

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2006

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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Lexington-Fayette Urban County Government

Teresa Ann Isaac, Mayor

December 29, 2006

Dear Fayette County Citizens:

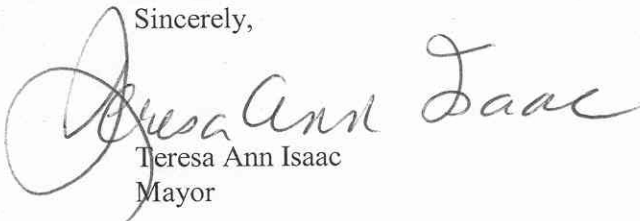
I am pleased to submit the Comprehensive Annual Financial Report for the Lexington-Fayette Urban County Government for the fiscal year ended June 30, 2006. This report conforms to the highest standards of financial reporting and reflects our commitment to sound financial management and strengthening the financial condition of the Government.

We have accomplished many, many things that will serve Fayette County residents now and for future generations. What we have done in 2006 joins a long and impressive list of accomplishments that began in 2003. This past year we formed partnerships to revitalize the Bluegrass-Aspendale area through new housing, a new community school, new roads and a museum. We continued to streamline government with the completion of the Versailles Road complex and we have acquired nearly 260 acres of land at Raven Run setting the stage for Raven Run Nature Sanctuary to become an important tourist attraction and national model in nature conservation. We are reinventing our financial and human resource information systems which will enable us to improve efficiency and provide more timely information.

You can be proud that Lexington is a safe city, a healthy city, and a city whose quality of life remains one of the highest in the country; and through our efforts, the services of the Lexington-Fayette Urban County Government were extended without fail to every neighborhood.

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

ELECTED OFFICIALS

MAYOR

Teresa Ann Isaac

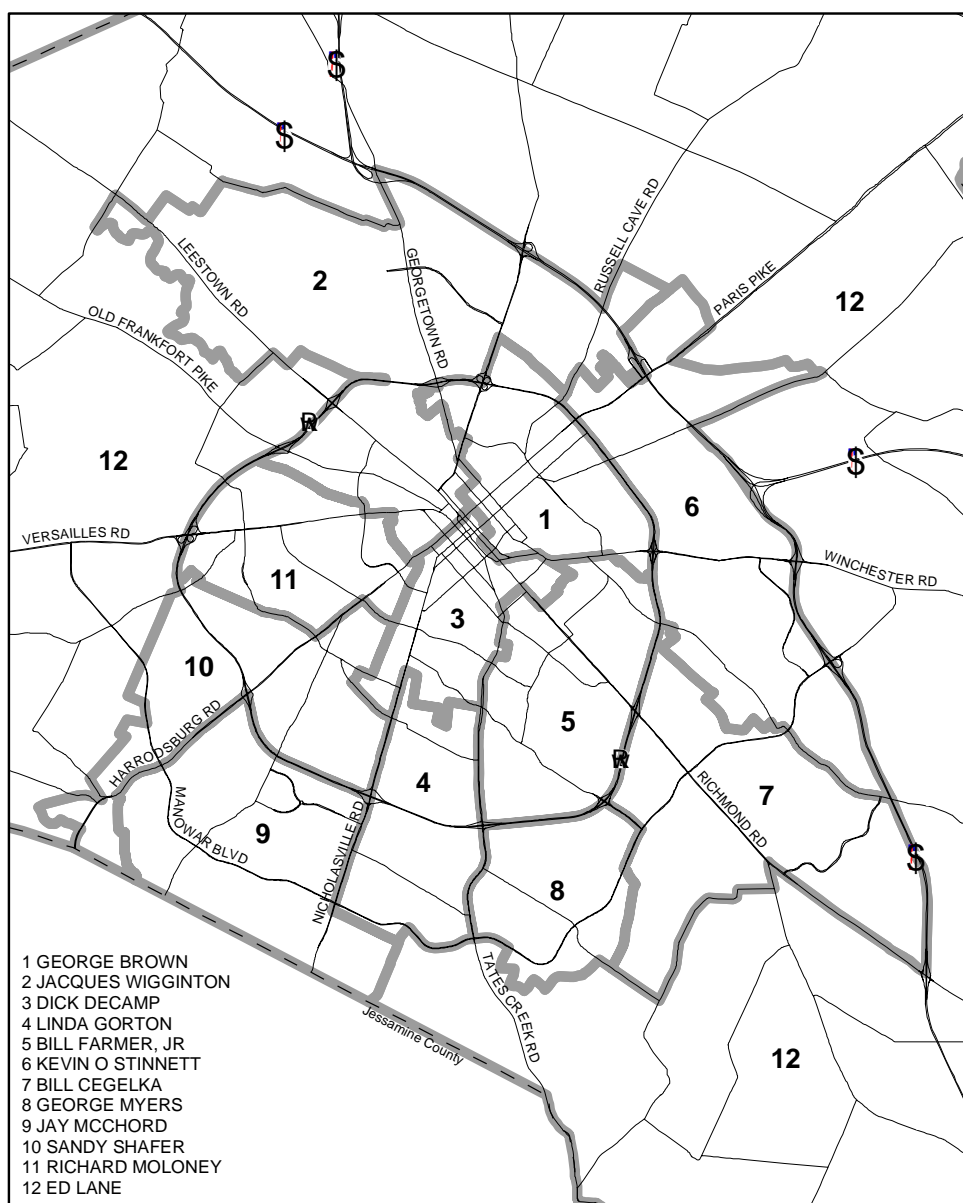
COUNCILMEMBERS-AT-LARGE

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

December 29, 2006

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, 2006. 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, 2006. 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, 2006 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

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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, 2006 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 3,605 authorized full-time positions. Of these positions, 2,090, or 58%, 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 264 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

STARS (Superior Technology Application & Reporting System)

The Government began implementation of STARS (Superior Technology Application & Reporting System) in January 2006. STARS is a comprehensive implementation of various PeopleSoft® modules. The goal of the STARS is to integrate all information systems and business processes. The implementation of the project will proceed through fiscal year 2007 and fiscal year 2008. The business processes to be integrated include general ledger, purchasing, accounts payable, accounts receivable, billing, budgeting, projects and grants, treasury, human resources management, payroll, time & labor, benefits and work orders. STARS replaces older legacy mainframe. The Government will use STARS to improve processes and reporting, eliminate duplicate data entry, and promote sharing of information between departments.

Bluegrass-Aspendale HOPE VI Revitalization

On October 26, 2005 the Lexington Fayette Urban County Housing Authority (LHA) was awarded a HOPE VI grant for the revitalization of an 80 acre tract of land known as the Bluegrass-Aspendale area, Lexington's last conventional public housing complex. During the next four years, this \$20 million grant will be leveraged with over \$80 million in additional funding sources to transform this aging public housing complex located in Lexington's East End, into a vibrant mixed-income, mixed use community.

The Government is a key partner in the project and approved an agreement with LHA to administer and coordinate a comprehensive community and supportive services program. The services to be provided by the Government include case management services, employment training, educational opportunities, childcare, transportation, health care, youth programming, home ownership counseling, leadership training and aging services. The term of the agreement is from December 13, 2005 through December 13, 2009 and the projected cost of \$1.2 million is paid by the HOPE VI Revitalization Grant. In addition, the Government agreed to finance a boulevard that will serve to reconfigure the street patterns in the area and improve the connection of the area to downtown Lexington at a cost of \$2.9 million. The project was part of the projects financed by the issuance of the General Obligation Bonds, Series 2006B, issued in June 2006.

Bluegrass Aspendale Community School

Another component of the HOPE VI grant was the inclusion of a new \$10.7 million elementary school to be constructed on 15 acres of the land, replacing two outdated small elementary schools in the area and combining their populations at the new school. This component was greatly strengthened by the commitment of the Government to an additional \$2.9 million to expand the school facility to become a community school, using the facility in non-school hours to offer a variety of services and programs to all residents of the community. A partnership of a dozen community agencies have committed funding and programming for the expanded space, which includes a full gymnasium with bleachers, weight room, kitchen classroom, meeting and multi-use activity rooms, offices, and restrooms. This partnership between the Housing Authority, School Board, and the Government will result in the offering of such programs as Extended School Program (ESP), Fitness & Conditioning, Tubby's Clubhouse, Youth & Adult Basketball Leagues, Arts, Crafts, Music, Jr. Naturalist, and Therapeutic Recreation Activities. The goal of the community school is to provide a space where partnerships between the school and other community resources can provide an integrated focus on academics, services, support, and opportunities, resulting in improved student learning, strengthened families, and healthier communities.

Lyric Theater Project

The Government acquired the Lyric Theater in the fall of 2005. The theater originally constructed in 1948 was the entertainment hub for Lexington's black community and played host to big band legends Count Basie and Duke Ellington. The theater was vacated in 1963 and has been unused since. The Government is embarking on a significant renovation of the theater for multiple uses by the entire community, including an African-American Museum. A 15 member task force worked for one year, and held multiple public forums, and theater open houses in order to generate a renovation plan embraced by the community. The plan was presented to the Urban County Council October 10, 2006 and included a museum space, a 500 seat performance theater and support space, multi-purpose space for meetings or receptions, a courtyard, all making use of the latest technology and "green building" concepts. The exterior structure will replicate the original appearance and marquee, with additional new construction on adjacent land to expand the facility. The renovation is estimated to total \$5.8 million. The completion of this project will fulfill an obligation of the Government per a Memorandum of Understanding with the Commonwealth of Kentucky to construct various cultural facilities. Under the agreement, construction plans are due for submission to state government in July 2007, with construction to begin by January, 2008 and to be completed by January 2010.

Parking Authority of Lexington

On December 15, 2005 the Government passed an ordinance creating the Lexington and Fayette County Parking Authority. The purpose of the Parking Authority is to centralize all public parking functions in one entity, to improve parking operations and ultimately to improve the availability of parking in downtown Lexington. The parking operations responsibilities resided in four different divisions of Government: parking garage management in General Services Administration; parking citations in Division of Police; parking meter collections and parking ticket collection in the Division of Revenue; and placement of on-street parking locations in the Division of Traffic Engineering. As a result of this fragmented responsibility structure, parking activities were not well coordinated and parking revenues were below expectations. The Parking Authority Board will be established and operations will be transferred to the Authority in Fiscal year 2007.

World Equestrian Games

On December 6, 2005 the Federation Equestre Internationale announced that the 2010 World Equestrian Games (WEG) would be held at the Kentucky Horse Park in Lexington-Fayette County. The WEG serve as the world championships in the seven horse sport disciplines of jumping, dressage, eventing, four-in-hand driving, endurance, vaulting and reining. The event will be held over a three-week period in September 2010 and is expected to draw an estimated 600,000 visitors to the region. The event is expected to provide a tremendous economic infusion for Lexington. Officials from the Government are working with state and event officials to coordinate the site and regional preparedness for the event. Government officials immediately formed a multi-divisional planning group to identify local government infrastructure and program initiatives that are required and desired to accommodate the event. Planning for this event is expected to be a budget priority for the next four years.

Day Treatment Center

In August 2006 the Government completed 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 has capacity for 120 students and is able to meet the multiple programming needs required by this population.

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 is six cents per \$100 of assessed value of property as of the January 1, 2006 assessment date. Collection of this tax began in October 2005 and resulted in \$12.0 million in revenue to finance operations of public bus service within the City of Lexington. This replaced Government general fund contributions of approximately \$3.5 million per year and federal grant funds that were discontinued. The additional funding enabled Lextran to reinstate transit services reduced over the last few years but will also allow Lextran to expand public transportation services.

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.

Local Economy

The Lexington-Fayette County area experienced moderate economic growth in fiscal year 2006, much of this occurring in the last quarter of the year. The unemployment rate in Fayette County was 4.9% in June 2006, up slightly from 4.7% in June 2005. These rates are below the national and state rates of 4.8% and 6.1% respectively. Employment, as measured by a household survey, which is by place of residence, increased from 143,704 to 145,390 an increase of 1.2% through June 2006. 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 2005 to 164,165 by the first calendar quarter of 2006, or 3.1%.

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.

Long-Term Financial Policies

The Government annually adopts a six-year Capital Improvement Plan as a component of the annual operating budget. The development of the capital improvement plan budget is coordinated with the

development of the operating budgets. Requests for capital projects are accompanied by estimates of impact on annual operating costs. Additionally, multi-year forecasts of revenues and expenditures, including operating and capital expenditures, are prepared throughout the year to monitor the adequacy of funding resources and debt capacity. Finally, the Government has adopted a long-term goal to increase the balance of the economic contingency fund, a policy explained in greater detail in the Management Discussion and Analysis.

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, 2006, the Insurance and Risk Management Fund had a net asset deficit of \$8,389,067. 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 \$3,075 at June 30, 2006.

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 13.19% of an employee's salary in the non-hazardous duty plan and 28.21% 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 825 retirees and beneficiaries and 1,065 active employees. Employees are required to contribute 11% of their salary. The Government's contribution was 23%. As of June 30, 2006, the actuarial value of assets was \$373.3 million and the estimated total actuarial accrued liability was \$594.8 million, reflecting a funding ratio of 62.8%. 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, 2006, there was one active member and 131 retirees and beneficiaries. The Government contributed 17.5% of the employee's salary while the employee contributed 8.5%. As of June 30, 2006, the actuarial value of assets was \$27.0 million, and the estimated actuarial accrued liability of \$27.6 million reflects a funding ratio of 97.8%. 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 2006, 618 retirees of the PFRF received this benefit for a total cost of \$2.3 million; and 27 retirees of the CEPF received this benefit for a total cost to the Government of \$81.0 thousand.

AWARDS AND ACKNOWLEDGEMENTS

For the thirteenth 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, 2005. 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, 2005

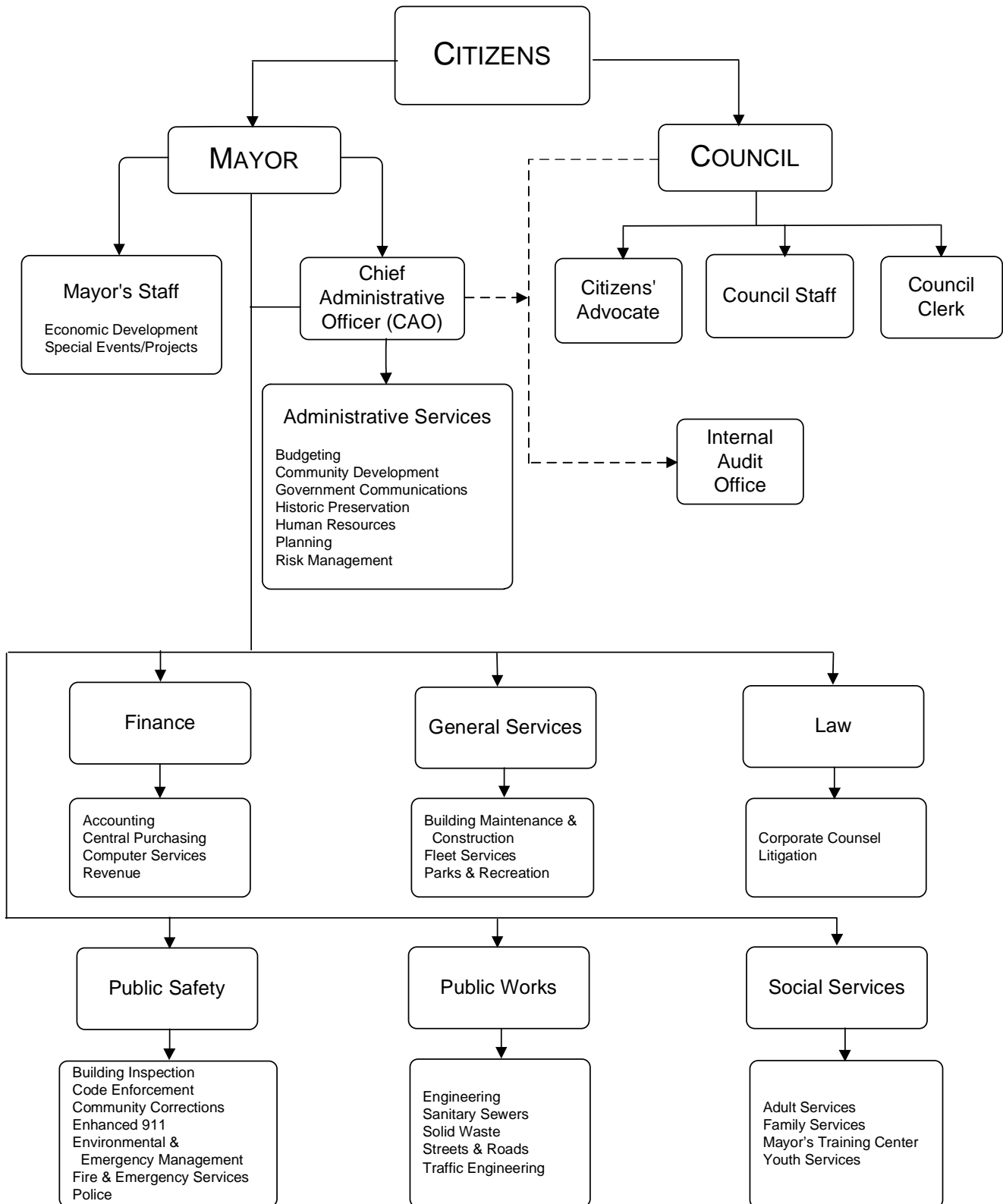
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

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

Jay Whitehead, CAO

Administrative Services

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

James E. Deaton, Director
Paula King, Director
David L. Sullivan, 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

Tim Clark, Acting 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, Director
David K. Jarvis, 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

Charles H. Martin, Acting Commissioner
Marwan Rayan, Director
Rodney Chervus, Acting 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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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, 2006, 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, 2006 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, 2006, 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 December 1, 2006 on our consideration of the Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 101 through 133, and the statistical section on pages 135 through 158 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 109 through 111 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.

Mountjoy & Bressler, L.L.P.

Lexington, Kentucky
December 22, 2006

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, 2006. 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 \$1.3 billion (net assets). Governmental activities' unrestricted net assets were \$50.4 million and may be used to meet the Government's ongoing obligations. Business-type activities had unrestricted net assets of \$11.1 million.
- The Government's total net assets increased \$873.9 million. This increase reflects the recording of infrastructure assets for governmental type activities acquired prior to 2002. Net assets of governmental activities increased \$865.5 million and net assets of business-type activities increased by \$8.4 million.
- As of June 30, 2006 the Government's governmental funds reported combined ending fund balances of \$106.1 million, an increase of \$14.9 million from the prior year. Of this amount, \$71.4 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 \$17.7 million or 7.3% of General Fund revenues. The economic contingency designation, which is available for spending in the event of an economic downturn or unforeseen events, was \$8.3 million.
- Infrastructure assets additions which include current year acquisitions and retroactive reporting of those acquired prior to fiscal year 2002, net of depreciation included \$797.5 million for roads, \$51.3 million for storm water systems and \$3.0 million for bridges.
- Governmental activities debt increased by \$9.7 million. Debt increases included the issuance of \$14.4 million and \$10.3 million in general obligation bonds and 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. Pursuant to GASB 34, this year the historical value of all infrastructure assets for governmental type funds, including roads, bridges, storm sewers, etc., are reported.

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, 2006. 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 121. 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, 2006, the Government as a whole had net assets greater than its liabilities by \$1.3 billion, an increase of \$874.1 million. This dramatic increase reflects the recording of infrastructure assets for governmental type activities acquired before 2002 in accordance with GASB 34. Net assets of governmental activities were \$1.0 billion and increased by \$865.6 million over the prior year. Of these net assets, \$964.0 million, or 94%, is invested in capital assets, and \$50.4 million, or 5%, is unrestricted. The unrestricted net assets of governmental funds include fund balances of the general fund, the urban services fund and various special revenue funds. Please refer to the fund analysis beginning on page 23 for more information.

Net Assets						
June 30, 2006						
(in millions)						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$131.7	\$122.8	\$83.0	\$81.4	\$214.7	\$204.1
Capital assets	1,116.9	255.3	347.2	349.8	1,464.0	605.1
Total assets	1,248.5	378.1	430.2	431.2	1,678.7	809.3
Long-term liabilities	189.2	179.1	130.9	138.7	320.0	317.8
Other liabilities	34.4	39.5	7.9	9.5	42.3	49.1
Total Liabilities	223.6	218.7	138.7	148.2	362.3	366.9
Net assets						
Invested in capital assets						
net of related debt	964.0	128.5	245.8	243.7	1,209.9	372.2
Restricted for:						
Capital Projects	10.3	0.8	22.6	21.7	32.8	22.5
Debt Service			5.2	5.4	5.2	5.4
Depreciation			2.2	2.3	2.2	2.3
Grants	0.2	0.5			0.2	0.5
Maintenance and Operations			4.6	4.2	4.6	4.2
Unrestricted	50.4	29.5	11.1	5.6	61.5	35.2
Total net assets	\$1,025.0	\$159.4	\$291.5	\$283.0	\$1,316.5	\$442.4

*Numbers may not total due to rounding.

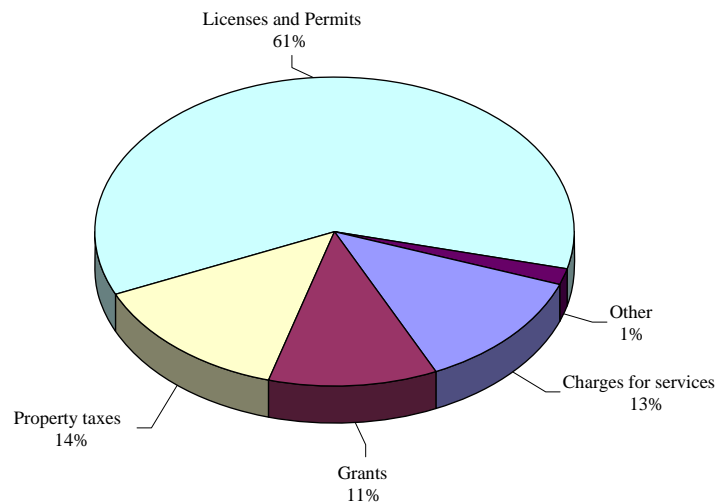
** 2005 numbers do not reflect retroactive reporting or prior period adjustments.

The net assets of the Government's business-type activities are \$291.5 million and increased by \$8.5 million over the prior year. Of these net assets, \$245.8 million is invested in capital assets, \$22.6 million is reserved for capital projects, \$5.2 million is reserved for debt service, and \$11.1 million was unrestricted.

Governmental Activities

Revenues for governmental activities, net of transfers, totaled \$325.9 million. Licenses and permits totaled \$197.9 million, or 61% of the total. This category includes an occupational license fee (OLF) which is an assessment of 2.25% of total wages received in Lexington-Fayette Counts and an assessment of 2.5% of net profits of businesses operating in the Lexington-Fayette County area. Licenses and permits increased by \$8.9 million from 2005 due primarily to increases in OLF. The second largest category of governmental revenues, property taxes, accounted for \$44.9 million, or 14%. Charges for services account for \$41.1 million, or 13%. Grants and contributions totaled \$36.9 million and accounted for 11% of total revenues.

Chart 1
Distribution of Governmental Activity Revenues



*Numbers may not total due to rounding.

Total expenses of governmental activities were \$363.3 million and increased \$85.7 million, or 31%, from the prior year. This significant increase reflects adoption of recognition of governmental activities capital assets and the associated depreciation as required by GASB 34. Depreciation expenses accounted for \$70.8 million across all programs. The largest program expenses category is Public Works which totaled \$93.2 million, an increase of \$57.9 million, and depreciation accounts for \$61.6 million. Expenses for police activities totaled \$56.6 million and accounted for 16% of the total. The third largest category of expenses is Fire and Emergency Services which totaled \$47.5 million, 13% of the total. Community Corrections expenses totaled \$28.5 million and accounted for 8% of expenses.

Statement of Activities
For the Year Ended June 30, 2006
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for services	\$41.1	\$41.3	\$50.8	\$49.8	\$91.9	\$91.1
Operating Grants and Contributions	19.3	20.8			19.3	20.8
Capital Grants and Contributions	15.3	13.0			15.3	13.0
General revenues:						
Property taxes	44.9	43.2			44.9	43.2
Licenses and permits	197.9	189.0			197.9	189.0
Grants and unrestricted contributions	2.3	2.6			2.3	2.6
Other general revenues	5.2	3.1	2.7	1.4	7.9	4.5
Total revenues	<u>325.9</u>	<u>313.0</u>	<u>53.5</u>	<u>51.2</u>	<u>379.5</u>	<u>364.2</u>
Program expenses						
General Government	22.0	22.8			22.0	22.8
Administrative Services	27.7	23.5			27.7	23.5
Health, Dental and Vision Insurance	14.7	14.0			14.7	14.0
Finance	6.6	6.7			6.6	6.7
Public Works	93.2	35.3			93.2	35.3
Public Safety	8.4	9.0			8.4	9.0
Police	56.6	47.3			56.6	47.3
Fire and Emergency Services	47.5	39.4			47.5	39.4
Community Corrections	28.5	27.3			28.5	27.3
Social Services	13.4	10.6			13.4	10.6
General Services	18.5	17.0			18.5	17.0
Parks and Recreation	16.7	14.8			16.7	14.8
Law	1.9	2.0			1.9	2.0
Outside Agencies	0.2	0.3			0.2	0.3
Interest on Long-Term Debt	6.3	6.2			6.3	6.2
Debt Service - Other	1.0	1.3			1.0	1.3
Sanitary Sewer System			24.6	23.6	24.6	23.6
Public Facilities			12.2	12.1	12.2	12.1
Public Parking			0.9	0.9	0.9	0.9
Landfill			1.4	4.2	1.4	4.2
Right of Way			0.3	0.3	0.3	0.3
Extended School Program			1.6	1.5	1.6	1.5
Prisoners' Account System			1.4	1.5	1.4	1.5
Enhanced 911			2.1	2.1	2.1	2.1
LexVan Program			0.0	0.0	0.0	0.0
Small Business Development			0.0	0.0	0.0	0.0
Total expenses	<u>363.3</u>	<u>277.6</u>	<u>44.4</u>	<u>46.1</u>	<u>407.7</u>	<u>323.8</u>
Increase in Net Assets before Transfers	<u>(37.3)</u>	<u>35.3</u>	<u>9.1</u>	<u>5.1</u>	<u>(28.2)</u>	<u>40.4</u>
Transfers	0.7	(1.3)	(0.7)	1.3	0.0	0.0
Increase in Net Assets	<u>(36.6)</u>	<u>34.0</u>	<u>8.4</u>	<u>6.4</u>	<u>(28.2)</u>	<u>40.4</u>
Prior Period Adjustment	0.1		0.0		0.2	
Retroactive Reporting of Infrastructure	902.1				902.1	
Net Assets, July 1	<u>159.4</u>	<u>125.3</u>	<u>283.0</u>	<u>276.6</u>	<u>442.4</u>	<u>402.0</u>
Net Assets, June 30	<u>\$1,025.0</u>	<u>\$159.4</u>	<u>\$291.5</u>	<u>\$283.0</u>	<u>\$1,316.4</u>	<u>\$442.4</u>

*Numbers may not total due to rounding.

Chart 2
Distribution of Governmental Activity Expenses

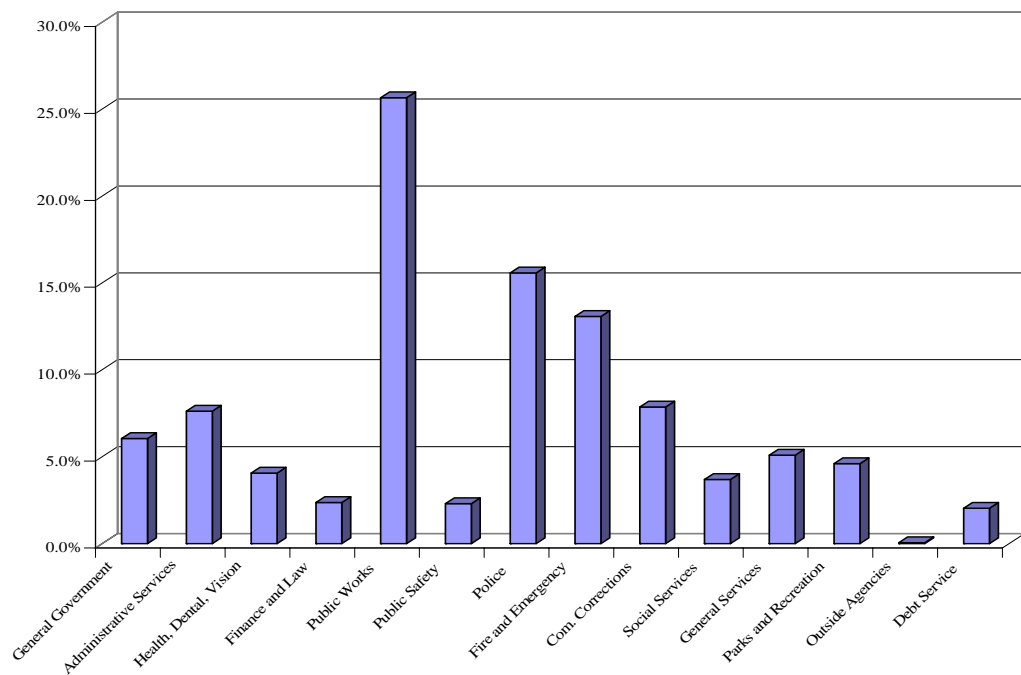
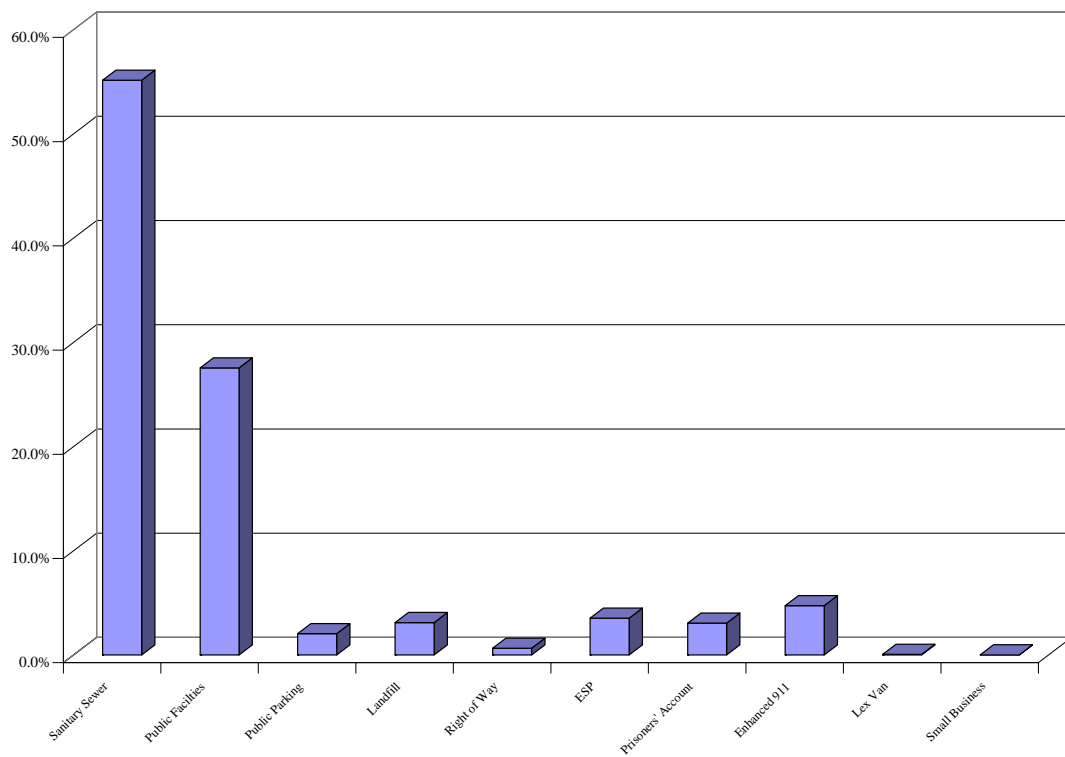


Chart 3
Distribution of Business-type Activity Expenses



Business-type Activities

Revenues for business-type activities totaled \$53.5 million for the fiscal year ended June 30, 2006 and increased 4.3% over the prior year. Ninety-five percent of business-type revenues were from charges for services. Expenses for business-type activities totaled \$44.4 million in 2006, and decreased \$1.7 million. The largest program in the business type-activities is sanitary sewer services, which totaled \$24.6 million and accounted for 55.3% of business-type expenses. Public Facilities, a corporation set up to finance the acquisition of government facilities, totaled \$12.2 million and accounted for 27.4% of business-type expenses.

FUNDS OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

The Government's governmental funds for the year ended June 30, 2006 reflect a combined ending fund balance of \$106.1 million, an increase of \$14.8 million from the prior year. Of this amount, \$71.4 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 \$37.9 million and increased by \$1.8 million, or 5.1% over the prior year. Of this total, unreserved, undesignated fund balance was \$17.7 million, or 7.3% of General Fund revenues, and increased by \$265.5 thousand from the prior year. Unreserved, designated fund balance totaled \$15.3 million, or 6.3% of General Fund revenues. The designations include:

- \$8.3 million is designated as an economic contingency to act as a cushion in the event of an economic downturn.
- \$7.0 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 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 \$23.7 million and increased by \$1.9 million over the prior year. Unreserved, undesignated fund balance was \$20.8 million and reflects 65.5% of Urban Services revenues. Federal and State Grants fund balance was \$235.3 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 \$291.9 million as of June 30, 2006, an increase of \$8.4 million or 3.0%.

The Sanitary Sewer Fund had total net assets of \$205.5 million, an increase of \$4.8 million, or 2.4%, over the prior year. Of the total net assets, \$32.0 million is restricted under bond covenants for maintenance, depreciation, capital improvements and debt service. Unrestricted net assets were \$10.3 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 \$51.9 million, a decrease of \$3.4 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 \$14.7 million, an increase of \$394.5 thousand from the prior year.

The Landfill Fund had total net assets of \$17.0 million and increased by \$6.2 million from the prior year. An unrestricted net asset deficit of \$1.9 million results from the Government financing a portion of the landfill closure and postclosure liability, \$20.8 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, 2006 revenues totaled \$242.3 million and increased 3.9% over the prior year. Total revenues were \$3.4 million above the final budgeted amount. This increase resulted from economic growth. Employee withholdings totaled \$133.1 million, 54.9% of total revenues, and increased 5.6% over the prior year. Net profits totaled \$27.6 million, 11.4% of general fund revenues, and increased 10.8%. Insurance license revenues totaled \$20.5 million, 8.5% of general fund revenues, and increased 7.0% over the prior year. Franchise fees totaled \$14.4 million and increased 4.6%. Realty taxes totaled \$14.4 million, 5.9% of general fund revenues, and increased 8.5%. The increase represents growth in assessments and new property. Intergovernmental income totaled \$2.5 million and increased \$47.0 thousand from the prior. Income from investment totaled \$1.5 million and increased 177.6% over the prior year. This increase reflects higher interest rates.

Expenditures totaled \$243.4 million and increased \$20.6 million, or 9.3% over the previous year, and were \$10.5 million below the final budget. Personnel expenditures accounted for 66.2% of General Fund expenditures and this category accounted for the most significant increase in expenditures. Personnel cost increases resulted from payment of an additional pay period, a 5.0% pay increase, implementation of collective bargaining agreements for sworn personnel and an increase in the employer contributions to the retirement funds. While personnel expenditure increases occurred throughout Government, the personnel expenditure effect is pronounced in the divisions of Police, Fire & Emergency Services and Corrections where expenditures increased by \$18.6 million, or 17.3 percent from the prior year. These divisions account for 58% of Government employment. Transfers from other funds increased by \$1.4 million and reflect a \$1.0 million transfer from the landfill fund as reimbursement from prior year transfers to the landfill fund.

The expenditure increases were offset by a \$1.1 million reduction in expenditures for insurance, a \$3.9 million decrease in expenditures for outside agencies and a \$3.3 million reduction in transfer to other funds. The most significant decrease for component units was \$3.4 million for the elimination of funding for the Lexington Transit Authority due to the imposition of a dedicated tax to fund this service. The decrease in transfers to other funds reflects prior year one-time transfers to capital project funds.

The Contingency budget category was under budget by \$2.5 due to accounting for the \$2 million designation for the Economic Contingency as a designation of fund balance rather than a budgetary

item. Expenditures for Engineering were \$1.3 million under budget due primarily to lapse of funds for storm water capital projects. Expenditures for the Council office were under budget by \$947.5 thousand, the Division of Engineering were below budget by \$1.3 million, and the Division of Parks and Recreation were below budget by \$685.3 thousand due primarily to capital lapse.

CAPITAL ASSETS

This is the first year the Government has reported all capital assets, including infrastructure, pursuant to GASB 34. The Government's investment in capital assets totaled \$1.5 billion as of June 30, 2006. This investment includes land, buildings, equipment, park facilities, roads, bridges, and sewer systems. For governmental activities, the recorded investments total \$1.1 billion. Governmental activity assets increased by \$861.6 million over the prior year. The assets of Business-type activities totaled \$347.2 million, and decreased by \$2.6 million from the prior year. This year's major changes in capital assets included:

- The recording of infrastructure for Governmental activities, not just new additions, totaled \$883.1 million and increased \$852.0 million from the prior year.
 - Roads totaled \$820.0 million and increased by \$797.5 million
 - Stormwater systems totaled \$59.5 million and increased by \$51.3 million
 - Bridges totaled \$3.0 million and were previously not reported
 - Fiber optics totaled \$1.0 million \$280.6 thousand.
- The Purchase of Development Rights program acquired \$7.0 million in conservation easements.
- Construction in Progress totaled \$12.9 million.
- Building improvements total \$186.2 million. Building project completed this year include \$4.0 million for the Day Treatment Center, \$2.8 million for completion of the Versailles Road Government Center, \$2.3 million for completion of the government center HVAC project and \$2.2 million for completion of the recycling center.
- Capital Assets for Business-type activities decreased by \$2.6 million. Depreciation exceeded additions by \$3.0 million.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Land	\$40.8	\$40.2	\$45.4	\$45.4	\$86.1	\$85.6
Development Rights	43.0	36.1			43.0	36.1
Buildings and Improvements	104.4	93.9	81.8	89.5	186.2	183.4
Vehicles, Equipment and Furniture	25.9	24.8	2.0	1.5	27.9	26.4
Land and Leasehold Improvements	6.8	5.8	24.2	20.2	31.0	26.0
Infrastructure	883.1	31.1	188.9	190.1	1,071.9	221.1
Construction in Progress	12.9	23.4	5.0	3.2	17.9	26.6
Total	<u>\$1,116.9</u>	<u>\$255.3</u>	<u>\$347.2</u>	<u>\$349.8</u>	<u>\$1,464.0</u>	<u>\$605.1</u>

*Numbers may not total due to rounding

In fiscal year 2007 the Government has budgeted \$34.4 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 2007 will be approximately \$11.5 million for sanitary sewer improvements, \$4.1 million for street resurfacing, and \$4.0 million for the PDR. 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 71 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 \$268.1 million in bonds and notes outstanding. Governmental activities debt increased by \$9.7 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 issues and in fiscal year 2006.

- \$14.4 million, Series 2006A to finance acquisition of certain equipment and vehicles, acquiring an integrated financial and human resources information system and various park improvements.
- \$10.3 million Series 2006B to finance storm water improvements, neighborhood redevelopment projects, Bluegrass Aspendale Parkway, Veterans Park fire station and police cars.

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 \$176.1 million.

Outstanding Debt
June 30, 2006
(in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
General Obligation Bonds, Notes, Leases	\$154.8	\$144.9			\$154.8	\$144.9
Mortgage Revenue Bonds			69.6	71.7	69.6	71.7
Condemnation Notes	0.7	0.7			0.7	0.7
Lease Revenue Notes	0.1	0.3			0.1	0.3
Revenue Bonds			42.9	46.6	42.9	46.6
Total	<u>\$155.6</u>	<u>\$145.9</u>	<u>\$112.5</u>	<u>\$118.2</u>	<u>\$268.1</u>	<u>\$264.2</u>

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 75 of the report.

NEXT YEAR’S BUDGET

The fiscal year 2007 budget for all funds combined, net of interfund transfers, is \$396.0 million. Significant initiatives in the budget include a commitment to employee compensation by providing a 3.8% pay increase for civilian employees and fully funding four collective bargaining agreements with Police and Fire employees, increases in the retirement fund contribution rates, continued funding for implementing PeopleSoft information systems for both financial and human resource applications, enhancing social services, and continued commitment of \$2 million for the Purchase of Development Rights program. Funding for these initiatives was derived from a projected 4.7% increase in general fund revenues. Based on revenue collections through September 2006, 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, 2006

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash	\$34,592,871	\$20,336,381	\$54,929,252	\$9,945,039
Investments	48,174,037	28,536,769	76,710,806	9,447,569
Receivables (net)	20,060,016	6,124,529	26,184,545	3,634,348
Due from Other Governments	6,781,981		6,781,981	817,263
Due from Component Units	410,891		410,891	172,157
Internal Balances	(990,750)	990,750	0	
Due from Primary Government			0	641,229
Inventories	1,089,346	20,405	1,109,751	327,980
Prepaid Items	384,070	2,070,528	2,454,598	3,828,021
Pension Assets			0	195,930
Restricted Assets:				
Investments	21,181,147	24,915,422	46,096,569	26,676,230
Other			0	649,502
Capital Assets:				
Non-depreciable	96,673,861	50,381,386	147,055,247	55,389,033
Depreciable (Net)	1,020,188,993	296,801,429	1,316,990,422	153,213,998
Other Assets			0	469,840
Total Assets	1,248,546,463	430,177,599	1,678,724,062	265,408,139
LIABILITIES				
Accounts, Contracts Payable and				
Accrued Liabilities	12,983,954	1,641,529	14,625,483	4,202,427
Interest Payable	1,279,625	882,696	2,162,321	94,395
Due to Pension Trust Fund	28,745		28,745	
Due to Component Units	641,229		641,229	172,157
Due to Primary Government			0	410,891
Unearned Revenue and Other	1,901,927	466,546	2,368,473	651,745
Claims Liabilities	17,602,000		17,602,000	
Liabilities Payable from				
Restricted Assets:				
Accounts, Contracts and Retainage				
Payable		265,601	265,601	4,842,843
Bonds and Notes Payable		3,515,000	3,515,000	900,000
Interest Payable		1,079,363	1,079,363	174,768
Non-Current Liabilities:				
Due Within One Year:				
Bonds and Notes Payable	18,762,661	2,140,000	20,902,661	3,344,699
Compensated Absences	2,440,360	271,790	2,712,150	400,517
Capital Lease Obligations				6,966
Landfill Closure and				
Postclosure Care Costs		9,816,655	9,816,655	
Due in More Than One Year:				
Unearned Revenue and Other		134,835	134,835	
Bonds and Notes Payable	136,820,000	106,885,000	243,705,000	81,841,875
Compensated Absences	13,571,194	580,016	14,151,210	700,463
Capital Lease Obligations				14,455
Landfill Closure and				
Postclosure Care Costs		11,029,390	11,029,390	
Unfunded Pension Liability	17,582,997		17,582,997	
Total Liabilities	\$223,614,692	\$138,708,421	\$362,323,113	\$97,758,201

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	\$964,032,556	\$245,818,433	\$1,209,850,989	\$133,738,535
Restricted for:				
Governmental and Program Funds			0	165,575
Fees			0	542,433
Capital Projects	10,273,828	22,562,911	32,836,739	
Debt Service		5,222,550	5,222,550	11,560,592
Depreciation		2,159,690	2,159,690	
Pension			0	195,930
Endowments			0	108,335
Grants	235,303		235,303	
Maintenance and Operations		4,620,790	4,620,790	
Unrestricted	50,390,084	11,084,804	61,474,888	21,338,538
Total Net Assets	\$1,024,931,771	\$291,469,178	\$1,316,400,949	\$167,649,938

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, 2006

32

Function/Program Activities	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary Government:								
Governmental Activities:								
General Government	\$21,977,521	\$3,103,058	\$1,118,891	\$111,998	(\$17,643,574)		(\$17,643,574)	
Administrative Services	27,674,322	1,577,237	3,709,778	6,392,017	(15,995,290)		(15,995,290)	
Health, Dental and Vision Insurance	14,740,182	14,676,675			(63,507)		(63,507)	
Finance	6,629,421	866,815			(5,762,606)		(5,762,606)	
Public Works	93,199,722	1,574,355	4,540,687	4,405,019	(82,679,661)		(82,679,661)	
Public Safety	8,363,244	2,394,577	1,234,992	68,596	(4,665,079)		(4,665,079)	
Police	56,588,057	1,088,235	3,462,926	2,119,672	(49,917,224)		(49,917,224)	
Fire and Emergency Services	47,469,043	3,645,180	1,532,440	884,239	(41,407,184)		(41,407,184)	
Community Corrections	28,539,978	5,995,495			(22,544,483)		(22,544,483)	
Social Services	13,379,478	355,936	3,507,722	83,781	(9,432,039)		(9,432,039)	
General Services	18,493,537	69,488	107,016		(18,317,033)		(18,317,033)	
Parks and Recreation	16,739,980	4,338,295	83,500	1,284,621	(11,033,564)		(11,033,564)	
Law	1,946,786	1,145			(1,945,641)		(1,945,641)	
Outside Agencies	178,667	923,420			744,753		744,753	
Interest on Long-Term Debt	6,291,512				(6,291,512)		(6,291,512)	
Debt Service - Other	1,040,970	485,304			(555,666)		(555,666)	
Total governmental activities	363,252,420	41,095,215	19,297,952	15,349,943	(287,509,310)	0	(287,509,310)	
Business-type Activities:								
Sanitary Sewer System	24,553,305	28,471,944				3,918,639	3,918,639	
Public Facilities	12,175,005	7,251,009				(4,923,996)	(4,923,996)	
Public Parking	909,544	1,303,998				394,454	394,454	
Landfill	1,391,578	7,999,651				6,608,073	6,608,073	
Right of Way	292,284	412,292				120,008	120,008	
Extended School Program	1,578,873	1,494,955				(83,918)	(83,918)	
Prisoners' Account System	1,363,204	1,452,156				88,952	88,952	
Enhanced 911	2,107,592	2,365,264				257,672	257,672	
LexVan Program	35,122	27,449				(7,673)	(7,673)	
Small Business Development	8,838	6,258				(2,580)	(2,580)	
Total business-type activities	44,415,345	50,784,976	0	0	0	6,369,631	6,369,631	
Total primary government	\$407,667,765	\$91,880,191	\$19,297,952	\$15,349,943	(287,509,310)	6,369,631	(281,139,679)	

Component Units:

Lexington Center Corporation	\$16,916,081	\$10,935,086	\$948,000	\$245,958				(4,787,037)
Lexington Airport Board	15,415,225	13,645,435		12,559,663				10,789,873
Fayette County Department of Health	21,357,797	7,148,469	8,969,043					(5,240,285)
Nonmajor component units	32,934,878	2,748,878	5,054,851	1,967,253				(23,163,896)
Total component units	<u>\$86,623,981</u>	<u>\$34,477,868</u>	<u>\$14,971,894</u>	<u>\$14,772,874</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(22,401,345)</u>

General Revenues:

Property Taxes			44,889,961			44,889,961	30,303,762
Licenses Fees - Wages and Net Profits Taxes			197,857,140			197,857,140	
Grants and Contributions Not Restricted to Specific Programs:							
Community Development Block Grant			2,264,419			2,264,419	
Payment from Lexington-Fayette Urban County Government						0	6,396,283
Income on Investments			3,395,527	2,728,854		6,124,381	987,600
Net Change in Fair Value of Investments						0	4,186
Gain (Loss) on Sale of Capital Assets			956,340	17,819		974,159	(6,788)
Miscellaneous			827,029			827,029	390,398
Transfers			670,254	(670,254)		0	
Total General Revenues and Transfers			<u>250,860,670</u>	<u>2,076,419</u>		<u>252,937,089</u>	<u>38,075,441</u>
Change in Net Assets			(36,648,640)	8,446,050		(28,202,590)	15,674,096
Prior Period Adjustment			136,485	20,000		156,485	37,027
Retroactive Reporting of Infrastructure			902,066,962			902,066,962	
Net Assets, July 1			<u>159,376,964</u>	<u>283,003,128</u>		<u>442,380,092</u>	<u>151,938,815</u>
Net Assets, June 30			<u>\$1,024,931,771</u>	<u>\$291,469,178</u>		<u>\$1,316,400,949</u>	<u>\$167,649,938</u>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
BALANCE SHEET**

June 30, 2006

	General	Urban Services	Federal and State Grants	Other Governmental Funds	Total Governmental Funds
ASSETS					
Current Cash	\$26,904,753	\$1,620,550	\$12,939	\$4,725,614	\$33,263,856
Current Investments	8,858,955	23,001,503	20,000	8,793,579	40,674,037
Receivables :					
Local Contributions			77,926		77,926
Loans			4,423,682		4,423,682
License Fees	9,645,123				9,645,123
Other	3,239,059	837		8,288,386	11,528,282
Less Allowance for Uncollectible Amounts	(1,329,393)		(4,423,682)		(5,753,075)
Due from Other Governments			6,756,926	25,055	6,781,981
Due from Other Funds	7,719,984	870,998		7,290,175	15,881,157
Due from Component Units	410,891				410,891
Inventories	1,089,346				1,089,346
Restricted Investments				21,181,147	21,181,147
Total Assets	\$56,538,718	\$25,493,888	\$6,867,791	\$50,303,956	\$139,204,353
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and Contracts Payable	\$5,437,750	\$568,215	\$589,828	\$1,860,810	\$8,456,603
Accrued Payroll & Related Liabilities	3,931,451	213,575			4,145,026
Due to Other Funds	7,580,830	976,517	5,381,555	3,981,512	17,920,414
Due to Component Units	641,229				641,229
Unearned Revenue and Other	1,059,020	1,114	661,105	180,688	1,901,927
Total Liabilities	18,650,280	1,759,421	6,632,488	6,023,010	33,065,199
Fund Balances:					
Reserved for:					
Encumbrances	4,845,381	2,963,095		11,641,885	19,450,361
Unreserved:					
Designated for Economic Contingency	8,272,087				8,272,087
Designated for Working Capital	7,036,780				7,036,780
Undesignated	17,734,190	20,771,372	235,303		38,740,865
Undesignated, reported in Special Revenue Funds				6,789,094	6,789,094
Undesignated, reported in Capital Projects Funds				25,849,967	25,849,967
Total Fund Balances	37,888,438	23,734,467	235,303	44,280,946	106,139,154
Total Liabilities and Fund Balances	\$56,538,718	\$25,493,888	\$6,867,791	\$50,303,956	\$139,204,353

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, 2006**

Fund balances - total governmental funds		\$106,139,154
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	1,269,999,433	
Less accumulated depreciation	<u>(153,136,579)</u>	1,116,862,854
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not reported in the funds.		
Bond Issuance Costs	777,474	
Current year amortization	<u>(86,864)</u>	690,610
Net Discount (Premiums)	<u>(368,530)</u>	
Current year amortization	<u>61,990</u>	(306,540)
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	(155,582,661)	
Accrued interest payable	(1,279,625)	
Compensated absences	(16,011,554)	
Unfunded pension liability	<u>(17,582,997)</u>	(190,456,837)
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>(7,997,470)</u>
Net assets of governmental activities		<u><u>\$1,024,931,771</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, 2006

	General	Urban Services	Federal and State Grants	Other Governmental Funds	Total Governmental Funds
REVENUES					
License Fees and Permits	\$197,682,646	\$970,821			\$198,653,467
Taxes	17,156,666	27,733,295			44,889,961
Charges for Services	20,644,407	3,750			20,648,157
Fines and Forfeitures	323,063				323,063
Intergovernmental	2,465,624		21,659,090	7,659,842	31,784,556
Exactions				2,823,892	2,823,892
Grant Match			2,256,329		2,256,329
Property Sales	349,715	606,625			956,340
Income on Investments	1,481,463	992,332		892,566	3,366,361
Other	1,743,395	1,387,025	1,689,324	967,527	5,787,271
Total Revenues	241,846,979	31,693,848	25,604,743	12,343,827	311,489,397
EXPENDITURES					
Current:					
General Government	3,960,625	1,533,189	3,141,435		8,635,249
Administrative Services	15,052,401	911,233	8,473,830	667,458	25,104,922
Finance	7,123,893	21,988			7,145,881
Public Works	12,428,946	23,085,412	1,772,288	3,143,963	40,430,609
Public Safety	7,306,788		1,270,834	666,232	9,243,854
Police	47,771,934		4,754,720		52,526,654
Fire and Emergency Services	45,653,878		2,909,384		48,563,262
Community Corrections	26,898,246				26,898,246
Social Services	9,109,200		3,136,064		12,245,264
General Services	11,419,872	2,741,829	189,148		14,350,849
Parks and Recreation	15,879,074		49,370		15,928,444
Law	1,575,637				1,575,637
Outside Agencies	14,249,343			1,596,705	15,846,048
Debt Service:					
Principal	14,528,004	181,860		320,409	15,030,273
Interest and Other	6,016,446	16,811		220,940	6,254,197
Bond Issuance Costs				89,326	89,326
Other	1,040,970				1,040,970
Capital:					
Equipment				14,252,686	14,252,686
Acquisitions and Construction				7,137,180	7,137,180
Total Expenditures	240,015,257	28,492,322	25,697,073	28,094,899	322,299,551
Excess (Deficiency) of Revenues over (under) Expenditures	1,831,722	3,201,526	(92,330)	(15,751,072)	(10,810,154)
OTHER FINANCING SOURCES (USES)					
Transfers In	2,405,329		1,150	4,400,908	6,807,387
Transfers Out	(2,546,193)	(1,268,164)	(188,500)	(2,134,276)	(6,137,133)
Issuance of Debt				24,700,000	24,700,000
Line of Credit				7,599	7,599
Net Premium on Proceeds				210,968	210,968
Total Other Financing Sources (Uses)	(140,864)	(1,268,164)	(187,350)	27,185,199	25,588,821
Net Change in Fund Balances	1,690,858	1,933,362	(279,680)	11,434,127	14,778,667
Prior Period Adjustment	136,485				136,485
Fund Balances, July 1	36,061,095	21,801,105	514,983	32,846,819	91,224,002
Fund Balances, June 30	\$37,888,438	\$23,734,467	\$235,303	\$44,280,946	\$106,139,154

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, 2006

Net change in fund balances - total governmental funds	\$14,778,667
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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	28,324,658	
Less current year depreciation	<u>(70,783,319)</u>	(42,458,661)

The net effect of various miscellaneous transactions involving capital assets (i.e. Sales, trade-ins, and donations) is to increase net assets.	2,000,385
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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	(24,707,599)	
Bond Issuance Costs	89,326	
Refinancing Loss / Discount / Premium	(210,968)	
Principal payments	<u>15,030,273</u>	(9,798,968)

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	(86,864)	
Amortization of current year bond (discounts) premiums	61,990	
Change in Unfunded Pension Liability	1,548,434	
Change in accrued interest payable	(37,315)	
Change in compensated absences	<u>(1,898,557)</u>	(412,312)

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.

(757,751)

Change in net assets of governmental activities	<u><u>(\$36,648,640)</u></u>
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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, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
REVENUES				
License Fees and Permits:				
Employee Withholding	\$135,089,970	\$135,089,970	\$133,109,925	(\$1,980,045)
Business Returns	25,289,970	25,289,970	27,589,253	2,299,283
Insurance	21,300,000	21,300,000	20,496,690	(803,310)
Franchise Permits	12,586,950	12,586,950	14,431,561	1,844,611
Hotel and Motel	2,085,000			0
Bank Franchise Tax	1,296,000	1,296,000	970,821	(325,179)
Vehicle Licenses	241,000	241,000	244,008	3,008
Electrical Contractors	40,000	40,000	52,780	12,780
Regulated Licenses & Permits	120,000	120,000	121,524	1,524
Liquor and Beer	625,000	625,000	650,107	25,107
Individual Returns	125,000	125,000	114,065	(10,935)
Hazardous Materials Permits	21,000	21,000	19,696	(1,304)
Bond Deposits	2,000	2,000	5,000	3,000
Total Licenses and Permits	198,821,890	196,736,890	197,805,430	1,068,540
Taxes:				
Realty	13,940,000	14,161,680	14,381,874	220,194
Personalty	1,352,000	1,352,000	1,349,328	(2,672)
Motor Vehicle	1,382,000	1,382,000	1,413,402	31,402
Public Service Companies	885,000	885,000	826,306	(58,694)
Delinquent Collections	350,000	350,000	138,515	(211,485)
Other Property Taxes	74,000	74,000	58,355	(15,645)
Insurance Taxes	5,000	5,000		(5,000)
County Clerk's Commissior	(57,000)	(57,000)	(50,229)	6,771
Discounts	(260,000)	(260,000)	(263,540)	(3,540)
Sheriff's Commission	(650,000)	(650,000)	(697,345)	(47,345)
Total Taxes	17,021,000	17,242,680	17,156,666	(86,014)
Charges for Services:				
Detention Fees	4,501,000	4,532,902	5,282,416	749,514
Excess Fees and Collections	1,760,000	1,760,000	1,892,116	132,116
Emergency Medical Services	3,070,000	3,070,000	3,961,375	891,375
Golf Course Collections	2,820,000	2,820,000	2,911,467	91,467
Deed Tax Fee	1,700,000	1,700,000	2,055,275	355,275
Building Permits	1,508,000	1,508,000	1,743,854	235,854
Parks and Recreation Programs	693,230	709,930	730,986	21,056
Other	352,660	352,660	268,558	(84,102)
District Court Jail Fees	600,000	600,000	644,054	44,054
Swimming Pool Collections	422,000	422,000	458,347	36,347
Parking Meter Collections	160,000	160,000	225,131	65,131
Contractors' Registration Fees	397,950	397,950	313,200	(84,750)
Park Concessions-Net of Costs	118,000	118,000	170,133	52,133
Data Processing Services	70,000	70,000	40,347	(29,653)
Planning and Zoning Fees	240,000	240,000	213,584	(26,416)
Adult Probation Fees	60,000	60,000	66,321	6,321
Domestic Relations Fees	30,000	30,000	26,132	(3,868)
Total Charges for Services	18,502,840	18,551,442	21,003,296	2,451,854
Fines & Forfeitures	343,550	343,550	323,063	(20,487)
Intergovernmental	2,174,000	3,632,220	2,465,624	(1,166,596)
Property Sales	623,000	684,700	349,715	(334,985)
Income on Investments	200,000	200,000	1,481,463	1,281,463

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
Other Income:				
Penalties and Interest	\$800,000	\$800,000	\$1,151,238	\$351,238
Other	397,510	591,326	429,243	(162,083)
Local Contributions		108,870	139,574	30,704
Tourism Commission	22,000	22,000	23,340	1,340
School Board Tax Commission	12,000	12,000		(12,000)
Total Other Income	1,231,510	1,534,196	1,743,395	209,199
Total Revenues	238,917,790	238,925,678	242,328,652	3,402,974
EXPENDITURES				
General Government:				
Council Office	2,034,340	2,723,550	1,776,095	947,455
Office of the Mayor	1,753,110	1,625,283	1,632,434	(7,151)
Special Projects	687,480	849,099	843,235	5,864
Clerk of the Urban County Council	705,360	729,609	685,531	44,078
Coroner	630,850	567,095	539,166	27,929
County Attorney	433,510	433,510	433,510	0
Property Valuation Administrator	426,130	428,550	428,354	196
Board of Elections	537,870	265,048	261,834	3,214
Circuit Judges	231,420	207,107	209,177	(2,070)
County Court Clerk	276,110	272,950	208,797	64,153
Citizens' Advocate	168,500	164,738	159,576	5,162
Commonwealth Attorney	46,620	46,620	29,076	17,544
County Judge Executive	17,910	17,399	16,739	660
Contingency	(6,909,000)	2,486,070		2,486,070
Indirect Cost Allocation	(2,961,640)	(2,961,640)	(2,765,361)	(196,279)
Total General Government	(1,921,430)	7,854,988	4,458,163	3,396,825
Administrative Services:				
Insurance	3,420,000	3,870,000	3,870,000	0
Human Resources	3,369,940	3,057,162	2,987,074	70,088
Risk Management Administration	2,907,920	2,862,904	2,669,899	193,005
Planning	2,120,020	1,792,004	1,719,894	72,110
Government Communications	2,111,890	1,322,208	1,269,931	52,277
Community Development	1,100,580	1,049,658	859,002	190,656
Office of the Chief Administrative Officer	827,390	796,274	772,251	24,023
Budgeting	500,090	458,100	448,858	9,242
Historic Preservation	342,350	346,151	342,146	4,005
Internal Audit Office	356,470	344,985	329,740	15,245
Purchase of Development Rights	325,210	320,755	313,573	7,182
Total Administrative Services	17,381,860	16,220,201	15,582,368	637,833
Department of Finance:				
Computer Services	4,015,560	3,781,200	3,450,352	330,848
Revenue	2,566,220	2,108,102	2,110,920	(2,818)
Finance Administration	628,690	630,087	603,808	26,279
Accounting	687,250	675,260	664,228	11,032
Central Purchasing	537,740	439,839	426,759	13,080
Total Finance	8,435,460	7,634,488	7,256,067	378,421
Department of Public Works:				
Engineering	4,913,140	5,410,372	4,141,884	1,268,488
Streets and Roads	4,810,140	4,425,460	4,140,823	284,637
Traffic Engineering	4,040,420	3,987,356	3,599,010	388,346
Public Works Administration	539,250	773,910	755,700	18,210
Total Public Works	14,302,950	14,597,098	12,637,417	1,959,681

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
Department of Public Safety:				
Police	\$50,206,580	\$49,409,009	\$49,235,698	\$173,311
Fire & Emergency Services	47,806,850	47,042,625	46,626,436	416,189
Community Corrections	29,366,800	27,305,262	27,298,195	7,067
Public Safety Administration	3,594,490	3,596,611	3,424,504	172,107
Building Inspection	2,666,570	2,412,455	2,422,688	(10,233)
Code Enforcement	1,711,750	1,609,511	1,349,243	260,268
Environmental & Emergency Management	701,630	898,081	671,272	226,809
Enhanced 911	42,370	41,399	36,190	5,209
Alcohol Beverage Control	14,790	14,655	14,924	(269)
Total Public Safety	136,111,830	132,329,608	131,079,150	1,250,458
Department of Social Services:				
Youth Services	2,744,850	2,332,315	2,084,627	247,688
Health Care Services	1,789,840	1,804,600	1,579,041	225,559
Family Services	3,332,330	2,760,003	2,537,971	222,032
Adult Services	1,092,370	1,277,534	1,125,992	151,542
Mayor's Training Center	1,209,970	1,106,907	1,094,684	12,223
Social Services Administration	1,074,200	956,333	852,601	103,732
Total Social Services	11,243,560	10,237,692	9,274,916	962,776
Department of General Services:				
Parks and Recreation	16,982,960	16,730,842	16,045,532	685,310
Building Maintenance	4,987,510	4,560,006	4,410,933	149,073
Fleet Services	3,285,740	2,725,760	2,195,741	530,019
General Services Administration	2,937,050	2,841,585	2,647,250	194,335
Total General Services	28,193,260	26,858,193	25,299,456	1,558,737
Department of Law:				
Law	2,052,700	1,965,711	1,923,928	41,783
Total Law	2,052,700	1,965,711	1,923,928	41,783
Outside Agencies:				
Lexington Public Library	10,826,460	11,322,890	11,322,890	0
Lexington Center Corporation	2,160,000	75,000	75,000	0
Social Service Agencies	1,294,530	1,479,530	1,485,514	(5,984)
Public Safety Agencies		1,580		1,580
Explorium of Lexington	237,500	237,500	238,208	(708)
Carnegie Literacy Center	53,500	53,500	78,320	(24,820)
Law Agencies	233,750	356,750	339,014	17,736
World Trade Center	105,000	105,000	105,014	(14)
Downtown Development Authority	173,000	253,000	187,229	65,771
Downtown Arts Center	128,250	128,250	128,250	0
Housing Agencies	19,000	19,000	54,583	(35,583)
Downtown Lexington Corporation	50,000	50,000	50,000	0
Lexington United	90,490	235,490	235,490	0
Lexington Airport Board	50,000	55,000	50,000	5,000
Total Outside Agencies	15,421,480	14,372,490	14,349,512	22,978
Debt Service:				
Principal	14,592,110	14,528,140	14,528,004	136
Interest	6,409,530	6,036,490	6,016,446	20,044
Other	1,245,490	1,282,220	1,040,970	241,250
Total Debt Service	22,247,130	21,846,850	21,585,420	261,430
Total Expenditures	253,468,800	253,917,319	243,446,397	10,470,922
Excess (Deficiency) of Revenues over (under) Expenditures	(14,551,010)	(14,991,641)	(1,117,745)	13,873,896

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, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Transfers In	\$2,319,450	\$2,408,039	\$2,405,329	(\$2,710)
Transfers Out	(661,600)	(2,519,219)	(2,546,193)	(26,974)
Total Other Financing Sources (Uses)	<u>1,657,850</u>	<u>(111,180)</u>	<u>(140,864)</u>	<u>(29,684)</u>
Net Change in Fund Balance	(12,893,160)	(15,102,821)	(1,258,609)	13,844,212
Prior Period Adjustment			136,485	136,485
Fund Balance, July 1	14,339,310	27,725,584	27,725,584	0
Fund Balance, June 30	<u>\$1,446,150</u>	<u>\$12,622,763</u>	<u>\$26,603,460</u>	<u>\$13,980,697</u>

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

Revenues:

Total revenues from the budgetary comparison schedule	\$242,328,652
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.	(481,673)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$241,846,979</u>

Expenditures:

Total expenditures from the budgetary comparison schedule	\$243,446,397
Differences - Budget to GAAP:	
Accrued payroll is reported in the year paid for budgetary purposes but in the year earned for financial reporting purposes.	(4,124,203)
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.	693,063
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$240,015,257</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, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
REVENUES				
License Fees and Permits:				
Bank Franchise Tax	\$1,296,000	\$1,296,000	\$970,821	(\$325,179)
Total Licenses and Permits	1,296,000	1,296,000	970,821	(325,179)
Taxes:				
Realty	27,078,000	27,078,000	28,381,183	1,303,183
Public Service Companies	246,000	246,000	56,717	(189,283)
Other Property Taxes	15,000	15,000	25,003	10,003
Delinquent Collections	6,000	6,000	93,134	87,134
Insurance Taxes	2,400	2,400		(2,400)
Sheriff's Commission	(150,000)	(350,000)	(350,000)	0
Discounts	(460,000)	(460,000)	(472,742)	(12,742)
Total Taxes	26,737,400	26,537,400	27,733,295	1,195,895
Charges for Services:				
Excess Fees and Collections			3,750	3,750
Total Charges for Services	0	0	3,750	3,750
Property Sales	173,000	173,000	606,625	433,625
Income on Investments	530,000	530,000	992,332	462,332
Other Income:				
Penalties and Interest	80,000	80,000	158,687	78,687
Other	902,000	902,000	1,228,338	326,338
Total Other Income	982,000	982,000	1,387,025	405,025
Total Revenues	29,718,400	29,518,400	31,693,848	2,175,448
EXPENDITURES				
General Government:				
Indirect Cost Allocation	1,844,210	1,844,210	1,533,189	311,021
Contingency	190,000	920,000		920,000
Total General Government	2,034,210	2,764,210	1,533,189	1,231,021
Administrative Services:				
Insurance	887,450	887,450	540,000	347,450
Government Communications	409,740	378,360	368,654	9,706
Human Resources	13,840	13,840	6,516	7,324
Total Administrative Services	1,311,030	1,279,650	915,170	364,480

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, 2006

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		
Department of Finance:				
Finance Administration	\$815,690	\$15,700	\$15,702	(\$2)
Total Finance	815,690	15,700	15,702	(2)
Department of Public Works:				
Solid Waste	21,129,000	18,950,062	17,488,332	1,461,730
Traffic Engineering	3,701,000	4,947,130	3,490,355	1,456,775
Streets and Roads	990,590	831,138	870,866	(39,728)
Public Works Administration	50,550	51,130	29,379	21,751
Total Public Works	25,871,140	24,779,460	21,878,932	2,900,528
Department of General Services:				
Fleet Services	3,020,000	3,020,000	2,957,609	62,391
Parks and Recreation	372,920	328,533	300,070	28,463
Building Maintenance	38,500	38,500	18,250	20,250
General Services Administration	10,500	10,520	17	10,503
Total General Services	3,441,920	3,397,553	3,275,946	121,607
Debt Service:				
Principal	181,860	181,860	181,860	0
Interest	16,810	16,810	16,811	(1)
Total Debt Service	198,670	198,670	198,671	(1)
Total Expenditures	33,672,660	32,435,243	27,817,610	4,617,633
Excess (Deficiency) of Revenues over (under) Expenditures	(3,954,260)	(2,916,843)	3,876,238	6,793,081
OTHER FINANCING SOURCES (USES)				
Transfers In				
Transfers Out	(45,050)	(931,050)	(1,268,164)	(337,114)
Total Other Financing Sources (Uses)	(45,050)	(931,050)	(1,268,164)	(337,114)
Net Change in Fund Balance	(3,999,310)	(3,847,893)	2,608,074	6,455,967
Fund Balance, July 1	11,200,000	18,516,850	18,516,850	0
Fund Balance, June 30	\$7,200,690	\$14,668,957	\$21,124,924	\$6,455,967

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

Expenditures:

Total expenditures from the budgetary comparison schedule	\$27,817,610
Differences - Budget to GAAP:	
Accrued payroll is reported in the year paid for budgetary purposes but in the year earned for financial reporting purposes.	(298,483)
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.	973,195
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$28,492,322</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, 2006

	Business-type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Public Parking Corporation	Landfill	Other Enterprise Funds	Total
ASSETS						
Current Assets:						
Cash	\$16,474,830	\$747,557		\$723,781	\$2,390,213	\$20,336,381
Investments	12,203,875	150,442		15,800,000	382,452	28,536,769
Receivables:						
User Fees Receivable	1,165,330			535,205		1,700,535
Other Receivables	4,498,949	98,310	3,525	242,432	55,760	4,898,976
Less Allowance for Uncollectible Accounts	(58,305)			(343,554)	(73,123)	(474,982)
Due from Other Funds	59,446	2,624,445	627,104	2,100,395	2,356	5,413,746
Inventories	20,405					20,405
Restricted Investments:						
Reserved for Maintenance and Operation	4,620,790					4,620,790
Reserved for Sinking Fund	4,594,365	402,455				4,996,820
Total Current Assets	43,579,685	4,023,209	630,629	19,058,259	2,757,658	70,049,440
Non-Current Assets:						
Restricted Investments:						
Reserved for Construction & Capital Acquisitions	7,901,348					7,901,348
Reserved for Depreciation	2,145,750					2,145,750
Reserved for Debt Service	4,442,976		807,738			5,250,714
Capital Assets:						
Land	1,319,336	30,882,485	7,985,094	5,194,637		45,381,552
Land Improvements	27,052	25,842,651	3,110,639	16,311,620		45,291,962
Buildings	1,534,060	116,712,132	9,822,085	64,815		128,133,092
Sewer Plants	159,275,354					159,275,354
Sewer Lines	133,484,093					133,484,093
Leasehold Improvements		2,137,091				2,137,091
Vehicles, Equipment, and Furniture	6,606,966	3,510,745	277,756	48,235	2,062,448	12,506,150
Less Accumulated Depreciation	(109,685,351)	(64,716,799)	(5,222,006)	(2,731,831)	(1,670,326)	(184,026,313)
Construction in Progress	4,821,449	178,385				4,999,834
Unamortized Bond Costs	483,374	1,369,890	217,264			2,070,528
Total Non-Current Assets	212,356,407	115,916,580	16,998,570	18,887,476	392,122	364,551,155
Total Assets	255,936,092	119,939,789	17,629,199	37,945,735	3,149,780	434,600,595

LIABILITIES							
Current Liabilities:							
Accounts, Contracts and Retainage Payable	771,089	309,159	33,999	105,946	230,842	1,451,035	382,325
Accrued Payroll	145,570			4,384	40,540	190,494	
Due to Other Funds	4,014,702				19,772	4,034,474	254
Claims Payable						0	17,602,000
Bonds Payable		1,485,000	655,000			2,140,000	
Interest Payable		829,374	53,322			882,696	
Other	295,490	65,253	3,525		102,278	466,546	
Compensated Absences	268,720			2,145	925	271,790	
Landfill Closure and Postclosure Care Costs				9,816,655		9,816,655	
Payable from Restricted Investments:							
Accounts, Contracts and Retainage Payable	265,601					265,601	
Bonds Payable	3,515,000					3,515,000	
Interest Payable	1,079,363					1,079,363	
Total Current Liabilities	10,355,535	2,688,786	745,846	9,929,130	394,357	24,113,654	17,984,579
Non-Current Liabilities							
Unearned Revenues & Other	134,835					134,835	
Bonds Payable	39,400,000	65,325,000	2,160,000			106,885,000	
Compensated Absences	558,921			19,276	1,819	580,016	0
Landfill Closure and Postclosure Care Costs				11,029,390		11,029,390	
Total Non-Current Liabilities	40,093,756	65,325,000	2,160,000	11,048,666	1,819	118,629,241	0
Total Liabilities	50,449,291	68,013,786	2,905,846	20,977,796	396,176	142,742,895	17,984,579
NET ASSETS							
Invested in Capital Assets, net of related debt	163,248,687	49,106,580	14,183,568	18,887,476	392,122	245,818,433	
Restricted for:							
Capital Projects	13,921,820	407,365				14,329,185	
Capital Projects - Construction	6,836,128					6,836,128	
Capital Projects - Park Acquisition		1,397,598				1,397,598	
Debt Service	4,442,976		779,574			5,222,550	
Depreciation	2,145,750	13,940				2,159,690	
Maintenance and Operations	4,620,790					4,620,790	
Unrestricted (Deficit)	10,270,650	1,000,520	(239,789)	(1,919,537)	2,361,482	11,473,326	(8,385,992)
Total Net Assets	\$205,486,801	\$51,926,003	\$14,723,353	\$16,967,939	\$2,753,604	291,857,700	(\$8,385,992)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						(388,522)	
Net Assets of Business-type Activities						<u>\$291,469,178</u>	

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, 2006

	Business-type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Public Parking Corporation	Landfill	Other Enterprise Funds	Total
Operating Revenues						
User Charges	\$25,602,266			\$7,762,116		\$33,364,382
Fees	1,661,417			216,935	3,859,563	5,737,915
Exactions	1,160,296					1,160,296
Licenses & Permits					412,292	412,292
Rental Income		5,872,245	594,936			6,467,181
Parking Revenues		338,075	709,062			1,047,137
Theater Revenues		1,031,689				1,031,689
Gross Profit-Commissary					790,180	790,180
Other	47,965	9,000		20,600	696,339	773,904
Total Operating Revenues	28,471,944	7,251,009	1,303,998	7,999,651	5,758,374	50,784,976
Operating Expenses						
Treatment Plant	7,106,877					7,106,877
Collection System	3,760,098					3,760,098
Property Management		1,650,196	387,377			2,037,573
Theater Management		949,791				949,791
Landfill				239,776		239,776
Right of Way					292,284	292,284
Extended School Program					1,128,027	1,128,027
Prisoners' Account					783,545	783,545
Inmate Trust Account					502,106	502,106
Enhanced 911					2,041,242	2,041,242
LexVan Program					35,122	35,122
Small Business Development					8,838	8,838
Administration	5,959,400			620,747	441,072	7,021,219
Depreciation	6,225,299	6,122,037	317,035	531,103	153,714	13,349,188
Claims and Benefit Payments						0
Total Operating Expenses	23,051,674	8,722,024	704,412	1,391,626	5,385,950	39,255,686
Operating Income (Loss)	5,420,270	(1,471,015)	599,586	6,608,025	372,424	11,529,290
						(1,063,763)

Non-Operating Revenues (Expenses)

Income on Investments	2,041,259	70,405		587,488	29,702	2,728,854	307,984
Interest Expense and Fiscal Agent Fees	(1,373,457)	(3,393,213)	(191,269)			(4,957,939)	
Amortization of Bond Costs	(130,061)	(59,768)	(13,863)			(203,692)	
Bond Refunding						0	
Sale of Capital Assets	17,819					17,819	
Total Non-Operating Revenues (Expenses)	<u>555,560</u>	<u>(3,382,576)</u>	<u>(205,132)</u>	<u>587,488</u>	<u>29,702</u>	<u>(2,414,958)</u>	<u>307,984</u>
Income (Loss) Before Contributions and Transfers	5,975,830	(4,853,591)	394,454	7,195,513	402,126	9,114,332	(755,779)
Transfers In	10,000	1,469,023				1,479,023	
Transfers Out	<u>(1,149,277)</u>			<u>(1,000,000)</u>		<u>(2,149,277)</u>	
Change in Net Assets	4,836,553	(3,384,568)	394,454	6,195,513	402,126	8,444,078	(755,779)
Prior Period Adjustment					20,000		
Net Assets - July 1	<u>200,650,248</u>	<u>55,310,571</u>	<u>14,328,899</u>	<u>10,772,426</u>	<u>2,331,478</u>		<u>(7,630,213)</u>
Net Assets - June 30	<u>\$205,486,801</u>	<u>\$51,926,003</u>	<u>\$14,723,353</u>	<u>\$16,967,939</u>	<u>\$2,753,604</u>		<u>(\$8,385,992)</u>

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

Change in net assets of business-type activities

1,972
\$8,446,050

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, 2006

	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	\$27,705,264	\$6,766,988	\$720,608	\$6,406,385	\$5,768,422	\$47,367,667	\$12,664,721
Receipts from Interfund Services Provided		458,516	492,460	102,351		1,053,327	16,868,602
Repayments of Loans					11,161	11,161	
Payments to Suppliers	(5,980,080)	(3,955,155)	(370,537)	(3,467,806)	(2,578,394)	(16,351,972)	(86,272)
Payments to Employees	(7,644,233)			(270,761)	(2,779,430)	(10,694,424)	
Payments for Interfund Services Used	(533,693)			(70,528)	(156,179)	(760,400)	
Payments for Claims						0	(29,940,912)
Net Cash Provided by (Used in) Operating Activities	13,547,258	3,270,349	842,531	2,699,641	265,580	20,625,359	(493,861)
Cash Flows from Noncapital Financing Activities:							
Transfers In	10,000	1,469,023				1,479,023	
Transfers Out	(1,149,277)			(1,000,000)		(2,149,277)	
Net Cash Flows from Noncapital Financing Activities	(1,139,277)	1,469,023	0	(1,000,000)	0	(670,254)	0
Cash Flows from Capital and Related Activities:							
Additions to Property, Plant and Equipment	(6,641,645)	(371,273)	(31,185)	(2,944,427)	(324,565)	(10,313,095)	
Principal Paid on Bonds	(3,645,000)	(1,420,000)	(635,000)			(5,700,000)	
Interest and Fiscal Agent Fees Paid on Bonds	(1,286,317)	(3,373,888)	(179,464)			(4,839,669)	
Capital Contributions	345,565					345,565	
Sale of Capital Assets	17,819					17,819	
Net Cash Flows from Capital and Related Activities	(11,209,578)	(5,165,161)	(845,649)	(2,944,427)	(324,565)	(20,489,380)	0
Cash Flows from Investing Activities:							
Purchases of Investments	(923,544)	(41,699)	(20,041)		(391)	(985,675)	(7,500,000)
Proceeds from Sales and Maturities of Investments	4,035,706	427,971	23,159	232,129	1,180,001	5,898,966	7,600,000
Income on Investments	2,041,259	70,405		587,488	29,702	2,728,854	307,984
Net Cash Flows from Investing Activities	5,153,421	456,677	3,118	819,617	1,209,312	7,642,145	407,984

Net Increase (Decrease) in Cash and Cash Equivalents	6,351,824	30,888	0	(425,169)	1,150,327	7,107,870	(85,877)
Cash and Cash Equivalents at Beginning of Year	10,123,006	716,669		1,148,950	1,239,886	13,228,511	1,414,892
Cash and Cash Equivalents at End of Year	<u>\$16,474,830</u>	<u>\$747,557</u>	<u>\$0</u>	<u>\$723,781</u>	<u>\$2,390,213</u>	<u>\$20,336,381</u>	<u>\$1,329,015</u>
Noncash Investing, Capital, and Financing Activities:							
Capitalized Interest	785,268					785,268	
Total Noncash Investing, Capital, and Financing Activities	<u>\$785,268</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$785,268</u>	<u>\$0</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:							
Operating Income (Loss)	<u>\$5,420,270</u>	<u>(\$1,471,015)</u>	<u>\$599,586</u>	<u>\$6,608,025</u>	<u>\$372,424</u>	<u>\$11,529,290</u>	<u>(\$1,063,763)</u>
Adjustments Not Affecting Cash:							
Depreciation	6,225,299	6,122,037	317,035	531,103	153,714	13,349,188	
Disposal of Capital Assets						0	
Allowance for Bad Debts	(10,459)			49,929	8,838	48,308	
(Increase) Decrease in Assets:							
Accounts Receivable	178,388			(22,747)		155,641	
Other Receivables	(515,545)	(12,139)	(3,290)	(13,836)	36,043	(508,767)	195,911
Due from Other Funds	102,486	(1,057,132)	(87,540)	(1,285,716)	(1,050)	(2,328,952)	(493,554)
Inventories	(5,975)					(5,975)	
Increase (Decrease) in Liabilities:							
Accounts Payable	174,183	(136,214)	16,840	(733,237)	(217,299)	(895,727)	(24,085)
Accrued Payroll	(191,477)			(3,215)	(53,156)	(247,848)	
Claims Payable						0	852,444
Due to Other Funds	2,271,078	(161,822)			(19,022)	2,090,234	
Unearned Revenue		(13,366)		(32,128)	0	(45,494)	
Other Liabilities	(254,998)		(100)	(2,403,080)	(14,834)	(2,673,012)	101,373
Compensated Absences	154,008			4,543	(78)	158,473	(62,187)
Total Adjustments	<u>8,126,988</u>	<u>4,741,364</u>	<u>242,945</u>	<u>(3,908,384)</u>	<u>(106,844)</u>	<u>9,096,069</u>	<u>569,902</u>
Net Cash Provided by (Used In) Operating Activities	<u>\$13,547,258</u>	<u>\$3,270,349</u>	<u>\$842,531</u>	<u>\$2,699,641</u>	<u>\$265,580</u>	<u>\$20,625,359</u>	<u>(\$493,861)</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, 2006

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$157,170	\$817,082
Receivables:		
Member Contributions	85,022	
Employer Contributions	290,902	
Interest and Dividends	2,095,382	
Accounts Receivable		35,768
Less Allowance for Uncollectible Accounts		(35,768)
Due from Other Funds	28,745	
Total Receivables	<u>2,500,051</u>	<u>0</u>
Investments, at Fair Value:		
U. S. Government Obligations	15,585,200	
U. S. Government Agency and Instrumentality Obligations	36,221,393	
Repurchase Agreements	28,344,546	
Municipal Bonds	18,848,177	
International Bonds	2,659,609	
Corporate Bonds	59,857,370	
Mutual Funds	82,696,175	
Domestic Stocks	172,964,141	
International Stocks	7,898,255	
Total Investments	<u>425,074,866</u>	<u>0</u>
Total Assets	<u>427,732,087</u>	<u>\$817,082</u>
LIABILITIES		
Accounts Payable	335,685	
Securities Lending Transactions	29,344,546	
Payable to Property Owners		761,582
Debt Service		55,500
Total Liabilities	<u>29,680,231</u>	<u>\$817,082</u>
NET ASSETS		
Net Assets Held in Trust for Pension Benefits	<u>\$398,051,856</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, 2006

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$11,785,583
Employer - Administration	2,417,732
Plan Members	5,599,538
Member Purchase of Service	98,203
Other	39,637
Total Contributions	<u>19,940,693</u>
Income on Investments:	
Net Change in Fair Value of Investments	15,256,984
Interest	8,310,628
Dividends	4,597,797
Total Income on Investments	<u>28,165,409</u>
Less Investment Expense	1,682,141
Net Income on Investments	<u>26,483,268</u>
Income from Securities Lending Activities:	
Securities Lending Income	876,910
Securities Lending Expenses	
Borrower rebates	814,761
Management Fees	24,699
Total Securities Lending Expenses	<u>839,460</u>
Net Income on Securities Lending Activities	<u>37,450</u>
Total Additions	<u>46,461,411</u>
DEDUCTIONS	
Benefit Payments	31,392,175
Refunds of Contributions	134,156
Administrative Expense	116,005
Total Deductions	<u>31,642,336</u>
Net Increase	14,819,075
Net Assets, July 1	<u>383,232,781</u>
Net Assets, June 30	<u><u>\$398,051,856</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, 2006

	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	Total
ASSETS					
Cash	\$1,418,993	\$1,052,103	\$1,611,281	\$5,862,662	\$9,945,039
Investments		6,362,000		3,085,569	9,447,569
Receivables:					
Accounts Receivable	701,712	1,592,619	1,052,840	556,913	3,904,084
Other				237,602	237,602
Less Allowance for Uncollectible Accounts	(55,107)	(452,231)			(507,338)
Due from Component Units	172,157				172,157
Due from Primary Government	214,458			426,771	641,229
Due from Other Governments				817,263	817,263
Inventories			49,543	278,437	327,980
Prepaid Items		182,088	31,781	1,694,823	1,908,692
Pension Assets				195,930	195,930
Restricted Current Assets:					
Investments	856,109	19,544,806		264,756	20,665,671
Other	265,032	351,433			616,465
Restricted Non-Current Investments	6,010,559				6,010,559
Bond Issuance Costs-Net of Accumulated Amortization		1,862,269		57,060	1,919,329
Other		33,037			33,037
Capital Assets:					
Non-depreciable	11,732,351	36,296,036		7,360,646	55,389,033
Depreciable (Net)	63,800,848	65,444,482	3,352,161	20,616,507	153,213,998
Other Assets	469,840				469,840
Total Assets	85,586,952	132,268,642	6,097,606	41,454,939	265,408,139
LIABILITIES					
Accounts, Contracts Payable and Accrued Liabilities	414,361	1,582,860	844,493	1,360,713	4,202,427
Interest Payable	94,395				94,395
Due to Primary Government				410,891	410,891
Due to Component Units				172,157	172,157
Unearned Revenues and Other	437,662			214,083	651,745
Liabilities Payable from Restricted Assets:					
Accounts Payable		4,842,843			4,842,843
Bonds and Notes Payable		900,000			900,000
Interest Payable		174,768			174,768
Non-Current Liabilities:					
Due Within One Year					
Compensated Absences				400,517	400,517
Bonds and Notes Payable	3,230,000			114,699	3,344,699
Capital Lease Obligations				6,966	6,966
Due in More Than One Year					
Compensated Absences			570,396	130,067	700,463
Bonds and Notes Payable	32,564,585	45,821,989		3,455,301	81,841,875
Capital Lease Obligations				14,455	14,455
Total Liabilities	36,741,003	53,322,460	1,414,889	6,279,849	97,758,201
NET ASSETS					
Investment in Capital Assets, net of related debt	39,738,614	66,262,028	3,352,161	24,385,732	133,738,535
Restricted for:					
Governmental and Program Funds			165,575		165,575
Fees			542,433		542,433
Debt Service	6,010,559	5,550,033			11,560,592
Pension				195,930	195,930
Endowments				108,335	108,335
Unrestricted	3,096,776	7,134,121	622,548	10,485,093	21,338,538
Total Net Assets	\$48,845,949	\$78,946,182	\$4,682,717	\$35,175,090	\$167,649,938

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, 2006

		Program Revenues			Net (Expenses) Revenue and Changes in Net Assets				Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	
	Expenses								
Lexington Center Corporation									
Lexington Center Operations	\$10,700,221	\$10,935,086	\$948,000	\$245,958	\$1,428,823				\$1,428,823
Depreciation	4,669,545				(4,669,545)				(4,669,545)
Interest on Long-term Debt	1,546,315				(1,546,315)				(1,546,315)
Total Lexington Center Corporation	16,916,081	10,935,086	948,000	245,958	(4,787,037)				(4,787,037)
Lexington Airport Board									
Airport Operations	8,652,397	13,645,435		12,559,663		17,552,701			17,552,701
Depreciation	5,870,391					(5,870,391)			(5,870,391)
Interest on Long-term Debt	892,437					(892,437)			(892,437)
Total Lexington Airport Board	15,415,225	13,645,435	0	12,559,663		10,789,873			10,789,873
Fayette County Department of Health									
Department of Health Operations	20,886,530	7,148,469	8,969,043				(4,769,018)		(4,769,018)
Depreciation	471,267						(471,267)		(471,267)
Total Fayette County Department of Health	21,357,797	7,148,469	8,969,043				(5,240,285)		(5,240,285)
Nonmajor component units	32,934,878	2,748,878	5,054,851	1,967,253				(23,163,896)	(23,163,896)
Total component units	\$86,623,981	\$34,477,868	\$14,971,894	\$14,772,874					(22,401,345)
General Revenues:									
	Taxes				2,303,685			28,000,077	30,303,762
	Payment from Lexington-Fayette Urban County Government				75,000		5,842,705	478,578	6,396,283
	Income on Investments				190,330	481,795	51,884	263,591	987,600
	Net Change in Fair Value of Investments							4,186	4,186
	Loss on Sale of Assets					(6,788)			(6,788)
	Miscellaneous							390,398	390,398
	Total General Revenues				2,569,015	475,007	5,894,589	29,136,830	38,075,441
	Change in Net Assets				(2,218,022)	11,264,880	654,304	5,972,934	15,674,096
	Prior Period Adjustment						37,027		37,027
	Net Assets, July 1				51,063,971	67,681,302	3,991,386	29,202,156	151,938,815
	Net Assets, June 30				\$48,845,949	\$78,946,182	\$4,682,717	\$35,175,090	\$167,649,938

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

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, 2006

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 implemented 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, 2006

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. Requests for separately issued financial statements should be directed to the attention of those respective entities.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

provides in-kind and financial support to the DDA by providing accounting and payroll services and annual appropriations to help meet operating expenses.

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 **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, which 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.

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NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

The **Valley View Ferry Authority** is a legally separate entity that operates and maintains the Ferry on the Kentucky River at Valley View. The board consists of seven members, two appointed by the Lexington-Fayette Urban County Government, three appointed by the Madison County Fiscal Court, and two appointed by the Jessamine County Fiscal Court. Although the Government is not legally responsible for the Valley View Ferry Authority's finances, the Government contributed \$15,000 to support the Ferry's operations in fiscal year 2006.

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 as 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 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

interest on long-term debt is recorded when due and (2) compensated absences are accounted for as expenditures of the period used.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

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 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 79.)

The **Public Facilities Corporation Fund** accounts for the acquisition, construction and operation of government owned facilities. (See further description on page 80.)

The **Public Parking Corporation Fund** accounts for the construction and operation of government owned parking facilities. (See further description on page 80.)

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

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. Additional special revenue funds which are not budgeted include the debt service fund, the Industrial Revenue Bond Fund, Police Confiscated Funds, and the Public Safety Fund. 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 2006. The net effect of these supplemental appropriations was an increase of \$448,519 in the General Fund and a decrease of \$1,237,417 in the Urban Services Fund, which included reappropriations of funds for capital projects that were uncompleted and lapsed at June 30, 2005.

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, 2006 for these funds are as follows:

Sanitary Sewer System	\$4,903,199
Public Facilities Corporation	510,103
Public Parking Corporation	77,136
Landfill	1,119,151
Right of Way	860
Extended School Program	1,265
Enhanced 911	226,542

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

Receivables - Receivables are amounts due representing revenues earned or accrued in the current period. Allowances for uncollectible loans in the Federal and State Grants have 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 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 2006 were levied on September 8, 2005, 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. 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, 2006, 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

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.

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 2006 was \$1,172,200. Of this amount, \$785,268 was included as part of the cost of capital assets.

Property, plant, and equipment of the Government are 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, general obligation 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

- 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.

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 2006, 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 \$8,272,087 for economic contingencies, and \$7,036,780 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 through the end of the fiscal year by SDI.

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

Expenditures are recognized when the related fund liability is incurred except for the following permitted by 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, 2006

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, 2006:

	<u>Excess Expenditures</u>
General Fund:	
Office of the Mayor	\$7,151
Circuit Judges	2,070
Revenue	2,818
Building Inspection	10,233
Alcohol Beverage Control	269
Social Service Agencies	5,984
Explorium of Lexington	708
Carnegie Literacy Center	24,820
World Trade Center	14
Housing Agencies	35,583
Urban Services Fund:	
Department of Finance	2
Streets and Roads	39,728
Interest	1

Excess expenditures over appropriations were funded by available fund balances.

C. Fund Deficits

Capital Projects Funds – The Local Economic Assistance – Coal Severance Fund and the Purchase of Development Rights Fund had deficit fund balances of \$208,341 and \$1,388,883 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 \$8,389,067. This deficit is a result of higher than expected claims expenses and incurred but not reported estimates in fiscal year 2006. Funding for the Insurance and Risk Management Fund's deficit will be accomplished through appropriations in future years.

D. Prior Period Adjustments

General Fund – As a result of prior period adjustments to correct beginning inventory balances and encumbrance liquidations, the beginning net assets of the Government's General Fund were increased by \$136,485.

Small Business Development – As a result of a prior period adjustment to correct expenses, the beginning net assets of this non-major proprietary fund was increased by \$20,000.

Lexington-Fayette Urban County Department of Health – As a result of Medicare cost report settlement and correction to program revenue and various expenses, the beginning net assets of the Board of Health were increased by \$37,027.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

E. Retroactive Reporting of Infrastructure

In fiscal year 2006, the Government retroactively reported all major general governmental infrastructure assets and completed the implementation of GASB Statement No. 34, *Basic Financial Statements and Management Discussion and Analysis for State and Local Governments*. In accordance with GASB Statement No. 34, the beginning net assets of \$159,376,964 in the government-wide Statement of Net Assets have been adjusted to reflect an increase of \$902,066,962 attributable to the retroactive reporting of infrastructure.

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. Cash, Investments and Securities Lending

The Government's bank balances at June 30, 2006 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 securities, corporate bonds and international stocks listed as American Depository Receipts (ADR). Investments of the Government as of June 30, 2006 are summarized and categorized in the following table:

Primary Government (except Fiduciary Funds)

<u>Investment Type</u>	<u>Investment Maturities</u>	
	<u>Fair Value</u>	<u>Less Than 1 Year</u>
Money Market Mutual Funds	\$120,754,923	\$120,754,923
Certificates of Deposits	2,052,452	2,052,452
Total Investments	<u>\$122,807,375</u>	<u>\$122,807,375</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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

Investments of the PFRF as of June 30, 2006 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	\$29,625,464		\$797,659	\$4,884,435	\$23,943,370
US Treasuries	1,157,890			1,157,890	
Municipal Obligations	18,848,177		842,900	3,994,122	14,011,155
International Bonds	2,214,372	262,650	162,427	1,730,145	59,150
Corporate Debt	57,137,863	3,564,190	11,644,592	15,531,162	26,397,919
Money Market Mutual Funds	8,310,365	8,310,365			
Repurchase Agreements	28,344,546	28,344,546			
	<u>145,638,677</u>	<u>\$40,481,751</u>	<u>\$13,447,578</u>	<u>\$27,297,754</u>	<u>\$64,411,594</u>
Other Investments					
Equity Mutual Funds	82,696,175				
Equity Securities - Domestic	162,658,797				
Equity Securities - International	7,283,984				
	<u>\$398,277,633</u>				

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

<u>Asset Class</u>	<u>Target Allocation</u>
US Large Cap Value Equities	20.0%
US Large Cap Growth Equities	15.0%
US Large Cap Core	15.0%
US Small Cap Value Equities	<u>15.0%</u>
Total Equities	<u>65.0%</u>
US Broad Market Fixed Income	25.0%
US High Yield Fixed Income	<u>10.0%</u>
Total Fixed Income	<u>35.0%</u>
Total Plan	<u>100.0%</u>

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

Credit Risk – The PFRF investment policy manages credit risk by the limitation of certain investments within the above asset classes. For US Equity asset classes up to 10% of each US 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

Investment Type	Fair Value	Quality Ratings									
		AAA	AA	A	BBB	BB	B	CCC	CC	D	NR
Debt Securities											
US Agencies	\$29,625,464	\$29,625,464									
US Treasuries	1,157,890	1,157,890									
Municipal Obligations	18,848,177	16,618,631		629,451							1,600,095
International Bonds	2,214,372					279,587	1,895,410	39,375			
Corporate Debt	57,137,863	8,293,390	4,003,597	14,621,154	1,032,027	7,860,826	16,681,207	3,300,605	116,462	824,966	403,629
	<u>\$108,983,766</u>	<u>\$55,695,375</u>	<u>\$4,003,597</u>	<u>\$15,250,605</u>	<u>\$1,032,027</u>	<u>\$8,140,413</u>	<u>\$18,576,617</u>	<u>\$3,339,980</u>	<u>\$116,462</u>	<u>\$824,966</u>	<u>\$2,003,724</u>

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 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, 2006, the securities loaned in the portfolio did not have credit risk, and the fair value of securities on loan is \$29,276,052.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

Investments of the CEPF as of June 30, 2006 are summarized and categorized in the following table:

City Employees Pension Fund

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities					
US Agencies	\$6,595,929		\$3,136,905	\$572,913	\$2,886,111
US Treasuries	3,923,584		979,524	1,516,417	1,427,643
US Treasury Strips	989,916			797,422	192,494
International Bonds	445,237		161,641	240,921	42,675
Corporate Debt	2,719,507	214,339	1,136,140	785,064	583,964
Money Market Mutual Funds	1,203,445	1,203,445			
	<u>15,877,618</u>	<u>\$1,417,784</u>	<u>\$5,414,210</u>	<u>\$3,912,737</u>	<u>\$5,132,887</u>
Other Investments					
Equity Securities - Domestic	10,305,344				
Equity Securities - International	<u>614,271</u>				
	<u>\$26,797,233</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:

Asset Class	Target Allocation
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.

Investment Type	Fair Value	Quality Ratings				
		AAA	AA	A	BBB	NR
Debt Securities						
US Agencies	\$6,595,929	\$6,595,929				
US Treasuries	3,923,584	3,923,584				
US Treasury Strips	989,916	989,916				
International Bonds	445,237		53,661	187,234	204,342	
Corporate Debt	2,719,507	671,943	461,504	914,188	578,411	93,461
	<u>\$14,674,173</u>	<u>\$12,181,372</u>	<u>\$515,165</u>	<u>\$1,101,422</u>	<u>\$782,753</u>	<u>\$93,461</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

income portfolio assets in the outstanding securities of one issuer, except for Treasury and Agency securities.

Investments of Component Units as of June 30, 2006 are summarized in the following tables:

Lexington Airport Board

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
		Maximum weighted average
US Treasuries Money Market Fund	\$11,626,806	maturity of 90 days
Federal Home Loan Mortgage Corporation	6,362,000	July 3, 2006
Federal Home Loan Bank Bonds	6,242,000	August 15, 2010
US Treasury Note	<u>1,676,000</u>	October 27, 2008
Total Investments	<u><u>\$25,906,806</u></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 Amount/ Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. Government and Government Agency Obligations	<u>\$2,879,322</u>			\$2,879,322
	<u><u>\$2,879,322</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	2,879,322
Investments not subject to categorization:				
Certificates of Deposit				2,785,580
Money Market Funds				<u>4,552,091</u>
Total Investments				<u><u>\$10,216,993</u></u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

B. Capital Assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	Primary Government			
	Beginning Balance, Restated *	Additions	Deletions / Adjustments	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$39,610,883	\$580,885	(\$60,000)	\$40,131,768
Land Related to Infrastructure	632,512			632,512
Purchase of Development Rights	36,054,099	6,978,801	(86)	43,032,814
Construction in Progress	23,372,577	5,485,987	(15,981,797)	12,876,767
Depreciable Assets:				
Buildings	113,072,601	13,870,928		126,943,529
Vehicles, Equipment and Furniture	81,439,031	15,260,660	(8,981,769)	87,717,922
Land and Leasehold Improvements	10,049,226	1,581,957	(3,441)	11,627,742
Infrastructure *	938,317,325	8,719,054		947,036,379
Totals at historical cost	1,242,548,254	52,478,272	(25,027,093)	1,269,999,433
Less accumulated depreciation for:				
Buildings	(19,171,735)	(3,365,157)		(22,536,892)
Vehicles, Equipment and Furniture	(56,610,000)	(8,046,057)	2,832,339	(61,823,718)
Land and Leasehold Improvements	(4,210,001)	(616,035)	3,441	(4,822,595)
Infrastructure	(5,197,304)	(58,756,070)		(63,953,374)
Total accumulated depreciation	(85,189,040)	(70,783,319)	2,835,780	(153,136,579)
Governmental activities capital assets, net	\$1,157,359,214	(\$18,305,047)	(\$22,191,313)	\$1,116,862,854
Business-type Activities:				
Non-Depreciable Assets:				
Land	\$45,381,552			\$45,381,552
Construction in Progress	3,184,711	1,815,123		4,999,834
Depreciable Assets:				
Buildings	127,964,647	168,445		128,133,092
Vehicles, Equipment and Furniture	11,807,365	725,811	(27,024)	12,506,152
Land and Leasehold Improvements	44,386,331	3,042,720		47,429,051
Sewer Lines	128,896,073	4,588,020		133,484,093
Sewer Plants	159,275,354			159,275,354
Totals at historical cost	520,896,033	10,340,119	(27,024)	531,209,128
Less accumulated depreciation for:				
Buildings	(38,485,851)	(4,691,202)	(3,165,709)	(46,342,762)
Vehicles, Equipment and Furniture	(10,264,503)	(671,372)	403,697	(10,532,178)
Land and Leasehold Improvements	(24,233,731)	(2,178,474)	3,165,709	(23,246,496)
Sewer Lines	(36,815,921)	(2,623,801)		(39,439,722)
Sewer Plants	(61,280,816)	(3,184,339)		(64,465,155)
Total accumulated depreciation	(171,080,822)	(13,349,188)	403,697	(184,026,313)
Business-type activities capital assets, net	\$349,815,211	(\$3,009,069)	\$376,673	\$347,182,815

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

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

Governmental activities:

General Government	\$880,762
Administrative Services	79,302
Finance	213,753
Public Works	61,556,154
Public Safety	171,362
Police	2,352,205
Fire and Emergency Services	1,786,832
Community Corrections	1,746,145
Social Services	312,530
General Services	390,723
Parks and Recreation	1,114,884
Outside Agencies	178,667
Total additions to accumulated depreciation - governmental activities	\$70,783,319

Business-type activities:

Sanitary Sewers	\$6,225,299
Public Facilities	6,122,037
Public Parking	317,035
Landfill	531,102
Extended School Program	9,812
Prisoners' Account System	77,553
Enhanced 911	66,350
Total depreciation expense - business-type activities	\$13,349,188

	Discretely Presented Component Units			
	Beginning Balance	Additions	Deletions	Ending Balance
Non-Depreciable Assets:				
Land	\$19,617,986			\$19,617,986
Construction in Progress	17,770,124	27,004,868	(9,464,847)	35,310,145
Other	460,902			460,902
Depreciable Assets:				
Buildings and Improvements	200,978,504	11,055,400	(272,265)	211,761,639
Vehicles, Equipment and Furniture	39,233,754	4,192,552	(214,403)	43,211,903
Land and Leasehold Improvements	32,990,664	444,106		33,434,770
Totals at historical cost	311,051,934	42,696,926	(9,951,515)	343,797,345
Less accumulated depreciation	(122,765,538)	(12,907,890)	479,114	(135,194,314)
Component unit activities capital assets, net	\$188,286,396	\$29,789,036	(\$9,472,401)	\$208,603,031

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

Construction Commitments

The Government has active construction projects as of June 30, 2006. The projects include improvements to major roadways, government buildings; upgrades to computer software/hardware, 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>
Renovations to government buildings	\$966,284
Garage assessments	55,979
Computer software/hardware	224,607
Fire/ Police improvements	2,748,058
Other	103,213
Parks improvements	405,473
Land Improvements	356,489
Roadway Improvements	7,005,989
Sanitary Sewer Improvements	2,910,973
Landfill closure & improvements	361,257
Storm sewers	185,737
Total	<u><u>\$15,324,059</u></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, 2006. In addition, Federal and State Grants revenues are based on reimbursable expenditures. The composition of interfund balances as of June 30, 2006, is as follows:

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General:	Federal and State Grants	\$4,399,150
	Nonmajor Governmental	2,947,233
	Sanitary Sewers	353,829
	Nonmajor Proprietary	19,772
Urban Services:	Federal and State Grants	870,998
Nonmajor Governmental:	General	4,300,790
	Nonmajor Governmental	993,208
	Sanitary Sewers	1,024,177
	Urban Services	972,000
Sanitary Sewers:	Nonmajor Governmental	41,071
	Federal and State Grants	13,858
	Urban Services	4,517
Public Facilities Corporation	General	2,624,191
	Internal Service	254
Public Parking Corporation	General	627,104
Landfill:	Sanitary Sewers	2,100,395
Nonmajor Proprietary:	Federal and State Grants	2,356
Internal Service:	Sanitary Sewers	536,301
	Federal and State Grants	95,193
Employee Retirement Fund	General	28,745
		<u>\$21,955,142</u>

Due to/from primary government and component units:

Receivable Entity	Payable Entity	Amount
Primary government - General fund	Component unit - Lexington Transit Authority	\$305,239
Primary government - General fund	Component unit - Children's Museum	105,652
Primary government - Public Library Corporation	Component unit - Lexington Public Library	52,572
Component unit - Lexington Convention Visitors' Bureau	Primary government - General fund	426,771
Component unit - Lexington Center Corporation	Primary government - General fund	214,458
Component unit - Lexington Center Corporation	Component unit - Lexington Convention Visitors' Bureau	172,157
Total		<u>\$1,276,849</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

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 Out:	Transfer In:				Total
	General	Major Proprietary	Nonmajor Governmental	Federal and State Grants	
General		\$1,479,023	\$1,066,020	\$1,150	\$2,546,193
Urban Services	382,164		886,000		1,268,164
Federal and State Grants	97,658		90,842		188,500
Nonmajor Governmental	576,230		1,558,046		2,134,276
Major Proprietary	1,349,277		800,000		2,149,277
Total	<u>\$2,405,329</u>	<u>\$1,479,023</u>	<u>\$4,400,908</u>	<u>\$1,150</u>	<u>\$8,286,410</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, 2006

Primary Government

**Bonds Payable, Notes Payable, Compensated Absences Liability, Landfill Closure
& Postclosure Care Costs, and Unfunded Pension Liability
June 30, 2006**

	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	\$72,661
General Obligation, Series 1999A	Detention Facility Construction	67,115,000	4.25% - 4.75%	May-2024	59,725,000
General Obligation, Series 1999B	Branch Library Construction	3,570,000	4.75% - 5.60%	Nov-2019	2,850,000
General Obligation, Series 2000A	Golf Course Improvements	8,460,000	5.13% - 5.63%	Feb-2020	6,745,000
General Obligation, Series 2000D	Storm Water Improvements	10,675,000	4.25% - 5.00%	Dec-2010	5,945,000
General Obligation, Series 2000E	Building Purchase/Renovation and Pool Renovation	9,335,000	4.30% - 5.25%	Dec-2020	7,750,000
General Obligation, Series 2001B	Purchase of Development Rights	7,635,000	3.00% - 4.63%	Dec-2021	6,520,000
General Obligation, Series 2002B	Building Renovation	2,330,000	3.00% - 4.00%	May-2012	1,480,000
General Obligation, Series 2002C	Storm Water Improvements and Road Construction	4,570,000	3.00% - 4.70%	Dec-2022	3,755,000
General Obligation, Series 2003B	Purchase of Fire Equipment	1,455,000	2.00% - 3.00%	May-2010	850,000
General Obligation, Series 2003A	Refunding	19,185,000	2.00% - 3.13%	Feb-2011	11,350,000
General Obligation, Series 2004A	Equipment Purchase	4,240,000	1.00% - 3.00%	May-2007	1,445,000
General Obligation, Series 2004B	Public Safety	2,350,000	2.00% - 4.00%	May-2011	1,725,000
General Obligation, Series 2004C	Multi-Purpose Project	9,640,000	2.50% - 4.75%	Jul-2024	9,305,000
General Obligation, Series 2005A	Equipment Purchase	5,365,000	3.00%	Apr-2008	3,630,000
General Obligation, Series 2005B	Purchase of Fire Equipment	2,830,000	3.00% - 3.38%	Apr-2012	2,460,000
General Obligation, Series 2005C	Purchase of Development Rights /Building Renovation	4,490,000	3.00% - 4.20%	Jun-2025	4,260,000
General Obligation, Series 2006A	Equipment/ERP/Parks	14,390,000	4.00%	May-2011	14,390,000
General Obligation, Series 2006B	Blvd/Neighborhood/Stormwater/F ire Station/Cars	10,310,000	4.00% - 4.50%	Jun-2026	10,310,000
Bond Anticipation Note		750,000	4.84%	Sep-2006	750,000
General Obligation, KLC Series 2000	Economic Development Project	360,000	3.97%	May-2012	265,000
Total Bonds, Notes and Loans		<u>\$190,582,900</u>			<u>155,582,661</u>
Other Liabilities:					
Compensated Absences					16,011,554
Unfunded Pension Liability					17,582,997
Total Other Liabilities					<u>33,594,551</u>
Total Governmental Activities					<u>\$189,177,212</u>
Business-Type Activities					
Bonds, Notes and Loans:					
Public Facilities, Series 1995	Pool Renovation/Construction	4,360,000	5.00% - 5.10%	Nov-2015	\$2,715,000
Sanitary Sewer, Series 1996	Refunding	14,860,000	4.50% - 5.00%	Jul-2009	2,295,000
Public Parking, Series 1998	Refunding	7,260,000	1.00% - 4.80%	Feb-2010	2,815,000
Public Facilities, Series 1998	Court Facility Construction	69,120,000	4.00% - 5.25%	Oct-2031	64,095,000
Sanitary Sewer, Series 2001A	Sewer Rehabilitation	25,150,000	4.00% - 5.00%	Jul-2021	24,350,000
Sanitary Sewer, Series 2001B	Refunding	16,860,000	4.00% - 5.50%	Jul-2012	16,270,000
Total Bonds, Notes and Loans		<u>\$137,610,000</u>			<u>112,540,000</u>
Other Liabilities:					
Compensated Absences					851,806
Landfill Closure & Postclosure Care Costs					20,846,045
Total Other Liabilities					<u>21,697,851</u>
Total Business-type Activities					<u>\$134,237,851</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

Long-Term Liabilities					
For the Year Ended June 30, 2006					
	Balance 6/30/2005	Additions	Reductions	Balance 6/30/2006	Due Within One Year
Governmental Activities					
Bonds, Notes, Loans, and Leases					
General Obligation Bonds, Notes & Leases	\$144,905,000	\$24,700,000	\$14,845,000	\$154,760,000	\$17,940,000
Bond Anticipation Note	742,401	7,599		750,000	750,000
Lease Revenue Notes Payable	257,934		185,273	72,661	72,661
Total Bonds, Notes and Loans	<u>145,905,335</u>	<u>24,707,599</u>	<u>15,030,273</u>	<u>155,582,661</u>	<u>18,762,661</u>
Other Liabilities					
Compensated Absences	14,112,997	3,896,943	1,998,386	16,011,554	2,440,360
Unfunded Pension Liability	19,131,431		1,548,434	17,582,997	
Governmental Activities Long-term Liabilities	<u><u>\$179,149,763</u></u>	<u><u>\$28,604,542</u></u>	<u><u>\$18,577,093</u></u>	<u><u>\$189,177,212</u></u>	<u><u>\$21,203,021</u></u>
Business-type Activities					
Bonds, Notes and Loans					
Revenue Bonds	\$46,560,000		\$3,645,000	\$42,915,000	\$3,515,000
Mortgage Revenue Bonds	71,680,000		2,055,000	69,625,000	2,140,000
Total Bonds, Notes and Loans	<u>118,240,000</u>		<u>5,700,000</u>	<u>112,540,000</u>	<u>5,655,000</u>
Other Liabilities					
Compensated Absences	693,333	214,160	55,687	851,806	271,790
Landfill Closure & Postclosure Care Costs	23,237,288		2,391,243	20,846,045	9,816,655
Business-type Activities Long-term Liabilities	<u><u>\$142,170,621</u></u>	<u><u>\$214,160</u></u>	<u><u>\$8,146,930</u></u>	<u><u>\$134,237,851</u></u>	<u><u>\$15,743,445</u></u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. For the governmental activities, compensated absences are generally liquidated by the General Fund and the Urban Services Fund.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

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	
2007	\$17,940	\$73	\$750	\$18,763	\$3,515	\$2,140	\$5,655	\$24,418
2008	16,255			16,255	3,685	2,245	5,930	22,185
2009	13,245			13,245	3,855	2,345	6,200	19,445
2010	10,815			10,815	4,040	2,460	6,500	17,315
2011	11,060			11,060	4,255	1,795	6,050	17,110
2012 - 2016	31,970			31,970	13,285	10,455	23,740	55,710
2017 - 2021	33,785			33,785	8,345	11,515	19,860	53,645
2022 - 2026	19,690			19,690	1,935	14,875	16,810	36,500
2027 - 2031						17,990	17,990	17,990
2032						3,805	3,805	3,805
Total	154,760	73	750	155,583	42,915	69,625	112,540	268,123
Less Payable Within								
One Year	17,940	73	750	18,763	3,515	2,140	5,655	24,418
Long Term Principal Due After One Year	\$136,820			\$136,820	\$39,400	\$67,485	\$106,885	\$243,705

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
2007	\$6,667	\$17,940		\$73	\$10	\$750	\$2,076	\$3,515	\$3,477	\$2,140
2008	5,973	16,255					1,906	3,685	3,380	2,245
2009	5,377	13,245					1,726	3,855	3,278	2,345
2010	4,844	10,815					1,529	4,040	3,164	2,460
2011	4,394	11,060					1,314	4,255	3,041	1,795
2012 - 2016	16,944	31,970					3,787	13,285	13,722	10,455
2017 - 2021	9,297	33,785					1,569	8,345	10,932	11,515
2022 - 2026	1,922	19,690					48	1,935	7,568	14,875
2027 - 2031									3,285	17,990
2032									98	3,805
Total	\$55,418	\$154,760		\$73	\$10	\$750	\$13,955	\$42,915	\$51,945	\$69,625

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

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
2007	\$3,230,000	\$900,000	\$114,699	\$4,244,699
2008	2,423,837	1,300,000	114,336	3,838,173
2009	2,288,871	1,475,000	93,110	3,856,981
2010	2,159,300	1,350,000	70,278	3,579,578
2011	2,035,111	1,725,000	73,088	3,833,199
2012 - 2016	9,589,381	8,150,000	417,850	18,157,231
2017 - 2021	11,500,000	7,500,000	532,906	19,532,906
2022- 2026	2,600,000	8,750,000	669,708	12,019,708
2027 - 2031		10,025,000	845,780	10,870,780
2032 - 2035		5,775,000	638,245	6,413,245
Total	35,826,500	46,950,000	3,570,000	86,346,500
Less Payable Within One Year	3,230,000	900,000	114,699	4,244,699
Less Refinancing Loss/Premium-Discount	31,915	228,011		259,926
Long Term Principal Due After One Year	<u>\$32,564,585</u>	<u>\$45,821,989</u>	<u>\$3,455,301</u>	<u>\$81,841,875</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. \$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.
2. \$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.
3. \$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 on the 1996 and 2001 Series A and B Bonds, and any parity bonds until the Debt Service Reserve equals the requirement.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

- 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 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

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, 2006, the required reserve of \$774,934 was over funded by \$4,640 resulting in a reserve of \$779,574. 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.
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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

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. \$1,455,000, Series 2003B, to finance the acquisition and installation of certain fire equipment, including fire pumpers and fire aerial units.
10. \$19,185,000, Refunding Series 2003A, to refund the \$18,760,000 principal outstanding on the PFC 1993 Refunding Bonds.
11. \$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.
12. \$2,350,000, Series 2004B, to finance the purchase of fire trucks and a public safety radio system.
13. \$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%.
14. \$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%.
15. \$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%.
16. \$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%.
17. \$14,390,000, Series 2006A to finance acquisition of certain equipment and vehicles, acquiring an integrated financial and human resources information system and various park improvements.
18. \$10,310,000, Series 2006B to finance stormwater improvements, neighborhood redevelopment projects, Bluegrass Aspendale Parkway, Veterans Park fire station and police cars.

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, 2006

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 \$20,846,045 liability reported at June 30, 2006 is based on the use of 97.2% 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 \$599,996. 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 2006. The Government expects to close the Haley Pike landfill in the year 2007. 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, 2006

Issue	Amount Outstanding	Reserve	Unamortized Balances	Unspent Proceeds	Net Related Debt
Capital Assets - Governmental					
1997 Detention Center	\$72,661				\$72,661
1999 Detention Center	59,725,000				59,725,000
1999B Tates Creek Library	2,850,000				2,850,000
2000 KLC	265,000		4,612	2,094	258,294
2000A Picadome Golf Course	6,745,000				6,745,000
2000D Storm Water Projects	5,945,000			139,109	5,805,891
2000E KU Building and Pool	7,750,000				7,750,000
2001B Purchase of Development Rights	6,520,000		114,818		6,405,182
2002B HVAC Government Center	1,480,000		15,688		1,464,312
2002C EAMP/Storm Water Projects	3,755,000		58,867	725,699	2,970,434
2003A Public Facilities Projects	11,350,000		39,756	3,069	11,307,175
2003B 2003 Go Series Notes	850,000		9,659	16,960	823,381
2004A Equipment 2004	1,445,000		(4,058)	108,217	1,340,841
2004B Public Safety	1,725,000		(15,086)	57,939	1,682,147
2004C Multi-Purpose Project	9,305,000		157,193	548,757	8,599,050
2005A Equipment Purchase	3,630,000		1,597	766,449	2,861,954
2005B Purchase of Fire Equipment	2,460,000		14,702		2,445,298
2005C Purchase of Development Rights	4,260,000		28,578		4,231,422
2006A Equipment Purchase	14,390,000		(114,643)		14,504,643
2006B Various Projects	10,310,000		72,387		10,237,613
Condemnation	750,000				750,000
Total Governmental	<u>\$155,582,661</u>	<u>\$0</u>	<u>\$384,070</u>	<u>\$2,368,293</u>	<u>152,830,298</u>
Net Capital Assets					<u>1,116,862,854</u>
Invested in Capital Assets, net of related debt					<u>\$964,032,556</u>
Capital Assets - Proprietary					
1996 Sanitary Sewers	\$2,295,000		\$71,397		\$2,223,603
2001A Sanitary Sewers	24,350,000	2,145,750	253,903	6,151,602	15,798,745
2001B Sanitary Sewers	16,270,000		158,076		16,111,924
1998 Public Parking	2,815,000	807,738	217,262		1,790,000
1995 Public Facilities	2,715,000		81,660		2,633,340
1998 Public Facilities	64,095,000		1,288,230		62,806,770
	<u>\$112,540,000</u>	<u>\$2,953,488</u>	<u>\$2,070,528</u>	<u>\$6,151,602</u>	<u>101,364,382</u>
Net Capital Assets					<u>347,182,815</u>
Invested in Capital Assets, net of related debt					<u>\$245,818,433</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, 2006

Storm Water general obligation bonds account	\$584,993
Public Safety obligation bonds and notes account	1,925,186
Office Building and Pool general obligation bonds account	2,332
Various Purpose general obligation notes account	14,235,372
Golf Course general obligation bonds account	14,831
Equipment general obligation notes account	4,396,442
Public Library Corporation general obligation bond account	21,991
Total restricted assets	<u><u>\$21,181,147</u></u>

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

Sanitary sewer system maintenance and operations account	\$4,620,790
Sanitary sewer revenue bond sinking fund account	4,594,365
Sanitary sewer revenue bonds construction account	7,901,348
Sanitary sewer depreciation account	2,145,750
Sanitary sewer debt service reserve account	4,442,976
Public Facilities revenue bonds sinking fund account	402,455
Public Parking Corporation debt service reserve account	807,738
Total restricted assets	<u><u>\$24,915,422</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, 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	550,162
Claims and changes in estimates - FY 2006	24,507,433
Claims paid FY 2006	<u>(24,675,270)</u>
Liability at June 30, 2006	<u><u>\$382,325</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 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

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 histories 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, 2006, the undiscounted estimated liability was \$20,676,000. The discounted estimated liability as of June 30, 2006 was \$17,602,000. 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, 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	<u>(2,368,455)</u>	<u>1,454,531</u>	<u>(533,313)</u>	<u>(3,785,428)</u>	<u>(5,232,665)</u>
Liability at June 30, 2005	\$990,141	\$4,969,620	\$234,106	\$10,286,479	\$16,480,346
Claims and changes in estimates FY 2006	1,035,365	209,877	315,169	5,009,892	6,570,303
Claims paid FY 2006	<u>(914,506)</u>	<u>(728,497)</u>	<u>(412,275)</u>	<u>(3,393,371)</u>	<u>(5,448,649)</u>
Liability at June 30, 2006	<u>\$1,111,000</u>	<u>\$4,451,000</u>	<u>\$137,000</u>	<u>\$11,903,000</u>	<u>\$17,602,000</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. 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, 2006

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 property limits Per occurrence
Electronic Data Processing	250,000	Included in property limits Per year
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 and the Division of Risk Management estimate that there are 96 pending cases in which there is a reasonably possible likelihood that the Government will incur some liability and estimate the aggregate potential liability for the cases covered by self-insurance at \$3,957,306.

Keith Guy, et al. v. Lexington-Fayette Urban County Government, United States District Court, Eastern District of Kentucky, Civil Action No. 98-431-WOB.¹ On September 25, 2002 and January 13, 2003, unnamed plaintiffs filed two putative class actions against Lexington-Fayette Urban County Government ("LFUCG") and a number of individuals alleging that they were subjected to molestation, abuse, and other unlawful transactions by Ronald Berry when he was executive director of Micro-City Government, Inc., which was funded in part by LFUCG. Each plaintiff claims that he or she was under the age of 18 years when the unlawful acts occurred, and that each came into contact with Ronald Berry as a direct result of participation, formally or informally, in activities promoted, sponsored or conducted by Micro-City. The plaintiffs claim that the defendants, who include current or former LFUCG officials, actively concealed knowledge of Berry's activities and failed to warn any participants in Micro-City activities of Berry's alleged pattern of conduct. Specifically, the plaintiffs alleged violations of 28 U.S.C. § 1983, 42 U.S.C. § 13981 (violence against women), 18 U.S.C. § 1964 (RICO); and 20 U.S.C. § 1687; allege that the defendants engaged in a conspiracy to violate their civil rights and denied them equal employment opportunities, neglected to prevent conspiracy, and engaged in sexual exploitation of children; and claim that the defendants are liable for common law negligence, intentional infliction of emotional distress, and breach of fiduciary duty. The plaintiffs sought a monetary judgment against the defendants, in the amount of \$10 million for

¹ This audit response supersedes and replaces the audit responses previous made for John Does 1-33 and Jane Does 1-5, v. Lexington-Fayette Urban County Government, et al., United States District Court, Eastern District of Kentucky, Civil Action No. 02-439-JMH, and John Does 1-44 and Jane Does 1-14, v. Lexington-Fayette Urban County Government, et al., United States District Court, Eastern District of Kentucky, Civil Action No. 03-12-JMH. As explained in this audit response, those two lawsuits have been dismissed and stricken from the docket; however, the plaintiffs in those cases are now seeking to intervene and file a new complaint in Keith Guy, et al. v. Lexington-Fayette Urban County Government, United States District Court, Eastern District of Kentucky, Civil Action No. 98-CI-WOB.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

each plaintiff and member of the putative class; punitive damages; treble damages where allowed; and costs and attorneys fees. LFUCG and the individual defendants obtained final judgments from the Court dismissing the claims of all plaintiffs based on the applicable statutes of limitation and refusing to accept jurisdiction over the pendant state law claims given the dismissal of the federal claims. The plaintiffs appealed both judgments. The plaintiffs also sought to overcome LFUCG's statute of limitations defense by seeking to vacate the final judgments in two prior class actions which had been dismissed as settled in 2000 and 2002 (98-431-KSF and 00-166-KSF). The denials of those motions to vacate were also appealed. After briefing, all four appeals were consolidated for argument and decision. Subsequently, the Sixth Circuit issued an opinion and order finding that the original judgment in 98-431-KSF was void due to the trial court's failure to order class notice of the settlement and denial of class certification; and re-opening 98-431-KSF to permit the plaintiffs to intervene and receive the benefits of any tolling of the limitations periods they would have received had they intervened in this case when it was settled in 2000. Doe v. Lexington-Fayette Urban County Government, 407 F.3d 755 (6th Cir. 2005). In the same opinion, the Sixth Circuit dismissed the appeals in the 2002 and 2003 lawsuits as moot. After unsuccessful petitions for rehearing en banc and for certiorari to the U.S. Supreme Court, the Sixth Circuit's Mandate issued and 98-431-KSF (this case) was re-opened. After the case was re-assigned to Judge Bertelsman, the plaintiffs file a motion to amend their complaint to incorporate the complaints in their previous lawsuits and a motion seeking class certification. Defendant LFUCG (the only defendant presently named in this lawsuit) objected to the amendment on the grounds that a single, coherent complaint should be filed setting forth all claims and defendants, and objected to class certification on the grounds that class discovery is needed. On July 18, 2006, the Court issued an Order which among other things denied class certification without prejudice; directed the two sets of plaintiffs' counsel to take discovery on one another and to file briefs to resolve a dispute over who represents the plaintiffs; and granted the plaintiffs' motion to file an amended complaint. LFUCG has filed a motion asking that the Order be modified to clarify that the plaintiffs must seek to intervene in this lawsuit and tender an intervening complaint so that LFUCG may object to the addition of any new claims or defendants. On October 10, 2006, certain of the John and Jane Doe plaintiffs filed a motion to file an amended complaint setting forth many of the same causes of action as have been pled in previous lawsuits. The tendered amended complaint names LFUCG and all but three of the same individual defendants who were named in 02-439 and 03-12. Later that month, one of the law firms vying to represent certain of the Does moved to have themselves appointed interim class counsel pursuant to Rule 23(g). LFUCG has opposed both motions as premature and in violation of the Court's July 18, 2006 scheduling order. Also in October, LFUCG moved for leave of Court to take the depositions of certain elderly witnesses to preserve their testimony. All motions, including cross-motions to compel by the two law firms competing to represent the Doe plaintiffs, were heard by the Court on November 17, 2006. At the hearing, the Court chastised the plaintiffs' counsel for their dispute over who represented which plaintiffs. The Court also indicated that it had serious doubts that this action can be certified as a class action, but that it would not rule on that issue until after discovery is complete. The Court ordered that the plaintiffs file amended complaints by December 22, 2006, that all discovery be completed by August 31, 2007, and that motions for summary and motions regarding class certification be filed by October 31, 2007. As a result of the order to file amended complaints, and to allow discovery, the motion to permit discovery of elderly witnesses was denied as moot. The motions for leave to file amended complaints and to set a schedule were granted, resulting in the deadlines set out above. The motions seeking appointment of class counsel were denied. Pursuant to the Court's orders, the plaintiffs filed amended complaints on December 22, 2006. We are unable at this time to assess the likelihood of an unfavorable outcome or the amount or range of potential loss LFUCG or any other to-be-named individual defendants might sustain.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

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 2006.

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.

On August 27, 2006, Comair Flight 5191 attempted to depart the Airport, bound for Atlanta, Georgia. It crashed on a farm situated adjacent to the western end of Runaway 8/26. With one exception, all persons on board are reported to have died. Persons purporting to represent at least 24 of the occupants of Flight 5191 have notified the Airport they are considering or intend to make some form of claim against the Airport relating to Flight 5191. As of October 30, 2006 there has been one lawsuit naming the airport as a party on account of Flight 5191. The Airport intends to vigorously defend itself regarding these matters. The amount of the contingent liability resulting from the lawsuits cannot be determined at this time.²

D. Vine Center Parking Garage - The Government is contingently liable for 37 1/2% of the debt service on the \$95,341 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

² *Lexington-Fayette Urban County Airport Board (A Component Unit of the Lexington-Fayette Urban County Government) Lexington, Kentucky Financial Statements and Independent Auditor's Report as of and for the years ended June 30, 2006 and 2005. p.32.*

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

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, 2006, the Government had contributed \$17,778,250; one project remains uncompleted. In addition, \$4,350,000 has been donated from private sources. Planning began on the last project, an African American cultural center, in fiscal year 2006. It is estimated that this project will involve additional commitment of at least \$2 million.

F. Lexington Downtown Housing Fund, LLC – On December 9, 2004 the Government approved ordinance 319-2004 approving a lease and sublease for the purpose of creating, enhancing and extending market-rate housing in downtown Lexington (“the Project”). The Ordinance authorized entering into one or more leases with the Kentucky League of Cities Funding Trust to enable the Government to finance the Project for an aggregate principal amount of \$2,000,000 outstanding at any one time. The lease is a general obligation pledge of the Government. The sublease agreement between the Government and the Lexington Downtown Housing Fund, LLC (“DHL LLC”) assigns administrative management and support of the loan programs to the DHL LLC. Under the loan program the DHL LLC makes loans to developers of approved projects. The loans made by the DHL LLC are funded in part by the sublease and in part from funds contributed or loaned from local participating banks. The interest on the loans are paid by the developers and the principal of the loans are subsequently repaid by the revenues from the project. In the event of default by the developer on the loan payment, the portion of the loan funded by the sublease would become an obligation of the Government. As of June 30, 2006 the total principal outstanding was \$1,000,000.

G. 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.

H. 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, 2006 the outstanding balance on conduit debt issues was \$279,477,744.

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 \$155,000 remained outstanding as of June 30, 2006. 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

NOTE 8. SUBSEQUENT EVENTS

On November 2, 2006 the Government issued \$2,055,000 of General obligation Bonds, Series 2006C, providing funding for the Purchase of Development Rights Program ("PDR"), or a program to purchase conservation easements, in Fayette County. The Government also issued \$56,850,000 in General Obligation Public Projects Refunding Bonds, Series 2006D, to refund the Public Facilities Corporation Series 1995 bonds for \$2,500,000 in principal amount and to partially refund the 1999 General Obligation Bonds, Series 1999A aggregating \$59,725,000 in principal. The refunding resulted in annual debt service savings of approximately \$130,000 per year.

On September 20, 2006 the Government modified the Lexington-Fayette Urban County Government Water Revenue Bond Anticipation Notes, Series 2003 to extend the maturity date from September until July 1, 2007. Subsequently, on December 12, 2006 the Government approved an appropriation to pay the principal and any interest due on the notes. The notes were paid in full on December 26, 2006.

On December 12, 2006 the Government approved Ordinance 382-2006 authorizing the issuance of Public Facilities Corporation Mortgage Revenue Refunding Bonds, Series 2006 for the principal amount of \$66,870,000.

Tommy Puckett, et al vs. the Lexington Fayette Urban County Government, et al - On December 21, 2006, the Fayette Circuit Court issued an opinion that supports plaintiffs position that the Board of Trustees of the Police and Firefighters' Retirement Fund has the authority to establish the full employer contribution requirement of the Government. The Government disagrees with this opinion and filed an appeal on December 28, 2006. The Government intends to vigorously defend its position. The potential liability in the event of an adverse ruling on the appeal is reported as the net pension obligation in Note 9 D and, in the event funding is required, would be funded through the issuance of a long term pension bond issue.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

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, 2006:

	<u>Policemen's and Firefighters'</u>	<u>City Employees'</u>
Inactive Plan Participants:		
Retirees and beneficiaries currently receiving benefits	825	131
Active Plan Participants:		
Vested	100	1
Nonvested	965	
Total	<u>1,890</u>	<u>132</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.

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 2006, the Government contributed 23.0% 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%

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

D. Supplemental Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
		Liability (AAL)					
		- Entry Age (b)					
<i>Policemen's and Firefighters' Pension Fund (3% COLA)</i>							
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 %	
7/1/06	373,314,278	594,804,448	221,490,170	62.8%	57,192,876	387.3 %	

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
		Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)			
<i>City Employees' Pension Fund</i>						
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 %
7/1/06	27,003,663	27,598,776	595,113	97.8%	40,920	1,454.3 %

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

Annual Pension Cost and Net Pension Obligation

	Policemen's and Firefighters' Pension Fund	City Employees' Pension Fund
Annual Required Contribution	\$12,691,844	\$21,275
Interest on net pension obligation	1,369,055	161,459
Adjustment to annual required contribution	(1,435,115)	(235,790)
Annual pension cost	12,625,784	(53,056)
Contributions made	(14,114,178)	(6,984)
Decrease in net pension obligation	(1,488,394)	(60,040)
Net pension obligation beginning of year	17,113,189	2,018,242
Net pension obligation end of year	<u>\$15,624,795</u>	<u>\$1,958,202</u>

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Obligation
<i>Policemen's and Firefighters' Pension Fund</i>				
2004	\$10,619,518	\$10,244,350	96.5%	\$16,172,843
2005	12,629,414	11,689,068	92.6%	17,113,189
2006	12,625,784	14,114,178	111.8%	15,624,795
<i>City Employees' Pension Fund</i>				
2004	27,932	6,490	23%	2,017,259
2005	7,799	6,816	87%	2,018,242
2006	(53,056)	6,984	N/A	1,958,202

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.

	Policemen's and Firefighters' Pension Fund	City Employees' Pension Fund
Valuation date	July 1, 2006	July 1, 2006
Actuarial cost method	Entry Age Normal Funding	Entry Age Normal Funding
Amortization method	Level Percent of Payroll	Level Dollar - Open
Remaining amortization period	23 years	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	3.0%	4.0%

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

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 2006, 618 retirees of the PFRF received this benefit for a total cost of \$2,276,111; and 27 retirees of the CEPF received this benefit for a total cost to the Government of \$81,032.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

F. Pension Plan Financial Statements

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2006**

	Pension Trust Funds		
	Policemen's and Firefighters' Retirement	City Employees' Pension	Total Pension Trust Funds
ASSETS			
Cash	\$148,112	\$9,058	\$157,170
Receivables:			
Member Contributions	84,955	67	85,022
Employer Contributions	290,764	138	290,902
Interest and Dividends	1,899,540	195,842	2,095,382
Due from Other Funds	27,420	1,325	28,745
Total Receivables	2,302,679	197,372	2,500,051
Investments, at Fair Value:			
U. S. Government Obligations	9,468,255	6,116,945	15,585,200
U. S. Government Agency and Instrumentality Obligations	29,625,464	6,595,929	36,221,393
Repurchase Agreements	28,344,546		28,344,546
Municipal Bonds	18,848,177		18,848,177
International Bonds	2,214,372	445,237	2,659,609
Corporate Bonds	57,137,863	2,719,507	59,857,370
Mutual Funds	82,696,175		82,696,175
Domestic Stocks	162,658,797	10,305,344	172,964,141
International Stocks	7,283,984	614,271	7,898,255
Total Investments	398,277,633	26,797,233	425,074,866
Total Assets	400,728,424	27,003,663	427,732,087
LIABILITIES			
Refunds Payable and Other	335,685		335,685
Securities Lending Transactions	29,344,546		29,344,546
Total Liabilities	29,680,231	0	29,680,231
NET ASSETS			
Held in Trust for Pension Benefits	\$371,048,193	\$27,003,663	\$398,051,856

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended June 30, 2006

	Policemen's and Firefighters' Retirement	City Employees' Pension	Total
ADDITIONS			
Contributions:			
Employer	\$11,778,457	\$7,126	\$11,785,583
Employer - Administration	2,336,065	81,667	2,417,732
Plan Members	5,596,077	3,461	5,599,538
Member Purchase of Service	98,203		98,203
Other	39,637		39,637
Total Contributions	<u>19,848,439</u>	<u>92,254</u>	<u>19,940,693</u>
Income on Investments:			
Net Change in Fair Value of Investments	15,019,306	237,678	15,256,984
Interest	7,550,433	760,195	8,310,628
Dividends	4,370,360	227,437	4,597,797
Total Income on Investments	<u>26,940,099</u>	<u>1,225,310</u>	<u>28,165,409</u>
Less Investment Expense	1,603,203	78,938	1,682,141
Net Income on Investments	<u>25,336,896</u>	<u>1,146,372</u>	<u>26,483,268</u>
Income from Securities Lending Activities:			
Securities Lending Income	876,910		876,910
Securities Lending Expenses			
Borrower rebates	814,761		814,761
Management Fees	24,699		24,699
Total Securities Lending Expenses	<u>839,460</u>	<u>0</u>	<u>839,460</u>
Net Income on Securities Lending Activities	<u>37,450</u>	<u>0</u>	<u>37,450</u>
Total Additions	<u>45,222,785</u>	<u>1,238,626</u>	<u>46,461,411</u>
DEDUCTIONS			
Benefit Payments	29,408,486	1,983,689	31,392,175
Refunds of Contributions	134,156		134,156
Administrative Expense	100,856	15,149	116,005
Total Deductions	<u>29,643,498</u>	<u>1,998,838</u>	<u>31,642,336</u>
Net Increase (Decrease)	15,579,287	(760,212)	14,819,075
Net Assets, July 1	<u>355,468,906</u>	<u>27,763,875</u>	<u>383,232,781</u>
Net Assets, June 30	<u><u>\$371,048,193</u></u>	<u><u>\$27,003,663</u></u>	<u><u>\$398,051,856</u></u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2006

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, 2005, there were 1,400 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, 2006, 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 10.98% of members' non-hazardous compensation and 25.01% for hazardous compensation for the year ended June 30, 2006. The Government's contributions to CERS for the years ending June 30, 2006, 2005, and 2004 were \$10,351,993, \$8,164,874, and \$6,284,431 respectively, and were equal to the required contributions for each year.

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, garage and building renovation projects, and Neighborhood Development projects.

The **2006 Bond Projects** are for Storm water improvement projects, Police vehicles, and Park improvement projects.

The **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, 2006

	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	2001 Bond Projects
				Mineral Severance	Coal Severance									
ASSETS														
Cash	\$355,903	\$828,621	\$59,910			\$654,359	\$58,856	\$63,406	\$2,021,055	\$3,865			\$2,189,284	
Current Investments	600,000	6,500,000		171,094		50,000			7,321,094	334,663		27,653		
Restricted Investments									0		584,993	1,925,186		2,332
Receivables:														
Other							23,898		23,898					
Due From Other Governments	25,055								25,055					
Due From Other Funds									0	622,053		500,000		152,853
Total Assets	<u>\$980,958</u>	<u>\$7,328,621</u>	<u>\$59,910</u>	<u>\$171,094</u>	<u>\$0</u>	<u>\$704,359</u>	<u>\$82,754</u>	<u>\$63,406</u>	<u>\$9,391,102</u>	<u>\$960,581</u>	<u>\$584,993</u>	<u>\$2,452,839</u>	<u>\$2,189,284</u>	<u>\$155,185</u>
LIABILITIES AND FUND BALANCES														
Liabilities:														
Accounts and Contracts Payable	\$158,708	\$177,505		\$10,232	\$21,760	\$4,074	\$1,397	\$2,476	\$376,152	\$20,919	\$11,143	\$386,141	\$156,150	\$52,667
Due to Other Funds					186,581				186,581				630,000	
Unearned Revenues and Other			2,500						2,500					
Total Liabilities	<u>158,708</u>	<u>177,505</u>	<u>2,500</u>	<u>10,232</u>	<u>208,341</u>	<u>4,074</u>	<u>1,397</u>	<u>2,476</u>	<u>565,233</u>	<u>20,919</u>	<u>11,143</u>	<u>386,141</u>	<u>786,150</u>	<u>52,667</u>
Fund Balances:														
Reserved for:														
Encumbrances	38,061	1,908,310		19,007		48,042	700	22,655	2,036,775		193,926	1,675,168	182,634	15,631
Unreserved (Deficit), reported in:														
Special Revenue Funds	784,189	5,242,806	57,410	141,855	(208,341)	652,243	80,657	38,275	6,789,094					
Capital Project Funds										939,662	379,924	391,530	1,220,500	86,887
Total Fund Balances (Deficits)	<u>822,250</u>	<u>7,151,116</u>	<u>57,410</u>	<u>160,862</u>	<u>(208,341)</u>	<u>700,285</u>	<u>81,357</u>	<u>60,930</u>	<u>8,825,869</u>	<u>939,662</u>	<u>573,850</u>	<u>2,066,698</u>	<u>1,403,134</u>	<u>102,518</u>
Total Liabilities and Fund Balances	<u>\$980,958</u>	<u>\$7,328,621</u>	<u>\$59,910</u>	<u>\$171,094</u>	<u>\$0</u>	<u>\$704,359</u>	<u>\$82,754</u>	<u>\$63,406</u>	<u>\$9,391,102</u>	<u>\$960,581</u>	<u>\$584,993</u>	<u>\$2,452,839</u>	<u>\$2,189,284</u>	<u>\$155,185</u>

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING BALANCE SHEET, Continued
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	Capital Projects Funds												
	2002 Bond Projects	2003 Bond Projects	Golf Course Bond Projects	Purchase of Development Rights	Equipment Lease Notes	Condemnation	2004 Bond Projects	2005 Bond Projects	2006 Bond Projects	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total	Total Nonmajor Governmental Funds
ASSETS													
Cash						\$1,903				\$464,108	\$45,399	\$2,704,559	\$4,725,614
Current Investments					39,150					1,009,486	61,533	1,472,485	8,793,579
Restricted Investments	7,292	1,083,360	14,831		4,396,442		839,850	5,144,996	7,159,874	21,991		21,181,147	21,181,147
Receivables:												0	
Other											8,264,488	8,264,488	8,288,386
Due From Other Governments												0	25,055
Due From Other Funds					2,436,382		344,753	3,005,439			228,695.00	7,290,175	7,290,175
Total Assets	<u>\$7,292</u>	<u>\$1,083,360</u>	<u>\$14,831</u>	<u>\$0</u>	<u>\$6,871,974</u>	<u>\$1,903</u>	<u>\$1,184,603</u>	<u>\$8,150,435</u>	<u>\$7,159,874</u>	<u>\$1,495,585</u>	<u>\$8,600,115</u>	<u>\$40,912,854</u>	<u>\$50,303,956</u>
LIABILITIES AND FUND BALANCES													
Liabilities:													
Accounts and Contracts Payable		\$30,400	\$662		\$323,927		\$82,488	\$301,845	\$118,316			\$1,484,658	\$1,860,810
Due to Other Funds		2,000		1,210,695	3,125			360,082	87,076	76,354	1,425,599	3,794,931.00	3,981,512
Unearned Revenues and Other				178,188								178,188.00	180,688
Total Liabilities	<u>0</u>	<u>32,400</u>	<u>662</u>	<u>1,388,883</u>	<u>327,052</u>	<u>0</u>	<u>82,488</u>	<u>661,927</u>	<u>205,392</u>	<u>76,354</u>	<u>1,425,599</u>	<u>5,457,777</u>	<u>6,023,010</u>
Fund Balances:													
Reserved for:													
Encumbrances		650,963			1,566,172	147	121,963	4,332,901	754,629	203	110,773	9,605,110	11,641,885
Unreserved (Deficit), reported in:												0	6,789,094
Special Revenue Funds													
Capital Project Funds	7,292	399,997	14,169	(1,388,883)	4,978,750	1,756	980,152	3,155,607	6,199,853	1,419,028	7,063,743	25,849,967	25,849,967
Total Fund Balances (Deficits)	<u>7,292</u>	<u>1,050,960</u>	<u>14,169</u>	<u>(1,388,883)</u>	<u>6,544,922</u>	<u>1,903</u>	<u>1,102,115</u>	<u>7,488,508</u>	<u>6,954,482</u>	<u>1,419,231</u>	<u>7,174,516</u>	<u>35,455,077</u>	<u>44,280,946</u>
Total Liabilities and Fund Balances	<u>\$7,292</u>	<u>\$1,083,360</u>	<u>\$14,831</u>	<u>\$0</u>	<u>\$6,871,974</u>	<u>\$1,903</u>	<u>\$1,184,603</u>	<u>\$8,150,435</u>	<u>\$7,159,874</u>	<u>\$1,495,585</u>	<u>\$8,600,115</u>	<u>\$40,912,854</u>	<u>\$50,303,956</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	Special Revenue Funds								Debt Service Fund	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	Fayette County Detention Center Corporation Total	Lexington Cultural Center	Storm Water Bond Projects	Public Safety Capital Projects
				Mineral Severance	Coal Severance								
REVENUES													
Local Contributions													
Intergovernmental Exactions	\$866,663	\$3,913,167		\$322,173	\$97,610	\$1,023,097	\$142,375	\$2,500	\$6,367,585				
Rental Income									0				
Income on Investments	27,171	225,546	1,702	15,640		18,397	3,846	15,785	308,087	194,138			
Other			30,921			11,435		287,367	329,723		13,407	37,516	133,374
Total Revenues	893,834	4,138,713	32,623	337,813	97,610	1,052,929	146,221	305,652	7,005,395	194,138	13,407	37,516	133,374
EXPENDITURES													
Current Operating:													
Administrative Services				209,802	457,598				667,400				
Public Works	871,802	2,272,161							3,143,963				
Police						500,361	138,050	27,821	666,232				
Social Services									0				
Outside Agencies									0			98,141	89,750
Debt Service:													
Principal									0	185,409			
Interest and Other									0	8,729			
Bond Issuance Costs									0				5,122
Capital:													
Equipment									0				3,742,050
Acquisitions and Construction									0		153,200	708,791	620,440
Total Expenditures	871,802	2,272,161	0	209,802	457,598	500,361	138,050	27,821	4,477,595	194,138	153,200	806,932	4,457,362
Excess (Deficiency) of Revenues over (under) Expenditures	22,032	1,866,552	32,623	128,011	(359,988)	552,568	8,171	277,831	2,527,800	0	(139,793)	(769,416)	(4,323,988)
Other Financing Sources (Uses):													
Transfers In		197,552			337,107				534,659		250,000		
Transfers Out				(337,107)				(574,000)	(911,107)				
Issuance of Debt									0				1,609,386
Net Premium (Discount) on Proceeds									0				6,329
Total Other Financing Sources (Uses)	0	197,552	0	(337,107)	337,107	0	0	(574,000)	(376,448)	0	250,000	0	1,615,715
Net Change in Fund Balances	22,032	2,064,104	32,623	(209,096)	(22,881)	552,568	8,171	(296,169)	2,151,352	0	110,207	(769,416)	(2,708,273)
Fund Balances (Deficits), July 1	800,218	5,087,012	24,787	369,958	(185,460)	147,717	73,186	357,099	6,674,517		829,455	1,343,266	4,774,971
Fund Balances (Deficits), June 30	\$822,250	\$7,151,116	\$57,410	\$160,862	(\$208,341)	\$700,285	\$81,357	\$60,930	\$8,825,869	\$0	\$939,662	\$573,850	\$2,066,698

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, 2006

	Capital Projects Funds														Roads, Parks, Open Space, Storm Water Exactions	Total Nonmajor Governmental Funds
	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	2006 Bond Projects	Public Library Corporation	Total		
REVENUES																
Local Contributions										\$150,000	\$2,500				\$152,500	\$152,500
Intergovernmental						23,522	1,268,735								1,292,257	7,659,842
Exactions														2,823,892	2,823,892	2,823,892
Rental Income													291,166		291,166	485,304
Income on Investments	85,862	123	318	44,648	212	9,665	117,920		127	54,443	22,710	1,132	58,561	4,461	584,479	892,566
Other															0	329,723
Total Revenues	85,862	123	318	44,648	212	33,187	1,386,655	0	127	204,443	25,210	1,132	349,727	2,828,353	5,144,294	12,343,827
EXPENDITURES																
Current Operating:																
Administrative Services									58						58	667,458
Public Works															0	3,143,963
Police															0	666,232
Social Services															0	0
Outside Agencies				1,210		10,838	35,448			12,806	1,340,781		879	6,852	1,596,705	1,596,705
Debt Service:																
Principal													135,000		135,000	320,409
Interest and Other					207	4	6,628	1	50,230				155,141		212,211	220,940
Bond Issuance Costs												84,204			89,326	89,326
Capital:																
Equipment	779,803	7,265					6,621,324			267,743	2,834,501				14,252,686	14,252,686
Acquisitions and Construction	75,829	246,211	3,915	216,262		2,345,755	35,922			795,794	616,387	1,250,208		68,466	7,137,180	7,137,180
Total Expenditures	855,632	253,476	3,915	217,472	207	2,356,597	6,699,322	1	50,288	1,076,343	4,791,669	1,334,412	291,020	75,318	23,423,166	28,094,899
Excess (Deficiency) of Revenues over (under) Expenditures	(769,770)	(253,353)	(3,597)	(172,824)	5	(2,323,410)	(5,312,667)	(1)	(50,161)	(871,900)	(4,766,459)	(1,333,280)	58,707	2,753,035	(18,278,872)	(15,751,072)
Other Financing Sources (Uses):																
Transfers In		385,939							69,330	99,230	3,061,750				3,866,249	4,400,908
Transfers Out	(630,000)	(2,230)									(590,939)				(1,223,169)	(2,134,276)
Issuance of Debt							6,470,727				8,373,807	8,246,080			24,700,000	24,700,000
Line of Credit									7,599						7,599	7,599
Net Premium on Proceeds							79,734				83,223	41,682			210,968	210,968
Total Other Financing Sources (Uses)	(630,000)	383,709	0	0	0	0	6,550,461	0	76,929	99,230	10,927,841	8,287,762	0	0	27,561,647	27,185,199
Net Change in Fund Balances	(1,399,770)	130,356	(3,597)	(172,824)	5	(2,323,410)	1,237,794	(1)	26,768	(772,670)	6,161,382	6,954,482	58,707	2,753,035	9,282,775	11,434,127
Fund Balances (Deficits), July 1	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
Fund Balances (Deficits), June 30	\$1,403,134	\$102,518	\$7,292	\$1,050,960	\$14,169	(\$1,388,883)	\$6,544,922	\$0	\$1,903	\$1,102,115	\$7,488,508	\$6,954,482	\$1,419,231	\$7,174,516	\$35,455,077	\$44,280,946

**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, 2006**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
REVENUES				
Intergovernmental	\$834,520	\$834,520	\$866,663	\$32,143
Income on Investments			27,171	27,171
Total Revenues	834,520	834,520	893,834	59,314
EXPENDITURES				
Department of Public Works:				
Street Maintenance	834,520	1,403,700	878,384	525,316
Total Expenditures	834,520	1,403,700	878,384	525,316
Excess (Deficiency) Revenues over (under) Expenditures	0	(569,180)	15,450	584,630
Fund Balance, July 1	0	768,739	768,739	0
Fund Balance, June 30	\$0	\$199,559	\$784,189	\$584,630

Explanation of Differences between Budgetary Expenditures and GAAP Expenditures

Total expenditures from the budgetary comparison schedule	\$878,384
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.	(6,582)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$871,802</u>

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
REVENUES				
Intergovernmental	\$4,170,040	\$4,370,000	\$3,913,167	(\$456,833)
Income on Investments	130,000	130,000	225,546	95,546
Total Revenues	4,300,040	4,500,000	4,138,713	(361,287)
EXPENDITURES				
Department of Public Works:				
Street Maintenance	2,350,000	2,406,710	2,312,818	93,892
Engineering	1,949,680	5,626,750	2,247,825	3,378,925
Total Expenditures	4,299,680	8,033,460	4,560,643	3,472,817
Excess (Deficiency) Revenues over (under) Expenditures	360	(3,533,460)	(421,930)	3,111,530
OTHER FINANCING SOURCES (USES)				
Transfers In		106,710	197,552	90,842
Total Other Financing Sources	0	106,710	197,552	90,842
Net Change in Fund Balance	360	(3,426,750)	(224,378)	3,202,372
Fund Balance, July 1	0	3,469,252	3,469,252	0
Fund Balance, June 30	\$360	\$42,502	\$3,244,874	\$3,202,372

Explanation of Differences between Budgetary Expenditures and GAAP Expenditures

Total expenditures from the budgetary comparison schedule	\$4,560,643
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.	(2,288,482)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$2,272,161

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
REVENUES				
Intergovernmental			\$322,173	\$322,173
Income on Investments			15,640	15,640
Total Revenues	0	0	337,813	337,813
EXPENDITURES				
Administrative Services:				
Community Development			(6,203)	6,203
Total Expenditures	0	0	(6,203)	6,203
Excess Revenues over Expenditures	0	0	344,016	344,016
OTHER FINANCING SOURCES (USES)				
Transfers Out			(337,107)	(337,107)
Total Other Financing Sources	0	0	(337,107)	(337,107)
Net Change in Fund Balance	0	0	6,909	6,909
Fund Balance July 1	0	134,946	134,946	0
Fund Balance, June 30	\$0	\$134,946	\$141,855	\$6,909

Explanation of Differences between Budgetary Expenditures and GAAP Expenditures

Total expenditures from the budgetary comparison schedule	(\$6,203)
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.	216,005
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$209,802

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget
REVENUES				
Income on Investments			\$97,610	\$97,610
Total Revenues	0	0	97,610	97,610
EXPENDITURES				
Administrative Services	0		(45)	45
Total Expenditures	0	0	(45)	45
Excess Revenues over Expenditures	0	0	97,655	97,655
OTHER FINANCING SOURCES				
Transfers In			337,107	337,107
Total Other Financing Sources	0	0	337,107	337,107
Net Change in Fund Balance	0	0	434,762	434,762
Fund Balance (Deficit), July 1	0	(643,103)	(643,103)	0
Fund Balance (Deficit), June 30	\$0	(\$643,103)	(\$208,341)	\$434,762

Explanation of Differences between Budgetary Expenditures and GAAP Expenditures

Total expenditures from the budgetary comparison schedule	(45)
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.	457,643
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$457,598</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2005	Revenue Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2006
US Department of Labor:						
Passed Through Commonwealth of Kentucky						
778 Workforce Investment Act - WIA FY05	17.255	5101	\$27,747	\$27,747		\$0
703 Workforce Investment Act - WIA FY06	17.255	6101		83,041	276,755	193,714
783 Workforce Investment Act-Youth FY05	17.255	5101	28,072	28,072		0
704 Workforce Investment Act-Youth FY06	17.255	6101		89,998	71,364	(18,634)
Total US Department of Labor			55,819	228,858	348,119	175,080
US Department of Health and Human Services:						
Direct Programs:						
900 Healthy Tomorrows FY05	93.110	6H17MC04353-01-01		33,341	33,341	0
768 Healthy Tomorrows FY06	93.110	6H17MC04353-02-01			11,908	11,908
816 Drug Free Community FY06	93.276	2H79SP12134-05		9,701	41,724	32,023
713 Runaway Youth FY05	93.623	04CY0720/02	55,000	82,500	27,500	0
724 Runaway Youth FY06	93.623	04CY0720/03		82,500	137,500	55,000
Passed through Commonwealth of Kentucky						
757 Senior Citizens Center FY06	93.044	AS-2005-2006-2015		76,073	76,073	0
805 New Chance FY06	93.558	M-05220880		328,045	328,045	0
806 Peers Educating Peers FY06	93.558	M-05220880		50,000	50,000	0
809 Local Governance Council FY06	93.558	M-05220880		57,900	57,900	0
739 Home Network FY04	93.597	2003-2004-5000-01-R	(5,848)		5,848	0
763 Home Network FY05	93.597	2004-2005-5000-01-R	(14,697)	16,810	31,507	0
715 Home Network FY06	93.597	2005-2006-5000-01-R		343,510	236,353	(107,157)
893 Bio-Terrorism FY05	93.996	M-04187082	24,797	24,797		0
813 Bio-Terrorism FY06	93.996	M-05150220		32,430	33,370	940
Total US Department of Health and Human Services			59,252	1,137,607	1,071,069	(7,286)
US Department of Transportation:						
Direct Programs:						
Passed through Commonwealth of Kentucky						
734 Todds/Liberty Transportation Improvement Prog.	20.205	C-00021586	20,010	66,737	54,511	7,784
889 Todds/Liberty Road Section II	20.205	C-04073306	13,116	57,706	62,953	18,363
821 FHWA Transportation Planning FY04	20.205	C-03023888	81	7,081	27,600	20,600
744 FHWA Transportation Planning FY05	20.205	C-04122296	91,189	91,189		0
786 FHWA Transportation Planning FY06	20.205	C-05140005		156,602	275,669	119,067
822 Rosenwald School	20.205	C-03093411		850	6,323	5,473
885 Courthouse Restoration FY05	20.205	C-04668468		11,449	11,989	540
843 Loudon Ave. Project	20.205	C-02279716	833	19,953	19,320	200
844 Richmond Road Multi-use Path	20.205	C-03274842	3,360	3,360		0
764 Automated Incident Mgmt. FY01	20.205	C-00224332	18,472	18,472		0
839 Congestion Management Study FY04	20.205	C-03165238	31,400	31,400		0
868 Fiber Optic Cable Installation FY04	20.205	C-03280798	17,822	64,584	53,841	7,079
749 Fiber Optic Cable Installation FY05	20.205	C-04653593	11,394	98,466	90,104	3,032
814 Newtown Pike Extensor	20.205	C-00343167	114,226	307,161	329,206	136,271
796 Newtown Pike CMAQ FY02	20.205	C-01261650	16,761			16,761
825 Traffic Signal Upgrade FY01	20.205	C-00206711	15,514	15,514		0
736 Traffic Signal Installation FY03	20.205	C-02262457	268	53,595	55,427	2,100
789 Traffic Signal Installation FY04	20.205	C-03336343	42,208	68,969	48,492	21,731
765 Traffic Signal Installation FY05	20.205	C-04257980	6,279	45,241	53,270	14,308
759 ITS- Traffic Control Project FY03	20.205	C-02269501	10,731	29,257	28,944	10,418
869 ITS- Traffic Control Project FY04	20.205	C-03325196		42,983	85,065	42,082
884 ITS- Traffic Control Project FY05	20.205	C-04258064	880	3,803	11,788	8,865
882 Noise Abatement Project FY04	20.205	C-03463993	14,297	51,717	129,579	92,159
788 Brighton East Trail Construction FY05	20.205	C-05031709	2,960	11,979	9,019	0
803 Brighton East Trail	20.205	C-00126131	5,268	7,948	5,874	3,194
802 Bikeway Project	20.205	C-99006967		28,000	35,096	7,096
807 Bicycle Coordinator Program FY05	20.205	C-04653677	7,324	25,140	32,394	14,578
762 Pedestrian & Bikeway Coordinator FY06	20.205	C-05196988			8,772	8,772
870 Bike & Pedestrian Enhancement FY05	20.205	C-01099430	4,093	4,641	548	0
895 Regional Bicycle & Pedestrian Plan FY06	20.205	C-05139536			33,120	33,120
828 Air Quality Planning FY04	20.205	C-03248783	1,608	16,808	15,200	0
748 Air Quality Planning FY05	20.205	C-04257920	11,024	34,948	23,924	0
781 Air Quality Planning FY06	20.205	C-05196901		14,917	28,495	13,578
712 Restoration of Latrobe's Pope Villa	20.205	C-01248155	25,914	50,454	24,540	0
725 West Hickman Trail	20.205	C-04482975	8,000	8,000		0
709 Widening Clays Mill Road - I	20.205	C-03328826	75,376	75,376	32,722	32,722
737 Widening Clays Mill Road - II	20.205	C-03328686	56,862	56,862	24,685	24,685
872 Town Branch Trail North FY03	20.205	C-03022850		323	323	0
705 Town Branch Trail North FY04	20.205	C-02182950	35,650	98,151	73,439	10,938
743 Alumni Drive Right Turn Lane at US 27	20.205	C-05031745	11,200	140,754	173,311	43,757
738 Alumni Drive Right Turn Lane at US 27	20.205	C-02262377		5,721	5,721	0
819 Citation Blvd.	20.205	034-7229			79,248	79,248
855 Lex Van Passenger Van FY05	20.205	C-04653699		89,320	89,320	0
758 MCSAP FFY05 (Safety Inspection Program)	20.218	M-05042656	18,378	24,982	43,918	37,314
746 Mobility Office FY05	20.505	C-04258033	29,879	37,260	7,381	0
801 Mobility Office FY06	20.505	C-05196816		56,521	87,695	31,174

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

Grantor/Program Title		Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2005	Revenue Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2006
742	FTA Section 5303 FY05	20.505	KY0809LEX	\$15,372	\$15,372		\$0
792	FTA Section 5303 FY06	20.505	C-05366754		32,794	33,040	246
741	Traffic Safety FFY05	20.600	PT-05-21	12,913	24,591	11,678	0
787	Traffic Safety FFY06	20.600	PT-06-16		1,529	24,830	23,301
963	Traffic Safety FFY06-Supplementa	20.600	K2-06-02			13,531	13,531
812	Traffic Safety FFY05-Supplementa	20.600	IN5-05-02	9,999	9,999		0
Total US Department of Transportation				<u>760,661</u>	<u>2,118,479</u>	<u>2,261,905</u>	<u>904,087</u>
US Department of Housing and Urban Development:							
Direct Programs:							
903	CDBG Program Year 2003	14.218	B02MC210004	353,902		4,616	358,518
904	CDBG Program Year 2004	14.218	B03MC210004	583,380	761,589	114,829	(63,380)
905	CDBG Program Year 2005	14.218	B04MC210004	30,333	1,781,083	1,281,851	(468,899)
906	CDBG Program Year 2006	14.218	B05MC210004	(130,814)		706,380	575,566
875	Emergency Shelter FY05	14.231	S04MC210003	17,952	29,615	11,663	0
873	Emergency Shelter FY06	14.231	S05MC210003		54,251	85,282	31,031
860	H.O.M.E. FY01	14.239	M00MC210201	(9,701)	63,931	53,270	(20,362)
861	H.O.M.E. FY02	14.239	M01MC210201	160,666	172,139	129,365	117,892
862	H.O.M.E. FY03	14.239	M02MC210201	176,779	233,427	168,818	112,170
863	H.O.M.E. FY04	14.239	M03MC210201	71,113	478,097	375,463	(31,521)
864	H.O.M.E. FY05	14.239	M04MC210201	(33,026)	403,841	844,224	407,357
865	H.O.M.E. FY06	14.239	M05MC210201		64,909	157,934	93,025
827	H.O.P.W.A. FY02	14.241	KY-H01-0004	173,279	173,279		0
859	H.O.P.W.A. FY05	14.241	KY-H04-0001		320,178	421,338	101,160
Total US Department of Housing and Urban Development				<u>1,393,863</u>	<u>4,536,339</u>	<u>4,355,033</u>	<u>1,212,557</u>
US Department of Agriculture:							
Direct Programs:							
798	Purchase of Development Rights (Prog. 855/856)	10.913	73-5C16-4-242	707,947	3,276,740	2,604,815	36,022
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		5,077	5,077	0
795	National School Lunch Program - FFY05	10.555	034-038-999	13,967	39,101	25,134	0
702	National School Lunch Program - FFY06	10.555	034-038-999		28,802	30,310	1,508
760	Child Care Food Program FFY05	10.558	034-L95-999	8,354	21,477	13,123	0
731	Child Care Food Program FFY06	10.558	034-L95-999		42,773	46,550	3,777
711	Summer Lunch-Parks & Housing FFY05	10.559	034-X75-999SU	62,557	159,831	97,274	0
779	Summer Lunch-Parks & Housing FFY06	10.559	034-X75-999SU			25,158	25,158
808	Urban Forestry FY05	10.664	M-04548175	1,302	10,840	9,538	0
766	Urban Forestry FY06	10.664	M-05278134			4,131	4,131
Total US Department of Agriculture				<u>795,153</u>	<u>3,584,641</u>	<u>2,861,110</u>	<u>71,622</u>
US Department of Interior:							
Passed through Commonwealth of Kentucky							
799	Historic Preservation FFY05	15.904	21-04-19318	5,555	9,500	3,945	0
774	Historic Preservation FFY06	15.904	21-05-20419			2,066	2,066
831	Cardinal Run Park FY04	15.916	21-01278	19,680	19,680		0
Total US Department of Interior				<u>25,235</u>	<u>29,180</u>	<u>6,011</u>	<u>2,066</u>
US Department of Justice:							
Direct Programs:							
140	Police Confiscated Funds	16.000	NA	(147,717)	1,023,097	470,529	(700,285)
877	Safe Havens FY04	16.527	2003-CW-BX-0010	60,265	147,981	87,716	0
769	Safe Havens FY06	16.527	2005-CW-AX-0015		50,172	104,648	54,476
747	Local Law Enforcement Block Grant FFY04	16.592	2003-LB-BX-2632	(53,293)		53,293	0
782	Local Law Enforcement Block Grant FFY05	16.592	2004-LB-BX-0510	(21,897)		16,932	(4,965)
772	SCAAP (State Criminal Alien Assist. Prog.) FY06	16.606	2006-AP-BX-0471		69,269	69,269	0
753	Bulletproof Vests FY06 (A)	16.607	05026556			2,720	2,720
837	Bulletproof Vests FY06 (B) Zylon	16.607	06030613			2,320	2,320
706	Project Safe Neighborhoods FY04	16.609	2003-GP-CX-0547	89,993	126,566	60,942	24,369
735	Project Safe Neighborhoods FY05	16.609	2003-GP-CX-0547	16,865	86,278	106,715	37,302
880	COPS 2001 Technology	16.710	2001-CKWX-0044		8,974	8,974	0
770	Improving Crime Data Project	16.710	31829		16,465		(16,465)
874	Drug Free Community	16.729	2001JNFX0109	20,805	143,595	122,790	0
754	Justice Assistance FY06	16.738	2005-DJ-BX-0225		24,801	51,724	26,923
Passed through Commonwealth of Kentucky							
732	Juvenile Accountability Block Grt. FFY05	16.523	2003-JB-BX-0033 (101)	2,911	9,542	6,631	0
820	Juvenile Accountability Block Grt. FFY06	16.523	2004-JB-FX-0033 (101)		7,956	8,436	480
858	PALYEP (Police Activity League Youth Enrich.) FY05	16.541	2002MUMU0010-FY05	(13,333)	6,667	20,000	0
851	Title V FY05	16.548	2002-JP-FX-0001	7,843	8,366	523	0
740	Cold Case Squad	16.579	7113-N16-1/04		7,990	17,905	9,915
721	Street Sales FFY05	16.579	7077-N2-17/04	82,843	137,954	55,111	0
721	Street Sales FFY05-Confiscated Funds	16.579	7077-N2-17/04	20,936	130,119	109,183	0
723	Street Sales FFY06	16.579	5039-D-1/05		20,541	72,929	52,388
723	Street Sales FFY06-Confiscated Funds	16.579	5039-D-1/05				0
767	Families & Courts Together FY05	15.579	M-04476277	\$10,928	\$10,928		\$0

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2006

Grantor/Program Title		Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2005	Revenue Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2006
714	SANE FY06 (Sexual Assault Treatment Project)	16.588	6712-VA1-7/05		441	3,683	3,242
773	SANE FY05 (Sexual Assault Treatment Project)	16.588	6672-VA1-6/04	13,895	49,068	35,173	0
Total US Department of Justice				<u>91,044</u>	<u>2,086,770</u>	<u>1,488,146</u>	<u>(507,580)</u>
US Department of Homeland Security Office of Domestic Preparedness							
Direct Programs:							
728	Assistance to Firefighters FY05	97.044	EMW-2004-FG-17842		625,058	625,058	0
841	Cooperating Technical Partners FY04	97.045	EMA-2003-GR-5389	40,308	62,415	24,088	1,981
845	MMRS (Metro.Medical Response System) FY05	97.071	EMW-2004-GR-0802	11,883	67,354	115,035	59,564
Passed through Commonwealth of Kentucky							
888	Ice Storm 2003	83.548	DR 1454	2,534,893	630,506		1,904,387
729	Hazard Mitigation Grant Prog. (HMGP) Lexington	97.039	M-03366348	45,406	73,500	28,844	750
784	State Homeland Security FY05	97.004	M-04595852		924,525	924,525	0
815	Emergency Operations Plan FY05	97.004	M-04647883		2,500	2,500	0
823	CSEPP FFY03	97.040	M-02156072	464	9,421	8,957	0
710	CSEPP FFY04	97.040	M-04687902	5,402	16,993	25,155	13,564
818	CSEPP FFY05	97.040	M-05118118	6,637	46,933	46,427	6,131
722	CSEPP FFY06	97.040	M-05374662		12,709	20,236	7,527
804	Emergency Management Assistance FFY05	97.042	M-05029993	9,313	22,967	13,654	0
720	Emergency Management Assistance FFY06	97.042	M-05443535			11,018	11,018
811	Citizen Corps Council	97.053	M-04613329	998	998		0
800	CERT (Community Emer.Response Team) FY05	97.053	M-04613192	228	481	253	0
849	State Homeland Security-Police FY06	97.067	M-05322309		169,965	497,891	327,926
830	MMRS (Metro. Medical Response Team) FY06	97.067	M-05441953			5,199	5,199
881	State Homeland Security-Sheriff FY06	97.067	M-05322173		6,835	171,183	164,348
785	Law Enforcement Terrorism Prevention FY05	97.074	M-04595845	4,890	172,093	167,203	0
892	CBRNE Aviation Project FY06	97.078	M-05469384		28,285	49,155	20,870
887	CBRNE Vehicle Project FY06	97.078	M-05468166		247,310	247,310	0
755	Hurricane Katrina	97.036	DR 3231		282,720	770,441	487,721
Total US Dept. of Homeland Security Office of Domestic Preparedness				<u>2,660,422</u>	<u>3,403,568</u>	<u>3,754,132</u>	<u>3,010,986</u>
National Oceanic & Atmospheric Administration							
Passed through Commonwealth of Kentucky							
937	Bluegrass Pride Household Waste	11.469	N/A	9,409	9,409		0
836	Bluegrass Pride FY05	11.469	CW-04-03		14,876	19,996	5,120
Total National Oceanic & Atmospheric Administration				<u>9,409</u>	<u>24,285</u>	<u>19,996</u>	<u>5,120</u>
US Environmental Protection Agency							
Passed through Commonwealth of Kentucky							
930	Gainesway Retention Basin	66.460	MA-04184474	18,598	45,779	34,784	7,603
931	McConnell Springs Pond	66.460	MA-04180034	17,836	17,836	2,637	2,637
Total US Environmental Protection Agency				<u>36,434</u>	<u>63,615</u>	<u>37,421</u>	<u>10,240</u>
US Department of Education:							
Direct Programs:							
842	21st Century Learning FY05	84.287	M-04184935	16,800	62,292	87,292	41,800
Total US Department of Education				<u>16,800</u>	<u>62,292</u>	<u>87,292</u>	<u>41,800</u>
Total Federal Financial Assistance				<u>\$5,904,092</u>	<u>\$17,275,634</u>	<u>\$16,290,234</u>	<u>\$4,918,692</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2006

Grantor/Program Title		Grantor's Number	Grantor	Accrued or (Deferred) Revenue at July 1, 2005	Revenue Received	Expenditures	Accrued or (Deferred) Revenue at June 30, 2006
701	Fire Training Incentive FY05	155	Kentucky Commission on Fire Protection	\$116,780	\$116,780		\$0
701	Fire Training Incentive FY06	155	Kentucky Commission on Fire Protection		1,989,273	2,002,396	13,123
702	National School Lunch FY06	034-038-999	Kentucky Cabinet for Families and Children		263	263	0
707	Emergency Medical Services FY06	M-06071036	Kentucky Bd. Emergency Medical Services		10,017	10,017	0
714	SANE FY05 Sexual Assault Treatment Project	6712-VA1-7/05	Kentucky Justice Cabinet			2,640	2,640
715	Home Network FY06	2005-2006-5000-01-R	Lexington Fayette County Health Dept.		18,220	18,220	0
717	Belcan Financial Dev. Project FY06	NA	Kentucky Cabinet for Economic Development		500,000	500,000	0
719	Law Enforcement Service Fee FY06	LSF-644-L1-06	Kentucky Justice Cabinet		25,937	26,055	118
721	Street Sales FFY05 Confiscated Funds	7077-N2-17/04	Kentucky Justice Cabinet	12,831	663	(12,168)	0
723	Street Sales FFY06 Confiscated Funds	5039-D-1/05	Kentucky Justice Cabinet		33,700	33,700	0
727	Kentucky Pride FY06	NA	Kentucky Dept. Natural Resources		149,690	76,723	(72,967)
729	Hazard Mitigation Grant Prog. (HMGP) Lexington	DR-1388-006	Kentucky Emergency Management Agency	6,805	10,314	4,583	1,074
730	Coleman House FY05	15-14	Kentucky Cabinet for Families and Children		1,844	1,844	0
733	Police Training Incentive FY05	PT-105-03	Kentucky Law Enforcement Foundation	145,922	145,922		0
733	Police Training Incentive FY06	PT-105-03	Kentucky Law Enforcement Foundation		1,644,062	1,908,405	264,343
734	Todd/Liberty Transportation Improvement Pgm.	C-0021586	Kentucky Transportation Cabinet	5,003	16,685	13,628	1,946
744	FHWA Transportation Planning FY05	C-04122296	Kentucky Transportation Cabinet	5,700	5,700		0
750	KY Body Armor Program	NA	Kentucky Dept. for Local Government	(14,109)		14,109	0
752	Animal Disposal FY06	05-DA815	Kentucky Dept. of Agriculture		9,135	9,135	0
763	Home Network FY05	2004-2005-5000-01-R	Lexington Fayette County Health Dept.		11,590	11,590	0
767	Families & Courts Together FY05	M-04476277	Kentucky Dept. of Juvenile Justice	3,643	3,643		0
773	SANE FY05 Sexual Assault Treatment Project	6672-VA1-6/04	Kentucky Justice Cabinet	1,000	5,400	4,400	0
777	Day Treatment FY05	M-04215988	Kentucky Dept. of Juvenile Justice	19,060	209,657	228,717	38,120
786	FHWA Transportation Planning FY06	C-05140005	Kentucky Transportation Cabinet		9,788	17,229	7,441
791	Drug Control Supplemental FY06	ODCP-1007-D/05	Kentucky Justice Cabinet		22,071	22,071	0
794	Covehaven Cemetery	5015	Kentucky Office of the Governor		25,000		(25,000)
796	Newtown Pike Extension FY02	C-01261650	Kentucky Transportation Cabinet	3,638			3,638
797	Transition Plus FY05	M-04215988	Kentucky Dept. of Juvenile Justice	10,360	45,641	47,953	12,672
798	Purchase of Development Rights FY00 (Prog. 853)	M-01288488	Kentucky Dept. Agriculture	245,318	852,311	606,993	0
814	Newtown Pike Extension FY02	C00343167	Kentucky Transportation Cabinet	28,557	76,790	82,301	34,068
821	FHWA Transportation Planning FY04	C-03023888	Kentucky Transportation Cabinet	5	443	1,725	1,287
832	Local Area Dev. Area Fund FY06	A834 (2006-a)	Kentucky Office of the Governor		15,930	15,886	(44)
833	Community Juvenile Justice FY05	M-04235109	Kentucky Justice Cabinet	118,500	299,122	235,742	55,120
839	Congestion Management Study FY04	C-03165238	Kentucky Transportation Cabinet	1,962	1,962		0
840	Local Records FY05	SY0603LR44	Kentucky Dept. for Libraries & Archives		40,065	40,065	0
886	Johnson Community Center	M-02182811	Kentucky Finance & Administration Cabinet	416,029	416,029		0
888	Ice Storm 2003	DR 1454	Kentucky Emergency Management Agency	405,583	100,881		304,702
889	Todds/Liberty Road Section II	C-04073306	Kentucky Transportation Cabinet	3,279	14,426	15,738	4,591
890	Emergency Medical Services FY05	M-05089830	Kentucky Bd. Emergency Medical Services	(45)			(45)
896	Kentucky Pride FY05	NA	Kentucky Dept. Natural Resources	(62,155)		62,155	0
962	Search & Rescue Project FY06	M-06112368	Kentucky Dept. Military Affairs		4,304	4,304	0
Total State Financial Assistance				\$ 1,473,666	\$ 6,833,258	\$ 6,006,419	\$ 646,827

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, 2006

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	LexVan Program	Small Business Development	Total
ASSETS							
Current Assets:							
Cash	\$133,550	\$578,499	\$707,114	\$773,121	\$87,940	\$109,989	\$2,390,213
Investments				300,000	50,000	32,452	382,452
Receivables:							
Other Receivables		2,637				53,123	55,760
Less Allowance for Uncollectible Accounts						(73,123)	(73,123)
Due from Other Funds		2,356					2,356
Total Current Assets	<u>133,550</u>	<u>583,492</u>	<u>707,114</u>	<u>1,073,121</u>	<u>137,940</u>	<u>122,441</u>	<u>2,757,658</u>
Non-Current Assets:							
Vehicles, Equipment, and Furniture		159,038	326,827	1,576,583			2,062,448
Less Accumulated Depreciation		(75,193)	(138,938)	(1,456,195)			(1,670,326)
Total Non-Current Assets	<u>0</u>	<u>83,845</u>	<u>187,889</u>	<u>120,388</u>	<u>0</u>	<u>0</u>	<u>392,122</u>
Total Assets	<u>133,550</u>	<u>667,337</u>	<u>895,003</u>	<u>1,193,509</u>	<u>137,940</u>	<u>122,441</u>	<u>3,149,780</u>
LIABILITIES							
Current Liabilities:							
Accounts, Contracts and Retainage Payable	288	27,041	177,890	25,623			230,842
Accrued Payroll	5,869	28,068		6,603			40,540
Due to Other Funds			19,772				19,772
Other			102,278				102,278
Compensated Absences		925					925
Total Current Liabilities	<u>6,157</u>	<u>56,034</u>	<u>299,940</u>	<u>32,226</u>	<u>0</u>	<u>0</u>	<u>394,357</u>
Non-Current Liabilities							
Compensated Absences		1,819					1,819
Total Non-Current Liabilities	<u>0</u>	<u>1,819</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,819</u>
Total Liabilities	<u>6,157</u>	<u>57,853</u>	<u>299,940</u>	<u>32,226</u>	<u>0</u>	<u>0</u>	<u>396,176</u>
NET ASSETS							
Invested in Capital Assets, net of related debt		83,845	187,889	120,388			392,122
Unrestricted	127,393	525,639	407,174	1,040,895	137,940	122,441	2,361,482
Total Net Assets	<u>\$127,393</u>	<u>\$609,484</u>	<u>\$595,063</u>	<u>\$1,161,283</u>	<u>\$137,940</u>	<u>\$122,441</u>	<u>\$2,753,604</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, 2006

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	LexVan Program	Small Business Development	Total
Operating Revenues							
Fees		\$1,494,930		\$2,337,184	\$27,449		\$3,859,563
Licenses & Permits	412,292						412,292
Gross Profit-Commissary			790,180				790,180
Other		25	661,976	28,080		6,258	696,339
Total Operating Revenues	<u>412,292</u>	<u>1,494,955</u>	<u>1,452,156</u>	<u>2,365,264</u>	<u>27,449</u>	<u>6,258</u>	<u>5,758,374</u>
Operating Expenses							
Right of Way	292,284						292,284
Extended School Program		1,128,027					1,128,027
Prisoners' Account			783,545				783,545
Inmate Trust Account			502,106				502,106
Enhanced 911				2,041,242			2,041,242
LexVan Program					35,122		35,122
Small Business Development						8,838	8,838
Administration		441,072					441,072
Depreciation		9,811	77,553	66,350			153,714
Total Operating Expenses	<u>292,284</u>	<u>1,578,910</u>	<u>1,363,204</u>	<u>2,107,592</u>	<u>35,122</u>	<u>8,838</u>	<u>5,385,950</u>
Operating Income (Loss)	120,008	(83,955)	88,952	257,672	(7,673)	(2,580)	372,424
Non-Operating Revenues							
Income on Investments	3,311	20,646			5,745		29,702
Total Non-Operating Revenues	<u>3,311</u>	<u>20,646</u>	<u>0</u>	<u>0</u>	<u>5,745</u>	<u>0</u>	<u>29,702</u>
Change in Net Assets	123,319	(63,309)	88,952	257,672	(1,928)	(2,580)	402,126
Prior Period Adjustment						20,000	20,000
Net Assets - July 1	<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>
Net Assets - June 30	<u>\$127,393</u>	<u>\$609,484</u>	<u>\$595,063</u>	<u>\$1,161,283</u>	<u>\$137,940</u>	<u>\$122,441</u>	<u>\$2,753,604</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2006

	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	\$416,042	\$1,510,713	\$1,460,522	\$2,370,638	\$4,249	\$6,258	\$5,768,422
Repayment of Loans						11,161	11,161
Payments to Suppliers	(3,840)	(281,765)	(1,243,549)	(1,030,437)	(18,803)		(2,578,394)
Payments to Employees	(295,768)	(1,219,144)		(1,264,518)			(2,779,430)
Payments for Interfund Services Used	(16,074)	(114,577)		(9,209)	(16,319)		(156,179)
Net Cash Provided by (Used in) Operating Activities	<u>100,360</u>	<u>(104,773)</u>	<u>216,973</u>	<u>66,474</u>	<u>(30,873)</u>	<u>17,419</u>	<u>265,580</u>
Cash Flows from Capital and Related Activities:							
Additions to Property, Plant and Equipment		(78,596)	(182,067)	(63,902)			(324,565)
Net Cash Flows from Capital and Related Activities	<u>0</u>	<u>(78,596)</u>	<u>(182,067)</u>	<u>(63,902)</u>	<u>0</u>	<u>0</u>	<u>(324,565)</u>
Cash Flows from Investing Activities:							
Purchases of Investments						(391)	(391)
Proceeds from Sales and Maturities of Investments		630,001		500,000	50,000		1,180,001
Income on Investments	3,311	20,646			5,745		29,702
Net Cash Flows from Investing Activities	<u>3,311</u>	<u>650,647</u>	<u>0</u>	<u>500,000</u>	<u>55,745</u>	<u>(391)</u>	<u>1,209,312</u>
Increase in Cash and Cash Equivalents	103,671	467,278	34,906	502,572	24,872	17,028	1,150,327
Cash and Cash Equivalents at Beginning of Year	<u>29,879</u>	<u>111,221</u>	<u>672,208</u>	<u>270,549</u>	<u>63,068</u>	<u>92,961</u>	<u>1,239,886</u>
Cash and Cash Equivalents at End of Year	<u>\$133,550</u>	<u>\$578,499</u>	<u>\$707,114</u>	<u>\$773,121</u>	<u>\$87,940</u>	<u>\$109,989</u>	<u>\$2,390,213</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:							
Operating Income (Loss)	<u>\$120,008</u>	<u>(\$83,955)</u>	<u>\$88,952</u>	<u>\$257,672</u>	<u>(\$7,673)</u>	<u>(\$2,580)</u>	<u>\$372,424</u>
Adjustments Not Affecting Cash:							
Depreciation		9,811	77,553	66,350			153,714
Allowance for Bad Debts						8,838	8,838
(Increase) Decrease in Assets:							0
Other Receivables	3,750	15,758		5,374		11,161	36,043
Due from Other Funds		(1,050)					(1,050)
Increase (Decrease) in Liabilities:							0
Accounts Payable	190	(5,708)	45,050	(256,831)			(217,299)
Accrued Payroll	(7,514)	(39,551)		(6,091)			(53,156)
Due to Other Funds	(16,074)		(2,948)				(19,022)
Other Liabilities			8,366		(23,200)		(14,834)
Compensated Absences		(78)					(78)
Total Adjustments	<u>(19,648)</u>	<u>(20,818)</u>	<u>128,021</u>	<u>(191,198)</u>	<u>(23,200)</u>	<u>19,999</u>	<u>(106,844)</u>
Net Cash Provided by (Used in) Operating Activities	<u>\$100,360</u>	<u>(\$104,773)</u>	<u>\$216,973</u>	<u>\$66,474</u>	<u>(\$30,873)</u>	<u>\$17,419</u>	<u>\$265,580</u>

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, 2006

	Health Dental and Vision Care	Insurance and Risk Management	Total
ASSETS			
Current Assets:			
Cash	\$385,400	\$943,615	\$1,329,015
Investments		7,500,000	7,500,000
Receivables:			
Other Receivables		138,078	138,078
Due from Other Funds		631,494	631,494
Total Current Assets	<u>385,400</u>	<u>9,213,187</u>	<u>9,598,587</u>
 LIABILITIES			
Current Liabilities:			
Accounts Payable	382,325		382,325
Due to Other Funds		254	254
Claims Payable:			
Reported		7,086,000	7,086,000
Incurred But Not Reported		10,516,000	10,516,000
Total Current Liabilities	<u>382,325</u>	<u>17,602,254</u>	<u>17,984,579</u>
Total Liabilities	<u>382,325</u>	<u>17,602,254</u>	<u>17,984,579</u>
 NET ASSETS			
Unrestricted (Deficit)	<u>\$3,075</u>	<u>(\$8,389,067)</u>	<u>(\$8,385,992)</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, 2006

	<u>Health, Dental and Vision Care Insurance</u>				<u>Insurance and Risk Management</u>	<u>Total</u>
	<u>Health</u>	<u>Dental</u>	<u>Vision Care</u>	<u>Total</u>		
Operating Revenues						
Premiums	\$21,959,752	\$2,125,418	\$316,675	\$24,401,845	\$5,472,334	\$29,874,179
Total Operating Revenues	<u>21,959,752</u>	<u>2,125,418</u>	<u>316,675</u>	<u>24,401,845</u>	<u>5,472,334</u>	<u>29,874,179</u>
Operating Expenses						
Claims and Benefit Payments	22,385,880	1,792,168	329,385	24,507,433	6,430,509	30,937,942
Total Operating Expenses	<u>22,385,880</u>	<u>1,792,168</u>	<u>329,385</u>	<u>24,507,433</u>	<u>6,430,509</u>	<u>30,937,942</u>
Operating Income (Loss)	(426,128)	333,250	(12,710)	(105,588)	(958,175)	(1,063,763)
Non-Operating Revenues						
Income on Investments	259			259	307,725	307,984
Total Non-Operating Revenues	<u>259</u>	<u>0</u>	<u>0</u>	<u>259</u>	<u>307,725</u>	<u>307,984</u>
Change in Net Assets	(425,869)	333,250	(12,710)	(105,329)	(650,450)	(755,779)
Net Assets - July 1	<u>108,404</u>			<u>108,404</u>	<u>(7,738,617)</u>	<u>(7,630,213)</u>
Net Assets - June 30	<u>(\$317,465)</u>	<u>\$333,250</u>	<u>(\$12,710)</u>	<u>\$3,075</u>	<u>(\$8,389,067)</u>	<u>(\$8,385,992)</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2006**

	<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	\$12,664,721		\$12,664,721
Receipts from Interfund Services Provided	11,889,822	4,978,780	16,868,602
Payments to Suppliers		(86,272)	(86,272)
Payments for Claims	(24,675,270)	(5,265,642)	(29,940,912)
Net Cash Provided by (Used in) Operating Activities	<u>(120,727)</u>	<u>(373,134)</u>	<u>(493,861)</u>
Cash Flows from Investing Activities:			
Purchases of Investments		(7,500,000)	(7,500,000)
Proceeds from Sales and Maturities of Investments		7,600,000	7,600,000
Income on Investments	259	307,725	307,984
Net Cash Flows from Investing Activities	<u>259</u>	<u>407,725</u>	<u>407,984</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(120,468)	34,591	(85,877)
Cash and Cash Equivalents at Beginning of Year	<u>505,868</u>	<u>909,024</u>	<u>1,414,892</u>
Cash and Cash Equivalents at End of Year	<u><u>\$385,400</u></u>	<u><u>\$943,615</u></u>	<u><u>\$1,329,015</u></u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:			
Operating Income (Loss)	<u>(\$105,588)</u>	<u>(\$958,175)</u>	<u>(\$1,063,763)</u>
(Increase) Decrease in Assets:			
Other Receivables	152,698	43,213	195,911
Due from Other Funds		(493,554)	(493,554)
Increase (Decrease) in Liabilities:			
Accounts Payable		(24,085)	(24,085)
Claims Payable	(167,837)	1,020,281	852,444
Other Liabilities		101,373	101,373
Compensated Absences		(62,187)	(62,187)
Total Adjustments	<u>(15,139)</u>	<u>585,041</u>	<u>569,902</u>
Net Cash Provided by (Used In) Operating Activities	<u><u>(\$120,727)</u></u>	<u><u>(\$373,134)</u></u>	<u><u>(\$493,861)</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, 2006

	<u>Balance</u> <u>July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2006</u>
NEIGHBORHOOD SEWER PROJECTS FUND				
Cash and Short-Term Investments	\$167,382	\$84,327	\$111,056	\$140,653
Accounts Receivable	31,805	30,208	26,245	35,768
Allowance for Uncollectible Accounts	(31,805)		3,963	(35,768)
Total Assets	<u>\$167,382</u>	<u>\$114,535</u>	<u>\$141,264</u>	<u>\$140,653</u>
Payable to Property Owners	\$111,882		\$27,402	\$84,480
Interest Payable		673		673
Reserve for Bond Redemption	55,500			55,500
Total Liabilities	<u>\$167,382</u>	<u>\$673</u>	<u>\$27,402</u>	<u>\$140,653</u>
JUVENILE AND ADULT PROBATION FUND				
Cash	\$314,135	\$54,676	\$16,039	\$352,772
Total Assets	<u>\$314,135</u>	<u>\$54,676</u>	<u>\$16,039</u>	<u>\$352,772</u>
Accounts Payable	\$314,135	\$54,676	\$16,039	\$352,772
Total Liabilities	<u>\$314,135</u>	<u>\$54,676</u>	<u>\$16,039</u>	<u>\$352,772</u>
DOMESTIC RELATIONS FUND				
Cash	\$323,022	\$2,060	\$1,425	\$323,657
Total Assets	<u>\$323,022</u>	<u>\$2,060</u>	<u>\$1,425</u>	<u>\$323,657</u>
Accounts Payable	323,022	2,060	1,425	323,657
Total Liabilities	<u>\$323,022</u>	<u>\$2,060</u>	<u>\$1,425</u>	<u>\$323,657</u>
TOTALS - AGENCY FUNDS				
Cash and Short-Term Investments	\$804,539	\$141,063	\$128,520	\$817,082
Accounts Receivable	31,805	30,208	26,245	35,768
Allowance for Uncollectible Accounts	(31,805)		3,963	(35,768)
Total Assets	<u>\$804,539</u>	<u>\$171,271</u>	<u>\$158,728</u>	<u>\$817,082</u>
Liabilities	\$749,039	57,409	\$44,866	\$761,582
Reserve for Bond Redemption	55,500			55,500
Total Liabilities	<u>\$804,539</u>	<u>\$57,409</u>	<u>\$44,866</u>	<u>\$817,082</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, 2006

General Capital Assets:

Land	\$40,131,768
Buildings	126,943,529
Vehicles, Equipment and Furniture	87,717,922
Land Improvements	10,666,425
Leasehold Improvements	961,317
Purchase of Development Rights	43,032,814
Infrastructure	947,668,891
Construction in Progress	<u>12,876,767</u>

Total General Capital Assets	<u><u>\$1,269,999,433</u></u>
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Investment in General Capital Assets from:

General Fund	\$1,190,001,568
Special Revenue Funds	73,150,441
Donations	<u>6,847,425</u>

Total Investment in General Capital Assets	<u><u>\$1,269,999,433</u></u>
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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, 2006

Function and Activity	General Capital Assets July 1, 2005, restated *	Additions	Deletions	General Capital Assets June 30, 2006
General Government:				
Control:				
Legislative	\$77,314	\$8,766		\$86,080
Executive	28,505,831	7,271,592	1,103,438	34,673,985
Constitutional Officers and Judicial	406,664	9,995	159,434	257,225
Total Control	<u>28,989,809</u>	<u>7,290,353</u>	<u>1,262,872</u>	<u>35,017,290</u>
Staff Agencies:				
Finance	2,766,409	1,030,667	70,976	3,726,100
Administrative Services	34,637,607	4,813,045	2,547,951	36,902,701
Law	63,108			63,108
General Services	58,533,705	8,010,358	4,180,395	62,363,668
Outside Agencies	7,351,620		95	7,351,525
Total Staff Agencies	<u>103,352,449</u>	<u>13,854,070</u>	<u>6,799,417</u>	<u>110,407,102</u>
Total General Government	<u>132,342,258</u>	<u>21,144,423</u>	<u>8,062,289</u>	<u>145,424,392</u>
Public Safety	110,289,752	7,072,408	3,254,941	114,107,219
Public Works *	992,544,088	19,697,661	9,647,177	1,002,594,572
Social Services	7,372,156	4,563,693	4,062,599	7,873,250
Total General Capital Assets	<u><u>\$1,242,548,254</u></u>	<u><u>\$52,478,185</u></u>	<u><u>\$25,027,006</u></u>	<u><u>\$1,269,999,433</u></u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
June 30, 2006

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Vehicles, Equipment and Furniture</u>	<u>Land and Leasehold Improvements</u>	<u>Purchase of Development Rights</u>	<u>Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General Government:								
Control:								
Legislative			\$77,314				\$8,766	\$86,080
Executive	179,680	19,619,471	82,158	215,944	14,381,363	59,207	136,162	34,673,985
Constitutional Officers and Judicial		22,033	235,192					257,225
Total Control	<u>179,680</u>	<u>19,641,504</u>	<u>394,664</u>	<u>215,944</u>	<u>14,381,363</u>	<u>59,207</u>	<u>144,928</u>	<u>35,017,290</u>
Staff Agencies:								
Finance		88,300	3,555,446			82,354		3,726,100
Administrative Services	1,450,368	5,520,839	1,133,043	35,000	28,651,451	112,000		36,902,701
Law		0	63,108					63,108
General Services	30,271,690	12,219,284	11,735,299	7,824,594			312,801	62,363,668
Outside Agencies		6,816,276	467,254	67,995				7,351,525
Total Staff Agencies	<u>31,722,058</u>	<u>24,644,699</u>	<u>16,954,150</u>	<u>7,927,589</u>	<u>28,651,451</u>	<u>194,354</u>	<u>312,801</u>	<u>110,407,102</u>
Total General Government	<u>31,901,738</u>	<u>44,286,203</u>	<u>17,348,814</u>	<u>8,143,533</u>	<u>43,032,814</u>	<u>253,561</u>	<u>457,729</u>	<u>145,424,392</u>
Public Safety	2,086,928	71,445,903	39,815,590	49,400		5,834	703,564	114,107,219
Public Works	5,648,491	4,941,894	29,521,511	3,357,706		947,409,496	11,715,474	1,002,594,572
Social Services	494,611	6,269,529	1,032,007	77,103				7,873,250
Total General Capital Assets	<u>\$40,131,768</u>	<u>\$126,943,529</u>	<u>\$87,717,922</u>	<u>\$11,627,742</u>	<u>\$43,032,814</u>	<u>\$947,668,891</u>	<u>\$12,876,767</u>	<u>\$1,269,999,433</u>

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, 2006

	Lexington Transit Authority	Lexington Public Library	Lexington Convention and Visitors Bureau
ASSETS			
Cash	\$4,439,841	\$1,046,369	\$232,128
Investments		1,875,580	910,000
Receivables:			
Accounts Receivable	49,986	39,031	467,896
Other	135,828		
Due from Primary Government			426,771
Due from Other Governments	817,263		
Inventories	259,182		
Prepaid Items	1,410,896	209,578	74,349
Pension Assets	195,930		
Restricted Current Assets:			
Investments			
Unamortized Bond Issuance Cost		57,060	
Capital Assets:			
Non-depreciable	3,265,902	4,094,744	
Depreciable (Net)	10,464,071	9,861,992	168,079
Total Assets	<u>21,038,899</u>	<u>17,184,354</u>	<u>2,279,223</u>
LIABILITIES			
Accounts, Contracts Payable and			
Accrued Liabilities	775,009	502,203	34,580
Due to Primary Government	305,239		
Due to Component Units			172,157
Unearned Revenues and Other	148,647		63,902
Non-Current Liabilities:			
Due Within One Year			
Compensated Absences	92,959	278,099	
Bonds and Notes Payable	47,062	67,637	
Capital Lease Obligations			6,966
Due in More Than One Year			
Compensated Absences	117,602	0	
Bonds and Notes Payable	74,783	3,380,518	
Capital Lease Obligations			14,455
Total Liabilities	<u>1,561,301</u>	<u>4,228,457</u>	<u>292,060</u>
NET ASSETS			
Investment in Capital Assets, net of related debt	13,608,128	10,508,581	146,658
Restricted for:			
Pension	195,930		
Endowments			
Unrestricted	5,673,540	2,447,316	1,840,505
Total Net Assets	<u>\$19,477,598</u>	<u>\$12,955,897</u>	<u>\$1,987,163</u>

Explorium of Lexington	Carnegie Literacy Center	Downtown Development Authority	Nonmajor Component Units
\$3,131	\$134,990	\$6,203	\$5,862,662
49,989	250,000		3,085,569
			556,913
23,608	8,333	69,833	237,602
			426,771
			817,263
19,255			278,437
			1,694,823
			195,930
264,756			264,756
			57,060
			7,360,646
122,365			20,616,507
483,104	393,323	76,036	41,454,939
36,953	5,553	6,415	1,360,713
105,652			410,891
			172,157
970	495	69	214,083
	14,847	14,612	400,517
			114,699
			6,966
12,465			130,067
			3,455,301
			14,455
156,040	20,895	21,096	6,279,849
122,365			24,385,732
			195,930
100,000	8,335		108,335
104,699	364,093	54,940	10,485,093
\$327,064	\$372,428	\$54,940	\$35,175,090

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF ACTIVITIES
NONMAJOR COMPONENT UNITS
For the Year Ended June 30, 2006

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Lexington Transit Authority				
Transit Operations	\$12,318,878	\$1,664,659	\$3,847,762	\$1,967,253
Depreciation	1,377,605			
Total Lexington Transit Authority	13,696,483	1,664,659	3,847,762	1,967,253
Lexington Public Library				
Library Operations	11,986,310	658,362	434,607	
Depreciation	649,768			
Total Lexington Public Library	12,636,078	658,362	434,607	0
Lexington Convention and Visitors Bureau				
Convention and Tourism Operations	4,887,503			
Depreciation	38,979			
Interest on Long-term Debt	3,069			
Total Lexington Convention and Visitors Bureau	4,929,551	0	0	0
Explorium of Lexington				
Museum Operations	771,389	282,221	264,868	
Depreciation	110,314			
Total Lexington Children's Museum	881,703	282,221	264,868	0
Carnegie Literacy Center				
Literacy Center Operations	481,934	136,656	452,928	
Total Carnegie Literacy Center	481,934	136,656	452,928	0
Downtown Development Authority				
Administration	187,825	6,980	54,686	
Downtown Master Plan	105,940			
Housing Tour	15,364			
Total Downtown Development Authority	309,129	6,980	54,686	0
Total nonmajor component units	\$32,934,878	\$2,748,878	\$5,054,851	\$1,967,253

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
(\$4,839,204)						(\$4,839,204)
(1,377,605)						(1,377,605)
<u>(6,216,809)</u>						<u>(6,216,809)</u>
	(10,893,341)					(10,893,341)
	(649,768)					(649,768)
	<u>(11,543,109)</u>					<u>(11,543,109)</u>
		(4,887,503)				(4,887,503)
		(38,979)				(38,979)
		(3,069)				(3,069)
		<u>(4,929,551)</u>				<u>(4,929,551)</u>
			(224,300)			(224,300)
			(110,314)			(110,314)
			<u>(334,614)</u>			<u>(334,614)</u>
				107,650		107,650
				<u>107,650</u>		<u>107,650</u>
					(126,159)	(126,159)
					(105,940)	(105,940)
					(15,364)	(15,364)
					<u>(247,463)</u>	<u>(247,463)</u>
						<u>(23,163,896)</u>
12,001,621	11,322,890	4,675,566				28,000,077
			238,183	53,167	187,228	478,578
123,419	92,607	35,237	8,469	3,859		263,591
			4,186			4,186
	1,875	308,582	79,941			390,398
<u>12,125,040</u>	<u>11,417,372</u>	<u>5,019,385</u>	<u>330,779</u>	<u>57,026</u>	<u>187,228</u>	<u>29,136,830</u>
5,908,231	(125,737)	89,834	(3,835)	164,676	(60,235)	5,972,934
13,569,367	13,081,634	1,897,329	330,899	207,752	115,175	29,202,156
<u>\$19,477,598</u>	<u>\$12,955,897</u>	<u>\$1,987,163</u>	<u>\$327,064</u>	<u>\$372,428</u>	<u>\$54,940</u>	<u>\$35,175,090</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CASH FLOWS
NONMAJOR COMPONENT UNITS
For the Year Ended June 30, 2006

	Explorium of Lexington
Increase (Decrease) in Cash and Cash Equivalents:	
Cash Flows from Operations:	
Receipts from Customers	\$521,975
Payments to Suppliers	296,838
Payments to Employees	415,809
Net Cash Provided by (Used in) Operating Activities	(190,672)
Cash Flows from Noncapital Financing Activities:	
Proceeds from Lexington-Fayette Urban County	238,183
Net Cash Flows from Non-capital Financing Activities	238,183
Cash Flows from Capital and Related Activities:	
Additions to Property, Plant and Equipment	(79,067)
Net Cash Flows from Capital and Related Activities	(79,067)
Cash Flows from Investing Activities:	
Purchases of Investments	(36,317)
Proceeds from Sales and Maturities of Investments	64,408
Income on Investments	4,283
Net Cash Flows from Investing Activities	32,374
Net Increase in Cash and Cash Equivalents	818
Cash and Cash Equivalents at Beginning of Year	2,313
Cash and Cash Equivalents at End of Year	\$3,131
Noncash Investing, Capital, and Financing Activities:	
Decrease in Fair Value of Investments	\$4,186
Total Noncash Investing, Capital, and Financing Activities	\$4,186
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:	
Operating (Loss)	(\$334,614)
Adjustments Not Affecting Cash:	
Depreciation	110,314
(Increase) Decrease in Assets:	
Other Receivables	(23,608)
Inventories	(9,968)
Increase (Decrease) in Liabilities:	
Accounts Payable	(444)
Accrued Payroll	(16,367)
Due to Other Funds	82,992
Other Liabilities	(1,506)
Compensated Absences	2,529
Total Adjustments	143,942
Net Cash (Used In) Operating Activities	(\$190,672)

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Governmental Activities					
Investment in Capital Assets, net of related debt	\$96,437,482	\$106,003,137	\$108,187,766	\$128,533,898	\$964,032,556
Restricted	3,295,838	2,238,907	1,253,571	1,316,495	10,509,131
Unrestricted	17,913,410	15,083,835	15,892,881	29,526,571	50,390,084
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>	<u>\$1,024,931,771</u>
Business-type Activities					
Investment in Capital Assets, net of related debt	\$223,391,310	\$224,820,344	\$245,267,827	\$243,680,021	\$245,818,433
Restricted	24,443,625	31,352,044	31,575,194	33,688,305	34,565,941
Unrestricted (deficit)	(5,543,560)	(6,993,925)	(204,318)	5,634,802	11,084,804
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>	<u>\$291,469,178</u>
Primary Government					
Investment in Capital Assets, net of related debt	\$319,828,792	\$330,823,481	\$353,455,593	\$372,213,919	\$1,209,850,989
Restricted	27,739,463	33,590,951	32,828,765	35,004,800	45,075,072
Unrestricted	12,369,850	8,089,910	15,688,563	35,161,373	61,474,888
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>	<u>\$1,316,400,949</u>

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

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Expenses					
Governmental Activities:					
General Government	\$3,713,179	\$9,744,039	\$21,293,008	\$22,840,721	\$21,977,521
Administrative Services	24,084,195	24,993,517	18,938,746	23,522,220	27,674,322
Health, Dental and Vision Insurance	6,904,830	10,480,431	10,592,090	14,011,082	14,740,182
Finance	6,118,259	6,280,716	6,876,648	6,670,050	6,629,421
Public Works	29,947,045	37,484,504	33,960,939	35,320,695	93,199,722
Public Safety	3,524,226	7,078,379	7,232,363	9,001,079	8,363,244
Police	40,089,633	43,399,766	42,794,170	47,320,658	56,588,057
Fire and Emergency Services	34,632,768	36,207,002	36,841,543	39,390,542	47,469,043
Community Corrections	22,459,847	24,505,670	24,478,660	27,326,172	28,539,978
Building Inspection	1,824,812				
Social Services	8,519,665	8,931,694	9,070,442	10,579,394	13,379,478
General Services	12,733,803	12,854,362	16,242,299	16,998,086	18,493,537
Parks and Recreation	13,917,342	14,012,815	13,380,436	14,840,330	16,739,980
Law	1,622,237	1,824,518	1,642,220	2,041,719	1,946,786
Outside Agencies	32,291,743	32,704,463	27,718,643	267,976	178,667
Special Projects	2,044,329				
Interest on Long-Term Debt	5,642,956	5,840,627	5,739,105	6,236,280	6,291,512
Debt Service - Other	8,604,257	5,957,246	6,444,538	1,261,204	1,040,970
Total governmental activities	<u>258,675,126</u>	<u>282,299,749</u>	<u>283,245,850</u>	<u>277,628,208</u>	<u>363,252,420</u>
Business-type Activities:					
Sanitary Sewer System	20,800,028	21,319,274	22,347,738	23,554,596	24,553,305
Public Facilities	9,046,445	13,568,097	13,500,561	12,121,284	12,175,005
Public Parking	997,765	967,952	941,821	891,857	909,544
Landfill	4,882,616	4,662,162	5,423,413	4,233,412	1,391,578
Right of Way		75,665	261,494	266,933	292,284
Extended School Program	1,215,530	1,230,845	1,387,203	1,452,385	1,578,873
Prisoners' Account System	693,371	1,053,084	1,360,709	1,472,693	1,363,204
Enhanced 911	2,418,817	2,650,745	2,300,114	2,112,518	2,107,592
LexVan Program			17,545	40,296	35,122
Small Business Development			108,343	3,562	8,838
Total business-type activities	<u>40,054,572</u>	<u>45,527,824</u>	<u>47,648,941</u>	<u>46,149,536</u>	<u>44,415,345</u>
Total primary government	<u>\$298,729,698</u>	<u>\$327,827,573</u>	<u>\$330,894,791</u>	<u>\$323,777,744</u>	<u>\$407,667,765</u>

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

	Fiscal Year				
	2002	2003	2004	2005	2006
Program Revenues					
Governmental Activities:					
Charges for Services	\$31,320,919	\$35,905,736	\$33,999,515	\$41,277,818	\$41,095,215
Operating Grants and Contributions	18,230,166	22,330,711	33,101,398	20,838,959	19,297,952
Capital Grants and Contributions	23,018,287	12,607,442	13,256,243	12,970,715	15,349,943
Total governmental activities	72,569,372	70,843,889	80,357,156	75,087,492	75,743,110
Business-type Activities:					
Charges for Services	46,372,642	51,414,204	54,421,012	49,825,599	50,784,976
Operating Grants and Contributions	913,305	117,840	125,744	0	0
Total business-type activities	47,285,947	51,532,044	54,546,756	49,825,599	50,784,976
Total primary government	\$119,855,319	\$122,375,933	\$134,903,912	\$124,913,091	\$126,528,086
Net (Expense)/Revenue					
Governmental activities	(\$186,105,754)	(\$211,455,860)	(\$202,888,694)	(\$202,540,716)	(\$287,509,310)
Business-type activities	7,231,375	6,004,220	6,897,815	3,676,063	6,369,631
Total primary government	(\$178,874,379)	(\$205,451,640)	(\$195,990,879)	(\$198,864,653)	(\$281,139,679)
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Property Taxes	\$37,203,745	\$40,127,166	\$41,964,425	\$43,189,707	\$44,889,961
Licenses and Permits	160,060,473	165,005,241	178,942,755	188,973,285	197,857,140
Grants and Contributions Not Restricted to Specific Programs:					
Community Development Block Grant	1,784,030	8,547,728	3,567,315	2,570,656	2,264,419
Income on Investments	2,604,234	804,561	507,868	1,839,509	3,395,527
Sale of Assets	87,186	1,617,773	457,849	523,841	956,340
Bond Refunding			(19,185,000)		
Miscellaneous	1,087,959	938,222	918,323	767,547	827,029
Transfers	1,877,610	94,318	(1,136,353)	(1,281,083)	670,254
Total governmental activities	204,705,237	217,135,009	206,037,182	236,583,462	250,860,670
Business-type Activities:					
Income on Investments	1,850,750	977,186	662,485	1,397,929	2,728,854
Sale of Assets	1,374		3,587	9,350	17,819
Bond Refunding			18,760,000		
Transfers	(1,877,610)	(94,318)	1,136,353	1,281,083	(670,254)
Total business-type activities	(25,486)	882,868	20,562,425	2,688,362	2,076,419
Total primary government	\$204,679,751	\$218,017,877	\$226,599,607	\$239,271,824	\$252,937,089
Change in Net Assets					
Governmental activities	\$18,599,483	\$5,679,149	\$3,148,488	\$34,042,746	(\$36,648,640)
Business-type activities	7,205,889	6,887,088	27,460,240	6,364,425	8,446,050
Prior Period Adjustment - Government Activities ⁽¹⁾					902,203,447
Prior Period Adjustment-Business-type Activities			(1,140,149)		20,000
Total primary government	\$25,805,372	\$12,566,237	\$29,468,579	\$40,407,171	\$874,020,857

(1) The prior period adjustment in FY2006 includes \$902,066,962 retroactively reporting infrastructure due to the full implementation of GASB 34.

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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
General Fund										
Reserved	\$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	\$4,845,381
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	8,272,087
Designated for Payroll	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	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	7,036,780
Designated for Pay Adjustments								906,180		
Designated for Lexington Center Corp.	707,000	882,000	768,000	654,000	540,000					
Designated for Debt			528,234							
Designated for Claims and Judgments										
Designated for Landfill										
Designated for Cultural Center										
Undesignated	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	17,734,190
Total	<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>	<u>\$37,888,438</u>
Urban Services										
Reserved	\$883,708	\$615,173	\$2,782,958	\$798,108	\$2,069,789	\$3,525,288	\$3,031,240	\$1,419,156	\$3,796,313	\$2,963,095
Unreserved										
Designated for Payroll	48,616	77,869	100,496	127,015	158,555	191,011	233,899	302,654	367,505	
Undesignated	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	20,771,372
Total	<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>	<u>\$23,734,467</u>
All Other Governmental Funds										
Reserved	\$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	\$11,641,885
Undesignated, reported in:										
Special revenues funds	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	6,789,094
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	25,849,967
Federal and State Grants						1,294,046	1,169,455	329,493	514,983	235,303
Total	<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>	<u>\$44,516,249</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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Licenses and Permits	\$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	\$198,653,467
Taxes	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	44,889,961
Charges for Services	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	20,648,157
Fines and Forfeitures	182,694	167,013	274,002	407,111	279,558	382,532	236,226	245,150	184,104	323,063
Local Contributions						2,325,000				
Intergovernmental	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	31,784,556
Exactions						561,670	1,754,136	1,754,558	4,767,468	2,823,892
Grant Match	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	2,256,329
Property Sales	271,033	468,842	185,177	1,122,090	448,380	87,186	138,315	457,849	523,841	956,340
Income on Investments	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	3,366,361
Other	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	5,787,271
Total Revenues	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	311,489,397
Expenditures										
General Government	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	8,635,249
Administrative Services	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	25,104,922
Finance	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	7,145,881
Public Works	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	40,430,609
Public Safety	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	137,232,016
Social Services	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	12,245,264
General Services	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	30,279,293
Law	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	1,575,637
Outside Agencies	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	15,846,048
Special Projects	15,557,334	14,974,707	17,970,485	19,617,032	28,490,679	2,044,329				
Debt Service:										
Principal	864	268	0	1,040,000	3,455,000	7,743,568	9,711,219	10,404,328	14,156,321	15,030,273
Interest and Other	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	7,384,493
Capital	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	21,389,866
Total Expenditures	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	322,299,551
Excess (Deficiency) of Revenues over (under) Expenditures	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	(10,810,154)
Other Financing Sources (Uses)										
Transfers In	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	6,807,387
Transfers Out	(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)	(6,137,133)
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	24,700,000
Bond Anticipation Note								445,187	304,813	7,599
Premium (Discount) on Bonds Issued						(148,782)	65,121	183,730	39,218	210,968
Total Other Financing Sources (Uses)	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	25,588,821
Net Change in Fund Balances	\$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	\$14,778,667
Debt Service as a percentage of noncapital expenditures	7.3%	7.0%	6.1%	7.6%	7.5%	8.4%	8.0%	7.9%	7.8%	7.4%

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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Licenses and Permits	\$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	\$197,805,430
Taxes	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	17,156,666
Charges for Services	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	21,003,296
Fines and Forfeitures	182,694	167,013	274,002	407,111	279,558	382,532	236,226	245,150	184,104	323,063
Intergovernmental	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	2,465,624
Property Sales	271,033	453,324	168,381	1,011,609	367,425	33,617	1,479,458	438,709	516,536	349,715
Income on Investments	828,951	1,538,252	1,284,191	1,182,639	1,399,319	334,302	127,728	90,639	533,607	1,481,463
Other	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	1,743,395
Total Revenues	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	242,328,652
Expenditures and Other										
Financing Sources (Uses)										
General Government ⁽³⁾	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	4,458,163
Administrative Services ⁽¹⁾	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	15,582,368
Finance	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	7,256,067
Public Works	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	12,637,417
Public Safety	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	131,079,150
Social Services ⁽³⁾	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	9,274,916
General Services	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	25,299,456
Housing & Community Dev ⁽¹⁾	3,363,881	3,331,916								
Law ⁽²⁾	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	1,923,928
Outside Agencies	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	14,349,512
Debt Service	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	21,585,420
Other Financing (Sources) Uses	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	140,864
Residual Equity Transfers	2,527,592	1,828,255	2,638,332	1,757,346	2,027,561					
Total Expenditures and Other										
Financing Sources (Uses)	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	243,587,261
Net Change in Fund Balance	(\$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	(\$1,258,609)

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

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

(3) 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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Revenues										
Sewer Service Charges	\$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	\$25,602,266
Sewer Tap on Fees	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	1,661,417
Exactions						195,672	826,960	878,035	1,974,660	1,160,296
Other Income	21,828	18,937	116,850	199,296	215,435	231,850	181,146	193,694	50,204	47,965
Total Revenues	<u>21,892,784</u>	<u>21,589,646</u>	<u>22,916,489</u>	<u>22,480,886</u>	<u>21,811,431</u>	<u>22,093,425</u>	<u>26,533,941</u>	<u>27,958,065</u>	<u>27,658,421</u>	<u>28,471,944</u>
Operating Expenses										
Treatment Plant	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	7,106,877
Collection System	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	3,760,098
Administration	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	5,959,400
Depreciation	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	6,225,299
Total Operating Expenses	<u>16,244,204</u>	<u>16,194,812</u>	<u>16,804,714</u>	<u>17,199,070</u>	<u>18,239,192</u>	<u>18,015,513</u>	<u>19,316,174</u>	<u>20,744,775</u>	<u>21,949,287</u>	<u>23,051,674</u>
Operating Income	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	5,420,270
Net Nonoperating Revenues/(Expenses)	(1,029,839)	(732,694)	(960,476)	(626,073)	556,461	(954,809)	(1,138,325)	(1,074,183)	(504,103)	555,560
Capital Contributions						913,305	117,312	88,944		
Transfers In								10,000	10,000	10,000
Transfers Out	(49,257)	(180,163)	(192,788)				(1,014)	(4,400)	(952)	(1,149,277)
Net Income/Change in Net Assets	<u>\$4,569,484</u>	<u>\$4,481,977</u>	<u>\$4,958,511</u>	<u>\$4,655,743</u>	<u>\$4,128,700</u>	<u>\$4,036,408</u>	<u>\$6,195,740</u>	<u>\$6,233,651</u>	<u>\$5,214,079</u>	<u>\$4,836,553</u>

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)
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
2006	12,304,135	596,790	5,110,109	839	4,615,906	4,255,901	26,883,680	4,255,901	22,627,779	0.2704

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
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	41,211,370	98.3%	1,429,648	42,641,018	101.7%
2006	44,526,763	44,342,484	99.6%	231,649	44,574,133	100.1%

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	Lextran	Total
	General	Refuse	Street Lights	Street Cleaning								
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	0.0032	0.0004			0.9600
2005	0.0800	0.1600	0.0210	0.0094	0.2704	0.5350	0.1310	0.0032	0.0004	0.0280		0.9680
2006	0.0800	0.1600	0.0210	0.0094	0.2704	0.5380	0.1310	0.0031	0.0004	0.0280	0.0600	1.0309

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	2006			1997		
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Fourth Quarter Properties	\$78,062,600	1	0.34%			
Lexmark International Inc.	56,526,300	2	0.25%			
Lexington Joint Venture	50,468,800	3	0.22%	\$46,362,000	2	0.35%
Meijer Stores Ltd	35,890,400	4	0.16%			
Ball Homes, Inc.	38,268,700	5	0.17%	48,163,000	3	0.36%
Diamondrock Griffin	33,900,000	6	0.15%			
W T Young	33,549,700	7	0.15%			
Weingarten Realty Inc.	32,624,900	8	0.14%			
Main Street EH LLC	29,200,000	9	0.13%			
Beaumont Lexington LLC	26,228,000	10	0.12%			
IBM Information Products				93,263,700	1	0.71%
Bank One				33,883,800	4	0.26%
CHCK Inc.				30,470,300	5	0.23%
Griffin Gate Association				27,675,000	6	0.21%
Lexington Financial				26,800,000	7	0.20%
Humco, Inc.				24,771,200	8	0.19%
Bluegrass Building Partners				22,527,500	9	0.17%
MCV Venture				21,700,000	10	0.16%
Total	<u>\$414,719,400</u>		<u>1.83%</u>	<u>\$375,616,500</u>		<u>2.84%</u>

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 School	Total
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%
2006	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

<u>Name</u>	<u>2006 Rank</u>	<u>1997 Rank</u>
University of Kentucky	1	1
Lexmark International	2	2
Fayette County Board of Education	3	3
Lexington-Fayette Urban County Government	4	4
St. Joseph Hospital	5	8
Baptist Healthcare	6	7
Commonwealth of Kentucky	7	9
Lexington Clinic	8	
Department of Veterans Affairs	9	5
Ashland, Inc.	10	6
American Standard		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 Revenue Notes Payable	Bond Anticipation Notes	Revenue Bonds	Mortgage Revenue Bonds	Lease Revenue Notes			
1997		\$8,270,000	\$4,085,309		\$45,564,614	\$53,430,000	\$8,765,000	\$120,114,923	1.8%	\$478
1998		6,875,000	3,734,002		43,065,446	50,650,000	11,555,000	115,879,448	1.6%	454
1999	67,115,000	5,410,000	3,231,725		40,470,755	116,075,000	11,470,000	243,772,480	3.2%	942
2000	89,530,000	3,870,000	2,836,238		37,750,286	112,125,000	6,190,000	252,301,524	3.1%	967
2001	108,430,000	2,255,000	2,419,811		59,578,753	108,010,000	2,280,000	282,973,564	3.4%	1,079
2002	117,900,000	885,000	1,991,244		56,710,531	103,730,000		281,216,775	3.2%	1,070
2003	119,795,000	285,000	1,543,585		53,375,000	98,320,000		273,318,585	3.1%	1,030
2004	136,560,000		434,255		50,040,000	73,940,000		260,974,255	2.8%	980
2005	144,905,000		257,934	742,401	46,560,000	71,680,000		264,145,335	na	985
2006	154,760,000		72,661	750,000	42,915,000	69,625,000		268,122,661	na	na

Note: Details regarding LFUCG outstanding debt can be found in the notes to the financial statements.
See page 151 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 EIGHT FISCAL YEARS

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>% of Assessed Value of Property</u>	<u>Per Capita</u>
1999	\$67,115,000	0.48%	\$259
2000	89,530,000	0.58%	343
2001	108,430,000	0.63%	414
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%	541
2006	154,760,000	0.68%	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 140 for property value data and page 151 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, 2006

	Principal Outstanding
Kentucky Infrastructure, City of Lexington, and Lexington-Fayette Urban County Government Sewer Assessment Bonds	\$155,000
Lexington Center Corporation	
Refunding and Improvement Mortgage Revenue Bonds, Series 1993	12,596,500
Mortgage Revenue Bonds, Series 2001	20,000,000
Refunding Bonds, Series 2003	3,230,000
Lexington-Fayette Urban County Government Airport Corporation	
First Mortgage Revenue Bonds, Series 1994	1,600,000
First Mortgage Revenue Bonds, Series 1998	16,300,000
First Mortgage Revenue Bonds, Series 2003	29,050,000
Fayette County School & Kentucky School Commission Bonds	182,545,073
Subtotal, Overlapping Debt	265,476,573
LFUCG, Direct Debt	268,122,661
Total Direct and Overlapping Indebtedness	\$533,599,234

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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Assessed Value	\$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	\$26,883,680
Debt limit (10% of Assessed Value)	\$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	\$2,688,368
Total net debt applicable to limit			188,916	201,302	190,933	190,533	187,635	187,350	181,675	176,110
Legal debt margin	\$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	\$2,512,258
Total net debt applicable to the limit as a percentage of debt limit	0.00%	0.00%	11.67%	11.50%	9.90%	9.43%	8.04%	8.04%	7.39%	6.55%

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	Coverage				Principal	Interest	Coverage
1997	\$23,488	\$11,293	\$12,195	\$1,304	\$2,124	3.56	\$11,887	\$683	\$11,204	\$2,710	\$2,124	2.32
1998	23,352	11,216	12,136	2,499	2,338	2.51	11,730	778	10,952	2,820	2,004	2.27
1999	24,305	11,732	12,573	2,595	2,230	2.61	11,381	855	10,526	2,950	1,880	2.18
2000	24,129	11,918	12,211	2,720	2,115	2.53	12,320	1,106	11,214	3,230	2,195	2.07
2001	23,668	12,590	11,078	2,842	1,993	2.29	10,210	1,024	9,186	3,360	2,053	1.70
2002	23,343	12,251	11,092	2,868	1,989	2.28	11,021	1,840	9,181	3,505	3,407	1.33
2003	27,196	13,408	13,788	3,336	2,725	2.27	11,183	2,328	8,855	4,580	4,733	0.95
2004	28,428	14,453	13,975	3,335	2,570	2.37	11,504	2,474	9,030	4,760	4,530	0.97
2005	28,701	15,576	13,125	3,480	2,414	2.23	6,943	2,479	4,464	1,365	3,473	0.92
2006	28,472	16,826	11,646	3,515	2,076	2.08	7,251	2,600	4,651	1,485	3,348	0.96

Fiscal Year	Public Parking Corporation						Special Assessment Bonds			
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Special Assessment Collections	Debt Service		
				Principal	Interest	Coverage		Principal	Interest	Coverage
1997	\$1,408	\$289	\$1,119	\$545	\$591	0.99	\$1,020	\$1,088	\$244	0.77
1998	1,498	288	1,210	565	562	1.07	592	1,134	185	0.45
1999	1,345	327	1,018	745	358	0.92	397	824	131	0.42
2000	1,396	315	1,081	720	368	0.99	336	446	92	0.62
2001	1,496	322	1,174	755	337	1.08	198	335	72	0.49
2002	1,298	317	981	775	303	0.91	49	355	56	0.12
2003	1,447	335	1,112	830	268	1.01	49	555	39	0.08
2004	1,563	306	1,257	860	229	1.15	46	45	14	0.78
2005	1,451	343	1,108	895	190	1.02	34	45	12	0.60
2006	1,304	387	917	655	129	1.17	29	50	9	0.49

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.

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
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	260,918	8,135,408	31,180	144,396	4,474	3.0%
2001	262,185	8,412,416	32,086	141,849	5,557	3.8%
2002	262,648	8,558,655	32,586	139,374	6,254	4.3%
2003	265,478	8,837,745	33,290	139,915	6,875	4.7%
2004	266,451	9,342,015	35,061	138,559	6,114	4.2%
2005	268,080	na	na	140,498	6,800	4.6%

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
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	1,821	2,924	339	11,478	14,993	12,860	5,075	23,878	13,259	81,320	34,208	202,155
2003	2,069	2,668	434	11,443	14,340	13,101	4,896	23,957	13,639	82,068	34,995	203,610
2004	2,026	2,476	473	11,290	14,177	12,852	4,300	24,256	14,323	85,016	33,997	205,186

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									
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Administrative Services	145	141	134	147	149	145	150	140	139	143
General Government	81	84	86	88	89	96	94	67	64	70
Finance	81	81	90	86	91	99	100	94	90	98
General Services										
Parks and Recreation	143	141	137	156	161	166	169	172	180	187
Other	158	171	168	169	167	166	169	157	124	129
Law	16	17	17	18	19	19	20	19	18	19
Public Safety										
Fire and Emergency Services										
Firefighters and officers	428	432	441	461	472	477	473	464	498	504
Civilians	32	32	33	40	40	42	40	38	39	37
Police										
Officers	408	439	428	451	459	488	469	471	472	527
Civilians	147	144	161	172	189	153	162	192	184	177
Community Corrections	200	209	236	300	336	342	347	371	383	357
Other	44	44	52	57	65	69	71	72	73	78
Public Works										
Solid Waste	189	188	210	220	228	225	238	236	217	221
Sanitary Sewers	138	118	114	113	121	119	121	129	125	130
Other	138	156	166	165	167	176	173	168	154	162
Social Services	179	143	149	158	150	147	156	163	160	174
	<u>2,527</u>	<u>2,540</u>	<u>2,622</u>	<u>2,801</u>	<u>2,903</u>	<u>2,929</u>	<u>2,952</u>	<u>2,953</u>	<u>2,920</u>	<u>3,013</u>

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	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Fire and Emergency Services										
Emergency Medical Calls	21,333	22,589	23,134	24,102	24,743	25,901	28,345	27,750	28,698	28,772
False Calls	2,368	2,389	2,380	2,644	2,827	2,806	3,082	2,721	2,606	2,560
Fire Incidents	1,264	1,278	1,430	1,538	1,331	1,182	1,366	1,356	1,194	1,315
Hazardous Materials Calls	1,229	1,032	893	956	942	1,352	1,484	1,115	1,155	1,090
Service Calls	1,293	1,047	1,126	1,096	1,211	1,201	1,065	985	1,022	1,128
Police										
Physical Arrests **	19,805	20,020	20,090	21,125	19,605	19,747	19,835	22,422	22,294	18,210
Parking Violations **	26,471	32,435	34,798	36,403	36,404	25,247	18,185	16,325	20,871	21,668
Traffic Violations **	72,263	70,157	73,486	73,298	62,141	59,059	57,351	67,115	66,954	67,072
Parks and Recreation										
Rounds of Golf	192,671	191,076	186,292	179,367	172,964	177,604	160,958	159,505	154,124	152,659
Pool Visits	167,122	300,208	283,589	288,208	225,522	233,689	209,408	180,417	180,619	199,496
Building Inspection										
Permits Issued *	10,833	10,715	12,112	12,699	11,768	12,533	19,172	19,875	20,514	20,719
Inspections	na	23,500	26,844	25,562	28,406	28,574	32,869	36,937	38,669	39,773
Sanitary Sewers										
Tap-on Inspections **	1,782	2,127	1,845	2,140	1,955	1,955	2,025	2,212	2,131	2,108
Average daily sewage treatment (mgd) **	39	36	36	33	36	40	43	48	51	38
Solid Waste										
Annual tons of refuse collected	na	na	na	na	150,622	154,178	157,121	157,618	156,347	152,969
Annual tons of recyclables collected	na	na	na	na	na	5,568	6,825	10,412	11,668	15,188
Other Public Works										
Street Resurfacing (miles)	20	28	25	31	25	21	19	21	23	16

* 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	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Fire and Emergency Services										
Number of Fire Stations	18	19	19	19	21	21	21	21	21	22
Number of Engines	18	19	19	19	21	21	21	21	21	22
Number of Aerials	5	6	6	6	6	6	6	6	8	8
Number of EC Units	6	6	6	6	7	7	7	7	9	9
Number of Haz-Mat Units	2	3	3	3	3	3	3	3	3	3
Police										
Stations	2	2	2	2	3	3	3	3	3	3
Patrol Units	na	na	na	na	na	na	na	460	463	467
Parks and Recreation										
Acres of Parks	na	3,972	4,003	4,207	4,186	4,206	4,263	4,263	4,261	4,261
Number of Golf Courses	5	5	5	6	6	6	6	6	6	6
Number of Swimming Pools	14	14	14	12	13	12	10	8	10	10
Sanitary Sewers										
Treatment Capacity (mgd)	52	52	52	52	52	64	64	64	64	64
Solid Waste										
Collection Trucks	na	na	na	na	na	na	na	117	117	118
Other Public Works										
Streets (miles)	na	na	na	na	na	na	na	1,516	1,544	1,563
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	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,618
Traffic Signals	na	308	308	316	325	330	344	340	349	353

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