,461,022 | 1,911,570 | 185,490 | 18,574,121 | 27,132,203 |
| Fund Balances, July 1 | 29,600,073 | 19,889,535 | 329,493 | 14,272,698 | 64,091,799 |
| Fund Balances, June 30 | \$36,061,095 | \$21,801,105 | \$514,983 | \$32,846,819 | \$91,224,002 |

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
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005**

Net change in fund balances - total governmental funds \$27,132,203

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 | 32,642,469 | |
| Less current year depreciation | <u>(15,154,957)</u> | 17,487,512 |

The net effect of various miscellaneous transactions involving capital assets
(i.e. Sales, trade-ins, and donations) is to increase net assets. 1,886,559

Bond proceeds provide current financial resources for
government funds, but issuing debt increases long-term
liabilities in the statement of net assets. Repayment of bond
principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of
net assets. This is the amount by which proceeds exceeded
repayments

| | | |
|---------------------------------------|-------------------|-------------|
| Issuance of Debt | (22,325,000) | |
| Bond Anticipation Note | (742,401) | |
| Bond Issuance Costs | 251,023 | |
| Refinancing Loss / Discount / Premium | (39,218) | |
| Principal payments | <u>14,156,321</u> | (8,699,275) |

Some expenses in the statement of activities do not require
the use of current financial resources and therefore are
not reported as expenditures in governmental funds

| | | |
|--|----------------|-----------|
| Amortization of current year bond issuance costs | (91,389) | |
| Amortization of current year bond (discounts) premiums | 53,997 | |
| Change in Unfunded Pension Liability | (941,329) | |
| Change in accrued interest payable | (113,671) | |
| Change in compensated absences | <u>153,583</u> | (938,809) |

Internal service funds are used by management to charge
self-insurance to individual funds.

The net expense of the internal service funds is
reported with governmental funds.

(2,825,444)

Change in net assets of governmental activities

\$34,042,746

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
BUDGET AND BUDGETARY ACTUAL (nonGAAP)
GENERAL FUND
For the Year Ended June 30, 2005

| | Budgeted Amounts | | Actual Amounts | Variance with |
|-----------------------------------|-------------------------|--------------------|------------------------|----------------------|
| | Original | Final | Budgetary Basis | Final Budget |
| REVENUES | | | | |
| License Fees and Permits: | | | | |
| Employee Withholding | \$125,800,000 | \$125,800,000 | \$126,052,353 | \$252,353 |
| Business Returns | 22,578,000 | 22,578,000 | 24,900,288 | 2,322,288 |
| Insurance | 18,300,000 | 19,258,453 | 19,151,852 | (106,601) |
| Franchise Permits | 10,847,700 | 10,847,700 | 13,794,992 | 2,947,292 |
| Hotel and Motel | 2,015,000 | 2,015,000 | 2,267,434 | 252,434 |
| Bank Franchise Tax | 823,000 | 1,031,000 | 1,031,081 | 81 |
| Vehicle Licenses | 220,000 | 233,000 | 431,136 | 198,136 |
| Electrical Contractors | 40,000 | 40,000 | 48,400 | 8,400 |
| Regulated Licenses & Permits | 100,000 | 100,000 | 117,029 | 17,029 |
| Liquor and Beer | 380,000 | 654,000 | 667,692 | 13,692 |
| Individual Returns | 78,000 | 78,000 | 139,017 | 61,017 |
| Hazardous Materials Permits | 10,500 | 16,200 | 28,171 | 11,971 |
| Bond Deposits | 2,000 | 2,000 | 3,025 | 1,025 |
| Total Licenses and Permits | 181,194,200 | 182,653,353 | 188,632,470 | 5,979,117 |
| Taxes: | | | | |
| Realty | 13,151,000 | 13,261,000 | 13,260,204 | (796) |
| Personalty | 1,325,000 | 1,338,000 | 1,311,357 | (26,643) |
| Motor Vehicle | 1,425,000 | 1,304,000 | 1,380,970 | 76,970 |
| Public Service Companies | 301,000 | 871,000 | 1,160,133 | 289,133 |
| Delinquent Collections | 200,000 | 604,000 | 1,451,623 | 847,623 |
| Other Property Taxes | 79,000 | 79,000 | 91,132 | 12,132 |
| Insurance Taxes | | 4,000 | 4,528 | 528 |
| County Clerk's Commissior | (59,000) | (49,000) | (47,399) | 1,601 |
| Discounts | (246,000) | (248,000) | (245,879) | 2,121 |
| Sheriff's Commission | (616,000) | (621,000) | (634,882) | (13,882) |
| Total Taxes | 15,560,000 | 16,543,000 | 17,731,787 | 1,188,787 |
| Charges for Services: | | | | |
| Detention Fees | 4,755,000 | 4,755,000 | 6,152,283 | 1,397,283 |
| Excess Fees and Collections | 2,200,000 | 2,200,000 | 1,891,621 | (308,379) |
| Emergency Medical Services | 2,436,000 | 2,436,000 | 3,265,706 | 829,706 |
| Golf Course Collections | 3,118,580 | 3,352,220 | 2,901,254 | (450,966) |
| Deed Tax Fee | 1,400,000 | 1,400,000 | 2,124,890 | 724,890 |
| Building Permits | 1,182,000 | 1,182,000 | 1,477,029 | 295,029 |
| Parks and Recreation Programs | 740,480 | 659,080 | 665,058 | 5,978 |
| Other | 339,880 | 424,010 | 505,990 | 81,980 |
| District Court Jail Fees | 200,000 | 430,837 | 781,030 | 350,193 |
| Swimming Pool Collections | 578,000 | 578,000 | 450,745 | (127,255) |
| Parking Meter Collections | 210,000 | 210,000 | 190,029 | (19,971) |
| Contractors' Registration Fees | 160,000 | 160,000 | 185,065 | 25,065 |
| Park Concessions-Net of Costs | 214,130 | 211,070 | 124,329 | (86,741) |
| Data Processing Services | 105,000 | 112,490 | 92,172 | (20,318) |
| Planning and Zoning Fees | 220,000 | 220,000 | 263,704 | 43,704 |
| Adult Probation Fees | 65,000 | 65,000 | 160,256 | 95,256 |
| Domestic Relations Fees | 20,000 | 20,000 | 29,793 | 9,793 |
| Total Charges for Services | 17,944,070 | 18,415,707 | 21,260,954 | 2,845,247 |
| Fines & Forfeitures | 220,150 | 220,150 | 184,104 | (36,046) |
| Intergovernmental | 1,881,170 | 2,290,180 | 2,418,670 | 128,490 |
| Property Sales | 430,000 | 492,840 | 516,536 | 23,696 |
| Income on Investments | 32,000 | 32,000 | 533,607 | 501,607 |

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
BUDGET AND BUDGETARY ACTUAL (nonGAAP)
GENERAL FUND
For the Year Ended June 30, 2005

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|-------------------------|--------------------|------------------------|----------------------|
| | Original | Final | Budgetary Basis | Final Budget |
| Other Income: | | | | |
| Penalties and Interest | \$700,000 | \$700,000 | \$908,466 | \$208,466 |
| Other | 264,000 | 896,610 | 837,006 | (59,604) |
| Local Contributions | 44,000 | 143,940 | 104,918 | (39,022) |
| Tourism Commission | 20,000 | 20,000 | 22,674 | 2,674 |
| School Board Tax Commission | 12,000 | 12,000 | | (12,000) |
| Total Other Income | 1,040,000 | 1,772,550 | 1,873,064 | 100,514 |
| Total Revenues | 218,301,590 | 222,419,780 | 233,151,192 | 10,731,412 |
| EXPENDITURES | | | | |
| General Government: | | | | |
| Council Office | 1,501,240 | 1,439,230 | 1,399,410 | 39,820 |
| Office of the Mayor | 1,536,560 | 1,614,330 | 1,597,293 | 17,037 |
| Special Projects | 620,530 | 666,200 | 640,323 | 25,877 |
| Board of Elections | 258,440 | 209,980 | 213,304 | (3,324) |
| Clerk of the Urban County Council | 546,000 | 637,270 | 632,289 | 4,981 |
| County Attorney | 408,660 | 408,660 | 408,660 | 0 |
| Coroner | 555,670 | 491,340 | 475,797 | 15,543 |
| Property Valuation Administrator | 258,100 | 280,970 | 283,581 | (2,611) |
| Contingency | (5,300,800) | 873,000 | | 873,000 |
| Circuit Judges | 151,150 | 176,990 | 175,936 | 1,054 |
| County Court Clerk | 240,040 | 256,200 | 216,062 | 40,138 |
| Citizens' Advocate | 138,770 | 140,310 | 138,733 | 1,577 |
| Commonwealth Attorney | 96,230 | 97,230 | 89,074 | 8,156 |
| County Judge Executive | 16,260 | 15,510 | 14,895 | 615 |
| Indirect Cost Allocation | (2,544,120) | (2,544,320) | (2,616,652) | 72,332 |
| Total General Government | (1,517,270) | 4,762,900 | 3,668,705 | 1,094,195 |
| Administrative Services: | | | | |
| Insurance | 5,088,860 | 5,088,860 | 5,011,570 | 77,290 |
| Office of the Chief Administrative Officer | 766,490 | 739,070 | 715,764 | 23,306 |
| Human Resources | 2,615,080 | 2,654,180 | 2,568,211 | 85,969 |
| Planning | 1,871,480 | 1,825,030 | 1,780,232 | 44,798 |
| Government Communications | 1,154,190 | 1,186,300 | 1,141,471 | 44,829 |
| Community Development | 783,380 | 960,540 | 863,830 | 96,710 |
| Purchase of Development Rights | 247,690 | 252,980 | 226,327 | 26,653 |
| Budgeting | 447,960 | 403,320 | 401,421 | 1,899 |
| Internal Audit Office | 234,890 | 244,720 | 241,332 | 3,388 |
| Historic Preservation | 293,670 | 292,725 | 277,967 | 14,758 |
| Total Administrative Services | 13,503,690 | 13,647,725 | 13,228,125 | 419,600 |
| Department of Finance: | | | | |
| Computer Services | 3,662,880 | 3,385,080 | 3,227,694 | 157,386 |
| Revenue | 2,118,210 | 1,981,360 | 1,920,456 | 60,904 |
| Finance Administration | 524,300 | 500,610 | 483,910 | 16,700 |
| Accounting | 634,860 | 626,710 | 635,896 | (9,186) |
| Central Purchasing | 481,200 | 494,680 | 505,376 | (10,696) |
| Total Finance | 7,421,450 | 6,988,440 | 6,773,332 | 215,108 |
| Department of Public Works: | | | | |
| Engineering | 4,094,130 | 4,975,050 | 3,872,046 | 1,103,004 |
| Streets and Roads | 4,301,000 | 4,101,540 | 4,038,799 | 62,741 |
| Traffic Engineering | 3,640,220 | 4,139,630 | 3,897,792 | 241,838 |
| Public Works Administration | 509,980 | 604,640 | 580,897 | 23,743 |
| Total Public Works | 12,545,330 | 13,820,860 | 12,389,534 | 1,431,326 |

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
BUDGET AND BUDGETARY ACTUAL (nonGAAP)
GENERAL FUND
For the Year Ended June 30, 2005

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|-------------------------|--------------------|------------------------|----------------------|
| | Original | Final | Budgetary Basis | Final Budget |
| Department of Public Safety: | | | | |
| Police | \$41,790,050 | \$41,482,055 | \$40,879,058 | \$602,997 |
| Fire & Emergency Services | 38,327,710 | 38,456,750 | 37,890,187 | 566,563 |
| Community Corrections | 26,053,180 | 26,074,910 | 25,632,899 | 442,011 |
| Public Safety Administration | 3,222,530 | 3,291,850 | 3,243,538 | 48,312 |
| Building Inspection | 2,262,060 | 2,185,060 | 2,203,000 | (17,940) |
| Code Enforcement | 1,457,980 | 1,426,770 | 1,290,632 | 136,138 |
| Environmental & Emergency Management | 580,900 | 930,760 | 592,621 | 338,139 |
| Enhanced 911 | 31,280 | 23,110 | 21,768 | 1,342 |
| Alcohol Beverage Control | 13,050 | 13,730 | 13,722 | 8 |
| Total Public Safety | 113,738,740 | 113,884,995 | 111,767,425 | 2,117,570 |
| Department of Social Services: | | | | |
| Youth Services | 2,510,110 | 2,431,590 | 2,376,882 | 54,708 |
| Health Care Services | 1,661,670 | 1,662,560 | 1,348,818 | 313,742 |
| Family Services | 2,601,430 | 2,456,070 | 2,304,994 | 151,076 |
| Adult Services | 1,125,650 | 1,139,690 | 1,094,493 | 45,197 |
| Mayor's Training Center | 1,041,110 | 1,371,710 | 1,349,597 | 22,113 |
| Social Services Administration | 759,890 | 687,140 | 668,983 | 18,157 |
| Total Social Services | 9,699,860 | 9,748,760 | 9,143,767 | 604,993 |
| Department of General Services: | | | | |
| Parks and Recreation | 15,119,980 | 14,537,650 | 13,867,867 | 669,783 |
| Property Management | 0 | (29,610) | (29,611) | 1 |
| Building Maintenance | 4,139,340 | 6,449,220 | 6,363,544 | 85,676 |
| Fleet Services | 2,767,000 | 2,730,190 | 2,268,715 | 461,475 |
| General Services Administration | 2,483,190 | 2,504,300 | 2,447,103 | 57,197 |
| Total General Services | 24,509,510 | 26,191,750 | 24,917,618 | 1,274,132 |
| Department of Law: | | | | |
| Law | 1,729,590 | 1,895,460 | 1,876,412 | 19,048 |
| Total Law | 1,729,590 | 1,895,460 | 1,876,412 | 19,048 |
| Outside Agencies: | | | | |
| Lexington Public Library | 10,267,490 | 10,561,590 | 10,561,590 | 0 |
| Lexington Transit Authority | 3,404,020 | 3,404,020 | 3,404,020 | 0 |
| Lexington Center Corporation | 1,850,000 | 1,850,000 | 2,067,106 | (217,106) |
| Social Service Agencies | 960,390 | 1,102,090 | 1,102,090 | 0 |
| Explorium of Lexington | 237,500 | 237,500 | 237,500 | 0 |
| Carnegie Literacy Center | 53,500 | 53,500 | 53,500 | 0 |
| Law Agencies | 233,750 | 233,750 | 233,750 | 0 |
| World Trade Center | 90,000 | 90,000 | 90,000 | 0 |
| Downtown Development Authority | 75,000 | 97,000 | 162,771 | (65,771) |
| Downtown Arts Center | 128,250 | 128,250 | 128,250 | 0 |
| Housing Agencies | 132,590 | 132,590 | 93,007 | 39,583 |
| Downtown Lexington Corporation | 50,000 | 50,000 | 50,000 | 0 |
| Lexington United | 50,000 | 50,000 | 50,000 | 0 |
| Lexington Airport Board | 0 | 25,000 | 25,000 | 0 |
| Total Outside Agencies | 17,532,490 | 18,015,290 | 18,258,584 | (243,294) |
| Debt Service: | | | | |
| Principal | 13,640,710 | 13,640,710 | 13,675,710 | (35,000) |
| Interest | 5,928,210 | 5,810,970 | 5,865,727 | (54,757) |
| Other | 1,321,710 | 1,311,710 | 1,261,204 | 50,506 |
| Total Debt Service | 20,890,630 | 20,763,390 | 20,802,641 | (39,251) |
| Total Expenditures | 220,054,020 | 229,719,570 | 222,826,143 | 6,893,427 |
| Excess (Deficiency) of Revenues over (under) Expenditures | (1,752,430) | (7,299,790) | 10,325,049 | 17,624,839 |

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
BUDGET AND BUDGETARY ACTUAL (nonGAAP)
GENERAL FUND
For the Year Ended June 30, 2005

| | Budgeted Amounts | | Actual Amounts Budgetary Basis | Variance with Final Budget |
|---|-------------------------|---------------------|---|---------------------------------------|
| | Original | Final | | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | \$854,430 | \$1,007,401 | \$963,501 | (\$43,900) |
| Transfers Out | (711,600) | (5,783,350) | (5,824,465) | (41,115) |
| Total Other Financing Sources (Uses) | <u>142,830</u> | <u>(4,775,949)</u> | <u>(4,860,964)</u> | <u>(85,015)</u> |
| Net Change in Fund Balance | (1,609,600) | (12,075,739) | 5,464,085 | 17,539,824 |
| Fund Balance, July 1 | 1,880,220 | 22,261,499 | 22,261,499 | 0 |
| Fund Balance, June 30 | <u>\$270,620</u> | <u>\$10,185,760</u> | <u>\$27,725,584</u> | <u>\$17,539,824</u> |

Explanation of Differences between Budgetary Revenues and Expenditures and GAAP Revenues and Expenditures

Revenues:

| | |
|---|----------------------|
| Total revenues from the budgetary comparison schedule | \$233,151,192 |
| Differences - Budget to GAAP: | |
| License fees and EMS revenues are recognized in the year received for budgetary purposes but in the year earned for financial reporting purposes. | 385,264 |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | <u>\$233,536,456</u> |

Expenditures:

| | |
|---|----------------------|
| Total expenditures from the budgetary comparison schedule | \$222,826,143 |
| Differences - Budget to GAAP: | |
| Accrued payroll is reported in the year paid for budgetary purposes but in the year earned for financial reporting purposes. | 855,844 |
| Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but the year the supplies are received for financial reporting purposes. | (1,467,517) |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | <u>\$222,214,470</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
BUDGET AND BUDGETARY ACTUAL (nonGAAP)
URBAN SERVICES FUND
For the Year Ended June 30, 2005

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--------------------------------------|-------------------------|--------------|------------------------|----------------------|
| | Original | Final | Budgetary Basis | Final Budget |
| REVENUES | | | | |
| License Fees and Permits: | | | | |
| Bank Franchise Tax | \$823,000 | \$823,000 | \$1,031,081 | \$208,081 |
| Total Licenses and Permits | 823,000 | 823,000 | 1,031,081 | 208,081 |
| Taxes: | | | | |
| Realty | 25,694,000 | 25,374,000 | 25,773,199 | 399,199 |
| Public Service Companies | 226,000 | 226,000 | 275,746 | 49,746 |
| Other Property Taxes | 10,000 | 10,000 | 17,839 | 7,839 |
| Delinquent Collections | 6,000 | 6,000 | (21,975) | (27,975) |
| Sheriff's Commission | (150,000) | (150,000) | (150,000) | 0 |
| Discounts | (437,000) | (431,000) | (436,889) | (5,889) |
| Total Taxes | 25,349,000 | 25,035,000 | 25,457,920 | 422,920 |
| Charges for Services: | | | | |
| Excess Fees and Collections | 38,000 | 38,000 | 37,500 | (500) |
| Total Charges for Services | 38,000 | 38,000 | 37,500 | (500) |
| Property Sales | 250,000 | 250,000 | 7,305 | (242,695) |
| Income on Investments | 189,000 | 189,000 | 462,781 | 273,781 |
| Other Income: | | | | |
| Penalties and Interest | 72,000 | 72,000 | 88,353 | 16,353 |
| Other | 602,500 | 602,500 | 1,198,349 | 595,849 |
| Total Other Income | 674,500 | 674,500 | 1,286,702 | 612,202 |
| Total Revenues | 27,323,500 | 27,009,500 | 28,283,289 | 1,273,789 |
| EXPENDITURES | | | | |
| General Government: | | | | |
| Contingency | 965,500 | 938,000 | | 938,000 |
| Indirect Cost Allocation | 1,527,880 | 1,527,880 | 1,475,465 | 52,415 |
| Total General Government | 2,493,380 | 2,465,880 | 1,475,465 | 990,415 |
| Administrative Services: | | | | |
| Insurance | 772,090 | 772,090 | 760,232 | 11,858 |
| Government Communications | 352,030 | 334,370 | 313,926 | 20,444 |
| Human Resources | 13,840 | 13,840 | 11,505 | 2,335 |
| Total Administrative Services | 1,137,960 | 1,120,300 | 1,085,663 | 34,637 |

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
BUDGET AND BUDGETARY ACTUAL (nonGAAP)
URBAN SERVICES FUND
For the Year Ended June 30, 2005

| | Budgeted Amounts | | Actual Amounts | Variance with |
|--|-------------------------|---------------------|------------------------|----------------------|
| | Original | Final | Budgetary Basis | Final Budget |
| Department of Finance: | | | | |
| Finance Administration | \$14,900 | \$14,900 | \$6,398 | \$8,502 |
| Total Finance | <u>14,900</u> | <u>14,900</u> | <u>6,398</u> | <u>8,502</u> |
| Department of Public Works: | | | | |
| Solid Waste | 21,244,020 | 22,551,740 | 20,200,352 | 2,351,388 |
| Traffic Engineering | 3,634,000 | 4,647,950 | 3,180,143 | 1,467,807 |
| Streets and Roads | 992,890 | 896,630 | 938,600 | (41,970) |
| Public Works Administration | 52,150 | 52,150 | 23,127 | 29,023 |
| Engineering | | | 39,196 | (39,196) |
| Total Public Works | <u>25,923,060</u> | <u>28,148,470</u> | <u>24,381,418</u> | <u>3,767,052</u> |
| Department of General Services: | | | | |
| Fleet Services | 1,422,000 | 1,422,000 | 1,366,497 | 55,503 |
| Parks and Recreation | 335,590 | 464,550 | 426,961 | 37,589 |
| Building Maintenance | 64,480 | 64,480 | 73,679 | (9,199) |
| General Services Administration | 10,500 | 10,500 | 3,233 | 7,267 |
| Total General Services | <u>1,832,570</u> | <u>1,961,530</u> | <u>1,870,370</u> | <u>91,160</u> |
| Debt Service: | | | | |
| Principal | 174,290 | 174,290 | 174,290 | 0 |
| Interest | 23,770 | 23,770 | 23,763 | 7 |
| Total Debt Service | <u>198,060</u> | <u>198,060</u> | <u>198,053</u> | <u>7</u> |
| Total Expenditures | <u>31,599,930</u> | <u>33,909,140</u> | <u>29,017,367</u> | <u>4,891,773</u> |
| Excess (Deficiency) of Revenues over (under) Expenditures | <u>(4,276,430)</u> | <u>(6,899,640)</u> | <u>(734,078)</u> | <u>6,165,562</u> |
| OTHER FINANCING USES | | | | |
| Transfers Out | (45,780) | (45,780) | (104,084) | (58,304) |
| Total Other Financing Uses | <u>(45,780)</u> | <u>(45,780)</u> | <u>(104,084)</u> | <u>(58,304)</u> |
| Net Change in Fund Balance | <u>(4,322,210)</u> | <u>(6,945,420)</u> | <u>(838,162)</u> | <u>6,107,258</u> |
| Fund Balance, July 1 | <u>11,500,000</u> | <u>19,355,012</u> | <u>19,355,012</u> | <u>0</u> |
| Fund Balance, June 30 | <u>\$7,177,790</u> | <u>\$12,409,592</u> | <u>\$18,516,850</u> | <u>\$6,107,258</u> |

Explanation of Differences between Budgetary Revenues and Expenditures and GAAP Revenues and Expenditures

Expenditures:

| | |
|---|---------------------|
| Total expenditures from the budgetary comparison schedule | \$29,017,367 |
| Differences - Budget to GAAP: | |
| Accrued payroll is reported in the year paid for budgetary purposes but in the year earned for financial reporting purposes. | (372,575) |
| Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but the year the supplies are received for financial reporting purposes. | (2,377,157) |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | <u>\$26,267,635</u> |

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

| | Business-type Activities | | | | | Governmental Activities |
|--|--------------------------|-------------------------------|----------------------------|-------------------|------------------------|-------------------------|
| | Enterprise Funds | | | | Other Enterprise Funds | |
| | Sanitary Sewer System | Public Facilities Corporation | Public Parking Corporation | Landfill | | Funds |
| ASSETS | | | | | Total | |
| Current Assets: | | | | | | |
| Cash | \$10,123,006 | \$716,669 | | \$1,148,950 | \$1,239,886 | \$1,414,892 |
| Investments | 13,205,529 | | | 16,000,000 | 1,562,060 | 7,600,000 |
| Receivables: | | | | | | |
| User Fees Receivable | 1,343,718 | | | 512,458 | | 1,856,176 |
| Other Receivables | 3,983,404 | 86,171 | 235 | 228,596 | 91,803 | 4,390,209 |
| Less Allowance for Uncollectible Accounts | (68,764) | | | (293,624) | (84,284) | (446,672) |
| Due from Other Funds | 161,932 | 1,567,313 | 539,564 | 814,679 | 1,306 | 3,084,794 |
| Inventories | 14,430 | | | | | 14,430 |
| Restricted Investments: | | | | | | |
| Reserved for Maintenance and Operation | 4,223,993 | | | | | 4,223,993 |
| Reserved for Sinking Fund | 4,811,530 | 673,197 | | | | 5,484,727 |
| Total Current Assets | 37,798,778 | 3,043,350 | 539,799 | 18,411,059 | 2,810,771 | 62,603,757 |
| Non-Current Assets: | | | | | | |
| Restricted Investments: | | | | | | |
| Reserved for Construction & Capital Acquisitions | 10,760,982 | 307,671 | | | | 11,068,653 |
| Reserved for Depreciation | 2,328,000 | | | | | 2,328,000 |
| Reserved for Debt Service | 4,614,776 | | 787,697 | | | 5,402,473 |
| Capital Assets: | | | | | | |
| Land | 1,319,336 | 30,882,485 | | 5,194,637 | | 45,381,552 |
| Land Improvements | 27,052 | 25,744,357 | | 13,367,193 | | 42,249,241 |
| Buildings | 1,534,060 | 116,574,872 | 9,790,900 | 64,815 | | 127,964,647 |
| Sewer Plants | 159,275,354 | | | | | 159,275,354 |
| Sewer Lines | 128,896,073 | | | | | 128,896,073 |
| Leasehold Improvements | | 2,137,090 | | | | 2,137,090 |
| Vehicles, Equipment, and Furniture | 6,368,464 | 3,375,027 | 277,756 | 48,235 | 1,737,883 | 11,807,365 |
| Less Accumulated Depreciation | (103,863,751) | (58,594,762) | (4,904,971) | (2,200,728) | (1,516,610) | (171,080,822) |
| Construction in Progress | 3,006,326 | 178,385 | | | | 3,184,711 |
| Unamortized Bond Costs | 613,435 | 1,429,659 | 277,896 | | | 2,320,990 |
| Total Non-Current Assets | 214,880,107 | 122,034,784 | 17,325,011 | 16,474,152 | 221,273 | 370,935,327 |
| Total Assets | 252,678,885 | 125,078,134 | 17,864,810 | 34,885,211 | 3,032,044 | 9,486,821 |

LIABILITIES

Current Liabilities:

| | | | | | | | |
|---|------------------|------------------|----------------|-------------------|----------------|-------------------|-------------------|
| Accounts, Contracts and Retainage Payable | 435,512 | 420,373 | 17,159 | 839,183 | 448,141 | 2,160,368 | 574,247 |
| Accrued Payroll | 337,047 | | | 7,599 | 93,696 | 438,342 | |
| Due to Other Funds | 1,743,624 | 161,822 | | | 38,795 | 1,944,241 | 254 |
| Claims Payable | | | | | | 0 | 16,480,346 |
| Bonds Payable | | 1,420,000 | 635,000 | | | 2,055,000 | |
| Interest Payable | | 848,699 | 65,127 | | | 913,826 | |
| Other | 626,345 | 3,050 | 3,625 | 11,837 | 117,112 | 761,969 | |
| Compensated Absences | 257,055 | | | 2,690 | 200 | 259,945 | |
| Landfill Closure and Postclosure Care Costs | | | | 12,145,690 | | 12,145,690 | |
| Payable from Restricted Investments: | | | | | | | |
| Accounts, Contracts and Retainage Payable | | 25,000 | | | | 451,995 | |
| Bonds Payable | | | | | | 3,645,000 | |
| Interest Payable | | | | | | 1,166,503 | |
| Total Current Liabilities | 8,638,081 | 2,878,944 | 720,911 | 13,006,999 | 697,944 | 25,942,879 | 17,054,847 |

Non-Current Liabilities

| | | | | | | | |
|---|-------------------|-------------------|------------------|-------------------|----------------|--------------------|-------------------|
| Unearned Revenues & Other | | | | | | 137,597 | |
| Bonds Payable | 58,978 | 78,619 | 2,815,000 | 14,188 | 2,622 | 112,540,000 | 62,187 |
| Compensated Absences | 42,915,000 | 66,810,000 | | | | 433,388 | |
| Landfill Closure and Postclosure Care Costs | 416,578 | | | 11,091,598 | | 11,091,598 | |
| Total Non-Current Liabilities | 43,390,556 | 66,888,619 | 2,815,000 | 11,105,786 | 2,622 | 124,202,583 | 62,187 |
| Total Liabilities | 52,028,637 | 69,767,563 | 3,535,911 | 24,112,785 | 700,566 | 150,145,462 | 17,117,034 |

NET ASSETS

Invested in Capital Assets, net of related debt

Restricted for:

| | | | | | | | |
|-------------------------------------|----------------------|---------------------|---------------------|---------------------|--------------------|------------------|----------------------|
| Capital Projects | 159,834,953 | 53,497,113 | 13,652,530 | 16,474,152 | 221,273 | 243,680,021 | |
| Capital Projects - Construction | 15,415,272 | 586,449 | | | | 16,001,721 | |
| Capital Projects - Park Acquisition | 5,365,725 | 356,333 | | | | 5,365,725 | |
| Debt Service | 4,614,776 | | 787,697 | | | 356,333 | |
| Depreciation | 2,328,000 | 10,060 | | | | 5,402,473 | |
| Maintenance and Operations | 4,223,993 | | | | | 2,338,060 | |
| Unrestricted (Deficit) | 8,867,529 | 860,616 | (111,328) | (5,701,726) | 2,110,205 | 4,223,993 | (7,630,213) |
| Total Net Assets | \$200,650,248 | \$55,310,571 | \$14,328,899 | \$10,772,426 | \$2,331,478 | 6,025,296 | (\$7,630,213) |

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Net Assets of Business-type Activities

(390,494)
\$283,003,128

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

| | Business-type Activities | | | | Governmental Activities Internal Service Funds |
|---------------------------------|--------------------------|-------------------------------|----------------------------|------------------|--|
| | Sanitary Sewer System | Public Facilities Corporation | Public Parking Corporation | Landfill | Other Enterprise Funds |
| Operating Revenues | | | | | |
| User Charges | \$24,049,216 | | | \$7,904,735 | \$31,953,951 |
| Fees | 1,584,341 | | | 222,562 | 5,640,738 |
| Exactions | 1,974,660 | | | | 1,974,660 |
| Licenses & Permits | | | | | |
| Rental Income | | 5,846,676 | 797,685 | | 207,304 |
| Parking Revenues | | 328,182 | 653,611 | | 6,644,361 |
| Theater Revenues | | 726,767 | | | 981,793 |
| Gross Profit-Commissary | | | | | 726,767 |
| Other | 50,204 | | | 20,438 | 916,281 |
| Total Operating Revenues | 27,658,421 | 6,901,625 | 1,451,296 | 8,147,735 | 49,825,599 |
| Operating Expenses | | | | | |
| Treatment Plant | 6,088,076 | | | | 6,088,076 |
| Collection System | 3,485,272 | | | | 3,485,272 |
| Property Management | | 1,814,318 | 343,370 | | 2,157,688 |
| Theater Management | | 664,416 | | | 664,416 |
| Landfill | | | | 3,090,543 | 3,090,543 |
| Right of Way | | | | | 266,933 |
| Extended School Program | | | | | 1,110,289 |
| Prisoners' Account | | | | | 920,012 |
| Inmate Trust Account | | | | | 510,970 |
| Enhanced 911 | | | | | 2,052,487 |
| LexVan Program | | | | | 40,296 |
| Small Business Development | | | | | 3,562 |
| Administration | 6,002,433 | | | 502,323 | 332,467 |
| Depreciation | 6,373,506 | 6,123,461 | 314,223 | 641,508 | 112,243 |
| Claims and Benefit Payments | | | | | 0 |
| Total Operating Expenses | 21,949,287 | 8,602,195 | 657,593 | 4,234,374 | 5,349,259 |
| Operating Income (Loss) | 5,709,134 | (1,700,570) | 793,703 | 3,913,361 | 9,032,891 |
| | | | | | (1,599,785) |

| | | | | | |
|---|----------------------|---------------------|---------------------|--------------------|----------------------|
| Non-Operating Revenues (Expenses) | | | | | |
| Income on Investments | 1,042,744 | 41,460 | 297,291 | 16,434 | 1,397,929 |
| Interest Expense and Fiscal Agent Fees | (1,484,855) | (3,459,321) | (219,741) | | (5,163,917) |
| Amortization of Bond Costs | (71,342) | (59,768) | (14,523) | | (145,633) |
| Bond Refunding | | | | | 0 |
| Sale of Capital Assets | 9,350 | | | | 9,350 |
| Total Non-Operating Revenues (Expenses) | <u>(504,103)</u> | <u>(3,477,629)</u> | <u>297,291</u> | <u>16,434</u> | <u>(3,902,271)</u> |
| | | | | | <u>180,668</u> |
| Income (Loss) Before Contributions and Transfers | | | | | |
| | 5,205,031 | (5,178,199) | 4,210,652 | 333,697 | 5,130,620 |
| Transfers In | 10,000 | 1,272,035 | | | 1,282,035 |
| Transfers Out | (952) | | | | (952) |
| Change in Net Assets | <u>5,214,079</u> | <u>(3,906,164)</u> | <u>4,210,652</u> | <u>333,697</u> | <u>6,411,703</u> |
| | | | | | <u>(1,419,117)</u> |
| Net Assets - July 1 | <u>195,436,169</u> | <u>59,216,735</u> | <u>6,561,774</u> | <u>1,997,781</u> | <u>(6,211,096)</u> |
| Net Assets - June 30 | <u>\$200,650,248</u> | <u>\$55,310,571</u> | <u>\$10,772,426</u> | <u>\$2,331,478</u> | <u>(\$7,630,213)</u> |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | | |
| Change in net assets of business-type activities | | | | | (47,278) |
| | | | | | <u>\$6,364,425</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, 2005

| | Business-type Activities Enterprise Funds | | | | Governmental Activities Internal Service Funds |
|--|--|----------------------------------|-------------------------------|--------------------|---|
| | Sanitary Sewer System | Public Facilities Corporation | Public Parking Corporation | Landfill | Other Enterprise Funds |
| | | | | | Total |
| Increase (Decrease) in Cash and Cash Equivalents: | | | | | |
| Cash Flows from Operating Activities: | | | | | |
| Receipts from Customers | \$26,391,672 | \$6,404,462 | \$672,953 | \$6,492,058 | \$5,681,815 |
| Receipts from Interfund Services Provided | | 526,000 | 470,850 | 1,789,968 | (15,733) |
| Repayments of Loans | | | | | 16,438 |
| Loans to Other Funds | | | | | 572 |
| Payments to Suppliers | (5,336,704) | (3,233,553) | (348,824) | (5,216,123) | (2,680,156) |
| Payments to Employees | (7,176,685) | | | (231,763) | (2,471,448) |
| Payments for Interfund Services Used | (2,563,676) | | | (61,582) | (105,292) |
| Payments for Claims | | | | | 0 |
| Net Cash Provided by (Used in) Operating Activities | 11,314,607 | 3,696,909 | 794,979 | 2,772,558 | 426,196 |
| Cash Flows from Noncapital Financing Activities: | | | | | |
| Transfers In | 10,000 | 1,272,035 | | | 1,282,035 |
| Transfers Out | (952) | | | | (952) |
| Net Cash Flows from Noncapital Financing Activities | 9,048 | 1,272,035 | 0 | 0 | 1,281,083 |
| Cash Flows from Capital and Related Activities: | | | | | |
| Additions to Property, Plant and Equipment | (5,505,161) | (741,983) | (24,215) | (2,560,964) | (8,994,055) |
| Principal Paid on Bonds | (3,480,000) | (1,365,000) | (895,000) | | (5,740,000) |
| Interest and Fiscal Agent Fees Paid on Bonds | (1,404,255) | (3,445,411) | (202,747) | | (5,052,413) |
| Capital Contributions | 329,789 | | | | 329,789 |
| Sale of Capital Assets | 9,350 | | | | 9,350 |
| Net Cash Flows from Capital and Related Activities | (10,050,277) | (5,552,394) | (1,121,962) | (2,560,964) | (161,732) |
| Cash Flows from Investing Activities: | | | | | |
| Purchases of Investments | (430,465) | (27,820) | | | (458,285) |
| Proceeds from Sales and Maturities of Investments | 1,579,405 | 585,800 | 326,983 | 640,065 | 390,620 |
| Income on Investments | 1,042,744 | 41,460 | | 297,291 | 16,434 |
| Net Cash Flows from Investing Activities | 2,191,684 | 599,440 | 326,983 | 937,356 | 407,054 |
| | | | | | 4,462,517 |
| | | | | | 2,992,668 |

| | | | | | | | |
|--|---------------------|----------------------|------------------|--------------------|--------------------|---------------------|----------------------|
| Net Increase in Cash and Cash Equivalents | 3,465,062 | 15,990 | 0 | 1,148,950 | 671,518 | 5,301,520 | 1,173,160 |
| Cash and Cash Equivalents at Beginning of Year | 6,657,944 | 700,679 | | | 568,368 | 7,926,991 | 241,732 |
| Cash and Cash Equivalents at End of Year | <u>\$10,123,006</u> | <u>\$716,669</u> | <u>\$0</u> | <u>\$1,148,950</u> | <u>\$1,239,886</u> | <u>\$13,228,511</u> | <u>\$1,414,892</u> |
| Noncash Investing, Capital, and Financing Activities: | | | | | | | |
| Capitalized Interest | 951,393 | | | | | 951,393 | |
| Total Noncash Investing, Capital, and Financing Activities | <u>\$951,393</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$0</u> | <u>\$951,393</u> | <u>\$0</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities: | | | | | | | |
| Operating Income (Loss) | <u>\$5,709,134</u> | <u>(\$1,700,570)</u> | <u>\$793,703</u> | <u>\$3,913,361</u> | <u>\$317,263</u> | <u>\$9,032,891</u> | <u>(\$1,599,785)</u> |
| Adjustments Not Affecting Cash: | | | | | | | |
| Depreciation | 6,373,506 | 6,123,461 | 314,223 | 641,508 | 112,243 | 13,564,941 | 0 |
| Disposal of Capital Assets | | | | | 0 | | |
| Allowance for Bad Debts | (67,722) | | | 22,435 | 3,562 | (41,725) | |
| (Increase) Decrease in Assets: | | | | | | | |
| Accounts Receivable | 415,631 | | | 42,224 | | 457,855 | |
| Other Receivables | (1,505,337) | 39,471 | 1,132 | (26,058) | 42 | (1,490,750) | 2,374,015 |
| Due from Other Funds | (15,427) | (331,990) | (312,150) | 233,791 | 572 | (425,204) | 153,593 |
| Inventories | (6,598) | | | | | (6,598) | |
| Increase (Decrease) in Liabilities: | | | | | | | |
| Accounts Payable | (38,752) | (202,969) | (5,454) | 705,934 | 4,617 | 463,376 | (541,525) |
| Accrued Payroll | 18,245 | | | 1,465 | (36,213) | (16,503) | |
| Claims Payable | | | | | | 0 | (1,595,291) |
| Due to Other Funds | 409,126 | (219,860) | | | 341 | 189,607 | (1,058,498) |
| Unearned Revenue | | (10,634) | 3,525 | (58,050) | 0 | (65,159) | |
| Other Liabilities | 60,674 | | | (2,698,865) | 31,689 | (2,606,502) | 438,011 |
| Compensated Absences | (37,873) | | | (5,187) | (7,920) | (50,980) | 9,972 |
| Total Adjustments | <u>5,605,473</u> | <u>5,397,479</u> | <u>1,276</u> | <u>(1,140,803)</u> | <u>108,933</u> | <u>9,972,358</u> | <u>(219,723)</u> |
| Net Cash Provided by (Used In) Operating Activities | <u>\$11,314,607</u> | <u>\$3,696,909</u> | <u>\$794,979</u> | <u>\$2,772,558</u> | <u>\$426,196</u> | <u>\$19,005,249</u> | <u>(\$1,819,508)</u> |

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2005

| | <u>Pension Trust Funds</u> | <u>Agency Funds</u> |
|--|--------------------------------|-------------------------|
| ASSETS | | |
| Cash | \$129,051 | \$804,539 |
| Receivables: | | |
| Member Contributions | 250,534 | |
| Employer Contributions | 611,370 | |
| Interest and Dividends | 1,884,722 | |
| Accounts Receivable | | 31,805 |
| Less Allowance for Uncollectible Accounts | | (31,805) |
| Due from Other Funds | 659,089 | |
| Total Receivables | <u>3,405,715</u> | <u>0</u> |
| Investments, at Fair Value: | | |
| U. S. Government Obligations | 34,145,464 | |
| U. S. Government Agency and Instrumentality Obligations | 18,133,186 | |
| Repurchase Agreements | 9,849,316 | |
| Municipal Bonds | 21,829,175 | |
| International Bonds | 2,656,899 | |
| Corporate Bonds | 56,894,506 | |
| Mutual Funds | 73,821,135 | |
| Domestic Stocks | 169,445,282 | |
| International Stocks | 6,303,592 | |
| Total Investments | <u>393,078,555</u> | <u>0</u> |
| Total Assets | <u>396,613,321</u> | <u>\$804,539</u> |
| LIABILITIES | | |
| Accounts Payable | 331,224 | |
| Securities Lending Transactions | 13,049,316 | |
| Payable to Property Owners | | 749,039 |
| Debt Service | | 55,500 |
| Total Liabilities | <u>13,380,540</u> | <u>\$804,539</u> |
| NET ASSETS | | |
| Net Assets Held in Trust for Pension Benefits | <u>\$383,232,781</u> | |

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2005

| | <u>Pension Trust Funds</u> |
|--|---------------------------------------|
| ADDITIONS | |
| Contributions: | |
| Employer | \$9,457,652 |
| Employer - Administration | 2,321,646 |
| Plan Members | 4,897,550 |
| Member Purchase of Service | 1,087,916 |
| Other | 16,606 |
| Total Contributions | <u>17,781,370</u> |
| Income on Investments: | |
| Net Change in Fair Value of Investments | 28,489,734 |
| Interest | 7,775,769 |
| Dividends | 3,006,883 |
| Total Income on Investments | <u>39,272,386</u> |
| Less Investment Expense | <u>1,587,757</u> |
| Net Income on Investments | <u>37,684,629</u> |
| Income from Securities Lending Activities: | |
| Securities Lending Income | <u>432,656</u> |
| Securities Lending Expenses | |
| Borrower rebates | 350,420 |
| Management Fees | 32,844 |
| Total Securities Lending Expenses | <u>383,264</u> |
| Net Income on Securities Lending Activities | <u>49,392</u> |
| Total Additions | <u>55,515,391</u> |
| DEDUCTIONS | |
| Benefit Payments | 29,610,029 |
| Refunds of Contributions | 287,716 |
| Administrative Expense | 98,345 |
| Total Deductions | <u>29,996,090</u> |
| Net Increase | 25,519,301 |
| Net Assets, July 1 | <u>357,713,480</u> |
| Net Assets, June 30 | <u><u>\$383,232,781</u></u> |

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2005

| | Lexington Center Corporation | Lexington Airport Board | Fayette County Department of Health | Nonmajor Component Units | Total |
|--|---|--|--|---|----------------------|
| ASSETS | | | | | |
| Cash | \$1,341,251 | \$1,040,857 | \$2,054,510 | \$1,498,420 | \$5,935,038 |
| Investments | | 4,576,000 | | 3,846,680 | 8,422,680 |
| Receivables: | | | | | |
| Accounts Receivable | 734,006 | 1,264,067 | 979,920 | 436,115 | 3,414,108 |
| Other | | | | 138,166 | 138,166 |
| Less Allowance for Uncollectible Accounts | (14,136) | (36,458) | | | (50,594) |
| Due from Component Units | 172,157 | | | | 172,157 |
| Due from Primary Government | 236,946 | | | 495,981 | 732,927 |
| Due from Other Governments | | | | 842,861 | 842,861 |
| Inventories | | | 66,973 | 336,703 | 403,676 |
| Prepaid Items | | 176,385 | 57,911 | 288,437 | 522,733 |
| Pension Assets | | | | 177,527 | 177,527 |
| Restricted Current Assets: | | | | | |
| Investments | 1,079,104 | 30,728,841 | | 206,512 | 32,014,457 |
| Other | 290,977 | 338,555 | | | 629,532 |
| Restricted Non-Current Investments | 5,889,162 | | | | 5,889,162 |
| Bond Issuance Costs-Net of Accumulated Amortization | | 1,893,068 | | 58,988 | 1,952,056 |
| Capital Assets: | | | | | |
| Non-depreciable | 11,923,641 | 18,564,725 | | 7,360,646 | 37,849,012 |
| Depreciable (Net) | 67,434,998 | 60,865,975 | 2,562,834 | 19,573,577 | 150,437,384 |
| Other Assets | 531,810 | | | | 531,810 |
| Total Assets | 89,619,916 | 119,412,015 | 5,722,148 | 35,260,613 | 250,014,692 |
| LIABILITIES | | | | | |
| Accounts, Contracts Payable and Accrued Liabilities | 381,584 | 1,647,034 | 1,229,425 | 1,081,595 | 4,339,638 |
| Interest Payable | 82,448 | | | | 82,448 |
| Due to Primary Government | | | | 343,852 | 343,852 |
| Due to Component Units | | | | 172,157 | 172,157 |
| Unearned Revenues and Other | 388,342 | | | 283,667 | 672,009 |
| Liabilities Payable from Restricted Assets: | | | | | |
| Accounts Payable | | 1,941,183 | | | 1,941,183 |
| Bonds and Notes Payable | | 800,000 | | | 800,000 |
| Interest Payable | | 70,310 | | | 70,310 |
| Non-Current Liabilities: | | | | | |
| Due Within One Year | | | | | |
| Compensated Absences | | | | 96,762 | 96,762 |
| Bonds and Notes Payable | 2,655,000 | 101,779 | | 105,201 | 2,861,980 |
| Capital Lease Obligations | | | | 6,160 | 6,160 |
| Due in More Than One Year | | | | | |
| Compensated Absences | | | 501,337 | 371,053 | 872,390 |
| Bonds and Notes Payable | 35,048,571 | 47,170,407 | | 3,576,589 | 85,795,567 |
| Capital Lease Obligations | | | | 21,421 | 21,421 |
| Total Liabilities | 38,555,945 | 51,730,713 | 1,730,762 | 6,058,457 | 98,075,877 |
| NET ASSETS | | | | | |
| Investment in Capital Assets, net of related debt | 47,544,230 | 57,167,316 | 2,562,834 | 23,224,852 | 130,499,232 |
| Restricted for: | | | | | |
| Governmental and Program Funds | | | 150,039 | | 150,039 |
| Fees | | | 55,096 | | 55,096 |
| Capital Projects | | 23,651 | | | 23,651 |
| Debt Service | | 5,346,000 | | | 5,346,000 |
| Pension | | | | 177,527 | 177,527 |
| Endowments | | | | 110,066 | 110,066 |
| Unrestricted | 3,519,741 | 5,144,335 | 1,223,417 | 5,689,711 | 15,577,204 |
| Total Net Assets | \$51,063,971 | \$67,681,302 | \$3,991,386 | \$29,202,156 | \$151,938,815 |

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, 2005

| | Program Revenues | | | Net (Expenses) Revenue and Changes in Net Assets | | | | |
|--|-------------------------|--|--|---|-------------------------------|---|--------------------------------|---------------|
| | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Lexington Center Corporation | Lexington Airport Board | Fayette County Department of Health | Nonmajor Component Units | Total |
| Lexington Center Corporation | | | | | | | | |
| Lexington Center Operations | \$10,237,919 | \$948,000 | \$1,484,956 | \$3,492,247 | | | | \$3,492,247 |
| Depreciation | 4,720,719 | | | (4,720,719) | | | | (4,720,719) |
| Interest on Long-term Debt | 1,225,198 | | | (1,225,198) | | | | (1,225,198) |
| Total Lexington Center Corporation | 16,183,836 | 948,000 | 1,484,956 | (2,453,670) | | | | (2,453,670) |
| Lexington Airport Board | | | | | | | | |
| Airport Operations | 7,947,643 | | 9,322,516 | | 14,787,825 | | | 14,787,825 |
| Depreciation | 5,067,440 | | | | (5,067,440) | | | (5,067,440) |
| Interest on Long-term Debt | 665,913 | | | | (665,913) | | | (665,913) |
| Total Lexington Airport Board | 13,680,996 | 0 | 9,322,516 | | 9,054,472 | | | 9,054,472 |
| Fayette County Department of Health | | | | | | | | |
| Department of Health Operations | 20,602,349 | 9,380,890 | | | | (4,934,267) | | (4,934,267) |
| Depreciation | 480,718 | | | | | (480,718) | | (480,718) |
| Total Fayette County Department of Health | 21,083,067 | 9,380,890 | 0 | | | (5,414,985) | | (5,414,985) |
| Nonmajor component units | 27,594,816 | 9,049,598 | 2,282,593 | | | | (14,153,667) | (14,153,667) |
| Total component units | \$78,542,715 | \$19,378,488 | \$13,090,065 | | | | | (12,967,850) |
| General Revenues: | | | | | | | | |
| Taxes | | | | 2,267,434 | | | | 6,853,187 |
| Payment from Lexington-Fayette Urban County Government | | | | | | 5,196,093 | | 16,193,907 |
| Conveyance of Assets | | | | | | | | 0 |
| Income on Investments | | | | 184,603 | 179,825 | 42,001 | 81,564 | 487,993 |
| Net Change in Fair Value of Investments | | | | | | | 4,322 | 4,322 |
| Gain on Sale of Assets | | | | | (15,719) | | | (15,719) |
| Miscellaneous | | | | | | | 264,648 | 264,648 |
| Total General Revenues | | | | 2,452,037 | 164,106 | 5,238,094 | 15,934,101 | 23,788,338 |
| Change in Net Assets | | | | (1,633) | 9,218,578 | (176,891) | 1,780,434 | 10,820,488 |
| Prior Period Adjustment | | | | | | 34,575 | | 34,575 |
| Net Assets, July 1 | | | | 51,065,604 | 58,462,724 | 4,133,702 | 27,421,722 | 141,083,752 |
| Net Assets, June 30 | | | | \$51,063,971 | \$67,681,302 | \$3,991,386 | \$29,202,156 | \$151,938,815 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
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LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
For the Year Ended June 30, 2005

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

In June 1999, GASB unanimously approved Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phased implementation (based on size of government) starting with fiscal years ending 2002. As part of the Statement, there is a new reporting requirement regarding local government's infrastructure (roads, bridges, storm sewers, traffic signals, etc.). This requirement permits an optional four-year further delay for implementation to the fiscal year ending 2006. As required, the Government implemented the basic model for fiscal year 2002 and will implement the infrastructure-related portion in fiscal year 2006.

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

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

Governmental Fund Type

The **Fayette County Detention Center Corporation (DCC)** is an instrumentality of the Government to provide for the financing and construction of detention facilities for the Government. The board consists of the Fayette County Attorney, the Mayor, the Commissioner of Finance, the Commissioner of Public Safety, and the Commissioner of Social Services of the Government, all in ex-officio capacity.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

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.

Proprietary Fund Type

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, Chief Administrative Officer, 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, Chief Administrative Officer, and Commissioner of Finance serve ex officio on the board.

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

Governmental Fund Type

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. The Government appoints the nine members of the Board of Health.

The **Lexington Convention and Visitors Commission (Visitors Bureau)** was established by the Lexington-Fayette Urban County 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 Lexington Convention and Visitors Commission 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 **Carnegie Literacy Center, Inc. (Carnegie Center)** provides adult literacy programs in Fayette County. The board consists of twelve members, eight members appointed by the Government and four members appointed by the Lexington Public Library Board. The Government provides in-kind and financial support to the Carnegie Center by providing accounting and payroll services and annual appropriations to help meet operating expenses.

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 Urban County 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

Proprietary Fund Type

The **Lexington Transit Authority (LexTran)** was organized to provide unification and coordination of a mass transportation system for Fayette County. The business activities and affairs of LexTran are directed by an eight-member board appointed by the Government. The Government makes annual appropriations to LexTran to help meet operating expenses.

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 B, 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 Government has entered into a Contract Lease and Option Agreement, discussed in Note 5 C, that requires an annual rental to be paid by the Government if net revenues are not sufficient to pay all debt service costs.

Explorium of Lexington (Explorium) was established to provide a unique educational opportunity for Fayette County and Central Kentucky children of all ages. The Government approves the appointments to the maximum 25 member board and provides financial support to the Explorium by providing accounting and payroll services and annual appropriations to help meet operating expenses.

Explorium, the Carnegie Center, and the DDA are included in the comprehensive audit of the Government and do not issue separate financial statements. Explorium and the DDA each report only one fund. Complete audited financial statements for the other component units may be obtained from the Commissioner of Finance of the Lexington-Fayette Urban County Government or from the respective agencies.

B. Related Organization - 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.

C. Jointly Governed Organizations - The Lexington-Fayette Urban County 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 nor does it have any legal responsibility for the deficits or debts of, or financial support to, the BRRC.

The **Valley View Ferry Authority** is a legally separate entity that operates and maintains the Ferry on the Kentucky River at Valley View. The board consists of seven members, two appointed by the Lexington-Fayette Urban County

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

Government, three appointed by the Madison County Fiscal Court, and two appointed by the Jessamine County Fiscal Court. Although the Government is not legally responsible for the Valley View Ferry Authority's finances, the Government contributed \$9,750 to support the Ferry's operations in fiscal year 2005.

D. Basic Financial Statements

Government-wide and Fund Financial Statements

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

The government-wide Statement of Activities demonstrates the degree to which the direct expenses of a function (Public Works, Police, Fire and Emergency Services, Parks and Recreation, etc.) are offset by program revenues. Direct expenses (including depreciation) are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function and include charges for services and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Operating grants include operating-specific and discretionary (either operating or capital) grants while capital grants are capital-specific. Occupational license fees applied to gross wages and net profits, other license fees and permits, taxes, interest income and other revenues not properly 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 financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary financial statements. With this measurement focus, all assets and all liabilities, including long-term assets as well as long-term debt and obligations, are included in the Statement of Net Assets. Revenues are recorded when earned; and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Agency funds, presented in the Fiduciary fund financial statements, apply the accrual basis of accounting but do not have a measurement focus. Revenues are recognized when they are both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual are property taxes (excluding delinquent taxes received over 60 days after year-end), intergovernmental revenues, investment earnings, emergency medical services (EMS), and license fees. Major revenue sources not susceptible to accrual include charges for services (other than EMS), fines and forfeits, and miscellaneous revenues. Such revenues are recorded as revenues when received because they are generally not measurable or available until actually received. Intergovernmental revenues received for specific purposes or projects are recognized when the applicable eligibility requirements are met. Revenues received before the eligibility requirements are met are reported as unearned revenue. Expenditures are recorded when the liability is incurred except: (1) principal and interest on long-term debt is recorded when due, and (2) compensated absences are accounted for as expenditures of the period used.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

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

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

E. Basis of Presentation

The financial statements of the Government are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that is comprised of its assets, liabilities, reserves, fund equity, revenues, and expenditures, or expenses, as appropriate. The various funds are reported by generic classification within the financial statements.

In accordance with GASB Statement No. 34, major funds are determined by the percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined. Any other governmental or enterprise funds that the Government believes is particularly important to financial statement users may also be reported as major. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The focus of governmental fund measurement (in the fund financial statements) is on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on net income. The balance sheets generally contain only current assets and liabilities. The reported fund balance (net current assets) is a measure of "available spendable resources". 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 focus of proprietary fund measurement is upon the determination of operating income, changes in net assets, financial position, and cash flows, which is similar to businesses. All assets and all liabilities associated with the

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

operation of these funds are included on the balance sheet. 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 the bond issues of the Government's sanitary sewer system. (See further description on page 78.)

The **Public Facilities Corporation Fund** accounts for the acquisition, construction and operation of government owned facilities. (See further description on page 79.)

The **Public Parking Corporation Fund** accounts for the construction and operation of government owned parking facilities. (See further description on page 79.)

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

Additionally, the Government reports the following fund types:

Internal Service Funds account for the Government's self-insurance programs for employee health, dental and vision care insurance benefits and for workers' compensation, vehicle liability and physical damage, general liability and property damage coverage.

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 nonoperating revenues and expenses.

F. Budgetary Control and Encumbrances

Budget Policy - The Urban County Council annually approves the budget ordinance for all operating funds of the Government except for the Federal and State Grants special revenue funds and the capital projects funds, which adopt project-length budgets, and debt service funds, the Industrial Revenue Bond Fund, and Police Confiscated

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

Funds special revenue funds, which are not budgeted. Budgets are adopted on a basis consistent with generally accepted accounting principles except that budgetary basis expenditures include purchase orders and contracts (encumbrances) and budgetary basis revenues do not include taxpayer assessed and EMS revenues that have not been received. 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 reappropriated at the beginning of each fiscal year. The Council made several supplemental budgetary appropriations throughout fiscal year 2005. The net effect of these supplemental appropriations was an increase of \$9,665,550 and \$2,309,210 in the General Fund and the Urban Services Fund respectively, which included reappropriations of funds for capital projects that were uncompleted and lapsed at June 30, 2004.

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 are reported on the GAAP basis as "reserved for encumbrances" in the fund equity section of the appropriate fund balance sheet as they do not constitute expenditures or liabilities.

Encumbrances are not recorded in the financial statements for proprietary fund types and Pension Trust Funds. However, the purchase orders outstanding at June 30, 2005 for these funds are as follows:

| | |
|-------------------------------|-------------|
| Sanitary Sewer System | \$3,863,722 |
| Public Facilities Corporation | 344,185 |
| Public Parking Corporation | 45,349 |
| Landfill | 3,143,986 |
| Right of Way | 705 |
| Extended School Program | 87,284 |

G. 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. A receivable is reported for uncollected property taxes. Since these taxes are all at least six months delinquent at June 30, an allowance for uncollectible accounts has been established. Allowances for uncollectible loans in the Federal and State Grants have also been established at 100% because of 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

revenues that are collected 30 days after year end. Franchise fee revenues are recognized if collected within 60 days of year end.

Property taxes for fiscal year 2005 were levied on September 8, 2004, 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 | February 1 |

Per Kentucky statute, the county sheriffs are responsible for collection of property taxes. During fiscal year 1991, the Fayette County Sheriff and the Government entered into a contract whereby the Government agreed to collect property taxes as an agent for the Sheriff. This contract is renewable annually and was renewed for fiscal year 2005. 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.

Interfund Receivables - 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 had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Inventories - 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.

Restricted Assets - Certain proceeds of revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet since their use is limited by applicable bond indentures. 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 Maintenance and Operations account is the resources set aside to operate, maintain, and insure the Sanitary Sewer System for three full months. The Depreciation account is 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 is the resources accumulated for debt service payments over the next twelve months.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

Construction in progress represents construction projects for capital assets that have not yet been placed in service. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense incurred by the Sanitary Sewer System during fiscal year 2005 was \$1,180,200. Of this amount, \$951,393 was included as part of the cost of capital assets.

Property, plant, and equipment of the Government is depreciated using the straight-line method over the following estimated useful lives:

| | |
|--------------------------------------|-------------|
| Buildings and improvements | 20-40 years |
| Land improvements | 10-15 years |
| Public domain infrastructure | 10-50 years |
| Sanitary Sewer System infrastructure | 50 years |
| Vehicles and equipment | 5-15 years |
| Office equipment | 5 years |
| Computer equipment | 3 years |

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

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

In the fund financial statements, governmental fund types 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.

Extraordinary losses, 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, are amortized as a component of interest expense over the life of the old or new bonds, whichever is shorter, using the straight-line method. The deferred amount is offset against the new liability.

Long-term liabilities include the following:

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

Unearned revenues – The Government defers revenue recognition in connection with resources that have been received but not yet earned. At the end of fiscal year 2005, industrial revenue bond fees received but not earned totaling \$2,500 have been deferred.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated by outside parties for a specific future use. Designated fund balances represent tentative plans for future use of financial resources and include \$4,628,228 for the twenty-seventh payroll, \$5,996,710 for economic contingencies, and \$3,394,250 for working capital.

In proprietary funds, reserves are used to indicate the portion of net assets that are restricted for meeting various covenants as may be specified and defined in the revenue bond indentures.

H. Revenues, Expenditures and Expenses

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

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

Expenditures are recognized when the related fund liability is incurred except for the following permitted by generally accepted accounting principles:

General obligation long-term debt principal and interest are reported when due.

Inventory costs are reported in the period when inventory items are consumed, rather than when purchased.

Compensated absences are recorded when payable rather than when earned.

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Compliance With Finance Related Legal and Contractual Provisions

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

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, 2005:

| | <u>Excess Expenditures</u> |
|----------------------------------|--------------------------------|
| General Fund: | |
| Board of Elections | \$3,324 |
| Property Valuation Administrator | 2,611 |
| Accounting | 9,186 |
| Central Purchasing | 10,696 |
| Building Inspection | 17,940 |
| Lexington Center Corporation | 217,106 |
| Downtown Development Authority | 65,771 |
| Principal | 35,000 |
| Interest | 54,757 |
| Urban Services Fund: | |
| Streets and Roads | 41,970 |
| Engineering | 39,196 |
| Building Maintenance | 9,199 |

Payment to the Lexington Center Corporation, an outside agency, exceeded budget by \$217,106 due collections of hotel motels fees being higher than anticipated. Available fund balances funded the over expenditures.

C. Fund Deficits

Capital Projects Funds – The Local Economic Assistance – Coal Severance, 2001 Bond Projects, and Condemnation Funds had deficit fund balances of \$185,460, \$27,838 and \$24,865 respectively. These deficits are a result of incurring costs before the collection of fees and the issuance of bonds that will fund these projects.

Internal Service Funds - The Insurance and Risk Management Fund's net assets total a deficit of \$7,738,617. This deficit is a result of higher than expected claims expenses and incurred but not reported estimates in fiscal year 2005. Funding for the Insurance and Risk Management Fund's deficit will be accomplished through appropriations in future years.

D. Component Units

Lexington-Fayette Urban County Department of Health – As a result of prior period adjustments to correct program revenue and various expenses, the beginning net assets of the Board of Health were increased \$34,575.

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. Cash, Investments and Securities Lending

The Government's bank balances at June 30, 2005 are entirely insured or collateralized with securities held by the Government's agent in the Government's name. In accordance with Kentucky Revised Statute (KRS) 66.480 and the Government's investment policy, the Government is allowed to invest in obligations of the U.S. Treasury and U.S. agencies and instrumentalities, repurchase agreements, bankers' acceptances, commercial paper, obligations of the Commonwealth of Kentucky and its agencies and instrumentalities, shares of mutual funds, or interest bearing deposits of insured national or state banks. In addition, the Pension Trust Funds are allowed to invest in equity

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

securities, corporate bonds and international stocks listed as American Depository Receipts (ADR). Investments of the Government as of June 30, 2005 are summarized and categorized in the following table:

Primary Government (except Pension Trust Funds)

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Investment Maturities (in years)</u> | |
|---------------------------|----------------------|---|-----------------|
| | | <u>Less Than 1</u> | <u>1 to 5</u> |
| Money Market Mutual Funds | \$120,789,063 | \$120,789,063 | |
| Certificates of Deposits | 52,060 | | 52,060 |
| Total Investments | <u>\$120,841,123</u> | <u>\$120,789,063</u> | <u>\$52,060</u> |

Interest Rate Risk – While the government has adopted an investment policy that recommends controlling interest rate risk through maturity diversification, the policy does 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 - To limit credit risk, the government has adopted an investment policy to limit investments held at one financial institution to no more than 35% of total investments, excluding money market mutual funds.

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

Investments of the PFRF as of June 30, 2005 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 | \$29,745,944 | | \$858,707 | \$6,849,249 | \$22,037,988 |
| US Treasuries | 1,280,510 | | | | 1,280,510 |
| Municipal Obligations | 21,829,175 | | 1,149,716 | 5,332,609 | 15,346,850 |
| International Bonds | 2,200,793 | | 703,235 | 1,497,558 | |
| Corporate Debt | 53,783,720 | 3,577,125 | 10,074,101 | 17,065,568 | 23,066,926 |
| Money Market Mutual Funds | 9,659,831 | 9,659,831 | | | |
| Repurchase Agreements | 9,849,316 | 9,849,316 | | | |
| | <u>128,349,289</u> | <u>\$23,086,272</u> | <u>\$12,785,759</u> | <u>\$30,744,984</u> | <u>\$61,732,274</u> |
| Other Investments | | | | | |
| Equity Mutual Funds | 73,821,135 | | | | |
| Equity Securities - Domestic | 158,050,955 | | | | |
| Equity Securities - International | <u>5,280,183</u> | | | | |
| | <u>\$365,501,562</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:

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

| <u>Asset Class</u> | <u>Target Allocation</u> |
|------------------------------|--------------------------|
| US Large Cap Value Equities | 20% |
| US Large Cap Growth Equities | 15% |
| US Large Cap Core | 15% |
| US Small Cap Value Equities | <u>15%</u> |
| Total Equities | <u>65%</u> |
| US Broad Market Fixed Income | 25% |
| US High Yield Fixed Income | <u>10%</u> |
| Total Fixed Income | <u>35%</u> |
| Total Plan | <u>100%</u> |

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

Credit Risk – The PFRF investment policy manages credit risk by the limitation of certain investments within the above asset classes. For US Equity asset classes up to 10% of each US Large Cap Core and US Small Cap Value, 15% of US Large Cap Growth, and 20% of US Large Cap Value portfolio's current market value may be invested in ADR's. The US Broad Market Fixed Income manager's debt securities must have a minimum quality rating of Baa/BBB or above, while the overall portfolio rating must be A+ or above. The US High Yield Fixed Income manager's portfolio may have, on average, no more than 20% of the portfolio in debt securities with a quality rating of CCC/Caa and below, while the overall portfolio rating should be B or above.

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

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

Per the agreement, the retirement fund has authorized the lending of domestic bonds and securities in return for collateral. Collateral for loaned securities may be in the form of cash, securities issued or guaranteed by the United States Government or its agencies, or irrevocable letters of credit. The broker/dealer collateralizes their borrowing to 102% of the security value, plus accrued interest. If the broker/dealer fails to return the security upon request, then the agent will utilize the collateral to replace the security loaned.

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 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

the collateral. There are no restrictions in the agreement that limit the amount of securities that can be lent at one time or to one borrower.

As of June 30, 2005, the securities loaned in the portfolio did not have credit risk, and the fair value of securities on loan is \$15,631,418.

Investments of the CEPF as of June 30, 2005 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 | \$7,192,845 | | \$ 3,344,865 | \$ 704,912 | \$ 3,143,068 |
| US Treasuries | 2,843,339 | | 453,669 | 1,138,185 | 1,251,485 |
| US Treasury Strips | 906,604 | | | 77,006 | 829,598 |
| International Bonds | 456,106 | | 121,535 | 285,949 | 48,622 |
| Corporate Debt | 3,110,786 | 202,491 | 1,365,698 | 1,082,422 | 460,175 |
| Money Market Mutual Funds | 649,577 | 649,577 | | | |
| | <u>15,159,257</u> | <u>\$852,068</u> | <u>\$5,285,767</u> | <u>\$3,288,474</u> | <u>\$5,732,948</u> |
| Other Investments | | | | | |
| Equity Securities - Domestic | 11,394,327 | | | | |
| Equity Securities - International | <u>1,023,409</u> | | | | |
| | <u>\$27,576,993</u> | | | | |

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

| <u>Asset Class</u> | <u>Target Allocation</u> |
|------------------------------|--------------------------|
| US Equities | 40% |
| US Broad Market Fixed Income | <u>60%</u> |
| 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.

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.

Investments of Component Units as of June 30, 2005 are summarized in the following tables:

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

Lexington Airport Board

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Maturity</u> |
|---------------------------------|---------------------|--------------------------|
| | | Maximum weighted average |
| US Treasuries Money Market Fund | \$23,523,841 | maturity of 90 days |
| US Treasury Note | 5,829,000 | May 15, 2009 |
| US Treasury Note | 1,376,000 | April 15, 2010 |
| US Treasury Note | 4,576,000 | July 1, 2033 |
| Total Investments | <u>\$35,304,841</u> | |

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

Credit Risk – The Airport has no policy on credit risk.

Concentration of Credit Risk – The Airport places no limits on the amount that may be invested with any one issuer.

| All Other Component Units | | | | |
|--|--------------------|------------|------------|-------------------------------|
| <u>Category</u> | | | | <u>Reported</u> |
| <u>1</u> | <u>2</u> | <u>3</u> | | <u>Amount/ Fair Value</u> |
| U.S. Government and Government Agency Obligations | <u>\$4,058,258</u> | | | \$4,058,258 |
| | <u>\$4,058,258</u> | <u>\$0</u> | <u>\$0</u> | 4,058,258 |
| Investments not subject to categorization: | | | | |
| Certificates of Deposit | | | | 3,698,669 |
| Money Market Funds | | | | <u>3,264,531</u> |
| Total Investments | | | | <u>\$11,021,458</u> |

B. Capital Assets

Capital asset activity for the year ended June 30, 2005 was as follows:

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

| | Primary Government | | | |
|---|------------------------------|----------------------|------------------------------------|---------------------------|
| | Beginning Balance | Additions | Deletions / Adjustments | Ending Balance |
| Governmental Activities: | | | | |
| Non-Depreciable Assets: | | | | |
| Land | \$38,962,883 | \$708,000 | (\$60,000) | \$39,610,883 |
| Land Related to Infrastructure | 4,884,262 | | (4,251,750) | 632,512 |
| Purchase of Development Rights | 28,651,451 | 7,402,648 | | 36,054,099 |
| Construction in Progress | 13,468,917 | 10,410,923 | (507,263) | 23,372,577 |
| Depreciable Assets: | | | | |
| Buildings | 111,766,459 | 1,306,142 | | 113,072,601 |
| Vehicles, Equipment and Furniture | 76,766,933 | 7,964,261 | (3,292,163) | 81,439,031 |
| Land and Leasehold Improvements | 9,380,613 | 668,613 | | 10,049,226 |
| Infrastructure | 26,412,385 | 5,586,228 | 4,251,750 | 36,250,363 |
| Totals at historical cost | 310,293,903 | 34,046,815 | (3,859,426) | 340,481,292 |
| Less accumulated depreciation for: | | | | |
| Buildings | (16,006,308) | (3,165,427) | | (19,171,735) |
| Vehicles, Equipment and Furniture | (50,005,339) | (9,467,783) | 2,863,122 | (56,610,000) |
| Land and Leasehold Improvements | (3,698,841) | (511,160) | | (4,210,001) |
| Infrastructure | (3,186,717) | (2,010,587) | | (5,197,304) |
| Total accumulated depreciation | (72,897,205) | (15,154,957) | 2,863,122 | (85,189,040) |
| Governmental activities capital assets, net | \$237,396,698 | \$18,891,858 | (\$996,304) | \$255,292,252 |
| Business-type Activities: | | | | |
| Non-Depreciable Assets: | | | | |
| Land | \$45,381,552 | | | \$45,381,552 |
| Construction in Progress | 4,432,120 | 1,253,030 | (2,500,439) | 3,184,711 |
| Depreciable Assets: | | | | |
| Buildings | 127,149,901 | 908,730 | (93,984) | 127,964,647 |
| Vehicles, Equipment and Furniture | 11,427,719 | 461,621 | (81,975) | 11,807,365 |
| Land and Leasehold Improvements | 40,722,890 | 3,663,441 | | 44,386,331 |
| Sewer Lines | 123,512,442 | 5,383,631 | | 128,896,073 |
| Sewer Plants | 159,275,354 | | | 159,275,354 |
| Totals at historical cost | 511,901,978 | 11,670,453 | (2,676,398) | 520,896,033 |
| Less accumulated depreciation for: | | | | |
| Buildings | (33,859,687) | (4,626,164) | | (38,485,851) |
| Vehicles, Equipment and Furniture | (9,351,495) | (955,728) | 42,720 | (10,264,503) |
| Land and Leasehold Improvements | (21,960,542) | (2,273,189) | | (24,233,731) |
| Sewer Lines | (34,291,836) | (2,524,085) | | (36,815,921) |
| Sewer Plants | (58,095,041) | (3,185,775) | | (61,280,816) |
| Total accumulated depreciation | (157,558,601) | (13,564,941) | 42,720 | (171,080,822) |
| Business-type activities capital assets, net | \$354,343,377 | (\$1,894,488) | (\$2,633,678) | \$349,815,211 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

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

Governmental activities:

| | |
|--|-----------------------------------|
| General Government | \$766,295 |
| Administrative Services | 148,114 |
| Finance | 266,286 |
| Public Works | 5,555,716 |
| Public Safety | 211,627 |
| Police | 1,803,119 |
| Fire and Emergency Services | 1,209,735 |
| Community Corrections | 1,912,973 |
| Social Services | 112,669 |
| General Services | 2,016,036 |
| Parks and Recreation | 879,149 |
| Law | 5,262 |
| Outside Agencies | 267,976 |
| Total additions to accumulated depreciation - governmental activities | <u><u>\$15,154,957</u></u> |

Business-type activities:

| | |
|--|-----------------------------------|
| Sanitary Sewers | \$6,373,506 |
| Public Facilities | 6,123,461 |
| Public Parking | 314,223 |
| Landfill | 641,508 |
| Extended School Program | 9,661 |
| Prisoners' Account System | 41,711 |
| Enhanced 911 | 60,871 |
| Total depreciation expense - business-type activities | <u><u>\$13,564,941</u></u> |

| | Discretely Presented Component Units | | | |
|--------------------------------------|--------------------------------------|-----------------------------------|-------------------------------------|------------------------------------|
| | Beginning Balance | Additions | Deletions | Ending Balance |
| Non-Depreciable Assets: | | | | |
| Land | \$19,174,520 | \$443,466 | | \$19,617,986 |
| Construction in Progress | 17,108,825 | 13,245,094 | (12,583,795) | 17,770,124 |
| Other | 460,902 | | | 460,902 |
| Depreciable Assets: | | | | |
| Buildings and Improvements | 184,524,634 | 17,166,315 | (712,445) | 200,978,504 |
| Vehicles, Equipment and Furniture | 39,222,129 | 3,563,592 | (3,551,967) | 39,233,754 |
| Land and Leasehold Improvements | 32,341,671 | 651,866 | (2,873) | 32,990,664 |
| Totals at historical cost | <u>292,832,681</u> | <u>35,070,333</u> | <u>(16,851,080)</u> | <u>311,051,934</u> |
| Less accumulated depreciation | <u>(114,801,262)</u> | <u>(12,060,334)</u> | <u>4,096,058</u> | <u>(122,765,538)</u> |
| Component unit activities | | | | |
| capital assets, net | <u><u>\$178,031,419</u></u> | <u><u>\$23,009,999</u></u> | <u><u>(\$12,755,022)</u></u> | <u><u>\$188,286,396</u></u> |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

Construction Commitments

The Government has active construction projects as of June 30, 2005. The projects include improvements to major roadways, government buildings, sanitary sewer and stormwater systems, closure of the landfill, and parks improvements. At year end, the Government had the following commitments on construction contracts:

| <u>Project</u> | <u>Remaining Commitment</u> |
|-------------------------------------|---------------------------------|
| Major roadway improvements | \$2,272,523 |
| Buildings Expansion & Renovation | 2,052,119 |
| Renovations to government buildings | 2,311,326 |
| Sanitary sewer system improvements | 1,710,389 |
| Stormwater system improvements | 539,714 |
| Landfill closure & improvements | 3,097,737 |
| Parks improvements | 67,610 |
| Total | <u>\$12,051,418</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. The Sanitary Sewers Revenue Bonds, Series 2001A, is financing the sanitary sewer improvements. General obligation bonds finance the commitments for stormwater system improvements. Landfill user fees are paying the landfill closure. Intergovernmental revenues and general obligation bonds fund the parks improvements.

C. Interfund Receivables, Payables, and Transfers

The principal purpose of the Government's interfund transfers is indicative of funding for capital projects or subsidies of various Government operations and reallocation of special revenues. Due to our practice of cash management by concentrating the Government's funds interfund balances exist as of June 30, 2005. In addition, Federal and State Grants revenues are based on reimbursable expenditures. The composition of interfund balances as of June 30, 2005, is as follows:

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

Due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-------------------------------|-------------------------------|---------------------|
| General: | Federal and State Grants | \$4,530,562 |
| | Nonmajor Governmental | 1,529,020 |
| | Public Facilities Corporation | 161,822 |
| | Sanitary Sewer | 696,330 |
| | Nonmajor Proprietary | 38,795 |
| Urban Services: | Federal and State Grants | 1,213,545 |
| Nonmajor Governmental: | General | 3,677,783 |
| | Nonmajor Governmental | 361,355 |
| | Sanitary Sewers | 178,715 |
| | Urban Services | 86,000 |
| Sanitary Sewers: | Nonmajor Governmental | 41,071 |
| | Federal and State Grants | 120,861 |
| Public Facilities Corporation | General | 1,567,059 |
| | Internal Service | 254 |
| Public Parking Corporation | General | 539,564 |
| Landfill: | Sanitary Sewers | 810,688 |
| | Federal and State Grants | 3,991 |
| Nonmajor Proprietary: | Federal and State Grants | 1,306 |
| Internal Service: | Sanitary Sewers | 57,891 |
| | Federal and State Grants | 80,049 |
| Employee Retirement Fund | General | 659,089 |
| Federal and State Grants | General | 822 |
| | | <u>\$16,356,572</u> |

Due to/from primary government and component units:

| <u>Receivable Entity</u> | <u>Payable Entity</u> | <u>Amount</u> |
|---|--|--------------------|
| Primary government - General fund | Component unit - Lexington Transit Authority | \$305,239 |
| Primary government - General fund | Component unit - Children's Museum | 22,660 |
| Primary government - Public Library Corporation | Component unit - Carnegie Literacy Center | 15,953 |
| Component unit - Lexington Center Corporation | Primary government - General fund | 236,946 |
| Component unit - Lexington Transit Authority | Primary government - General fund | 24,458 |
| Component unit - Visitors' Bureau | Primary government - General fund | 471,523 |
| Component unit - Lexington Center Corporation | Component Unit - Visitors' Bureau | 172,157 |
| Total | | <u>\$1,248,936</u> |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

Interfund transfers:

Transfers are indicative of funding for capital projects or subsidies of various Government operations and reallocation of special revenues. The following schedule briefly summarizes the Government's transfer activity:

| | | Transfer In: | | | |
|--------------------------|------------------|----------------------|--------------------------|-----------------------------|--------------------|
| Transfer Out: | General | Major Proprietary | Nonmajor Governmental | Federal and State Grants | Total |
| General | | \$1,282,035 | \$4,542,430 | | \$5,824,465 |
| Urban Services | 18,084 | | 86,000 | | 104,084 |
| Federal and State Grants | 83,004 | | | 4,634 | 87,638 |
| Nonmajor Governmental | 861,461 | | 123,281 | | 984,742 |
| Major Proprietary | 952 | | | | 952 |
| Total | <u>\$963,501</u> | <u>\$1,282,035</u> | <u>\$4,751,711</u> | <u>\$4,634</u> | <u>\$7,001,881</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 are accounted for in the governmental column of the government-wide Statement of Net Assets.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

Primary Government

**Bonds Payable, Notes Payable, Compensated Absences Liability, Landfill Closure
& Postclosure Care Costs, and Unfunded Pension Liability
June 30, 2005**

| | Purpose of Issue | Original Issue | Interest Rates | Final Maturity | Amount Outstanding |
|---|--|----------------------|-------------------|-------------------|-----------------------|
| Governmental Activities | | | | | |
| Bonds, Notes, Loans, and Leases: | | | | | |
| Detention Center, 1996 Loan | Land Purchase | \$1,527,900 | 4.96% | Oct-2006 | \$257,934 |
| General Obligation, Series 1999A | Detention Facility Construction | 67,115,000 | 4.25% - 4.75% | May-2024 | 61,810,000 |
| General Obligation, Series 1999B | Branch Library Construction | 3,570,000 | 4.75% - 5.60% | Nov-2019 | 2,985,000 |
| General Obligation, Series 2000A | Golf Course Improvements | 8,460,000 | 5.13% - 5.63% | Feb-2020 | 7,065,000 |
| General Obligation, Series 2000D | Storm Water Improvements | 10,675,000 | 4.25% - 5.00% | Dec-2010 | 6,975,000 |
| General Obligation, Series 2000E | Building Purchase/Renovation and Pool Renovation | 9,335,000 | 4.30% - 5.25% | Dec-2020 | 8,095,000 |
| General Obligation, Series 2001B | Purchase of Development Rights | 7,635,000 | 3.00% - 4.63% | Dec-2021 | 6,810,000 |
| General Obligation, Series 2002B | Building Renovation | 2,330,000 | 3.00% - 4.00% | May-2012 | 1,700,000 |
| General Obligation, Series 2002C | Storm Water Improvements and Road Construction | 4,570,000 | 3.00% - 4.70% | Dec-2022 | 4,035,000 |
| General Obligation, Series 2003A | Equipment Purchase | 4,465,000 | 2.00% | May-2006 | 1,515,000 |
| General Obligation, Series 2003B | Purchase of Fire Equipment | 1,455,000 | 2.00% - 3.00% | May-2010 | 1,055,000 |
| General Obligation, Series 2003A | Refunding | 19,185,000 | 2.00% - 3.13% | Feb-2011 | 15,345,000 |
| General Obligation, Series 2004A | Equipment Purchase | 4,240,000 | 1.00% - 3.00% | May-2007 | 2,850,000 |
| General Obligation, Series 2004B | Public Safety | 2,350,000 | 2.00% - 4.00% | May-2011 | 2,040,000 |
| General Obligation, Series 2004C | Multi-Purpose Project | 9,640,000 | 2.50% - 4.75% | Jul-2024 | 9,640,000 |
| General Obligation, Series 2005A | Equipment Purchase | 5,365,000 | 3.00% | Apr-2008 | 5,365,000 |
| General Obligation, Series 2005B | Purchase of Fire Equipment | 2,830,000 | 3.00% - 3.38% | Apr-2012 | 2,830,000 |
| General Obligation, Series 2005C | Purchase of Development Rights /Building Renovation | 4,490,000 | 3.00% - 4.20% | Jun-2025 | 4,490,000 |
| Bond Anticipation Note | | 750,000 | 4.84% | Sep-2006 | 742,401 |
| General Obligation, KLC Series 2000 | Economic Development Project | 360,000 | 3.97% | May-2012 | 300,000 |
| Total Bonds, Notes and Loans | | <u>\$170,347,900</u> | | | <u>145,905,335</u> |
| Other Liabilities: | | | | | |
| Compensated Absences | | | | | 14,112,997 |
| Unfunded Pension Liability | | | | | <u>19,131,431</u> |
| Total Other Liabilities | | | | | <u>33,244,428</u> |
| Total Governmental Activities | | | | | <u>\$179,149,763</u> |
| Business-Type Activities | | | | | |
| Bonds, Notes and Loans: | | | | | |
| Sanitary Sewer, Series 1993 | Refunding | \$15,545,000 | 2.60% - 4.70% | Jul-2005 | \$1,590,000 |
| Public Facilities, Series 1995 | Pool Renovation/Construction | 4,360,000 | 5.00% - 5.10% | Nov-2015 | 2,920,000 |
| Sanitary Sewer, Series 1996 | Refunding | 14,860,000 | 4.50% - 5.00% | Jul-2009 | 3,990,000 |
| Public Parking, Series 1998 | Refunding | 7,260,000 | 1.00% - 4.80% | Feb-2010 | 3,450,000 |
| Public Facilities, Series 1998 | Court Facility Construction | 69,120,000 | 4.00% - 5.25% | Oct-2031 | 65,310,000 |
| Sanitary Sewer, Series 2001A | Sewer Rehabilitation | 25,150,000 | 4.00% - 5.00% | Jul-2021 | 24,550,000 |
| Sanitary Sewer, Series 2001B | Refunding | 16,860,000 | 4.00% - 5.50% | Jul-2012 | 16,430,000 |
| Total Bonds, Notes and Loans | | <u>\$153,155,000</u> | | | <u>118,240,000</u> |
| Other Liabilities: | | | | | |
| Compensated Absences | | | | | 693,333 |
| Landfill Closure & Postclosure Care Costs | | | | | <u>23,237,288</u> |
| Total Other Liabilities | | | | | <u>23,930,621</u> |
| Total Business-type Activities | | | | | <u>\$142,170,621</u> |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

| Long-Term Liabilities | | | | | |
|---|----------------------|---------------------|---------------------|----------------------|------------------------|
| For the Year Ended June 30, 2005 | | | | | |
| | Balance 6/30/2004 | Additions | Reductions | Balance 6/30/2005 | Due Within One Year |
| Governmental Activities | | | | | |
| Bonds, Notes, Loans, and Leases | | | | | |
| General Obligation Bonds, Notes & Leases | \$136,560,000 | \$22,325,000 | \$13,980,000 | \$144,905,000 | \$14,845,000 |
| Bond Anticipation Note | | 742,401 | | 742,401 | |
| Lease Revenue Notes Payable | 434,255 | | 176,321 | 257,934 | 185,519 |
| Total Bonds, Notes and Loans | <u>136,994,255</u> | <u>23,067,401</u> | <u>14,156,321</u> | <u>145,905,335</u> | <u>15,030,519</u> |
| Other Liabilities | | | | | |
| Compensated Absences | 14,256,608 | 3,397,613 | 3,541,224 | 14,112,997 | 2,440,360 |
| Unfunded Pension Liability | 18,190,102 | 941,329 | | 19,131,431 | |
| Governmental Activities Long-term Liabilities | <u>\$169,440,965</u> | <u>\$27,406,343</u> | <u>\$17,697,545</u> | <u>\$179,149,763</u> | <u>\$17,470,879</u> |
| Business-type Activities | | | | | |
| Bonds, Notes and Loans | | | | | |
| Revenue Bonds | \$50,040,000 | | \$3,480,000 | \$46,560,000 | \$3,645,000 |
| Mortgage Revenue Bonds | 73,940,000 | | 2,260,000 | 71,680,000 | 2,055,000 |
| Total Bonds, Notes and Loans | <u>123,980,000</u> | | <u>5,740,000</u> | <u>118,240,000</u> | <u>5,700,000</u> |
| Other Liabilities | | | | | |
| Compensated Absences | 744,313 | 121,902 | 172,882 | 693,333 | 259,945 |
| Landfill Closure & Postclosure Care Costs | 25,947,990 | | 2,710,702 | 23,237,288 | 12,145,690 |
| Business-type Activities Long-term Liabilities | <u>\$150,672,303</u> | <u>\$121,902</u> | <u>\$8,623,584</u> | <u>\$142,170,621</u> | <u>\$18,105,635</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. At year end \$62,187 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund and the Urban Services Fund.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

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

**Summary of Principal Requirements
(In Thousands)**

| Fiscal Year | Governmental Activities | | | | Business-type Activities | | | Total Primary Government |
|---|---|--------------------------------------|------------------------------|-----------|--------------------------|------------------------------|-----------|--------------------------------|
| | General Obligation Bonds, Notes & Leases | Lease Revenue Notes Payable | Bond Anticipation Note | Total | Revenue Bonds | Mortgage Revenue Bonds | Total | |
| 2006 | \$14,845 | \$186 | | \$15,031 | \$3,645 | \$2,055 | \$5,700 | \$20,731 |
| 2007 | 13,755 | 72 | 742 | 14,569 | 3,515 | 2,140 | 5,655 | 20,224 |
| 2008 | 11,860 | | | 11,860 | 3,685 | 2,245 | 5,930 | 17,790 |
| 2009 | 8,675 | | | 8,675 | 3,855 | 2,345 | 6,200 | 14,875 |
| 2010 | 8,400 | | | 8,400 | 4,040 | 2,460 | 6,500 | 14,900 |
| 2011 - 2015 | 31,095 | | | 31,095 | 16,110 | 9,940 | 26,050 | 57,145 |
| 2016 - 2020 | 31,905 | | | 31,905 | 7,935 | 11,280 | 19,215 | 51,120 |
| 2021 - 2025 | 24,370 | | | 24,370 | 3,775 | 14,135 | 17,910 | 42,280 |
| 2026 - 2030 | | | | | | 17,660 | 17,660 | 17,660 |
| 2031 - 2032 | | | | | | 7,420 | 7,420 | 7,420 |
| Total | 144,905 | 258 | 742 | 145,905 | 46,560 | 71,680 | 118,240 | 264,145 |
| Less Payable Within One Year | 14,845 | 186 | | 15,030 | 3,645 | 2,055 | 5,700 | 20,730 |
| Long Term Principal Due After One Year | \$130,060 | \$72 | \$742 | \$130,875 | \$42,915 | \$69,625 | \$112,540 | \$243,415 |

Debt service requirements (principal and interest) to maturity for the Primary Government's bonds and notes are as follows:

**Annual Requirements to Amortize the Debt Outstanding
(In Thousands)**

| Fiscal Year | Governmental Activities | | | | | | Business-type Activities | | | |
|-------------|---|-----------|--------------------------------|-----------|---------------------------|-----------|--------------------------|-----------|---------------------------|-----------|
| | General Obligation Bonds, Notes & Leases | | Lease Revenue Notes Payable | | Bond Anticipation Note | | Revenue Bonds | | Mortgage Revenue Bonds | |
| | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest | Principal |
| 2006 | \$6,031 | \$14,845 | \$8 | \$186 | \$37 | | \$2,246 | \$3,645 | \$3,569 | \$2,055 |
| 2007 | 5,584 | 13,755 | 1 | 72 | 10 | 742 | 2,076 | 3,515 | 3,477 | 2,140 |
| 2008 | 5,137 | 11,860 | | | | | 1,906 | 3,685 | 3,380 | 2,245 |
| 2009 | 4,718 | 8,675 | | | | | 1,726 | 3,855 | 3,278 | 2,345 |
| 2010 | 4,368 | 8,400 | | | | | 1,529 | 4,040 | 3,164 | 2,460 |
| 2011 - 2015 | 17,199 | 31,095 | | | | | 4,551 | 16,110 | 14,233 | 9,940 |
| 2016 - 2020 | 10,287 | 31,905 | | | | | 1,976 | 7,935 | 11,516 | 11,280 |
| 2021 - 2025 | 2,794 | 24,370 | | | | | 191 | 3,775 | 8,312 | 14,135 |
| 2026 - 2030 | | | | | | | | | 4,199 | 17,660 |
| 2031 - 2032 | | | | | | | | | 385 | 7,420 |
| Total | \$56,118 | \$144,905 | \$9 | \$258 | \$47 | \$742 | \$16,201 | \$46,560 | \$55,513 | \$71,680 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

Component Units

The Government is contingently liable for the Lexington Center Corporation and Airport Board's debt. For a complete discussion of this liability see Note 5. Principal requirements for component units' debt are as follows:

Summary of Principal Requirements

| Fiscal Year | Lexington Center Corporation | Lexington Airport Board | Nonmajor Component Units | Total |
|--|------------------------------|-------------------------|--------------------------|---------------------|
| 2006 | \$2,655,000 | \$901,779 | \$105,201 | \$3,661,980 |
| 2007 | 3,230,000 | 1,007,520 | 109,618 | 4,347,138 |
| 2008 | 2,291,367 | 1,651,370 | 114,252 | 4,056,989 |
| 2009 | 2,162,719 | 1,475,000 | 93,020 | 3,730,739 |
| 2010 | 2,039,310 | 1,350,000 | 70,184 | 3,459,494 |
| 2011 - 2015 | 9,302,054 | 8,375,000 | 395,961 | 18,073,015 |
| 2016 - 2020 | 11,000,000 | 7,375,000 | 511,266 | 18,886,266 |
| 2021- 2025 | 5,100,000 | 8,425,000 | 636,979 | 14,161,979 |
| 2026 - 2030 | | 10,275,000 | 805,249 | 11,080,249 |
| 2031 - 2035 | | 7,475,000 | 840,060 | 8,315,060 |
| Total | 37,780,450 | 48,310,669 | 3,681,790 | 89,772,909 |
| Less Payable Within One Year | 2,655,000 | 901,779 | 105,201 | 3,661,980 |
| Less Refinancing Loss/Premium-Discount | 76,879 | 238,483 | | 315,362 |
| Long Term Principal Due After One Year | <u>\$35,048,571</u> | <u>\$47,170,407</u> | <u>\$3,576,589</u> | <u>\$85,795,567</u> |

General Description of the Government's Bonds and Notes Payable

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. \$15,545,000 of Refunding Bonds, Series of 1993, to refund \$13,785,000 principal remaining on the 1985 series of refunding bonds.
2. \$14,860,000 of Refunding Bonds, Series of 1996, to refund the \$14,920,000 total principal remaining on the 1986 and 1988 bonds. The refunding bonds were issued to reduce interest rates on the debt. The refunded bonds were issued to provide local share funding for upgrading and expanding the Town Branch Treatment Plant.
3. \$25,150,000 of Revenue Bonds, Series A of 2001, to pay for the rehabilitation of gravity sewer pipe and appurtenances at various locations throughout the Urban Services area.
4. \$16,860,000 of Refunding Bonds, Series B of 2001 to reduce interest rates on debt by refunding the \$17,340,000 total principal remaining on the 1992 bonds. The refunded bonds were issued to provide funds for expansion of the West Hickman Creek wastewater treatment plant and to finance the installation of the Lower Cane Run system.

The bond ordinances provide that the gross income and revenues of the Sanitary Sewer 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 the 125% of the average annual debt service

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

on the 1993, 1996, and 2001 Series A and B Bonds, 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 Depreciation Fund, 1/24th of the required Depreciation Reserve (defined as 5% of the outstanding bonds or such larger amount as required by an Independent Consulting Engineer) until the required Depreciation Reserve has been accumulated.
- To the Capital Projects Fund any surpluses after the Sinking Fund, Debt Service Reserve and Depreciation 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 may be conveyed to the Government. The lease agreements are renewable annually, and the likelihood of the leases not being renewed is remote.

The Public Facilities Corporation has issued the following bonds:

1. \$4,360,000 of Mortgage Revenue Bonds, Series 1995, to finance constructing, renovating, installing and equipping swimming pools and family aquatic centers located at Castlewood, Southland, and Woodland parks. Renovations of the existing facilities were needed to maintain and enhance the recreational swimming and watersports activities in Lexington. Renovation also allows for accessibility for elderly and physically disabled patrons, a feature unavailable at other public pools in Lexington.
2. \$69,120,000 in Mortgage Revenue Bonds, Series 1998, 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.

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. Debt issued by the PPC is collateralized by the properties and lease payments from the Government. The Government leases the properties from the PPC for amounts sufficient to pay the bond principal and interest maturities and to operate, insure, and maintain the properties. Upon

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

payment of the outstanding bonds, title to the properties will be conveyed to the Government. The lease agreements are renewable annually, and the likelihood of the leases not being renewed is remote.

The Public Parking Corporation issued the \$7,260,000 Refunding Bonds, Series of 1998, to refund the \$6,655,000 total principal remaining on the 1990 bonds and to reduce interest rates on the debt. The refunded bonds were issued to finance the construction of a downtown transit center, parking garage and the Martin Luther King Boulevard construction project. The Transit Center is a central location for users of the public transportation system, or LexTran, to transfer from one bus route to another. A parking garage is on top of the Transit Center. In addition, structural support is designed to accommodate future construction above the parking garage. The Martin Luther King Boulevard realignment project remedied the problem of a cross street that did not properly align with East Main Street.

The bond indenture requires a debt service reserve in the amount of the outstanding maximum annual debt service requirement. As of June 30, 2005, the required reserve of \$779,574 was fully funded. The monies in the debt service reserve are available to pay annual debt service in the event there are insufficient funds in the bond fund.

The Fayette County Detention Center Corporation (Detention Center Corporation) is an instrumentality of the Government to provide for the financing and construction of detention facilities for the Government. The Government has entered into lease and option agreements with the Detention Center Corporation under which the Detention Center Corporation received title to the properties that were mortgaged as security for revenue bond issues. The Government leases the properties from the Detention Center Corporation for amounts sufficient to pay the bond principal and interest maturities. Operating expenses are paid through the Government's General Fund. 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 Government has included the Detention Center Corporation in its general purpose financial statements as a debt service fund.

In 1996, the Detention Center Corporation entered into a ten-year lease purchase agreement with PNC Bank, Kentucky, Inc. for the purchase of 71 acres on Old Frankfort Pike for \$1,527,900. The land serves as the site for the community corrections center.

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. \$67,115,000, Series 1999A, to finance the construction of and equipment for a new community corrections facility. The new facility is comprised of approximately 415,000 gross square feet holding approximately 1,280 inmates with future expansion to approximately 2,000 inmates.
2. \$3,570,000, Series 1999B, to pay for the construction of a new branch library that is located on the corner of Laredo Drive and Tates Creek Road in Lexington, Kentucky.
3. \$8,460,000, Series 2000A, to finance the acquisition of and improvements to the Picadome Golf Course facility (formerly known as the Campbell House Golf Course) and improvements to existing golf courses. The Picadome Golf Course facility is situated on approximately 103 acres in southcentral Lexington and includes an 18-hole course, a pro shop, a swimming pool, a tennis court, and a clubhouse.
4. \$10,675,000, Series 2000D, to finance the construction of various storm water improvements.
5. \$9,335,000, Series 2000E, to finance the improvement and renovation of the Tates Creek and Douglass swimming pools, and the acquisition, improvement and renovation of buildings for use as government office space.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

6. \$7,635,000, Series 2001B, to finance the Purchase of Development Rights Program (PDR), a program to purchase conservation easements in Fayette County. This program is one component of an overall rural land use plan to preserve and manage the unique agricultural, rural and natural lands of Fayette County. The PDR program purchases and/or accepts donations of conservation easements from rural property owners in exchange for removal of future development rights from rural land.
7. \$2,330,000, Series 2002B, to finance the acquisition, installation, and renovation of the Government Center, including replacement of the elevators and the HVAC system.
8. \$4,570,000, Series 2002C, to finance the construction of various stormwater improvements and two lanes of a four-lane boulevard.
9. \$4,465,000 Series 2003A, to finance the acquisition of certain equipment and vehicles including police cars, computer equipment, fire equipment and various other equipment for the benefit of numerous departments of the Government.
10. \$1,455,000, Series 2003B, to finance the acquisition and installation of certain fire equipment, including fire pumpers and fire aerial units.
11. \$19,185,000, Refunding Series 2003A, to refund the \$18,760,000 principal outstanding on the PFC 1993 Refunding Bonds.
12. \$4,240,000, Series 2004A, to finance the installation of a new HVAC system in the Government Center and the acquisition of certain equipment and vehicles including police cars, computer equipment, fire equipment and various other equipment for the benefit of numerous departments of the Government.
13. \$2,350,000, Series 2004B, to finance the purchase of fire trucks and a public safety radio system.
14. \$9,640,000, Series 2004C, to finance the costs associated with the acquisition, construction, and equipping 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. These bonds bear interest rates of 2.5% to 4.8%.
15. \$5,365,000, Series 2005A, to finance the acquisition of certain equipment and vehicles including a fiber network, police cars, dump trucks and other vehicles and equipment for the benefit of numerous departments of the Government. The bonds bear interest rates of 3%.
16. \$2,830,000, Series 2005B, to finance the acquisition and installation of certain fire equipment including fire engines, EMS units, fire aerial units and other equipment. The bonds bear interest rates of 3.0% to 3.4%.
17. \$4,490,000, Series 2005C, 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. The bonds bear interest rates of 3.0% to 4.2%.

General Obligation Lease Agreement – In FY 2002 the Government entered into a general obligation lease agreement as lessee with the Kentucky League of Cities Funding Trust for the financing of the Webasto Roof Systems, Inc. economic development project. The principal amount of the lease is \$360,000 and is amortized over ten years.

Lexington-Fayette Urban County Government Water Revenue Bond Anticipation Notes, Series 2003 - The Government entered into condemnation proceedings to acquire Kentucky-American Water Company on July 9, 2003. If acquired, the acquisition and water operations would be financed through water utility revenues. On September 25, 2003 the Urban County Council approved Ordinance 235-2003 authorizing the issuance of Series

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

2003 notes for the amount of \$750,000. The notes are secured by the future revenues of the water company if acquired. The notes are limited obligations of the LFUCG and are payable solely from the proceeds of bonds issued to acquire the Water System or revenues from the water system. The notes will be forgiven if the Government is unable to acquire the Water System as a result of court action or if the costs of acquisition of the Water System would result in an increase in excess of 5% of water usage rates in existence at the time of acquisition. On March 24, 2005 the Urban County Council approved Resolution 22-2005 directing the stay of all court proceedings related to the condemnation. On April 26, 2005 the Urban County Council approved Resolution 29-2005 terminating the eminent domain proceedings to obtain all real and personal property of Kentucky-American Water Company. A change in policy in the condemnation process is not a forgivable event under the bond indenture and therefore, the Revenue Bond Anticipation Notes are now considered an obligation of the LFUCG.

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 monitoring functions at the Haley Pike landfill for thirty years. Since the operations of the Government's landfill is 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 \$23,237,288 liability reported at June 30, 2005 is based on the use of 97.9% of the estimated capacity of the Haley Pike landfill and 100% of the Old Frankfort Pike landfill. The remaining cost to perform all closure and postclosure care is estimated to be \$508,141. The Government will recognize this cost as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. The Government expects to close the Haley Pike landfill in the year 2006. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

E. Net Assets

The government-wide and business type fund financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted, and unrestricted.

Investment in Capital Assets (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the unspent proceeds and any associated unamortized cost. The following schedule demonstrates how the investment in capital assets is calculated:

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

| Issue | Amount Outstanding | Reserve | Unamortized Issuance Cost | Unspent Proceeds | Net Related Debt |
|---|-----------------------|--------------------|---------------------------------|---------------------|------------------------|
| Capital Assets - Governmental | | | | | |
| 1997 Detention Center | \$257,934 | | | | \$257,934 |
| 1999 Detention Center | 61,810,000 | | | | 61,810,000 |
| 1999B Tates Creek Library | 2,985,000 | | | | 2,985,000 |
| 2000 KLC | 300,000 | | 5,402 | 2,094 | 292,504 |
| 2000A Picadome Golf Course | 7,065,000 | | | | 7,065,000 |
| 2000D Storm Water Projects | 6,975,000 | | | 946,040 | 6,028,960 |
| 2000E KU Building and Pool | 8,095,000 | | | | 8,095,000 |
| 2001B Purchase of Development Rights | 6,810,000 | | 32,518 | | 6,777,482 |
| 2002A Equipment 2002 | | | | 82,153 | (82,153) |
| 2002B HVAC Government Center | 1,700,000 | | 9,181 | (7,601) | 1,698,420 |
| 2002C EAMP/Storm Water Projects | 4,035,000 | | 51,258 | 990,913 | 2,992,829 |
| 2003A Equipment 2003 | 1,515,000 | | 26,039 | 23,190 | 1,465,771 |
| 2003B 2003 Go Series Notes | 1,055,000 | | 3,079 | 935 | 1,050,986 |
| 2003A Public Facilities Projects | 15,345,000 | | 58,904 | | 15,286,096 |
| 2004A Equipment 2004 | 2,850,000 | | 11,630 | 201,856 | 2,636,514 |
| 2004B Public Safety | 2,040,000 | | 7,122 | 1,422,458 | 610,420 |
| 2004C Multi-Purpose Project | 9,640,000 | | 36,872 | 9,767,988 | (164,860) |
| 2005A Equipment Purchase | 5,365,000 | | 4,086 | 5,018,902 | 342,012 |
| 2005B Purchase of Fire Equipment | 2,830,000 | | 5,528 | 441,934 | 2,382,538 |
| 2005C Purchase of Development Rights | 4,490,000 | | 4,500 | | 4,485,500 |
| Condemnation | 742,401 | | | | 742,401 |
| Total Governmental | <u>\$145,905,335</u> | <u>\$0</u> | <u>\$256,119</u> | <u>\$18,890,862</u> | <u>126,758,354</u> |
| Net Capital Assets | | | | | <u>255,292,252</u> |
| Invested in Capital Assets, net of related debt | | | | | <u>\$128,533,898</u> |
| Capital Assets - Proprietary | | | | | |
| 1993 Sanitary Sewers | \$1,590,000 | | \$0 | | \$1,590,000 |
| 1996 Sanitary Sewers | 3,990,000 | | 95,195 | | 3,894,805 |
| 2001A Sanitary Sewers | 24,550,000 | 2,328,000 | 73,891 | 7,285,069 | 14,863,040 |
| 2001B Sanitary Sewers | 16,430,000 | | 49,884 | | 16,380,116 |
| 1998 Public Parking | 3,450,000 | 779,574 | 63,538 | | 2,606,888 |
| 1995 Public Facilities | 2,920,000 | | 90,409 | | 2,829,591 |
| 1998 Public Facilities | 65,310,000 | | 1,339,250 | | 63,970,750 |
| | <u>\$118,240,000</u> | <u>\$3,107,574</u> | <u>\$1,712,167</u> | <u>\$7,285,069</u> | <u>106,135,190</u> |
| Net Capital Assets | | | | | <u>349,815,211</u> |
| Invested in Capital Assets, net of related debt | | | | | <u>\$243,680,021</u> |

Restricted Assets are liquid assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The Government uses the Construction and Capital Acquisitions assets for their intended purpose before using unrestricted assets. The other restricted assets are required to be maintained until the related bonds mature. The balances of the restricted assets accounts in the governmental funds are as follows:

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

| | |
|---|----------------------------|
| Storm Water general obligation bonds account | \$1,398,372 |
| Public Safety obligation bonds and notes account | 4,138,748 |
| Office Building and Pool general obligation bonds account | 2,208 |
| Various Purpose general obligation notes account | 4,963,598 |
| Golf Course general obligation bonds account | 14,826 |
| Purchase of Development Rights general obligation bonds account | 965,009 |
| Equipment general obligation notes account | 5,498,119 |
| Public Properties Projects general obligation bond account | 1 |
| Public Library Corporation general obligation bond account | 21,121 |
| Total restricted assets | <u><u>\$17,002,002</u></u> |

The balances of the restricted assets accounts in the enterprise funds are as follows:

| | |
|--|----------------------------|
| Sanitary sewer system maintenance and operations account | \$4,223,993 |
| Sanitary sewer revenue bond sinking fund account | 4,811,530 |
| Sanitary sewer revenue bonds construction account | 10,760,982 |
| Sanitary sewer depreciation account | 2,328,000 |
| Sanitary sewer debt service reserve account | 4,614,776 |
| Public Facilities revenue bonds construction account | 307,671 |
| Public Facilities revenue bonds sinking fund account | 673,197 |
| Public Parking Corporation debt service reserve account | 787,697 |
| Total restricted assets | <u><u>\$28,507,846</u></u> |

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.

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 under a self-insurance plan. The plan provides Anthem Blue Cross Blue Shield, Humana, United Health Care, Aetna, Eckerd Prescription, Delta Dental, and Cole Vision coverage. 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:

| | |
|---|-------------------------|
| Liability at June 30, 2003 | \$1,952,717 |
| Claims and changes in estimates - FY 2004 | 21,673,106 |
| Claims paid FY 2004 | <u>(21,062,097)</u> |
| Liability at June 30, 2004 | 2,563,726 |
| Claims and changes in estimates - FY 2005 | 22,409,165 |
| Claims paid FY 2005 | <u>(24,422,729)</u> |
| Liability at June 30, 2005 | <u><u>\$550,162</u></u> |

B. Insurance and Risk Management - The Government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered through the Insurance and Risk Management Fund (the Fund), a self-insurance program

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

established in 1982. There are four types of insurance coverage provided by the self-insurance program: auto liability and physical damage, general liability, property and casualty, 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 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 (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends, and other economic and social factors. Estimated recoveries, for example from subrogation and excess insurance policies, are another component of the claims liability estimate.

Annually, as of June 30, the Fund has a third party actuary review the claim history for all claim years for which open claims are outstanding. The actuary projects the ultimate claim payment obligation (including the incurred but not reported 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, 2005, the undiscounted estimated liability was \$19,481,832. The discounted estimated liability as of June 30, 2005 was \$16,480,346. Changes in the balances of claims liabilities during the past two years are as follows:

| | Auto Liability and Physical Damage | General Liability | Property | Workmen's Compensation | Total |
|---|--|----------------------|------------------|---------------------------|---------------------|
| Liability at June 30, 2003 | \$806,686 | \$3,626,840 | \$113,298 | \$8,844,680 | \$13,391,504 |
| Claims and changes in estimates FY 2004 | 937,685 | 2,546,260 | (277,774) | 3,226,791 | 6,432,962 |
| Claims paid FY 2004 | (270,112) | (777,837) | 293,533 | (2,387,236) | (3,141,652) |
| Liability at June 30, 2004 | 1,474,259 | 5,395,263 | 129,057 | 9,684,235 | 16,682,814 |
| Claims and changes in estimates FY 2005 | 1,884,337 | (1,880,174) | 638,362 | 4,387,672 | 5,030,197 |
| Claims paid FY 2005 | (2,368,455) | 1,454,531 | (533,313) | (3,785,428) | (5,232,665) |
| Liability at June 30, 2005 | <u>\$990,141</u> | <u>\$4,969,620</u> | <u>\$234,106</u> | <u>\$10,286,479</u> | <u>\$16,480,346</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-Insurance Retention Fund as the direct source for payment of claims made against the LFUCG. During fiscal year 2004 and the first quarter of fiscal year 2005, the LFUCG was totally self-insured for general liability, auto liability, and public officials' liability. Workers' compensation self-insured retention was \$600,000 and Property self-insured retention remained \$250,000. Settlements have exceeded funding for each of the past five fiscal years resulting in a negative fund balance when Incurred But Not Reported (IBNR's) Claims are included in the total future liabilities. The following schedule indicates the types of excess insurance purchased the deductible or SIR (self-insured retention level) maintained by the Fund, and the limit of the excess insurance coverage:

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

| Line of coverage | Self-Insurance Retention Per Occurrence | Excess Reinsurance Annual Aggregate | |
|--------------------------------|--|--|----------------|
| Property | \$250,000 | \$500,000,000 | Per location |
| Flood loss (Excl. Zone A or B) | 250,000 | 100,000,000 | Per occurrence |
| Flood loss (Zone A or B) | 250,000 | 2,000,000 | Per occurrence |
| Earthquake loss | 250,000 | 100,000,000 | Per occurrence |
| Auto Physical damage | 100,000 | 5,000,000 | Per occurrence |
| Boiler Machinery | 250,000 | Included in | Per occurrence |
| | | property limits | |
| Electronic Data Processing | 250,000 | Included in | Per year |
| | | property limits | |
| Traffic Control Equipment | 100,000 | 3,000,000 | Per year |
| General Liability | 1,000,000 | 5,000,000 | Per occurrence |
| Auto Liability | 1,000,000 | 5,000,000 | Per occurrence |
| Workers' Compensation | 600,000 | Statutory | Per accident |
| Public Official Liability | 1,000,000 | 5,000,000 | Per occurrence |

NOTE 5. CONTINGENT LIABILITIES

A. Litigation - The Lexington-Fayette Urban County Government is party to numerous legal proceedings, many of which normally occur in government operations and will not involve any potential liability to the Government. The Government's Department of Law estimates that there are 44 pending cases in which there is a reasonably possible likelihood that the Government will incur some liability. The Department of Law and Division of Risk Management estimate the aggregate potential liability for the cases covered by self-insurance at \$6,134,385.

A lawsuit was filed as a putative class action on September 25, 2002, in the U.S. District Court, Eastern District of Kentucky (the "September 2002 action"). The plaintiffs are proceeding anonymously on behalf of themselves and other similarly-situated alleged victims of unlawful transactions by the executive director of Micro-City Government, Inc. Micro-City received financing through the Government for certain low-income work and lunch programs. The plaintiffs claim that the defendants, who include current or former Government officials, actively concealed knowledge of illegal activities and failed to warn any participants in Micro-City programs. The plaintiffs are seeking a monetary judgment, in the amount of \$10 million for each plaintiff and member of the putative class, damages, and costs. On January 13, 2003, some of the same lawyers who filed the September 2002 action filed a second federal court action, on behalf of 58 additional anonymous individuals (the "January 2003 action"). This action was nearly identical to the September 2002 action. The defendants deny liability in both actions.

The trial court denied class certification in the September 2002 action. The court subsequently dismissed both the September 2002 and January 2003 actions on grounds of the applicable statutes of limitation. The court declined to exercise jurisdiction over the plaintiffs' state claims, and dismissed those without prejudice. The plaintiffs in both actions appealed the class certification, statutes of limitation, and certain discovery-related issues to the Sixth Circuit Court of Appeals, which consolidated the two appeals.

On November 6, 2003, the same plaintiffs as filed the September 2002 and January 2003 actions attempted, in cases styled *Guy et al. v. Lexington Fayette Urban County Government ("Guy")* and *John Doe I et al. v. Pam Miller et al. ("Doe I")*, to re-open and vacate judgments in those cases dismissing the plaintiffs' claims as settled and denying class certification, on the grounds that the settlements were collusive. The purpose of these suits was to collaterally attack the successful statutes of limitation defenses in the September 2002 and January 2003 actions by arguing that the statutes of limitation never should have started running again when *Guy* and *Doe I* were dismissed. The plaintiffs' motions to vacate the judgments in *Guy* and *Doe I* were rejected by the district court, and those denials of relief were also appealed to the Sixth Circuit, where the two appeals were consolidated.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

All four appeals in the above-referenced cases were consolidated by the Sixth Circuit for the purposes of oral argument. Subsequently, the Sixth Circuit issued a single opinion and order addressing all four cases which found that the original judgment in *Guy* was void, re-opened that case for purposes of tolling the statutes of limitation applicable to the claims of the plaintiffs in the September 2002 and January 2003 actions, and permitted those plaintiffs to intervene in *Guy*. The appeals of the final judgments in *Doe I*, the September 2002 action, and the January 2003 actions were dismissed as moot. The defendants' petition for a rehearing of the appeal by an en banc panel of the Sixth Circuit was denied, but the Sixth Circuit entered an order staying the issuance of the mandate to permit the defendants to petition the U.S. Supreme Court for a writ of certiorari. The defendants filed their petition on November 10, 2005.

B. Lexington Center Corporation - Lexington Center Corporation (LCC) is a non-profit, non-stock corporate agency and instrumentality of the Lexington-Fayette Urban County Government. The Government entered into a Lease Agreement that provides for leasing for the Lexington Center from the Lexington Center Corporation 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 Lexington Center 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 Lexington Center Corporation that are not required to be otherwise applied. The agreement grants the Government an exclusive option to renew the lease for additional one-year periods through June 30, 2013, but the Government may elect not to renew the lease with written notice to Lexington Center Corporation.

The Government may acquire title to the facilities on any interest payment date by notifying the Lexington Center Corporation and the Trustee within sixty days before such date and by paying to the Trustee an amount equal to principal, interest and redemption premiums on bonds outstanding at that time, plus costs associated with the redemption of the bonds. The Government may also acquire title at the retirement of the bond issue if all annual renewals of the lease were executed and all rental payments were made.

On May 21, 1998, LCC and the University of Kentucky Athletic Association (UKAA) entered into a lease agreement for a term of the 1998-99 through 2003-04 basketball seasons for the use of Rupp Arena. After July 1, 2000, but during the term of the lease, UKAA has the option to purchase Rupp Arena and/or the Lexington Center Corporation Complex at appraised value. On August 13, 2001, UKAA entered into a lease extension through the 2017-18 basketball season and further agreed to eliminate its option to purchase Rupp Arena and/or the Lexington Center Complex.

Revenues from the operations of the LCC and proceeds from a statutorily dedicated transient room tax were sufficient to pay the debt service requirement in fiscal year 2005.

C. Lexington-Fayette Urban County Airport Corporation (Airport Corporation) - The Lexington-Fayette Urban County Airport Corporation is a nonprofit, nonstock corporate agency and instrumentality of the Lexington-Fayette Urban County Government and the Lexington-Fayette Urban County Airport Board (Airport Board). The Government and the Airport Board have entered into a joint and severable Contract Lease and Option Agreement that provides for leasing to 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

D. Vine Center Parking Garage - The Government is contingently liable for 37 1/2% of the debt service on the \$198,292 outstanding principal amount of the Kentucky State Property and Buildings Commission Economic Development Revenue Bonds, Project No. 30, Series 5 and Project No. 60. relating to the Vine Center Parking Garage Sub-Project.

E. Lexington Cultural Center - The Government proposed the development of a cultural center and entered into an agreement with the Commonwealth of Kentucky to provide financing for a portion of the project. The Commonwealth agreed to provide financing for the land acquisitions and related costs necessary for the project with the Government acting as the Commonwealth's agent to acquire the property under a Memorandum of Understanding dated 1990. The Commonwealth contributed \$9,635,114 for this project. A subsequent Memorandum of Understanding (MOU) and Mutual Releases between the Commonwealth of Kentucky and the Lexington-Fayette Urban County Government were signed January 22, 1997 to accommodate changes in the project scope. The Government has agreed to invest \$15,220,000 in various cultural projects, and as of June 30, 2005, the Government had contributed \$17,778,250; one project remains uncompleted. In addition, \$4,350,000 has been donated from private sources, and it is anticipated that \$500,000 more will be pledged.

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

G. 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. At June 30, 2005 the outstanding balance on conduit debt issues was \$241,343,840.

NOTE 6. SPECIAL ASSESSMENT DEBT

Neighborhood sewer projects are financed with Special Assessment Bonds. Special assessments are collected from the property owners as the individual installments become due and payable. Bonds totaling \$205,000 remained outstanding as of June 30, 2005. The Government is not liable for repayment but is only acting as agent for the property owners in collecting assessments, forwarding collections to paying agent and initiating foreclosure proceedings when necessary. The assets and liabilities related to these bonds are reported in an Agency Fund.

NOTE 7. THE SINGLE AUDIT ACT

The U.S. Office of Management and Budget's Circular No. A-133 for Audits of States, Local Governments and Non-Profit Organizations requires non-federal entities that expend \$500,000 or more a year in federal awards to have an audit performed in accordance with the provisions of the Circular. A separate supplemental report will be issued on active grant programs of the Lexington-Fayette Urban County 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 8. SUBSEQUENT EVENTS

Primary Government – On October 20, 2005 the Government passed a reimbursement resolution stating its intent to finance \$6.4 million for an Enterprise Resource Planning information system. In September 2005 the Government was informed by the Kentucky Department of Labor (DOL) of a question regarding calculation of the hourly rates used to calculate overtime pay for sworn officers in the Division of Fire and Emergency Services.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

Subsequently, the Government reached an agreement with the DOL that resulted in a back pay settlement of \$693,192.85. This backpay will be paid from the General Fund in 2006.

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

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

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

The sworn personnel of the divisions of Police and Fire are eligible to participate in the Policemen's and Firefighters' Retirement Fund. Benefits vest in this fund after twenty years of service. Employees who retire with 20 years of credited service receive 2.5% of their average salary times years of service. Members may add unused sick leave to service credit and average annual salary for purposes of calculating retirement benefits. In addition, the plan includes post-retirement benefits where any retired member who has been retired one year or more, will have an annual increase to his pension payment of between 2% and 5%, as determined by the Board of Trustees. The PFRF also provides death and disability benefits.

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

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, 2005:

| | <u>Policemen's and Firefighters'</u> | <u>City Employees'</u> |
|---|--|----------------------------|
| Inactive Plan Participants: | | |
| Retirees and beneficiaries currently receiving benefits | 829 | 140 |
| Active Plan Participants: | | |
| Vested | 90 | 1 |
| Nonvested | 880 | |
| Total | <u>1,799</u> | <u>141</u> |

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting - The preparation of the financial statements of the Policemen's and Firefighters' Retirement Fund and the City Employees' Pension Fund conform to the provisions of the GASB Statement No. 25. The financial statements are prepared on an accrual basis.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

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 represent 5% or more of net assets available for benefits.

C. Contributions - The contribution requirements and benefit provisions for the Policemen's & Firefighters' Pension Fund and City Employees' Pension Fund are established by state statute and Government ordinance. In fiscal year 2005, the Government contributed 21.0% to the PFRF. All other contributions were equal to the required contribution rates shown in the following table.

| | <u>Policemen's and Firefighters'</u> | <u>City Employees'</u> |
|------------------------------|--------------------------------------|------------------------|
| Required Contribution Rates: | | |
| Government | 17.0% | 17.5% |
| Plan Member | 11.0% | 8.5% |

D. Supplemental Information

Schedule of Funding Progress

| | | Actuarial Accrued | | | | |
|--|-----------------|-------------------|--------------|--------|--------------|-----------------|
| Actuarial | Actuarial Value | Liability (AAL) | Unfunded AAL | Funded | Covered | UAAL as a % of |
| Valuation | of Assets | - Entry Age | (UAAL) | Ratio | Payroll | Covered Payroll |
| Date | (a) | (b) | (b-a) | (a/b) | (c) | (b-a)/(c) |
| <i>Policemen's and Firefighters' Pension Fund (3% COLA)</i> | | | | | | |
| 7/1/00 | \$275,380,829 | \$354,463,673 | \$79,082,844 | 77.7% | \$39,260,250 | 201.4 % |
| 7/1/01 | 294,632,299 | 379,910,000 | 85,277,701 | 77.6% | 41,017,120 | 207.9 % |
| 7/1/02 | 292,510,573 | 400,184,454 | 107,673,881 | 73.1% | 41,309,602 | 260.7 % |
| 7/1/03 | 288,541,052 | 436,508,177 | 147,967,125 | 66.1% | 40,622,159 | 364.3 % |
| 7/1/04 | 329,683,295 | 467,385,573 | 137,702,278 | 70.5% | 40,316,319 | 341.6 % |
| 7/1/05 | 355,459,416 | 520,683,849 | 165,224,433 | 68.3% | 51,726,085 | 319.4 % |
| <i>City Employees' Pension Fund</i> | | | | | | |
| 7/1/00 | 32,597,231 | 29,142,478 | (3,454,753) | 111.9% | 62,988 | (5,484.8) % |
| 7/1/01 | 30,687,816 | 29,611,826 | (1,075,990) | 103.6% | 63,036 | (1,706.9) % |
| 7/1/02 | 28,017,121 | 28,174,544 | 157,423 | 99.4% | 65,820 | 239.2 % |
| 7/1/03 | 28,240,266 | 28,753,053 | 512,787 | 98.2% | 36,300 | 1,412.6 % |
| 7/1/04 | 28,029,752 | 28,313,018 | 288,266 | 99.0% | 38,604 | 746.7 % |
| 7/1/05 | 27,763,875 | 27,945,979 | 182,104 | 99.3% | 39,972 | 455.6 % |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

Schedule of Employer Contributions

| Year Ended June 30 | P&F Pension Fund (3% COLA) | | City Employees' Pension Fund | |
|-----------------------|---------------------------------|---------------------------|---------------------------------|---------------------------|
| | Annual Required Contribution | Percentage Contributed | Annual Required Contribution | Percentage Contributed |
| 1996 | \$11,733,278 | 40.5% | \$0 | N/A |
| 1997 | 9,917,990 | 54.1% | 0 | N/A |
| 1998 | 9,341,031 | 63.2% | 0 | N/A |
| 1999 | 9,895,934 | 68.5% | 0 | N/A |
| 2000 | 12,078,971 | 66.1% | 0 | N/A |
| 2001 | 12,078,971 | 76.4% | 0 | N/A |
| 2002 | 14,314,388 | 67.1% | 0 | N/A |
| 2003 | 14,314,388 | 70.1% | 13,984 | 71.1% |
| 2004 | 17,048,783 | 60.1% | 45,550 | 14.2% |
| 2005 | 17,048,783 | 68.6% | 25,606 | 26.6% |

Annual Pension Cost and Net Pension Obligation

| | Policemen's and Firefighters' Pension Fund * | City Employees' Pension Fund |
|--|--|------------------------------------|
| Annual Required Contribution | \$12,691,844 | \$25,606 |
| Interest on net pension obligation | 1,293,827 | 161,381 |
| Adjustment to annual required contribution | (1,356,257) | (179,188) |
| Annual pension cost | 12,692,414 | 7,799 |
| Contributions made | (11,689,068) | (6,816) |
| Increase in net pension obligation | 940,346 | 983 |
| Net pension obligation beginning of year | 16,172,843 | 2,017,259 |
| Net pension obligation end of year | <u>\$17,113,189</u> | <u>\$2,018,242</u> |
| *2% COLA | | |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

Three-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</u> |
|--|--|---------------------|--|---------------------------------------|
| <i>Policemen's and Firefighters' Pension Fund (2% COLA)</i> | | | | |
| 2003 | \$10,621,813 | \$10,027,620 | 94% | \$15,797,675 |
| 2004 | 10,619,518 | 10,244,350 | 96% | 16,172,843 |
| 2005 | 12,629,414 | 11,689,068 | 93% | 17,113,189 |
| <i>City Employees' Pension Fund</i> | | | | |
| 2003 | (3,754) | 9,949 | N/A | 1,995,817 |
| 2004 | 27,932 | 6,490 | 23% | 2,017,259 |
| 2005 | 7,799 | 6,816 | 87% | 2,018,242 |

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, 2004 | July 1, 2005 |
| Actuarial cost method | Entry Age Normal Funding | Entry Age Normal Funding |
| Amortization method | Level Dollar - Open | Level Dollar - Open |
| Remaining amortization period | 40 years | 15 years |
| Asset valuation method | Market | Market |
| Actuarial assumptions: | | |
| Investment rate of return | 8.0% | 8.0% |
| Projected salary increases | 5.0% | 5.0% |
| Projected benefit increases | 3.0% | 3.0% |
| Projected inflation rate | N/A | 4.0% |

E. Other Post Employment Benefit

In August 1999, the Council passed an ordinance that authorized the Government to provide a health insurance benefit to the retirees of both retirement funds, effective July 1, 1999. All retirees who continue to participate in the Government's group health insurance plan are eligible for this benefit. The Government paid the premiums for single coverage on a pay-as-you-go basis. In fiscal year 2005, 610 retirees of the PFRF received this benefit for a total cost of \$2,081,933; and 30 retirees of the CEPF received this benefit for a total cost to the Government of \$82,718.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

F. Pension Plan Financial Statements

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2005**

| | Pension Trust Funds | | |
|--|---|--|--|
| | Policemen's and Firefighters' Retirement | City Employees' Pension | Total Pension Trust Funds |
| ASSETS | | | |
| Cash | \$123,007 | \$6,044 | \$129,051 |
| Receivables: | | | |
| Member Contributions | 250,370 | 164 | 250,534 |
| Employer Contributions | 611,032 | 338 | 611,370 |
| Interest and Dividends | 1,704,773 | 179,949 | 1,884,722 |
| Due from Other Funds | 658,702 | 387 | 659,089 |
| Total Receivables | 3,224,877 | 180,838 | 3,405,715 |
| Investments, at Fair Value: | | | |
| U. S. Government Obligations | 29,745,944 | 4,399,520 | 34,145,464 |
| U. S. Government Agency and Instrumentality Obligations | 10,940,341 | 7,192,845 | 18,133,186 |
| Repurchase Agreements | 9,849,316 | | 9,849,316 |
| Municipal Bonds | 21,829,175 | | 21,829,175 |
| International Bonds | 2,200,793 | 456,106 | 2,656,899 |
| Corporate Bonds | 53,783,720 | 3,110,786 | 56,894,506 |
| Mutual Funds | 73,821,135 | | 73,821,135 |
| Domestic Stocks | 158,050,955 | 11,394,327 | 169,445,282 |
| International Stocks | 5,280,183 | 1,023,409 | 6,303,592 |
| Total Investments | 365,501,562 | 27,576,993 | 393,078,555 |
| Total Assets | 368,849,446 | 27,763,875 | 396,613,321 |
| LIABILITIES | | | |
| Refunds Payable and Other | 331,224 | | 331,224 |
| Securities Lending Transactions | 13,049,316 | | 13,049,316 |
| Total Liabilities | 13,380,540 | 0 | 13,380,540 |
| NET ASSETS | | | |
| Held in Trust for Pension Benefits | \$355,468,906 | \$27,763,875 | \$383,232,781 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2005

| | <u>Policemen's and Firefighters' Retirement</u> | <u>City Employees' Pension</u> | <u>Total</u> |
|--|---|--|-----------------------------|
| ADDITIONS | | | |
| Contributions: | | | |
| Employer | \$9,450,836 | \$6,816 | \$9,457,652 |
| Employer - Administration | 2,238,232 | 83,414 | 2,321,646 |
| Plan Members | 4,894,257 | 3,293 | 4,897,550 |
| Member Purchase of Service | 1,087,916 | | 1,087,916 |
| Other | 16,606 | | 16,606 |
| Total Contributions | <u>17,687,847</u> | <u>93,523</u> | <u>17,781,370</u> |
| Income on Investments: | | | |
| Net Change in Fair Value of Investments | 27,776,006 | 713,728 | 28,489,734 |
| Interest | 6,945,135 | 830,634 | 7,775,769 |
| Dividends | 2,783,160 | 223,723 | 3,006,883 |
| Total Income on Investments | <u>37,504,301</u> | <u>1,768,085</u> | <u>39,272,386</u> |
| Less Investment Expense | 1,523,053 | 64,704 | 1,587,757 |
| Net Income on Investments | <u>35,981,248</u> | <u>1,703,381</u> | <u>37,684,629</u> |
| Income from Securities Lending Activities: | | | |
| Securities Lending Income | 432,656 | | 432,656 |
| Securities Lending Expenses | | | |
| Borrower rebates | 350,420 | | 350,420 |
| Management Fees | 32,844 | | 32,844 |
| Total Securities Lending Expenses | <u>383,264</u> | <u>0</u> | <u>383,264</u> |
| Net Income on Securities Lending Activities | <u>49,392</u> | <u>0</u> | <u>49,392</u> |
| Total Additions | <u>53,718,487</u> | <u>1,796,904</u> | <u>55,515,391</u> |
| DEDUCTIONS | | | |
| Benefit Payments | 27,571,728 | 2,038,301 | 29,610,029 |
| Refunds of Contributions | 287,716 | | 287,716 |
| Administrative Expense | 73,432 | 24,913 | 98,345 |
| Total Deductions | <u>27,932,876</u> | <u>2,063,214</u> | <u>29,996,090</u> |
| Net Increase (Decrease) | 25,785,611 | (266,310) | 25,519,301 |
| Net Assets, July 1 | <u>329,683,295</u> | <u>28,030,185</u> | <u>357,713,480</u> |
| Net Assets, June 30 | <u><u>\$355,468,906</u></u> | <u><u>\$27,763,875</u></u> | <u><u>\$383,232,781</u></u> |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

G. The County Employees' Retirement System

Plan Description - The Government contributes to the Commonwealth of Kentucky's County Employees' Retirement System (CERS). 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, 2004, there were 1,383 local governments 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.

Funding Policy - For the year ended June 30, 2005, non-hazardous plan participating employees contributed 5% and hazardous plan participating employees contributed 8% of creditable compensation to CERS. Employer contribution rates, determined by the Board of Trustees of the Kentucky Retirement Systems, are intended to fund the CERS's normal cost on a current basis plus fund an amount equal to the amortization of unfunded past service costs over thirty years, using the level percentage of payroll method. Participating employers contributed 8.48% of members' non-hazardous compensation and 22.08% for hazardous compensation for the year ended June 30, 2005. The Government's contributions to CERS for the years ending June 30, 2005, 2004, and 2003 were \$8,164,874, \$6,284,431, and \$5,323,153 respectively, and were equal to the required contributions for each year.



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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

The **Police Confiscated State Fund** accounts for recoveries from state criminal case settlements awarded to the LFUCG 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.

DEBT SERVICE FUND

The **Debt Service Fund** is utilized to account for the accumulation of resources for, and payment of, general long-term debt principal and interest.

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

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

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

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

The **2002 Bond Projects** are for renovations of the Government Center, including replacement of the elevators and the HVAC system and for the Webasto Roof Systems, Inc. economic development project.

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

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

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

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

The **Public Properties Project** accounts for the capital projects funded by General Obligation Refunding Bonds, Series 2003A.

The **Condemnation** project accounts for condemnation related items in connection with the LFUCG Water Revenue Bond Anticipation Notes, Series 2003.

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

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

| Special Revenue Funds | | | | | | | | | | | | Capital Projects Funds | | | |
|-------------------------------------|-----------------------|-------------------------|---------------------------|----------------|--------------------------|--------------------------------|--------------------|-------------|---------------------------|---------------------------|--------------------------------|------------------------|--|--|--|
| County Aid Program | Municipal Aid Program | Industrial Revenue Bond | Local Economic Assistance | | Police Confiscated Funds | Police Confiscated State Funds | Public Safety Fund | Total | Lexington Cultural Center | Storm Water Bond Projects | Public Safety Capital Projects | Reynolds Road Project | | | |
| | | | Mineral Severance | Coal Severance | | | | | | | | | | | |
| Cash | \$49,799 | \$5,011,957 | \$9,287 | \$136,175 | \$31,639 | \$7,811 | \$70,861 | \$5,317,529 | \$3,706 | | | \$137,457 | | | |
| Current Investments | 200,000 | 1,350,000 | 18,000 | 300,000 | 130,000 | 68,000 | 200,000 | 2,266,000 | 321,416 | | 20,590 | 350,000 | | | |
| Restricted Investments | | | | | | | | 0 | | 1,398,372 | 4,138,748 | | | | |
| Receivables: | | | | | | | | | | | | | | | |
| Other | | | | | 12,636 | 600 | 86,238 | 99,474 | | 11 | | | | | |
| Due From Other Governments | 552,880 | | | | | | | 552,880 | | | | | | | |
| Due From Other Funds | | | | | | | | 0 | 504,333 | | 733,078 | 2,391,771 | | | |
| Total Assets | \$802,679 | \$6,361,957 | \$27,287 | \$436,175 | \$174,275 | \$76,411 | \$357,099 | \$8,235,883 | \$829,455 | \$1,398,383 | \$4,892,416 | \$2,879,228 | | | |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | | | | |
| Accounts and Contracts Payable | 2,461 | 1,274,945 | | \$66,217 | \$26,558 | \$3,225 | | \$1,475,592 | | \$55,117 | \$117,445 | \$76,324 | | | |
| Due to Other Funds | | | | | | | | 83,274 | | 0 | 0 | | | | |
| Unearned Revenues | | | 2,500 | | | | | 2,500 | | | | | | | |
| Total Liabilities | 2,461 | 1,274,945 | 2,500 | 66,217 | 26,558 | 3,225 | 0 | 1,561,366 | 0 | 55,117 | 117,445 | 76,324 | | | |
| Fund Balances: | | | | | | | | | | | | | | | |
| Reserved for: | | | | | | | | | | | | | | | |
| Encumbrances | 31,479 | 1,617,760 | | 235,012 | 16,672 | 27 | | 2,358,593 | 6,166 | 627,698 | 1,674,156 | 220,179 | | | |
| Unreserved (Deficit), reported in: | | | | | | | | | | | | | | | |
| Special Revenue Funds | 768,739 | 3,469,252 | 24,787 | 134,946 | 131,045 | 73,159 | 357,099 | 4,315,924 | | | | | | | |
| Capital Project Funds | | | | | | | | 0 | 823,289 | 715,568 | 3,100,815 | 2,582,725 | | | |
| Total Fund Balances | 800,218 | 5,087,012 | 24,787 | 369,958 | 147,717 | 73,186 | 357,099 | 6,674,517 | 829,455 | 1,343,266 | 4,774,971 | 2,802,904 | | | |
| Total Liabilities and Fund Balances | \$802,679 | \$6,361,957 | \$27,287 | \$436,175 | \$174,275 | \$76,411 | \$357,099 | \$8,235,883 | \$829,455 | \$1,398,383 | \$4,892,416 | \$2,879,228 | | | |

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING BALANCE SHEET, Continued
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2005

| Capital Projects Funds | | | | | | | | | | | | | | |
|-------------------------------------|--------------------------|--------------------------|--------------------------|---------------------------------|--------------------------------------|-----------------------------|---------------------------------|--------------|--------------------------|--------------------------|----------------------------------|--|--------------|--|
| | 2001 Bond Projects | 2002 Bond Projects | 2003 Bond Projects | Golf Course Bond Projects | Purchase of Development Rights | Equipment Lease Notes | Public Properties Project | Condemnation | 2004 Bond Projects | 2005 Bond Projects | Public Library Corporation | Roads, Parks, Open Space, Storm Water Exactions | Total | Total Nonmajor Governmental Funds |
| ASSETS | | | | | | | | | | | | | | |
| Cash | | | | | | | | | | | \$0 | \$14,583 | \$509,671 | \$5,827,200 |
| Current Investments | | | | | | 23,556 | | | | | 0 | 59,100 | 1,744,187 | 4,010,187 |
| Restricted Investments | 2,208 | 10,889 | 1,288,813 | 14,826 | 965,009 | 5,498,119 | 1 | | 2,321,907 | 1,341,989 | 21,121 | | 17,002,002 | 17,002,002 |
| Receivables: | | | | | | | | | | | | | | |
| Other | | | | | 1,650 | | | 7,599 | | | | | | |
| Due From Other Governments | | | | | | | | | | | 0 | | 0 | 552,880 |
| Due From Other Funds | | | | | | 334,956 | | | 161,000 | | | 178,715 | 4,303,853 | 4,303,853 |
| Due From Component Units | | | | | | | | | | 0 | 15,953 | | 15,953 | 15,953 |
| Total Assets | \$2,208 | \$10,889 | \$1,288,813 | \$14,826 | \$966,659 | \$5,856,631 | \$1 | \$7,599 | \$2,482,907 | \$1,341,989 | \$1,360,524 | \$5,874,773 | \$29,207,301 | \$37,443,184 |
| LIABILITIES AND FUND BALANCES | | | | | | | | | | | | | | |
| Liabilities: | | | | | | | | | | | | | | |
| Accounts and Contracts Payable | \$30,046 | | \$65,029 | \$662 | \$1,652 | \$188,148 | | \$27,022 | \$608,122 | \$14,863 | | \$2,397 | \$1,186,827 | \$2,662,419 |
| Due to Other Funds | | | | | 30,480 | 361,355 | | 5,442 | | | | 1,450,895 | 1,848,172 | 1,931,446 |
| Unearned Revenues and Other | | | | | | | | | | | | | | 2,500 |
| Total Liabilities | 30,046 | 0 | 65,029 | 662 | 32,132 | 549,503 | 0 | 32,464 | 608,122 | 14,863 | 0 | 1,453,292 | 3,034,999 | 4,596,365 |
| Fund Balances: | | | | | | | | | | | | | | |
| Reserved for: | | | | | | | | | | | | | | |
| Encumbrances | 62,439 | 3,999 | 760,366 | 2,810 | | 2,389,161 | | | 822,517 | | 872 | 191,001 | 6,761,364 | 9,119,957 |
| Unreserved (Deficit), reported in: | | | | | | | | | | | | | | |
| Special Revenue Funds | | | | | | | | | | | | | | |
| Capital Project Funds | (90,277) | 6,890 | 463,418 | 11,354 | 934,527 | 2,917,967 | 1 | (24,865) | 1,052,268 | 1,327,126 | 1,359,652 | 4,230,480 | 19,410,938 | 4,315,924 |
| Total Fund Balances (Deficits) | (27,838) | 10,889 | 1,223,784 | 14,164 | 934,527 | 5,307,128 | 1 | (24,865) | 1,874,785 | 1,327,126 | 1,360,524 | 4,421,481 | 26,172,302 | 32,846,819 |
| Total Liabilities and Fund Balances | \$2,208 | \$10,889 | \$1,288,813 | \$14,826 | \$966,659 | \$5,856,631 | \$1 | \$7,599 | \$2,482,907 | \$1,341,989 | \$1,360,524 | \$5,874,773 | \$29,207,301 | \$37,443,184 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

| | Special Revenue Funds | | | | | | Debt Service Fund | | Capital Projects Funds | | |
|--|-----------------------|-----------------------|-------------------------|---|--------------------------|--------------------------------|--------------------|--------------------|---|---------------------------|---------------------------|
| | County Aid Program | Municipal Aid Program | Industrial Revenue Bond | Local Economic Assistance Mineral Severance | Police Confiscated Funds | Police Confiscated State Funds | Public Safety Fund | Total | Fayette County Detention Center Corporation Total | Lexington Cultural Center | Storm Water Bond Projects |
| REVENUES | | | | | | | | | | | |
| Intergovernmental | \$1,092,117 | \$3,810,923 | | \$263,172 | \$328,799 | \$85,962 | | \$5,617,362 | | | |
| Exactions | | | | | | | | 0 | | | |
| Rental Income | | | | | | | | 0 | | | |
| Income on Investments | 10,727 | 81,869 | 1,381 | 6,293 | 1,268 | 833 | 1,549 | 110,238 | 194,138 | 6,474 | 30,282 |
| Other | | | | | 120 | | 355,550 | 355,670 | | | |
| Total Revenues | 1,102,844 | 3,892,792 | 1,381 | 269,465 | 330,187 | 86,795 | 357,099 | 6,083,270 | 194,138 | 6,474 | 30,282 |
| EXPENDITURES | | | | | | | | | | | |
| Current Operating: | | | | | | | | | | | |
| Administrative Services | | | | 202,945 | 275,879 | | | 478,824 | | | |
| Public Works | 660,966 | 4,234,155 | | | | | | 4,895,121 | | | |
| Police | | | | | 200,859 | 59,574 | | 260,433 | | | |
| Social Services | | | | | | | | 0 | | | |
| Outside Agencies | | | | | | | | 0 | | 5,130 | 107,356 |
| Debt Service: | | | | | | | | | | | |
| Principal | | | | | | | | 0 | 176,321 | | |
| Interest and Other | | | | | | | | 0 | 17,817 | | |
| Bond Issuance Costs | | | | | | | | 0 | | | |
| Capital: | | | | | | | | | | | |
| Equipment | | | | | | | | 0 | | 3,540 | |
| Acquisitions and Construction | | | | | | | | 0 | | 143,220 | 197,509 |
| Total Expenditures | 660,966 | 4,234,155 | 0 | 202,945 | 200,859 | 59,574 | 0 | 5,634,378 | 194,138 | 151,890 | 304,865 |
| Excess (Deficiency) of Revenues over (under) Expenditures | 441,878 | (341,363) | 1,381 | 66,520 | 129,328 | 27,221 | 357,099 | 448,892 | 0 | (145,416) | (274,583) |
| Other Financing Sources (Uses): | | | | | | | | | | | |
| Transfers In | | 1,022,690 | | | | | | 1,022,690 | | | |
| Transfers Out | | (800,000) | (55,000) | | | | | (855,000) | | | |
| Issuance of Debt | | | | | | | | 0 | | | |
| Net Premium (Discount) on Proceeds | | | | | | | | 0 | | | |
| Total Other Financing Sources (Uses) | 0 | 222,690 | (55,000) | 0 | 0 | 0 | 0 | 167,690 | 0 | 0 | 0 |
| Net Change in Fund Balances | 441,878 | (118,673) | (53,619) | 66,520 | (233,172) | 27,221 | 357,099 | 616,582 | 0 | (145,416) | (274,583) |
| Fund Balances, July 1 | 358,340 | 5,205,685 | 78,406 | 303,438 | 47,712 | 18,389 | 45,965 | 6,057,935 | | 974,871 | 1,617,849 |
| Fund Balances, June 30 | \$800,218 | \$5,087,012 | \$24,787 | \$369,958 | (\$185,460) | \$147,717 | \$357,099 | \$6,674,517 | \$0 | \$829,455 | \$1,343,266 |

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, Continued
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

| Capital Projects Funds | | | | | | | | | | | | | | | | |
|--|--------------------------------------|-----------------------------|--------------------------|--------------------------|--------------------------|---------------------------------|--------------------------------------|-----------------------------|---------------------------------|--------------|--------------------------|--------------------------|----------------------------------|--|--------------|--|
| | Public Safety Capital Projects | Reynolds Road Project | 2001 Bond Projects | 2002 Bond Projects | 2003 Bond Projects | Golf Course Bond Projects | Purchase of Development Rights | Equipment Lease Notes | Public Properties Project | Condemnation | 2004 Bond Projects | 2005 Bond Projects | Public Library Corporation | Roads, Parks, Open Space, Storm Water Exactions | Total | Total Nonmajor Governmental Funds |
| REVENUES | | | | | | | | | | | | | | | | |
| Intergovernmental | | \$11,745 | | | | | \$124,327 | | | | | | | | \$136,072 | \$5,753,434 |
| Exactions | | | | | | | | | | | | | | 4,767,468 | 4,767,468 | 4,767,468 |
| Rental Income | 78,173 | 12,107 | 759 | 360 | 25,715 | 364 | 1,643 | 30,906 | 23 | | 89,186 | 54 | 291,528 | 7,146 | 291,528 | 485,666 |
| Income on Investments | | | | | | | | | 9,000 | | | | 30,737 | | 313,929 | 424,167 |
| Other | | 23,852 | 759 | 360 | 25,715 | 364 | 125,970 | 30,906 | 9,023 | 0 | 89,186 | 54 | 322,265 | 4,774,614 | 9,000 | 364,670 |
| Total Revenues | 78,173 | 23,852 | 759 | 360 | 25,715 | 364 | 125,970 | 30,906 | 9,023 | 0 | 89,186 | 54 | 322,265 | 4,774,614 | 5,517,997 | 11,795,405 |
| EXPENDITURES | | | | | | | | | | | | | | | | |
| Current Operating: | | | | | | | | | | | | | | | | |
| Administrative Services | | | | | 62,850 | | | | | | | | | | 0 | 478,824 |
| Public Works | | | | | | | | | | | | | | | 62,850 | 4,957,971 |
| Police | | | | | | | | | | | | | | | 0 | 260,433 |
| Social Services | | | | | | | | | | | | | | | 0 | 0 |
| Outside Agencies | | | | | 2,331 | | 1,652 | | | | 84,511 | | 896 | 40,558 | 242,434 | 242,434 |
| Debt Service: | | | | | | | | | | | | | | | | |
| Principal | | | | | | | | | | | | | | | | |
| Interest and Other | 16 | | | | | 46 | 11 | 6,296 | 24,559 | 22,928 | | 11 | 130,000 | | 130,000 | 306,321 |
| Bond Issuance Costs | 14,901 | | | | | | 20,583 | 31,011 | | | 174,660 | 9,868 | 161,435 | | 215,302 | 233,119 |
| Capital: | | | | | | | | | | | | | | | 251,023 | 251,023 |
| Equipment | 2,462,002 | 358,229 | 308,441 | 14,993 | 658,780 | | 2,352,982 | 995,243 | | 333,953 | 21,059 | 14,863 | | | 3,840,073 | 3,840,073 |
| Acquisitions and Construction | | 773,748 | | | | | | 197,259 | | | 4,088,066 | | | 3,272 | 9,087,086 | 9,087,086 |
| Total Expenditures | 2,476,919 | 1,131,977 | 308,441 | 14,993 | 723,961 | 46 | 2,375,228 | 1,229,809 | 24,559 | 356,881 | 4,368,296 | 24,742 | 292,331 | 43,830 | 13,828,768 | 19,657,284 |
| Excess (Deficiency) of Revenues over (under) Expenditures | (2,398,746) | (1,108,125) | (307,682) | (14,633) | (698,246) | 318 | (2,249,258) | (1,198,903) | (15,536) | (356,881) | (4,279,110) | (24,688) | 29,934 | 4,730,784 | (8,310,771) | (7,861,879) |
| Other Financing Sources (Uses): | | | | | | | | | | | | | | | | |
| Transfers In | | | | | | | | | | | | | | | | |
| Transfers Out | 500,000 | 2,750,000 | 240,521 | | | | (6,461) | | | 77,500 | 161,000 | (123,281) | | | 3,729,021 | 4,751,711 |
| Issuance of Debt | 2,830,000 | | | | | | 3,035,000 | 5,365,000 | | | 9,640,000 | 1,455,000 | | | (129,742) | (984,742) |
| Line of Credit | | | | | | | | | | 304,813 | | | | | 22,325,000 | 22,325,000 |
| Net Premium (Discount) on Proceeds | (6,250) | | | | | | 7,168 | 18,205 | | | | 20,095 | | | 304,813 | 304,813 |
| Total Other Financing Sources (Uses) | 3,323,750 | 2,750,000 | 240,521 | 0 | 0 | 0 | 3,035,707 | 5,383,205 | 0 | 382,313 | 9,801,000 | 1,351,814 | 0 | 0 | 39,218 | 39,218 |
| Net Change in Fund Balances | 925,004 | 1,641,875 | (67,161) | (14,633) | (698,246) | 318 | 786,449 | 4,184,302 | (15,536) | 25,432 | 5,521,890 | 1,327,126 | 29,934 | 4,730,784 | 26,268,310 | 26,436,000 |
| Fund Balances, July 1 | 3,849,967 | 1,161,029 | 39,323 | 25,522 | 1,922,030 | 13,846 | 148,078 | 1,122,826 | 15,537 | (50,297) | (3,647,105) | 0 | 1,330,590 | (309,303) | 8,214,763 | 14,272,698 |
| Fund Balances, June 30 | \$4,774,971 | \$2,802,904 | (\$27,838) | \$10,889 | \$1,223,784 | \$14,164 | \$934,527 | \$5,307,128 | \$1 | (\$24,865) | \$1,874,785 | \$1,327,126 | \$1,360,524 | \$4,421,481 | \$26,172,302 | \$32,846,819 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND BUDGETARY ACTUAL (nonGAAP)
COUNTY AID PROGRAM SPECIAL REVENUE FUND
For the Year Ended June 30, 2005

| | Budgeted Amounts | | Actual Amounts | Variance with |
|---|-------------------------|--------------------|------------------------|----------------------|
| | Original | Final | Budgetary Basis | Final Budget |
| REVENUES | | | | |
| Intergovernmental | \$492,660 | \$537,880 | \$1,092,117 | \$554,237 |
| Income on Investments | 5,190 | 5,190 | 10,727 | 5,537 |
| Total Revenues | 497,850 | 543,070 | 1,102,844 | 559,774 |
| EXPENDITURES | | | | |
| Department of Public Works: | | | | |
| Street Maintenance | 540,050 | 1,062,193 | 492,963 | 569,230 |
| Total Expenditures | 540,050 | 1,062,193 | 492,963 | 569,230 |
| Excess (Deficiency) Revenues over (under) Expenditures | (42,200) | (519,123) | 609,881 | 1,129,004 |
| Fund Balance, July 1 | 42,200 | 158,858 | 158,858 | 0 |
| Fund Balance (Deficit), June 30 | \$0 | (\$360,265) | \$768,739 | \$1,129,004 |

Explanation of Differences between Budgetary Expenditures and GAAP Expenditures

| | |
|---|-----------|
| Total expenditures from the budgetary comparison schedule | \$492,963 |
| Differences - Budget to GAAP: | |
| Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but the year the supplies are received for financial reporting purposes. | 168,003 |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | \$660,966 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND BUDGETARY ACTUAL (nonGAAP)
MUNICIPAL AID PROGRAM SPECIAL REVENUE FUND
For the Year Ended June 30, 2005

| | Budgeted Amounts | | Actual Amounts | Variance with |
|---|-------------------------|--------------------|------------------------|----------------------|
| | Original | Final | Budgetary Basis | Final Budget |
| REVENUES | | | | |
| Intergovernmental | \$4,000,000 | \$4,546,600 | \$3,810,923 | (\$735,677) |
| Income on Investments | 33,000 | 33,000 | 81,869 | 48,869 |
| | | | | |
| Total Revenues | 4,033,000 | 4,579,600 | 3,892,792 | (686,808) |
| EXPENDITURES | | | | |
| Department of Public Works: | | | | |
| Street Maintenance | 1,650,000 | 2,989,290 | 2,820,333 | 168,957 |
| Engineering | 1,539,250 | 4,304,350 | 786,153 | 3,518,197 |
| | | | | |
| Total Expenditures | 3,189,250 | 7,293,640 | 3,606,486 | 3,687,154 |
| | | | | |
| Excess (Deficiency) Revenues over (under) Expenditures | 843,750 | (2,714,040) | 286,306 | 3,000,346 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | | 1,022,690 | 1,022,690 | 0 |
| Transfers Out | (800,000) | (800,000) | (800,000) | 0 |
| | | | | |
| Total Other Financing Sources | (800,000) | 222,690 | 222,690 | 0 |
| | | | | |
| Net Change in Fund Balance | 43,750 | (2,491,350) | 508,996 | 3,000,346 |
| | | | | |
| Fund Balance, July 1 | 0 | 2,960,256 | 2,960,256 | 0 |
| | | | | |
| Fund Balance, June 30 | \$43,750 | \$468,906 | \$3,469,252 | \$3,000,346 |

Explanation of Differences between Budgetary Expenditures and GAAP Expenditures

| | |
|---|--------------------|
| Total expenditures from the budgetary comparison schedule | \$3,606,486 |
| Differences - Budget to GAAP: | |
| Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but the year the supplies are received for financial reporting purposes. | 627,669 |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | <u>\$4,234,155</u> |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND BUDGETARY ACTUAL (nonGAAP)
LOCAL ECONOMIC ASSISTANCE - MINERAL SEVERANCE SPECIAL REVENUE FUND
For the Year Ended June 30, 2005

| | Budgeted Amounts | | Actual Amounts | Variance with |
|---|-------------------------|------------------|------------------------|----------------------|
| | Original | Final | Budgetary Basis | Final Budget |
| REVENUES | | | | |
| Intergovernmental | | \$183,000 | \$263,172 | \$80,172 |
| Income on Investments | | | 6,293 | 6,293 |
| Total Revenues | 0 | 183,000 | 269,465 | 86,465 |
| EXPENDITURES | | | | |
| Administrative Services: | | | | |
| Community Development | | 433,760 | 407,141 | 26,619 |
| Total Expenditures | 0 | 433,760 | 407,141 | 26,619 |
| Excess (Deficiency) Revenues over (under) Expenditures | 0 | (250,760) | (137,676) | 113,084 |
| Fund Balance July 1 | 0 | 272,622 | 272,622 | 0 |
| Fund Balance, June 30 | \$0 | \$21,862 | \$134,946 | \$113,084 |
| Explanation of Differences between Budgetary Expenditures and GAAP Expenditures | | | | |
| Total expenditures from the budgetary comparison schedule | | | \$407,141 | |
| Differences - Budget to GAAP: | | | | |
| Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but the year the supplies are received for financial reporting purposes. | | | (204,196) | |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | | | <u>\$202,945</u> | |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND BUDGETARY ACTUAL (nonGAAP)
LOCAL ECONOMIC ASSISTANCE - COAL SEVERANCE SPECIAL REVENUE FUND
For the Year Ended June 30, 2005

| | Budgeted Amounts | | Actual Amounts | Variance with |
|---|-------------------------|--------------------|------------------------|----------------------|
| | Original | Final | Budgetary Basis | Final Budget |
| REVENUES | | | | |
| Intergovernmental | | \$360,000 | \$36,389 | (\$323,611) |
| Income on Investments | | | 6,318 | 6,318 |
| Total Revenues | 0 | 360,000 | 42,707 | (317,293) |
| EXPENDITURES | | | | |
| Administrative Services | | 686,950 | 675,652 | 11,298 |
| Total Expenditures | 0 | 686,950 | 675,652 | 11,298 |
| Deficiency Revenues under Expenditures | 0 | (326,950) | (632,945) | (305,995) |
| Fund Balance (Deficit), July 1 | | (10,158) | (10,158) | 0 |
| Fund Balance (Deficit), June 30 | \$0 | (\$337,108) | (\$643,103) | (\$305,995) |

Explanation of Differences between Budgetary Expenditures and GAAP Expenditures

| | |
|---|-----------|
| Total expenditures from the budgetary comparison schedule | \$675,652 |
| Differences - Budget to GAAP: | |
| Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but the year the supplies are received for financial reporting purposes. | (399,773) |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds | \$275,879 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

| Grantor/Program Title | Federal CFDA Number | Direct/ Pass-through Grantor's Number | Accrued (Deferred) Revenue at July 1, 2004 | Revenue Received | Expenditures | Accrued (Deferred) Revenue at June 30, 2005 |
|---|------------------------------------|--|---|-----------------------------|---------------------|--|
| US Department of Labor: | | | | | | |
| Passed Through Commonwealth of Kentucky: | | | | | | |
| 715 Workforce Investment Act - WIA FY04 | 17.255 | 4090 | \$227,650 | \$227,650 | | \$0 |
| 778 Workforce Investment Act - WIA FY05 | 17.255 | 5101 | | 149,575 | 177,322 | 27,747 |
| 720 Workforce Investment Act-Youth FY04 | 17.255 | 4090 | 21,642 | 21,642 | | 0 |
| 783 Workforce Investment Act-Youth FY05 | 17.255 | 5101 | | 94,067 | 122,139 | 28,072 |
| Total US Department of Labor | | | <u>249,292</u> | <u>492,934</u> | <u>299,461</u> | <u>55,819</u> |
| US Department of Health and Human Services: | | | | | | |
| Direct Programs: | | | | | | |
| 702 Runaway Youth FY04 | 93.623 | 04CY0720/01 | 55,000 | 82,500 | 27,500 | 0 |
| 713 Runaway Youth FY05 | 93.623 | 04CY0720/02 | | 82,500 | 137,500 | 55,000 |
| Passed through Commonwealth of Kentucky: | | | | | | |
| 718 Senior Citizens Center FY05 | 93.044 | AS-2004-2005-2015 | | 75,186 | 75,186 | 0 |
| 854 U. of Ky. Research Foundation | 93.399 | 4-71911-03-268 | (1,760) | | 1,760 | 0 |
| 893 Bio-Terrorism FY05 | 93.996 | M-04187082 | | 21,415 | 46,212 | 24,797 |
| 780 Mental Health Service Project FY04 | 93.556 | M-03219639 | 7,094 | 7,094 | | 0 |
| 781 Peers Educating Peers FY04 | 93.558 | M-03186320 | 2,008 | 2,008 | | 0 |
| 769 Peers Educating Peers FY05 | 93.558 | M-04504882 | 0 | 25,000 | 25,000 | 0 |
| 761 New Chance FY04 | 93.558 | M-03186320 | 26,394 | 26,394 | | 0 |
| 768 New Chance FY05 | 93.558 | M-04504882 | | 324,689 | 324,689 | 0 |
| 791 Local Governance Council FY04 | 93.558 | M-03186320 | 710 | 710 | | 0 |
| 770 Local Governance Council FY05 | 93.558 | M-04504882 | | 57,900 | 57,900 | 0 |
| 801 Protection/Permanency FY04 | 93.558 | M-03186320 | (5,891) | (5,891) | | 0 |
| 762 Family Support Network FY04 | 93.597 | M-03219639 | 4,012 | 4,012 | | 0 |
| 847 Family Support Network FY05 | 93.597 | M-04577550 | | 4,920 | 4,920 | 0 |
| 794 Home Network FY03 | 93.597 | 2002-2003-5000-01-R | (4,842) | | 4,842 | 0 |
| 739 Home Network FY04 | 93.597 | 2003-2004-5000-01-R | 37,046 | 47,650 | 4,756 | (5,848) |
| 763 Home Network FY05 | 93.597 | 2004-2005-5000-01-R | | 222,970 | 208,273 | (14,697) |
| 756 Day Treatment FY03 | 93.667 | M-02174148 | | 4,817 | | 0 |
| Total US Department of Health and Human Services | | | <u>124,588</u> | <u>983,874</u> | <u>918,538</u> | <u>59,252</u> |
| US Department of Transportation: | | | | | | |
| Direct Programs: | | | | | | |
| Passed through Commonwealth of Kentucky: | | | | | | |
| 734 Todds/Liberty Transportation Improvement Prog. | 20.205 | C-00021586 | 16,406 | 27,281 | 30,885 | 20,010 |
| 889 Todds/Liberty Road Section II | 20.205 | C-04073306 | | 116,075 | 129,191 | 13,116 |
| 821 FHWA Transportation Planning FY04 | 20.205 | C-03023888 | 115,932 | 117,304 | 1,453 | 81 |
| 744 FHWA Transportation Planning FY05 | 20.205 | C-04122296 | | 154,530 | 245,719 | 91,189 |
| 843 Loudon Ave. Project | 20.205 | C-02279716 | 5,280 | 30,180 | 25,733 | 833 |
| 844 Richmond Road Multi-use Path | 20.205 | C-03274842 | 5,600 | 5,600 | 3,360 | 3,360 |
| 764 Automated Incident Mgmt. FY01 | 20.205 | C-00224332 | 511 | 511 | 18,472 | 18,472 |
| 813 Congestion Mitigation/Air Quality Plus | 20.205 | C-99070350 | 67,663 | 67,663 | | 0 |
| 839 Congestion Management Study FY04 | 20.205 | C-03165238 | | 46,600 | 78,000 | 31,400 |
| 868 Fiber Optic Cable Installation FY04 | 20.205 | C-03280798 | 49,018 | 180,370 | 149,174 | 17,822 |
| 749 Fiber Optic Cable Installation FY05 | 20.205 | C-04653593 | | | 11,394 | 11,394 |
| 814 Newtown Pike Extension | 20.205 | C-00343167 | 39,659 | 138,507 | 213,074 | 114,226 |
| 796 Newtown Pike CMAQ FY02 | 20.205 | C-01261650 | | | 16,761 | 16,761 |
| 825 Traffic Signal Upgrade FY01 | 20.205 | C-00206711 | 1,264 | 3,888 | 18,138 | 15,514 |
| 829 Traffic Signal Upgrade FY02 | 20.205 | C-01099453 | 13,632 | 13,632 | | 0 |
| 736 Traffic Signal Installation FY03 | 20.205 | C-02262457 | 9,115 | 69,642 | 60,795 | 268 |
| 789 Traffic Signal Installation FY04 | 20.205 | C-0336343 | | 5,461 | 47,669 | 42,208 |
| 765 Traffic Signal Installation FY05 | 20.205 | C-04257980 | | 14,401 | 20,680 | 6,279 |
| 719 ITS- Traffic Control Project FY02 | 20.205 | C-01099473 | 6,705 | 26,128 | 19,423 | 0 |
| 759 ITS- Traffic Control Project FY03 | 20.205 | C-02269501 | \$21,199 | 59,673 | 49,205 | 10,731 |
| 869 ITS- Traffic Control Project FY04 | 20.205 | C-03325196 | | 12,016 | 12,016 | 0 |
| 884 ITS- Traffic Control Project FY05 | 20.205 | C-04258064 | | 4,068 | 4,948 | 880 |
| 932 Walkable Communities Workshop FY04 | 20.205 | C-04004720 | 3,760 | 3,760 | | 0 |
| 819 Citation Blvd. | 20.205 | SLX-00-09 | 4,424 | 9,659 | 5,235 | 0 |
| 882 Noise Abatement Project FY04 | 20.205 | C-03463993 | | 29,883 | 44,180 | 14,297 |
| 788 Brighton East Trail Construction FY05 | 20.205 | C-05031709 | | | 2,960 | 2,960 |
| 755 Bicycle Coordinator Program FY03 | 20.205 | C-03274570 | 7,886 | 33,453 | 25,567 | 0 |
| 807 Bicycle Coordinator Program FY05 | 20.205 | C-04653677 | | 2,202 | 9,526 | 7,324 |
| 834 Bike Locker Program FY03 | 20.205 | C-00164053 | 3,499 | 3,499 | | 0 |
| 870 Bike & Pedestrian Enhancement FY05 | 20.205 | C-01099430 | | | 4,093 | 4,093 |
| 748 Air Quality Planning FY05 | 20.205 | C-04257920 | | 13,052 | 24,076 | 11,024 |
| 828 Air Quality Planning FY04 | 20.205 | C-03248783 | 7,767 | 31,160 | 25,001 | 1,608 |
| 712 Restoration of Latrobe's Pope Villa | 20.205 | C-01248155 | 58,062 | 60,570 | 28,422 | 25,914 |
| 714 Downtown Wayfinder Signage | 20.205 | C-02262421 | 4,632 | 4,632 | | 0 |
| 803 Brighton East Trail | 20.205 | C-00126131 | | 45,516 | 50,784 | 5,268 |
| 725 West Hickman Trail | 20.205 | C-04482975 | 12,000 | 18,000 | 14,000 | 8,000 |
| 709 Widening Clays Mill Road - I | 20.205 | C-03328826 | 47,569 | 195,228 | 223,035 | 75,376 |
| 737 Widening Clays Mill Road - II | 20.205 | C-03328686 | 35,886 | 147,274 | 168,250 | 56,862 |
| 707 Air Quality Planning FY03 | 20.205 | C-02262292 | 2,827 | 2,827 | | 0 |
| 705 Town Branch Trail North FY04 | 20.205 | C-02182950 | | | 35,650 | 35,650 |
| 872 Town Branch Trail North FY03 | 20.205 | C-03022850 | | 46,158 | 46,158 | 0 |
| 738 Alumni DriveRight Turn Lane at US 27 | 20.205 | C-02262377 | | | | 0 |
| 743 Alumni DriveRight Turn Lane at US 27 | 20.205 | C-05031745 | | 35,444 | 46,644 | 11,200 |
| 716 MCSAP FFY02 (Safety Inspection Program) | 20.218 | M-02178273 | 20,239 | 54,969 | 34,730 | 0 |
| 758 MCSAP FFY05 (Safety Inspection Program) | 20.218 | M-05042656 | | 38,969 | 57,347 | 18,378 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

| Grantor/Program Title | | Federal CFDA Number | Direct/ Pass-through Grantor's Number | Accrued (Deferred) Revenue at July 1, 2004 | Revenue Received | Expenditures | Accrued (Deferred) Revenue at June 30, 2005 |
|---|--|---------------------------|---|---|---------------------|------------------|--|
| 746 | Mobility Office FY05 | 20.505 | C-04258033 | | \$58,740 | \$88,619 | \$29,879 |
| 826 | Mobility Office FY04 | 20.505 | C-03249056 | 26,453 | 26,453 | | 0 |
| 817 | FTA Section 5303 FY04 | 20.505 | KY0809LEX | 8,207 | 8,207 | | 0 |
| 742 | FTA Section 5303 FY05 | 20.505 | KY0809LEX | | 13,992 | 29,364 | 15,372 |
| 741 | Traffic Safety FFY05 | 20.600 | PT-05-21 | | 2,605 | 15,518 | 12,913 |
| 812 | Traffic Safety FFY05-Supplemental | 20.600 | IN5-05-02 | | | 9,999 | 9,999 |
| 835 | Traffic Safety FFY04 | 20.600 | PT-04-26 | 7,965 | 23,010 | 15,045 | 0 |
| 933 | Buckle Up Kentucky | 20.600 | IN4-04-01 | 9,778 | 9,778 | | 0 |
| Total US Department of Transportation | | | | <u>612,938</u> | <u>2,012,570</u> | <u>2,160,293</u> | <u>760,661</u> |
| US Department of Housing and Urban Development: | | | | | | | |
| Direct Programs: | | | | | | | |
| 901 | CDBG Program Year 2001 | 14.218 | B00MC210004 | (558,082) | | | (558,082) |
| 902 | CDBG Program Year 2002 | 14.218 | B01MC210004 | 424,357 | | 2,911 | 427,268 |
| 903 | CDBG Program Year 2003 | 14.218 | B02MC210004 | 171,508 | | 182,394 | 353,902 |
| 904 | CDBG Program Year 2004 | 14.218 | B03MC210004 | 901,086 | 1,811,123 | 1,493,417 | 583,380 |
| 905 | CDBG Program Year 2005 | 14.218 | B04MC210004 | (598,023) | | 628,356 | 30,333 |
| 871 | Emergency Shelter FY04 | 14.231 | S03MC210003 | 49,231 | 49,405 | 174 | 0 |
| 875 | Emergency Shelter FY05 | 14.231 | S04MC210003 | | 64,797 | 82,749 | 17,952 |
| 860 | H.O.M.E. FY01 | 14.239 | M00MC210201 | (8,455) | 111,485 | 110,239 | (9,701) |
| 861 | H.O.M.E. FY02 | 14.239 | M01MC210201 | 125,041 | 92,038 | 127,663 | 160,666 |
| 862 | H.O.M.E. FY03 | 14.239 | M02MC210201 | 23,075 | 294,307 | 448,011 | 176,779 |
| 863 | H.O.M.E. FY04 | 14.239 | M03MC210201 | 46,200 | 602,054 | 626,967 | 71,113 |
| 864 | H.O.M.E. FY05 | 14.239 | M04MC210201 | (74,053) | 165,578 | 206,605 | (33,026) |
| 827 | H.O.P.W.A. FY02 | 14.241 | KY-H01-0004 | 98,168 | 420,420 | 495,531 | 173,279 |
| Total US Department of Housing and Urban Development | | | | <u>600,053</u> | <u>3,611,207</u> | <u>4,405,017</u> | <u>1,393,863</u> |
| US Department of Agriculture: | | | | | | | |
| Direct Programs: | | | | | | | |
| 798 | Purchase of Development Rights (Prog. 855) | 10.913 | 73-5C16-4-242 | | 1,660,112 | 2,368,059 | 707,947 |
| 935 | WHIP (Wildlife Habitat Incentive Program) | 10.914 | 72-5C16-4-A031 | | | 1,026 | 1,026 |
| Passed through Commonwealth of Kentucky: | | | | | | | |
| 751 | Food Commodities Social Services FFY05 | 10.550 | 034-0400 | | 4,575 | 4,575 | 0 |
| 740 | National School Lunch Program - FFY04 | 10.555 | 034-038-999 | 10,526 | 27,353 | 16,827 | 0 |
| 795 | National School Lunch Program - FFY05 | 10.555 | 034-038-999 | | 50,159 | 64,126 | 13,967 |
| 724 | Child Care Food Program FFY04 | 10.558 | 034-L95-999 | 8,918 | 22,102 | 13,184 | 0 |
| 760 | Child Care Food Program FFY05 | 10.558 | 034-L95-999 | | 34,438 | 42,792 | 8,354 |
| 711 | Summer Lunch-Parks & Housing FFY05 | 10.559 | 034-X75-999SU | | | 62,557 | 62,557 |
| 754 | Summer Lunch-Parks & Housing FFY04 | 10.559 | 034-X75-999SU | 53,089 | 135,688 | 82,599 | 0 |
| 837 | Urban Forestry FY04 | 10.664 | M-03263322 | 9,665 | 19,286 | 9,621 | 0 |
| 808 | Urban Forestry FY05 | 10.664 | M-04548175 | | | 1,302 | 1,302 |
| Total US Department of Agriculture | | | | <u>82,198</u> | <u>1,953,713</u> | <u>2,666,668</u> | <u>795,153</u> |
| US Department of Interior: | | | | | | | |
| Passed through Commonwealth of Kentucky: | | | | | | | |
| 881 | Loudon House | 15.AA1 | 21-01-ML-1118 | \$6,326 | \$6,326 | | 0 |
| 809 | Historic Preservation FFY03 | 15.904 | 21-03-18217 | 10,000 | 13,258 | 3,258 | 0 |
| 799 | Historic Preservation FFY05 | 15.904 | 21-04-19318 | | | 5,555 | 5,555 |
| 831 | Cardinal Run Park FY04 | 15.916 | 21-01278 | | 55,320 | 75,000 | 19,680 |
| Total US Department of Interior | | | | <u>16,326</u> | <u>74,904</u> | <u>83,813</u> | <u>25,235</u> |
| US Department of Justice: | | | | | | | |
| Direct Programs: | | | | | | | |
| 140 | Police Confiscated Funds | 16.000 | NA | (18,389) | 328,798 | 199,470 | (147,717) |
| 877 | Safe Havens | 16.527 | 2003-CW-BX-0010 | 42,093 | 143,786 | 161,958 | 60,265 |
| 806 | Local Law Enforcement Block Grant FFY03 | 16.592 | 2002-LB-BX-1731 | (21,158) | | 21,158 | 0 |
| 747 | Local Law Enforcement Block Grant FFY04 | 16.592 | 2003-LB-BX-2632 | (132,621) | | 79,328 | (53,293) |
| 782 | Local Law Enforcement Block Grant FFY05 | 16.592 | 2004-LB-BX-0510 | | | 74,460 | (21,897) |
| 820 | SCAAP (State Criminal Alien Assist.Prog.)FY05 | 16.606 | 2004APBX0089 | | 54,531 | 54,531 | 0 |
| 934 | Bulletproof Vests FY04 | 16.607 | 04023843 | | 6,294 | 6,294 | 0 |
| 735 | Project Safe Neighborhoods FY04 | 16.609 | 2003-GP-CX-0547 | | | 16,865 | 16,865 |
| 706 | Project Safe Neighborhoods FY03 | 16.609 | 2003-GP-CX-0547 | 1,525 | 89,847 | 178,315 | 89,993 |
| 874 | Drug Free Community | 16.729 | 2001JNFX0109 | 15,050 | 69,284 | 75,039 | 20,805 |
| Passed through Commonwealth of Kentucky: | | | | | | | |
| 786 | Juvenile Accountability Block Grt. FFY04 | 16.523 | 2002-JB-BX-0023 (102) | 9,333 | 17,088 | 7,755 | 0 |
| 732 | Juvenile Accountability Block Grt. FFY05 | 16.523 | 2003-JB-BX-0033 (101) | | 24,238 | 27,149 | 2,911 |
| 830 | PALYEP (Police Activity League Youth Enrich.) FY04 | 16.541 | 2002MUMU0010-FY04 | (6,402) | 12,697 | 19,099 | 0 |
| 858 | PALYEP (Police Activity League Youth Enrich.) FY05 | 16.541 | 2002MUMU0010-FY05 | | 13,333 | | (13,333) |
| 851 | Title V FY05 | 16.548 | 2002-JP-FX-0001 | | 2,615 | 10,458 | 7,843 |
| 776 | Street Sales FFY04 | 16.579 | 7028-N2-16/03 | 237,281 | 297,504 | 60,223 | 0 |
| 776 | Street Sales FFY04-Confiscated Funds | 16.579 | 7028-N2-16/03 | (34,103) | 7,407 | 41,510 | 0 |
| 721 | Street Sales FFY05 | 16.579 | 7077-N2-17/04 | | | 82,843 | 82,843 |
| 721 | Street Sales FFY05-Confiscated Funds | 16.579 | 7077-N2-17/04 | | | 45,346 | 20,936 |
| 792 | Families & Services Together FY04 | 16.579 | M-03291585 | 21,108 | 21,108 | | 0 |
| 767 | Families & Courts Together FY05 | 15.579 | M-04476277 | | 24,441 | 35,369 | 10,928 |
| 774 | Urban League Construction Training FFY04 | 16.579 | 7029-N12-4/03 | 54,010 | 67,367 | 13,357 | 0 |
| 723 | HOPE | 16.579 | 6524-N15A-1/02 | 66,380 | 66,380 | | 0 |
| 726 | SANE FY04 (Sexual Assault Treatment Project) | 16.588 | 6624-VA1-5/03 | 16,022 | 50,321 | 34,299 | 0 |
| 773 | SANE FY05 (Sexual Assault Treatment Project) | 16.588 | 6672-VA1-6/04 | | 10,932 | 24,827 | 13,895 |
| Total US Department of Justice | | | | <u>250,129</u> | <u>1,428,738</u> | <u>1,269,653</u> | <u>91,044</u> |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2005

| <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, 2004</u> | <u>Revenue Received</u> | <u>Expenditures</u> | <u>Accrued (Deferred) Revenue at June 30, 2005</u> |
|--|------------------------------------|--|---|-----------------------------|---------------------|--|
| US Department of Homeland Security Office of Domestic Preparedness | | | | | | |
| Direct Programs: | | | | | | |
| 838 Assistance to Firefighters FY04 | 97.044 | EMW-2003FG-03924 | \$20,670 | \$54,950 | \$34,280 | \$0 |
| 728 Assistance to Firefighters FY05 | 97.044 | EMW-2004-FG-17842 | | | | 0 |
| 841 Cooperating Technical Partners FY04 | 97.045 | EMA-2003-GR-5389 | 115,461 | 394,306 | 319,153 | 40,308 |
| 845 MMRS (Metropolitan Medical Response System) | 97.071 | EMW-2004-GR-0802 | | 1,223 | 13,106 | 11,883 |
| Passed through Commonwealth of Kentucky: | | | | | | |
| 852 WMD (Weapons Mass Destruc) City Bomb Squad | 97.004 | M-03199593 | 2,093 | 3,441 | 1,348 | 0 |
| 853 WMD (Weapons Mass Destruc) Direct to County | 97.004 | M-03138124 | 29,057 | 63,937 | 34,880 | 0 |
| 876 WMD (Weapons Mass Destruc) Direct to Cty.Prt II | 97.004 | M-03254738 | | 206,211 | 206,211 | 0 |
| 898 WMD (Weapons Mass Destruc) Bomb Squad Part II | 97.004 | M-03454617 | 2,550 | 50,000 | 47,450 | 0 |
| 811 Citizen Corps Council | 97.053 | M-04613329 | | | 998 | 998 |
| 800 CERT (Community Emergency Response Team) | 97.053 | M-04613192 | | 1,173 | 1,401 | 228 |
| 785 Law Enforcement Terrorism Prevention FY05 | 97.074 | M-04595845 | | 239,267 | 244,157 | 4,890 |
| 888 Ice Storm 2003 | 83.548 | DR 1454 | 2,534,893 | | | 2,534,893 |
| 729 Hazard Mitigation Grant Prog. (HMGP) Lexington | 97.039 | M-03366348 | 556 | | 44,850 | 45,406 |
| 810 CSEPP FFY02 | 97.040 | M-02405489 | 39,522 | 39,522 | | 0 |
| 823 CSEPP FFY03 | 97.040 | M-02156072 | 9,191 | 16,970 | 8,243 | 464 |
| 710 CSEPP FFY04 | 97.040 | M-04687902 | 6,357 | 16,987 | 16,032 | 5,402 |
| 818 CSEPP FFY05 | 97.040 | M-05118118 | | 377 | 7,014 | 6,637 |
| 745 Emergency Management Assistance FFY04 | 97.042 | M-04028482 | 28,178 | 38,083 | 9,905 | 0 |
| 804 Emergency Management Assistance FFY05 | 97.042 | M-05029993 | | 10,981 | 20,294 | 9,313 |
| 703 Emergency Operations Plan | 97.052 | M-03055032 | 26,427 | 26,427 | | 0 |
| Total US Dept. of Homeland Security Office of Domestic Preparedness | | | <u>2,814,955</u> | <u>1,163,855</u> | <u>1,009,322</u> | <u>2,660,422</u> |
| National Oceanic & Atmospheric Administration | | | | | | |
| Passed through Commonwealth of Kentucky: | | | | | | |
| 937 Bluegrass Pride Household Waste | 11.469 | N/A | 0 | 0 | 9,409 | 9,409 |
| Total National Oceanic & Atmospheric Administration | | | <u>0</u> | <u>0</u> | <u>9,409</u> | <u>9,409</u> |
| US Environmental Protection Agency | | | | | | |
| Passed through Commonwealth of Kentucky: | | | | | | |
| 930 Gainesway Retention Basin | 66.460 | C-9994861-03 | 10,717 | 10,736 | 18,617 | 18,598 |
| 931 McConnell Springs Pond | 66.460 | C-9994861-03 | 19,724 | 19,995 | 18,107 | 17,836 |
| Total US Environmental Protection Agency | | | <u>30,441</u> | <u>30,731</u> | <u>36,724</u> | <u>36,434</u> |
| US Department of Education: | | | | | | |
| Direct Programs: | | | | | | |
| 850 21st Century Learning FY04 | 84.287 | M-03202666 | (71,402) | | 71,402 | 0 |
| 842 21st Century Learning FY05 | 84.287 | M-04184935 | | | 16,800 | 16,800 |
| Total US Department of Education | | | <u>(71,402)</u> | <u>0</u> | <u>88,202</u> | <u>16,800</u> |
| Total Federal Financial Assistance | | | <u>\$4,709,518</u> | <u>\$11,752,526</u> | <u>\$12,947,100</u> | <u>\$5,904,092</u> |

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2005**

| Grantor/Program Title | Grantor's Number | Grantor | Accrued or (Deferred) Revenue at July 1, 2004 | Revenue Received | Expenditures | Accrued or (Deferred) Revenue at June 30, 2005 |
|---|---------------------|--|---|--------------------|--------------------|--|
| 701 Fire Training Incentive FY04 | 155 | Kentucky Commission on Fire Protection | \$105,012 | \$105,012 | | \$0 |
| 701 Fire Training Incentive FY05 | 155 | Kentucky Commission on Fire Protection | | 1,645,597 | 1,762,377 | 116,780 |
| 704 Community Juvenile Justice FY05 | M-03148088 | Kentucky Justice Cabinet | 100,335 | 100,335 | | 0 |
| 721 Street Sales FFY05 Confiscated Funds | 7077-N2-17/04 | Kentucky Justice Cabinet | | 14,784 | 27,615 | 12,831 |
| 722 Ballet Under the Tears | N/A | Kentucky Arts Council | | 7,500 | 7,500 | 0 |
| 726 SANE FY04 Sexual Assault Treatment Project | 6624-VA1-5/03 | Kentucky Justice Cabinet | 1,000 | 3,800 | 2,800 | 0 |
| 729 Hazard Mitigation Grant Pgm. (HMGP) Lexington | DR-1388-006 | Kentucky Emergency Management Agency | 50 | | 6,755 | 6,805 |
| 730 Coleman House FY05 | 15-14 | Kentucky Cabinet for Families and Children | | 21,694 | 21,694 | 0 |
| 731 Intensive Probation FY03 | M-02174148 | Kentucky Justice Cabinet | 6,250 | 6,250 | | 0 |
| 733 Police Training Incentive FY04 | PT-105-03 | Kentucky Law Enforcement Foundation | 150,995 | 150,995 | | 0 |
| 733 Police Training Incentive FY05 | PT-105-03 | Kentucky Law Enforcement Foundation | | 1,620,149 | 1,766,071 | 145,922 |
| 734 Todd/Liberty Transportation Improvement Pgm. | C-0021586 | Kentucky Transportation Cabinet | 4,101 | 6,819 | 7,721 | 5,003 |
| 739 Home Network FY04 | 2003-2004-5000-01-R | Lexington Fayette County Health Dept. | | 1,390 | 1,390 | 0 |
| 744 FHWA Transportation Planning FY05 | C-04122296 | Kentucky Transportation Cabinet | | 9,658 | 15,358 | 5,700 |
| 745 Emergency Management Assistance FFY04 | M-04028482 | Kentucky Emergency Management Agency | | 3,735 | 3,735 | 0 |
| 750 KY Body Armor Program | NA | Kentucky Dept. for Local Government | | 77,600 | 63,491 | (14,109) |
| 756 Day Treatment FY03 | M-02174148 | Kentucky Dept. of Juvenile Justice | 7,993 | 7,993 | | 0 |
| 757 Transition Plus FY03 | M-02174148 | Kentucky Dept. of Juvenile Justice | 14,042 | 14,042 | 33,930 | 0 |
| 763 Home Network FY05 | 2004-2005-5000-01-R | Lexington Fayette County Health Dept. | | 33,930 | 19,574 | 0 |
| 766 Local Records Grant | SY0403LR23 | Kentucky Dept. for Libraries/Archives | (19,574) | | 11,790 | 3,643 |
| 767 Families & Courts Together FY05 | M-04476277 | Kentucky Dept. of Juvenile Justice | (16,520) | 8,147 | 16,348 | 1,000 |
| 772 Area Development Fund FY04 | A834 (2004-A) | Kentucky Dept. for Local Government | | 800 | 1,800 | 0 |
| 773 SANE FY05 Sexual Assault Treatment Project | 6672-VA1-6/04 | Kentucky Justice Cabinet | | 8,618 | 8,618 | 0 |
| 775 Animal Disposal Assistance FY05 | 04-DA743 | Kentucky Dept. Agriculture | (9,011) | 11,201 | 20,212 | 0 |
| 776 Street Sales FFY04 | 7028-N2-16/03 | Kentucky Justice Cabinet | | 209,657 | 228,717 | 19,060 |
| 777 Day Treatment FY05 | M-04215988 | Kentucky Dept. of Juvenile Justice | 17,115 | 17,115 | | 0 |
| 787 Law Enforcement Service Fee FY04 | LSF-589-L1-04 | Kentucky Justice Cabinet | 7,036 | 7,036 | | 0 |
| 792 Families & Services Together FY04 | M-03291585 | Kentucky Dept. of Education | | 539 | 539 | 0 |
| 795 National School Lunch Program FFY05 | 034-038-999 | Kentucky Transportation Cabinet | | 3,638 | 3,638 | 0 |
| 796 Newtown Pike Extension FY02 | C-01261650 | Kentucky Dept. of Juvenile Justice | | 29,605 | 29,605 | 0 |
| 797 Transition Plus FY05 | M-04215988 | Kentucky Dept. of Juvenile Justice | | 1,810,688 | 2,056,006 | 245,318 |
| 798 Purchase of Development Rights FY00 (Prog. 853) | M-01288488 | Kentucky Dept. Agriculture | | 14,518 | 14,518 | 0 |
| 804 Emergency Mgmt Assistance FFY05 | M-05058359 | Kentucky Emergency Management Agency | | 34,627 | 53,269 | 28,557 |
| 814 Newtown Pike Extension FY02 | C00343167 | Kentucky Transportation Cabinet | 9,915 | | 14,083 | 0 |
| 816 Kentucky Pride FY03 | NA | Kentucky Dept. Natural Resources | (14,083) | | 91 | 5 |
| 821 FHWA Transportation Planning FY04 | C-03023888 | Kentucky Transportation Cabinet | 7,246 | 7,332 | 228,947 | 118,500 |
| 833 Community Juvenile Justice FY05 | M-04235109 | Kentucky Justice Cabinet | | 2,913 | 4,875 | 1,962 |
| 839 Congestion Management Study FY04 | C-03165238 | Kentucky Finance & Administration Cabinet | | 1,943,141 | 1,484,956 | 0 |
| 846 Lexington Center FY04 | NA | Kentucky Dept. for Local Government | | | 37,009 | 0 |
| 848 African Cemetery #2 | NA | Kentucky Dept. Natural Resources | | | 94,451 | 0 |
| 856 Kentucky Pride FY04 | NA | Kentucky Finance & Administration Cabinet | | 715,447 | 1,131,476 | 416,029 |
| 886 Johnson Community Center | M-02182811 | Kentucky Environmental Protection Cabinet | 458,185 | 59,075 | | 0 |
| 887 Waste Tire Amnesty Program FY04 | M-04052650 | Kentucky Emergency Management Agency | (37,009) | 29,019 | 32,298 | 405,583 |
| 888 Ice Storm 2003 | DR 1454 | Kentucky Transportation Cabinet | (94,451) | 10,689 | 10,644 | (45) |
| 889 Todd/Liberty Road Section II | C-04073306 | Kentucky Bd. Emergency Medical Services | | 135,666 | 11,583 | 0 |
| 890 Emergency Medical Services FY05 | M-05089830 | Kentucky Bd. Emergency Medical Services | (11,583) | 6,655 | 73,511 | (62,155) |
| 892 Emergency Medical Services FY03 (B) | M-03109249 | Kentucky Emergency Management Agency | | 240 | 6,655 | 0 |
| 896 Kentucky Pride FY05 | NA | Kentucky Transportation Cabinet | | | | 0 |
| 899 Search & Rescue | M-05015672 | | 240 | | | 0 |
| 932 Walkable Communities | C-04004720 | | | | | 0 |
| Total State Financial Assistance | | | \$1,151,942 | \$8,993,926 | \$9,315,650 | \$1,473,666 |

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 FY 1996 to account for the revenues and expenses of developing and operating an enhanced 911 system.

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

The **Small Business Development Fund** was established in FY 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2005

| | Right of Way | Extended School Program | Prisoners' Account System | Enhanced 911 | LexVan Program | Small Business Development | Total |
|---|-----------------------------|--|--|-------------------------|---------------------------|---|--------------------|
| ASSETS | | | | | | | |
| Current Assets: | | | | | | | |
| Cash | \$29,879 | \$111,221 | \$672,208 | \$270,549 | \$63,068 | \$92,961 | \$1,239,886 |
| Investments | | 630,000 | | 800,000 | 100,000 | 32,060 | 1,562,060 |
| Receivables: | | | | | | | |
| Other Receivables | 3,750 | 18,395 | | 5,374 | | 64,284 | 91,803 |
| Less Allowance for Uncollectible Accounts | | | | | | (84,284) | (84,284) |
| Due from Other Funds | | 1,306 | | | | | 1,306 |
| Total Current Assets | <u>33,629</u> | <u>760,922</u> | <u>672,208</u> | <u>1,075,923</u> | <u>163,068</u> | <u>105,021</u> | <u>2,810,771</u> |
| Non-Current Assets: | | | | | | | |
| Vehicles, Equipment, and Furniture | | 80,442 | 144,760 | 1,512,681 | | | 1,737,883 |
| Less Accumulated Depreciation | | (65,381) | (61,384) | (1,389,845) | | | (1,516,610) |
| Total Non-Current Assets | <u>0</u> | <u>15,061</u> | <u>83,376</u> | <u>122,836</u> | <u>0</u> | <u>0</u> | <u>221,273</u> |
| Total Assets | <u>33,629</u> | <u>775,983</u> | <u>755,584</u> | <u>1,198,759</u> | <u>163,068</u> | <u>105,021</u> | <u>3,032,044</u> |
| LIABILITIES | | | | | | | |
| Current Liabilities: | | | | | | | |
| Accounts, Contracts and Retainage Payable | 98 | 32,749 | 132,840 | 282,454 | | | 448,141 |
| Accrued Payroll | 13,383 | 67,619 | | 12,694 | | | 93,696 |
| Due to Other Funds | 16,074 | | 22,721 | | | | 38,795 |
| Other | | | 93,912 | | 23,200 | | 117,112 |
| Compensated Absences | | 200 | | | | | 200 |
| Total Current Liabilities | <u>29,555</u> | <u>100,568</u> | <u>249,473</u> | <u>295,148</u> | <u>23,200</u> | <u>0</u> | <u>697,944</u> |
| Non-Current Liabilities | | | | | | | |
| Compensated Absences | | 2,622 | | | | | 2,622 |
| Total Non-Current Liabilities | <u>0</u> | <u>2,622</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>2,622</u> |
| Total Liabilities | <u>29,555</u> | <u>103,190</u> | <u>249,473</u> | <u>295,148</u> | <u>23,200</u> | <u>0</u> | <u>700,566</u> |
| NET ASSETS | | | | | | | |
| Invested in Capital Assets, net of related debt | | 15,061 | 83,376 | 122,836 | | | 221,273 |
| Unrestricted | 4,074 | 657,732 | 422,735 | 780,775 | 139,868 | 105,021 | 2,110,205 |
| Total Net Assets | <u>\$4,074</u> | <u>\$672,793</u> | <u>\$506,111</u> | <u>\$903,611</u> | <u>\$139,868</u> | <u>\$105,021</u> | <u>\$2,331,478</u> |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2005

| | <u>Right of Way</u> | <u>Extended School Program</u> | <u>Prisoners' Account System</u> | <u>Enhanced 911</u> | <u>LexVan Program</u> | <u>Small Business Development</u> | <u>Total</u> |
|-------------------------------------|-----------------------------|--|--|-------------------------|---------------------------|---|--------------------|
| Operating Revenues | | | | | | | |
| Fees | | \$1,373,131 | | \$2,429,014 | \$31,690 | | \$3,833,835 |
| Licenses & Permits | 207,304 | | | | | | 207,304 |
| Gross Profit-Commissary | | | 916,281 | | | | 916,281 |
| Other | | 159 | 693,387 | 11,293 | | 4,263 | 709,102 |
| Total Operating Revenues | <u>207,304</u> | <u>1,373,290</u> | <u>1,609,668</u> | <u>2,440,307</u> | <u>31,690</u> | <u>4,263</u> | <u>5,666,522</u> |
| Operating Expenses | | | | | | | |
| Right of Way | 266,933 | | | | | | 266,933 |
| Extended School Program | | 1,110,289 | | | | | 1,110,289 |
| Prisoners' Account | | | 920,012 | | | | 920,012 |
| Inmate Trust Account | | | 510,970 | | | | 510,970 |
| Enhanced 911 | | | | 2,052,487 | | | 2,052,487 |
| LexVan Program | | | | | 40,296 | | 40,296 |
| Small Business Development | | | | | | 3,562 | 3,562 |
| Administration | | 332,467 | | | | | 332,467 |
| Depreciation | | 9,661 | 41,711 | 60,871 | | | 112,243 |
| Total Operating Expenses | <u>266,933</u> | <u>1,452,417</u> | <u>1,472,693</u> | <u>2,113,358</u> | <u>40,296</u> | <u>3,562</u> | <u>5,349,259</u> |
| Operating Income (Loss) | (59,629) | (79,127) | 136,975 | 326,949 | (8,606) | 701 | 317,263 |
| Non-Operating Revenues | | | | | | | |
| Income on Investments | 416 | 12,946 | | | 2,681 | 391 | 16,434 |
| Total Non-Operating Revenues | <u>416</u> | <u>12,946</u> | <u>0</u> | <u>0</u> | <u>2,681</u> | <u>391</u> | <u>16,434</u> |
| Change in Net Assets | (59,213) | (66,181) | 136,975 | 326,949 | (5,925) | 1,092 | 333,697 |
| Net Assets - July 1 | <u>63,287</u> | <u>738,974</u> | <u>369,136</u> | <u>576,662</u> | <u>145,793</u> | <u>103,929</u> | <u>1,997,781</u> |
| Net Assets - June 30 | <u>\$4,074</u> | <u>\$672,793</u> | <u>\$506,111</u> | <u>\$903,611</u> | <u>\$139,868</u> | <u>\$105,021</u> | <u>\$2,331,478</u> |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2005

| | Right of Way | Extended School Program | Prisoners' Account System | Enhanced 911 | LexVan Program | Small Business Development | Total |
|--|-----------------------------|--|--|-------------------------|---------------------------|---|--------------------|
| Decrease in Cash and Cash Equivalents: | | | | | | | |
| Cash Flows from Operating Activities: | | | | | | | |
| Receipts from Customers | \$203,554 | \$1,354,895 | \$1,618,157 | \$2,446,056 | \$54,890 | \$4,263 | \$5,681,815 |
| Receipts from Interfund Services Provided | | | (15,733) | | | | (15,733) |
| Repayment of Loans | | | | | | 16,438 | 16,438 |
| Loans to Other Funds | | | | | | 572 | 572 |
| Payments to Suppliers | (4,216) | (267,878) | (1,380,184) | (997,816) | (30,062) | | (2,680,156) |
| Payments to Employees | (262,920) | (1,078,129) | (4,271) | (1,126,128) | | | (2,471,448) |
| Payments for Interfund Services Used | 16,074 | (101,723) | | (9,409) | (10,234) | | (105,292) |
| Net Cash Provided by (used in) Operating Activities | (47,508) | (92,835) | 217,969 | 312,703 | 14,594 | 21,273 | 426,196 |
| Cash Flows from Capital and Related Activities: | | | | | | | |
| Additions to Property, Plant and Equipment | | | (39,255) | (122,477) | | | (161,732) |
| Net Cash Flows from Capital and Related Activities | 0 | 0 | (39,255) | (122,477) | 0 | 0 | (161,732) |
| Cash Flows from Investing Activities: | | | | | | | |
| Proceeds from Sales and Maturities of Investments | 76,000 | 190,000 | | 80,000 | 45,000 | (380) | 390,620 |
| Income on Investments | 416 | 12,946 | | | 2,681 | 391 | 16,434 |
| Net Cash Flows from Investing Activities | 76,416 | 202,946 | 0 | 80,000 | 47,681 | 11 | 407,054 |
| Increase in Cash and Cash Equivalents | 28,908 | 110,111 | 178,714 | 270,226 | 62,275 | 21,284 | 671,518 |
| Cash and Cash Equivalents at Beginning of Year | 971 | 1,110 | 493,494 | 323 | 793 | 71,677 | 568,368 |
| Cash and Cash Equivalents at End of Year | \$29,879 | \$111,221 | \$672,208 | \$270,549 | \$63,068 | \$92,961 | \$1,239,886 |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities: | | | | | | | |
| Operating Income (Loss) | (\$59,629) | (\$79,127) | \$136,975 | \$326,949 | (\$8,606) | \$701 | \$317,263 |
| Adjustments Not Affecting Cash: | | | | | | | |
| Depreciation | | 9,661 | 41,711 | 60,871 | | | 112,243 |
| Allowance for Bad Debts | | | | | | 3,562 | 3,562 |
| (Increase) Decrease in Assets: | | | | | | | 0 |
| Other Receivables | (3,750) | (18,395) | | 5,749 | | 16,438 | 42 |
| Due from Other Funds | | | | | | 572 | 572 |
| Increase (Decrease) in Liabilities: | | | | | | | 0 |
| Accounts Payable | (271) | 1,265 | 46,527 | (42,904) | | | 4,617 |
| Accrued Payroll | 68 | 1,681 | | (37,962) | | | (36,213) |
| Due to Other Funds | 16,074 | | (15,733) | | | | 341 |
| Other Liabilities | | | 8,489 | | 23,200 | | 31,689 |
| Compensated Absences | | (7,920) | | | | | (7,920) |
| Total Adjustments | 12,121 | (13,708) | 80,994 | (14,246) | 23,200 | 20,572 | 108,933 |
| Net Cash Provided by Operating Activities | (\$47,508) | (\$92,835) | \$217,969 | \$312,703 | \$14,594 | \$21,273 | \$426,196 |

INTERNAL SERVICE FUNDS

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2005

| | Health Dental and Vision Care | Insurance and Risk Management | Total |
|--------------------------------------|--|--|----------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash | \$505,868 | \$909,024 | \$1,414,892 |
| Investments | | 7,600,000 | 7,600,000 |
| Receivables: | | | |
| Other Receivables | 152,698 | 181,291 | 333,989 |
| Due from Other Funds | | 137,940 | 137,940 |
| Total Current Assets | <u>658,566</u> | <u>8,828,255</u> | <u>9,486,821</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | 550,162 | 24,085 | 574,247 |
| Due to Other Funds | | 254 | 254 |
| Claims Payable: | | | |
| Reported | | 6,065,719 | 6,065,719 |
| Incurred But Not Reported | | 10,414,627 | 10,414,627 |
| Total Current Liabilities | <u>550,162</u> | <u>16,504,685</u> | <u>17,054,847</u> |
| Non-Current Liabilities | | | |
| Compensated Absences | | 62,187 | 62,187 |
| Total Non-Current Liabilities | <u>0</u> | <u>62,187</u> | <u>62,187</u> |
| Total Liabilities | <u>550,162</u> | <u>16,566,872</u> | <u>17,117,034</u> |
| NET ASSETS | | | |
| Unrestricted (Deficit) | <u>\$108,404</u> | <u>(\$7,738,617)</u> | <u>(\$7,630,213)</u> |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2005

| | Health, Dental and Vision Care Insurance | | | | Insurance and Risk Management | |
|-------------------------------------|---|------------------|--------------------|--------------------|--------------------------------------|----------------------|
| | Health | Dental | Vision Care | Total | | Total |
| Operating Revenues | | | | | | |
| Premiums | \$22,658,981 | \$1,685,104 | \$409,542 | \$24,753,627 | \$7,399,797 | \$32,153,424 |
| Total Operating Revenues | <u>22,658,981</u> | <u>1,685,104</u> | <u>409,542</u> | <u>24,753,627</u> | <u>7,399,797</u> | <u>32,153,424</u> |
| Operating Expenses | | | | | | |
| Operating Expenses | | | | 0 | 2,862,816 | 2,862,816 |
| Claims and Benefit Payments | 20,484,962 | 1,697,071 | 227,132 | 22,409,165 | 8,481,228 | 30,890,393 |
| Total Operating Expenses | <u>20,484,962</u> | <u>1,697,071</u> | <u>227,132</u> | <u>22,409,165</u> | <u>11,344,044</u> | <u>33,753,209</u> |
| Operating Income (Loss) | 2,174,019 | (11,967) | 182,410 | 2,344,462 | (3,944,247) | (1,599,785) |
| Non-Operating Revenues | | | | | | |
| Income on Investments | | | | 0 | 180,668 | 180,668 |
| Total Non-Operating Revenues | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>180,668</u> | <u>180,668</u> |
| Change in Net Assets | 2,174,019 | (11,967) | 182,410 | 2,344,462 | (3,763,579) | (1,419,117) |
| Net Assets - July 1 | <u>(2,065,615)</u> | <u>11,967</u> | <u>(182,410)</u> | <u>(2,236,058)</u> | <u>(3,975,038)</u> | <u>(6,211,096)</u> |
| Net Assets - June 30 | <u>\$108,404</u> | <u>\$0</u> | <u>\$0</u> | <u>\$108,404</u> | <u>(\$7,738,617)</u> | <u>(\$7,630,213)</u> |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2005

| | <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 Operations: | | | |
| Receipts from Customers | \$13,351,254 | | \$13,351,254 |
| Receipts from Interfund Services Provided | 11,441,347 | 7,553,390 | 18,994,737 |
| Payments to Suppliers | | (2,303,835) | (2,303,835) |
| Payments to Employees | | (1,027,249) | (1,027,249) |
| Payments for Claims | (23,363,977) | (6,348,655) | (29,712,632) |
| Payments for Interfund Services Used | (1,058,752) | (63,031) | (1,121,783) |
| Net Cash Provided by (Used in) Operating Activities | <u>369,872</u> | <u>(2,189,380)</u> | <u>(1,819,508)</u> |
| Cash Flows from Investing Activities: | | | |
| Purchases of Investments | | (7,600,000) | (7,600,000) |
| Proceeds from Sales and Maturities of Investments | | 10,412,000 | 10,412,000 |
| Income on Investments | | 180,668 | 180,668 |
| Net Cash Flows from Investing Activities | <u>0</u> | <u>2,992,668</u> | <u>2,992,668</u> |
| Net Increase in Cash and Cash Equivalents | 369,872 | 803,288 | 1,173,160 |
| Cash and Cash Equivalents at Beginning of Year | <u>135,996</u> | <u>105,736</u> | <u>241,732</u> |
| Cash and Cash Equivalents at End of Year | <u><u>\$505,868</u></u> | <u><u>\$909,024</u></u> | <u><u>\$1,414,892</u></u> |
| Reconciliation of Operating Loss to Net Cash Used In Operating Activities: | | | |
| Operating Income (Loss) | <u>\$2,344,462</u> | <u>(\$3,944,247)</u> | <u>(\$1,599,785)</u> |
| (Increase) Decrease in Assets: | | | |
| Other Receivables | 38,974 | 2,335,041 | 2,374,015 |
| Due from Other Funds | | 153,593 | 153,593 |
| Increase (Decrease) in Liabilities: | | | |
| Accounts Payable | | (541,525) | (541,525) |
| Due to Other Funds | (1,058,752) | 254 | (1,058,498) |
| Claims Payable | (954,812) | (640,479) | (1,595,291) |
| Other Liabilities | | 438,011 | 438,011 |
| Compensated Absences | | 9,972 | 9,972 |
| Total Adjustments | <u>(1,974,590)</u> | <u>1,754,867</u> | <u>(219,723)</u> |
| Net Cash Provided by (Used In) Operating Activities | <u><u>\$369,872</u></u> | <u><u>(\$2,189,380)</u></u> | <u><u>(\$1,819,508)</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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For The Year Ended June 30, 2005

| | Balance July 1, 2004 | Additions | Deletions | Balance June 30, 2005 |
|--|---------------------------------|------------------|------------------|----------------------------------|
| NEIGHBORHOOD SEWER PROJECTS FUND | | | | |
| Cash and Short-Term Investments | \$342,376 | \$512,703 | \$687,697 | \$167,382 |
| Accounts Receivable | 61,717 | 30,252 | 60,164 | 31,805 |
| Allowance for Uncollectible Accounts | (61,467) | 35,517 | 5,855 | (31,805) |
| Total Assets | <u>\$342,626</u> | <u>\$578,472</u> | <u>\$753,716</u> | <u>\$167,382</u> |
| Payable to Property Owners | \$287,126 | | \$175,244 | \$111,882 |
| Reserve for Bond Redemption | 55,500 | | | 55,500 |
| Total Liabilities | <u>\$342,626</u> | <u>\$0</u> | <u>\$175,244</u> | <u>\$167,382</u> |
| JUVENILE AND ADULT PROBATION FUND | | | | |
| Cash | \$350,907 | \$111,458 | \$148,230 | \$314,135 |
| Total Assets | <u>\$350,907</u> | <u>\$111,458</u> | <u>\$148,230</u> | <u>\$314,135</u> |
| Accounts Payable | \$350,907 | \$111,458 | \$148,230 | \$314,135 |
| Total Liabilities | <u>\$350,907</u> | <u>\$111,458</u> | <u>\$148,230</u> | <u>\$314,135</u> |
| DOMESTIC RELATIONS | | | | |
| Cash | \$349,389 | \$3,486 | \$29,853 | \$323,022 |
| Due From Other Funds | 72 | | 72 | 0 |
| Total Assets | <u>\$349,461</u> | <u>\$3,486</u> | <u>\$29,925</u> | <u>\$323,022</u> |
| Accounts Payable | \$349,461 | \$3,486 | \$29,925 | \$323,022 |
| Total Liabilities | <u>\$349,461</u> | <u>\$3,486</u> | <u>\$29,925</u> | <u>\$323,022</u> |
| TOTALS - AGENCY FUNDS | | | | |
| Cash and Short-Term Investments | \$1,042,672 | \$627,647 | \$865,780 | \$804,539 |
| Accounts Receivable | 61,717 | 30,252 | 60,164 | 31,805 |
| Allowance for Uncollectible Accounts | (61,467) | 35,517 | 5,855 | (31,805) |
| Due From Other Funds | 72 | | 72 | 0 |
| Total Assets | <u>\$1,042,994</u> | <u>\$693,416</u> | <u>\$931,871</u> | <u>\$804,539</u> |
| Liabilities | \$987,494 | \$114,944 | \$353,399 | \$749,039 |
| Reserve for Bond Redemption | 55,500 | | | 55,500 |
| Total Liabilities | <u>\$1,042,994</u> | <u>\$114,944</u> | <u>\$353,399</u> | <u>\$804,539</u> |

**CAPITAL ASSETS
USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY SOURCE
June 30, 2005

General Capital Assets:

| | |
|-----------------------------------|--------------|
| Land | \$39,610,883 |
| Buildings | 113,072,601 |
| Vehicles, Equipment and Furniture | 81,439,031 |
| Land Improvements | 9,087,909 |
| Leasehold Improvements | 961,317 |
| Purchase of Development Rights | 36,054,099 |
| Infrastructure | 36,882,875 |
| Construction in Progress | 23,372,577 |

| | |
|-------------------------------------|----------------------|
| Total General Capital Assets | \$340,481,292 |
|-------------------------------------|----------------------|

Investment in General Capital Assets from:

| | |
|-----------------------|---------------|
| General Fund | \$276,328,060 |
| Special Revenue Funds | 57,886,692 |
| Donations | 6,266,540 |

| | |
|---|----------------------|
| Total Investment in General Capital Assets | \$340,481,292 |
|---|----------------------|

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
For the Year Ended June 30, 2005**

| Function and Activity | General Capital Assets July 1, 2004 | Additions | Deletions | General Capital Assets June 30, 2005 |
|--------------------------------------|--|----------------------------|---------------------------|---|
| General Government: | | | | |
| Control: | | | | |
| Legislative | \$57,872 | \$19,442 | | \$77,314 |
| Executive | 20,982,706 | 7,543,933 | 20,808 | 28,505,831 |
| Constitutional Officers and Judicial | 398,136 | 8,528 | | 406,664 |
| Total Control | <u>21,438,714</u> | <u>7,571,903</u> | <u>20,808</u> | <u>28,989,809</u> |
| Staff Agencies: | | | | |
| Finance | 2,895,416 | 68,901 | 197,908 | 2,766,409 |
| Administrative Services | 31,158,616 | 3,540,347 | 61,356 | 34,637,607 |
| Law | 63,108 | | | 63,108 |
| General Services | 57,280,410 | 3,753,511 | 2,500,216 | 58,533,705 |
| Outside Agencies | 7,224,874 | 155,054 | 28,308 | 7,351,620 |
| Total Staff Agencies | <u>98,622,424</u> | <u>7,517,813</u> | <u>2,787,788</u> | <u>103,352,449</u> |
| Total General Government | <u>120,061,138</u> | <u>15,089,716</u> | <u>2,808,596</u> | <u>132,342,258</u> |
| Public Safety | 107,399,952 | 4,484,612 | 1,594,812 | 110,289,752 |
| Public Works | 78,491,599 | 13,138,054 | 1,152,527 | 90,477,126 |
| Social Services | 4,341,214 | 3,061,623 | 30,681 | 7,372,156 |
| Total General Capital Assets | <u><u>\$310,293,903</u></u> | <u><u>\$35,774,005</u></u> | <u><u>\$5,586,616</u></u> | <u><u>\$340,481,292</u></u> |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
June 30, 2005

| Function and Activity | Land | Buildings | Vehicles, Equipment and Furniture | Land and Leasehold Improvements | Purchase of Development Rights | Infrastructure | Construction in Progress | Total |
|--------------------------------------|--------------|---------------|---|---------------------------------------|--------------------------------------|----------------|-----------------------------|---------------|
| General Government: | | | | | | | | |
| Control: | | | | | | | | |
| Legislative | | | \$77,314 | | | | | \$77,314 |
| Executive | 179,680 | 19,489,672 | 89,159 | 52,866 | 7,402,648 | 59,206 | 1,232,600 | 28,505,831 |
| Constitutional Officers and Judicial | | 22,033 | 384,631 | | | | | 406,664 |
| Total Control | 179,680 | 19,511,705 | 551,104 | 52,866 | 7,402,648 | 59,206 | 1,232,600 | 28,989,809 |
| Staff Agencies: | | | | | | | | |
| Finance | | 68,300 | 2,698,109 | | | | | 2,766,409 |
| Administrative Services | 869,483 | 1,538,171 | 963,923 | | 28,651,451 | 112,000 | 2,502,579 | 34,637,607 |
| Law | | | 63,108 | | | | | 63,108 |
| General Services | 30,331,690 | 9,148,915 | 10,305,591 | 7,685,280 | | | 1,062,229 | 58,533,705 |
| Outside Agencies | | 6,816,276 | 467,349 | 67,995 | | | | 7,351,620 |
| Total Staff Agencies | 31,201,173 | 17,571,662 | 14,498,080 | 7,753,275 | 28,651,451 | 112,000 | 3,564,808 | 103,352,449 |
| Total General Government | 31,380,853 | 37,083,367 | 15,049,184 | 7,806,141 | 36,054,099 | 171,206 | 4,797,408 | 132,342,258 |
| Public Safety | 2,086,928 | 71,445,903 | 36,656,567 | 49,400 | | | 50,954 | 110,289,752 |
| Public Works | 5,648,491 | 2,705,251 | 28,725,254 | 2,113,141 | | 36,711,669 | 14,573,320 | 90,477,126 |
| Social Services | 494,611 | 1,838,080 | 1,008,026 | 80,544 | | | 3,950,895 | 7,372,156 |
| Total General Capital Assets | \$39,610,883 | \$113,072,601 | \$81,439,031 | \$10,049,226 | \$36,054,099 | \$36,882,875 | \$23,372,577 | \$340,481,292 |

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 **Explorium of Lexington** provides a unique educational opportunity for Fayette County and Central Kentucky children of all ages. The facility offers learning experiences in life skills, natural sciences, environment and culture with interactive exhibits for experimenting and demonstration.

The **Carnegie Literacy Center** provides adult literacy programs 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 ASSETS
NONMAJOR COMPONENT UNITS
June 30, 2005

| | Lexington Transit Authority | Lexington Public Library | Lexington Convention and Visitors Bureau |
|--|--|---|---|
| ASSETS | | | |
| Cash | \$296,570 | \$860,760 | \$113,692 |
| Investments | | 2,698,669 | 1,000,000 |
| Receivables: | | | |
| Accounts Receivable | 19,677 | 15,798 | 400,640 |
| Other | | | |
| Due from Primary Government | 24,458 | | 471,523 |
| Due from Other Governments | 842,861 | | |
| Inventories | 327,416 | | |
| Prepaid Items | 9,169 | 237,515 | 41,753 |
| Pension Assets | 177,527 | | |
| Restricted Current Assets: | | | |
| Investments | | | |
| Unamortized Bond Issuance Cost | | 58,988 | |
| Capital Assets: | | | |
| Non-depreciable | 3,265,902 | 4,094,744 | |
| Depreciable (Net) | 9,874,420 | 9,411,200 | 134,345 |
| Total Assets | <u>14,838,000</u> | <u>17,377,674</u> | <u>2,161,953</u> |
| LIABILITIES | | | |
| Accounts, Contracts Payable and | | | |
| Accrued Liabilities | 376,406 | 520,735 | 7,563 |
| Due to Primary Government | 305,239 | | |
| Due to Component Units | | | 172,157 |
| Unearned Revenues and Other | 222,624 | | 57,323 |
| Non-Current Liabilities: | | | |
| Due Within One Year | | | |
| Compensated Absences | 96,762 | | |
| Bonds and Notes Payable | 44,945 | 60,256 | |
| Capital Lease Obligations | | | 6,160 |
| Due in More Than One Year | | | |
| Compensated Absences | 100,812 | 260,305 | |
| Bonds and Notes Payable | 121,845 | 3,454,744 | |
| Capital Lease Obligations | | | 21,421 |
| Total Liabilities | <u>1,268,633</u> | <u>4,296,040</u> | <u>264,624</u> |
| NET ASSETS | | | |
| Investment in Capital Assets, net of related debt | 12,973,532 | 9,990,944 | 106,764 |
| Restricted for: | | | |
| Pension | 177,527 | | |
| Endowments | | 1,731 | |
| Unrestricted | 418,308 | 3,088,959 | 1,790,565 |
| Total Net Assets | <u>\$13,569,367</u> | <u>\$13,081,634</u> | <u>\$1,897,329</u> |

| Explorium of Lexington | Carnegie Literacy Center | Downtown Development Authority | Nonmajor Component Units |
|---------------------------------------|---|---|---|
| \$2,313 | \$224,885 | \$200 | \$1,498,420 |
| 48,011 | 100,000 | | 3,846,680 |
| | | | 436,115 |
| | 8,333 | 129,833 | 138,166 |
| | | | 495,981 |
| | | | 842,861 |
| 9,287 | | | 336,703 |
| | | | 288,437 |
| | | | 177,527 |
| 206,512 | | | 206,512 |
| | | | 58,988 |
| | | | 7,360,646 |
| 153,612 | | | 19,573,577 |
| 419,735 | 333,218 | 130,033 | 35,260,613 |
| 54,239 | 108,123 | 14,529 | 1,081,595 |
| 22,660 | 15,953 | | 343,852 |
| | | | 172,157 |
| 2,001 | 1,390 | 329 | 283,667 |
| | | | 96,762 |
| | | | 105,201 |
| | | | 6,160 |
| 9,936 | | | 371,053 |
| | | | 3,576,589 |
| | | | 21,421 |
| 88,836 | 125,466 | 14,858 | 6,058,457 |
| 153,612 | | | 23,224,852 |
| | | | 177,527 |
| 100,000 | 8,335 | | 110,066 |
| 77,287 | 199,417 | 115,175 | 5,689,711 |
| \$330,899 | \$207,752 | \$115,175 | \$29,202,156 |

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF ACTIVITIES
NONMAJOR COMPONENT UNITS
For the Year Ended June 30, 2005

| | | Program Revenues | | |
|---|--------------|------------------|--------------------------|--------------------------|
| | | Charges for | Operating | Capital |
| | Expenses | Services | Grants and Contributions | Grants and Contributions |
| Lexington Transit Authority | | | | |
| Transit Operations | \$8,924,315 | \$1,311,931 | \$7,857,524 | \$2,282,593 |
| Depreciation | 1,234,671 | | | |
| Total Lexington Transit Authority | 10,158,986 | 1,311,931 | 7,857,524 | 2,282,593 |
| Lexington Public Library | | | | |
| Library Operations | 10,750,595 | 460,688 | 360,302 | |
| Depreciation | 618,322 | | | |
| Total Lexington Public Library | 11,368,917 | 460,688 | 360,302 | 0 |
| Lexington Convention and Visitors Bureau | | | | |
| Convention and Tourism Operations | 4,349,458 | | | |
| Depreciation | 44,203 | | | |
| Interest on Long-term Debt | 3,782 | | | |
| Total Lexington Convention and Visitors Bureau | 4,397,443 | 0 | 0 | 0 |
| Explorium of Lexington | | | | |
| Museum Operations | 733,912 | 257,190 | 195,471 | |
| Depreciation | 102,408 | | | |
| Total Lexington Children's Museum | 836,320 | 257,190 | 195,471 | 0 |
| Carnegie Literacy Center | | | | |
| Literacy Center Operations | 411,865 | 72,754 | 356,840 | |
| Total Carnegie Literacy Center | 411,865 | 72,754 | 356,840 | 0 |
| Downtown Development Authority | | | | |
| Administration | 137,576 | 6,395 | 279,461 | |
| Downtown Master Plan | 249,216 | | | |
| Housing Tour | 12,400 | | | |
| Downtown Traffic Plan | 22,093 | | | |
| Total Downtown Development Authority | 421,285 | 6,395 | 279,461 | 0 |
| Total nonmajor component units | \$27,594,816 | \$2,108,958 | \$9,049,598 | \$2,282,593 |

General Revenues:

Taxes
Payment from Lexington-Fayette Urban County Government
Conveyance of Assets
Income on Investments
Net Change in Fair Value of Investments
Miscellaneous

Total General Revenues

Change in Net Assets
Net Assets, July 1
Net Assets, June 30

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

| Lexington Transit Authority | Lexington Public Library | Lexington Convention and Visitors Bureau | Explorium of Lexington | Carnegie Literacy Center | Downtown Development Authority | Total Nonmajor Component Units |
|--|---|---|---------------------------------------|---|---|---|
| \$2,527,733 | | | | | | \$2,527,733 |
| (1,234,671) | | | | | | (1,234,671) |
| <u>1,293,062</u> | | | | | | <u>1,293,062</u> |
| | (9,929,605) | | | | | (9,929,605) |
| | (618,322) | | | | | (618,322) |
| | <u>(10,547,927)</u> | | | | | <u>(10,547,927)</u> |
| | | (4,349,458) | | | | (4,349,458) |
| | | (44,203) | | | | (44,203) |
| | | (3,782) | | | | (3,782) |
| | | <u>(4,397,443)</u> | | | | <u>(4,397,443)</u> |
| | | | (281,251) | | | (281,251) |
| | | | (102,408) | | | (102,408) |
| | | | <u>(383,659)</u> | | | <u>(383,659)</u> |
| | | | | 17,729 | | 17,729 |
| | | | | <u>17,729</u> | | <u>17,729</u> |
| | | | | | 148,280 | 148,280 |
| | | | | | (249,216) | (249,216) |
| | | | | | (12,400) | (12,400) |
| | | | | | (22,093) | (22,093) |
| | | | | | <u>(135,429)</u> | <u>(135,429)</u> |
| | | | | | | (14,153,667) |
| | | 4,585,753 | | | | 4,585,753 |
| | 10,561,590 | | 237,500 | 35,953 | 162,771 | 10,997,814 |
| | | | | | | 0 |
| 2,724 | 55,099 | 15,882 | 3,138 | 3,169 | 1,552 | 81,564 |
| | | | 4,322 | | | 4,322 |
| | 1,656 | 213,664 | 49,328 | | | 264,648 |
| <u>2,724</u> | <u>10,618,345</u> | <u>4,815,299</u> | <u>294,288</u> | <u>39,122</u> | <u>164,323</u> | <u>15,934,101</u> |
| 1,295,786 | 70,418 | 417,856 | (89,371) | 56,851 | 28,894 | 1,780,434 |
| 12,273,581 | 13,011,216 | 1,479,473 | 420,270 | 150,901 | 86,281 | 27,421,722 |
| <u>\$13,569,367</u> | <u>\$13,081,634</u> | <u>\$1,897,329</u> | <u>\$330,899</u> | <u>\$207,752</u> | <u>\$115,175</u> | <u>\$29,202,156</u> |

**CARNEGIE LITERACY CENTER
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
June 30, 2005**

| | <u>General Fund</u> | <u>General Capital Assets</u> | <u>Total</u> |
|--|-------------------------|-----------------------------------|------------------|
| ASSETS | | | |
| Cash | \$224,885 | | \$224,885 |
| Investments, at Cost | 100,000 | | 100,000 |
| Receivables | 8,333 | | 8,333 |
| Property and Equipment | | 18,901 | 18,901 |
| Total Assets | <u>\$333,218</u> | <u>\$18,901</u> | <u>\$352,119</u> |
| LIABILITIES AND FUND BALANCE | | | |
| Liabilities: | | | |
| Accounts and Contracts Payable and | | | |
| Accrued Liabilities | \$108,123 | | \$108,123 |
| Due to Primary Government | 15,953 | | 15,953 |
| Unearned Revenues and Other | 1,390 | | 1,390 |
| Total Liabilities | <u>125,466</u> | <u>0</u> | <u>125,466</u> |
| Fund Equity: | | | |
| Investment in General Fixed Assets | | 18,901 | 18,901 |
| Restricted for Endowments | 8,335 | | 8,335 |
| Unrestricted | 199,417 | | 199,417 |
| Total Fund Equity | <u>207,752</u> | <u>18,901</u> | <u>226,653</u> |
| Total Liabilities and Fund Equity | <u>\$333,218</u> | <u>\$18,901</u> | <u>\$352,119</u> |

STATISTICAL SECTION

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

| | Fiscal Year | | | |
|---|----------------------|----------------------|----------------------|----------------------|
| | 2002 | 2003 | 2004 | 2005 |
| Governmental Activities | | | | |
| Investment in Capital Assets, net of related debt | \$96,437,482 | \$106,003,137 | \$108,187,766 | \$128,533,898 |
| Restricted | 3,295,838 | 2,238,907 | 1,253,571 | 1,316,495 |
| Unrestricted | 17,913,410 | 15,083,835 | 15,892,881 | 29,526,571 |
| Total governmental activities net assets | <u>\$117,646,730</u> | <u>\$123,325,879</u> | <u>\$125,334,218</u> | <u>\$159,376,964</u> |
| Business-type Activities | | | | |
| Investment in Capital Assets, net of related debt | \$223,391,310 | \$224,820,344 | \$245,267,827 | \$243,680,021 |
| Restricted | 24,443,625 | 31,352,044 | 31,575,194 | 33,688,305 |
| Unrestricted (deficit) | (5,543,560) | (6,993,925) | (204,318) | 5,634,802 |
| Total business-type activities net assets | <u>\$242,291,375</u> | <u>\$249,178,463</u> | <u>\$276,638,703</u> | <u>\$283,003,128</u> |
| Primary Government | | | | |
| Investment in Capital Assets, net of related debt | \$319,828,792 | \$330,823,481 | \$353,455,593 | \$372,213,919 |
| Restricted | 27,739,463 | 33,590,951 | 32,828,765 | 35,004,800 |
| Unrestricted | 12,369,850 | 8,089,910 | 15,688,563 | 35,161,373 |
| Total primary government net assets | <u>\$359,938,105</u> | <u>\$372,504,342</u> | <u>\$401,972,921</u> | <u>\$442,380,092</u> |

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

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

| | Fiscal Year | | | |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|
| | 2002 | 2003 | 2004 | 2005 |
| Expenses | | | | |
| Governmental Activities: | | | | |
| General Government | \$3,713,179 | \$9,744,039 | \$21,293,008 | \$22,840,721 |
| Administrative Services | 24,084,195 | 24,993,517 | 18,938,746 | 23,522,220 |
| Health, Dental and Vision Insurance | 6,904,830 | 10,480,431 | 10,592,090 | 14,011,082 |
| Finance | 6,118,259 | 6,280,716 | 6,876,648 | 6,670,050 |
| Public Works | 29,947,045 | 37,484,504 | 33,960,939 | 35,320,695 |
| Public Safety | 3,524,226 | 7,078,379 | 7,232,363 | 9,001,079 |
| Police | 40,089,633 | 43,399,766 | 42,794,170 | 47,320,658 |
| Fire and Emergency Services | 34,632,768 | 36,207,002 | 36,841,543 | 39,390,542 |
| Community Corrections | 22,459,847 | 24,505,670 | 24,478,660 | 27,326,172 |
| Building Inspection | 1,824,812 | | | |
| Social Services | 8,519,665 | 8,931,694 | 9,070,442 | 10,579,394 |
| General Services | 12,733,803 | 12,854,362 | 16,242,299 | 16,998,086 |
| Parks and Recreation | 13,917,342 | 14,012,815 | 13,380,436 | 14,840,330 |
| Law | 1,622,237 | 1,824,518 | 1,642,220 | 2,041,719 |
| Outside Agencies | 32,291,743 | 32,704,463 | 27,718,643 | 267,976 |
| Special Projects | 2,044,329 | | | |
| Interest on Long-Term Debt | 5,642,956 | 5,840,627 | 5,739,105 | 6,236,280 |
| Debt Service - Other | 8,604,257 | 5,957,246 | 6,444,538 | 1,261,204 |
| Total governmental activities | <u>258,675,126</u> | <u>282,299,749</u> | <u>283,245,850</u> | <u>277,628,208</u> |
| Business-type Activities: | | | | |
| Sanitary Sewer System | 20,800,028 | 21,319,274 | 22,347,738 | 23,554,596 |
| Public Facilities | 9,046,445 | 13,568,097 | 13,500,561 | 12,121,284 |
| Public Parking | 997,765 | 967,952 | 941,821 | 891,857 |
| Landfill | 4,882,616 | 4,662,162 | 5,423,413 | 4,233,412 |
| Right of Way | | 75,665 | 261,494 | 266,933 |
| Extended School Program | 1,215,530 | 1,230,845 | 1,387,203 | 1,452,385 |
| Prisoners' Account System | 693,371 | 1,053,084 | 1,360,709 | 1,472,693 |
| Enhanced 911 | 2,418,817 | 2,650,745 | 2,300,114 | 2,112,518 |
| LexVan Program | | | 17,545 | 40,296 |
| Small Business Development | | | 108,343 | 3,562 |
| Total business-type activities | <u>40,054,572</u> | <u>45,527,824</u> | <u>47,648,941</u> | <u>46,149,536</u> |
| Total primary government | <u>\$298,729,698</u> | <u>\$327,827,573</u> | <u>\$330,894,791</u> | <u>\$323,777,744</u> |

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

| | Fiscal Year | | | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 2002 | 2003 | 2004 | 2005 |
| Program Revenues | | | | |
| Governmental Activities: | | | | |
| Charges for Services | \$31,320,919 | \$35,905,736 | \$33,999,515 | \$41,277,818 |
| Operating Grants and Contributions | 18,230,166 | 22,330,711 | 33,101,398 | 20,838,959 |
| Capital Grants and Contributions | 23,018,287 | 12,607,442 | 13,256,243 | 12,970,715 |
| Total governmental activities | <u>72,569,372</u> | <u>70,843,889</u> | <u>80,357,156</u> | <u>75,087,492</u> |
| Business-type Activities: | | | | |
| Charges for Services | 46,372,642 | 51,414,204 | 54,421,012 | 49,825,599 |
| Operating Grants and Contributions | 913,305 | 117,840 | 125,744 | 0 |
| Total business-type activities | <u>47,285,947</u> | <u>51,532,044</u> | <u>54,546,756</u> | <u>49,825,599</u> |
| Total primary government | <u>\$119,855,319</u> | <u>\$122,375,933</u> | <u>\$134,903,912</u> | <u>\$124,913,091</u> |
| Net (Expense)/Revenue | | | | |
| Governmental activities | (\$186,105,754) | (\$211,455,860) | (\$202,888,694) | (\$202,540,716) |
| Business-type activities | 7,231,375 | 6,004,220 | 6,897,815 | 3,676,063 |
| Total primary government | <u>(\$178,874,379)</u> | <u>(\$205,451,640)</u> | <u>(\$195,990,879)</u> | <u>(\$198,864,653)</u> |
| General Revenues and Other Changes in Net Assets | | | | |
| Governmental Activities: | | | | |
| Property Taxes | \$37,203,745 | \$40,127,166 | \$41,964,425 | \$43,189,707 |
| Licenses and Permits | 160,060,473 | 165,005,241 | 178,942,755 | 188,973,285 |
| Grants and Contributions Not Restricted to Specific Programs: | | | | |
| Community Development Block Grant | 1,784,030 | 8,547,728 | 3,567,315 | 2,570,656 |
| Income on Investments | 2,604,234 | 804,561 | 507,868 | 1,839,509 |
| Sale of Assets | 87,186 | 1,617,773 | 457,849 | 523,841 |
| Bond Refunding | | | (19,185,000) | |
| Miscellaneous | 1,087,959 | 938,222 | 918,323 | 767,547 |
| Transfers | 1,877,610 | 94,318 | (1,136,353) | (1,281,083) |
| Total governmental activities | <u>204,705,237</u> | <u>217,135,009</u> | <u>206,037,182</u> | <u>236,583,462</u> |
| Business-type Activities: | | | | |
| Income on Investments | 1,850,750 | 977,186 | 662,485 | 1,397,929 |
| Sale of Assets | 1,374 | | 3,587 | 9,350 |
| Bond Refunding | | | 18,760,000 | |
| Transfers | (1,877,610) | (94,318) | 1,136,353 | 1,281,083 |
| Total business-type activities | <u>(25,486)</u> | <u>882,868</u> | <u>20,562,425</u> | <u>2,688,362</u> |
| Total primary government | <u>\$204,679,751</u> | <u>\$218,017,877</u> | <u>\$226,599,607</u> | <u>\$239,271,824</u> |
| Change in Net Assets | | | | |
| Governmental activities | \$18,599,483 | \$5,679,149 | \$3,148,488 | \$34,042,746 |
| Business-type activities | 7,205,889 | 6,887,088 | 27,460,240 | 6,364,425 |
| Prior Period Adjustment-Governmental Activities | | | (1,140,149) | |
| Total primary government | <u>\$25,805,372</u> | <u>\$12,566,237</u> | <u>\$29,468,579</u> | <u>\$40,407,171</u> |

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

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

| | Fiscal Year | | | | | | | | | |
|---------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| General Fund | | | | | | | | | | |
| Reserved | \$2,769,964 | \$4,710,928 | \$3,849,506 | \$3,750,230 | \$5,592,934 | \$5,865,274 | \$4,595,676 | \$6,345,782 | \$3,473,224 | \$4,940,741 |
| Unreserved | | | | | | | | | | |
| Designated for Economic Contingency | | 4,034,671 | 4,352,261 | 5,002,728 | 5,303,539 | 5,607,306 | 5,745,936 | 5,825,468 | 5,878,356 | 5,996,710 |
| Designated for Payroll | 235,880 | 516,550 | 845,590 | 1,229,957 | 1,684,209 | 2,241,726 | 2,859,554 | 2,890,562 | 3,300,418 | 4,260,723 |
| Designated for Working Capital | 2,716,159 | 7,054,968 | 6,691,313 | 7,459,448 | 7,148,324 | 7,575,459 | 4,757,915 | 3,600,360 | 3,864,830 | 3,394,250 |
| Designated for Pay Adjustments | | | | | | | | | 906,180 | |
| Designated for Lexington Center Corp. | 529,000 | 707,000 | 882,000 | 768,000 | 654,000 | 540,000 | | | | |
| Designated for Debt | | | | 528,234 | | | | | | |
| Designated for Claims and Judgments | 2,850,000 | | | | | | | | | |
| Designated for Landfill | | | | | | | | | | |
| Designated for Cultural Center | | | | | | | | | | |
| Undesignated | | | | | | | | | | |
| Total | 22,865,003 | 16,140,855 | 19,917,257 | 21,235,061 | 20,881,587 | 8,730,980 | 4,179,207 | 3,674,154 | 12,177,065 | 17,468,671 |
| | <u>\$31,966,006</u> | <u>\$33,164,972</u> | <u>\$36,537,927</u> | <u>\$39,973,658</u> | <u>\$41,264,593</u> | <u>\$30,560,745</u> | <u>\$22,138,288</u> | <u>\$22,336,326</u> | <u>\$29,600,073</u> | <u>\$36,061,095</u> |
| Urban Services | | | | | | | | | | |
| Reserved | \$140,999 | \$883,708 | \$615,173 | \$2,782,958 | \$798,108 | \$2,069,789 | \$3,525,288 | \$3,031,240 | \$1,419,156 | \$3,796,313 |
| Unreserved | | | | | | | | | | |
| Designated for Payroll | 22,200 | 48,616 | 77,869 | 100,496 | 127,015 | 158,555 | 191,011 | 233,899 | 302,654 | 367,505 |
| Undesignated | 5,991,142 | 6,078,591 | 7,816,983 | 9,503,322 | 13,464,874 | 16,168,353 | 16,720,062 | 15,193,297 | 18,167,725 | 17,637,287 |
| Total | <u>\$6,154,341</u> | <u>\$7,010,915</u> | <u>\$8,510,025</u> | <u>\$12,386,776</u> | <u>\$14,389,997</u> | <u>\$18,396,697</u> | <u>\$20,436,361</u> | <u>\$18,458,436</u> | <u>\$19,889,535</u> | <u>\$21,801,105</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Reserved | \$4,041,438 | \$5,515,869 | \$8,507,153 | \$54,940,471 | \$20,540,550 | \$21,926,669 | \$11,484,513 | \$12,562,673 | \$9,770,889 | \$9,119,957 |
| Undesignated, reported in: | | | | | | | | | | |
| Special revenues funds | 2,569,673 | 3,633,277 | 4,515,560 | 4,639,046 | 3,695,720 | 2,907,391 | 1,953,071 | 3,462,414 | 3,486,847 | 4,315,924 |
| Capital projects funds | | | (2,197,499) | (4,333,995) | (4,425,450) | (3,221,473) | 9,501,913 | 5,883,281 | 1,014,962 | 19,410,938 |
| Federal and State Grants | | | | | | | 1,294,046 | 1,169,455 | 329,493 | 514,983 |
| Total | <u>\$6,611,111</u> | <u>\$9,149,146</u> | <u>\$10,825,214</u> | <u>\$55,245,522</u> | <u>\$19,810,820</u> | <u>\$21,612,587</u> | <u>\$24,233,543</u> | <u>\$23,077,823</u> | <u>\$14,602,191</u> | <u>\$33,361,802</u> |

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

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

| | Fiscal Year | | | | | | | | | |
|---|---------------|---------------|---------------|---------------|----------------|---------------|---------------|---------------|---------------|---------------|
| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Revenues | | | | | | | | | | |
| Licenses and Permits | \$115,101,448 | \$122,798,439 | \$129,379,308 | \$140,106,975 | \$150,863,316 | \$156,766,735 | \$160,717,826 | \$165,274,588 | \$179,533,692 | \$189,786,177 |
| Taxes | 27,610,341 | 28,696,289 | 29,910,260 | 31,024,465 | 33,863,033 | 34,100,242 | 37,203,745 | 40,127,166 | 41,964,425 | 43,189,707 |
| Charges for Services | 9,909,169 | 10,442,277 | 11,242,630 | 15,123,431 | 13,455,129 | 16,236,396 | 20,404,416 | 20,489,827 | 20,449,154 | 21,561,092 |
| Fines and Forfeitures | 161,091 | 182,694 | 167,013 | 274,002 | 407,111 | 279,558 | 382,532 | 236,226 | 245,150 | 184,104 |
| Local Contributions | 16,730 | | | | | | 2,325,000 | | | |
| Intergovernmental | 17,822,515 | 17,680,919 | 17,492,022 | 20,154,798 | 22,187,033 | 33,095,607 | 38,269,881 | 41,632,430 | 47,380,792 | 30,321,835 |
| Exactions | | | | | | | 561,670 | 1,754,136 | 1,754,558 | 4,767,468 |
| Grant Match | 2,611,893 | 3,118,636 | 2,863,309 | 3,686,128 | 3,085,475 | 3,938,607 | 2,271,624 | 2,766,839 | 2,450,210 | 2,025,396 |
| Property Sales | 176,579 | 271,033 | 468,842 | 185,177 | 1,122,090 | 448,380 | 87,186 | 138,315 | 457,849 | 523,841 |
| Income on Investments | 1,908,083 | 1,798,109 | 2,722,250 | 3,037,034 | 4,502,957 | 4,058,755 | 1,562,701 | 773,032 | 451,123 | 1,420,555 |
| Other | 2,974,543 | 2,787,368 | 3,101,936 | 2,868,964 | 3,289,571 | 4,356,229 | 3,554,903 | 5,667,056 | 4,230,933 | 5,544,293 |
| Total Revenues | 178,292,392 | 187,775,764 | 197,347,570 | 216,460,974 | 232,775,715 | 253,280,509 | 267,341,484 | 278,859,615 | 298,917,886 | 299,324,468 |
| Expenditures | | | | | | | | | | |
| General Government | 8,385,869 | 8,795,515 | 8,642,971 | 5,730,821 | 6,110,943 | 6,638,002 | 9,869,176 | 9,552,502 | 21,330,624 | 9,812,520 |
| Administrative Services | 4,586,015 | 6,336,844 | 6,596,728 | 10,752,753 | 12,754,916 | 13,081,228 | 15,961,216 | 17,683,142 | 29,924,619 | 24,077,384 |
| Finance | 3,094,761 | 4,034,742 | 4,137,945 | 4,772,212 | 5,129,343 | 5,656,743 | 6,096,794 | 6,118,472 | 6,488,798 | 6,593,458 |
| Public Works | 20,275,591 | 24,752,145 | 25,534,121 | 30,380,578 | 31,857,753 | 35,092,859 | 40,375,022 | 42,235,913 | 36,175,381 | 41,247,381 |
| Social Services | 54,714,193 | 60,414,100 | 65,350,273 | 71,592,929 | 78,803,752 | 90,116,892 | 98,744,205 | 103,806,458 | 106,315,766 | 118,307,014 |
| General Services | 5,209,470 | 5,571,114 | 5,895,957 | 6,154,800 | 6,417,544 | 6,333,898 | 9,288,878 | 9,929,597 | 11,162,991 | 13,389,135 |
| Law | 16,858,190 | 18,668,449 | 20,513,685 | 20,085,066 | 24,744,941 | 23,545,747 | 25,560,791 | 25,270,975 | 23,757,464 | 24,696,780 |
| Outside Agencies | 3,806,121 | 1,003,567 | 1,205,675 | 1,309,346 | 1,587,512 | 1,552,463 | 1,576,323 | 1,879,329 | 1,630,466 | 1,861,769 |
| Special Projects | 17,744,407 | 19,312,239 | 19,840,591 | 22,145,267 | 22,633,574 | 23,672,691 | 31,840,555 | 32,513,602 | 27,557,006 | 18,876,456 |
| Debt Service: | 15,191,555 | 15,557,334 | 14,974,707 | 17,970,485 | 19,617,032 | 28,490,679 | 2,044,329 | | | |
| Principal | | 864 | 268 | 0 | 1,040,000 | 3,455,000 | 7,743,568 | 9,711,219 | 10,404,328 | 14,156,321 |
| Interest and Other | 10,491,786 | 13,044,220 | 13,087,421 | 12,428,666 | 16,280,100 | 15,429,992 | 14,348,596 | 11,914,692 | 12,150,607 | 7,634,836 |
| Capital | 207,673 | 3,874,256 | 2,081,315 | 22,603,640 | 56,106,029 | 23,009,888 | 22,324,958 | 22,168,069 | 17,883,186 | 12,927,159 |
| Total Expenditures | 160,565,631 | 181,365,389 | 187,861,657 | 225,926,563 | 283,083,439 | 276,076,082 | 285,774,411 | 292,783,970 | 304,781,236 | 293,580,213 |
| Excess (Deficiency) of Revenues over (under) Expenditures | 17,726,761 | 6,410,375 | 9,485,913 | (9,465,589) | (50,307,724) | (22,795,573) | (18,432,927) | (13,924,355) | (5,863,350) | 5,744,255 |
| Other Financing Sources (Uses) | | | | | | | | | | |
| Transfers In | 2,831,580 | 4,055,180 | 2,469,541 | 1,195,900 | 2,558,258 | 3,260,939 | 810,599 | 2,620,303 | 1,820,461 | 5,719,846 |
| Transfers Out | (5,323,134) | (4,776,852) | (3,476,155) | (3,472,376) | (2,095,188) | (5,704,885) | (2,194,686) | (3,666,134) | (2,956,814) | (7,000,929) |
| Property Sales | | | | | | | | 1,479,458 | | |
| Bond and Note Proceeds | | 1,527,900 | | 66,113,187 | 19,753,684 | 22,371,699 | 15,415,000 | 10,490,000 | 6,590,000 | 22,325,000 |
| Bond Anticipation Note | | | | | | | (148,782) | 65,121 | 445,187 | 304,813 |
| Premium (Discount) on Bonds Issued | | | | | | | | | 183,730 | 39,218 |
| Total Other Financing Sources (Uses) | (2,491,554) | 806,228 | (1,006,614) | 63,836,711 | 20,216,754 | 19,927,753 | 13,882,131 | 10,988,748 | 6,082,564 | 21,387,948 |
| Net Change in Fund Balances | \$15,235,207 | \$7,216,603 | \$8,479,299 | \$54,371,122 | (\$30,090,970) | (\$2,867,820) | (\$4,550,796) | (\$2,935,607) | \$219,214 | \$27,132,203 |
| Debt Service as a percentage of noncapital expenditures | 6.5% | 7.3% | 7.0% | 6.1% | 7.6% | 7.5% | 8.4% | 8.0% | 7.9% | 7.8% |

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

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

| | Fiscal Year | | | | | | | | | |
|-----------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Revenues | | | | | | | | | | |
| Licenses and Permits | \$115,890,320 | \$120,725,752 | \$129,093,656 | \$138,606,697 | \$150,426,657 | \$155,566,415 | \$159,054,097 | \$164,661,161 | \$177,623,046 | \$188,632,470 |
| Taxes | 11,998,277 | 12,463,656 | 12,731,743 | 12,977,902 | 13,904,666 | 12,513,674 | 13,539,941 | 14,547,490 | 15,729,458 | 17,731,787 |
| Charges for Services | 9,783,182 | 10,324,150 | 11,160,169 | 15,114,957 | 13,455,129 | 16,198,920 | 17,671,856 | 20,402,491 | 20,279,414 | 21,260,954 |
| Fines and Forfeitures | 161,091 | 182,694 | 167,013 | 274,002 | 407,111 | 279,558 | 382,532 | 236,226 | 245,150 | 184,104 |
| Intergovernmental | 1,414,148 | 1,285,016 | 1,481,534 | 1,406,255 | 1,662,247 | 1,786,032 | 1,941,787 | 2,079,144 | 3,693,236 | 2,418,670 |
| Property Sales | 175,704 | 271,033 | 453,324 | 1,68,381 | 1,011,609 | 367,425 | 33,617 | 1,479,458 | 438,709 | 516,536 |
| Income on Investments | 1,044,870 | 828,951 | 1,538,252 | 1,284,191 | 1,182,639 | 1,399,319 | 334,302 | 127,728 | 90,639 | 533,607 |
| Other | 1,481,054 | 1,430,056 | 1,562,961 | 1,398,893 | 1,654,839 | 1,847,097 | 1,711,660 | 1,483,755 | 1,138,913 | 1,873,064 |
| Total Revenues | 141,948,646 | 147,511,308 | 158,188,652 | 171,231,278 | 183,704,897 | 189,958,440 | 194,669,792 | 205,017,453 | 219,238,565 | 233,151,192 |

Expenditures and Other Financing Sources (Uses)

| | | | | | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| General Government ^(1, 6) | 6,263,477 | 6,820,840 | 6,465,834 | 4,048,212 | 4,269,422 | 5,255,625 | 4,843,238 | 5,513,279 | 3,680,801 | 3,668,705 |
| Administrative Services ^(1, 4) | 1,513,350 | 3,076,179 | 3,222,783 | 10,159,579 | 12,146,051 | 11,917,682 | 10,796,794 | 15,396,156 | 14,858,450 | 13,228,125 |
| Finance | 3,109,595 | 4,067,949 | 4,115,357 | 4,772,184 | 5,241,297 | 5,652,458 | 5,911,517 | 6,061,481 | 6,473,910 | 6,773,332 |
| Public Works ⁽²⁾ | 6,042,802 | 9,591,809 | 8,953,334 | 11,644,306 | 12,481,138 | 14,176,205 | 11,954,671 | 11,377,147 | 10,706,996 | 12,389,534 |
| Public Safety ⁽³⁾ | 54,004,903 | 60,315,411 | 65,067,419 | 71,509,758 | 78,610,088 | 90,125,329 | 92,178,648 | 94,704,416 | 99,730,690 | 111,767,425 |
| Social Services ^(3, 7) | 5,230,683 | 5,549,041 | 5,991,328 | 6,105,080 | 6,374,415 | 6,397,213 | 6,244,601 | 6,590,974 | 7,871,084 | 9,143,767 |
| General Services | 16,795,858 | 18,741,616 | 18,913,261 | 19,968,701 | 21,249,518 | 22,107,660 | 21,735,067 | 22,410,805 | 21,644,848 | 24,917,618 |
| Housing & Community Dev ⁽⁴⁾ | 3,155,512 | 3,363,881 | 3,331,916 | | | | | | | |
| Law ⁽⁵⁾ | 952,419 | 3,857,999 | 1,220,301 | 1,300,007 | 1,600,344 | 1,579,136 | 1,590,374 | 1,820,584 | 1,613,724 | 1,876,412 |
| Outside Agencies | 17,208,525 | 19,446,702 | 20,070,545 | 21,964,307 | 23,010,520 | 23,190,541 | 23,416,545 | 23,526,902 | 22,818,075 | 18,258,584 |
| Debt Service | 8,152,882 | 10,545,157 | 11,231,809 | 11,070,468 | 16,176,071 | 17,420,469 | 19,360,248 | 18,851,660 | 20,447,860 | 20,802,641 |
| Other Financing (Sources) Uses | 4,833,456 | 4,603,507 | 3,262,910 | 3,283,472 | 1,029,332 | 1,511,884 | 973,404 | (1,981,067) | (479,708) | 4,860,964 |
| Residual Equity Transfers | 9,158,232 | 2,527,592 | 1,828,255 | 2,638,332 | 1,757,346 | 2,027,561 | | | | |
| Total Expenditures and Other Financing Sources (Uses) | 136,421,694 | 152,507,683 | 153,675,052 | 168,464,406 | 183,945,542 | 201,361,763 | 199,005,107 | 204,272,337 | 209,366,730 | 227,687,107 |

| | | | | | | | | | | |
|-----------------------------------|--------------------|----------------------|--------------------|--------------------|--------------------|-----------------------|----------------------|------------------|--------------------|--------------------|
| Net Change in Fund Balance | \$5,526,952 | (\$4,996,375) | \$4,513,600 | \$2,766,872 | (\$240,645) | (\$11,403,323) | (\$4,335,315) | \$745,116 | \$9,871,835 | \$5,464,085 |
|-----------------------------------|--------------------|----------------------|--------------------|--------------------|--------------------|-----------------------|----------------------|------------------|--------------------|--------------------|

(1) In FY 1997, Risk Management & Human Resources moved to a new division, Administrative Services. In addition, Public Information and Budgeting moved from General Government to Administrative Services. In FY 1999, Insurance was moved from General Government to Administrative Services.

(2) Landfill operations, previously in Public Works, were moved to an Enterprise Fund in FY 1996.

(3) Juvenile Detention operations were moved from Social Services to Public Safety in FY 1995.

(4) Department reorganization in FY 1999 moved Housing and Community Development to Administrative Services.

(5) A law suit in the amount of \$2,850,000 was settled in FY 1997.

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SANITARY SEWER SYSTEM
SUMMARY OF REVENUES AND EXPENSES
(In Thousands)

| | Fiscal Year | | | | | | | | | |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Revenues | | | | | | | | | | |
| Sewer Service Charges | \$19,861,020 | \$20,594,392 | \$19,953,509 | \$20,705,758 | \$20,644,538 | \$20,410,572 | \$20,425,852 | \$24,298,724 | \$25,457,887 | \$24,049,216 |
| Sewer Tap on Fees | 1,266,317 | 1,276,564 | 1,617,200 | 2,093,881 | 1,637,052 | 1,185,424 | 1,240,051 | 1,227,111 | 1,428,449 | 1,584,341 |
| Exactions | | | | | | | 195,672 | 826,960 | 878,035 | 1,974,660 |
| Other Income | 92,186 | 21,828 | 18,937 | 116,850 | 199,296 | 215,435 | 231,850 | 181,146 | 193,694 | 50,204 |
| Total Revenues | 21,219,523 | 21,892,784 | 21,589,646 | 22,916,489 | 22,480,886 | 21,811,431 | 22,093,425 | 26,533,941 | 27,958,065 | 27,658,421 |
| Operating Expenses | | | | | | | | | | |
| Treatment Plant | 5,199,326 | 5,077,898 | 4,810,727 | 5,370,892 | 5,322,815 | 5,576,923 | 5,692,586 | 6,428,699 | 6,616,161 | 6,088,076 |
| Collection System | 2,600,705 | 2,707,152 | 2,685,817 | 2,694,955 | 2,879,393 | 2,988,797 | 3,001,129 | 3,048,143 | 3,179,687 | 3,485,272 |
| Administration | 3,888,000 | 3,507,602 | 3,719,330 | 3,665,749 | 3,715,358 | 4,024,325 | 3,557,429 | 3,931,198 | 4,656,945 | 6,002,433 |
| Depreciation | 5,070,470 | 4,951,552 | 4,978,938 | 5,073,118 | 5,281,504 | 5,649,147 | 5,764,369 | 5,908,134 | 6,291,982 | 6,373,506 |
| Total Operating Expenses | 16,758,501 | 16,244,204 | 16,194,812 | 16,804,714 | 17,199,070 | 18,239,192 | 18,015,513 | 19,316,174 | 20,744,775 | 21,949,287 |
| Operating Income | 4,461,022 | 5,648,580 | 5,394,834 | 6,111,775 | 5,281,816 | 3,572,239 | 4,077,912 | 7,217,767 | 7,213,290 | 5,709,134 |
| Net Nonoperating Revenues/(Expenses) | (1,555,968) | (1,029,839) | (732,694) | (960,476) | (626,073) | 556,461 | (954,809) | (1,138,325) | (1,074,183) | (504,103) |
| Capital Contributions | | | | | | | 913,305 | 117,312 | 88,944 | |
| Transfers In | | | | | | | | (1,014) | 10,000 | 10,000 |
| Transfers Out | (284,218) | (49,257) | (180,163) | (192,788) | | | | | (4,400) | (952) |
| Net Income/Change in Net Assets | \$2,620,836 | \$4,569,484 | \$4,481,977 | \$4,958,511 | \$4,655,743 | \$4,128,700 | \$4,036,408 | \$6,195,740 | \$6,233,651 | \$5,214,079 |

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

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) |
|----------------|-------------|-----------|-------------|---------------------------------------|-------------|-------------|--------------|--------------------|---------------------------------|---|
| | | | | | | | | | | |
| 1996 | \$5,752,742 | \$308,306 | \$3,039,133 | | \$3,269,574 | \$4,138,272 | \$16,508,027 | \$4,138,272 | \$12,369,755 | 0.2965 |
| 1997 | 6,137,094 | 325,921 | 3,123,884 | | 3,636,024 | 4,784,171 | 18,007,094 | 4,784,171 | 13,222,923 | 0.2965 |
| 1998 | 6,532,272 | 343,270 | 3,242,046 | | 3,597,853 | 2,284,417 | 15,999,859 | 2,284,417 | 13,715,442 | 0.2965 |
| 1999 | 6,920,397 | 373,289 | 3,404,515 | | 3,390,608 | 2,103,419 | 16,192,228 | 2,103,419 | 14,088,809 | 0.2965 |
| 2000 | 7,522,125 | 395,484 | 3,724,821 | 837 | 3,766,229 | 2,087,704 | 17,497,199 | 2,087,704 | 15,409,495 | 0.2965 |
| 2001 | 8,283,396 | 412,231 | 4,037,026 | 968 | 4,380,481 | 2,168,617 | 19,282,719 | 2,168,617 | 17,114,102 | 0.2955 |
| 2002 | 9,141,865 | 446,553 | 4,326,255 | | 4,213,642 | 2,073,358 | 20,201,673 | 2,073,358 | 18,128,316 | 0.2945 |
| 2003 | 9,823,997 | 465,697 | 4,543,167 | 870 | 4,303,219 | 4,208,933 | 23,345,884 | 4,208,933 | 19,136,951 | 0.2945 |
| 2004 | 10,486,256 | 545,897 | 4,695,549 | 806 | 4,397,630 | 3,183,438 | 23,309,575 | 3,183,438 | 20,126,137 | 0.2904 |
| 2005 | 11,287,423 | 559,829 | 4,897,578 | 770 | 4,315,023 | 3,527,423 | 24,588,044 | 3,527,423 | 21,060,622 | 0.2704 |

Note: Property is assessed at 100% fair market value. Financial institution deposits were moved from intangibles in 1998. Compliance issues with financial institution deposits were resolved in Fiscal Year 2003.

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

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 |
| 1996 | \$24,927,855 | \$24,564,405 | 98.5% | \$322,324 | \$24,886,728 | 99.8% |
| 1997 | 25,554,324 | 25,379,082 | 99.3% | 142,891 | 25,521,973 | 99.9% |
| 1998 | 26,940,017 | 26,993,769 | 100.2% | 244,417 | 27,238,186 | 101.1% |
| 1999 | 28,467,989 | 28,109,892 | 98.7% | 219,905 | 28,329,797 | 99.5% |
| 2000 | 31,037,271 | 30,855,685 | 99.4% | 89,107 | 30,944,792 | 99.7% |
| 2001 | 33,902,023 | 33,308,041 | 98.2% | 221,065 | 33,529,106 | 98.9% |
| 2002 | 37,350,328 | 36,419,100 | 97.5% | 241,290 | 36,660,389 | 98.2% |
| 2003 | 39,997,319 | 39,116,817 | 97.8% | 490,377 | 39,607,194 | 99.0% |
| 2004 | 41,930,263 | 40,877,962 | 97.5% | 496,473 | 41,374,436 | 98.7% |
| 2005 | 41,915,431 | 41,187,529 | 98.3% | 1,388,178 | 42,575,707 | 101.6% |

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

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

| Fiscal Year | LFUCG Direct Rates | | | | Overlapping Rates | | | | |
|----------------|--------------------|--------|------------------|-----------------|-----------------------------|--------------------------------|-----------------------|---------------------------------|----------------------|
| | Urban Services | | | Total Direct | Fayette County School | Commonwealth of Kentucky | Extension Services | Soil & Water Conservation | Health Department |
| | General | Refuse | Street Lights | | | | | | |
| 1996 | 0.0810 | 0.1750 | 0.0311 | 0.0094 | 0.2965 | 0.5270 | 0.1670 | | 0.9905 |
| 1997 | 0.0810 | 0.1750 | 0.0311 | 0.0094 | 0.2965 | 0.5320 | 0.1630 | | 0.9915 |
| 1998 | 0.0810 | 0.1750 | 0.0311 | 0.0094 | 0.2965 | 0.5390 | 0.1570 | | 0.9925 |
| 1999 | 0.0810 | 0.1750 | 0.0311 | 0.0094 | 0.2965 | 0.5460 | 0.1530 | | 0.9955 |
| 2000 | 0.0810 | 0.1750 | 0.0311 | 0.0094 | 0.2965 | 0.5400 | 0.1480 | | 0.9845 |
| 2001 | 0.0800 | 0.1750 | 0.0311 | 0.0094 | 0.2955 | 0.5320 | 0.1410 | | 0.9685 |
| 2002 | 0.0790 | 0.1750 | 0.0311 | 0.0094 | 0.2945 | 0.5280 | 0.1360 | | 0.9585 |
| 2003 | 0.0790 | 0.1750 | 0.0311 | 0.0094 | 0.2945 | 0.5280 | 0.1350 | | 0.9575 |
| 2004 | 0.0800 | 0.1750 | 0.0260 | 0.0094 | 0.2904 | 0.5330 | 0.1330 | 0.0004 | 0.9600 |
| 2005 | 0.0800 | 0.1600 | 0.0210 | 0.0094 | 0.2704 | 0.5350 | 0.1310 | 0.0004 | 0.9680 |

Note: All taxpayers in Fayette County are subject to the General Service rate. Full Service 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

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

| Name | 2005 | | | 1996 | | |
|-----------------------------|---------------------------|------|--|---------------------------|------|--|
| | Taxable Assessed Value | Rank | % of Total City Taxable Assessed Value | Taxable Assessed Value | Rank | % of Total City Taxable Assessed Value |
| Fourth Quarter Properties | \$74,562,600 | 1 | 0.35% | | | |
| Lexmark International Inc. | 56,151,400 | 2 | 0.27% | | | |
| Lexington Joint Venture | 50,468,800 | 3 | 0.24% | \$46,333,000 | 2 | 0.37% |
| Meijer Stores Ltd | 35,879,400 | 4 | 0.17% | | | |
| Ball Homes, Inc. | 38,137,100 | 5 | 0.18% | 42,376,500 | 4 | 0.34% |
| W T Young | 34,999,100 | 6 | 0.17% | | | |
| MCV Venture | 27,200,000 | 7 | 0.13% | 24,242,000 | 8 | 0.20% |
| Griffin Gate Assoc. | 26,700,000 | 8 | 0.13% | 27,675,000 | 6 | 0.22% |
| Bluegrass Building Partners | 25,100,000 | 9 | 0.12% | 22,527,500 | 10 | 0.18% |
| Lexington Financial | 25,000,000 | 10 | 0.12% | | | |
| IBM Information Products | | | | 118,532,400 | 1 | 0.96% |
| Bank One | | | | 44,959,260 | 3 | 0.36% |
| Lexington Financial | | | | 37,300,000 | 5 | 0.30% |
| Humco, Inc. | | | | 24,771,200 | 7 | 0.20% |
| Good Samaritan Hospital | | | | 24,103,400 | 9 | 0.19% |
| Total | \$394,198,400 | | 1.87% | \$412,820,260 | | 3.34% |

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

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

| Fiscal Year | LFUCG Direct Rate | Fayette County | | Total |
|----------------|----------------------|----------------|--|-------|
| | | School | | |
| 1996 | 2.25% | 0.50% | | 2.75% |
| 1997 | 2.25% | 0.50% | | 2.75% |
| 1998 | 2.25% | 0.50% | | 2.75% |
| 1999 | 2.25% | 0.50% | | 2.75% |
| 2000 | 2.25% | 0.50% | | 2.75% |
| 2001 | 2.25% | 0.50% | | 2.75% |
| 2002 | 2.25% | 0.50% | | 2.75% |
| 2003 | 2.25% | 0.50% | | 2.75% |
| 2004 | 2.25% | 0.50% | | 2.75% |
| 2005 | 2.25% | 0.50% | | 2.75% |

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

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

| Name | 2005 Rank | 1996 Rank |
|---|-----------|-----------|
| University of Kentucky | 1 | 1 |
| Lexmark International | 2 | 2 |
| Fayette County Board of Education | 3 | 3 |
| Lexington-Fayette Urban County Government | 4 | 4 |
| St. Joseph Hospital | 5 | 9 |
| Baptist Healthcare | 6 | 6 |
| Ashland, Inc. | 7 | 8 |
| IBM Corporation | 8 | |
| Lexington Clinic | 9 | |
| Department of Veterans Affairs | 10 | 5 |
| Commonwealth of Kentucky | | 7 |
| Square D Company | | 10 |

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

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 | | Bond Anticipation Notes | Revenue Bonds | Mortgage Revenue Bonds | Lease Revenue Notes | | | |
| | | | Revenue Notes Payable | | | | | | | | |
| | | | | | | | | | | | |
| 1996 | | \$9,855,000 | | | \$46,868,589 | \$56,900,000 | | \$9,659,311 | \$123,282,900 | 2% | \$496 |
| 1997 | | 8,270,000 | | 4,085,309 | 45,564,614 | 53,430,000 | | 8,765,000 | 120,114,923 | 2% | 478 |
| 1998 | | 6,875,000 | | 3,734,002 | 43,065,446 | 50,650,000 | | 11,555,000 | 115,879,448 | 2% | 454 |
| 1999 | 67,115,000 | 5,410,000 | | 3,231,725 | 40,470,755 | 116,075,000 | | 11,470,000 | 243,772,480 | 3% | 942 |
| 2000 | 89,530,000 | 3,870,000 | | 2,836,238 | 37,750,286 | 112,125,000 | | 6,190,000 | 252,301,524 | 3% | 967 |
| 2001 | 108,430,000 | 2,255,000 | | 2,419,811 | 59,578,753 | 108,010,000 | | 2,280,000 | 282,973,564 | 3% | 1,079 |
| 2002 | 117,900,000 | 885,000 | | 1,991,244 | 56,710,531 | 103,730,000 | | | 281,216,775 | 3% | 1,070 |
| 2003 | 119,795,000 | 285,000 | | 1,543,585 | 53,375,000 | 98,320,000 | | | 273,318,585 | 3% | 1,030 |
| 2004 | 136,560,000 | | | 434,255 | 50,040,000 | 73,940,000 | | | 260,974,255 | na | 980 |
| 2005 | 144,905,000 | | | 257,934 | 46,560,000 | 71,680,000 | | | 264,145,335 | na | na |
| Note: | Details regarding LFUCG outstanding debt can be found in the notes to the financial statements. See page 149 for personal income and population data. | | | | | | | | | | |
| Source: Department of Finance, Lexington-Fayette Urban County Government | | | | | | | | | | | |

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

| Fiscal Year | General Obligation | % of Assessed Value of Property | Per Capita |
|----------------|--------------------|------------------------------------|------------|
| | Bonds | | |
| 1999 | \$67,115,000 | 0.48% | \$259 |
| 2000 | 89,530,000 | 0.58% | 343 |
| 2001 | 108,430,000 | 0.63% | 413 |
| 2002 | 117,900,000 | 0.65% | 449 |
| 2003 | 119,795,000 | 0.63% | 451 |
| 2004 | 136,560,000 | 0.68% | 513 |
| 2005 | 144,905,000 | 0.69% | na |

Note: Details regarding LFUCG outstanding debt can be found in the notes to the financial statements.
General obligation debt was not issued prior to fiscal year 1999.

See page 138 for property value data and page 149 for population data.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF DIRECT AND OVERLAPPING INDEBTEDNESS
AS OF JUNE 30, 2005

| | Principal Outstanding |
|---|--------------------------|
| Kentucky Infrastructure, City of Lexington, and Lexington-Fayette Urban County Government Sewer Assessment Bonds | \$205,000 |
| Lexington Center Corporation | |
| Refunding and Improvement Mortgage Revenue Bonds, Series 1993 | 11,895,450 |
| Mortgage Revenue Bonds, Series 2001 | 20,000,000 |
| Refunding Bonds, Series 2003 | 5,885,000 |
| Lexington-Fayette Urban County Government Airport Corporation | |
| First Mortgage Revenue Bonds, Series 1994 | 1,700,000 |
| First Mortgage Revenue Bonds, Series 1998 | 17,000,000 |
| First Mortgage Revenue Bonds, Series 2003 | 29,050,000 |
| Note Payable | 560,669 |
| Fayette County School & Kentucky School Commission Bonds | 188,121,406 |
| Subtotal, Overlapping Debt | 274,417,525 |
| LFUCG, Direct Debt | 264,145,335 |
| Total Direct and Overlapping Indebtedness | \$538,562,860 |

Note In addition, the Urban County Government is contingently liable for 37 1/2% of the debt service on the outstanding principal amount of the Kentucky State Property and Buildings Commission Economic Development Revenue Bonds, Project No. 30 relating to the Vine Center Parking Garage Sub-Project.

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.

The following issue has been defeased:

| | |
|---|-------------|
| | Amount |
| Lexington-Fayette Urban County Government Airport Corporation Bonds | \$1,245,000 |

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

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

| | Fiscal Year | | | | | | | | | |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Assessed Value | \$16,508,027 | \$18,007,094 | \$15,999,859 | \$16,192,228 | \$17,497,199 | \$19,282,719 | \$20,201,673 | \$23,345,884 | \$23,309,575 | \$24,588,044 |
| Debt limit (10% of Assessed Value) | \$1,650,803 | \$1,800,709 | \$1,599,986 | \$1,619,223 | \$1,749,720 | \$1,928,272 | \$2,020,167 | \$2,334,588 | \$2,330,958 | \$2,458,804 |
| Total net debt applicable to limit | | | | 188,916 | 201,302 | 190,933 | 190,533 | 187,635 | 187,350 | 181,675 |
| Legal debt margin | \$1,650,803 | \$1,800,709 | \$1,599,986 | \$1,430,307 | \$1,548,418 | \$1,737,339 | \$1,829,634 | \$2,146,953 | \$2,143,608 | \$2,277,129 |
| Total net debt applicable to the limit as a percentage of debt | 0.00% | 0.00% | 0.00% | 11.67% | 11.50% | 9.90% | 9.43% | 8.04% | 8.04% | 7.39% |
| Source: Department of Finance, Lexington-Fayette Urban County Government | | | | | | | | | | |

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

| Fiscal Year | Sanitary Sewer System | | | | Public Facilities Corporation | | | | | |
|--------------------------|----------------------------|--------------------------|-----------------------|--------------|-------------------------------|--------------------------------|--------------------------|-----------------------|--------------|----------|
| | Gross Revenue | Less: Operating Expenses | Net Available Revenue | Debt Service | | Gross Revenue | Less: Operating Expenses | Net Available Revenue | Debt Service | |
| | | | | Principal | Interest | | | | Principal | Interest |
| 1996 | \$22,622 | \$11,688 | \$10,934 | \$2,074 | \$2,876 | \$9,138 | \$518 | \$8,620 | \$2,465 | \$2,016 |
| 1997 | 23,488 | 11,293 | 12,195 | 1,304 | 2,124 | 11,887 | 683 | 11,204 | 2,710 | 2,124 |
| 1998 | 23,352 | 11,216 | 12,136 | 2,499 | 2,338 | 11,730 | 778 | 10,952 | 2,820 | 2,004 |
| 1999 | 24,305 | 11,732 | 12,573 | 2,595 | 2,230 | 11,381 | 855 | 10,526 | 2,950 | 1,880 |
| 2000 | 24,129 | 11,918 | 12,211 | 2,720 | 2,115 | 12,320 | 1,106 | 11,214 | 3,230 | 2,195 |
| 2001 | 23,668 | 12,590 | 11,078 | 2,842 | 1,993 | 10,210 | 1,024 | 9,186 | 3,360 | 2,053 |
| 2002 | 23,343 | 12,251 | 11,092 | 2,868 | 1,989 | 11,021 | 1,840 | 9,181 | 3,505 | 3,407 |
| 2003 | 27,196 | 13,408 | 13,788 | 3,336 | 2,725 | 11,183 | 2,328 | 8,855 | 4,580 | 4,733 |
| 2004 | 28,428 | 14,453 | 13,975 | 3,335 | 2,570 | 11,504 | 2,474 | 9,030 | 4,760 | 4,530 |
| 2005 | 28,701 | 15,576 | 13,125 | 3,480 | 2,414 | 6,943 | 2,479 | 4,464 | 1,365 | 3,473 |
| Special Assessment Bonds | | | | | | | | | | |
| Fiscal Year | Public Parking Corporation | | | | Special Assessment Bonds | | | | | |
| | Gross Revenue | Less: Operating Expenses | Net Available Revenue | Debt Service | | Special Assessment Collections | Debt Service | Principal | Interest | Coverage |
| | | | | Principal | Interest | | | | | |
| 1996 | \$1,457 | \$282 | \$1,175 | \$520 | \$618 | \$1,266 | \$970 | \$428 | 0.91 | |
| 1997 | 1,408 | 289 | 1,119 | 545 | 591 | 1,020 | 1,088 | 244 | 0.77 | |
| 1998 | 1,498 | 288 | 1,210 | 565 | 562 | 592 | 1,134 | 185 | 0.45 | |
| 1999 | 1,345 | 327 | 1,018 | 745 | 358 | 397 | 824 | 131 | 0.42 | |
| 2000 | 1,396 | 315 | 1,081 | 720 | 368 | 336 | 446 | 92 | 0.62 | |
| 2001 | 1,496 | 322 | 1,174 | 755 | 337 | 198 | 335 | 72 | 0.49 | |
| 2002 | 1,298 | 317 | 981 | 775 | 303 | 49 | 355 | 56 | 0.12 | |
| 2003 | 1,447 | 335 | 1,112 | 830 | 268 | 49 | 555 | 39 | 0.08 | |
| 2004 | 1,563 | 306 | 1,257 | 860 | 229 | 46 | 45 | 14 | 0.78 | |
| 2005 | 1,451 | 343 | 1,108 | 895 | 190 | 34 | 45 | 12 | 0.60 | |

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.

A reserve equal to the following year's debt service payment is maintained at all times for the special assessment bond debt. In addition, excess reserves maintained by another organization were used to pay debt service during the reporting periods.

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

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 |
| 1995 | 245,579 | \$6,087,635 | \$24,789 | 131,104 | 3,522 | 2.6% |
| 1996 | 248,683 | 6,457,518 | 25,967 | 131,621 | 3,358 | 2.5% |
| 1997 | 251,066 | 6,717,311 | 26,755 | 136,348 | 3,474 | 2.5% |
| 1998 | 255,017 | 7,288,898 | 28,582 | 138,817 | 2,883 | 2.0% |
| 1999 | 258,704 | 7,683,140 | 29,699 | 142,278 | 2,838 | 2.0% |
| 2000 | 260,916 | 8,135,408 | 31,180 | 145,239 | 2,667 | 1.8% |
| 2001 | 262,236 | 8,412,416 | 32,080 | 137,931 | 4,123 | 2.9% |
| 2002 | 262,706 | 8,732,948 | 33,242 | 134,319 | 4,771 | 3.4% |
| 2003 | 265,477 | 9,090,460 | 34,242 | 135,676 | 5,394 | 3.8% |
| 2004 | 266,358 | na | na | 140,688 | 5,785 | 3.9% |

Source: The Bureau of Economic Analysis

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 |
|------|-------|-------------------------|--------|--------------|---------------|--------------------------------------|--------------------|--------------|--|----------|--|---|
| 1994 | 1,802 | 3,183 | 302 | 9,846 | 18,654 | 8,371 | 7,687 | 34,439 | 10,337 | 55,571 | 31,660 | 181,852 |
| 1995 | 1,947 | 3,264 | 313 | 10,157 | 18,565 | 8,632 | 8,176 | 35,598 | 12,069 | 57,929 | 32,513 | 189,163 |
| 1996 | 1,779 | 3,484 | 300 | 10,704 | 18,681 | 8,673 | 8,910 | 35,621 | 12,637 | 61,147 | 32,797 | 194,733 |
| 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 | 1,831 | 2,950 | 334 | 11,533 | 14,983 | 12,845 | 5,074 | 23,858 | 13,240 | 81,000 | 34,218 | 201,866 |
| 2003 | 2,007 | 2,744 | 353 | 11,397 | 14,338 | 13,096 | 4,818 | 23,956 | 13,537 | 81,917 | 34,217 | 202,380 |

Source: The Bureau of Economic Analysis

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

| | 1980 Census | | 1990 Census | | 2000 Census | |
|--|----------------|--------|----------------|--------|----------------|--------|
| | Value | % | Value | % | Value | % |
| Population and Number of Households | | | | | | |
| Population | | | | | | |
| Under 18 years | 51,617 | 25.3% | 50,416 | 22.4% | 55,533 | 21.3% |
| 18 - 64 years | 135,046 | 66.1% | 152,638 | 67.7% | 178,805 | 68.6% |
| 65 years and over | 17,502 | 8.6% | 22,312 | 9.9% | 26,174 | 10.0% |
| Total | <u>204,165</u> | 100.0% | <u>225,366</u> | 100.0% | <u>260,512</u> | 100.0% |
| Number of Households | | | | | | |
| | 75,303 | | 89,529 | | 108,288 | |
| Economic and Education | | | | | | |
| Family Income | | | | | | |
| Less than \$10,000 | 10,321 | 20.3% | 5,979 | 10.5% | 3,587 | 5.6% |
| \$10,000 - \$24,999 | 22,256 | 43.7% | 12,365 | 21.7% | 8,947 | 14.1% |
| \$25,000 - \$49,999 | 15,387 | 30.2% | 20,889 | 36.7% | 17,124 | 26.9% |
| \$50,000 - \$74,999 | 1,923 | 3.8% | 10,790 | 19.0% | 14,759 | 23.2% |
| \$75,000 or more | 1,006 | 2.0% | 6,850 | 12.0% | 19,231 | 30.2% |
| Total Families | <u>50,893</u> | 100.0% | <u>56,873</u> | 100.0% | <u>63,648</u> | 100.0% |
| Median Family Income | \$19,821 | | \$35,936 | | \$53,264 | |
| Mean Family Income | \$23,223 | | \$44,467 | | \$52,261 | |
| Per Capita Income | \$9,547 | | \$20,355 | | \$23,109 | |
| School Enrollment | | | | | | |
| Elementary/Secondary | 36,407 | | 32,858 | | 36,938 | |
| College | 23,578 | | 28,339 | | 31,508 | |
| Education for Individuals 25+ years of age | | | | | | |
| Less than 9th grade | 18,264 | 15.9% | 11,760 | 8.3% | 8,539 | 5.1% |
| High School, No Diploma | 14,434 | 12.5% | 16,365 | 11.5% | 15,213 | 9.1% |
| High School Graduate | 32,495 | 28.2% | 33,238 | 23.4% | 37,448 | 22.4% |
| College 1 - 3 years | 20,438 | 17.8% | 37,299 | 26.2% | 46,420 | 27.8% |
| College 4 or more years | 29,424 | 25.6% | 43,454 | 30.6% | 59,615 | 35.6% |
| Total | <u>115,055</u> | 100.0% | <u>142,116</u> | 100.0% | <u>167,235</u> | 100.0% |
| Unemployment Rate | 4.7% | | 3.7% | | 1.8% | |

Source: U.S. Census Bureau

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

| Function/Program | Employees as of the Last Pay Period of Fiscal Year | | | | | | | | | |
|-----------------------------|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Administrative Services | 130 | 145 | 141 | 134 | 147 | 149 | 145 | 150 | 140 | 139 |
| General Government | 73 | 81 | 84 | 86 | 88 | 89 | 96 | 94 | 67 | 64 |
| Finance | 74 | 81 | 81 | 90 | 86 | 91 | 99 | 100 | 94 | 90 |
| General Services | | | | | | | | | | |
| Parks and Recreation | 139 | 143 | 141 | 137 | 156 | 161 | 166 | 169 | 172 | 180 |
| Other | 159 | 158 | 171 | 168 | 169 | 167 | 166 | 169 | 157 | 124 |
| Law | 14 | 16 | 17 | 17 | 18 | 19 | 19 | 20 | 19 | 18 |
| Public Safety | | | | | | | | | | |
| Fire and Emergency Services | | | | | | | | | | |
| Firefighters and officers | 412 | 428 | 432 | 441 | 461 | 472 | 477 | 473 | 464 | 498 |
| Civilians | 34 | 32 | 32 | 33 | 40 | 40 | 42 | 40 | 38 | 39 |
| Police | | | | | | | | | | |
| Officers | 396 | 408 | 439 | 428 | 451 | 459 | 488 | 469 | 471 | 472 |
| Civilians | 148 | 147 | 144 | 161 | 172 | 189 | 153 | 162 | 192 | 184 |
| Community Corrections | 196 | 200 | 209 | 236 | 300 | 336 | 342 | 347 | 371 | 383 |
| Other | 42 | 44 | 44 | 52 | 57 | 65 | 69 | 71 | 72 | 73 |
| Public Works | | | | | | | | | | |
| Solid Waste | 196 | 189 | 188 | 210 | 220 | 228 | 225 | 238 | 236 | 217 |
| Sanitary Sewers | 145 | 138 | 118 | 114 | 113 | 121 | 119 | 121 | 129 | 125 |
| Other | 132 | 138 | 156 | 166 | 165 | 167 | 176 | 173 | 168 | 154 |
| Social Services | 177 | 179 | 143 | 149 | 158 | 150 | 147 | 156 | 163 | 160 |
| | 2,467 | 2,527 | 2,540 | 2,622 | 2,801 | 2,903 | 2,929 | 2,952 | 2,953 | 2,920 |

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

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

| Function/Program | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Fire and Emergency Services | | | | | | | | | | |
| Emergency Medical Calls | 20,856 | 21,333 | 22,589 | 23,134 | 24,102 | 24,743 | 25,901 | 28,345 | 27,750 | 28,698 |
| False Calls | 2,179 | 2,368 | 2,389 | 2,380 | 2,644 | 2,827 | 2,806 | 3,082 | 2,721 | 2,606 |
| Fire Incidents | 3,752 | 1,264 | 1,278 | 1,430 | 1,538 | 1,331 | 1,182 | 1,366 | 1,356 | 1,194 |
| Hazardous Materials Calls | 1,056 | 1,229 | 1,032 | 893 | 956 | 942 | 1,352 | 1,484 | 1,115 | 1,155 |
| Service Calls | 634 | 1,293 | 1,047 | 1,126 | 1,096 | 1,211 | 1,201 | 1,065 | 985 | 1,022 |
| Police | | | | | | | | | | |
| Physical Arrests ** | 19,326 | 19,805 | 20,020 | 20,090 | 21,125 | 19,605 | 19,747 | 19,835 | 22,422 | 22,294 |
| Parking Violations ** | 26,407 | 26,471 | 32,435 | 34,798 | 36,403 | 36,404 | 25,247 | 18,185 | 16,325 | 20,871 |
| Traffic Violations ** | 63,199 | 72,263 | 70,157 | 73,486 | 73,298 | 62,141 | 59,059 | 57,351 | 67,115 | 66,961 |
| Parks and Recreation | | | | | | | | | | |
| Rounds of Golf | 175,813 | 192,671 | 191,076 | 186,292 | 179,367 | 172,964 | 177,604 | 160,958 | 159,505 | 154,124 |
| Pool Visits | 206,202 | 167,122 | 300,208 | 283,589 | 288,208 | 225,522 | 233,689 | 209,408 | 180,417 | 180,619 |
| Building Inspection | | | | | | | | | | |
| Permits Issued * | 10,456 | 10,833 | 10,715 | 12,112 | 12,699 | 11,768 | 12,533 | 19,172 | 19,875 | 20,514 |
| Inspections | na | na | 23,500 | 26,844 | 25,562 | 28,406 | 28,574 | 32,869 | 36,937 | 38,669 |
| Sanitary Sewers | | | | | | | | | | |
| Tap-on Inspections ** | 1,688 | 1,782 | 2,127 | 1,845 | 2,140 | 1,955 | 1,955 | 2,025 | 2,212 | 2,131 |
| Average daily sewage treatment (mgd) ** | 38 | 39 | 36 | 36 | 33 | 36 | 40 | 43 | 48 | 51 |
| Solid Waste | | | | | | | | | | |
| Annual tons of refuse collected | na | na | na | na | na | 150,622 | 154,178 | 157,121 | 157,618 | 156,347 |
| Annual tons of recyclables collected | na | na | na | na | na | na | 5,568 | 6,825 | 10,412 | 11,668 |
| Other Public Works | | | | | | | | | | |
| Street Resurfacing (miles) | 21 | 20 | 28 | 25 | 31 | 25 | 21 | 19 | 21 | 23 |

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

** Calendar Year

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

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

| Function/Program | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Fire and Emergency Services | | | | | | | | | | |
| Number of Fire Stations | 18 | 18 | 19 | 19 | 19 | 21 | 21 | 21 | 21 | 21 |
| Number of Engines | 18 | 18 | 19 | 19 | 19 | 21 | 21 | 21 | 21 | 21 |
| Number of Aerials | 5 | 5 | 6 | 6 | 6 | 6 | 6 | 6 | 6 | 8 |
| Number of EC Units | 6 | 6 | 6 | 6 | 6 | 7 | 7 | 7 | 7 | 9 |
| Number of Haz-Mat Units | 2 | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Police | | | | | | | | | | |
| Stations | 2 | 2 | 2 | 2 | 2 | 3 | 3 | 3 | 3 | 3 |
| Patrol Units | na | na | na | na | na | na | na | na | 460 | 463 |
| Parks and Recreation | | | | | | | | | | |
| Acres of Parks | na | na | 3,972 | 4,003 | 4,207 | 4,186 | 4,206 | 4,263 | 4,263 | 4,261 |
| Number of Golf Courses | 5 | 5 | 5 | 5 | 6 | 6 | 6 | 6 | 6 | 6 |
| Number of Swimming Pools | 14 | 14 | 14 | 14 | 12 | 13 | 12 | 10 | 8 | 10 |
| Sanitary Sewers | | | | | | | | | | |
| Treatment Capacity (mgd) | 52 | 52 | 52 | 52 | 52 | 52 | 64 | 64 | 64 | 64 |
| Solid Waste | | | | | | | | | | |
| Collection Trucks | na | na | na | na | na | na | na | na | 117 | 117 |
| Other Public Works | | | | | | | | | | |
| Streets (miles) | na | na | na | na | na | na | na | na | 1,516 | 1,544 |
| 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 | 49,288 | 49,288 | 54,618 | 54,618 | 54,618 | 54,618 | 54,618 | 54,618 | 54,618 | 54,618 |
| Traffic Signals | na | na | 308 | 308 | 316 | 325 | 330 | 344 | 340 | 349 |

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