



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2016



*Cover by: Amy Wallot/Communications*

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2016

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
LEXINGTON, KENTUCKY



PREPARED BY THE DEPARTMENT OF FINANCE AND ADMINISTRATION

*Paid for with Lexington-Fayette Urban County Government Funds*



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## INTRODUCTORY SECTION



Lexington-Fayette Urban County Government  
OFFICE OF THE MAYOR

Jim Gray  
Mayor

November 22, 2016

Dear Citizen,

The Comprehensive Annual Financial Report for the fiscal year ended June 30, 2016, reflects growing financial health, continued fiscal discipline and strong financial management.

- We are in our fifth year of budget surpluses.
- Savings realized by moving our employee health insurance toward a cost-of-service model compound, year over year, as do the cost-cutting changes to our pension system - major factors in our budget every year.
- Our “Rainy Day Fund” now stands at a healthy 9.3% of the General Fund.
- Cost controls and efficiencies have made it possible to continue to strengthen police, fire and emergency management, our most essential public services, through investments in additional personnel, equipment such as body cameras, vehicles and a new Public Safety Operations Center.
- We have increased funding for social service agencies to overcome federal and state cuts in funding.
- We are investing in our historic courthouse through a public private partnership to give new life to an historic downtown building in the heart of downtown.
- We have received over \$16 million in federal funds and made a local commitment to Town Branch Commons, a park and trail that will wind through downtown.
- We continue our focus on growing jobs and attracting new businesses. Since 2011 our unemployment rate has been cut by more than half and average annual wages have grown by 7%.

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

Sincerely,

Jim Gray, Mayor

## ELECTED OFFICIALS

MAYOR  
Jim Gray

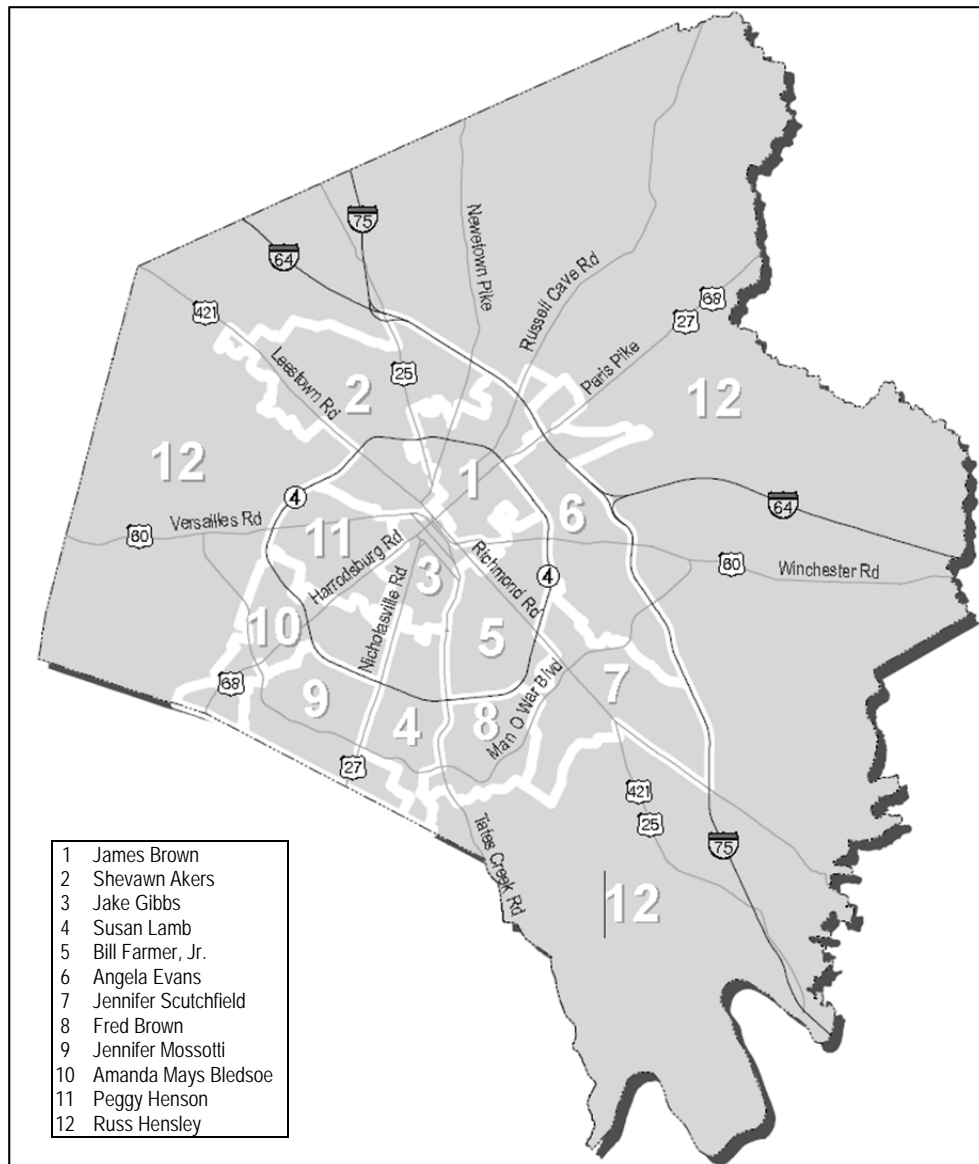
### COUNCILMEMBERS-AT-LARGE

Steve Kay – Vice Mayor

Richard Moloney

Kevin Stinnett

### DISTRICT COUNCILMEMBERS







Lexington-Fayette Government  
DEPARTMENT OF FINANCE

Jim Gray  
Mayor

William O'Mara  
Commissioner

November 22, 2016

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

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

As Commissioner of Finance, I present the Comprehensive Annual Financial Report (CAFR) of the Lexington-Fayette Urban County Government (the Government) (LFUCG) for the fiscal year ended June 30, 2016. The CAFR has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and the reporting standards of the Governmental Accounting Standards Board (GASB). The CAFR includes all funds of the Government and its component units.

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

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

State statute and the Charter of the Government both require that an independent financial audit be conducted annually. The accounting firm of Strothman and Company, PLLC performed the audit for the fiscal year ended June 30, 2016. 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, 2016 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the Government's financial statements for the fiscal year ended June 30, 2016, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component in the financial section of this report.

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

***Profile of the Government (As of June 30, 2016)***

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

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

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

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

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

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

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

The Department of General Services includes the Divisions of Fleet and Facilities Management and Parks and Recreation. The Division of Fleet and Facilities Management handles the acquisition, maintenance and repair of more than 1500 vehicles and pieces of equipment owned by the Government. Additionally it maintains the city's primary buildings and performs minor renovations. The Government's real estate holdings comprise approximately four million square feet of space under roof. The Division of Parks and Recreation operates 103 parks consisting of more than 4,500 acres with green space areas, 5 golf courses, 6 community centers and 7 aquatic facilities. In addition, the Commissioner's Office oversees the management of the Government telephone system and utilities.

The Department of Law provides legal services for the Government. The Corporate Counsel Division prepares all legal instruments of the Government and provides advice to its elected officials, employees and agencies. The Litigation Division represents the Government in civil cases and administrative hearings and coordinates representation of cases handled by outside attorneys. Claims management, insurance procurement and administration of the self-insurance fund reside in the Department of Law.

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

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

The Department of Social Services provides services to Fayette County residents by helping families become self-sufficient, offering specialized programs to help Lexington youth and providing financial and social services to eligible senior citizens in the community. The Divisions in this Department include Adult Services, Aging Services, Family Services, and Youth Services.

### ***Significant Events (as of November 22, 2016)***

#### ***Infrastructure Highlights***

- Lexington made a strong commitment to public safety in 2015 through a \$2.5 million purchase of new police and fire vehicles. An additional \$2.5 million was allocated for the relocation of a fire station and \$250,000 was spent to purchase land for a new fire station. Construction was completed on a new \$12.5 million public safety operations center that opened in October 2016.
- LFUCG received a \$14.1 million federal Transportation Investment Generating Economic Recovery (TIGER) grant from the U.S. Department of Transportation in July 2016 for the Town Branch Commons multi-modal trail. This is in addition to \$7 million in state and federal transportation grants and a city commitment of \$10 million. This project is in the engineering phase.
- In 2016, the Government issued a taxable bond in the amount of \$22 million to begin rehabilitation of the historic courthouse. The approximately \$30 million project is also leveraging federal and state historic tax credits to generate additional funds for renovation. Construction began in July 2016 and is expected to be complete in early 2018.
- In August 2013, Urban County Council unanimously approved the construction of a new senior citizens' center in Idle Hour Park on land already owned by the Government. As part of the fiscal year 2015 budget, Urban County Council approved the Mayor's proposal of \$8 million to build the senior citizens' center. The total cost for the building and all furnishings is expected to be approximately \$13 million. The new Senior Citizens' Center opened in September 2016.

#### ***Waste Management Contract***

In fiscal year 2016, the LFUCG selected a new transfer station operator and waste receiver. The previous vendor had a long-term contract, so planning for a potential change began in fiscal year 2015. The new transfer station operator has favorable rates that have generated over \$1 million in savings across the Landfill Fund, Urban Services Fund, and

Sanitary Sewers Fund. The vendor also maintains a partnership with a regional manufacturer to provide energy generated through methane capture from the landfill. The LFUCG receives a subsidy from this activity.

### ***Budgeting System***

The Government implemented Oracle Hyperion Planning and Budgeting Cloud Services in fiscal year 2016 at a cost of \$800,000. The system will be used for planning fiscal year 2018 expenditures to develop more accurate and detailed budgets.

### ***Consent Decree***

The Government is required to reduce sanitary sewer overflows as part of a court ordered settlement, the Consent Decree, with the United States (US) Department of Justice, the US Environmental Protection Agency (EPA), and the Commonwealth of Kentucky. The Consent Decree requires Lexington to address structural, operational, and procedural issues within its storm and sanitary sewer systems in accordance with the schedule developed jointly with the EPA. To date, Lexington has completed every Consent Decree requirement and met every deadline.

As of September 2016, Phase I of the Town Branch Wet Weather Storage Tank was completed and the tank is ready for use. Operation training and site restoration is ongoing. This project was estimated to be \$56 million for Phase I and the cost was \$21 million, resulting in \$34 million in savings on that project. This project is one of over 80 capital improvement projects identified in the Remedial Measures Plans (RMPs) intended to rehabilitate the sanitary sewer system to prevent recurring sanitary sewer overflows and unpermitted bypasses. The cost estimate for all the RMP capital projects is \$591 million, and LFUCG must complete the projects by December 2026. To date, twelve (12) RMP projects were completed and two (2) are in the process of closing out, totaling approximately \$56 million. To provide adequate funding for the sanitary sewer Consent Decree projects, Council approved a two year, twelve percent rate increase that took effect July 1, 2015.

While the RMPs outline structural changes required for Consent Decree compliance, the Capacity, Management, Operation and Maintenance (CMOM) Program is also a requirement of the Consent Decree. The CMOM Program outlines the operational changes that must be implemented. Since launching the Consent Decree, the Division of Water Quality has completed or implemented all 154 required CMOM Program elements. Many have ongoing, continuous compliance components which are being performed. A program manager is employed to continually improve on compliance requirements.

Four (4) Supplemental Environmental Projects (SEPs) are specifically required by the Consent Decree. Closure of the Blue Sky package treatment plant and the construction of a new pump station was completed in fiscal year 2015. The Coldstream Park Stream Corridor Restoration and Preservation SEP is in the bidding phase with construction scheduled to begin in 2017. Work on the Storm Water Flooding SEP is ongoing with LFUCG completing \$10 million of the \$30 million required for flood mitigation projects and either has under contract or has identified another \$5 million in capital projects that count toward the SEP financial obligation.

In fiscal year 2015, LFUCG's MS4 (Municipal Separate Storm Sewer System) Permit was renewed. During the previous five-year permit term, LFUCG successfully complied with all compliance measures required by the permit. The Water Quality Management Fee continues to provide adequate revenue to meet compliance costs associated with the new permit.

### ***LEXserv Utility Billing***

LEXserv continues to work with Greater Cincinnati Water Works to furnish billing services and collection of sewer fees, landfill fees, and water quality fees. Currently 23.9% of the LEXserv customers are paying their fees through the automated debit program that was launched in 2013. In August 2015, LFUCG kicked off a project to bring the billing and collection services in house with an anticipated go live in the first quarter of calendar year 2017.

### ***LEXrev Occupational Licenses Fees***

In August of 2015, the Division of Revenue implemented a new Tax Revenue system replacing an old Mainframe system. The new revenue system (LEXrev) will capture the revenue for Occupational License Fees (Net Profit and

Payroll Withholding), Franchise Fees, Insurance Premium Tax and Hotel/Motel Tax. These revenues make up 80% of the General Fund Revenue.

### ***Jail Management System***

Jail Management System (JMS) is a database used to manage the inmate population. The database provides vital information regarding incident reports, reports generated by the facility staff during the normal course of business, and offender information. The JMS allows the facility to generate reports that are utilized to apply for grants, State reporting requirements, assist other law enforcement agencies, census reporting, and critical incident mapping.

JMS has been in place since the mid-1990s, and is being converted to JAIL TRACKER at a projected cost of \$3 million; \$1.5 million was spent in fiscal year 2015 and another \$1.5 million was approved in the fiscal year 2016 budget. The new Jail Management System went live in October 2016.

### ***Strengthening Fiscal Management***

#### ***Introduction***

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

#### ***Local Economy***

The unemployment rate in Fayette County was 3.9%% in June 2016, down from 4.2% in June 2015. The June 2016 rate was below the state rate of 5.0%. Total employment is well above pre-2008 levels. Employment, as measured by the Bureau of Labor Statistics, was 197,966 for the quarter ended December 31, 2015. By comparison, total employment was 179,182 for the quarter ended December 31, 2007. Average annual pay has also increased in Lexington-Fayette County during that time period. The average annual pay in 2007 was \$39,823. By comparison, the average annual pay in 2015 was \$46,302.

#### ***Budget Control and Financial Management***

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

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

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

#### ***Long-Term Financial Policies***

Annually, the Government adopts a Capital Improvement Plan prior to the completion of the annual operating budget. The development of the capital improvement plan budget is coordinated with the development of the operating budgets. Requests for capital projects are accompanied by estimates of project impact on annual operating costs and

revenues. Additionally, multi-year forecasts of revenues and expenditures, including operating and capital expenditures, are prepared throughout the year to monitor the adequacy of funding resources and debt capacity.

### ***Cash Management and Investment Policy***

The Department of Finance is responsible for the custody, investment and disbursement of all funds of the Government in accordance with the procedures and standards adopted by the Urban County Council. It is the policy of the Government to invest funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the Government. The Government's investments are governed by state statutes (KRS 66.480) and an investment policy approved by the Urban County Council. In fiscal year 2015 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.

### ***Awards and Acknowledgements***

For the 24th consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lexington-Fayette Government for its comprehensive annual financial report for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

Respectfully submitted,



William O'Mara, Commissioner  
Department Of Finance



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**Lexington-Fayette  
Urban County Government  
Kentucky**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

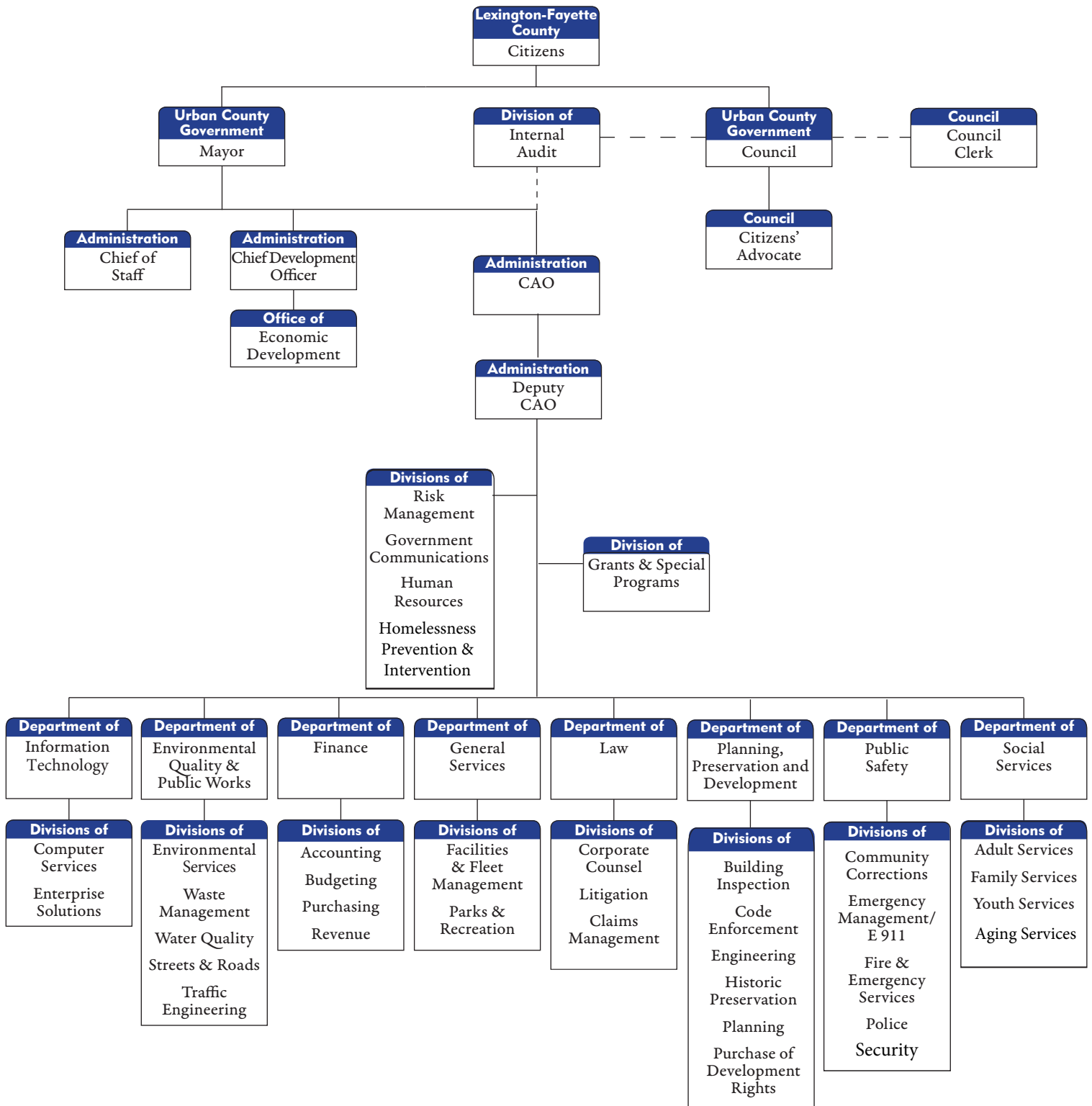
**June 30, 2015**

Executive Director/CEO



# Lexington-Fayette Urban County Government

## Organizational Chart





## *DIRECTORY OF GOVERNMENTAL OFFICIALS*

***Council Office***  
Citizens' Advocate Office

***Council Clerk's Office***

***Office of the Mayor***

***Chief Development Officer***

***Internal Audit***

***Office of the Chief Administrative Officer***  
Grants and Special Programs  
Risk Management  
Public Information Office  
LexCall  
GTV3  
Human Resources  
Office of Homelessness Prevention & Intervention

***Chief Information Officer***  
Computer Services  
Enterprise Solutions

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

***Finance***  
Accounting and Payroll  
Purchasing  
Revenue  
Budgeting

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

***Law***

***Public Safety***  
Community Corrections  
Division of Emergency Management  
E911  
Fire and Emergency Services  
Police

***Social Services***  
Adult Services  
Aging Services  
Family Services  
Youth Services

***General Services***  
Facilities and Fleet Management  
Parks and Recreation

***Stacey Maynard, Council Administrator***  
Gena Chumley, Citizens' Advocate

***Martha Allen, Council Clerk***

***Jim Gray, Mayor***

***Kevin Atkins***

***Bruce Sahli, Director***

***Sally Hamilton, Chief Administrative Officer***  
Irene Gooding, Director  
Patrick R. Johnston, Director  
Stacey Dimon, Supervisor  
Pat Tatum, Manager  
Chris Edwards, Supervisor  
John Maxwell, Director  
Charlie Lanter, Director

***Aldona Valicenti, Chief Information Officer***  
Mike Nugent, Director  
Phillip Stiefel, Director

***Derek Paulsen, Commissioner***  
Jim Duncan, Director  
Elizabeth Overman, Program Manager  
Bettie L. Kerr, Director  
Doug Burton, Director  
Dewey Crowe, Director  
Kenneth Armstrong, Director

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

***Dowell Hoskins-Squier, Commissioner***  
Susan Plueger, Director  
Charles H. Martin, Director  
Tracey Thurman, Director  
Albert Miller, Director  
Jeff Neal, Director

***Janet Graham, Commissioner***

***Ronnie Bastin, Commissioner***  
Steve Haney, Director  
Patricia Dugger, Director  
Robert Stack, Director  
Kristin Chilton, Chief  
Mark Barnard, Chief

***Chris Ford, Commissioner***  
Connie Godfrey, Director  
Kristina Stambaugh, Director  
Joanna Rodes, Director  
Stephanie Hong, Director

***Geoff Reed, Commissioner***  
Jamshid Baradaran, Director  
Monica Conrad, Director



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## FINANCIAL SECTION

## **Independent Auditors' Report**



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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lexington-Fayette Urban County Government (the "Government"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following entities:

- Lexington Center Corporation
- Lexington Convention and Visitors Bureau
- Lexington-Fayette Urban County Airport Board
- Lexington-Fayette Urban County Department of Health
- Lexington Public Library
- Transit Authority of the Lexington-Fayette Urban County Government

Collectively, these entities represent 94%, 92% and 97%, respectively, of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the financial statements of the entities above, is based 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 from material misstatement.

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

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

## **Opinions**

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 to 29 and budgetary comparison information on pages 102 to 106 and pension information on pages 107 to 111 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Government's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.



The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and awards and the schedule of expenditures of state awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2016, on our consideration of the Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.

*STROTHMAN AND COMPANY*

Louisville, Kentucky  
November 22, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of Lexington-Fayette Urban County Government's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the Government's financial performance for the fiscal year ended June 30, 2016. It is supplementary information required by the Governmental Accounting Standards Board (GASB) and is intended to provide a readable explanation of the information within the basic financial statements. It should be read in conjunction with the Letter of Transmittal (which can be found preceding this narrative on page 3) and the financial statements immediately following the analysis.

### FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

#### Government–Wide Highlights

- The Government implemented GASB Statement No. 72, *Fair Value Measurement and Application*, which provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to fair value measurements. The presentation of investments in the footnotes has been changed to reflect the new requirements.
- Total assets plus deferred outflows of resources of the Primary Government exceeded total liabilities and deferred inflows of resources by approximately \$842.08 million at the close of fiscal year 2016. This amount includes a deficit of approximately \$332.37 million in unrestricted net position.
- Governmental Activities' net position was \$502.27 million at the end of fiscal year 2016. Of this amount, \$813.82 million was the net investment in capital assets. The net investment in capital assets comprises 162.03% of total net position.
- Business-Type Activities held a balance of \$339.80 million in net position. The unrestricted fund balance at June 30, 2016 is \$38.06 million, or 47.64% of Business-Type Activity expenses.

#### Fund Highlights

- As of June 30, 2016, the Government's governmental funds reported combined ending fund balances of \$183.69 million, an increase of \$23.83 million compared to the previous fiscal year. Of this total amount, \$96.99 million is restricted for various projects: public works, public safety, capital projects, grants, urban services, and energy improvements.
- The General Fund, the primary operating fund of the Government, held an unassigned fund balance of \$4.79 million or 1.44% of General Fund expenditures. There are two categories of committed fund balance; general government and economic stabilization. Committed funds represent amounts restricted for use by the highest level of governing authority, an ordinance passed by the Urban County Council. The total committed fund balance is \$44.04 million. The committed fund balance designation for economic stabilization held a balance of \$30.69 million, available for spending in the event of an economic downturn or unforeseen event. There are two categories of assigned fund balance; general government and capital projects. Assignments for general government and capital projects represent planning for various projects. These assignments total \$35.12 million for fiscal year 2016.

### OVERVIEW OF THE FINANCIAL STATEMENTS

Three key elements comprise the basic financial statements, including:

- A) Government-Wide Financial Statements;

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

## **A. Government-Wide Financial Statements**

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

The *Statement of Net Position* reflects the financial position of the Government at fiscal year ended June 30, 2016. Accordingly, the Government's net position, the difference between assets (what the citizens own) plus deferred outflows of resources and liabilities (what the citizens owe), is one way to determine the financial condition of the Government. Over time, increases or decreases in net position are one indicator of whether the financial health of the Government is improving or deteriorating. However, additional factors such as changes in the Government's revenue structure, its tax base, and its level of assets held, should be considered in order to assess thoroughly the overall financial condition of the Government.

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

The *Government-Wide Financial Statements* divide the Government's activities into three types:

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

## **B. Fund Financial Statements**

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



Government can be divided into three types of funds: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

1. Governmental funds – Governmental funds are used to account for essentially the same functions reported as Governmental Activities in the *Government-Wide Financial Statements*. However, unlike the *Government-Wide Financial Statements*, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year.

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

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

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

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

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

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

## **C. Notes to the Financial Statements**

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

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Analysis of Net Position

Net position may serve as a useful indicator of a government's financial position. In Table 1 below, the Government's combined net position (Governmental and Business-Type Activities) totaled \$842.08 million as of June 30, 2016, a decrease of \$5.26 million from the previous year. Total depreciation expense government wide was \$64.80 million.

The largest proportion of the Government's net position, \$1.05 billion, is invested in capital assets (e.g. land, infrastructures, buildings and improvements, and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets. The Government uses these capital assets to provide services to its citizens. As such, these assets are not available for future spending.

**Table 1**  
**Lexington-Fayette Urban County Government**  
**Summary of Net Position**  
**For Years As Stated**  
**(in thousands)**

	<b>Total Net Position</b>		
	<b>FY 2016</b>	<b>Restated FY 2015</b>	<b>Change</b>
<b>ASSETS</b>			
Current and other assets	\$414,762	\$373,789	\$40,973
Capital assets	1,387,403	1,371,944	15,459
Total assets	<u>1,802,165</u>	<u>1,745,733</u>	<u>56,432</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	76,248	47,041	29,207
<b>LIABILITIES</b>			
Current and other liabilities	79,966	80,606	(640)
Long-term liabilities	946,868	805,112	141,756
Total liabilities	<u>1,026,834</u>	<u>885,718</u>	<u>141,116</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	9,502	58,668	(49,166)
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,045,672	1,066,702	(21,030)
Restricted for:			
Capital Projects	117,596	83,360	34,236
Energy Improvement Projects	1,077	879	198
Debt Service	3,983	4,731	(748)
Capital Replacement	673	382	291
Water Quality Incentive Program	5,216	5,243	(27)
Grants	232	211	21
Unrestricted	<u>(332,372)</u>	<u>(313,120)</u>	<u>(19,252)</u>
Total net position	<u>\$842,077</u>	<u>\$848,388</u>	<u>(\$6,311)</u>

Approximately \$128.78 million, or 15.29% of total net position, is subject to external restrictions regarding its use. Restricted amounts within Governmental Activities include fund balances of the general fund, the urban services fund and various special revenue funds. Please refer to the fund analysis beginning on page 25 for more information.

Table 2 indicates that the net position of Governmental Activities totaled \$502.27 million, or 39.33% of total assets, a decrease of \$22.71 million from the previous year. Of this total, \$813.83 million is invested in capital assets (e.g. land, infrastructures, buildings and improvements, and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets.

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

	<b>Governmental Activities</b>		
	<b>FY 2016</b>	<b>Restated FY 2015</b>	<b>Change</b>
<b>ASSETS</b>			
Current and other assets	\$272,916	\$246,027	\$26,889
Capital assets	1,004,123	1,014,963	(10,840)
Total assets	<u>1,277,039</u>	<u>1,260,990</u>	<u>16,049</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	66,604	39,977	26,627
<b>LIABILITIES</b>			
Current and other liabilities	69,391	69,756	(365)
Long-term liabilities	762,475	649,227	113,248
Total liabilities	<u>831,866</u>	<u>718,983</u>	<u>112,883</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	9,502	56,997	(47,495)
<b>NET POSITION</b>			
Net Investment in Capital Assets	813,825	838,878	(25,053)
Restricted for:			
Capital Projects	57,699	33,754	23,945
Energy Improvement Projects	555	556	(1)
Debt Service	398	198	200
Grants	232	211	21
Maintenance and Operations			
Unrestricted	<u>(370,434)</u>	<u>(348,610)</u>	<u>(21,824)</u>
Total net position	<u>\$502,275</u>	<u>\$524,987</u>	<u>(\$22,712)</u>

Table 3 shows the net position of Business-Type Activities totaled \$339.80 million at the end of fiscal year 2016, an increase of \$16.40 million from the previous fiscal year. Of total net position, \$231.85 million, or 70.45%, is

invested in capital assets, minus related debt which is still outstanding and used to acquire those assets. The Government uses these capital assets in the same way as the capital assets held by Governmental Activities.

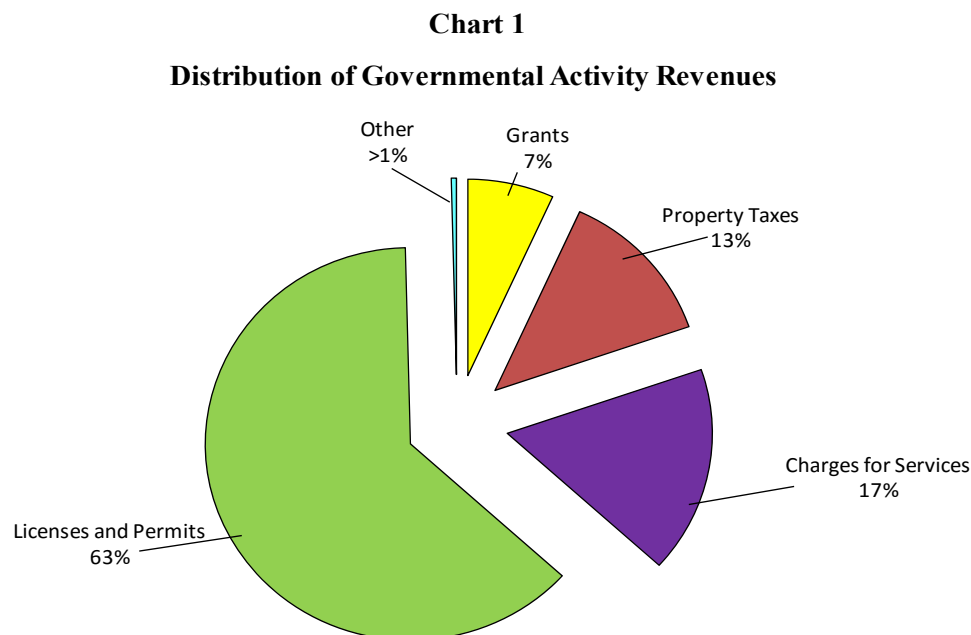
**Table 3**  
**Lexington-Fayette Urban County Government**  
**Summary of Net Position**  
**For Years as Stated**  
**(in thousands)**

	<b>Business-Type Activities</b>		
	<b>FY 2016</b>	<b>Restated FY 2015</b>	<b>Change</b>
<b>ASSETS</b>			
Current and other assets	\$141,846	\$127,762	\$14,084
Capital assets	383,280	356,980	26,300
Total assets	<u>525,126</u>	<u>484,742</u>	<u>40,384</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	9,644	7,064	2,580
<b>LIABILITIES</b>			
Current and other liabilities	10,575	10,849	(274)
Long-term liabilities	184,393	155,885	28,508
Total liabilities	<u>194,968</u>	<u>166,734</u>	<u>28,234</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		1,671	(1,671)
<b>NET POSITION</b>			
Net Investment in Capital Assets	231,848	227,825	4,023
Restricted for:			
Capital Projects	59,896	49,606	10,290
Energy Improvement Projects	522	323	199
Debt Service	3,585	4,533	(948)
Capital Replacement	673	382	291
Water Quality Incentive Program	5,216	5,243	(27)
Unrestricted	38,062	35,489	2,573
Total net position	<u>\$339,802</u>	<u>\$323,401</u>	<u>\$16,401</u>

### **Governmental Activities**

As indicated in Chart 1, the Government funds its Governmental Activities from revenue received from four significant categories. A clear majority, 63%, of the Government's revenue is provided through licenses and permits. This category includes fees placed on employee withholdings, business returns, insurance premiums, and franchise fees. Charges for Services were 17%, which was the second largest contributing category to governmental activity revenues. Revenues collected in this category included charges collected from the Detention Center, EMS charges, golf course collections, fees for building permits, and fees associated with parks and recreation programs. Property Taxes comprises 13% of governmental revenues. Federal and State grant funding represents 7% of

governmental revenue. The remaining Other category represents miscellaneous revenues collected by the Government.



As indicated by Table 4, revenues from Governmental Activities totaled \$438.26 million, which was an increase of \$13.55 million, or 3.19%, from the previous fiscal year. Licenses and permits totaled \$275.54 million, representing 62.87% of total revenues. As stated earlier, this category includes employee withholdings in the form of an occupational license fee (OLF). This fee is comprised of an assessment of 2.25% on the total wages received by individuals employed in Lexington-Fayette County and an assessment of 2.25% on the net profits of businesses operating in the Lexington-Fayette County area. Licenses and permits increased by \$9.94 million, or 3.74% from the previous fiscal year. This is primarily due to increases in occupational license fees collected during the fiscal year of \$10.53 million offset by a decrease in franchise fees of \$0.59 million. Property taxes increased by \$1.51 million, due to an increase in realty taxes collected. Charges for services decreased by \$2.66 million from the previous fiscal year, or 3.45%, primarily due to a decrease in health insurance premiums collected.

As noted on Table 4, total expenses of Governmental Activities were \$460.66 million; an increase of \$71.07 million from the previous fiscal year. This is primarily due to increases in Program Expenses of \$73.98 million. This is offset by decreases in Health, Dental, Vision, Workers Compensation Insurance and Law of \$2.37 million and \$0.54 million, respectively.

### **Business-Type Activities**

Also indicated on Table 4, revenues from Business-Type Activities increased \$8.74 million from the previous fiscal year. Revenues collected for services provided by the Government increased \$7.60 million and other general revenues increased \$1.14 million. Total expenses of Business-Type Activities increased when compared to fiscal year 2015, by \$8.77 million. Primarily Sanitary Sewer, Landfill, E911, and Water Quality expenses increased \$3.06 million, \$1.12 million, \$1.30 million, and \$2.67 million, respectively. Other Business-Type Activities expenses increased approximately \$0.62 million. The largest program among these activities is the Sanitary Sewer system, with expenses of \$44.27 million during the fiscal year, representing 55.41% of all Business-Type Activities expenses.

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2016</b>	<b>Restated 2015</b>	<b>2016</b>	<b>Restated 2015</b>	<b>2016</b>	<b>Restated 2015</b>
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$74,490	\$77,152	\$95,443	\$87,843	\$169,933	\$164,995
Operating Grants & Contributions	13,384	15,087			13,384	15,087
Capital Grants & Contributions	8,319	8,191			8,319	8,191
General Revenues:						
Property Taxes	56,751	55,242			56,751	55,242
Licenses & Permits	275,539	265,596			275,539	265,596
Grants & Unrestricted Contributions	8,018	1,719			8,018	1,719
Other General Revenues	1,755	1,717	547	(595)	2,302	1,122
Total Revenues	<u>438,256</u>	<u>424,704</u>	<u>95,990</u>	<u>87,248</u>	<u>534,246</u>	<u>511,952</u>
Program Expenses						
General Government	30,181	24,482			30,181	24,482
Administrative Services	7,801	7,433			7,801	7,433
Health, Dental, Vision, Workers Comp, General Insurance	22,633	25,001			22,633	25,001
Chief Development Officer	2,074	264			2,074	264
Information Technology*	9,464	8,401			9,464	8,401
Finance	39,135	14,049			39,135	14,049
Environmental Quality & Public Works	60,135	54,934			60,135	54,934
Planning, Preservation, & Development	53,776	42,416			53,776	42,416
Public Safety*	12,560	11,875			12,560	11,875
Police	64,146	56,418			64,146	56,418
Fire & Emergency Services	66,853	56,832			66,853	56,832
Community Corrections	30,814	30,066			30,814	30,066
Social Services	11,754	10,964			11,754	10,964
General Services*	12,486	11,827			12,486	11,827
Parks & Recreation	21,011	18,855			21,011	18,855
Law	2,109	2,650			2,109	2,650
Interest on Long-Term Debt	13,723	13,116			13,723	13,116
Sanitary Sewer System			44,270	41,209	44,270	41,209
Public Facilities			9,596	8,830	9,596	8,830
Public Parking			67	67	67	67
Landfill			5,543	4,426	5,543	4,426
Right of Way			336	280	336	280
Extended School Program			2,263	1,951	2,263	1,951
Prisoners' Account System			1,717	1,807	1,717	1,807
Enhanced 911			3,940	2,638	3,940	2,638
CKY Network			879	1,308	879	1,308
Water Quality			11,291	8,619	11,291	8,619
Total Expenses	<u>460,655</u>	<u>389,583</u>	<u>79,902</u>	<u>71,135</u>	<u>540,557</u>	<u>460,718</u>
Increase (Decrease) in Net Position before Transfers	(22,399)	35,121	16,088	16,113	(6,311)	51,234
Transfers	(313)	(3)	313	3	0	0
Increase (Decrease) in Net Position	(22,712)	35,118	16,401	16,116	(6,311)	51,234
Net Position, July 1	524,987	489,869	323,401	307,285	848,388	797,154
Adjustment to Opening Net Position (Note 2.D)					0	0
Net Position, June 30	<u>\$502,275</u>	<u>\$524,987</u>	<u>\$339,802</u>	<u>\$323,401</u>	<u>\$842,077</u>	<u>\$848,388</u>

\*In FY16 the Chief Information Officer was changed to the Department of Information Technology. In addition, the Division of Security was moved from the Department of General Services to the Department of Public Safety.

## PERSONNEL COSTS

During the year, personnel related expenses for Police, Fire & Emergency Services, and Community Corrections, which are covered by collective bargaining agreements, increased approximately \$7.58 million. Fire & Emergency Services, Police, and Community Corrections decreased by \$3.85 million, \$3.36 million, and \$0.37 million, respectively. Salary and wage costs, including benefits, for non-collective bargaining employees increased 5.0%. See Chart 2 for more information on personnel costs for Governmental Activities during fiscal year 2016.

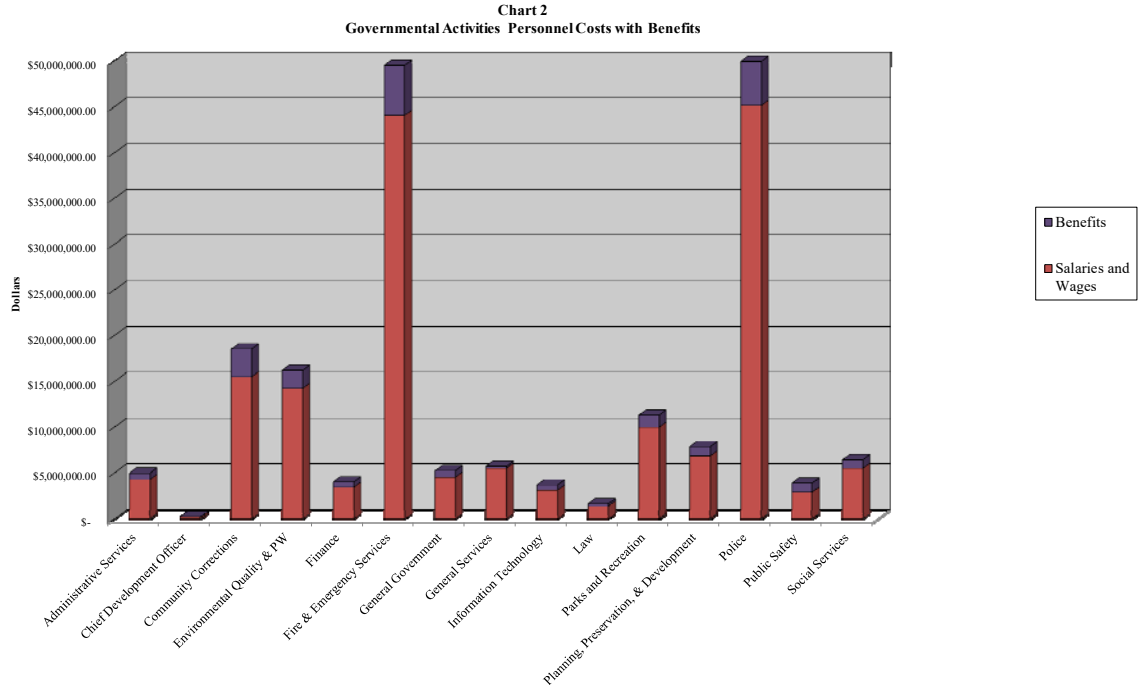
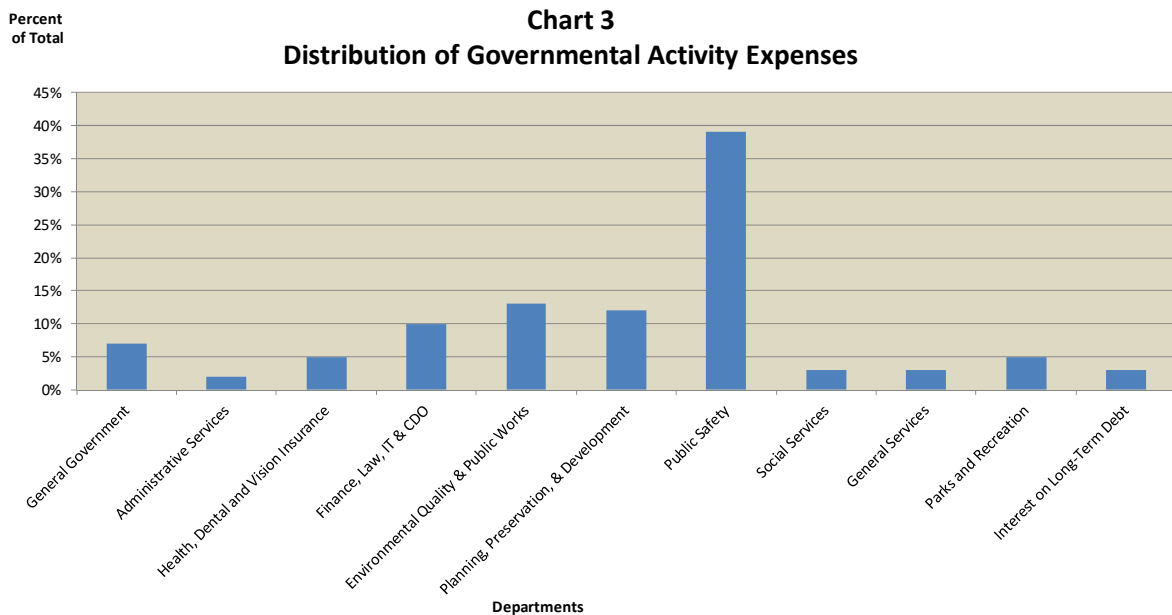


Chart 3 displays the distribution of total costs by governmental activity.



## **FUNDS OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**

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

### **Governmental Funds**

The Government's total governmental funds for the year ended June 30, 2016 reflect a combined ending fund balance of \$183.69 million, an increase of \$23.83. million from the previous fiscal year. The Government reports fund balance as nonspendable, restricted, committed, assigned, or unassigned (refer to Note 1 to the financial statements for detailed information on the fund balance classifications). The increase is primarily due to proceeds from the issuance of bonds of \$59.54 million, offset by net transfers out and expenditures in excess of revenues of \$36.21 million.

The Government had \$4.79 million of unassigned fund balance available in the General Fund at June 30, 2016. Unassigned fund balance of the General Fund (the Government's main operating fund) represents approximately 1.44% of total general fund expenditures for fiscal year 2016. At the end of fiscal year 2016, the fund balance held by the General Fund totaled \$87.01 million, an increase of \$2.29 million, or 2.73%, from the previous fiscal year. This was primarily due to revenues in excess of expenditures of \$3.47 million, offset by other financing uses of \$1.18 million.

The Urban Services Fund is used to finance solid waste collection, streetlights, and street cleaning services for properties within designated property tax districts. At the end of the fiscal year, the Urban Services Fund held a total fund balance of \$30.37 million, a decrease of \$1.02 million over the prior fiscal year. This decrease is primarily due to expenditures in excess of revenues of \$3.19 million, offset by net transfers of \$2.17 million. Revenues of the Urban Services Fund increased by \$0.51 million or 1.36% compared to the prior fiscal year. Operating expenditures increased \$2.92 million over the prior fiscal year. This was primarily due to increases in departmental expenditures and acquisitions and construction of \$0.92 million and \$2.0 million, respectively.

The Federal and State Grants Fund held a balance of \$0.23 million for fiscal year ended June 30, 2016, an increase of \$0.02 million over the prior fiscal year. This fund balance represents grant revenues received, but not spent, that are restricted for specific activities. During fiscal year 2012, an outstanding loan receivable balance was paid in full. The funding is being used for urban development projects.

The Other Governmental Funds primarily relate to costs associated with various capital bond projects. During fiscal year 2016, \$42.53 million was expended on these projects. Bonds in the amount of \$59.54 million were issued to reimburse these expenditures and cover any additional costs associated with the projects, for more information please see Note 3.D. to the financial statements.

### **Proprietary Funds**

The Government's proprietary fund statements provide the same type of information found in the *Government-Wide Financial Statements*, but in more detail. Total net position for the Government's proprietary funds totaled \$339.80 million as of June 30, 2016, an increase of \$16.40 million from the prior fiscal year. Revenues from charges for services increased \$7.60 million and total expenses increased \$8.77 million when compared to the prior fiscal year.

The Sanitary Sewer System Fund held total net position of \$254.35 million, an increase of \$13.96 million over the prior year. Of the total net position held by the Sanitary Sewer System Fund, \$60.92 million is restricted by bond covenants for maintenance, capital replacement and projects, and debt service. In addition, \$0.52 million is restricted for energy improvement projects.



The Public Facilities Corporation was created by the Government to act as an agency and instrumentality of the Government to finance and operate public projects. The net position of the Public Facilities Corporation was \$22.00 million, a decrease of \$1.81 million from the prior fiscal year. Operating income during fiscal year 2016 was \$6.99 million. The decrease in net position is primarily due to non-operating expenses of \$3.06 million, offset by excess revenues over expenses of \$0.45 million and transfers in of \$0.80 million.

The Water Quality Fund was established to account for the revenues and expenses of developing and operating storm water related activities. The net position of the Water Quality Fund totaled \$20.87 million, an increase of \$1.94 million from the prior fiscal year. Revenues in excess of expenses primarily contributed to this increase.

As of June 30, 2016, the total net position of the Landfill Fund held a balance of \$32.40 million, an increase of \$1.54 million from the prior fiscal year, a 4.75% increase. Revenues in excess of expenses primarily contributed to this increase.

The other enterprise funds were established to account for the acquisition, operation and maintenance of the Government's facilities and services which are entirely or predominantly self-supported by user charges or where the Government has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes. As of June 30, 2016 the other enterprise funds held total net position of \$9.32 million, a increase of \$0.15 million over the previous fiscal year.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

For fiscal year 2016, General Fund revenues totaled \$335.54 million, an increase of 3.40% from the previous fiscal year. Total revenues were \$3.17 million above the final budgeted amount. This increase in actual revenue is the result of ongoing growth in the U.S. economy, which positively affected both employee withholdings and business returns. Total charges for services were \$4.07 million above the final budgeted amount. Taxes collected, fines and forfeitures, property sales, investment returns, and other income were \$1.32 million above the final budgeted amount. This was offset by licenses and permits and intergovernmental revenues received under budget by \$2.22 million.

General Fund expenditures of the Government totaled \$332.06 million, an increase of \$27.61 million, or 9.07% over the previous fiscal year. Expenditures were \$9.81 million below the final budgeted amount. Operating expenditures were \$7.49 million below the final budgeted amount. Personnel expenditures, accounting for 61.8% of General Fund expenditures, were \$0.14 million below the final budgeted amount. Divisions with collective bargaining agreements had personnel expenditures \$3.99 million above the final budgeted amount. Personnel expenditures from these divisions account for 42.8% of the General Fund expenditures. Please see Table 5 below for more details regarding the distribution of General Fund personnel costs and the changes from prior year.

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

<b>Departments</b>	<b>2016</b>	<b>2015</b>	<b>Change</b>	<b>% Change</b>	<b>% General Fund Expenditures</b>
Non-Collective Bargaining Divisions					
Administrative Services	\$4,500	\$4,185	\$315	7.5%	1.4%
Chief Development Officer	176	181	(5)	-2.8%	0.1%
Information Technology *	3,926	3,815	111	2.9%	1.2%
Department of Finance	4,518	4,345	173	4.0%	1.4%
Department of General Services *	6,790	6,547	243	3.7%	2.0%
Department of Law	1,779	1,893	(114)	-6.0%	0.5%
Department of Public Safety *	3,519	3,361	158	4.7%	1.1%
Department of Social Services	5,825	5,438	387	7.1%	1.8%
Department of Environmental Quality & PW	5,094	4,373	721	16.5%	1.5%
Department of Planning, Preservation & Dev	8,336	7,926	410	5.2%	2.5%
General Government	5,911	5,548	363	6.5%	1.8%
Parks and Recreation	12,640	11,784	856	7.3%	3.8%
Total Non-Collective Bargaining Divisions	63,014	59,396	3,618	6.1%	19.0%
Divisions with Collective Bargaining					
Police	59,123	55,505	3,618	6.5%	17.8%
Community Corrections	23,020	22,657	363	1.6%	6.9%
Fire & Emergency Services	59,894	54,784	5,110	9.3%	18.0%
Total Collective Bargaining Divisions	142,037	132,946	9,091	6.8%	42.8%
Total Personnel Costs with Benefits	\$205,051	\$192,342	\$12,709	6.6%	61.8%

\*In FY16 the Chief Information Officer was changed to the Department of Information Technology. In addition, the Division of Security was moved from the Department of General Services to the Department of Public Safety.

## **CAPITAL ASSETS**

The Government's capital assets totaled \$1.37 billion as of June 30, 2016, details of which are in Note 3.B. to the financial statements. This investment includes land, buildings, equipment, park facilities, roads, bridges, and sewer systems. For Governmental Activities, the net investment in capital assets totaled \$813.83 million. Governmental Activities net investment in capital assets decreased by \$25.05 million from the prior fiscal year. The net investment in capital assets of Business-Type Activities totaled \$231.85 million, an increase of \$4.02 million over the previous fiscal year.

This year's major changes in capital assets included:

- Governmental Activities total capital assets decreased by \$10.84 million compared to the previous fiscal year. The decrease was primarily due to depreciation of \$50.87 million and asset retirements of \$11.74 million, respectively, offset by capital additions of \$51.77 million. Infrastructure assets decreased by \$29.36 million, primarily due to depreciation of \$33.66 million and retirements of \$0.07 million, offset by capital additions of \$4.37 million. Infrastructure includes roads, bridges, storm water, fiber optics, traffic signals and similar items. In addition, construction in progress increased \$14.20 from the previous fiscal year. Land, purchase of development rights, and intangibles increased \$1.52 million, \$1.04 million and \$1.37 million respectively.

- Capital assets for Business-Type Activities increased by \$26.30 million. The overall increase was primarily due to land, infrastructure and sewer lines/plants, and construction in progress increasing by \$2.17 million, \$3.80 million, and \$24.64 million, respectively. The increase represents several projects underway related to the Government's Remedial Measures Plan, filed with the Environmental Protection Agency. Additional information can be found in Note 5.B. to the financial statements. This was offset primarily by a decrease in buildings of \$4.09 million. Other asset categories had a net decrease of \$0.22 million.
- Infrastructure assets totaled \$648.15 million in the Governmental Activities and \$209.43 million in Business-Type Activities. The overall decrease from the previous year in infrastructure assets totaled \$25.56 million. The decrease was primarily due to depreciation of \$40.95 million, offset by net additions and reclassifications of \$15.39 million.

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
Land	\$61,218	\$59,696	\$43,869	\$41,699	\$105,087	\$101,395
Purchase of Development Rights	76,227	75,191			76,227	75,191
Intangibles	7,119	5,752	760	1,043	7,879	6,795
Buildings	90,951	91,026	36,738	40,829	127,689	131,855
Vehicles, Equipment, & Furniture	38,702	39,204	9,986	9,614	48,688	48,818
Land and Leasehold Improvements	14,602	14,329	9,160	9,709	23,762	24,038
Infrastructure & Sewer Lines/Plants	648,151	677,512	209,433	205,635	857,584	883,147
Construction in Progress	44,256	30,060	64,916	40,278	109,172	70,338
Developments in Progress	22,897	22,193	8,418	8,174	31,315	30,367
Total	<u>\$1,004,123</u>	<u>\$1,014,963</u>	<u>\$383,280</u>	<u>\$356,981</u>	<u>\$1,387,403</u>	<u>\$1,371,944</u>

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

## DEBT ADMINISTRATION

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

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

At the end of fiscal year 2016, the Government had \$510.48 million in bonds and notes outstanding; Governmental Activities' debt increased by \$36.41 million and total debt increased by \$58.69 million. The increase in debt for Governmental Activities resulted primarily from the issuance of GO bonds totaling \$59.54 million, offset by principal payments and amortized bond costs in the current fiscal year on outstanding debt of \$23.13 million. The Business-Type Activities debt increased \$22.28 million primarily from note payable proceeds of \$28.16 million, offset by principal payments and amortized bond costs of \$5.88 million.

Despite 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 \$2.89 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 \$408.97 million.

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

	<b>Governmental</b>		<b>Business-Type Activities</b>		<b>Total Primary Government</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
General Obligation Bonds, Notes, Leases	\$359,050	\$322,637	\$64,267	\$36,969	\$423,317	\$359,606
Mortgage Revenue Bonds			51,315	53,625	51,315	\$53,625
Revenue Bonds			35,850	38,561	35,850	\$38,561
Total	<u>\$359,050</u>	<u>\$322,637</u>	<u>\$151,432</u>	<u>\$129,155</u>	<u>\$510,482</u>	<u>\$451,792</u>

The Government maintains a general obligation bond rating of "Aa2" from Moody's and "AA" from Standard & Poor's. The revenue bonds of the sanitary sewer system have a bond rating of "Aa3" from Moody's and "AA" from Standard & Poor's. The rating of the Government's lease revenue debt is "AA3" from Moody's and "AA-" from Standard & Poor's. The Government has not issued lease revenue debt since 1998 due to changes in state law that provided for the issuance of general obligation debt. Additional information regarding the Government's long-term debt can be found in Note 3.D. to the financial statements.

## **NEXT YEAR'S BUDGET**

The Lexington-Fayette Urban County Government Fiscal Year 2017 Budget, for all funds combined, net of interfund transfers, is \$688,820 million. Significant initiatives in the budget include:

- A commitment of \$159.80 million for storm sewer projects and programs as required by the Environmental Protection Agency Consent Decree.
- GO bonds were approved as part of the fiscal year 2016 budget for \$47.91 million. The bonds will fund projects for Public Safety, infrastructure improvements, convention center and sports complex renovations, streets and roads projects, information technology, and local parks.

## **REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

	<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>ASSETS</b>				
Cash	\$43,411,168	\$60,137,015	\$103,548,183	\$36,988,986
Investments	105,621,457	70,324,480	175,945,937	9,253,205
Receivables (Net)	28,394,039	7,093,475	35,487,514	3,209,333
Due from Other Governments	5,139,134		5,139,134	6,081,187
Due from Fiduciary Funds	4,755,654		4,755,654	
Due from Component Units	46,692		46,692	
Due from Primary Government				1,658,274
Other Current Assets				866,872
Inventories and Prepaid Expenses	2,500,028	50,618	2,550,646	838,379
Net Pension Asset	18,944,126		18,944,126	
Restricted Assets:				
Cash				13,902,189
Receivables (Net)	930,027		930,027	698,437
Grants Receivable	1,000,000		1,000,000	3,258,092
Investments	61,243,760	4,239,908	65,483,668	22,772,238
Other				43,688
Capital Assets:				
Non-depreciable	207,703,280	117,659,273	325,362,553	49,999,672
Depreciable (Net)	796,420,188	265,620,609	1,062,040,797	238,952,890
Other Assets	930,000		930,000	10,474,910
<b>Total Assets</b>	<b>\$1,277,039,553</b>	<b>\$525,125,378</b>	<b>\$1,802,164,931</b>	<b>\$398,998,352</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Amount on Bond Refunding	\$2,863,399	\$4,339,631	\$7,203,030	\$78,990
Differences between expected and actual experience	7,911,244	250,223	8,161,467	202,839
Changes of assumptions	13,030,784	2,124,942	15,155,726	4,382,665
Changes in proportionate share	2,271,894	370,482	2,642,376	
Differences between projected and actual earnings on pension plan investments	1,114,149	181,685	1,295,834	1,264,901
Contributions subsequent to measurement date	39,412,601	2,377,208	41,789,809	2,915,837
<b>Total Deferred Outflows of Resources</b>	<b>\$66,604,071</b>	<b>\$9,644,171</b>	<b>\$76,248,242</b>	<b>\$8,845,232</b>
<b>LIABILITIES</b>				
Accounts, Contracts Payable and Accrued Liabilities	\$27,506,310	\$7,415,745	\$34,922,055	\$9,994,568
Interest Payable	4,281,835	535,444	4,817,279	116
Internal Balances	3,014,490	(3,014,490)		
Due to Component Units	1,658,274		1,658,274	
Due to Primary Government				46,692
Unearned Revenue and Other	5,354,931	13	5,354,944	22,528
Claims Liabilities	27,575,608		27,575,608	
Liabilities Payable from Restricted Assets:				
Accounts, Contracts and Retainage Payable		2,098,756	2,098,756	2,982,518
Bonds and Notes Payable		3,416,867	3,416,867	
Interest Payable		122,501	122,501	1,166,567
Noncurrent Liabilities:				
Due Within One Year:				
Bonds and Notes Payable	22,085,000	2,467,850	24,552,850	5,808,831
Compensated Absences	3,384,843	507,073	3,891,916	534,096
Landfill Closure and Postclosure Care Costs		438,056	438,056	
Due in More Than One Year:				
Unearned Revenue and Other	4,670,289		4,670,289	353,666
Bonds and Notes Payable	336,964,549	145,547,058	482,511,607	104,598,461
Compensated Absences	20,792,605	1,064,055	21,856,660	941,424
Landfill Closure and Postclosure Care Costs		13,284,609	13,284,609	
Unfunded Other Post Retirement Benefit Liability	93,938,616		93,938,616	
Unfunded Pension Liability	280,639,292	21,083,912	301,723,204	71,341,207
<b>Total Liabilities</b>	<b>\$831,866,642</b>	<b>\$194,967,449</b>	<b>\$1,026,834,091</b>	<b>\$197,790,674</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Differences between expected and actual experience	\$0	\$0	\$0	\$425,510
Changes in proportionate share				6,589,745
Differences between projected and actual earnings on pension plan investments	9,502,047		9,502,047	46,075
<b>Total Deferred Inflows of Resources</b>	<b>\$9,502,047</b>	<b>\$0</b>	<b>\$9,502,047</b>	<b>\$7,061,330</b>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

	<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$813,823,945	\$231,848,112	\$1,045,672,057	\$180,990,643
Restricted for:				
Governmental and Program Funds				339,923
Capital Projects	57,700,163	59,895,900	117,596,063	28,837
Energy Improvement Projects	554,941	522,082	1,077,023	
Debt Service	397,688	3,585,233	3,982,921	27,363,524
Capital Replacement		672,905	672,905	
Water Quality Incentive Program		5,215,952	5,215,952	
Grants	232,138		232,138	
Unrestricted (Deficit)	(370,433,940)	38,061,916	(332,372,024)	(5,731,347)
<b>Total Net Position</b>	<b>\$502,274,935</b>	<b>\$339,802,100</b>	<b>\$842,077,035</b>	<b>\$202,991,580</b>

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, 2016**

Function/Program Activities	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
Administrative Services	\$7,800,854	\$498,615	\$1,904,280	\$19,400	(\$5,378,559)	\$0	\$0
Chief Development Officer	2,074,348	2,500	51,250		(2,020,598)		(2,020,598)
Community Corrections	30,814,432	9,330,723	17,807		(21,465,902)		(21,465,902)
Environmental Quality & Public Works	60,134,890	2,485,454	568,745	569,293	(56,511,398)		(56,511,398)
Finance	39,135,165	472,126			(38,663,039)		(38,663,039)
Fire & Emergency Services	66,853,053	9,210,668	2,310,076		(55,332,309)		(55,332,309)
General Government	30,180,917	19,035,469	149,975	2,012	(10,993,461)		(10,993,461)
General Services	12,486,401	18,346			(12,468,055)		(12,468,055)
Health, Dental, and Vision	22,632,726	22,632,726					
Information Technology	9,464,131	3,096			(9,461,035)		(9,461,035)
Law	2,109,025	31,416			(2,077,609)		(2,077,609)
Parks & Recreation	21,010,506	4,403,431		3,443	(16,603,632)		(16,603,632)
Planning, Preservation, & Development	53,776,224	3,119,969	1,275,645	7,503,120	(41,877,490)		(41,877,490)
Police	64,145,155	1,513,686	3,505,351	163,645	(58,962,473)		(58,962,473)
Public Safety	12,560,199	69,522	2,522,195		(9,968,482)		(9,968,482)
Social Services	11,754,471	1,662,363	1,078,640	58,402	(8,955,066)		(8,955,066)
Interest on Long-Term Debt	13,722,941				(13,722,941)		(13,722,941)
Total Governmental Activities	460,655,438	74,490,110	13,383,964	8,319,315	(364,462,049)	0	(364,462,049)
Business-Type Activities:							
Sanitary Sewer System	44,271,125	58,394,719			14,123,594		14,123,594
Public Facilities	9,596,104	6,987,558			(2,608,546)		(2,608,546)
Public Parking	66,987	705			(66,282)		(66,282)
Landfill	5,542,566	7,050,937			1,508,371		1,508,371
Right of Way	336,415	495,490			159,075		159,075
Extended School Program	2,262,605	2,289,089			26,484		26,484
Prisoners' Account System	1,716,855	1,621,110			(95,745)		(95,745)
Enhanced 911	3,940,313	4,126,861			186,548		186,548
CKY Network	879,328	815,110			(64,218)		(64,218)
Water Quality	11,290,945	13,661,911			2,370,966		2,370,966
Total Business-Type Activities	79,903,243	95,443,490	0	0	15,540,247		15,540,247
Total Primary Government	\$540,558,681	\$169,933,600	\$13,383,964	\$8,319,315	(\$364,462,049)	\$15,540,247	(\$348,921,802)



**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

Function/Program Activities Component Units:	Program Revenues				Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Lexington Center Corporation	\$22,556,548	\$16,461,201	\$548,000	\$400,000			(\$5,147,347)
Lexington Airport Board	24,308,021	20,411,938		13,962,518			10,066,435
Fayette County Department of Health	15,394,609	3,323,700	5,690,417				(6,380,492)
Parking Authority of Lexington	3,281,867	3,998,805					716,938
Nonmajor Component Units	49,867,289	3,837,856	17,351,536	627,512			(28,050,385)
<b>Total Component Units</b>	<b>\$115,408,334</b>	<b>\$48,033,500</b>	<b>\$23,589,953</b>	<b>\$14,990,030</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$28,794,851)</b>
<b>General Revenues:</b>							
Property Taxes					\$56,751,090	\$0	\$56,751,090
Licenses Fees - Wages and Net Profits Taxes					275,539,490		275,539,490
Grants and Contributions Not Restricted to Specific Programs:							
Community Development Block Grant					8,018,438		8,018,438
Income on Investments					1,341,333	547,366	1,888,699
Net Change in Fair Value of Investments							
Gain on Sale of Capital Assets					413,379		413,379
Miscellaneous							
Payment from Lexington-Fayette Urban County Government							
Transfers					(313,102)	313,102	
<b>Total General Revenues and Transfers</b>					<b>341,750,628</b>	<b>860,468</b>	<b>342,611,096</b>
Change in Net Position					(22,711,421)	16,400,715	(6,310,706)
Net Position, Beginning					523,242,733	324,091,981	847,334,714
Adjustment to Opening Net Position (Note 2.D.)					1,743,623	(690,596)	1,053,027
Net Position, Beginning - Restated					524,986,356	323,401,385	848,387,741
Net Position, Ending					<b>\$502,274,935</b>	<b>\$339,802,100</b>	<b>\$842,077,035</b>
							<b>\$202,991,580</b>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2016**

	<u>General*</u>	<u>Urban Services</u>	<u>Federal and State Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash	\$30,073,777	\$551,246	\$60,893	\$8,996,156	\$39,682,072
Investments	75,010,889	22,063,362		8,547,206	105,621,457
Receivables:					
Loans			2,861,273	123,065	2,984,338
License Fees	17,910,452				17,910,452
Other	16,631,499	56,133	3,156	823,218	17,514,006
Less Allowance for Uncollectible Amounts	(7,281,520)		(2,861,273)		(10,142,793)
Due from Other Governments			5,139,134		5,139,134
Due from Component Units	46,692				46,692
Due from Fiduciary Funds	4,755,654				4,755,654
Due from Other Funds		9,581,797		3,257,243	12,839,040
Inventories and Prepaid Items	2,102,194	2,603		2,680	2,107,477
Restricted Investments			28,611	61,215,149	61,243,760
<b>Total Assets</b>	<u>\$139,249,637</u>	<u>\$32,255,141</u>	<u>\$5,231,794</u>	<u>\$82,964,717</u>	<u>\$259,701,289</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts and Contracts Payable	\$7,999,482	\$1,347,759	\$2,211,915	\$5,375,778	\$16,934,934
Accrued Payroll & Related Liabilities	9,550,338	512,142	148,736	11,467	10,222,683
Due to Other Funds	31,256,696		427,983	10,157,985	41,842,664
Due to Component Units	1,658,274				1,658,274
Unearned Revenue and Other	1,776,971	20,993	2,211,022	1,345,945	5,354,931
<b>Total Liabilities</b>	<u>52,241,761</u>	<u>1,880,894</u>	<u>4,999,656</u>	<u>16,891,175</u>	<u>76,013,486</u>
Fund Balances:					
Nonspendable	2,102,194	2,603		2,680	2,107,477
Restricted for:					
Public Works				6,271,461	6,271,461
Public Safety	397,688			1,460,930	1,858,618
Capital Projects				57,700,163	57,700,163
Grants Projects			232,138		232,138
Urban Services		30,368,714			30,368,714
Energy Improvement Projects	552,011	2,930			554,941
Committed for:					
General Government	13,353,512				13,353,512
Economic Stabilization	30,687,844				30,687,844
Assigned to:					
General Government	21,200,000			720,741	21,920,741
Capital Projects	13,924,969				13,924,969
Unassigned	4,789,658			(82,433)	4,707,225
<b>Total Fund Balances</b>	<u>87,007,876</u>	<u>30,374,247</u>	<u>232,138</u>	<u>66,073,542</u>	<u>183,687,803</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$139,249,637</u>	<u>\$32,255,141</u>	<u>\$5,231,794</u>	<u>\$82,964,717</u>	<u>\$259,701,289</u>

\* The Lexington Jobs fund was re-categorized from Special Revenue to General Fund based on certain funding characteristics. General Fund beginning fund balance increased \$828,452 and decreased in Other Governmental Funds by the same amount.

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2016**

Total Fund balances - Governmental Funds	\$183,687,803
--	---------------

Amounts reported for Governmental Activities in the Statement of  
Net Position is different because:

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

Governmental capital assets	1,569,996,251	
Less accumulated depreciation	<u>(565,872,783)</u>	1,004,123,468

The net pension asset is not an available resource and, therefore, is not reported in the funds.	18,944,126
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Restricted receivables and other long-term assets are not available to pay for expenditures  
in the current period and, therefore, are not reported in the funds.

Restricted receivables (Net)	1,930,027
Other assets	930,000

Long-term liabilities, including bonds and notes payable, are not due and payable  
in the current period and, therefore, are not reported in the funds.

Bonds and notes payable	(359,049,549)	
Unearned revenue and other	(4,670,289)	
Interest payable	(4,281,835)	
Compensated absences	(24,177,448)	
Unfunded pension liability and other post retirement benefits	<u>(374,577,908)</u>	(766,757,029)

Loss on debt refunding has been deferred in the Statement of Net Position (see Note 1.G.)	2,863,399
---	-----------

Differences between expected and actual experience have been deferred in the Statement of Net Position	7,911,244
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Changes of assumptions have been deferred in the Statement of Net Position	13,030,784
--	------------

Changes in proportionate share have been deferred in the Statement of Net Position	2,271,894
--	-----------

Differences between projected and actual earnings on pension plan have been deferred in the Statement of Net Position	1,114,149
--	-----------

Contributions to the pension plan have been deferred in the Statement of Net Position	39,412,601
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Investment earnings on pension plan assets have been deferred in the Statement of Net Position	(9,502,047)
--	-------------

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 Position.	3,164,292
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Internal balances due to non-governmental activities related to items listed above	<u>(849,776)</u>
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Net Position of Governmental Activities	<u><u>\$502,274,935</u></u>
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The accompanying notes are an integral part of the financial statements.

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

	<b>General*</b>	<b>Urban Services</b>	<b>Federal and State Grants</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds*</b>
<b>REVENUES</b>					
License Fees and Permits	\$279,796,674	\$1,443,988	\$0	\$0	\$281,240,662
Taxes	22,599,975	34,151,115			56,751,090
Charges for Services	27,409,249	1,765,951			29,175,200
Fines and Forfeitures	220,612	1,589			222,201
Intergovernmental	858,600	12,586	29,721,718	7,639,764	38,232,668
Exactions				317,370	317,370
Property Sales	205,560	380,066			585,626
Income on Investments	775,012	480,162	25,902	60,402	1,341,478
Other	3,669,875	131,850	499,803	235,058	4,536,586
<b>Total Revenues</b>	<b>335,535,557</b>	<b>38,367,307</b>	<b>30,247,423</b>	<b>8,252,594</b>	<b>412,402,881</b>
<b>EXPENDITURES</b>					
Current:					
Administrative Services	6,137,629	556,534	1,366,603		8,060,766
Chief Development Officer	1,001,763		106,078		1,107,841
Community Corrections	33,236,873		17,807		33,254,680
Environmental Quality & Public Works	10,908,858	31,445,480	422,223	43,123	42,819,684
Finance	5,494,593	19,138		23,240	5,536,971
Fire and Emergency Services	68,984,333		2,230,801		71,215,134
General Government	4,190,930	2,282,154	66,340	3,000	6,542,424
General Services	8,206,070	422,534			8,628,604
Information Technology	8,712,345	144,000		330,869	9,187,214
Law	2,182,164	10,140		83,008	2,275,312
Outside Agencies	20,264,359		8,472,179		28,736,538
Parks and Recreation	20,280,920		7,435	361,860	20,650,215
Planning, Preservation, & Development	11,474,032		980,339	32,365	12,486,736
Police	65,845,970		3,537,561	630,692	70,014,223
Public Safety	10,761,572		1,012,567	32,188	11,806,327
Social Services	7,659,053		1,531,514		9,190,567
Debt Service:					
Principal	21,015,448	764,339		230,213	22,010,000
Interest	13,465,661	152,640		28,890	13,647,191
Other Debt Service				291,511	291,511
Capital:					
Equipment	8,680,003	3,286,677	953,875	4,594,066	17,514,621
Acquisitions and Construction	3,557,395	2,480,527	11,446,397	35,849,414	53,333,733
<b>Total Expenditures</b>	<b>332,059,971</b>	<b>41,564,163</b>	<b>32,151,719</b>	<b>42,534,439</b>	<b>448,310,292</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>3,475,586</b>	<b>(3,196,856)</b>	<b>(1,904,296)</b>	<b>(34,281,845)</b>	<b>(35,907,411)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Debt				56,180,000	56,180,000
Premium on Bonds				3,947,104	3,947,104
Discount on Bonds				(584,144)	(584,144)
Transfers In	19,424,050	2,200,000	2,951,864	258,034	24,833,948
Transfers Out	(20,605,064)	(25,960)	(1,026,310)	(3,477,487)	(25,134,821)
<b>Total Other Financing Sources (Uses)</b>	<b>(1,181,014)</b>	<b>2,174,040</b>	<b>1,925,554</b>	<b>56,323,507</b>	<b>59,242,087</b>
<b>Net Change in Fund Balances</b>	<b>2,294,572</b>	<b>(1,022,816)</b>	<b>21,258</b>	<b>22,041,662</b>	<b>23,334,676</b>
<b>Fund Balances, Beginning</b>	<b>84,159,502</b>	<b>31,397,063</b>	<b>210,880</b>	<b>44,092,059</b>	<b>159,859,504</b>
<b>Adjustment to Opening Fund Balance (Note 2.D.)</b>	<b>553,802</b>			<b>(60,179)</b>	<b>493,623</b>
<b>Fund Balances, Beginning - Restated</b>	<b>84,713,304</b>	<b>31,397,063</b>	<b>210,880</b>	<b>44,031,880</b>	<b>160,353,127</b>
<b>Fund Balances, Ending</b>	<b>\$87,007,876</b>	<b>\$30,374,247</b>	<b>\$232,138</b>	<b>\$66,073,542</b>	<b>\$183,687,803</b>

\* The Lexington Jobs fund was re-categorized from Special Revenue to General Funds based on certain funding characteristics. General Fund beginning balance increased \$828,452 and decreased in Other Governmental Funds by the same amount.

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016**

Net change in fund balances - Governmental Funds \$23,334,676

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	51,052,791	
Less current year depreciation	<u>(50,867,260)</u>	185,531

The net effect of various miscellaneous transactions involving capital assets  
(i.e. sales, trade-ins, and donations) is to decrease net position. (11,741,817)

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

Other assets		125,000
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Revenues in the Statement of Activities that do not provide current financial  
resources are not reported as revenues in the funds:

Exaction fees		716,256
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Bond proceeds provide current financial resources to Governmental Funds,  
but issuing debt increases long-term liabilities in the Statement of Net  
Position. Repayment of bond principal is an expenditure in the Governmental  
Funds, but the repayment reduces long-term liabilities in the Statement of  
Net Position.

Issuance of debt	(56,180,000)	
Premium on bonds	(3,947,104)	
Discount on bonds	584,144	
Principal payments	<u>22,010,000</u>	(37,532,960)

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

Change in net pension asset	409,138	
Amortization of current year bond (discounts) premiums	1,120,064	
Amortization of current year bond refunding losses	(308,866)	
Change in unfunded pension liability	(63,723,796)	
Change in unfunded other post retirement benefit liability	(12,014,100)	
Change in deferred inflows of projected and actual earnings on pension plan investments	47,494,790	
Change in differences between expected and actual experience	7,911,244	
Changes of assumptions	13,030,784	
Changes in proportionate share	2,271,894	
Change in deferred outflows of projected and actual earnings on on pension plan investments	1,114,149	
Change in contributions to the pension plan subsequent to the measurement date	2,608,238	
Unearned revenue and other	(47,357)	
Change in accrued interest payable	(75,750)	
Change in restricted receivables (net)	930,027	
Change in compensated absences	<u>(1,050,000)</u>	(329,541)

Internal Service Funds are used by management to charge self-insurance  
to individual funds. The net expense of the Internal Service Funds is  
reported within Governmental Activities. 2,531,434

Change in net position of Governmental Activities (\$22,711,421)

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
June 30, 2016

	Business-Type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	
Current Assets:						
Cash	\$26,471,542	\$1,599,145	\$10,257,051	\$18,260,570	\$3,548,707	\$60,137,015
Investments	43,061,857	291,011	24,031,704	1,500,590	1,439,318	70,324,480
Receivables:						
User Fees Receivable	10,084,769		1,744,754	2,107,947	394,575	13,937,470
Other Receivables	435,824	65,291	36,201		(35,867)	931,891
Less Allowance for Uncollectible Accounts	(5,528,479)		(1,085,415)	(1,126,125)	(35,867)	(7,775,886)
Inventories and Prepaid Expenses	4,263				46,355	50,618
Due from Other Funds		826,042	12,338		4,389,786	5,228,166
Restricted Investments:						
Reserved for Sinking Fund	3,585,233					3,585,233
<b>Total Current Assets</b>	<b>78,115,009</b>	<b>2,781,489</b>	<b>34,996,633</b>	<b>20,742,982</b>	<b>9,782,874</b>	<b>146,418,987</b>
Noncurrent Assets:						
Restricted Investments:						
Reserved for Capital Replacement	618,675			36,000		654,675
Capital Assets:						
Land	3,650,911	32,578,646	5,194,637	2,045,189	400,000	43,869,383
Land Improvements	254,476	23,498,214	16,672,595	157,788	3,207,206	43,790,279
Buildings	3,490,720	114,423,103	219,445		55,351	118,188,619
Sewer Plants	167,748,984					167,748,984
Sewer Lines	203,604,636		410,356	5,733,825		209,748,817
Leasehold Improvements		2,087,090				2,087,090
Vehicles, Equipment, and Furniture	17,644,954	3,069,670	125,330	141,202	3,604,009	24,585,165
Intangibles	2,074,580	69,281		228,455	1,376,987	3,749,303
Less Accumulated Depreciation	(179,790,600)	(107,068,836)	(10,875,241)	(589,645)	(5,497,500)	(303,821,822)
Construction in Progress	62,462,012		386,422	2,060,289	7,514	64,916,237
Developments in Progress	8,417,827					8,417,827
<b>Total Noncurrent Assets</b>	<b>290,177,175</b>	<b>68,657,168</b>	<b>12,133,544</b>	<b>9,813,103</b>	<b>3,153,567</b>	<b>383,934,557</b>
<b>Total Assets</b>	<b>368,292,184</b>	<b>71,438,657</b>	<b>47,130,177</b>	<b>30,556,085</b>	<b>12,936,441</b>	<b>530,353,544</b>
Deferred outflows of resources:						
Deferred Amount on Bond Refunding	\$1,716,650	\$2,622,981	\$0	\$0	\$0	\$4,339,631
Differences between expected and actual experience	128,155	10,889	62,433	62,433	48,746	250,223
Changes of assumptions	1,088,319	92,474	530,191	530,191	413,958	2,124,942
Changes in proportionate share	189,747		16,123	92,438	72,174	370,482
Differences between projected and actual earnings on pension plan investments	93,053		7,907	45,332	35,393	181,685
Contributions subsequent to measurement date	1,217,521		103,452	593,134	463,101	2,377,208
<b>Total Deferred Outflows of Resources</b>	<b>4,433,445</b>	<b>2,622,981</b>	<b>230,845</b>	<b>1,323,528</b>	<b>1,033,372</b>	<b>9,644,171</b>
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$372,725,629</b>	<b>\$74,061,638</b>	<b>\$47,361,022</b>	<b>\$31,879,613</b>	<b>\$13,969,813</b>	<b>\$539,997,715</b>
						<b>0</b>
						<b>31,088,593</b>

ASSETS & DEFERRED OUTFLOWS OF RESOURCES

Current Assets:

Cash  
Investments  
Receivables:  
    User Fees Receivable  
    Other Receivables  
    Less Allowance for Uncollectible Accounts  
Inventories and Prepaid Expenses  
Due from Other Funds  
Restricted Investments:

    Reserved for Sinking Fund

**Total Current Assets**

Noncurrent Assets:

    Restricted Investments:

        Reserved for Capital Replacement

Capital Assets:

    Land  
    Land Improvements  
    Buildings  
    Sewer Plants  
    Sewer Lines  
    Leasehold Improvements  
    Vehicles, Equipment, and Furniture  
    Intangibles  
    Less Accumulated Depreciation  
    Construction in Progress  
    Developments in Progress

**Total Noncurrent Assets**

**Total Assets**

Deferred outflows of resources:

    Deferred Amount on Bond Refunding  
    Differences between expected and actual experience  
    Changes of assumptions  
    Changes in proportionate share  
    Differences between projected and actual earnings on pension plan investments  
    Contributions subsequent to measurement date

**Total Deferred Outflows of Resources**

**Total Assets & Deferred Outflows of Resources**

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2016**

	Business-Type Activities					Governmental Activities Internal Service Funds
	Enterprise Funds				Total	
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	Total
<b>LIABILITIES</b>						
Current Liabilities:						
Accounts, Contracts and Retainage Payable	\$4,889,016	\$213,316	\$398,366	\$780,795	\$320,753	\$6,602,246
Accrued Payroll	393,293		30,444	186,527	203,235	813,499
Due to Other Funds	1,485,024			1,575,631	2,797	3,063,452
Claims Payable						
Bonds Payable		2,405,000		62,850		2,467,850
Interest Payable		530,253		5,191		535,444
Unearned Revenue and Other					13	13
Compensated Absences	366,879		2,481	85,647	52,066	507,073
Landfill Closure and Postclosure Care Costs Payable from Restricted Investments:			438,056			438,056
Accounts, Contracts and Retainage Payable	2,098,756					2,098,756
Bonds and Notes Payable	3,416,867					3,416,867
Interest Payable	122,501					122,501
<b>Total Current Liabilities</b>	<b>12,772,336</b>	<b>3,148,569</b>	<b>869,347</b>	<b>2,696,654</b>	<b>578,851</b>	<b>20,065,757</b>
Noncurrent Liabilities:						
Bonds and Notes Payable	93,232,443	48,910,000		3,404,615		145,547,058
Compensated Absences	856,051		22,331	85,647	100,026	1,064,055
Landfill Closure and Postclosure Care Costs			13,284,609			13,284,609
Unfunded Pension Liability	11,515,161		779,791	4,818,363	3,970,597	21,083,912
<b>Total Noncurrent Liabilities</b>	<b>105,603,655</b>	<b>48,910,000</b>	<b>14,086,731</b>	<b>8,308,625</b>	<b>4,070,623</b>	<b>180,979,634</b>
<b>Total Liabilities</b>	<b>\$118,375,991</b>	<b>\$52,058,569</b>	<b>\$14,956,078</b>	<b>\$11,005,279</b>	<b>\$4,649,474</b>	<b>\$201,045,391</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	\$192,909,188	\$17,342,167	\$12,133,545	\$6,309,640	\$3,153,572	\$231,848,112
Restricted for:						
Capital Projects	56,714,460					56,714,460
Capital Projects - Park Acquisition		3,181,440				3,181,440
Debt Service	3,585,233					3,585,233
Capital Replacement	618,675	18,230		36,000		672,905
Energy/Improvement Projects	522,082					522,082
Water Quality Incentive Program		1,461,232	20,271,399	5,215,952	6,166,767	5,215,952
Unrestricted				9,312,742		37,212,140
<b>Total Net Position</b>	<b>\$254,349,638</b>	<b>\$22,003,069</b>	<b>\$32,404,944</b>	<b>\$20,874,334</b>	<b>\$9,320,339</b>	<b>\$338,952,324</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						849,776
Net Position of Business-Type Activities						<u>\$339,802,100</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 POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2016**

	Business-Type Activities				Governmental
	Enterprise Funds				Activities
	Sanitary Sewer	Public		Other	Internal Service
	System	Facilities	Landfill	Water Quality	Funds
		Corporation			Funds
<b>OPERATING REVENUES</b>					
User Charges	\$53,005,210	\$0	\$6,756,133	\$13,399,932	\$73,161,980
Fees	3,249,636	436,105	150,452		11,067,253
Exactions	411,513				411,513
License Fees and Permits					
Rental Income		5,920,996		495,490	5,920,996
Theater Revenues		630,457			630,457
Gross Profit - Commissary					
Other	1,127,145		144,352	230,336	1,621,110
<b>Total Operating Revenues</b>	<b>57,793,504</b>	<b>6,987,558</b>	<b>7,050,937</b>	<b>13,630,268</b>	<b>94,810,632</b>
<b>OPERATING EXPENSES</b>					
Treatment Plant	6,713,706				6,713,706
Collection System	4,413,641				4,413,641
Property Management		2,138,861			2,138,861
Theater Management		569,032			569,032
Landfill			3,487,136		3,487,136
Right of Way					
Extended School Program					
Prisoners' Account					
Inmate Trust Account					
Enhanced 911					
CKY Network					
Administration					
Depreciation	21,566,883		1,622,498	11,076,173	879,328
Claims and Benefit Payments	9,130,305	3,826,937	432,932	158,104	34,480,812
<b>Total Operating Expenses</b>	<b>41,824,535</b>	<b>6,534,830</b>	<b>5,542,566</b>	<b>11,234,277</b>	<b>13,932,048</b>
<b>Operating Income</b>	<b>15,968,969</b>	<b>452,728</b>	<b>1,508,371</b>	<b>2,395,991</b>	<b>3,164,292</b>



**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2016**

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds
					Total
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Income on Investments	440,636	256	29,338	74,665	547,366
Interest Expense and Fiscal Agent Fees	(2,447,539)	(2,645,858)		(56,668)	(5,150,065)
Amortization of Bond Costs	53,933	(172,089)			(118,156)
Gain (Loss) on Sale of Capital Assets	(52,984)	(243,327)			(296,311)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>(2,005,954)</b>	<b>(3,061,018)</b>	<b>29,338</b>	<b>17,997</b>	<b>(5,017,166)</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>13,963,015</b>	<b>(2,608,290)</b>	<b>1,537,709</b>	<b>2,413,988</b>	<b>15,454,755</b>
Transfers In		795,373			795,373
Transfers Out	(4,236)			(478,035)	(482,271)
<b>Change in Net Position</b>	<b>13,958,779</b>	<b>(1,812,917)</b>	<b>1,537,709</b>	<b>1,935,953</b>	<b>15,767,857</b>
<b>Net Position, Beginning</b>	<b>240,527,653</b>	<b>23,815,986</b>	<b>30,867,235</b>	<b>18,938,381</b>	<b>9,725,808</b>
<b>Adjustment to Opening Net Position (Note 2.D.)</b>	<b>(136,794)</b>				<b>(553,802)</b>
<b>Net Position, Beginning - Restated</b>	<b>240,390,859</b>	<b>23,815,986</b>	<b>30,867,235</b>	<b>18,938,381</b>	<b>9,172,006</b>
<b>Net Position, Ending</b>	<b>\$254,349,638</b>	<b>\$22,003,069</b>	<b>\$32,404,944</b>	<b>\$20,874,334</b>	<b>\$9,320,339</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					
Change in net position of Business-Type Activities					632,858
					<u>\$16,400,715</u>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2016

	Business-Type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	Total
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>						
<b>Cash Flows from Operating Activities:</b>						
Receipts from Customers	\$57,357,894	\$2,512,119	\$7,014,807	\$13,602,349	\$9,369,152	\$89,856,321
Receipts from Employees and Other Sources		4,488,869				4,488,869
Receipts from Interfund Services Provided	(19,746,614)	(2,840,299)	(2,889,683)	(3,929,047)	(4,192,680)	(33,598,323)
Payments to Suppliers	(10,439,463)		(871,141)	(5,060,120)	(4,490,959)	(20,861,683)
Payments to Employees	(2,276,051)		(145,415)	(1,068,446)	(220,945)	(3,710,857)
Payments for Interfund Services Used						
Payments for Claims						(34,876,214)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>24,895,766</b>	<b>4,160,689</b>	<b>3,108,568</b>	<b>3,544,736</b>	<b>464,568</b>	<b>36,174,327</b>
						<b>(66,000)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>						
Transfers In	(4,236)	795,373		(478,035)		795,373
Transfers Out						(482,271)
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>(4,236)</b>	<b>795,373</b>	<b>0</b>	<b>(478,035)</b>	<b>0</b>	<b>313,102</b>
						<b>0</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Purchase of Capital Assets	(36,997,653)		(483,592)	(2,600,477)	(263,338)	(40,345,060)
Proceeds from Note Payable	27,053,132			1,110,168		28,163,300
Principal Paid on Bonds	(3,094,123)	(2,310,000)		(61,612)		(5,465,735)
Interest and Fiscal Agent Fees Paid on Bonds	(2,536,076)	(2,645,858)		(56,668)		(5,238,602)
Proceeds on Sale of Capital Assets	61,339					61,339
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(15,513,381)</b>	<b>(4,955,858)</b>	<b>(483,592)</b>	<b>(1,608,589)</b>	<b>(263,338)</b>	<b>(22,824,758)</b>
						<b>0</b>
<b>Cash Flows from Investing Activities:</b>						
Purchase of Investments	(8,849,478)	(256)	(29,337)	(12,000)	(2,170)	(8,893,241)
Income on Investments	209,964	256	29,338	32,700	2,471	274,729
<b>Net Cash Flows Provided by (Used in) Investing Activities</b>	<b>(8,639,514)</b>	<b>0</b>	<b>1</b>	<b>20,700</b>	<b>301</b>	<b>(8,618,512)</b>
						<b>0</b>
<b>Net Increase (Decrease)</b>	<b>738,635</b>	<b>204</b>	<b>2,624,977</b>	<b>1,478,812</b>	<b>201,531</b>	<b>5,044,159</b>
						<b>(66,000)</b>
<b>Cash at Beginning of Year</b>	<b>25,732,907</b>	<b>1,598,941</b>	<b>7,632,074</b>	<b>16,781,758</b>	<b>3,347,176</b>	<b>55,092,856</b>
						<b>3,795,096</b>
<b>Cash at End of Year</b>	<b>\$26,471,542</b>	<b>\$1,599,145</b>	<b>\$10,257,051</b>	<b>\$18,260,570</b>	<b>\$3,548,707</b>	<b>\$60,137,015</b>
						<b>\$3,729,096</b>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2016

	Business-Type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	Total
<b>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:</b>						
Operating Income	\$15,968,969	\$452,728	\$1,508,371	\$2,395,991	\$145,862	\$20,471,921
<b>Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:</b>						
Depreciation	9,130,305	3,826,937	432,932	158,104	383,770	13,932,048
Allowance for Bad Debts	719,980		96,322	139,209		955,511
<b>(Increase) Decrease in Assets:</b>						
Accounts Receivable	(280,908)		(62,447)	(28,852)		(372,207)
Other Receivables	89,354	13,430	26,317	920	20,787	150,808
Inventories and Prepaid Expenses	55,676			1,800	25,300	82,776
Due from Other Funds		99,522	(12,338)		(450,745)	(363,561)
Developments in Progress	(244,056)					(244,056)
<b>(Increase) Decrease in Deferred Outflows:</b>						
Differences between expected and actual experience	(128,155)		(10,889)	(62,433)	(48,746)	(250,223)
Changes of assumptions	(1,088,319)		(92,474)	(530,191)	(413,958)	(2,124,942)
Changes in proportionate share	(189,747)		(16,123)	(92,438)	(72,174)	(370,482)
Differences between projected and actual earnings on pension plan investments	(93,053)		(7,907)	(45,332)	(35,393)	(181,685)
Contributions subsequent to measurement date	6,770		(28,576)	(112,844)	(57,467)	(192,117)
<b>Increase (Decrease) in Liabilities:</b>						
Accounts Payable	889,494	(208,954)	110,935	15,211	93,619	900,305
Accrued Payroll	65,627		10,227	51,622	41,413	168,889
Claims Payable			(53,518)	551,628	2,797	(1,359,284)
Due to Other Funds	(1,860,191)			13		13
Unearned Revenue						
Other Liabilities	(76,219)	(22,974)	1,004,864	1,486		907,157
Compensated Absences	(17,972)		8,184	35,600	28,431	54,243
Unfunded Pension Liability	2,884,344		251,941	1,432,488	1,111,213	5,679,986
<b>Increase (Decrease) in Deferred Inflows:</b>						
Differences between projected and actual earnings on pension plan	(936,133)		(57,253)	(367,246)	(310,141)	(1,670,773)
<b>Total Adjustments</b>	8,926,797	3,707,961	1,600,197	1,148,745	318,706	15,702,406
<b>Net Cash Provided by (Used In) Operating Activities</b>	\$24,895,766	\$4,160,689	\$3,108,568	\$3,544,736	\$464,568	\$36,174,327
						(\$66,000)

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2016**

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$8,271,410	\$1,790,570
Receivables:		
Interest Receivable	1,549,309	
Less Allowance for Uncollectible Accounts		
Other Receivables		630
Investments, at Fair Value:		
Debt Securities:		
US Agencies	29,666,536	
US Government Obligations	27,866,456	
Municipal Obligations	2,957,438	
International Bonds	11,134,235	
Corporate Debt	83,490,737	
Other Investments:		
Equity Mutual Funds	276,411,519	
Equity Real Estate	63,993,404	
Equity Securities - Domestic	88,591,250	
Equity Securities - International	61,011,281	
<b>Total Investments</b>	<u>645,122,856</u>	<u>0</u>
<b>Total Assets</b>	<u><u>\$654,943,575</u></u>	<u><u>\$1,791,200</u></u>
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$11,909	\$0
Securities Lending Transactions	168,474	
Due to Other Funds	4,755,654	
Payable to Others		1,791,200
<b>Total Liabilities</b>	<u><u>\$4,936,037</u></u>	<u><u>\$1,791,200</u></u>
<b>NET POSITION</b>		
Amounts Held in Trust for Pension Benefits	<u><u>\$650,007,538</u></u>	<u><u>\$0</u></u>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2016**

	<u><b>Pension Trust Funds</b></u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$24,755,620
Employer - Administration	4,632,488
Plan Members	9,493,378
Other	79,229
<b>Total Contributions</b>	<u>38,960,715</u>
Investment Income:	
Net Change in Fair Value of Investments	(2,723,272)
Interest	6,412,014
Dividends	4,988,878
<b>Total Investment Income</b>	<u>8,677,620</u>
Less Investment Expense	<u>2,988,906</u>
<b>Net Investment Income</b>	<u>5,688,714</u>
Income from Securities Lending Activities:	
Securities Lending Income	55,076
Securities Lending Expenses:	
Borrower Rebates	(69,434)
Management Fees	51,997
<b>Total Securities Lending Expenses (Income)</b>	<u>(17,437)</u>
<b>Net Income on Securities Lending Activities</b>	<u>72,513</u>
<b>Total Additions</b>	<u>44,721,942</u>
<b>DEDUCTIONS</b>	
Benefit Payments	59,419,153
Administrative Expense	194,582
<b>Total Deductions</b>	<u>59,613,735</u>
<b>Net Increase (Decrease)</b>	(14,891,793)
<b>Net Position, Beginning</b>	<u>664,898,550</u>
<b>Adjustment to Opening Fund Balance (Note 2.D.)</b>	<u>781</u>
<b>Fund Balances, Beginning - Restated</b>	<u>664,899,331</u>
<b>Net Position, Ending</b>	<u><u>\$650,007,538</u></u>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
**June 30, 2016**

	<b>Lexington Center Corporation</b>	<b>Lexington Airport Board</b>	<b>Fayette County Department of Health</b>	<b>Parking Authority of Lexington</b>	<b>Nonmajor Component Units</b>	<b>Total</b>
<b>ASSETS</b>						
Cash	\$2,493,787	\$6,504,008	\$8,120,946	\$3,608,578	\$16,261,667	\$36,988,986
Investments		4,500,997			4,752,208	9,253,205
Receivables:						
Accounts Receivable	1,182,193	1,471,923	186,304		219,162	3,059,582
Other		10,850			158,994	169,844
Less Allowance for Uncollectible Accounts	(20,093)					(20,093)
Due from Primary Government	351,864				1,306,410	1,658,274
Due from Other Governments					6,081,187	6,081,187
Other Current Assets	305,522	561,350				866,872
Inventories and Prepaid Expenses			122,164		716,215	838,379
Restricted Current Assets:						
Cash		8,747,929			5,154,260	13,902,189
Accounts Receivable		698,437				698,437
Investments	10,164,311	11,544,535		551,720	511,672	22,772,238
Grants Receivable		3,258,092				3,258,092
Other		43,688				43,688
Capital Assets:						
Non-depreciable	18,293,854	14,279,053		7,585,094	9,841,671	49,999,672
Depreciable (Net)	34,586,932	131,161,932	2,595,107	10,441,702	60,167,217	238,952,890
Other Assets	90,407		2,029,503		8,355,000	10,474,910
<b>Total Assets</b>	<b>67,448,777</b>	<b>182,782,794</b>	<b>13,054,024</b>	<b>22,187,094</b>	<b>113,525,663</b>	<b>398,998,352</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred amount on bond refunding	\$78,990	\$0	\$0	\$0	\$0	\$78,990
Differences between expected and actual experience			123,888		78,951	202,839
Differences between projected and actual earnings on pension plan investments			165,164		1,099,737	1,264,901
Changes of assumptions			2,779,643		1,603,022	4,382,665
Contributions subsequent to measurement date			1,912,598		1,003,239	2,915,837
<b>Total Deferred Outflows of Resources</b>	<b>78,990</b>	<b>0</b>	<b>4,981,293</b>	<b>0</b>	<b>3,784,949</b>	<b>8,845,232</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$67,527,767</b>	<b>\$182,782,794</b>	<b>\$18,035,317</b>	<b>\$22,187,094</b>	<b>\$117,310,612</b>	<b>\$407,843,584</b>
<b>LIABILITIES</b>						
Accounts, Contracts Payable and Accrued Liabilities	\$3,121,209	\$1,798,110	\$855,710	\$366,008	\$3,853,531	\$9,994,568
Interest Payable					116	116
Due to Primary Government				46,049	643	46,692
Unearned Revenue and Other			12,001	5,781	4,746	22,528
Liabilities Payable from Restricted Assets:						
Accounts Payable		2,982,518				2,982,518
Interest Payable		1,166,567				1,166,567
Noncurrent Liabilities:						
Due Within One Year						
Compensated Absences				12,910	521,186	534,096
Bonds and Notes Payable	2,160,000	2,000,000		375,580	1,273,251	5,808,831
Due in More Than One Year						
Compensated Absences			588,537	12,910	339,977	941,424
Bonds and Notes Payable	16,026,327	53,889,809		4,501,821	30,180,504	104,598,461
Other		353,666				353,666
Unfunded Pension Liability			57,988,999		13,352,208	71,341,207
<b>Total Liabilities</b>	<b>\$21,307,536</b>	<b>\$62,190,670</b>	<b>\$59,445,247</b>	<b>\$5,321,059</b>	<b>\$49,526,162</b>	<b>\$197,790,674</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Differences between expected and actual experience	\$0	\$0	\$0	\$0	\$425,510	\$425,510
Changes in proportionate share			6,589,745			6,589,745
Differences between projected and actual earnings on pension plan investments					46,075	46,075
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>0</b>	<b>6,589,745</b>	<b>0</b>	<b>471,585</b>	<b>7,061,330</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$21,307,536</b>	<b>\$62,190,670</b>	<b>\$66,034,992</b>	<b>\$5,321,059</b>	<b>\$49,997,747</b>	<b>\$204,852,004</b>
<b>NET POSITION</b>						
Net Investment in Capital Assets	\$34,773,449	\$89,551,176	\$2,595,107	\$13,149,395	\$40,921,516	\$180,990,643
Designated for:						
PALEX garage maintenance reserve				105,145		105,145
Restricted for:						
Governmental and Program Funds			113,005		226,918	339,923
Capital Projects				28,837		28,837
Debt Service	6,771,409	20,143,596		448,519		27,363,524
Unrestricted	4,675,373	10,897,352	(50,707,787)	3,134,139	26,164,431	(5,836,492)
<b>Total Net Position</b>	<b>\$46,220,231</b>	<b>\$120,592,124</b>	<b>(\$47,999,675)</b>	<b>\$16,866,035</b>	<b>\$67,312,865</b>	<b>\$202,991,580</b>

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, 2016

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Parking Authority of Lexington	Nonmajor Component Units	Total
<b>Lexington Center Corporation</b>										
Lexington Center Operations	\$17,214,033	\$16,461,201	\$548,000	\$400,000	\$195,168					\$195,168
Depreciation	4,671,132				(4,671,132)					(4,671,132)
Interest on Long-Term Debt	671,383				(671,383)					(671,383)
Total Lexington Center Corporation	22,556,548	16,461,201	548,000	400,000						(5,147,347)
<b>Lexington Airport Board</b>										
Airport Operations	12,306,991	20,411,938		13,962,518		\$22,067,465				22,067,465
Depreciation	9,893,043					(9,893,043)				(9,893,043)
Interest on Long-Term Debt	2,107,987					(2,107,987)				(2,107,987)
Total Lexington Airport Board	24,308,021	20,411,938	0	13,962,518						10,066,435
<b>Fayette County Department of Health</b>										
Department of Health Operations	15,048,179	3,323,700	5,690,417				(\$6,034,062)			(6,034,062)
Depreciation	338,232						(338,232)			(338,232)
Interest on Long-Term Debt	8,198						(8,198)			(8,198)
Total Fayette County Department of Health	15,394,609	3,323,700	5,690,417	0						(6,380,492)
<b>Parking Authority of Lexington</b>										
Parking Operations	2,575,755	3,998,805						\$1,423,050		1,423,050
Depreciation	706,112							(706,112)		(706,112)
Total Parking Authority of Lexington	3,281,867	3,998,805	0	0						716,938
<b>Nonmajor Component Units</b>										
Total Component Units	\$115,408,334	\$48,033,500	\$23,589,953	\$14,990,030	(\$5,147,347)	\$10,066,435	(\$6,380,492)	\$716,938	(\$28,050,385)	(\$28,794,851)
General Revenues:										
Taxes					\$3,600,481	\$0	\$7,815,362	\$0	\$38,431,327	\$49,847,170
Payment from/(to) Lexington-Fayette Urban County Government								(17,622)	384,890	367,268
Income on Investments					58,975	295,416	7,370	290	63,444	425,495
Net Change in Fair Value of Investments						294,514				294,514
Gain on Sale of Capital Assets									1,688,649	1,688,649
Miscellaneous							337	32,050	(552,015)	(519,628)
Total General Revenues					3,659,456	589,930	7,823,069	14,718	40,016,295	52,103,468
Change in Net Position					(1,487,891)	10,656,365	1,442,577	731,656	11,965,910	23,308,617
Net Position, Beginning					47,708,122	109,935,759	(49,036,540)	16,134,379	55,159,506	179,901,226
Adjustment to Opening Net Position (Note 2.D.)							(405,712)		187,449	(218,263)
Net Position, Beginning-Restated					47,708,122	109,935,759	(49,442,252)	16,134,379	55,346,955	179,682,963
Net Position, Ending					\$46,220,231	\$120,592,124	(\$47,999,675)	\$16,866,035	\$67,312,865	\$202,991,580

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the Lexington-Fayette Urban County Government (the Government) have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for government accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

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

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

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

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

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

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

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

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

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

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

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

The Lexington Convention and Visitors Bureau (Visitors Bureau) was established by the Government for the purpose of promoting recreational, convention and tourist activity in Fayette County. The Government may abolish the Visitors Bureau by repealing the ordinance that created it. All nine members of the Visitors Bureau board are appointed by the Mayor and may be removed by a majority vote of the Urban County Council. The Government has a statutory authority to provide funds for the operation of the Visitors Bureau by imposing a transient room tax not exceeding four percent (4%) of qualified occupancy rental.

The Lexington Center Corporation (LCC) is a non-profit, non-stock corporate agency and instrumentality of the Government. The purpose of the LCC is to plan, finance, develop and operate a convention, trade show, performing arts venue 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 (2%) of qualified occupancy rental, to provide funds for payment of debt service. As discussed in Note 5.D., the Government entered into a Lease Agreement that provides for an annual rental to be paid by the Government if net revenues are not sufficient to pay all debt service costs.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
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Government has entered into a Contract Lease and Option Agreement, discussed in Note 5.E., which requires an annual rental to be paid by the Government if net revenues are not sufficient to pay all debt service costs.

Parking Authority of Lexington (Parking Authority) was established to centralize all public parking functions into one entity, to improve parking operations, and ultimately to improve the availability of parking in downtown Lexington. The Parking Authority has a five-member board of commissioners appointed by the Mayor. The Parking Authority is financially dependent on the Government for both accounting and administrative services. Effective July 1, 2016, the Parking Authority contracted with a third party provider for Accounting Services.

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

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

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

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

The Downtown Lexington Management District was established for the purpose of providing and financing economic improvements that specifically benefit property within the District. 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 Downtown Lexington Management District is not considered to be a component unit of the Government.

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

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

The Valley View Ferry Authority is a legally separate entity that operates and maintains the Ferry on the Kentucky River at Valley View. The board consists of seven members, two appointed by the Government, three appointed by the Madison County Fiscal Court and two appointed by the Jessamine County Fiscal Court. The Government is not legally responsible for the Valley View Ferry Authority’s finances. The Government contributed \$14,000 to support the Ferry’s operations in fiscal year 2016.

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**D. Basic Financial Statements**

**Government-Wide and Fund Financial Statements**

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

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide, proprietary, and fiduciary fund (with the exception of the agency fund, which has no measurement focus) financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities, including long-term assets as well as long-term debt and obligations, are included in the Statement of Net Position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

Internal service funds provide services primarily to other funds of the Government and are presented in summary form as part of the proprietary fund statements. Since the principal users of the internal services are the Government's governmental activities, the internal service funds' financial statements are consolidated into the governmental activities column in the government-wide financial statements. To the extent possible, the costs of these services are reflected in the appropriate functional activity. The internal service funds also provide services to the proprietary funds. Therefore, a portion of the net position of the internal service funds is allocated to Business-Type Activities and is reported as an adjustment on the Statement of Net Position of the proprietary funds.

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

The Government reports the following major governmental funds:

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

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

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

The Government reports the following major proprietary funds:

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

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

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

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

Additionally, the Government reports the following fund types:

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

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

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

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

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, public facilities, parking, and various other functions of the Government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

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

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

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

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

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**E. Budgetary Control**

Budget Policy – The Urban County Council annually approves the budget ordinance for all operating funds of the Government, which includes governmental, proprietary, fiduciary, and agency funds. Federal and State Grant funds and capital projects funds adopt project-length budgets. Additional special revenue funds which are not budgeted include the Industrial Revenue Bond Fund, Police Confiscated Funds, and the Public Safety Fund. Budgets are adopted on a basis consistent with GAAP except that budgetary basis expenditures include purchase orders and contracts (encumbrances). Budgetary control is maintained at the division level, e.g. Division of Police, Division of Parks and Recreation, etc. The Mayor may authorize transfers within a division; however, the Urban County Council must approve by ordinance any other amendments to the budget. All budgeted amounts presented in the financial statements reflect the original budget and the amended budget which have been adjusted for legally authorized revisions of the annual budgets during the year. Appropriations lapse at year-end; however, uncompleted capital projects may be re-appropriated at the beginning of each fiscal year. The Council made several supplemental budgetary appropriations throughout fiscal year 2016. The net effect of these supplemental appropriations was an increase of \$15,907,160 in the General Fund and a decrease of \$183,444 in the Urban Services Fund, which included re-appropriations of encumbrances from prior fiscal years and various waste management and street light re-appropriations to the following fiscal year 2016, respectively.

**F. Assets, Liabilities and Fund Equity**

Cash and Investments – Management has adopted written policies and procedures for cash and investment management. Cash and cash equivalents include cash on hand, demand deposits and cash with fiscal agents. Cash balances of most Government funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to each of the funds based on the fund's average monthly cash balance, except as required by ordinance for various restricted reserves. Funds that incur a negative balance in pooled cash and investments during the year are not allocated interest. The Government has adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This statement requires that investments in interest-earning investment contracts, external investment pools, open-end mutual funds and debt and equity securities be reported at fair value. Investments in the Pension Trust Funds and investments with a maturity of more than one year at the time of purchase are stated at fair value. Fair value for securities traded on a national exchange is determined by the last reported sales price. All other investments are stated at cost.

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

Property taxes for fiscal year 2016 were levied on August 27, 2015 on the assessed valuation of property located in Fayette County as of the preceding January 1, the lien date.

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

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

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

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

Interfund Transactions – During the course of its operations, the Government has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2016, balances of interfund amounts receivable or payable have been recorded as “due to/from other funds”. These accounts are eliminated on the Government-Wide Statement of Net Position. Any residual balances outstanding between the Governmental Activities and Business-Type Activities are reported in the government-wide financial statements as “internal balances.”

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

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

Payments made to vendors for goods and services that will benefit periods beyond June 30, 2016 are recorded in assets as prepaid items under the consumption method.

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

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



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

Various purpose general obligation notes account	\$60,817,460
Federal Grants and Contracts	28,611
Debt Service on QECB Bond	397,689
Total restricted assets	<u>\$61,243,760</u>

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

Sanitary sewer revenue bond sinking fund account	\$3,585,233
Sanitary sewer and stormwater capital replacement account	654,675
Total restricted assets	<u>\$4,239,908</u>

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

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

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

Buildings	10-40 years
Land and leasehold improvements	10-50 years
Infrastructure	10-50 years
Sanitary sewer system lines and plants	50 years
Vehicles, equipment, and furniture	5-25 years
Intangibles	3-5 years

Construction in progress (CIP) represents construction projects for capital assets that have not yet been placed in service. Developments in progress (DIP) represent fees accrued on urban development projects in the EAMP currently underway that have not yet been completed, where settlement of the fees by the respective developer is expected to be made through contributing infrastructure type assets (e.g. roads, sewer systems, etc.) to the Government. CIP and DIP are not depreciated until the projects are complete and placed in service. For more information on the EAMP plan, please see page 55. Land, purchase of development rights, and permanent easements are not depreciated.

Compensated Absences – Compensated absences include accumulated unpaid vacation, sick and holiday leave. Government employees are granted vacation and sick leave in varying amounts in accordance with administrative policy. In the event of termination, an employee is reimbursed for accumulated holiday and vacation days. Employees receive annual compensation for accumulated unused sick leave in excess of 600 hours (or 840 hours for 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.

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**Long-Term Obligations** – In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable Governmental Activities, Business-Type Activities, or proprietary fund Statement of Net Position. The discounts and premiums related to bonds and notes issued are amortized over the life of the bond or note using the straight-line method. Bonds and notes payable are reported net of the applicable bond premium or discount. Issuance costs are expensed when incurred. Losses on advance refunding issues are reported as deferred outflows of resources and recognized as an outflow as required by GASB Statement No. 65.

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

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

Long-term liabilities include the following:

- Compensated absences, which is the accrual for vacation time earned but not taken by employees.
- Principal outstanding on general obligation bonds, general obligation notes, and revenue bonds.
- Unfunded Post-Retirement Health Benefits, which is the net retirement health benefit obligation for the Policemen's and Firefighters' Retirement Fund and the City Employees' Pension Fund.
- Landfill closure and postclosure care liability, which is the estimated total cost to perform certain maintenance and monitoring functions for thirty years after closure.
- Unearned revenue and other liabilities, which is the cash received in advance of being earned, and other long term liabilities.
- Unfunded pension liability, which is the net retirement obligation for the Policemen's and Firefighters' Retirement Fund and the County Employee's Retirement.

**G. Deferred Inflows of Resources and Deferred Outflows of Resources**

With the implementation of GASB Statements 65 and 68, the Government's Statement of Net Position includes deferred inflows (or deferred outflows) of resources when appropriate. Deferred outflows of resources represent a consumption of net position that applies to one or more future periods. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s). These amounts will not be recognized as expense or revenue until the applicable period.

**Deferred Outflows** – include the differences between reacquisition price and the net carrying amount of refunded debt obligations that is recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. In addition, it includes differences between expected and actual experience, changes of assumptions, changes in proportionate share, differences between projected and actual earnings on the pension plan, and contributions to pension plans made subsequent to the Government's measurement date of June 30, 2015.

**Deferred Inflows** – include differences between projected and actual earnings on investments in pension plans.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
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**H. Net Position/Fund Balances**

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

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

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

Unrestricted Net Position – This category represents amounts not appropriated for expenditures, or legally segregated for a specific future use.

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

Nonspendable – These resources include amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The Government's nonspendable funds consisted of prepaid expenses and inventories as of June 30, 2016.

Restricted – Restricted amounts represent resources that are constrained for a specific purpose by external parties, constitutional provisions or enabling legislation. The Government had restricted funds for various projects: public works, public safety, capital projects, grants, urban services and energy improvement as of June 30, 2016.

Committed – Committed amounts are constrained for a specific purpose by the Government using its highest level of decision-making authority. For resources to be considered committed, the Urban County Council issues an ordinance that can only be changed with another corresponding ordinance. Committed fund balance for the General Fund is further classified as follows:

Committed for:	
27th Payroll	\$8,221,919
Affordable Housing & Homelessness Intervention	2,904,374
Economic Stabilization	30,687,844
Chief Development Officer	1,075,960
Social Services	769,504
Special Programs	381,755
Committed Fund Balance	<u>\$44,041,356</u>

The Government developed and adopted a General Fund Balance ("Economic Stabilization Fund" or "Contingency Designation Fund") Policy on December 5, 1996, and revised on April 17, 2016. It is the Government's policy to:

- Maintain a Contingency Designation Fund funding goal of ten percent (10%) of the previous year's total General Fund Revenues. Interest earned accrues to the fund.
- Budget a deposit of \$50,000 per month, for each fiscal year until meeting the Contingency Designation Fund funding goal of 10% of the last completed fiscal year total General Fund revenues, beginning with the 2007 fiscal year.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2016

- Annually report to the Budget, Finance, and Economic Development Committee the dollar amount that could be deposited to the fund to maintain ten percent (10%) of the previous year's General Fund Revenues.

The Contingency Designation Fund balance may be used in the following circumstances:

- Unanticipated or unforeseen extraordinary needs of an emergency nature.
- Revenue stabilization to balance the budget in the event of an unanticipated shortfall.
- Unanticipated situations of an unusual nature involving nonrecurring expenditure(s).

The Government has made a complete and rational analysis, with justifying evidence that the Contingency Designation Fund can be maintained in the future.

Assigned – Assigned amounts represent resources that the Government intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the Urban County Council or by the Commissioner of Finance under the authorization of the Mayor. Amounts classified as assigned have gone before the Government's Urban County Council subsequent to June 30, 2016 for approval through ordinance.

Assigned for:	General Fund	Non Major Funds
Administrative Services	\$27,166	\$0
Information Technology	650,000	
Environmental Quality & Public Works	532,312	
General Government	21,227,500	720,741
General Services	2,486,418	
Parks and Recreation	1,612,716	
Public Safety	8,588,857	
Assigned Fund Balance	<u>\$35,124,969</u>	<u>\$720,741</u>

Unassigned – Unassigned amounts represent resources that have not been classified as nonspendable, restricted, committed, or assigned to a specific purpose within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are nonspendable, restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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

#### **I. Use of Estimates**

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

#### **J. Revenues**

Emergency medical service fees are billed and collected by Software Development, Inc. (SDI) as an agent for the Government. Cash collected by SDI is remitted daily to the Government. The Government records all revenues (net of an allowance for doubtful accounts) billed through the end of the fiscal year by SDI.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
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The majority of the sanitary sewer and landfill user fees, together with the water quality management fees, are billed and collected by Greater Cincinnati Water Works (GCWW), the third party vendor hired September 2012 to replace Kentucky American Water Company (KAWC). Cash collected by GCWW is remitted to the Government daily. All revenues (net of an allowance for doubtful accounts) billed by GCWW are recorded by the Government.

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

**K. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS), and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The liability was measured at June 30, 2015.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Compliance with Finance Related Legal and Contractual Provisions**

Management of the Government believes it has no material violations of finance related legal and contractual provisions.

**B. Excess of Expenditures over Appropriations** - The following divisions, in funds that have budgets adopted annually, had excess expenditures over appropriations for the fiscal year ended June 30, 2016:

	<u>Excess Expenditures</u>
<b>General Fund:</b>	
Building Inspection	\$35,515
Chief Administrative Officer	17,495
Coroner	50,232
Division of Water & Air Quality	1,663
Engineering	52,496
Enterprise Solutions	6,229
Fire & Emergency Services	2,929,677
Historic Preservation	46,893
Internal Audit Office	38,647
Office of Policy & Budget	6,905
Planning	82,815
Revenue	105,640
Social Service Administration	754
Traffic Engineering	61,485
<b>Urban Services Fund:</b>	
Computer Services	84,660
Environmental Quality	60,819
Fleet & Facilities Management	59,411
Government Communications	42,907

Excess expenditures over appropriations were funded by favorable budget variances in other categories.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2016

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**C. Fund Deficits**

Capital Project Funds – 2003 Bond Projects had a fund deficit of \$75,189 and 2017 Bond Projects had a deficit of \$7,244. The deficits are the result of excess expenditures.

Proprietary funds – the Extended School Program had a fund deficit of \$308,738 as a result of the unfunded pension liability.

**D. Prior Period Adjustments**

Primary Government

On the Government-wide Statement of Net Position, Notes Receivable for Government-Type Activities were increased by \$1,250,000 to correctly reflect loan funds paid during the prior fiscal year for urban renewal project 21-C and Medsignals/VitalSignals, LLC.

A prior period adjustment has been made for \$360,859 to derecognize revenues from the Expansion Area Master Plan (EAMP) program. On the Governmental fund financial statements, the Government's Roads, Parks, Open Space, and Storm Water Exactions Fund prior period adjustment totals \$224,065. On the Proprietary Funds financial statements, the Sanitary Sewer Fund prior period adjustment totals \$136,794. The funds have been refunded back to the developer.

During FY15, the electronic monitoring and drug testing programs within the Government's Adult Detention were reorganized from business activity's prisoner account fund to governmental activity's general fund. The beginning fund balance was increased by \$553,802 in the general fund on the Governmental fund financial statements and net position was decreased by \$553,802 on the proprietary funds Statement of Net Position to recategorize net revenues from prior years related to these programs. Of the total amount, \$279,598 was FY14 net revenues and the remaining \$274,204 was earned in prior years.

Fund balance was increased \$163,886 within Other Governmental Funds on the Governmental fund financial statements in FY16 to recognize revenue from the prior year adjudicated via the courts. Money was transferred from Property & Evidence to Police Confiscated State funds, but revenue was never recognized. All of the revenue was received during FY15.

Fund Balance was increased \$781 on Agency Funds in FY16 to recognize revenues from FY14. Money was transferred from the Property & Evidence fund to the Police & Firefighter Pension fund, but revenue was never recognized.

Component Units

During 2016, the Board of Health's deferred outflows and net position were decreased by \$405,712. The restatement of beginning deferred outflows and net position is as follows:

Change in prior year deferred outflows:

Deferred outflows, at beginning of year	\$3,433,792
Change in deferred outflows	<u>(405,712)</u>
Deferred outflows, at beginning of year, as restated	<u>\$3,028,080</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
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Change in prior year net position:

Net position, at beginning of year	\$(49,036,540)
Change in retirement expense	<u>(405,712)</u>
Net position, at beginning of year, as restated	<u><u>\$(49,442,252)</u></u>

The beginning net position as of July 1, 2015 for the Lexington Convention and Visitors Bureau has been restated to reflect certain adjustments which were identified that needed to be recorded to refine the initial adoption of GASB Statement No. 68, as amended by GASB Statement No. 71.

Change in prior year net position:

Net position, at beginning of year	\$4,201,516
Net pension liability (measurement date June 30, 2015)	<u>187,449</u>
Net position, at beginning of year, as restated	<u><u>\$4,388,965</u></u>

**NOTE 3. DETAIL NOTES ON ALL FUNDS**

**A. Cash, Investments and Securities Lending**

Primary Government

The Government's bank balances at June 30, 2016 are entirely insured by the Federal Deposit Insurance Corporation (FDIC) and/or collateralized with securities held by the Government's agent in the Government's name. In accordance with Kentucky Revised Statute (KRS) 66.480 and the Government's investment policy, the Government is allowed to invest in the following:

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

In addition, the Pension Trust Funds are allowed to invest in equity securities, corporate bonds and international stocks listed as American Depository Receipts (ADR).

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2016

Investments of the Government as of June 30, 2016 are summarized and categorized in the following table:

<u>Investment Type</u>	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Cash and Cash Equivalents	\$61,470,232	\$61,470,232	\$0	\$0
Money Market Mutual Funds	124,260,211		124,260,211	
Certificates of Deposit	13,856,547		13,856,547	
Commercial Paper	397,000		397,000	
U.S. Government Agency Obligations	41,445,615		41,445,615	
Total Investments	<u>\$241,429,605</u>	<u>\$61,470,232</u>	<u>\$179,959,373</u>	<u>\$0</u>

The Government categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Level 2 fixed income securities are priced by industry standard vendors, such as Interactive Data Corporation (IDC), using inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. IDC also monitors market indices and industry and economic events including credit rating agency actions. The Government has no Level 3 inputs.

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

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

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

Pension Trust Funds

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



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2016

Investments of the PFRF as of June 30, 2016 are summarized and categorized in the following table:

**Policemen's and Firefighters' Retirement Fund**

<u>Investment Type</u>	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt Securities				
US Agencies	\$29,457,713	\$0	\$29,457,713	\$0
US Government Obligations	23,771,425	23,231,430	539,995	
Municipal Obligations	2,957,438		2,957,438	
International Bonds	11,134,235		11,134,235	
Corporate Debt	74,269,282		73,862,554	406,728
	<u>\$141,590,093</u>	<u>\$23,231,430</u>	<u>\$117,951,935</u>	<u>\$406,728</u>
Other Investments				
Equity Mutual Funds	\$260,509,554	\$52,296,016	\$208,213,538	\$0
Equity Real Estate	63,993,404		63,993,404	
Equity Securities - Domestic	88,591,250	88,478,996	107,957	4,297
Equity Securities - International	61,011,281	5,361,954	55,649,327	
	<u>\$615,695,582</u>	<u>\$169,368,396</u>	<u>\$445,916,161</u>	<u>\$411,025</u>

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Level 2 domestic and international equities are priced using the closing price from the applicable exchange as provided by industry standard vendors such as Interactive Data Corporation (IDC) which prices to capture market movements between local stock exchange closing time and portfolio valuation time each day. Level 2 fixed income securities are priced by industry standard vendors, such as IDC, using inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. IDC also monitors market indices and industry and economic events including credit rating agency actions. Level 3 inputs from Corporate Debt are fair valued by a third party advisor based on quarterly financials. Level 3 inputs from Domestic Equity Securities are fair valued internally by the Government's fund manager, subject to an internal fair valuation methodology. The share price is calculated by discounting the distribution amounts from the company's liquidation process.

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

<u>Asset Class</u>	<u>Target Allocation</u>
Passive Large Cap Core	10.00%
Active Large Cap Growth	7.50%
Active Large Cap Value	7.50%
Small Cap Equity	15.00%
International Growth Equities	9.25%
International Value Equities	9.25%
Emerging Markets	4.50%
Total Equities	63.00%
US Core Fixed Income	15.50%
US High Yield Fixed Income	7.50%
Total Fixed Income	23.00%
Real Estate	9.00%
Real Return	5.00%
Total Plan	<u>100.00%</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2016

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

**Credit Risk** – The PFRF investment policy manages credit risk by the limitation of certain investments within the above asset classes. For US Equity asset classes up to 15% of US Small Cap Value, 7.5% of US Large Cap Growth, 7.5% of US Large Cap Value and 10% of Passive Large Cap Core portfolio's current market value may be invested in ADR's. The US Core Fixed Income manager's debt securities must have a minimum quality rating of Baa/BBB or above, while the overall portfolio weighted average credit quality rating must not fall below AA- or equivalent. The US High Yield Fixed Income manager's portfolio may have, on average, no more than 20% of the portfolio in debt securities with a quality rating of CCC/Caa and below, while the overall portfolio rating must not fall below Baa3, BBB-, A2 or P2.

		Policemen's and Firefighters' Retirement Fund					
		Investment Maturities (in years)					
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More than 10	S&P Rating	Fair Value
Debt Securities						A	\$16,309,518
US Agencies	\$29,457,713	\$0	\$10,418,529	\$3,450,813	\$15,588,371	AA	30,115,117
US Government Obligations	23,771,425	1,305,671	14,320,068	4,547,684	3,598,002	AAA	2,672,685
Municipal Obligations	2,957,438		2,778,249		179,189	B	18,220,074
International Bonds	11,134,235	698,808	7,117,784	2,690,105	627,538	BB	18,699,434
Corporate Debt	74,269,282	1,796,097	46,281,973	23,396,776	2,794,436	BBB	15,940,114
	<u>\$141,590,093</u>	<u>\$3,800,576</u>	<u>\$80,916,603</u>	<u>\$34,085,378</u>	<u>\$22,787,536</u>	CCC	4,901,123
						D	343,490
Other Investments						NR	34,388,539
Equity Mutual Funds	\$260,509,554						
Equity Real Estate	63,993,404						
Equity Securities - Domestic	88,591,250						
Equity Securities - International	61,011,281						
	<u>\$615,695,582</u>						

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

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
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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, 2016, the securities loaned in the portfolio did not have credit risk, and the fair value of securities on loan is \$168,474.

Investments of the CEPF as of June 30, 2016 are summarized and categorized in the following table:

**City Employees Pension Fund**

<u>Investment Type</u>	<u>Fair Value</u>	Quoted Prices in Active Markets for Identical Assets <u>Level 1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>
Debt Securities:				
US Agencies	\$208,823	\$0	\$208,823	\$0
US Government Obligations	4,095,031		4,095,031	
Corporate Debt	9,221,455		9,221,455	
Other Investments:				
Equity Mutual Funds	\$15,901,965		15,901,965	
	<u>\$29,427,274</u>	<u>\$0</u>	<u>\$29,427,274</u>	<u>\$0</u>

Level 2 fixed income securities are priced by industry standard vendors, such as Interactive Data Corporation (IDC), using inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. IDC also monitors market indices and industry and economic events including credit rating agency actions.

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

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	20.00%
International Equity	10.00%
Fixed Income	70.00%
	<u>100.00%</u>

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
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<b>City Employees Pension Fund</b>							
Investment Maturities (in years)							
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More than 10	S&P Rating	Fair Value
Debt Securities:						A	\$4,962,457
US Agencies	\$208,823	\$0	\$208,823	\$0	\$0	AA	7,393,364
US Government Obligations	4,095,031			290,972	3,804,059	BBB	900,313
Corporate Debt	9,221,455	1,402,840	5,073,954	2,744,661		NR	269,175
	13,525,309	1,402,840	5,282,777	3,035,633	3,804,059		
Other Investments:							
Equity Mutual Funds	\$15,901,965						
	<u>\$29,427,274</u>						

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

**Component Units**

For complete information on custodial credit risk, interest rate risk, credit risk, and concentration of credit risk, refer to the individual reports on each component unit. Summarized investment information for the component units is included in the table below:

	Reported Amount/ Fair Value
U.S. Government and Government	
Agency Obligations	\$19,195,612
Investments not subject to categorization:	
Certificates of Deposit	8,656,782
Money Market Funds	4,173,049
Total Investments	<u>\$32,025,443</u>

As of June 30, 2016, LCC had \$3,308,611 and \$929,016 in deposits and investments, respectively, which were uninsured and uncollateralized.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2016

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2016 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Nondepreciable Assets:				
Land	\$59,695,903	\$1,522,368	\$0	\$61,218,271
Purchase of Development Rights	75,190,899	1,036,245		76,227,144
Intangibles	3,104,387			3,104,387
Construction in Progress	30,059,660	35,768,130	(21,571,583)	44,256,207
Developments in Progress	22,193,389	704,027	(145)	22,897,271
Depreciable Assets:				
Buildings	149,288,318	4,975,716	(667,234)	153,596,800
Intangibles	11,268,624	2,373,600	(7,100)	13,635,124
Vehicles, Equipment & Furniture	123,153,057	8,536,722	(4,519,607)	127,170,172
Land & Leasehold Improvements	33,939,615	2,720,995		36,660,610
Infrastructure	1,015,965,155	3,770,283	(88,618)	1,019,646,820
Sewer Lines	10,770,213	596,435		11,366,648
Sewer Plants	215,917	880		216,797
<b>Totals at Historical Cost</b>	<b>1,534,845,137</b>	<b>62,005,401</b>	<b>(26,854,287)</b>	<b>1,569,996,251</b>
Less Accumulated Depreciation For:				
Buildings	(58,262,211)	(4,748,581)	365,401	(62,645,391)
Intangibles	(8,621,156)	(1,006,012)	7,100	(9,620,068)
Vehicles, Equipment & Furniture	(83,949,270)	(9,001,334)	4,482,306	(88,468,298)
Land & Leasehold Improvements	(19,610,578)	(2,448,368)		(22,058,946)
Infrastructure	(348,623,842)	(33,432,155)	21,310	(382,034,687)
Sewer Lines	(812,084)	(226,483)		(1,038,567)
Sewer Plants	(2,499)	(4,327)		(6,826)
<b>Total Accumulated Depreciation</b>	<b>(519,881,640)</b>	<b>(50,867,260)</b>	<b>4,876,117</b>	<b>(565,872,783)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$1,014,963,497</b>	<b>\$11,138,141</b>	<b>(\$21,978,170)</b>	<b>\$1,004,123,468</b>
<b>Business-Type Activities:</b>				
Nondepreciable Assets:				
Land	\$41,699,367	\$2,170,016	\$0	\$43,869,383
Construction in Progress	40,278,068	35,738,190	(11,100,021)	64,916,237
Developments in Progress	8,173,771	244,592	(536)	8,417,827
Intangibles	455,826			455,826
Depreciable Assets:				
Buildings	121,328,103		(3,139,484)	118,188,619
Intangibles	3,298,674		(5,197)	3,293,477
Vehicles, Equipment & Furniture	22,871,279	2,269,150	(555,264)	24,585,165
Land & Leasehold Improvements	47,928,693	97,170	(2,148,494)	45,877,369
Infrastructure	10,316,198	1,112,329		11,428,527
Sewer Lines	190,681,791	7,638,499		198,320,290
Sewer Plants	165,405,564	2,343,420		167,748,984
<b>Totals at Historical Cost</b>	<b>652,437,334</b>	<b>51,613,366</b>	<b>(16,948,996)</b>	<b>687,101,704</b>
Less Accumulated Depreciation For:				
Buildings	(80,498,802)	(3,923,528)	2,971,310	(81,451,020)
Intangibles	(2,711,466)	(282,958)	5,197	(2,989,227)
Vehicles, Equipment & Furniture	(13,257,599)	(1,858,366)	517,250	(14,598,715)
Land & Leasehold Improvements	(38,219,555)	(570,761)	2,073,341	(36,716,975)
Infrastructure	(918,304)	(223,072)		(1,141,376)
Sewer Lines	(66,607,314)	(3,756,639)		(70,363,953)
Sewer Plants	(93,243,832)	(3,316,724)		(96,560,556)
<b>Total Accumulated Depreciation</b>	<b>(295,456,872)</b>	<b>(13,932,048)</b>	<b>5,567,098</b>	<b>(303,821,822)</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$356,980,462</b>	<b>\$37,681,318</b>	<b>(\$11,381,898)</b>	<b>\$383,279,882</b>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2016

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

**Governmental Activities:**

General Government	\$624,167
Computer Information Technology	430,965
Administrative Services	299,769
Finance	557,926
Public Safety	1,123,352
Environmental Quality & Public Works	4,995,218
Police	888,217
Fire and Emergency Services	1,380,792
Law	1,082
Community Corrections	1,977,243
Social Services	221,139
General Services	4,254,971
Parks and Recreation	1,248,938
Planning, Preservation, & Development	32,863,481
<b>Total depreciation expense - Governmental Activities</b>	<b><u>\$50,867,260</u></b>

**Business-Type Activities:**

Sanitary Sewer System	\$9,130,305
Public Facilities Corporation	3,826,937
Public Parking Corporation	66,987
Landfill	432,932
Extended School Program	4,111
Enhanced 911	312,672
Water Quality	158,104
<b>Total depreciation expense - Business-Type Activities</b>	<b><u>\$13,932,048</u></b>

	<b>Discretely Presented Component Units</b>			
	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Nondepreciable Assets:				
Land	\$32,196,836	\$1,226,400	(\$470,818)	\$32,952,418
Construction in Progress	26,544,460	35,625,468	(47,754,863)	14,415,065
Other	2,618,234	13,955		2,632,189
Depreciable Assets:				
Buildings & Improvements	327,316,020	48,195,645	(5,977,391)	369,534,274
Vehicles, Equipment & Furniture	61,351,987	7,844,829	(4,304,738)	64,892,078
Land & Leasehold Improvements	66,850,418	485,137	(15,462)	67,320,093
Intangibles	60,455			60,455
<b>Totals at Historical Cost</b>	<b>516,938,410</b>	<b>93,391,434</b>	<b>(58,523,272)</b>	<b>551,806,572</b>
<b>Less Accumulated Depreciation</b>	<b>(250,850,862)</b>	<b>(19,850,464)</b>	<b>7,847,316</b>	<b>(262,854,010)</b>
<b>Component Unit Activities</b>				
<b>Capital Assets, Net</b>	<b><u>\$266,087,548</u></b>	<b><u>\$73,540,970</u></b>	<b><u>(\$50,675,956)</u></b>	<b><u>\$288,952,562</u></b>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2016

**Construction Commitments**

The Government has active construction projects as of June 30, 2016. The projects include improvements to major roadways, government buildings, sanitary sewer, and stormwater systems. At June 30, 2016, the Government had the following commitments on construction contracts:

Project	Commitment
Buildings	\$8,662,981
Capital Repairs & Maintenance	1,876,669
Land Improvements	3,088,617
Sanitary Sewer Collection System	12,083,769
Sanitary Sewer Treatment System	1,521,402
Storm Drainage	2,706,243
Street Resurfacing Maintenance	4,667,238
Streets & Roadways	4,873,911
Street Lighting	155,163
Traffic Control & Markings	1,276,219
	<u>\$40,912,212</u>

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

**C. Interfund Receivables, Payables and Transfers**

The principal purpose of the Government's interfund transfers is indicative of funding for capital projects or subsidies of various Government operations and reallocation of special revenues. Due to our practice of cash management by pooling the Government's funds, interfund balances exist as of June 30, 2016. In addition, Federal and State Grants revenues are based on reimbursable expenditures.

The composition of interfund balances as of June 30, 2016, is as follows:

Fund Description	Due from (to) General Fund
Sanitary Sewer System	(\$1,485,024)
Public Facilities Corporation	826,042
Water Quality	(1,575,631)
Landfill	12,338
Other Enterprise Funds	4,386,989
Total due from Proprietary Funds	<u>2,164,714</u>
Urban Service	9,581,797
Federal & State Grants	(427,983)
Other Governmental Funds	(6,900,742)
Internal Service Funds	26,838,910
Total due from General Fund	<u>\$31,256,696</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2016

Receivable Entity	Payable Entity	Amount
Primary government - General fund	Component unit - Downtown Development Authority	\$643
Primary government - General fund	Component unit - Parking Authority	46,049
Total		<u>\$46,692</u>
Component unit - Lexington Convention and Visitor's Bureau	Primary government - General fund	\$1,306,410
Component unit - Lexington Center Corporation	Primary government - General fund	351,864
Total		<u>\$1,658,274</u>

**Interfund Transfers:**

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

	General	Urban Services	Fed St Grants	Non Major Governmental	Total Governmental	Sanitary Sewer	Public Facilities Corp	Water Quality	Non Major Proprietary	Total Proprietary
General		\$2,200,000	\$1,270,951	(\$3,343,344)	\$127,607	\$0	\$795,373	\$0	\$0	\$795,373
Urban Services	(\$2,200,000)		25,960		(2,174,040)					
Fed St Grants	(1,270,951)	(25,960)		(134,142)	(1,431,053)	(16,466)		(478,035)		(494,501)
Nonmajor Governmental	3,343,344		134,142		3,477,486				12,230	12,230
Sanitary Sewer	16,466				16,466					
Public Facilities Corp	(795,373)				(795,373)					
Water Quality			478,035		478,035					
Grand Total	(\$906,514)	\$2,174,040	\$1,909,088	(\$3,477,486)	(\$300,872)	(\$16,466)	\$795,373	(\$478,035)	\$12,230	\$313,102

**D. Long-Term Debt**

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



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2016

**Primary Government**

Bonds payable, notes payable, compensated absences, landfill closure and postclosure care costs, and unfunded pension liabilities at June 30, 2016 are as follows:

	Purpose of Issue	Original Issue	Interest Rates	Final Maturity	Amount Outstanding	Due Within One Year
<b>Governmental Activities</b>						
Bonds, Notes, Loans, and Leases:						
General Obligation, Series 2006C	Purchase of Development Rights	2,055,000	3.50% - 4.20%	1-Nov-2026	\$95,000	\$95,000
General Obligation, Series 2006D	Refunding	56,850,000	4.00% - 4.25%	1-May-2024	32,625,000	3,535,000
General Obligation, Series 2009A	PDR /Building Renovation/CIP	24,830,000	2.25% - 5.00%	1-Feb-2029	3,310,000	1,630,000
Pension Obligation, Series 2009B	Police/Fire Pension Fund	70,610,000	3.50% - 6.00%	1-Apr-2029	52,530,000	2,925,000
General Obligation, Series 2010B	Refunding of 1999B and 2000A	7,735,000	1.00% - 3.00%	1-Sep-2019	3,265,000	785,000
General Obligation, Series 2010C	Refunding of 2000E	6,635,000	1.00% - 3.00%	1-Dec-2020	3,170,000	600,000
Pension Obligation, Series 2010D	Police/Fire Pension Fund	35,825,000	.95%-5.45%	1-Jun-2030	27,930,000	1,460,000
General Obligation, Series 2010F	CIP projects	6,305,000	1.00%-2.90%	1-Dec-2016	1,130,000	1,130,000
General Obligation, Series 2010H	Refunding of 2001B	4,465,000	1.00%-3.80%	1-Dec-2021	2,990,000	460,000
Pension Obligation, Series 2012A	Police/Fire Pension Fund	31,000,000	2.50% - 4.00%	1-Oct-2032	27,400,000	1,260,000
General Obligation, Series 2012B	Refunding of 2002C and 2004C	6,275,000	2.00% - 4.00%	1-Jul-2024	6,075,000	155,000
General Obligation, Series 2012C	CIP projects	3,455,000	1.50% - 3.00%	1-Jul-2017	1,490,000	740,000
General Obligation, Series 2013A	Road Resurfacing	11,275,000	2.00% - 5.00%	1-Oct-2023	8,675,000	1,000,000
General Obligation, Series 2013B	Refunding of 2004,2005C,2006B	\$6,005,000	2.00% - 4.00%	1-Jul-2025	5,220,000	925,000
General Obligation, Series 2013C	CIP projects	\$17,035,000	3.00% - 4.00%	1-Oct-2033	15,825,000	635,000
General Obligation, Series 2014A	Refunding of 2010A	\$55,925,000	3.00% - 5.00%	1-Sep-2030	48,850,000	2,325,000
General Obligation, Series 2014B	CIP projects	\$24,245,000	3.25%-5.00%	1-Jan-2035	23,555,000	775,000
General Obligation, Series 2014C	QECB Detention Center	\$2,900,000	3.25%	1-Jun-2027	2,900,000	
General Obligation, Series 2015A	Refunding of 2006C ,2009A,2010G	\$19,845,000	3.00% - 5.00%	1-Oct-2028	19,845,000	
General Obligation, Series 2015B	CIP projects	\$24,860,000	2.00% - 5.00%	1-Oct-2035	24,860,000	1,650,000
General Obligation, Series 2016A	Historic Courthouse Renovation	\$22,450,000	.80%-3.00%	1-Aug-2036	22,450,000	
General Obligation, Series 2016B	CIP projects	\$8,870,000	2.00% - 5.00%	1-Aug-2036	8,870,000	
Premiums and Discounts					15,989,549	
<b>Total Bonds, Notes, and Loans Payable</b>					359,049,549	22,085,000
Other Liabilities:						
Compensated Absences					24,177,448	3,384,843
Unfunded Other Post Employment Benefit Liability					93,938,616	
Unfunded Pension Liability					280,639,292	
<b>Total Other Liabilities</b>					398,755,356	3,384,843
<b>Total Governmental Activities</b>					<b>\$757,804,905</b>	<b>\$25,469,843</b>
<b>Business-Type Activities</b>						
Bonds, Notes and Loans:						
Sanitary Sewer, Series 2014A Refunding	Refunding	\$24,190,000	3.00% - 5.00%	1-Sep-2030	\$24,190,000	\$0
Sanitary Sewer, Series 2014B Refunding	Refunding	\$10,410,000	5.00%	1-Sep-2019	8,120,000	2,410,000
Public Facilities, Series 2006	Refunding	66,725,000	3.88% - 4.25%	1-Oct-2031	51,315,000	2,405,000
Radcliffe road A209-09	SRF Loan	113,523	2.00%	1-Jun-2030	84,439	5,282
KIA Streetscape A209-8	SRF Loan	1,254,980	2.00%	1-Dec-2030	958,044	57,568
So. Elkhorn A09-01	SRF Loan	\$14,045,119	2.00%	1-Dec-2031	11,358,234	631,838
Wolf Run A10-08	SRF Loan	\$8,373,431	2.00%	1-Dec-2035	8,846,249	375,029
A13-002 Bob-O-Link	SRF Loan	\$2,657,197	1.75%	1-Nov-2036	2,657,197	
A13-003 East Lake	SRF Loan	\$743,414	1.75%	1-Dec-2036	743,414	
A13-003 Century Hills	SRF Loan	\$1,327,844	1.75%	1-Dec-2036	1,327,844	
A13-003 West Hickman Trk A	SRF Loan	\$3,087,167	1.75%	1-Dec-2036	3,087,167	
A13-003 Woodhill Trk	SRF Loan	\$3,185,752	1.75%	1-Dec-2036	3,185,752	
A13-18 E2A	SRF Loan	\$5,264,076	1.75%	1-Dec-2036	5,264,306	
A13-007 AW PH3	SRF Loan	\$629,060	1.75%	1-Dec-2036	989,346	
A13-007 IDLHR N	SRF Loan	\$620,324	1.75%	1-Dec-2036	620,324	
A13-002 Wolf Run Trk	SRF Loan	\$452,195	1.75%	1-Nov-2036	452,195	
A13-002 Wolf Run WWS	SRF Loan	\$3,831,168	1.75%	1-Nov-2036	4,018,795	
A12-016 Blue Sky	SRF Loan	\$1,594,026	2.00%	1-Mar-2036	1,494,026	
A13-007 Walhampton Rogers	SRF Loan	\$65,430	1.75%	1-Nov-2036	719,816	
A13-007 Cardinal-Laramie PH1-3	SRF Loan	\$95,497	1.75%	1-Nov-2036	95,497	
A13-015 Town Branch	SRF Loan	\$15,640,071	1.75%	1-Nov-2036	15,640,070	
A14-001 Lower Cane Run WWS	SRF Loan	\$2,723,742	1.75%	1-Nov-2036	2,723,740	
Premiums and Discounts					3,540,320	
<b>Total Bonds, Notes, and Loans Payable</b>					151,431,775	5,884,717
Other Liabilities:						
Compensated Absences					1,571,128	507,073
Landfill Closure & Postclosure Care Costs					13,722,665	438,056
Unfunded Pension Liability					21,083,912	
<b>Total Other Liabilities</b>					36,377,705	945,129
<b>Total Business-Type Activities</b>					<b>\$187,809,480</b>	<b>\$6,829,846</b>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2016

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds, Notes, Loans, and Leases:					
General and Pension Obligation Bonds	\$308,890,000	\$56,180,000	(\$22,010,000)	\$343,060,000	\$22,085,000
Net of Bond Premiums and Discounts	13,746,652	3,362,961	(1,120,064)	15,989,549	
<b>Total Bonds, Notes, and Loans Payable</b>	<b>322,636,652</b>	<b>59,542,961</b>	<b>(23,130,064)</b>	<b>359,049,549</b>	<b>22,085,000</b>
Other Liabilities:					
Compensated Absences	23,127,448	2,206,167	(1,156,167)	24,177,448	3,384,843
Unfunded Other Post Employment Benefit Liability	81,924,516	12,014,100		93,938,616	
Unfunded Pension Liability	216,915,496	127,300,076	(63,576,280)	280,639,292	
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$644,604,112</b>	<b>\$201,063,304</b>	<b>(\$87,862,511)</b>	<b>\$757,804,905</b>	<b>\$25,469,843</b>
<b>Business-Type Activities</b>					
Bonds, Notes and Loans:					
Revenue Bonds	\$34,600,000	\$0	(\$2,290,000)	\$32,310,000	\$2,410,000
Mortgage Revenue Bonds	53,625,000		(2,310,000)	51,315,000	2,405,000
Notes and Loans	36,968,889	28,163,301	(865,735)	64,266,455	1,069,717
Bonds, Notes, and Loans Payable	125,193,889	28,163,301	(5,465,735)	147,891,455	5,884,717
Net of Bond Premiums and Discounts	3,961,469		(421,149)	3,540,320	
<b>Total Bonds, Notes, and Loans Payable</b>	<b>129,155,358</b>	<b>28,163,301</b>	<b>(5,886,883)</b>	<b>151,431,775</b>	<b>5,884,717</b>
Other Liabilities:					
Compensated Absences	1,516,885	164,529	(110,286)	1,571,128	507,073
Landfill Closure and Postclosure Care Costs	12,717,801		1,004,864	13,722,665	438,056
Unfunded Pension Liability	15,403,926	7,865,076	(2,185,090)	21,083,912	
<b>Total Business-Type Activities Long-Term Liabilities</b>	<b>\$158,793,970</b>	<b>\$36,192,906</b>	<b>(\$7,177,395)</b>	<b>\$187,809,480</b>	<b>\$6,829,846</b>

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

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

Fiscal Year	Governmental Activities		Business-Type Activities					
	General Obligation Bonds, Notes, and Loans		Revenue Bonds, Notes, and Loans		Mortgage Revenue Bonds		Total Primary Government	
	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2017	\$14,587,008	\$22,085,000	\$2,568,244	\$3,479,717	\$2,084,569	\$2,405,000	\$19,239,821	\$27,969,717
2018	14,026,328	24,280,000	2,343,847	5,444,948	1,986,469	2,500,000	18,356,644	32,224,948
2019	12,525,135	24,410,000	2,161,455	5,623,492	1,884,369	2,605,000	16,570,959	32,638,492
2020	11,514,333	24,355,000	1,971,464	5,818,367	1,778,168	2,705,000	15,263,965	32,878,367
2021	10,470,978	24,570,000	1,773,470	6,014,033	1,667,669	2,820,000	13,912,117	33,404,033
2022 - 2026	31,330,938	92,245,000	5,374,324	20,631,409	5,439,916	12,505,000	42,145,178	125,381,409
2027 - 2031	17,566,433	93,740,000	3,800,928	26,587,761	3,551,194	18,295,000	24,918,555	138,622,761
2032 - 2037	3,377,391	37,375,000	1,087,745	22,976,728	321,299	7,480,000	4,786,435	67,831,728
Total	<u>\$115,398,544</u>	<u>343,060,000</u>	<u>\$21,081,477</u>	<u>96,576,455</u>	<u>\$18,713,653</u>	<u>51,315,000</u>	<u>\$155,193,674</u>	<u>490,951,455</u>
Less principal payable within one year		<u>22,085,000</u>		<u>3,479,717</u>		<u>2,405,000</u>		<u>27,969,717</u>
Long term principal due after one year		<u>\$320,975,000</u>		<u>\$93,096,739</u>		<u>\$48,910,000</u>		<u>\$462,981,739</u>

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**Component Units**

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

Fiscal Year	Principal				Total
	Lexington Center Corporation	Lexington Airport Board	Parking Authority of Lexington	Nonmajor Component Units	
2017	\$2,160,000	\$2,000,000	\$375,580	\$1,273,251	\$5,808,831
2018	2,245,000	2,100,000	4,501,821	1,598,961	10,445,782
2019	2,340,000	2,200,000		1,712,217	6,252,217
2020	4,055,191	2,300,000		1,704,809	8,060,000
2021	5,021,602	2,350,000		1,760,518	9,132,120
2022-2026	13,533,207	13,115,000		8,774,578	35,422,785
2027-2031		13,540,000		1,470,108	15,010,108
2032-2036		12,650,000		485,913	13,135,913
2037-2040		2,225,000			2,225,000
2041-2046				12,673,400	12,673,400
Total	29,355,000	52,480,000	4,877,401	31,453,755	118,166,156
Less payable within one year	(2,160,000)	(2,000,000)	(375,580)	(1,273,251)	(5,808,831)
Refinancing loss/premium-discount	12,010	3,409,809			3,421,819
Long term principal due after one year	<u>\$27,207,010</u>	<u>\$53,889,809</u>	<u>\$4,501,821</u>	<u>\$30,180,504</u>	<u>\$115,779,144</u>

Fiscal Year	Interest				Total
	Lexington Center Corporation	Lexington Airport Board	Parking Authority of Lexington	Nonmajor Component Units	
2017	\$935,085	\$2,269,212	\$72,939	\$822,484	\$4,099,720
2018	846,135	2,185,212	61,712	789,340	3,882,399
2019	753,485	2,097,212		673,669	3,524,366
2020	645,389	1,982,371		682,374	3,310,134
2021	479,355	1,864,712		649,669	2,993,736
2022-2026	672,590	7,420,969		2,157,900	10,251,459
2027-2031		4,060,719		1,196,908	5,257,627
2032-2036		1,065,057		1,086,107	2,151,164
2037-2040		99,813		925,629	1,025,442
2041-2046					
Total	<u>\$4,332,039</u>	<u>\$23,045,277</u>	<u>\$134,651</u>	<u>\$8,984,080</u>	<u>\$36,496,047</u>

**General Description of the Government's Bonds and Notes Payable**

Revenue and Mortgage Revenue Bonds

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

1. \$24,190,000 of Tax-Exempt Sewer System Revenue Refunding Bonds, Series 2014A, issued at a premium, and payable annually in principal installments ranging from \$500,000 to \$3,095,000 plus interest over 13 years, to

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fully refund the Sewer System Revenue Bonds, Series 2009A, (Taxable Build America Bonds). The refunding provided for a cumulative savings of \$1,119,864 over the life of the bonds and a net present value savings of \$1,317,979 or 4.35% including the escrow of the partial BAB subsidy from the Sewer System Revenue Bonds, Series 2009A.

2. \$10,410,000 of Taxable Sewer System Revenue Refunding Bonds, Series 2014B, issued at a premium and payable annually in principal installments ranging from \$1,005,000 to \$2,540,000 plus interest over 5 years to fully refund the Sewer System Refunding Revenue Bonds Series 2010A. The issue resulted in a net present value loss of \$(284,163) or (2.42)%. However, this issue was refunded in conjunction with the Tax-Exempt Sewer System Revenue Refunding Bonds, Series 2014A to provide the Government the opportunity to update the bond ordinances for current and future Sewer bond issues, see the below section on the updates to the Sewer System Bond Ordinances.

In fiscal year 2014, the Government defeased all of the outstanding debt under its prior Sewer indenture. The new indenture provides that the gross income and revenues of the System first be used to pay operating and maintenance expenses of the System. Net Revenues of the System are then deposited into the Bond Account, which is held by the Trustee, and are to be disbursed as follows:

- Each month, 1/6 of the next interest payment to the Interest Subaccount and 1/12 of the next principal payment to the Principal Subaccount.
- If necessary, deposit to the Bond Reserve Account. Indenture is structured so that the requirement of reserve is applied on a series specific basis.
- Payment of any prior deficiencies in regards to the Interest Subaccount, Principal Subaccount and Bond Reserve Account.
- If necessary, payment of administrative fees associated with the outstanding bonds.
- Deposit to the Rebate Fund.
- Payment of debt service of other debt obligations related to the Sewer System.
- Deposit to the Rate Stabilization Fund.
- Deposit to the Surplus Account.
- Funds can be requested by LFUCG from the Surplus Account for Operating and Maintenance or capital projects.

The Indenture also outlines parity provisions for the issuance of additional bonds for the acquisition or construction of sewer system facilities. The Net Revenues of the System, as defined in the bond ordinance, must provide coverage of 120% of Maximum Annual Debt Service.

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.

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

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

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

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

1. KIA Loan A209-09 Radcliffe Road issued in the amount of \$113,523, payable annually in principal installments ranging from \$1,837 to \$3,438 plus interest over 20 years. Financing improvements to the storm water system along Radcliffe Road in Fayette County.
2. KIA Loan A209-08 Streetscape issued in the amount of \$1,254,980, payable annually in principal installments ranging from \$25,671 to \$37,843 plus interest over 20 years. Financing improvements to the storm water system in the city center of Lexington. These funds were used in conjunction with the streetscape project that included upgrades to the sidewalks, sewer and storm water systems. This capital project included South Limestone, East and West Main Street, and Vine Street.
3. KIA Loan A09-01 South Elkhorn Pump station issued in the amount of \$14,045,119, payable annually in principal installments ranging from \$281,600 to \$423,692 plus interest over 20 years. Financing the upgrade of the South Elkhorn pump station and construction of a new 36 inch force main. The Capital Replacement Reserve Fund requirement is \$43,020 annually for 10 years.
4. KIA Loan A10-08 Wolf Run Pump station issued in the amount of \$10,500,000, payable annually in principal installments ranging from \$375,028 to \$536,379 plus interest over 20 years for the upgrade and expansion of the Wolf Run pump station. The Capital Replacement Reserve Fund requirement is \$26,250 annually for 10 years.
5. KIA Loan A13-002 issued in the amount of \$13,674,302 for the upgrades to the Bob-O-Link Trunk Line, Wolf Run Trunk Line and the Wolf Run Storage Tank Capacity Upgrade. As of June 30, 2016, the Government had received only a partial draw of \$7,128,186 with the remaining balance of \$6,546,116 to be requested in fiscal year 2017. Until the remaining balance is requested, the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan, nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government. The Capital Replacement Reserve Fund requirement is \$35,000 annually for 10 years.
6. KIA Loan A13-003 issued in the amount of \$10,194,421 for the upgrades to the Eastlake Trunk Line, Century Hills Trunk Line, West Hickman Trunk Line and the Woodhill Trunk Line. As of June 30, 2016, the Government had received only a partial draw of \$8,344,176 with the remaining balance of \$1,850,245 to be

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requested in fiscal year 2017. Until the remaining balance is requested, the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan, nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government. The Capital Replacement Reserve Fund requirement is \$25,000 annually for 10 years.

7. KIA Loan A13-007 issued in the amount of \$4,657,640 for the upgrades to the Storm Water Systems of Anniston Wickland, Idlehour, Walhampton Rogers and Perimeter Park Neighborhoods. As of June 30, 2016, the Government had received only a partial draw of \$2,424,982 with the remaining balance of \$2,232,655 to be requested in fiscal year 2017. Until the remaining balance is requested, the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan, nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government. The Capital Replacement Reserve Fund requirement is \$12,000 annually for 10 years.
8. KIA Loan A13-18 issued in the amount of \$6,000,000 for the upgrades to the Expansion Area 2A Wastewater System. As of June 30, 2016, the Government had received only a partial draw of \$5,234,076 with the remaining balance of \$735,924 to be requested in fiscal year 2017. Until the remaining balance is requested, the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan, nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government. The Capital Replacement Reserve Fund requirement is \$15,000 annually for 10 years.
9. KIA Loan A12-16 issued in the amount of \$1,930,000 for the acquisition and conversion to a pump station of the Blue Sky Wastewater Treatment plant. As of June 30, 2016, the Government had received only a partial draw of \$1,494,025 with the remaining balance of \$455,975 to be requested in fiscal year 2017. Until the remaining balance is requested, the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan, nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government. The Capital Replacement Reserve Fund requirement is \$4,825 annually for 10 years.
10. KIA Loan A13-15 issued in the amount of \$31,801,000 for design and construction of Phase 1 of a multi-phase waste water storage facility at the Town Branch Wastewater Treatment Facility. As of June 30, 2016 the Government has received only a partial draw of \$15,640,070 with the remaining balance of \$14,169,930 to be requested in fiscal year 2017. Until the remaining balance is requested, the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan, nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government. The Capital Replacement Reserve Fund requirement is \$80,000 annually for 10 years.
11. KIA Loan A14-001 issued in the amount of \$19,837,063 for design and construction of Phase 1 of a multi-phase waste water storage facility at the Lower Cane Run Pump Station. As of June 30, 2016 the Government has received only a partial draw of \$2,723,742 with the remaining balance of \$17,113,321 to be requested in fiscal year 2017. Until the remaining balance is requested, the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan, nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government. The Capital Replacement Reserve Fund requirement is \$50,000 annually for 10 years.

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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. \$2,055,000, Series 2006C, issued at par and payable annually in principal installments ranging from \$70,000 to \$145,000 plus interest over 20 years, to finance the costs of the Purchase of Development Rights Program. Of the outstanding balance, \$1,505,859 was partially refunded through the issuance of Series 2015A leaving a remaining balance of \$190,000.
2. \$56,850,000, Refunding Series 2006D, to refund the Public Facilities Corporation Series 1995 bonds for \$2,500,000 in principal and to partially refund the 1999 General Obligation Bonds, Series 1999A. Issued at a premium and payable annually in principal installments ranging from \$35,000 to \$4,680,000 plus interest over 18 years. The refunding provided for a cumulative savings of \$2,372,454 over the life of the bonds resulting in net present value savings of \$1,756,185 or 3.32% of the refunded principal.
3. \$24,830,000, Series 2009A, issued at a premium and payable annually in principal installments ranging from \$745,000 to \$1,725,000 plus interest over 20 years, to finance the cost of the Purchase of Development Rights Program, Street Resurfacing, Bluegrass Aspendale improvements and other various construction projects. Of the outstanding balance, \$15,043,284 was refunded through the issuance of Series 2015A, leaving a remaining balance of \$4,890,000.
4. \$70,610,000, Series 2009B, Taxable General Obligation Pension Funding Bonds, issued at a discount and payable annually in principal installments ranging from \$2,315,000 to \$5,515,000 plus interest over 20 years, to finance additional contributions to the Policemen's and Firefighters' Retirement Plan.
5. \$7,735,000, Series 2010B, General Obligation Refunding Bonds, for refunding the Series 1999B and 2000A General Obligation Bonds. Issued at a discount and payable annually in principal installments ranging from \$715,000 to \$850,000 plus interest over 10 years. The refunding provided for a cumulative savings of \$1,394,276 over the life of the bonds resulting in a net present value savings of \$1,189,304 or 15.37% of the refunded principal.
6. \$6,635,000, Series 2010C, General Obligation Refunding Bonds, for refunding the Series 2000E General Obligation Bonds. Issued at a discount and payable annually in principal installments ranging from \$60,000 to \$675,000 plus interest over 12 years. The refunding provided for a cumulative savings of \$675,874 over the life of the bonds resulting in net present value savings of \$593,504 or 8.95% of the refunded principal.
7. \$35,825,000, Series 2010D, Taxable General Obligation Pension Funding Bonds issued at a discount and payable annually in principal installments ranging from \$1,195,000 to \$2,700,000 plus interest over 20 years, to finance additional contributions to the Policemen's and Firefighters' Retirement Plan.
8. \$6,305,000, Series 2010F, Various Purpose General Obligation Public Projects Build America Bonds, issued at a discount and payable annually in principal installments ranging from \$45,000 to \$1,305,000 plus interest over 5 years, to finance the acquisition of various equipment for Divisions within the Government including but not limited to Computer Services, Public Safety, Parks and Recreation and Waste Management. The 2010F Bonds were issued under the guidelines provided under the ARRA. Under the Guidelines set forth in the ARRA, the Government is eligible to apply for an interest subsidy payment from the United States Treasury of 35% for BABs. The Government received a subsidy for the year ended June 30, 2016 of \$21,699.
9. \$4,465,000, Series 2010H, General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2001B. Issued at a discount and payable in annual principal payments ranging from

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- \$30,000 to \$540,000 plus interest over 12 years. The refunding provided for a cumulative savings of \$150,459 over the life of the bonds resulting in a net present value savings of \$126,407 or 3.03% of the refunded principal.
10. \$31,000,000, Series 2012A, Taxable General Obligation Pension Funding Bonds, issued at a premium and payable annually in principal installments ranging from \$1,170,000 to \$2,110,000 plus interest over 20 years, to finance additional contributions to the Policemen's and Firefighters' Retirement Plan.
  11. \$6,275,000, Series 2012B, General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2002C and the General Obligation Bond Series 2004C. Issued at a discount and payable in annual principal payments ranging from \$20,000 to \$825,000 plus interest over 12 years. The refunding provided for a cumulative savings of \$597,633 over the life of the bonds resulting in net present value savings of \$545,403 or 8.76% of the refunded principal.
  12. \$3,455,000, Series 2012C, Various Purpose General Obligation notes to finance various projects including construction, acquisition, and installation of various projects including but not limited to street and sidewalk improvements, safety equipment, various park and recreation improvements, other equipment, and vehicles for the benefit of numerous Departments of the Government. Issued at a premium and payable in annual principal payments ranging from \$530,000 to \$750,000 plus interest over 5 years.
  13. \$11,275,000, Series 2013A, Various Purpose General Obligation Bonds to finance various street and highway improvements including the rehabilitation and paving of existing roads and streets throughout Lexington, Fayette County, Kentucky. Issued at a premium and payable in annual principal payments ranging from \$845,000 to \$1,265,000 plus interest over 10 years.
  14. \$6,005,000, Series 2013B, Various Purpose General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2004C, General Obligation Bond Series 2005C and General Obligation Bond Series 2006B. Issued at a premium and payable annually in principal installments ranging from \$40,000 to \$925,000 plus interest over 13 years. The refunding provided for a cumulative savings of \$402,579 over the life of the bonds resulting in net present value savings of \$293,222 or 5.10% of the refunded principal.
  15. \$17,035,000, Series 2013C, Various Purpose General Obligation Bonds to finance various projects for Departments within the Government, including but not limited to communications and computer equipment and other equipment, traffic engineering equipment, police and fire equipment, police and fire vehicles, and golf carts, remodeling and renovation of public safety buildings, Kentucky Theatre renovations, maintenance building, fire stations, street and sidewalk improvements, various park projects and improvements, HVAC system maintenance, and weather and emergency systems upgrades. Issued at a premium and payable in annual principal payments ranging from \$595,000 to \$1,195,000 plus interest over 20 years.
  16. \$55,925,000, Series 2014A, Various Purpose General Obligation Refunding Bonds, for refunding the General Obligation Bond Series 2010A Build America Bonds. Issued at a premium and payable annually in principal installments ranging from \$2,325,000 to \$4,220,000 plus interest over 17 years. The refunding provided for a cumulative savings of \$2,214,916 over the life of the bonds resulting in net present value savings of \$2,437,443 or 4.35% of the refunded principal.
  17. \$24,245,000 Series 2014B, Various Purpose General Obligation Bonds to finance various projects for Departments within the Government, including but not limited to financing managed email solution/exchange, storage area network, new tax revenue system, procurement website upgrade, Accela software, network infrastructure remediation, police patrol transport wagon, general repairs, life safety, autos vehicle replacement, pothole patcher, public safety ops/Lexcall center, sidewalk and catch basin repair, sidewalks, jail management system, public safety radio system, roof repair and replacement, HVAC repair and replacement, infrastructure improvements, Shillito multipurpose sports fields, Carver Center improvements, dugout



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- replacement, aquatics improvements, Kentucky Theatre concession renovation, fire training tower, land acquisition and fire station design #24 and relocation of fire station #2, providing funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights, and construction of a new senior center. Issued at a premium and payable in annual principal payments ranging from \$690,000 to \$1,830,000 plus interest over 20 years.
18. \$2,900,000 Series 2014C, Energy Conservation General Obligation Bonds-Federally Taxable Qualified Energy Conservation Bonds to finance energy conservation measures and other qualifying projects at the Fayette County Detention Center including, but not limited to, LED lighting retrofits, chiller plant optimization, intake HVAC retrofit, inner ring HVAC retrofits, constant-volume reheat fan reset, controls upgrade, demand controlled ventilation, Variable-Air-Volume (VAV) box occupancy controls, energy efficient motors, demand controlled ventilation, kitchen hoods, and installation of new walk-in refrigeration. Issued at Par with annual sinking fund payments of \$196,441 and a 70% interest subsidy with a final maturity of 12 years.
  19. \$19,845,000, Series 2015A, Various Purpose General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2006C, General Obligation Bond Series 2009A and full refunding of Series 2010G, Various Purpose General Obligation Public Projects Recovery Zone Economic Development Bonds. Issued at a premium and payable annually in principal installments ranging from \$1,080,000 to \$2,985,000 plus interest over 14 years. The refunding provided for a cumulative savings of \$1,118,502 over the life of the bonds resulting in net present value savings of \$849,671 or 4.28% of the refunded principal.
  20. \$24,860,000 Series 2015B, Various Purpose General Obligation Bonds to finance various projects for Departments within the Government, including but not limited to financing an ERP software upgrade, new Budgeting system, procurement website upgrade, general repairs, life safety, autos vehicle replacement, roof repair and replacement, HVAC repair and replacement, neighborhood paving, infrastructure improvements, parks improvements and upgrades providing funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights, and additional funding for the Emergency Operations Center. Issued at a premium and payable in annual principal payments ranging from \$495,000 to \$2,015,000 plus interest over 20 years.
  21. \$22,450,000 Series 2016A Taxable General Obligation Bonds to finance the restoration and rehabilitation of the historic Fayette County Courthouse (the "Historic Courthouse Project") located at 215 West Main Street in downtown Lexington, Fayette County, Kentucky which Historic Courthouse Project will help preserve the history and architecture of Lexington and Fayette County, enhance the economic development of downtown Lexington, assist in elimination of blight, and reinforce and promote additional redevelopment activities in downtown Lexington and Fayette County. Issued at Par and payable in annual principal payments ranging from \$910,000 to \$1,435,000 plus interest over 20 years.
  22. \$8,870,000 Series 2016B, Various Purpose General Obligation Bonds to finance various projects for Departments within the Government, including but not limited to: financing the design and infrastructure improvements for Town Branch Commons Corridor (TBCC), an innovative multimodal greenway that will link two regional trail systems, the Legacy Trail and Town Branch Trail, and through its unique linear park-like design and stormwater management systems, TBCC will create a livable, sustainable streetscape in downtown Lexington and will connect established and emerging neighborhoods to each other, downtown, and adjacent higher education (collectively, the "Town Branch Commons Corridor Project"); streetscape and sidewalk improvements located in the Versailles Road area; and street improvements including widening, opening, extending, realigning, grading, repaving, resurfacing otherwise rehabilitating and improving streets, roads, thoroughfares, avenues, and expressways throughout Lexington, Fayette County. Issued at a premium and payable in annual principal payments ranging from \$190,000 to \$815,000 plus interest over 20 years.

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Landfill Closure and Postclosure Care Cost

State and Federal laws and regulations require the Government to place final covers on its landfills and to perform certain maintenance and postclosure monitoring functions at its landfills for thirty years. Since the operations and maintenance of the Government's landfills are accounted for in an Enterprise Fund, the accrued liability for these costs are reported in the Landfill Fund as required by GASB 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. The liability at June 30, 2016 is based on the estimated cost of maintaining and monitoring the Old Frankfort Pike Landfill (OFPLF) and the Haley Pike Landfill. Actual cost may be higher due to inflation, changes in technology, or changes in regulations and these costs will be funded by the Landfill Fund. The OFPLF ceased accepting waste decades ago. The Haley Pike Landfill ceased accepting waste in December 2011. Both of these landfills are at 100% capacity. The Haley Pike Landfill has been capped. Environmental monitoring and maintenance of the property will occur over the next 30 years, in accordance with Kentucky State Law.

**NOTE 4. SELF-INSURANCE PROGRAM**

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

Surplus at June 30, 2014	\$0
Claims and changes in estimates	28,736,657
Claims paid	<u>(28,736,657)</u>
Surplus at June 30, 2015	0
Claims and changes in estimates	28,290,908
Claims paid	<u>(28,290,908)</u>
Surplus at June 30, 2016	<u><u>\$0</u></u>

**B. Insurance and Risk Management** – The Government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered through the Property and Casualty Claims Fund (the Fund), a self-insured program established in 1982. There are five types of coverage provided by the self-insured program: auto liability, auto physical damage, general liability, property (including boiler and machinery), and workers' compensation.

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

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

Annually, as of June 30, the Fund has a third party actuary review the claim histories for all claim years for which open claims are outstanding. The actuary projects the ultimate claim payment obligation (including the IBNR claims) for each year's claim experience. The Government elected to establish the liability for these claims and loss

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expenses at their present value, with a discount rate of 3.5%. As of June 30, 2016 the undiscounted estimated liability was \$31,966,636. The discounted estimated liability as of June 30, 2016 was \$26,750,170. Changes in the balances of claims liabilities during the past two years are as follows:

	Auto Liability and Physical Damage	General Liability	Property	Workmens' Compensation	Total
Liability at June 30, 2014	\$3,242,515	\$8,614,165	\$186,762	\$15,610,263	\$27,653,705
Claims and changes in estimates FY15	2,817,826	(1,887,366)	1,101,835	7,968,705	10,001,000
Claims paid 2015	(1,864,752)	418,951	(1,053,407)	(6,251,707)	(8,750,915)
Liability at June 30, 2015	4,195,589	7,145,750	235,190	17,327,261	28,903,790
Claims and changes in estimates FY16	(1,343,046)	891,326	1,234,181	4,449,629	5,232,090
Claims Incurred FY 2016	(37,434)	(1,514,063)	(1,276,901)	(4,557,312)	(7,385,710)
Liability at June 30, 2016	<u>\$2,815,109</u>	<u>\$6,523,013</u>	<u>\$192,470</u>	<u>\$17,219,578</u>	<u>\$26,750,170</u>

The Fund uses excess insurance policies, purchased from various commercial carriers, to reduce its exposure to large losses on all types of insured events or for exposures that are difficult to self-insure. These insurance policies permit recovery of losses above the self-insured retention limits from the insurance carriers, although it does not discharge the primary liability of the Self-Insured Retention Fund as the direct source for payment of claims made against the Government. Workers' compensation self-insured retention was \$75,000 and property self-insured retention was \$250,000.

The following schedule indicates the types of excess insurance purchased, the SIR (self-insured retention level) maintained by the Fund, limits and some of the sub-limits of the excess insurance coverage:

Line of coverage	Self-insured Retention Per	
	Occurrence	Excess Reinsurance Annual Limit
Property	\$250,000	\$500,000,000 Per Occurrence
Flood Loss	250,000	\$50,000,000 Per Occurrence
Flood-Specified 4 Locations	N/A	\$5,000,000 Annual Aggregate for 4 Specified Locations
Earthquake Loss	250,000	\$100,000,000 Per Occurrence
Electronic Data Processing	250,000	Included in Property Limits
Traffic Control Equipment	250,000	Included in Property Limits
Cyber Coverage – First Party	100,000	\$2,000,000 Aggregate
Boiler and Machinery	100,000	\$100,000,000 Per Occurrence
Electronic Data Processing	100,000	\$10,000,000 Per Occurrence
Auto Physical Damage	100,000	Included in Property Limits
Auto Liability	2,000,000	\$5,000,000 Per Occurrence
General Liability	2,000,000	\$5,000,000 Per Occurrence
Public Officials Liability	2,000,000	\$5,000,000 Per Occurrence
Workers' Compensation	1,000,000	Statutory Per Occurrence
Employers' Liability	\$75,000 with \$250,000 corridor	\$1,000,000 Per Occurrence
Pollution Liability	\$75,000 per pollution loss	\$1,000,000 Aggregate
Aviation Liability	N/A	\$20,000,000 Per Occurrence

**NOTE 5. CONTINGENT LIABILITIES AND COMMITMENTS**

**A. Litigation** – The Government is party to numerous legal proceedings where the ultimate outcome cannot be determined with certainty or cannot be reasonably estimated, many of which normally occur in government operations. The Government's Department of Law estimates that there are pending cases in which there is a

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
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reasonably possible likelihood that the Government will incur some liability. As of June 30, 2016 the Government has accrued approximately \$9,600,000 for potential liabilities for the cases covered by self-insurance (See Note 4.B.) and approximately \$4,500,000 in the General Fund in the Government-Wide Financial Statements for matters not covered by the self-insurance program.

In 2005, a case was filed by multiple firefighters alleging that their overtime wages, pension contributions and benefits were not calculated accurately. They seek compensatory damages and attorneys' fees. The Government filed a Motion for Judgment on the Pleadings on state wage and hour claims, and the Motion was granted by the Fayette Circuit Court. The Court granted the Government's motion to make the judgment final and appealable, and the Plaintiffs appealed to the Court of Appeals. The Court of Appeals recently rendered a decision overruling the Government's request that claims are barred based on sovereign immunity. A petition for rehearing has been filed with the Court of Appeals. The Plaintiffs' claim could be in excess of \$1,000,000, depending on the form of calculation of back overtime wages. The Government intends to vigorously defend the claims asserted in the lawsuit, but at the same time, and at the Plaintiffs' counsels' request, has indicated a willingness to attempt to mediate the parties' differences while continuing to litigate the Government's defenses. The Court of Appeals recently rendered its ruling granting our petition for rehearing and issuing a substitute opinion. The Government is currently evaluating that new opinion. Mediation is scheduled for September 1, 2016.

**B. United States Environmental Protection Agency Consent Decree** – The United States Environmental Protection Agency (EPA) and the Kentucky Environmental and Public Protection Cabinet (KYEPPC) filed suit in federal court against the Government in 2006 alleging various violations of the Clean Water Act. The Government completed negotiations with the EPA and KYEPPC to resolve the alleged violations. The resulting Consent Decree agreement was entered in the United States District Court – Eastern District of Kentucky on January 3, 2011. The settlement agreement requires the Government to undertake extensive studies, sewer improvement projects and management plans to correct the problems that were alleged. The settlement affords the Government up to 13 years to correct the problems. The Government has estimated that the cost of remedial measures would approach \$591 million over the life of the Consent Decree. The Government increased sanitary sewer rates to fund obligations under the Consent Decree and also adopted a storm water management fee.

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

**D. Lexington Center Corporation** – LCC is a non-profit, non-stock corporate agency and instrumentality of the Government. The Government entered into a lease agreement that provides for leasing the Lexington Center from LCC on an annual basis beginning June 15, 1993. This lease agreement replaces a contract lease and option agreement that began October 1, 1974. The annual rental to be paid by the Government to LCC is an amount equal to interest and principal paid on the Series 2008A Bonds and Capital Appreciation Bonds, less a credit for interest earned by investments in the Debt Service Reserve Account and Bonds Service Account, plus a credit for any revenues or assets of LCC constituting operation revenue. The agreement grants the Government an exclusive option to renew the lease for additional one-year periods through June 30, 2022, but the Government may elect not to renew the lease with written notice to LCC. The Government may acquire title to the facilities on any interest payment date by notifying LCC and the Trustee within sixty days before such date and by paying to the Trustee an amount equal to principal, interest, and redemption premiums on bonds outstanding at that time, plus costs associated with the redemption of the bonds.

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NOTES TO FINANCIAL STATEMENTS (Continued)  
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On July 13, 2001, LCC and the University of Kentucky Athletic Association entered into a lease agreement through the 2017-18 basketball season for the use of Rupp Arena.

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

A Memorandum of Agreement dated March 23, 2016 between the Finance and Administration Cabinet (the cabinet), a governmental agency of the Commonwealth of Kentucky (the Commonwealth), LFUCG, and LCC provides that the Cabinet shall pay to LCC \$60,000,000 if LFUCG agrees to levy an additional 2.5% transient room tax (2% to LCC and 0.5% to the Cabinet for the recoupment of its \$60 million investment) and contribute an additional \$10,000,000 to LCC. LCC agrees to finance approximately \$171,000,000 through the sale of bonds, and spend all funds for the renovation, expansion, or improvement of a convention center. LCC also agrees to reimburse the Commonwealth for \$2,187,500, on or before December 31, 2016, it previously received towards the Arts and Entertainment Project. LCC has accrued the reimbursement commitment in its financial statements for the year ended June 30, 2016, which was paid in September 2016.

On February 8, 2016, LCC entered into a lease and relocation agreement with Warwick Foundation, Inc. (the Tenant) for the preservation and movement of an architecturally significant building formerly known as the Peoples Bank Building, and to provide an approximate one acre parcel of the High Street parking lot directly across from Rupp Arena for the relocation. Rent during the term of the lease shall be \$10 per year for a term of 108 months with automatic extensions of eighteen five year terms unless the Tenant provides written notice of its intent not to renew. The Tenant is responsible for the movement, renovation, maintenance, and operation of the building, and intends to partner with universities, artists, and other nonprofit entities in order to present programs and educational opportunities which will emphasize respect and inclusion, and will further the philanthropic mission of the Tenant. The effective date of the lease occurs when the Tenant obtains all moving contracts and the approval of LCC of moving plans. LCC has agreed to donate \$75,000 toward the relocation of the building, which will be paid on the effective date of the lease. As of September 14, 2016 preliminary work on the building continues. LCC has accrued its commitment in its financial statements for the year ended June 30, 2016.

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

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

The Airport Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; general liability claims; and natural disasters. The Airport Corporation manages these risks through the purchase of commercial insurance. The amount of settlements has not exceeded coverage in any of the past three fiscal years.

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**F. Lexington Public Library** – The Library is a non-profit, non-stock corporate agency and instrumentality of the Government. The Lexington Public Library Board of Trustees is a defendant in a lawsuit filed by the Library's former Director, for contract damages associated with her 2009 termination by the Board. This matter came before an American Arbitration Association panel that on May 17, 2014 issued an Order of Damages totaling \$907,762. On each of the panel's findings for damages, a panel member dissented to the order except in the case of the salary remaining on the contract which totals \$257,731. The Lexington Public Library Board of Trustee's legal counsel presented to the Fayette Circuit Court arguments and memoranda supporting the Board's position that the Arbitration Panel exceeded its authority under Kentucky law.

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

Through cancelable lease and sublease agreements, the Library is leasing the Tates Creek Branch from the Public Library Corporation for an annual rental equal to the annual debt service on the bonds. During the past fiscal year, the Library transferred \$256,641 to the Public Library Corporation to pay current debt service. As of June 30, 2016, the Library is committed to fund a total of \$2,078,518 through fiscal year 2020 for this purpose.

**G. Lexington Downtown Housing Fund, LLC** – On December 9, 2004 the Government passed ordinance 319-2004 approving a lease and sublease for the purpose of creating, enhancing, and extending market-rate housing in downtown Lexington (the Project). The Ordinance authorized entering into one or more leases with the Kentucky League of Cities Funding Trust to enable the Government to finance the Project for an aggregate principal amount of \$2,000,000 outstanding at any one time. The leases are a general obligation pledge of the Government. The sublease agreement between the Government and the Lexington Downtown Housing Fund, LLC (DHL LLC) assigns administrative management and support of the loan programs to DHL LLC. Under the loan program, DHL LLC makes loans to developers of approved projects. The loans made by DHL LLC are funded in part by the sublease and in part from funds contributed or loaned from local participating banks. The interest on the loans are paid by the developers, and the principal of the loans are subsequently repaid by the revenues from the projects. In the event of default by the developer on the loan payment, the portion of the loan funded by the sublease would become an obligation of the Government. The Project has been closed, and the loans have been repaid to the bank. The Government has entered into financial agreements with the remaining two developers. Artek, LLC has agreed to a promissory note made payable to the Government of \$150,000, maturing June 13, 2019. In addition, Artek, LLC agrees to use its best efforts to pay any additional funds that may be available at the maturity date, up to a maximum amount of \$75,000. The Government has recorded a long term note receivable in the guaranteed amount of \$150,000. The remaining principal balance of \$355,000 has been forgiven. The Government has recorded a long term note receivable in the amount of \$405,000 due from Lexington Centercourt on June 13, 2019. The Government anticipates the amount to be paid in full.

**H. Historic Courthouse, LLLP** – Historic Courthouse LLLP (HCH) is a partnership of Historic Courthouse GP, Inc. and, currently, the Lexington Downtown Development Authority (DDA). HCH is in the process of developing the old courthouse in downtown Lexington. The DDA will be replaced by an investment partner prior to the completion of the project. In connection with this project, the Government has issued \$22,450,000 Series 2016A Taxable General Obligation Bonds (see Note 22.D.) to assist in the financing of this project. Once HCH and its future investment partner have met the applicable requirements, this amount will be recorded as a grant. Also, the Government has committed to loan up to \$12 million to HCH, which will be repaid prior to that time. The balance outstanding on this loan at June 30, 2016 was approximately \$123,065.

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

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**J. Conduit Debt** – The Government has issued Industrial Revenue Bonds to provide financial assistance to private sector and nonprofit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector or nonprofit entity served by the bond issue. The Government is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2016, there were 24 series of Industrial Revenue Bonds outstanding with an aggregate amount payable of approximately \$141,717,404.

To provide for the construction of a hospital facility, the PFC issued Lease Revenue Bonds, Series 2011A (Eastern State Hospital Project). The bonds are a special limited obligation of the PFC, payable solely from and secured by a pledge of rentals to be received from a lease agreement between the PFC and the Commonwealth of Kentucky. The bonds do not constitute a debt or pledge of the faith and credit of the PFC or the Government, and accordingly have not been reported in the accompanying financial statements. At June 30, 2016, the Lease Revenue Bonds outstanding total approximately \$125,480,000.

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

In governmental funds, encumbrances outstanding at year-end represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriations, is utilized in the governmental funds. Encumbrances are not treated as expenditures or liabilities because the commitments will be honored during the subsequent year. Outstanding encumbrances for the governmental funds at June 30, 2016 were as follows:

General Fund	\$8,990,033
Urban Service Fund	5,372,692
Nonmajor Governmental Funds	\$18,237,225

Encumbrances are not recorded in the financial statements for proprietary fund types and Pension Trust Funds. However, the purchase orders outstanding at June 30, 2016 for these funds are as follows:

Sanitary Sewer System	\$17,767,263
Public Facilities Corporation	1,003
Water Quality	6,272,293
Landfill	934,539
Nonmajor Enterprise Funds	49,859

**L. Tax Abatements** – The Government participates in the Commonwealth of Kentucky's Tax Increment Financing (TIF) program. For a full disclosure of the program requirements, please see KRS Chapters 65 and 154. Any inducements offered under the TIF program are negotiated by the Cabinet for Economic Development officials and presented as a recommendation to the Kentucky Economic Development Finance Authority for approval. There are three state participation programs available. State participation is limited to a specific project within a blighted urban redevelopment or vacant land with 5,000 seat arena development area. Only the tax revenues generated within the footprint of the specific identified project are included in the increment. The tax abatements are granted to development areas that meet two of seven specified blight/deterioration conditions established in KRS 65.7049(3), such as abandonment or deterioration of structures, presence of environmentally contaminated land, and inadequate or deteriorating public infrastructure. Abatements are obtained through application by the property

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owner, including proof that the improvements have been made. The state specifies a percentage reduction of up to 100% of incremental property taxes and occupational license taxes or fees for up to 30 years.

As of June 30, 2016, the Government has property tax abatement agreements through two programs available for specific projects designated to be within the blighted redevelopment areas as follows (dollars in thousands):

- *Commonwealth Participation Program for Real Property Ad Valorem Tax Revenues* – As of June 30, 2016, the TIF is not yet entitled to local increment payment. Participation requirements include a positive impact on the Commonwealth as certified by a qualified independent consultant; a minimum capital investment of \$10 million; not more than 20 percent of the approved project costs or 20 percent of the finished square footage shall be devoted to retail; and pledged revenues shall not exceed 100 percent of approved public infrastructure costs. The Government has pledged 80% of its revenues for realty, business returns, and employee withholdings for 20 years. As of June 20, 2016, one state abatement agreement has been entered into with a local business.
- *Commonwealth Participation Program for Mixed Use Redevelopment in Blighted Urban Areas* – The Government's revenues for realty, business returns, and employee withholdings will be reduced by an estimated \$192,270 for tax credits related to fiscal year 2016 under an agreement entered into by the state in the next fiscal year. Projects must meet several qualifications for mixed use and blighted/deteriorated conditions. Participation requirements include being a new economic activity in the Commonwealth; having a positive impact on the Commonwealth; a minimum capital investment of at least \$20 million but not over \$200 million; and recovery of up to 100 percent of approved public infrastructure costs, and costs related to land preparation, demolition and clearance up to 20 years. The Government has pledged 80% of its revenues for realty, business returns, and employee withholdings for 20 years. As of June 20, 2016, four state abatement agreements have been entered into with local businesses.

The Government participates in the Commonwealth of Kentucky's Kentucky Business Investment Program. This program is a state administered tax incentive, authorized by KRS 154.32, and approved by the Kentucky Economic Development Finance Authority. In order to be eligible, a company must create ten (10) new full-time jobs for Kentucky residents, incur eligible costs of at least \$100,000, pay average hourly wages of at least one hundred fifty percent (150%) of the federal minimum wage, and provide a minimum level of benefits by the activation date. Incentives are approved for up to ten (10) years. The Government participates by providing an inducement of one percent (1%) of payroll taxes to the company per authorized job. This reduces the payroll taxes paid per job from 2.25% to 1.25%. The local inducement is approved by resolution of the Urban County Council. As of June 30, 2016, twenty four (24) companies participated in that program at the local level. Payroll withholdings are reduced by an estimated amount of \$615,808.

**NOTE 6. THE SINGLE AUDIT ACT**

Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires non-federal entities that expend \$750,000 or more a year in Federal awards to have an audit performed in accordance with the provisions of the Circular. A separate supplemental report will be issued on active grant programs of the Government in accordance with applicable provisions of the Single Audit Act of 1984, P.L. 98-502 and the Single Audit Act Amendments of 1996, P.L. 104-156.

**NOTE 7. SUBSEQUENT EVENTS**

Primary Government

On July 5, 2016, the Urban County Council approved a local tax incentive agreement with Bluegrass Stockyards, LLC, where the Government would forego the collection of one percent (1%) of occupational license fees related to



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employees who meet the requirements established. The term shall not exceed ten (10) years from the activation date.

On September 8, 2016, the Urban County Council approved the issuance of General Obligation bonds with a par value of \$30.27 million for the full refunding of GO Bond Series 2006D. In addition, the Urban County Council approved the issuance of General Obligation bonds with a par value of \$40.09 million to finance various projects including, but not limited to, (i) the construction, installation and equipping of a new fire station, software system upgrades, safety operations and other safety related projects, road resurfacing, road maintenance, road upgrades, streetscapes and sidewalk improvements, renovations, repairs and upgrades related to public buildings, renovations, repairs and upgrades related to park projects, and providing financial assistance to Lexington Center Corporation for the expansion and replacement of the Lexington Convention Center, and (ii) providing funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights.

On September 30, 2016, the Government transferred \$515,571 to the Policemen's and Firefighters' Retirement Fund (PFRF) to capture a shortfall in fiscal year 2014.

Component Units

In early October, the Lexington Airport Board issued a bond in the amount of \$58,410,000 of which the proceeds were primarily used for refunding of prior bond issues.

**NOTE 8. DEFINED BENEFIT PENSION PLANS AND OTHER POST EMPLOYMENT BENEFITS**

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

**A. Plan Descriptions**

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

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

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

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

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

Both pension plans are included in the Government's comprehensive annual report and do not issue stand-alone financial reports. Membership of each plan consisted of the following at June 30, 2015:

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

**B. Summary of Significant Accounting Policies**

Basis of Accounting – The preparation of the financial statements of the PFRF and CEPF conform to the provisions of GASB Statement No. 68. For purposes of measuring the net pension liability/(asset) deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the PFRF and CEPF, and additions to/deductions from the PFRF and CEPF fiduciary net position have been determined on the same basis as they are reported by the PFRF and CEPF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are stated at fair value.

**C. Contributions**

The contribution requirements and benefit provisions for the PFRF and CEPF are established by state statute and Government ordinance. In fiscal year 2015, the Government contributed 33.78% to the PFRF and 17.50% to the CEPF. Administrative costs were financed by a combination of additional contributions as well as investment income. The required contribution rates are shown in the following table:

	PFRF	CEPF
Required Contribution Rates:		
Government	33.78%	17.50%
Plan Member	12.00%	8.50%

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**D. Net Pension Liability**

The Government's net pension liability/(asset) was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. 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, 2014	July 1, 2014
Actuarial cost method	Entry Age Normal Funding	Entry Age Normal Funding
Amortization method	Level Dollar - Closed	Level Dollar - Open
Remaining amortization period	30 years open	15 years open
Asset valuation method	Actuarial Related Value	Market
Actuarial assumptions:		
Investment rate of return	7.50%	7.00%
Projected salary increases	10.50% to 4.00%	N/A
Cost-of-living adjustments	See Note 8.A. on page 94	3.00%
Inflation	3.00%	N/A

*Changes in the Net Pension Liability (Asset)*

	PFRF			CEPF		
	<u>Increase (Decrease)</u>			<u>Increase (Decrease)</u>		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability / (Asset)
	(a)	(b)	(a)-(b)	(a)	(b)	(a)-(b)
<b>Balances at 6/30/2014</b>	\$753,385,225	\$636,280,881	\$117,104,344	\$12,248,530	\$30,783,518	(\$18,534,988)
<b>Changes for the year:</b>						
Service Cost	15,682,820		15,682,820			
Interest	54,617,104		54,617,104	805,933		805,933
Differences between expected and actual experience	7,523,715		7,523,714	(345,366)		(345,366)
Contributions-employer		22,705,036	(22,705,036)			
Contributions-employee		9,881,338	(9,881,338)			
Net investment income		16,827,976	(16,827,976)		898,062	(898,062)
Benefit payments, including refunds of employee contributions	(50,314,337)	(50,314,337)		(1,470,392)	(1,470,392)	
Administrative expense		(665,175)	665,175		(28,357)	28,357
Other changes						
<b>Net changes</b>	27,509,302	(1,565,163)	29,074,465	(1,009,825)	(600,687)	(409,138)
<b>Balances at 6/30/2015</b>	\$780,894,527	\$634,715,718	\$146,178,809	\$11,238,705	\$30,182,831	(\$18,944,126)

The following presents the net pension liability of the Government's CEPF pension plan, calculated using the discount rate of 7.00%, as well as what the CEPF's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
<b>CEPF's net pension liability (asset)</b>	<b>\$(18,252,078)</b>	<b>\$(18,944,127)</b>	<b>\$(19,562,057)</b>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2016

The following presents the net pension liability of the Government's PFRF pension plan, calculated using the discount rate of 7.75%, as well as what the PFRF's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<b>1% Decrease (6.75%)</b>	<b>Current Discount Rate (7.75%)</b>	<b>1% Increase (8.75%)</b>
<b>PFRF's net pension liability</b>	\$235,707,243	\$146,178,809	\$71,113,302

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2015, the CEPF and PFRF reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

**CEPF**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$0	\$506,574
Total	\$0	\$506,574

**PFRF**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$6,376,807	\$0
Net difference between projected and actual earnings on pension plan investments		8,995,473
Employer contributions subsequent to the Measurement date	24,834,849	
Total	\$31,211,656	\$8,995,473

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the CEPF pension will be recognized in pension expense as follows:

**Year ended June 30:**

2017	\$(249,147)
2018	(249,147)
2019	(249,145)
2020	240,864
2021	0
Thereafter	0

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the PFRF pension will be recognized in pension expense as follows:

**Year ended June 30:**

2017	\$(3,865,140)
2018	(3,865,140)
2019	(3,865,140)
2020	7,187,579
2021	1,146,908
Thereafter	642,267

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2016

**E. Other Post Employment Benefit (OPEB)**

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

**Funding Policy** – The Government pays the premiums for single coverage on a pay-as-you-go basis. In fiscal year 2016, 1,012 retirees of the PFRF received this benefit for a total cost of \$4,582,468; and 17 retirees of the CEPF received this benefit for a total cost to the Government of \$50,020.

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

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

Annual required contribution	\$16,301,497
Interest on net OPEB obligation	3,686,603
Adjustment to annual required contribution	<u>3,341,512</u>
Annual OPEB cost (expense)	16,646,588
Contributions made	<u>(4,632,488)</u>
Increase in net OPEB obligation	12,014,100
Net OPEB obligation, beginning of year	<u>81,924,516</u>
Net OPEB obligation, end of year	<u><u>\$93,938,616</u></u>

The Government’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the two preceding fiscal years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2014	\$13,534,911	23.1%	\$74,166,338
2015	16,613,908	26.9%	81,824,516
2016	\$16,646,588	27.8%	\$93,938,616

**Funded Status and Funding Progress** – The Government completed an actuarial valuation of the future unfunded actuarial accrued liability of these benefits and it was determined that as of July 1, 2016 the liability was \$242,237,554. The annual required contribution to fund this liability over a period of 30 years is \$16,301,497. These figures represent the amount needed to provide benefits for 1,029 current retirees and beneficiaries and 1,123 active members. To date, there has not been any funding of this liability.

Actuarial assumptions of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2016

information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

Valuation date	July 1, 2016
Actuarial cost method	Projected unit credit
Amortization method	Level Percent of Pay, Open
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	4.50%
Medical cost trend rate*	
Pre-Medicare trend rate	9.50% - 5.00%
Post-Medicare trend rate	7.00% - 5.00%
Year of ultimate trend rate	2022
* Includes inflation at	3.00%

***Schedule of Funding Progress***

Actuarial	Actuarial Value	Actuarial Accrued	Unfunded AAL	Funded	Covered	UAAL as a % of
Valuation	of Assets	Liability (AAL)	(UAAL)	Ratio	Payroll	Covered Payroll
Date	(a)	- Projected Unit Credit (b)	(b-a)	(a/b)	(c)	(b-a)/(c)
7/1/08		\$181,181,934	\$181,181,934	0.0%	\$61,409,904	295.04%
7/1/10		211,706,877	211,706,877	0.0%	60,512,412	349.86%
7/1/12		171,684,066	171,684,066	0.0%	54,595,799	314.46%
7/1/14		195,064,091	195,064,091	0.0%	63,248,485	308.41%
7/1/16		\$242,237,554	\$242,237,554	0.0%	\$63,869,423	379.27%

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2016

**F. Pension Plan Financial Statements**

**STATEMENT OF NET POSITION  
June 30, 2016**

	<u>PFRF</u>	<u>CEPF</u>	<u>Total Pension Trust Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$7,432,353	\$839,057	\$8,271,410
Receivables:			
Interest Receivable	1,488,650	60,659	1,549,309
Investments, at Fair Value:			
Debt Securities:			
US Agencies	29,457,713	208,823	29,666,536
US Government Obligations	23,771,425	4,095,031	27,866,456
Municipal Obligations	2,957,438		2,957,438
International Bonds	11,134,235		11,134,235
Corporate Debt	74,269,282	9,221,455	83,490,737
Other Investments:			
Equity Mutual Funds	260,509,554	15,901,965	276,411,519
Equity Real Estate	63,993,404		63,993,404
Equity Securities - Domestic	88,591,250		88,591,250
Equity Securities - International	61,011,281		61,011,281
<b>Total Investments</b>	<u>615,695,582</u>	<u>29,427,274</u>	<u>645,122,856</u>
<b>Total Assets</b>	<u><u>\$624,616,585</u></u>	<u><u>\$30,326,990</u></u>	<u><u>\$654,943,575</u></u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	\$11,767	\$142	\$11,909
Securities Lending Transactions	168,474		168,474
Due to Other Funds	4,535,201	220,453	4,755,654
<b>Total Liabilities</b>	<u><u>\$4,715,442</u></u>	<u><u>\$220,595</u></u>	<u><u>\$4,936,037</u></u>
<b>NET POSITION</b>			
Amounts Held in Trust for Pension Benefits	<u><u>\$619,901,143</u></u>	<u><u>\$30,106,395</u></u>	<u><u>\$650,007,538</u></u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2016

**STATEMENT OF CHANGES IN NET POSITION**  
**June 30, 2016**

	<u>PFRF</u>	<u>CEPF</u>	<u>Total Pension Trust Funds</u>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$24,755,620	\$0	\$24,755,620
Employer - Administration	4,582,468	50,020	4,632,488
Plan Members	9,493,378		9,493,378
Other	79,229		79,229
<b>Total Contributions</b>	<u>38,910,695</u>	<u>50,020</u>	<u>38,960,715</u>
Investment Income:			
Net Change in Fair Value of Investments	(3,537,431)	814,159	(2,723,272)
Interest	6,121,620	290,394	6,412,014
Dividends	4,631,667	357,211	4,988,878
<b>Total Investment Income</b>	<u>7,215,856</u>	<u>1,461,764</u>	<u>8,677,620</u>
Less Investment Expense	2,892,329	96,577	2,988,906
<b>Net Investment Income</b>	<u>4,323,527</u>	<u>1,365,187</u>	<u>5,688,714</u>
Income from Securities Lending Activities:			
Securities Lending Income	55,076		55,076
Securities Lending Expenses:			
Borrower Rebates	(69,434)		(69,434)
Management Fees	51,997		51,997
<b>Total Securities Lending Expenses (Income)</b>	<u>(17,437)</u>	<u>0</u>	<u>(17,437)</u>
<b>Net Income on Securities Lending Activities</b>	<u>72,513</u>	<u>0</u>	<u>72,513</u>
<b>Total Additions</b>	<u>43,306,735</u>	<u>1,415,207</u>	<u>44,721,942</u>
<b>DEDUCTIONS</b>			
Benefit Payments	57,943,148	1,476,005	59,419,153
Administrative Expense	178,943	15,639	194,582
<b>Total Deductions</b>	<u>58,122,091</u>	<u>1,491,644</u>	<u>59,613,735</u>
<b>Net Decrease</b>	(14,815,356)	(76,437)	(14,891,793)
<b>Net Position, Beginning</b>	<u>634,715,718</u>	<u>30,182,832</u>	<u>664,898,550</u>
<b>Adjustment to Opening Fund Balance (Note 2.D.)</b>	<u>781</u>		<u>781</u>
<b>Fund Balances, Beginning - Restated</b>	<u>634,716,499</u>	<u>30,182,832</u>	<u>664,899,331</u>
<b>Net Position, Ending</b>	<u>\$619,901,143</u>	<u>\$30,106,395</u>	<u>\$650,007,538</u>



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2016

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**G. The County Employees' Retirement System**

**Plan description** – The Government contributes to the Commonwealth of Kentucky's County Employees' Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county and school board and any additional eligible local agencies electing to participate in the System. At June 30, 2015, there were over 1,400 local government agencies participating in CERS, which provides for retirement, disability and death benefits. Beginning October 27, 1975, all eligible full-time employees of the Government were required to participate in CERS.

**Contributions** – Nonhazardous covered employees are required to contribute 5% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6% of their salary to the plan. The Government's contribution rate for nonhazardous employees was 17.06%. Hazardous covered employees are required to contribute 8% of their salary to the plan. Hazardous covered employees who began participation on or after September 1, 2008 are required to contribute 9% of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The Government's contribution rate for hazardous employees was 32.95%.

The contribution requirements and the amounts contributed to CERS were \$16,954,959, \$16,354,078, and \$16,161,747, respectively, for the years ended June 30, 2016, 2015 and 2014.

**Benefits provided** – Benefits fully vest upon reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit. A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who began participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 2, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, were issued in June 2012. The Statement replaced the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, as they relate to pension plans that are administered through trusts or equivalent arrangements that meet those criteria.

At June 30, 2015, the Government reported a liability of \$155,544,394 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Government's proportion of the net pension liability was based on a projection of the Government's long term share of contributions to the

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2016

pension plan relative to the projected contributions of all participating governmental agencies, actuarially determined. At June 30, 2015, the Government's portion of nonhazardous and hazardous was 2.76% and 2.39%, respectively.

At June 30, 2015, the Government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$1,784,660	\$0
Net difference between projected and actual earnings on pension plan investments	1,295,834	
Change of assumptions	15,155,726	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	2,642,376	
Government contributions subsequent to the measurement date	16,954,960	
Total	<u>\$37,833,556</u>	<u>\$0</u>

\$16,954,959 reported as deferred outflows of resources related to pensions resulting from Government contributions subsequent to the measurement date will be recognized as a reductions of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30:**

2016	\$5,712,675
2017	5,712,675
2018	3,180,175
2019	3,630,673
2020	0
Thereafter	0

The Schedule of Deferred Inflows and Outflows, and Pension Expense include certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments, change in the Government's proportionate share of contributions, and contributions made subsequent to the measurement date. Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense, they are labeled deferred inflows. If they will increase pension expense, they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed 5 year period. Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.75% to 7.50%.
- The assumed rate of inflation was reduced from 3.50% to 3.25%.
- The assumed rate of wage inflation was reduced from 1.00% to 0.75%.
- Payroll growth assumption was reduced from 4.50% to 4.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2016

- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal and disability were updated to more accurately reflect experience.

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Projected salary increases	4 %, average, including inflation
Inflation	3.25%

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every 5 years for KRS. The most recent analysis, performed for the period covering fiscal years 2008 through 2013, is outlined in a report dated August 30, 2014. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class (see chart below). These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Combined Equity	44.00%	5.40%
Combined Fixed Income	19.00%	1.50%
Real Return (Diversified Inflation Strategies)	10.00%	3.50%
Real estate	5.00%	4.50%
Absolute Return (Diversified Hedge Funds)	10.00%	4.25%
Private Equity	10.00%	8.5%
Cash	<u>2.00%</u>	-0.25%
	<u>100.00%</u>	

The long-term expected rate of return on pension plan investments was established by the KRS Board of Trustees as 7.50% based on a blending of the factors described above.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2016

The following presents the net pension liability of the Government's CERS pension plan, calculated using the discount rate of 7.50%, as well as what the CERS's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Nonhazardous	\$151,727,567	\$118,850,612	\$90,694,410
Hazardous	46,969,295	36,693,782	28,180,335
<b>CERS's net pension liability</b>	<b>\$198,696,862</b>	<b>\$155,544,394</b>	<b>\$118,874,745</b>

**Payable to the Pension Plan**

At June 30, 2016, the CERS reported no payables from the Government for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

Detailed information about the pension plan's fiduciary net position is available in the CERS financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601, or by telephone at (502) 696-8800.

**NOTE 9. RECENT GASB PRONOUNCEMENTS**

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The Statement was adopted during the current year and did not have a significant impact on the financial statements.

The GASB has issued several reporting standards that will become effective for FY 2017 and later year financial statements. Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, provides guidance for measuring the present value of the projected benefits to be provided to employees that is attributed to those employees' past periods of service.

Statement No. 79, *External Investment Pools*, establishes new criteria to continue amortized cost accounting for certain external investment pools in light of recent SEC changes to money market fund criteria.

In March 2016, the GASB issued Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contributions requirements.

The Government has not yet determined the effect, if any, that the adoption of these Statements may have on its financial statements.

## REQUIRED SUPPLEMENTARY INFORMATION

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON**  
**GENERAL FUND**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget-Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Licenses and Permits:				
Employee Withholdings	\$179,500,000	\$183,500,000	\$181,702,695	(\$1,797,305)
Business Returns	37,275,000	39,477,260	40,883,195	1,405,935
Insurance Premiums	27,700,000	27,700,000	29,053,245	1,353,245
Bond Deposits	2,000	2,000		(2,000)
Regulated License Fee	843,350	843,350	958,018	114,668
Franchise Fee	26,750,000	26,750,000	22,942,337	(3,807,663)
Bank Franchise Fee	1,450,000	1,450,000	1,443,988	(6,012)
Vehicle License	200,000	200,000	228,977	28,977
Deed Tax Fee	1,500,000	1,500,000	1,983,381	483,381
Registration Fee	370,000	370,000	393,974	23,974
Filing Fee - Planning & Zoning	127,000	127,000	116,787	(10,213)
Animal License	45,000	45,000	44,437	(563)
Certificates of Occupancy	9,000	9,000	9,635	635
Hotel - Motel License Fee	30,000	30,000	36,005	6,005
<b>Total Licenses and Permits</b>	<b>275,801,350</b>	<b>282,003,610</b>	<b>279,796,674</b>	<b>(2,206,936)</b>
<b>Taxes:</b>				
Realty Taxes	18,860,730	18,963,000	19,039,826	76,826
Personal Taxes	1,655,000	1,675,000	1,726,335	51,335
PSC Taxes	752,000	774,000	831,135	57,135
Property Tax Discount	(344,000)	(351,000)	(366,435)	(15,435)
Property Tax Commission	(860,000)	(877,000)	(903,461)	(26,461)
Delinquent - Realty & Personal	170,000	170,000	199,504	29,504
Motor Vehicle Ad Valorem Tax	1,200,000	1,768,000	1,955,049	187,049
County Clerk Com - Motor Vehicle	(60,000)	(71,000)	(62,713)	8,287
Supplementary Tax Bills	3,500	3,500	17,349	13,849
Omitted Tax	150,000	150,000	163,386	13,386
<b>Total Taxes</b>	<b>21,527,230</b>	<b>22,204,500</b>	<b>22,599,975</b>	<b>395,475</b>
<b>Charges for Services:</b>				
Accident Report Sales	90,000	90,000	123,226	33,226
Administrative Collection Fees	61,820	61,820	27,812	(34,008)
Adult Probation Fees	80,000	80,000	65,792	(14,208)
Animal Shelter Collections	18,000	18,000	17,175	(825)
Building Permits	1,435,450	1,435,450	1,651,790	216,340
Computer Services Fees			4,884	4,884
Detention Center	7,479,480	7,479,480	8,546,409	1,066,929
Developer Landscape Fees	3,000	3,000	8,070	5,070
District Court Jail Fees	90,000	90,000	95,508	5,508
Domestic Relations Collection	1,500	1,500	1,135	(365)
Downtown Arts Center	77,000	77,000	91,657	14,657
EMS	6,800,000	6,800,000	9,039,508	2,239,508
Excess Fees and Collections	2,700,000	2,700,000	2,847,707	147,707
Golf Course Collections	2,688,000	2,688,000	2,690,168	2,168
Park Land Acquisition	185,000	185,000	438,980	253,980
Parks & Recreation Programs	961,250	961,250	1,075,296	114,046
Rent or Lease Income	668,440	668,440	684,132	15,692
<b>Total Charges for Services</b>	<b>23,338,940</b>	<b>23,338,940</b>	<b>27,409,249</b>	<b>4,070,309</b>
<b>Fines and Forfeitures</b>	<b>214,500</b>	<b>214,500</b>	<b>220,612</b>	<b>6,112</b>
<b>Intergovernmental</b>	<b>869,030</b>	<b>869,030</b>	<b>858,600</b>	<b>(10,430)</b>
<b>Property Sales</b>	<b>60,000</b>	<b>60,000</b>	<b>205,560</b>	<b>145,560</b>
<b>Investments</b>	<b>457,700</b>	<b>457,700</b>	<b>775,012</b>	<b>317,312</b>
<b>Other Income:</b>				
Contributions		60,212	86,426	26,214
Other Income			3,770	3,770
Penalties & Interest	1,826,000	1,826,000	1,798,790	(27,210)
School Board Tax Fee	15,000	15,000	12,529	(2,471)
Payment in Lieu of Taxes	30,000	30,000	56,954	26,954
Miscellaneous	793,200	1,281,892	1,711,406	429,514
<b>Total Other Income</b>	<b>2,664,200</b>	<b>3,213,104</b>	<b>3,669,875</b>	<b>456,771</b>
<b>Total Revenues</b>	<b>324,932,950</b>	<b>332,361,384</b>	<b>335,535,557</b>	<b>3,174,173</b>

continued

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON**  
**GENERAL FUND**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts			Variance with Final Budget-Positive
	Original	Final	Actual	(Negative)
EXPENDITURES				
General Government:				
Council Office	2,712,910	2,708,684	2,622,366	(86,318)
Office of the Mayor	1,914,720	1,890,984	1,673,985	(216,999)
Special Programs	327,870	343,841	334,541	(9,300)
Board of Elections	1,083,730	1,082,820	1,050,035	(32,785)
Clerk of the Urban County Council	492,360	512,036	457,078	(54,958)
County Attorney	1,029,720	1,028,131	1,028,131	
Coroner	1,017,730	1,045,605	1,095,837	50,232
Property Valuation Administrator	335,400	362,900	362,900	
Contingency	4,512,060	4,482,060		(4,482,060)
Circuit Judges	403,770	403,720	388,950	(14,770)
County Court Clerk	115,960	117,210	75,095	(42,115)
Citizens' Advocate	42,180	42,180	29,081	(13,099)
Commonwealth Attorney	268,930	268,930	254,801	(14,129)
County Judge Executive	20,250	20,250	13,585	(6,665)
Indirect Cost Allocation	(5,010,980)	(5,010,980)	(5,121,050)	(110,070)
Total General Government	9,266,610	9,298,371	4,265,335	(5,033,036)
Administrative Services:				
Office of the Chief Administrative Officer	1,863,880	1,778,305	1,795,800	17,495
Government Communications	962,080	1,018,519	1,005,815	(12,704)
Grants & Special Projects	609,130	616,854	531,164	(85,690)
Human Resources	2,406,400	2,448,934	2,291,335	(157,599)
Internal Audit Office	514,770	514,630	553,277	38,647
Total Administrative Services	6,356,260	6,377,242	6,177,391	(199,851)
Chief Development Officer				
Chief Development Officer	1,296,980	1,007,485	1,001,763	(5,722)
Total Chief Development Officer	1,296,980	1,007,485	1,001,763	(5,722)
Department of Information Technology:				
Office of the CIO	1,092,780	2,153,617	1,373,419	(780,198)
Computer Services	6,183,130	6,387,172	6,286,042	(101,130)
Enterprise Solutions	1,034,620	1,221,546	1,227,775	6,229
Total Information Technology	8,310,530	9,762,335	8,887,236	(875,099)
Department of Finance:				
Accounting	1,382,360	1,382,080	1,362,002	(20,078)
Office of Policy and Budget	453,180	479,799	486,704	6,905
Central Purchasing	633,420	630,384	588,132	(42,252)
Revenue	2,199,430	2,198,890	2,304,530	105,640
Finance Administration	766,810	825,370	753,225	(72,145)
Total Finance	5,435,200	5,516,523	5,494,593	(21,930)
Division of Environmental Quality & Public Works:				
Environmental Quality & PW Admin	246,610	247,015	205,039	(41,976)
Division of Water & Air Quality			1,663	1,663
Division of Environmental Services	2,092,160	2,476,282	2,400,767	(75,515)
Streets & Roads	3,671,570	4,455,571	4,386,472	(69,099)
Traffic Engineering	4,178,470	4,690,599	4,752,084	61,485
Total Environmental Quality & Public Works	10,188,810	11,869,467	11,746,025	(123,442)
Department of Planning, Preservation, & Development:				
Building Inspection	2,258,770	2,257,870	2,293,385	35,515
Code Enforcement	1,912,650	1,917,560	1,861,598	(55,962)
Engineering	1,551,380	1,555,646	1,608,142	52,496
Planning, Preservation, & Development	2,605,080	3,039,334	3,020,123	(19,211)
Historic Preservation	362,090	512,030	558,923	46,893
Planning	2,192,800	2,290,394	2,373,209	82,815
Purchase of Development Rights	195,730	167,538	156,878	(10,660)
Total Planning, Preservation & Development	11,078,500	11,740,372	11,872,258	131,886
Department of Public Safety:				
Police	65,933,330	67,897,401	67,663,312	(234,089)
Fire & Emergency Services	66,210,300	71,649,288	74,578,965	2,929,677
Community Corrections	33,418,940	33,582,077	33,439,959	(142,118)
Public Safety Administration	5,329,540	6,336,143	6,281,041	(55,102)
DEEM/Enhanced 911	3,916,750	3,818,258	3,792,754	(25,504)
Security	732,290	720,990	705,684	(15,306)
Total Public Safety	175,541,150	184,004,157	186,461,715	2,457,558
Department of Social Services:				
Youth Services	2,426,690	2,461,758	2,298,601	(163,157)
Family Services	2,635,300	2,656,818	2,590,431	(66,387)
Adult Services	1,347,190	1,338,556	1,192,473	(146,083)
Social Services Administration	1,575,230	1,788,619	1,789,373	754
Total Social Services	7,984,410	8,245,751	7,870,878	(374,873)

continued

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON**  
**GENERAL FUND**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget-Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>EXPENDITURES, continued</b>				
Department of General Services:				
Parks & Recreation	20,042,610	21,655,474	21,623,922	(31,552)
Fleet & Facilities Management	8,692,300	10,617,023	6,732,102	(3,884,921)
General Services Administration	3,311,190	3,260,560	2,999,121	(261,439)
<b>Total General Services</b>	<u>32,046,100</u>	<u>35,533,057</u>	<u>31,355,145</u>	<u>(4,177,912)</u>
Department of Law:				
Law	2,185,260	2,212,159	2,182,164	(29,995)
<b>Total Law</b>	<u>2,185,260</u>	<u>2,212,159</u>	<u>2,182,164</u>	<u>(29,995)</u>
Outside Agencies:				
Commerce Lexington	507,000	457,000	457,000	
Downtown Lexington Corporation	42,710	53,388	42,710	(10,678)
Environmental Commission	5,910	4,910	3,645	(1,265)
World Trade Center	100,000	75,000	100,000	25,000
Grants & Special Projects Agencies	676,630	765,172	766,908	1,736
Social Service Agencies	2,736,350	2,849,645	2,871,760	22,115
LexArts	450,000	560,000	550,000	(10,000)
NoLi Community Dev Corp	150,000	75,000	112,500	37,500
Lexington Public Library	14,281,950	14,528,966	14,528,966	
Explorium of Lexington	225,000	225,000	263,500	38,500
Carnegie Literacy Center	33,300	93,300	69,052	(24,248)
Downtown Development Authority	384,890	401,333	368,318	(33,015)
Lyric Theatre	130,000	137,500	130,000	(7,500)
<b>Total Outside Agencies</b>	<u>19,723,740</u>	<u>20,226,214</u>	<u>20,264,359</u>	<u>38,145</u>
Debt Service:				
Principal	23,411,750	22,390,505	21,015,448	(1,375,057)
Interest	13,132,720	13,681,542	13,465,661	(215,881)
<b>Total Debt Service</b>	<u>36,544,470</u>	<u>36,072,047</u>	<u>34,481,109</u>	<u>(1,590,938)</u>
<b>Total Expenditures</b>	<u>325,958,020</u>	<u>341,865,180</u>	<u>332,059,971</u>	<u>(9,805,209)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(1,025,070)	(9,503,796)	3,475,586	12,979,382
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	2,780,000	19,424,050	19,424,050	
Transfers Out	(2,821,470)	(19,405,338)	(20,605,064)	(1,199,726)
<b>Total Other Financing Sources</b>	<u>(41,470)</u>	<u>18,712</u>	<u>(1,181,014)</u>	<u>(1,199,726)</u>
<b>Net Change in Fund Balance</b>	(1,066,540)	(9,485,084)	2,294,572	11,779,656
<b>Fund Balance, Beginning</b>	<u>1,500,000</u>	<u>1,500,000</u>	<u>84,159,502</u>	<u>82,659,502</u>
<b>Adjustment to Opening Fund Balance (Note 2.D.)</b>			<u>553,802</u>	<u>553,802</u>
<b>Fund Balances - Restated July 1</b>	<u>1,500,000</u>	<u>1,500,000</u>	<u>84,713,304</u>	<u>83,213,304</u>
<b>Fund Balance, Ending</b>	<u>\$433,460</u>	<u>(\$7,985,084)</u>	<u>\$87,007,876</u>	<u>\$94,992,960</u>

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



**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON**  
**FULL URBAN SERVICES DISTRICT FUND**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget-Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Licenses and Permits:				
Bank Franchise Fee	\$1,450,000	\$1,450,000	\$1,443,988	(\$6,012)
<b>Total Licenses and Permits</b>	<u>1,450,000</u>	<u>1,450,000</u>	<u>1,443,988</u>	<u>(6,012)</u>
Taxes:				
Realty Taxes	34,318,170	34,459,000	34,456,054	(2,946)
PSC Taxes	236,000	236,000	362,450	126,450
Property Tax Discount	(575,000)	(586,000)	(608,227)	(22,227)
Property Tax Commission	(350,000)	(350,000)	(350,000)	
Delinquent - Realty & Personal	268,000	268,000	256,683	(11,317)
Supplementary Tax Bills	500	1,000	34,155	33,155
<b>Total Taxes</b>	<u>33,897,670</u>	<u>34,028,000</u>	<u>34,151,115</u>	<u>123,115</u>
Charges for Services:				
Rent or Lease Income	4,000	4,000	5,000	1,000
Commodities	2,127,500	2,127,500	1,748,531	(378,969)
Dumpster Permit Fees	12,000	12,000	12,420	420
<b>Total Charges for Services</b>	<u>2,143,500</u>	<u>2,143,500</u>	<u>1,765,951</u>	<u>(377,549)</u>
<b>Property Sales</b>			380,066	380,066
<b>Fines and Forfeitures</b>	800	800	1,589	789
<b>Intergovernmental</b>	64,920	64,920	12,586	(52,334)
<b>Investments</b>	260,000	260,000	480,162	220,162
Other Income:				
Penalties & Interest	98,000	98,000	76,005	(21,995)
Miscellaneous	2,000	2,000	55,845	53,845
<b>Total Other Income</b>	<u>100,000</u>	<u>100,000</u>	<u>131,850</u>	<u>31,850</u>
<b>Total Revenues</b>	<u>37,916,890</u>	<u>38,047,220</u>	<u>38,367,307</u>	<u>320,087</u>
<b>EXPENDITURES</b>				
General Government:				
Contingency	380,340	380,340		(380,340)
Indirect Cost Allocation	2,242,090	2,242,090	2,282,154	40,064
<b>Total General Government</b>	<u>2,622,430</u>	<u>2,622,430</u>	<u>2,282,154</u>	<u>(340,276)</u>
Administrative Services:				
Government Communications	1,303,410	1,603,351	1,646,258	42,907
Human Resources	3,500	7,000	5,444	(1,556)
<b>Total Administrative Services</b>	<u>1,306,910</u>	<u>1,610,351</u>	<u>1,651,702</u>	<u>41,351</u>
Department of Information Technology				
Computer Services	59,340	59,340	144,000	84,660
<b>Total Information Technology</b>	<u>59,340</u>	<u>59,340</u>	<u>144,000</u>	<u>84,660</u>
Department of Finance:				
Finance	25,010	25,010	19,138	(5,872)
<b>Total Finance</b>	<u>25,010</u>	<u>25,010</u>	<u>19,138</u>	<u>(5,872)</u>
Division of Environmental Quality & Public Works				
Waste Management	24,939,080	25,102,125	24,633,866	(468,259)
Division of Environmental Service:	660,140	656,457	634,538	(21,919)
Environmental Quality	209,570	223,306	284,125	60,819
Streets & Roads	2,090,590	2,079,154	2,006,848	(72,306)
Traffic Engineering	6,456,590	6,360,378	5,959,707	(400,671)
<b>Total Environmental Quality &amp; Public Works</b>	<u>34,355,970</u>	<u>34,421,420</u>	<u>33,519,084</u>	<u>(902,336)</u>
Department of General Services:				
Fleet & Facilities Management	3,513,890	2,961,555	3,020,966	59,411
<b>Total General Services</b>	<u>3,513,890</u>	<u>2,961,555</u>	<u>3,020,966</u>	<u>59,411</u>

continued

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON**  
**FULL URBAN SERVICES DISTRICT FUND**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget-Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>EXPENDITURES, continued</b>				
Department of Law:				
Law	10,810	10,810	10,140	(670)
<b>Total Law</b>	10,810	10,810	10,140	(670)
Debt Service:				
Principal	764,340	764,340	764,339	(1)
Interest	161,720	161,720	152,640	(9,080)
<b>Total Debt Service</b>	926,060	926,060	916,979	(9,081)
<b>Total Expenditures</b>	42,820,420	42,636,976	41,564,163	(1,072,813)
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(4,903,530)	(4,589,756)	(3,196,856)	1,392,900
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	2,200,000	2,200,000	2,200,000	
Transfers Out		(342,622)	(25,960)	316,662
<b>Total Other Financing Sources (Uses)</b>	2,200,000	1,857,378	2,174,040	316,662
<b>Net Change in Fund Balance</b>	(2,703,530)	(2,732,378)	(1,022,816)	1,709,562
<b>Fund Balance, Beginning</b>	33,380,200	33,380,200	31,397,063	(1,983,137)
<b>Fund Balance, Ending</b>	\$30,676,670	\$30,647,822	\$30,374,247	(\$273,575)

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
LAST TEN FISCAL YEARS

	Fiscal Year 2014		Fiscal Year 2015	
	Police & Fire	City	Police & Fire	City
<b>Total pension liability</b>				
Service cost	\$15,273,403	\$0	\$15,682,820	\$0
Interest	53,365,849	852,811	54,617,104	805,933
Changes of benefit terms				
Differences between expected and actual experience			7,523,715	(345,366)
Changes of assumptions				
Benefit payments, including refunds of member contributions	(53,597,352)	(1,574,594)	(50,314,337)	(1,470,392)
<b>Net change in total pension liability</b>	<b>15,041,900</b>	<b>(721,783)</b>	<b>27,509,302</b>	<b>(1,009,825)</b>
<b>Total pension liability-beginning</b>	<b>738,343,325</b>	<b>12,970,313</b>	<b>753,385,225</b>	<b>12,248,530</b>
<b>Total pension liability-ending (a)</b>	<b>\$753,385,225</b>	<b>\$12,248,530</b>	<b>\$780,894,527</b>	<b>\$11,238,705</b>
<b>Plan fiduciary net position</b>				
Contributions-employer	27,636,473		22,705,036	
Contributions-member	9,730,115		9,881,338	
Net investment income	96,386,758	4,356,048	16,827,976	898,062
Benefit payments, including refunds of member contributions	(53,597,352)	(1,574,594)	(50,314,338)	(1,470,392)
Administrative Expense	(598,923)	(27,178)	(665,175)	(28,356)
Other				
<b>Net change in plan fiduciary net position</b>	<b>79,557,071</b>	<b>2,754,276</b>	<b>(1,565,163)</b>	<b>(600,686)</b>
<b>Plan fiduciary net position-beginning</b>	<b>556,723,810</b>	<b>28,029,242</b>	<b>636,280,881</b>	<b>30,783,518</b>
<b>Plan fiduciary net position-ending (b)</b>	<b>\$636,280,881</b>	<b>\$30,783,518</b>	<b>\$634,715,718</b>	<b>\$30,182,832</b>
<b>Net pension liability-ending (a) - (b)</b>	<b>\$117,104,344</b>	<b>(\$18,534,988)</b>	<b>\$146,178,809</b>	<b>(\$18,944,127)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>84.46%</b>	<b>251.32%</b>	<b>81.28%</b>	<b>268.56%</b>
<b>Covered-employee payroll</b>	<b>\$63,248,485</b>	<b>\$0</b>	<b>\$62,102,632</b>	<b>\$0</b>
<b>Net pension liability as a percentage of covered-employee payroll</b>	<b>185.15%</b>	<b>0.00%</b>	<b>42.48%</b>	<b>0.00%</b>

\*In 1973 the City of Lexington froze new entrants into the CEPF; In fiscal year 2010 the last active employee retired

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Government will present information for those years for which information is available.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE GOVERNMENT'S CONTRIBUTIONS  
LAST TEN FISCAL YEARS

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
	Police & Fire	City	Police & Fire	City	Police & Fire	City*	Police & Fire	City	Police & Fire	City
Actuarially determined contribution	\$12,691,844	\$21,275	\$17,541,055	\$69,527	\$26,980,795	\$0	\$28,689,989	\$0	\$23,216,938	\$0
Contributions in relation to the actuarially determined contribution	14,114,178	6,984	16,506,722	6,729	18,791,796	7,116	84,023,573	7,864	14,408,809	22,705,036
Contribution deficiency (excess)	(\$1,422,334)	\$14,291	\$1,034,333	\$62,798	(\$18,804,536)	(\$2,632)	(\$55,333,584)	(\$7,864)	\$13,808,129	\$0
Covered - employee payroll	\$57,192,876	\$40,920	\$57,717,156	\$40,944	\$61,368,960	\$43,416	\$65,765,448	\$0	\$63,248,485	\$0
Contributions as a percentage of covered-employee payroll	24.68%	17.07%	28.60%	16.43%	30.62%	18.11%	127.76%	NA	35.74%	36.56%
*In 1973 the City of Lexington froze new entrants into the CEPF. In fiscal year 2010										
Source: Department of Finance, Lexington-Fayette Urban County Government										

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
LAST TEN FISCAL YEARS

	2014		2015		2016	
	Police & Fire	City	Police & Fire	City	Police & Fire	City
Annual money-weighted rate of return, net of investment expense	7.45%	5.56%	3.08%	3.49%	-0.23%	2.17%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Government will present information for those years for which information is available.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE GOVERNMENT'S PROPORTIONATE SHARE OF THE NET LIABILITY  
LAST TEN FISCAL YEARS

	2014	2015
The Government's proportion of the net pension liability (asset)	\$115,215,078	\$155,544,394
The Government's proportionate share of the net pension liability (asset)		
Nonhazardous	2.71%	2.76%
Hazardous	2.28%	2.39%
Covered payroll	\$72,558,727	\$74,948,371
The Government's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	158.79%	207.54%
Plan fiduciary net position as a percentage of the total pension liability	66.06%	66.05%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Government will present information for those years for which information is available.

Source: Kentucky Retirement Systems

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE GOVERNMENT'S CONTRIBUTIONS  
LAST TEN FISCAL YEARS

	2014	2015
Contractually required contribution	\$15,852,724	\$10,836,390
Contribution in relation to the contractually required contribution	16,161,747	16,354,078
Contribution deficiency (excess)	<u>(\$309,023)</u>	<u>(\$5,517,688)</u>
Government's covered-employee payroll	72,558,727	74,948,371
Contributions as a percentage of covered-employee payroll	22.27%	21.82%

<p>This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Government will present information for those years for which information is available.</p>
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Source: Kentucky Retirement Systems

## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

### CAPITAL PROJECTS FUNDS

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

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

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

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

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

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



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

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

The **2014 Bond Projects** will fund projects for Purchase of Development Rights, conservation easements, Public Safety radios, renovation and construction of Parks and funding for the Arena, Arts, and Entertainment District.

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

The **QECB Bond Project** will fund renovations at the Corrections Detention Center.

The **2016 Bond Projects** will fund projects and infrastructure improvements for departments within the Government including but not limited to Chief Information Officer, General Services, Public Safety, and Planning, Preservation, & Development. Additional projects include a greenway that will link two regional trail systems, the Legacy Trail and Town Branch Trail; streetscape improvements on the Versailles Road Corridor; and paving. A taxable bond portion will finance the restoration and rehabilitation of the historic Fayette County Courthouse in order to preserve the history and architecture of Lexington.

The **2017 Bond Projects** will fund projects including, but not limited to, (i) the construction, installation and equipping of a new fire station, software system upgrades, safety operations and other safety related projects, road resurfacing, road maintenance, road upgrades, streetscapes and sidewalk improvements, renovations, repairs and upgrades related to public buildings, renovations, repairs and upgrades related to park projects, and providing financial assistance to Lexington Center Corporation for the expansion and replacement of the Lexington Convention Center, and (ii) providing funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights.

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2016

	Special Revenue Funds							Capital Projects Funds			
	Local Economic Assistance							Total	Lexington Cultural Center	2003 Bond Projects	Equipment Lease Notes
	County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Mineral Severance	Coal Severance	Property & Evidence	Police Confiscated Funds	Police Confiscated State Funds	Public Safety Fund		
<b>ASSETS</b>											
Current Cash	\$2,031,422	\$62	\$154,661	\$339,974	\$332,908	\$0	\$253,926	\$385,095	\$0	\$3,498,048	\$0
Current Investments	189,942	6,569,653		63,314			1,063,701			7,886,610	
Receivables:											
Other	95,848	524,570		89,707			559		78,912	789,596	
Inventories and Prepaid Items							2,680			2,680	
Due from Other Funds							43,623		1,041,442	2,150,565	
Restricted Investments	722,470		51,064	267,123	24,843					0	65,648
<b>Total Assets</b>	<b>\$3,039,682</b>	<b>\$7,094,285</b>	<b>\$205,725</b>	<b>\$760,118</b>	<b>\$357,751</b>	<b>\$0</b>	<b>\$1,364,489</b>	<b>\$385,095</b>	<b>\$1,120,354</b>	<b>\$14,327,499</b>	<b>\$348,197</b>
										<b>\$348,197</b>	<b>\$65,648</b>
<b>LIABILITIES AND FUND BALANCES</b>											
Liabilities:											
Accounts and Contracts Payable											
Accrued Payroll & Related Liabilities	\$26,727	\$168,423	\$0	\$39,377	\$16,170	\$0	\$4,397	\$35,855	\$0	\$290,949	\$0
Due to Other Funds		4,214,662					11,467	8,664		11,467	
Unearned Revenue & Other							1,345,945			4,223,326	
<b>Total Liabilities</b>	<b>26,727</b>	<b>4,383,085</b>	<b>0</b>	<b>39,377</b>	<b>16,170</b>	<b>0</b>	<b>1,361,809</b>	<b>44,519</b>	<b>0</b>	<b>5,871,687</b>	<b>423,386</b>
Fund Balances:											
Nonspendable											
Restricted for:							2,680			2,680	
Public Works											
Public Safety	3,012,955	2,711,200	205,725		341,581			340,576	1,120,354	6,271,461	
Capital Projects										1,460,930	
Assigned				720,741						0	65,648
Unassigned										720,741	
<b>Total Fund Balances</b>	<b>3,012,955</b>	<b>2,711,200</b>	<b>205,725</b>	<b>720,741</b>	<b>341,581</b>	<b>0</b>	<b>2,680</b>	<b>340,576</b>	<b>1,120,354</b>	<b>8,455,812</b>	<b>(75,189)</b>
										<b>(75,189)</b>	<b>65,648</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$3,039,682</b>	<b>\$7,094,285</b>	<b>\$205,725</b>	<b>\$760,118</b>	<b>\$357,751</b>	<b>\$0</b>	<b>\$1,364,489</b>	<b>\$385,095</b>	<b>\$1,120,354</b>	<b>\$14,327,499</b>	<b>\$348,197</b>
										<b>\$348,197</b>	<b>\$65,648</b>

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
COMBINING BALANCE SHEET, Continued  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2016

Capital Projects Funds												
2007, 2008, & 2009 Bond Projects*	2010 Bond Projects*	2011 & 2012 Bond Projects*	2013 Bond Projects	2014 Bond Projects	2015 Bond Projects	QE/CB Bond Projects	2016 Bond Projects	2017 Bond Projects	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total	Total Nonmajor Governmental Funds
ASSETS												
Current Cash	\$0	\$162,274	\$0	\$1,420,983	\$0	\$0	\$0	\$0	\$483,502 311,845	\$3,427,041	\$5,498,108 660,596	\$8,996,156 8,547,206
Current Investments												
Receivables:												
Loans												
Other												
Inventories and Prepaid Items												
Due from Other Funds												
Restricted Investments	1,344,653	3,342,476	407,185	1,157,410	9,616,229	538,600	43,955,468					

\* Prior period adjustments were made to correctly allocate projects to funding sources for expenditures incurred in fiscal year 2012. There is no impact on total Capital Projects funds.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2016

	County Aid Program	Special Revenue Funds							Capital Projects Funds			
		Local Economic Assistance							Total	Lexington Cultural Center	2003 Bond Projects	Equipment Lease Notes
		Municipal Aid Program	Industrial Revenue Bond	Mineral Severance	Coal Severance	Property & Evidence	Police Confiscated Funds	Police Confiscated State Funds				
<b>REVENUES</b>												
Charges for Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental	798,435	5,696,433		320,649	73,212		335,110	158,727	257,198	7,639,764		
Income on Investments	269	6,089		90			937	1,188		8,573	338	
<b>Total Revenues</b>	798,704	5,702,522	0	320,739	73,212	0	336,047	159,915	257,198	7,648,337	338	0
<b>EXPENDITURES</b>												
Current:												
Planning, Preservation, & Development		32,365										
Police							319,367	311,325				
Capital:												
Equipment							14,000	138,474			205,000	
Acquisitions and Construction	102,228	5,336,399		99,320	50,246						19,000	
<b>Total Expenditures</b>	102,228	5,368,764	0	99,320	50,246	0	333,367	449,799	0	6,403,724	224,000	0
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	696,476	333,758		221,419	22,966		2,680	(289,884)	257,198	1,244,613	(223,662)	0
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers Out	0	(2,984,427)	0	0	0	0	0	0	(200,000)	(3,184,427)	0	(258,034)
<b>Total Other Financing Sources (Uses)</b>	0	(2,984,427)	0	0	0	0	0	0	(200,000)	(3,184,427)	0	(258,034)
<b>Net Change in Fund Balances</b>	696,476	(2,650,669)	0	221,419	22,966	0	2,680	(289,884)	57,198	(1,939,814)	(223,662)	(258,034)
<b>Fund Balances (Deficits), Beginning</b>	2,316,479	5,361,869	205,725	499,322	318,615	452		466,122	1,063,156	10,231,740	148,473	323,682
<b>Adjustment to Opening Fund Balance (Note 2.D.)</b>						(452)		164,338		163,886		
<b>Fund Balances, Beginning - Restated</b>	2,316,479	5,361,869	205,725	499,322	318,615	0	0	630,460	1,063,156	10,395,626	148,473	323,682
<b>Fund Balances (Deficits), Ending</b>	\$3,012,955	\$2,711,200	\$205,725	\$720,741	\$341,581	\$0	\$2,680	\$340,576	\$1,120,354	\$8,455,812	(\$75,189)	\$65,648

Continued

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, Continued**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2016**

	Capital Projects Funds										Total	Total Nonmajor Governmental Funds
	2007, 2008, & 2009 Bond Projects*	2010 Bond Projects*	2011 & 2012 Bond Projects*	2013 Bond Projects	2014 Bond Projects	2015 Bond Projects	OEGB Bond Projects	2016 Bond Projects	2017 Bond Projects	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	
<b>REVENUES</b>												
Charges for Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental												7,639,764
Exactions											317,370	317,370
Other										235,058		235,058
Income on Investments	1,320	3,251	460	395	2,945	16,810	3,486	18,622		391	3,374	51,829
<b>Total Revenues</b>	1,320	3,251	460	395	2,945	16,810	3,486	18,622	0	235,449	320,744	604,257
<b>EXPENDITURES</b>												8,252,594
Current:												
General Government	3,000											3,000
Finance										359		23,240
Information Technology								22,881				23,240
Environmental Quality & Public Works								330,869				330,869
Planning, Preservation, & Development	18,850							24,273				43,123
Public Safety												32,365
Police			15,983			16,205						32,188
General Services												0
Parks and Recreation						361,860						361,860
Debt Service:								83,008				83,008
Principal										230,213		230,213
Interest										28,890		28,890
Other Debt Service						500		291,011				291,511
Capital:												
Equipment	36,456	102,010			115,549	1,291,513		2,691,064				4,441,592
Acquisitions and Construction	136,733	1,681,784	50,000	187,482	3,889,249	9,560,325	618,694	14,110,710	7,244			30,261,221
<b>Total Expenditures</b>	195,039	1,783,794	65,983	187,482	4,004,798	11,230,403	618,694	17,553,816	7,244	259,462	0	36,130,715
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	(193,719)	(1,780,543)	(65,523)	(187,087)	(4,001,853)	(11,213,593)	(615,208)	(17,535,194)	(7,244)	(24,013)	320,744	(34,281,845)
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers In												
Transfers Out			258,034									258,034
Issuance of Debt	(35,026)											(293,060)
Premium on Bonds								56,180,000				56,180,000
Discount on Bonds								3,947,104				3,947,104
<b>Total Other Financing Sources (Uses)</b>	(35,026)	0	258,034	0	0	0	0	(584,144)	0	0	0	(584,144)
<b>Net Change in Fund Balances</b>	(228,745)	(1,780,543)	192,511	(187,087)	(4,001,853)	(11,213,593)	(615,208)	(17,535,194)	(7,244)	(24,013)	320,744	23,981,476
<b>Fund Balances (Deficits), Beginning</b>	186,770	3,870,018	85,857	372,526	5,116,940	19,417,567	698,185	51,494		819,360	2,727,914	33,860,319
<b>Adjustment to Opening Fund Balance (Note 2.D.)</b>	258,034	(1,000,000)	741,966								(224,065)	(60,179)
<b>Fund Balances, Beginning - Restated</b>	444,804	2,870,018	827,823	372,526	5,116,940	19,417,567	698,185	51,494		819,360	2,503,849	33,636,254
<b>Fund Balances (Deficits), Ending</b>	\$216,059	\$1,089,475	\$1,020,334	\$185,439	\$1,115,087	\$8,203,974	\$82,977	\$42,059,260	(\$7,244)	\$795,347	\$2,824,593	\$57,617,730
												\$66,073,542

\* Prior period adjustments were made to correctly allocate projects to funding sources for expenditures incurred in fiscal year 2012. There is no impact on total Capital Projects funds.

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ending 6/30/16

<b>Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Direct/ Pass-through Grantor's Number</b>	<b>Accrued (Deferred) Revenue at July 1, 2015</b>	<b>Revenue Received</b>	<b>Passed Through to Sub recipients Expenditures</b>	<b>Total Expenditures</b>	<b>Accrued (Deferred) Revenue at June 30, 2016</b>
<b>US Department of Agriculture:</b>							
Direct Programs:							
Child Care Food Program	10.558	11475	\$3,062	\$14,550	\$0	\$11,488	\$0
Child Care Food Program	10.558	11475		44,615		48,445	3,830
<b>Total US Department of Agriculture</b>			<u>3,062</u>	<u>59,165</u>	<u>0</u>	<u>59,933</u>	<u>3,830</u>
<b>US Department of Housing &amp; Urban Development:</b>							
Direct Programs:							
Community Dev Block Grant	14.248	B12MC210004		6,000,000		6,000,000	
Community Dev Block Grant	14.218	B13MC210004	(246,235)	564,159	120,779	689,615	
Community Dev Block Grant	14.218	B14MC210004	370,740	984,504	132,295	671,941	190,472
Community Dev Block Grant	14.218	B15MC210004		343,320	23,854	379,954	60,488
Emergency Solutions	14.231	E14MC210003	12,651	83,479	34,193	36,635	
Emergency Solutions	14.231	E15MC210004		129,418	80,509	57,228	8,319
HOME	14.239	M13MC210201	(194,935)		130,900	64,035	
HOME	14.239	M14MC210201	258,863	998,313	261,235	482,672	4,457
HOME	14.239	M15MC210201		32,013	11,640	60,436	40,063
Housing Opp for Pers with AIDS (HOPWA)	14.241	KY-H11-0012	2,510	2,510			
Housing Opp for Pers with AIDS (HOPWA)	14.241	KY-H14-0011	165,575	664,235	558,261	19,359	78,960
<b>Total US Department of Housing &amp; Urban Development</b>			<u>369,169</u>	<u>9,801,951</u>	<u>1,353,666</u>	<u>8,461,875</u>	<u>382,759</u>
<b>US Department of Justice:</b>							
Direct Programs:							
Police Confiscated Funds	16.001	NA	(1,000,439)	681,553		336,047	(1,345,945)
Safe Havens	16.527	2013-FL-AX-K011	55,562	142,407	125,992	2,876	42,023
Arrest Policy	16.590	2011-WE-AX-0011	31,169	80,051	31,964	56,660	39,742
SCAAP	16.606	2012-AP-BX-0690	(55,501)			17,807	(37,694)
SCAAP	16.606	2013-AP-BX-0161	(53,662)				(53,662)
SCAAP	16.606	2014-AP-BX-0607	(34,405)				(34,405)
SCAAP	16.606	2015-AP-BX-0465		42,100			(42,100)
Cops Hire	16.710	2011ULWX0015	174,807	808,632		847,213	213,388
National PAL Mentoring Program	16.726	2013-JU-FX-0024	8,493	8,493			
Justice Assistance Grant	16.738	2013-DJ-BX-0325	(1,924)			1,922	(2)
Justice Assistance Grant	16.738	2014-DJ-BX-0578	(160,265)			158,852	(1,413)
Justice Assistance Grant	16.738	2015-DJ-BX-0335		157,390		145,983	(11,407)
Passed through Commonwealth of Kentucky:							
Juv Accountability Block Grant	16.523	JABG-2014-LFUCG St-00006	366	935		569	
Juv Accountability Block Grant	16.523	JABG-2015-LFUCG St-00005	1,670	2,904		1,234	
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2014-LFUCG-ST-00383	11,538	25,530		13,992	
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2015-LFUCG-ST-00438		3,968		12,067	8,099
Street Sales (Confiscated Funds)	16.738	2014-JAG-LFUCG-STRE-01051		22,507		22,507	
Street Sales	16.738	2014-JAG-LFUCG-STRE-01051	24,643	24,643			
Street Sales (Confiscated Funds)	16.738	2015-JAG-LFUCG-STRE-01084		17,513		17,513	
Street Sales	16.738	2015-JAG-LFUCG-STRE-01084		24,976	44,375		19,399
<b>Total US Department of Justice</b>			<u>(997,948)</u>	<u>2,043,602</u>	<u>202,331</u>	<u>1,635,242</u>	<u>(1,203,977)</u>
<b>US Department of Labor:</b>							
Passed through Commonwealth of Kentucky:							
WIA	17.259	15-006Y	28,051	39,799		11,748	
WIA	17.259	16-006Y		39,960		60,858	20,898
<b>Total US Department of Labor</b>			<u>28,051</u>	<u>79,759</u>		<u>72,606</u>	<u>20,898</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ending 6/30/16

<b>Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Direct/ Pass-through Grantor's Number</b>	<b>Accrued (Deferred) Revenue at July 1, 2015</b>	<b>Revenue Received</b>	<b>Passed Through to Sub recipients Expenditures</b>	<b>Total Expenditures</b>	<b>Accrued (Deferred) Revenue at June 30, 2016</b>
<b>US Department of Transportation:</b>							
Direct Programs:							
Passed through Commonwealth of Kentucky:							
Air Quality Planning	20.205	1500000012	17,028	17,028			
Air Quality Planning	20.205	1500006243		31,605		48,779	17,174
Bicycle and Pedestrian Planning	20.205	1500000012	19,473	19,473			
Bicycle and Pedestrian Planning	20.205	1500006243		19,374		32,209	12,835
Brighton East	20.205	1000001796	69,648	69,648			
Citation Boulevard	20.205	C-05396856	312,000	312,752		752	
Clays Mill Road	20.205	C-03328686	678,450	3,510,395		3,515,561	683,616
Clays Mill Road	20.205	PO2-625-1500002693		275,581		311,326	35,745
Congestion Management	20.205	1500000012	32,276	32,276			
Congestion Management	20.205	1500006243		21,868		45,540	23,672
Distracted Driving	20.205	PO2-625-15000040641	26,527	26,527			
Distracted Driving	20.205	PO2-625-16000013801		19,980		19,980	
Federal Highway Planning	20.205	1400005555	81,506	81,506			
Federal Highway Planning	20.205	1500003920		267,309		361,600	94,291
Fiber Optic Cable Installation	20.205	PO2-628-1300002569		5,433		5,433	
Gainesway Trail CMAQ Project	20.205	PO2-628-1300001253	2,566	5,940		3,443	69
Intelligent Transpor. System (ITS)	20.205	PO2-625-1400003771	176,113	176,113			
Intelligent Transpor. System (ITS)	20.205	PO2-625-1500000357	16,524	405,986		463,476	74,014
Intelligent Transpor. System (ITS)	20.205	PO2-625-1600002350				53,779	53,779
Legacy Trail Enhancements	20.205	PO2-625-1200003879	82,589	247,324		164,735	
Legacy Trail Phase III	20.205	PO2-628-1400005764	45,808	117,653		77,432	5,587
Lexington Community Land Trust	20.205	PO2-625-1500000828				55,358	55,358
Lexington Traffic	20.205	PO2-625-1200001306	40,850	40,850			
Liberty Road/Todds Road	20.205	C-00021586	50,510				50,510
Liberty Road/Todds Road	20.205	C-04073306	23,549	35,650		183,658	171,557
Loudon Avenue Sidewalk Project	20.205	PO2-628-1100001626	5,037	6,700		15,049	13,386
Man O' War & Alumni Intersection Project	20.205	PO2-625-1400004868	22,842	57,106		45,685	11,421
Man O' War & Pink Pigeon Intersection Project	20.205	PO2-625-1400004867	10,814	32,440		21,626	
Man O' War & Richmond Intersection Project	20.205	PO2-625-1400004869	4,332	10,829		6,497	
Newtown Pike	20.205	C-00343167	21,326				21,326
Newtown Pike Supplement #1	20.205	C-00343167	35,011	27,820		926,973	934,164
Newtown Pike Supplement #2	20.205	C-00343167	226,616	574,578		603,303	255,341
Old Frankfort Pike Scenic Byway Viewing Area	20.205	PO2-628-1500003392				19,400	19,400
Polo Club Boulevard Project	20.205	PO2-625-1300001036	24,279	106,123		81,844	
Rose Street Bike Lanes	20.205	C-01099430	13,369	17,479		119,647	115,537
Southland	20.205	PO2-628-1100001374	766	766			
South Limestone Streetscape	20.205	PO2-628-1100004324	406,803	453,408		46,605	
Tates Creek Sidewalks	20.205	PO2-628-1300001250	40,750	40,750			
Town Branch	20.205	PO2-628-1200004353	500	500		2,221	2,221
Town Branch Trail Crossing	20.205	PO2-628-1500004792		52,160		58,624	6,464
Town Branch Trail Phase IV, V, VI	20.205	PO2-628-1500003706		530,797		683,495	152,698
Mobility Office	20.205	MA-1500000012	44,568	44,568			
Mobility Office	20.205	PO2-625-1500006243		77,900		102,000	24,100
MCSAP	20.218	No Number	5,460	53,116		54,540	6,884
MCSAP	20.218	No Number				1,902	1,902
Tact	20.218	No Number	2,239	2,239			
Tact	20.218	No Number		5,962		9,598	3,636
Brighton Rail Trail Phase 4	20.219	RTP 484-13	5,274	8,750		4,151	675
Cool Trail	20.219	1000003084	23,374			(23,374)	
Fed Transit Admin Section 5303	20.505	1500002152	21,940	21,940			
Fed Transit Admin Section 5303	20.505	1600000549		44,156		48,400	4,244
Traffic Safety	20.601	M5-15-21	39,938	61,747		21,809	
Traffic Safety Speed Program	20.600	PT-15-27	16,640	37,880		21,240	
Traffic Safety Speed Program	20.600	PT-16-30		10,149		16,527	6,378
Traffic Safety	20.616	M2HVE-16-12		9,645		13,424	3,779
Traffic Safety Supplement	20.616	M2HVE-2016-MG-00-23				4,625	4,625
<b>Total US Department of Transportation</b>			<b>2,647,295</b>	<b>8,029,779</b>		<b>8,248,872</b>	<b>2,866,388</b>
<b>US Environmental Protection Agency</b>							
Direct Programs:							
Passed through Commonwealth of Kentucky:							
Brownfield Assessment Project	66.818	BF-00D33315		2,621		75,851	73,230
Brownfield Assessment Project	66.818	PON2 129 16000030561				12,000	12,000
Wolf Run	66.460	C9994861-09	25,943	200,976		230,282	55,249
Wolf Run	66.460	PON2 129 1400000015		48,763		102,171	53,408
Wolf Run	66.458	A10-08 SWR		657,552		657,552	
Blue Sky	66.458	A12-16 SWR		416,625		516,625	100,000
Century Hills	66.458	A13-003 SWR		64,104		64,104	
West Hickman Trunk	66.458	A13-003 SWR	168,872	168,872		1,037,834	1,037,834
Woodhill Trunk	66.458	A13-003 SWR	108,121	2,964,487		2,856,366	
Anniston Wickland PH3	66.458	A13-007 WQ		360,286		360,286	
Walhampton	66.458	A13-007 WQ	219,317	654,386		435,069	
Town Branch WWS	66.458	A13-15 SWR	6,890,602	15,640,071		10,879,111	2,129,642
E2A	66.458	A13-18 SWR	586,512	586,512			
Bob-O-Link	66.458	A13-002 SWR		95,988		95,988	
Wolf Run WWS	66.458	A13-002 SWR	180,054	3,735,180		4,121,102	565,976
Cardinal Laramie	66.458	A13-007 WQ		95,497		117,932	22,435
Lower Cane Run WWS	66.458	A14-001 SWR		2,723,741		3,909,823	1,186,082
<b>Total US Environmental Protection Agency</b>			<b>8,179,421</b>	<b>28,415,661</b>		<b>25,472,096</b>	<b>5,235,856</b>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ending 6/30/16

<b>Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Direct/ Pass-through Grantor's Number</b>	<b>Accrued (Deferred) Revenue at July 1, 2015</b>	<b>Revenue Received</b>	<b>Passed Through to Sub recipients Expenditures</b>	<b>Total Expenditures</b>	<b>Accrued (Deferred) Revenue at June 30, 2016</b>
<b>US Department of Health &amp; Human Services:</b>							
Passed through Commonwealth of Kentucky:							
Senior Citizens	93.044	AS-2015-2016		66,290		66,290	
Home Network	93.597	2013-1014-PUBLIC-R	(329,122)			255,664	(73,458)
Home Network	93.597	2014-2015-PUBLIC-R	(288,900)	90,755		23,084	(356,571)
Home Network	93.597	2015-2016-PUBLIC-R		287,185			(287,185)
<b>Total US Department of Health &amp; Human Services</b>			<b>(618,022)</b>	<b>444,230</b>		<b>345,038</b>	<b>(717,214)</b>
<b>US Department of Homeland Security Office of Domestic Preparedness:</b>							
Passed through Commonwealth of Kentucky:							
Hazard Mitigation Grant Prog.(HMGP_EOC)	97.039	PON209513000000082		2,081		2,081	
Hazard Mitigation Grant Prog.(HMGP_Lafayette)	97.039	PON209512000039332	210,115	410,308		200,193	
Hazard Mitigation Grant Prog.(HMGP_Versailles)	97.039	PON209513000000094		26,173		26,173	
Chemical Stockpile Emergency (CSEPP)	97.040	PON209512000005372	2,342,141	2,891,783		891,667	342,025
Chemical Stockpile Emergency (CSEPP)	97.040	PO209513000036521	6,111	135,216		167,192	38,087
Chemical Stockpile Emergency (CSEPP)	97.040	PO209514000033041	302,068	553,000		371,655	120,723
Chemical Stockpile Emergency (CSEPP)	97.040	PO209515000044461		181,252		349,969	168,717
Emergency Management Assistance	97.042	PON209515000006541	52,206	81,179		28,973	
Emergency Management Assistance	97.042	PO209516000021481		92,710		72,329	(20,381)
Clarksdale Court -PDA	97.047	PON2 095 1500002494 1		555,451		751,266	195,815
State Homeland Cyber	97.067	PO2 094 1600002021 1				7,000	7,000
State Homeland Medic	97.067	PO2 094 1500003704 1	20,000	20,000			
State Homeland Police	97.067	PO2 094 1500002474 1		11,622		11,622	
State Homeland Police	97.067	PO2 094 1600002323 1				23,762	23,762
State Homeland Fire	97.067	PO2 094 1500002472 1	70,000	70,000			
State Homeland Fire	97.067	PO2 094 1600002020 1				65,000	65,000
<b>Total US Dept. of Homeland Security Office of Domestic Preparedness</b>			<b>3,002,641</b>	<b>5,030,775</b>		<b>2,968,882</b>	<b>940,748</b>
<b>US Election Assistance Commission</b>							
Passed through Commonwealth of Kentucky:							
Help America Vote	90.401	N/A		105,600		105,600	
<b>Total US Department of Energy</b>				<b>105,600</b>		<b>105,600</b>	<b>0</b>
<b>Total Federal Financial Assistance</b>			<b>\$12,613,669</b>	<b>\$54,010,522</b>	<b>\$1,555,997</b>	<b>\$47,370,144</b>	<b>\$7,529,288</b>

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



**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
For the Year Ended June 30, 2016**

Grantor/Program Title	Grantor's Number	Grantor	Accrued or (Deferred) Revenue at July 1, 2015	Revenue Received	Passed Through to Subrecipients Expenditures	Expenditures	Accrued or (Deferred) Revenue at June 30, 2016
Bicycling & Pedestrian Safety Mktg Campaign	2015-09	Kentucky Bicycle and Bikeway Commission	\$0	\$10,000	\$0	\$10,000	\$0
Bluesky	SX21067007	Kentucky Infrastructure Authority		7,710		7,710	
Commercial Mobile Radio Service	PO2-094-1500005341-1	Kentucky Office of Homeland Security		630,531		630,531	
Day Treatment	PON252314000028721	Kentucky Dept. of Juvenile Justice	18,138	18,138			
Day Treatment	PON252314000028721	Kentucky Dept. of Juvenile Justice		181,383		217,660	36,277
Economic Development-Belcan Engineer.	N/A	Kentucky Cabinet Economic Development	(234,000)				(234,000)
Economic Development-Bingham McCutchen	N/A	Kentucky Cabinet Economic Development	(450,000)				(450,000)
Economic Development-Tiffany	N/A	Kentucky Cabinet Economic Development	(4,200)				(13,800)
Emergency Medical Services	N/A	Kentucky Bd. Emergency Medical Services		9,600		10,000	
Energy Savings Performance Contract-FCDC	PON211214000010591	Kentucky Dept. Local Government	100,000	100,000			
Federal Highway Planning	1400005555	Kentucky Transportation Cabinet	5,094	5,094			
Federal Highway Planning	1500003920	Kentucky Transportation Cabinet		16,706		22,600	5,894
Fire Training Incentive	155	Kentucky Fire Commission		2,220,326		2,220,326	
Fire Training Facility	N/A	Kentucky Fire Commission		7,750		7,750	
Green Acres	SX21067103	Kentucky Infrastructure Authority	32,030	189,003		156,973	
Hazard Mitigation Grant Prog.(HMGp EOC)	PON2095130000000082	Kentucky Emergency Management Agency		333		333	
Hazard Mitigation Grant Prog.(HMGp Lafayette)	PON209512000039332	Kentucky Emergency Management Agency	33,638	65,687		32,049	
Hazard Mitigation Grant Prog.(HMGp Versailles)	PON2095130000000094	Kentucky Emergency Management Agency		4,190		4,190	
Home Network	2013-1014-PUBLIC-R	Lexington Fayette County Health Dept		51,790		51,790	
Home Network	2014-2015-PUBLIC-R	Lexington Fayette County Health Dept	(53,200)	9,490		62,690	
Home Network	2015-2016-PUBLIC-R	Lexington Fayette County Health Dept		38,065			(38,065)
Local Food Coordinator	A2015-008	Kentucky Agricultural Development Board		51,250		51,250	
Isaac Murphy Memorial Garden	PO2-625-1000004542	Kentucky Transportation Cabinet	800	800		93	93
Kentucky Pride	N/A	Kentucky Energy & Environmental Cabinet	(94,134)			94,134	
Kentucky Pride	N/A	Kentucky Energy & Environmental Cabinet		151,247		46,276	(104,971)
KY Pride Household Hazardous Waste Mgmt	N/A	Kentucky Division of Waste Management		66,808		66,808	
LPS Settlement	N/A	Kentucky Office of the Attorney General	(468,043)		93,777	107,176	(267,090)
Law Enforcement Protection Program	PO2-094-1500001785-1	Kentucky Office of Homeland Security		13,750		13,750	
Law Enforcement Service Fee	LSF-2014-LFUCG-Stre-00257	Kentucky Justice Cabinet	9,249	9,249		96,071	32,675
Law Enforcement Service Fee	LSF-2015-LFUCG-Stre-00263	Kentucky Justice Cabinet		63,396			66,694
Legacy Trail Enhancements	PO2-625-1200003879	Kentucky Transportation Cabinet	79,837	13,143		5,766	5,766
Lexington Community Land Trust	PO2-625-1500000828	Kentucky Transportation Cabinet					12,627
Liberty Road/Todds Road	C-0021586	Kentucky Transportation Cabinet	12,627	8,913		45,914	42,890
Liberty Road/Todds Road	C-04073306	Kentucky Transportation Cabinet	5,889				5,331
Newtown Pike Extension	C00343167	Kentucky Transportation Cabinet	5,331				
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation	179,213	179,213		2,026,898	162,112
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation		1,864,786		400	
SANE3 (Sexual Assault Treatment Project)	VAWA-2013-LFUCG-ST-00334	Kentucky Justice Cabinet	9,800	10,200		5,200	6,200
SANE3 (Sexual Assault Treatment Project)	VAWA-2014-LFUCG-ST-00383	Kentucky Justice Cabinet	4,200	9,400		6,200	
SANE3 (Sexual Assault Treatment Project)	VAWA-2015-LFUCG-ST-00438	Kentucky Justice Cabinet					
Senior Citizens	AS-2014-2015-2016	Bluegrass Area Development District	30,142	30,142		44,474	
Senior Citizens	AS-2015-2016	Bluegrass Area Development District		44,474		97,400	
Tates Creek Rd/Lansdowne Dr Traffic Sig	N/A	Kentucky Transportation Cabinet	97,400	20,651		31,684	11,033
Unanswered Areas 2	SX21067001 & SX21067008	Kentucky Infrastructure Authority		4,000		4,000	
Waste Tire	N/A	Kentucky Energy & Environmental Cabinet					
<b>Total State Financial Assistance</b>			<u>(\$680,189)</u>	<u>\$6,214,618</u>	<u>\$93,777</u>	<u>\$6,080,696</u>	<u>(\$720,334)</u>

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

## NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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

The **Central Kentucky Network Fund** was established in 2014 to ensure the appropriate treatment of revenues or other monies received from jurisdictions participating in the Central Kentucky 911 Network.

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

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**June 30, 2016**

	<b>Right of Way</b>	<b>Extended School Program</b>	<b>Prisoners' Account System</b>	<b>Enhanced 911</b>	<b>CKY Network</b>	<b>Small Business Development</b>	<b>Public Parking Corporation</b>	<b>Total</b>
<b>ASSETS</b>								
Current Assets:								
Cash	\$492,257	\$35,497	\$305,972	\$1,483,910	\$81,445	\$134,339	\$1,015,287	\$3,548,707
Investments				1,403,365		35,953		1,439,318
Receivables:								
Other Receivables		12,867		283,056	62,785	35,867		394,575
Less Allowance for Uncollectible Accounts						(35,867)		(35,867)
Due from Other Funds	978,885	736,162		2,184,456	107,067		383,216	4,389,786
Inventories and Prepaid Expenses				46,355				46,355
<b>Total Current Assets</b>	<b>1,471,142</b>	<b>784,526</b>	<b>305,972</b>	<b>5,401,142</b>	<b>251,297</b>	<b>170,292</b>	<b>1,398,503</b>	<b>9,782,874</b>
Noncurrent Assets:								
Land							400,000	400,000
Land Improvements		10,000					3,197,206	3,207,206
Buildings							55,351	55,351
Vehicles, Equipment, and Furniture	56,651	119,219	143,647	3,284,492				3,604,009
Intangibles				1,376,987				1,376,987
Less Accumulated Depreciation	(55,458)	(107,500)	(143,247)	(3,550,076)			(1,641,219)	(5,497,500)
Construction in Progress				7,514				7,514
<b>Total Noncurrent Assets</b>	<b>1,193</b>	<b>21,719</b>	<b>400</b>	<b>1,118,917</b>	<b>0</b>	<b>0</b>	<b>2,011,338</b>	<b>3,153,567</b>
<b>Total Assets</b>	<b>\$1,472,335</b>	<b>\$806,245</b>	<b>\$306,372</b>	<b>\$6,520,059</b>	<b>\$251,297</b>	<b>\$170,292</b>	<b>\$3,409,841</b>	<b>\$12,936,441</b>
Deferred outflows of resources:								
Differences between expected and actual experience	\$3,630	\$13,563	\$0	\$31,181	\$372	\$0	\$0	\$48,746
Changes of assumptions	30,823	115,181		264,795	3,159			413,958
Changes in proportionate share	5,374	20,082		46,167	551			72,174
Differences between projected and actual earnings on pension plan investments	2,635	9,848		22,640	270			35,393
Contributions subsequent to measurement date	34,483	128,854		296,231	3,533			463,101
<b>Total Deferred Outflows of Resources</b>	<b>76,945</b>	<b>287,528</b>	<b>0</b>	<b>661,014</b>	<b>7,885</b>	<b>0</b>	<b>0</b>	<b>1,033,372</b>
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$1,549,280</b>	<b>\$1,093,773</b>	<b>\$306,372</b>	<b>\$7,181,073</b>	<b>\$259,182</b>	<b>\$170,292</b>	<b>\$3,409,841</b>	<b>\$13,969,813</b>
<b>LIABILITIES</b>								
Current Liabilities:								
Accounts, Contracts and Retainage Payable	\$2,467	\$22,208	\$231,797	\$63,411	\$870	\$0	\$0	\$320,753
Accrued Payroll	10,778	96,944		94,431	1,082			203,235
Due to Other Funds			2,797					2,797
Compensated Absences	12,031	1,531		38,504				52,066
<b>Total Current Liabilities</b>	<b>25,276</b>	<b>120,683</b>	<b>234,594</b>	<b>196,346</b>	<b>1,952</b>	<b>0</b>	<b>0</b>	<b>578,851</b>
Noncurrent Liabilities:								
Compensated Absences	12,031	49,491		38,504				100,026
Unfunded Pension Liability	325,232	1,282,618		2,353,567	9,180			3,970,597
<b>Total Noncurrent Liabilities</b>	<b>337,263</b>	<b>1,332,109</b>	<b>0</b>	<b>2,392,071</b>	<b>9,180</b>	<b>0</b>	<b>0</b>	<b>4,070,623</b>
<b>Total Liabilities</b>	<b>\$362,539</b>	<b>\$1,452,792</b>	<b>\$234,594</b>	<b>\$2,588,417</b>	<b>\$11,132</b>	<b>\$0</b>	<b>\$0</b>	<b>\$4,649,474</b>
<b>NET POSITION</b>								
Net Investment in Capital Assets	\$1,193	\$21,719	\$400	\$1,118,920	\$0	\$0	\$2,011,340	\$3,153,572
Unrestricted (Deficits)	1,185,548	(380,738)	71,378	3,473,736	248,050	170,292	1,398,501	6,166,767
<b>Total Net Position</b>	<b>\$1,186,741</b>	<b>(\$359,019)</b>	<b>\$71,778</b>	<b>\$4,592,656</b>	<b>\$248,050</b>	<b>\$170,292</b>	<b>\$3,409,841</b>	<b>\$9,320,339</b>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended June 30, 2016**

	<b>Right of Way</b>	<b>Extended School Program</b>	<b>Prisoners' Account System</b>	<b>Enhanced 911</b>	<b>CKY Network</b>	<b>Small Business Development</b>	<b>Public Parking Corporation</b>	<b>Total</b>
<b>Operating Revenues</b>								
User Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$705	\$705
Fees		2,289,089		4,126,861	815,110			7,231,060
License Fees and Permits	495,490							495,490
Gross Profit - Commissary			1,621,110					1,621,110
<b>Total Operating Revenues</b>	<u>495,490</u>	<u>2,289,089</u>	<u>1,621,110</u>	<u>4,126,861</u>	<u>815,110</u>	<u>0</u>	<u>705</u>	<u>9,348,365</u>
<b>Operating Expenses</b>								
Right of Way	336,415							336,415
Extended School Program		2,043,236						2,043,236
Prisoners' Account			145,036					145,036
Inmate Trust Account			1,571,819					1,571,819
Enhanced 911				3,627,641				3,627,641
CKY Network					879,328			879,328
Administration		215,258						215,258
Depreciation		4,111		312,672			66,987	383,770
<b>Total Operating Expenses</b>	<u>336,415</u>	<u>2,262,605</u>	<u>1,716,855</u>	<u>3,940,313</u>	<u>879,328</u>	<u>0</u>	<u>66,987</u>	<u>9,202,503</u>
<b>Operating Income (Loss)</b>	159,075	26,484	(95,745)	186,548	(64,218)	0	(66,282)	145,862
<b>Nonoperating Revenues (Expenses)</b>								
Income on Investments				1,990		481		2,471
<b>Total Nonoperating Revenues</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,990</u>	<u>0</u>	<u>481</u>	<u>0</u>	<u>2,471</u>
<b>Change in Net Position</b>	159,075	26,484	(95,745)	188,538	(64,218)	481	(66,282)	148,333
<b>Net Position, Beginning</b>	1,027,666	(385,503)	721,325	4,404,118	312,268	169,811	3,476,123	9,725,808
<b>Net Position, Beginning - Restated</b>			(553,802)					(553,802)
<b>Net Position, Ending</b>	<u>\$1,186,741</u>	<u>(\$359,019)</u>	<u>\$71,778</u>	<u>\$4,592,656</u>	<u>\$248,050</u>	<u>\$170,292</u>	<u>\$3,409,841</u>	<u>\$9,320,339</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
For the Year Ended June 30, 2016

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>								
<b>Cash Flows from Operating Activities:</b>								
Receipts from Customers	\$525,853	\$2,306,955	\$1,621,110	\$4,118,947	\$795,582	\$0	\$705	\$9,369,152
Payments to Suppliers	(214,910)	(389,548)	(1,588,852)	(1,221,864)	(778,755)	1,954	(705)	(4,192,680)
Payments to Employees	(292,610)	(1,667,152)		(2,501,895)	(29,302)			(4,490,959)
Payments for Interfund Services Used	(2,355)	(215,258)		(3,332)				(220,945)
<b>Net Cash Provided by (Used in) Operating Activities</b>	15,978	34,997	32,258	391,856	(12,475)	1,954	0	464,568
<b>Cash Flows from Capital and Related Financing Activities:</b>								
Purchases of Capital Assets				(263,338)				(263,338)
<b>Net Cash Flows Used in Capital and Related Financing Activities</b>	0	0	0	(263,338)	0	0	0	(263,338)
<b>Cash Flows Provided by Investing Activities:</b>								
Purchases of Investments				(1,990)		(180)		(2,170)
Income on Investments				1,990		481		2,471
<b>Net Cash Flows Provided by (Used in) Investing Activities</b>	0	0	0	0	0	301	0	301
<b>Net Increase (Decrease)</b>	15,978	34,997	32,258	128,518	(12,475)	2,255	0	201,531
<b>Cash at Beginning of Year</b>	476,279	500	273,714	1,355,392	93,920	132,084	1,015,287	3,347,176
<b>Cash at End of Year</b>	\$492,257	\$35,497	\$305,972	\$1,483,910	\$81,445	\$134,339	\$1,015,287	\$3,548,707
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:</b>								
<b>Operating Income (Loss)</b>	\$159,075	\$26,484	(\$95,745)	\$186,548	(\$64,218)	\$0	(\$66,282)	\$145,862
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>								
Depreciation		4,111		312,672			66,987	383,770
(Increase) Decrease in Assets:								
Other Receivables	30,363	17,866		(7,914)	(19,528)			20,787
Inventories and Prepaid Expenses				21,406	3,894			25,300
Due from Other Funds	(194,196)	(43,179)		(286,961)	72,342	1,954	(705)	(450,745)
(Increase) Decrease in Deferred Outflows:								
Differences between expected and actual experience	(3,630)	(13,563)		(31,181)	(372)			(48,746)
Changes of assumptions	(30,823)	(115,181)		(264,795)	(3,159)			(413,958)
Changes in proportionate share	(5,374)	(20,082)		(46,167)	(551)			(72,174)
Differences between projected and actual earnings on pension plan	(2,635)	(9,848)		(22,640)	(270)			(35,393)
Contributions subsequent to measurement date	59	10,099		(64,119)	(3,506)			(57,467)
<b>Increase (Decrease) in Liabilities:</b>								
Accounts Payable	451	(34,310)	125,206	9,469	(7,197)			93,619
Accrued Payroll	1,544	9,297		29,662	910			41,413
Due to Other Funds			2,797					2,797
Compensated Absences	5,834	6,499		16,098				28,431
Unfunded Pension Liability	81,722	303,052		717,259	9,180			1,111,213
<b>Increase (Decrease) in Deferred Inflows:</b>								
Differences between projected and actual earnings on pension plan investments	(26,412)	(106,248)		(177,481)				(310,141)
<b>Total Adjustments</b>	(143,097)	8,513	128,003	205,308	\$1,743	1,954	66,282	318,706
<b>Net Cash Provided by (Used In) Operating Activities</b>	\$15,978	\$34,997	\$32,258	\$391,856	(\$12,475)	\$1,954	\$0	\$464,568

## **INTERNAL SERVICE FUNDS**

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

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

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2016**

	<b>Health, Dental and Vision Care</b>	<b>Insurance and Risk Management</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash	\$0	\$3,729,096	\$3,729,096
Due from Other Funds	684,564	26,154,346	26,838,910
Receivables	11,326	116,710	128,036
Inventories and Prepaid Expenses	392,551		392,551
<b>Total Current Assets</b>	<b>\$1,088,441</b>	<b>\$30,000,152</b>	<b>\$31,088,593</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$263,003	\$85,690	\$348,693
Claims Payable:			
Reported		11,883,375	11,883,375
Incurred But Not Reported	825,438	14,866,795	15,692,233
<b>Total Current Liabilities</b>	<b>1,088,441</b>	<b>26,835,860</b>	<b>27,924,301</b>
<b>Total Liabilities</b>	<b>\$1,088,441</b>	<b>\$26,835,860</b>	<b>\$27,924,301</b>
<b>NET POSITION</b>			
Unrestricted	\$0	\$3,164,292	\$3,164,292

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, & CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2016**

	<b>Health, Dental and Vision Care Insurance</b>				<b>Insurance and Risk Management</b>	<b>Total</b>
	<b>Health</b>	<b>Dental</b>	<b>Vision Care</b>	<b>Total</b>		
<b>Operating Revenues</b>						
Premiums	\$26,044,310	\$2,083,083	\$163,514	\$28,290,907	\$10,818,080	\$39,108,987
<b>Total Operating Revenues</b>	26,044,310	2,083,083	163,514	28,290,907	10,818,080	39,108,987
<b>Operating Expenses</b>						
Claims and Benefit Payments	22,762,225	2,034,415	171,685	24,968,325	7,653,788	32,622,113
Operating Supplies and Expense	3,322,582			3,322,582		3,322,582
<b>Total Operating Expenses</b>	26,084,807	2,034,415	171,685	28,290,907	7,653,788	35,944,695
<b>Operating Income (Loss)</b>	(40,497)	48,668	(8,171)	0	3,164,292	3,164,292
<b>Change in Net Position</b>	(40,497)	48,668	(8,171)	0	3,164,292	3,164,292
<b>Net Position, Beginning</b>	424,822	(442,011)	17,189	0	0	0
<b>Net Position, Ending</b>	\$384,325	(\$393,343)	\$9,018	\$0	\$3,164,292	\$3,164,292



**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2016**

	<b>Health, Dental and Vision Care</b>	<b>Insurance and Risk Management</b>	<b>Total</b>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>			
<b>Cash Flows from Operating Activities:</b>			
Receipts from Employees and Other Sources	\$28,290,907	\$0	\$28,290,907
Receipts from Interfund Services Provided	783,512	9,791,600	10,575,112
Refunds from/(Payments to) Suppliers	(4,071,612)	15,807	(4,055,805)
Payments for Claims	(25,068,807)	(9,807,407)	(34,876,214)
<b>Net Cash Used in Operating Activities</b>	<u>(66,000)</u>	<u>0</u>	<u>(66,000)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(66,000)	0	(66,000)
Cash at Beginning of Year	<u>66,000</u>	<u>3,729,096</u>	<u>3,795,096</u>
<b>Cash at End of Year</b>	<u><u>\$0</u></u>	<u><u>\$3,729,096</u></u>	<u><u>\$3,729,096</u></u>
<b>Reconciliation of Operating Income to Net Cash Used In Operating Activities:</b>			
<b>Operating Income</b>	\$0	\$3,164,292	\$3,164,292
<b>Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities:</b>			
<b>(Increase) Decrease in Assets:</b>			
Due from Other Funds	770,840	(1,143,181)	(372,341)
Other Receivables	12,672	116,701	129,373
Inventories and Prepaid Expenses	88,967		88,967
<b>Increase (Decrease) in Liabilities:</b>			
Accounts Payable	(837,997)	15,807	(822,190)
Claims Payable	(100,482)	(2,153,619)	(2,254,101)
<b>Total Adjustments</b>	<u>(66,000)</u>	<u>(3,164,292)</u>	<u>(3,230,292)</u>
<b>Net Cash Used in Operating Activities</b>	<u><u>(\$66,000)</u></u>	<u><u>\$0</u></u>	<u><u>(\$66,000)</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 & 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 **Property & Evidence Fund** accounts for monies collected from prisoners. Once the case has been adjudicated through the court system, money is distributed as ordered.

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

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF NET POSITION**  
**AGENCY FUNDS**  
**For Years as Stated**

	<b>Balance June 30, 2015</b>	<b>Balance June 30, 2016</b>
<b>NEIGHBORHOOD SEWER PROJECTS FUND</b>		
Cash and Short-Term Investments	\$714	\$714
<b>Total Assets</b>	<b>\$714</b>	<b>\$714</b>
Payable to Property Owners	\$714	\$714
<b>Total Liabilities</b>	<b>\$714</b>	<b>\$714</b>
<b>JUVENILE &amp; ADULT PROBATION FUND</b>		
Cash	\$335,335	\$320,163
<b>Total Assets</b>	<b>\$335,335</b>	<b>\$320,163</b>
Accounts Payable	\$335,335	\$320,163
<b>Total Liabilities</b>	<b>\$335,335</b>	<b>\$320,163</b>
<b>PROPERTY &amp; EVIDENCE FUND</b>		
Cash	\$0	\$1,138,713
<b>Total Assets</b>	<b>\$0</b>	<b>\$1,138,713</b>
Accounts Payable	\$0	\$1,138,713
<b>Total Liabilities</b>	<b>\$0</b>	<b>\$1,138,713</b>
<b>DOMESTIC RELATIONS FUND</b>		
Cash	\$313,946	\$313,647
Accounts Receivable	\$331	630
<b>Total Assets</b>	<b>\$314,277</b>	<b>\$314,277</b>
Accounts Payable	\$314,277	\$314,277
<b>Total Liabilities</b>	<b>\$314,277</b>	<b>\$314,277</b>
<b>REPRESENTATIVE PAYEE FUND</b>		
Cash	\$25,256	\$17,333
<b>Total Assets</b>	<b>\$25,256</b>	<b>\$17,333</b>
Accounts Payable	\$25,256	\$17,333
<b>Total Liabilities</b>	<b>\$25,256</b>	<b>\$17,333</b>
<b>TOTALS - AGENCY FUNDS</b>		
Cash and Short-Term Investments	\$675,251	\$1,790,570
Accounts Receivable	331	630
<b>Total Assets</b>	<b>\$675,582</b>	<b>\$1,791,200</b>
Liabilities	\$675,582	\$1,791,200
<b>Total Liabilities</b>	<b>\$675,582</b>	<b>\$1,791,200</b>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Year Ended June 30, 2016**

	<b>Balance June 30, 2015</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance June 30, 2016</b>
<b>NEIGHBORHOOD SEWER PROJECTS FUND</b>				
Cash and Short-Term Investments	\$714	\$0	\$0	\$714
<b>Total Assets</b>	<u>\$714</u>	<u>\$0</u>	<u>\$0</u>	<u>\$714</u>
Payable to Property Owners	\$714	\$0	\$0	\$714
<b>Total Liabilities</b>	<u>\$714</u>	<u>\$0</u>	<u>\$0</u>	<u>\$714</u>
<b>JUVENILE &amp; ADULT PROBATION FUND</b>				
Cash	\$335,335	\$12,809	\$27,981	\$320,163
<b>Total Assets</b>	<u>\$335,335</u>	<u>\$12,809</u>	<u>\$27,981</u>	<u>\$320,163</u>
Accounts Payable	\$335,335	\$12,809	\$27,981	\$320,163
<b>Total Liabilities</b>	<u>\$335,335</u>	<u>\$12,809</u>	<u>\$27,981</u>	<u>\$320,163</u>
<b>PROPERTY &amp; EVIDENCE FUND</b>				
Cash		\$1,286,184	\$147,471	\$1,138,713
<b>Total Assets</b>		<u>\$1,286,184</u>	<u>\$147,471</u>	<u>\$1,138,713</u>
Accounts Payable		\$1,456,344	\$317,631	\$1,138,712
<b>Total Liabilities</b>		<u>\$1,456,344</u>	<u>\$317,631</u>	<u>\$1,138,713</u>
<b>DOMESTIC RELATIONS FUND</b>				
Cash	\$313,946	\$331	\$630	\$313,647
Accounts Receivable	331	630	331	630
<b>Total Assets</b>	<u>\$314,277</u>	<u>\$630</u>	<u>\$630</u>	<u>\$314,277</u>
Accounts Payable	\$314,277			\$314,277
<b>Total Liabilities</b>	<u>\$314,277</u>	<u>\$0</u>	<u>\$0</u>	<u>\$314,277</u>
<b>REPRESENTATIVE PAYEE FUND</b>				
Cash	\$25,256	\$181,218	\$189,141	\$17,333
<b>Total Assets</b>	<u>\$25,256</u>	<u>\$181,218</u>	<u>\$189,141</u>	<u>\$17,333</u>
Accounts Payable	\$25,256	\$150,838	\$158,761	\$17,333
<b>Total Liabilities</b>	<u>\$25,256</u>	<u>\$150,838</u>	<u>\$158,761</u>	<u>\$17,333</u>
<b>TOTALS - AGENCY FUNDS</b>				
Cash and Short-Term Investments	\$675,251	\$1,480,542	\$365,223	\$1,790,570
Accounts Receivable	331	630	331	630
<b>Total Assets</b>	<u>\$675,582</u>	<u>\$1,481,172</u>	<u>\$365,554</u>	<u>\$1,791,200</u>
Liabilities	\$675,582	\$1,619,991	\$504,373	\$1,791,200
<b>Total Liabilities</b>	<u>\$675,582</u>	<u>\$1,619,991</u>	<u>\$504,373</u>	<u>\$1,791,200</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 services to Lexington and Fayette County through circulating and reference materials.

The **Lexington Convention and Visitors Bureau** promote recreational, convention, and tourist activity in Lexington and 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.

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

**June 30, 2016**

	<b>Lexington Transit Authority</b>	<b>Lexington Public Library</b>	<b>Lexington Convention and Visitors Bureau</b>
<b>ASSETS</b>			
Cash	\$8,116,579	\$4,599,576	\$3,236,529
Investments		4,752,208	
Receivables:			
Accounts Receivable	34,833		184,329
Other	142,074	16,920	
Due from Primary Government			1,306,410
Due from Other Governments	6,081,187		
Inventories and Prepaid Expenses	423,540	125,012	167,663
Restricted Current Assets:			
Cash	3,289,197		1,865,063
Investments			511,672
Restricted Non-Current Investments			
Capital Assets:			
Non-depreciable	5,033,459	4,786,335	21,877
Depreciable (Net)	37,329,143	22,686,184	151,890
Other Assets	8,355,000		
<b>Total Assets</b>	<b>\$68,805,012</b>	<b>\$36,966,235</b>	<b>\$7,445,433</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Differences between expected and actual experience	\$0	\$78,951	\$0
Differences between projected and actual earnings			
on pension plan investments	711,372	85,163	303,202
Changes of assumptions	\$645,015	958,007	
Contributions subsequent to measurement date	191,095	670,612	141,532
<b>Total Deferred Outflows of Resources</b>	<b>1,547,482</b>	<b>1,792,733</b>	<b>444,734</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$70,352,494</b>	<b>\$38,758,968</b>	<b>\$7,890,167</b>
<b>LIABILITIES</b>			
Accounts, Contracts Payable and			
Accrued Liabilities	\$2,919,571	\$763,687	\$157,273
Interest Payable		116	
Due to Primary Government			
Unearned Revenue and Other		501	4,245
Non-Current Liabilities:			
Due Within One Year:			
Compensated Absences	138,491	311,312	67,525
Bonds and Notes Payable	858,070	415,181	
Due in More Than One Year:			
Compensated Absences	339,130		
Bonds and Notes Payable	20,282,363	9,898,141	
Unfunded Pension Liability	1,875,764	9,500,354	1,976,090
<b>Total Liabilities</b>	<b>\$26,413,389</b>	<b>\$20,889,292</b>	<b>\$2,205,133</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Differences between expected and actual experience	\$425,510	\$0	\$0
Differences between projected and actual earnings			
on pension plan investments		46,075	
<b>Total Deferred Inflows of Resources</b>	<b>425,510</b>	<b>46,075</b>	<b>0</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$26,838,899</b>	<b>\$20,935,367</b>	<b>\$2,205,133</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$23,588,552	\$17,159,197	\$173,767
Restricted for:			
Governmental and Program Funds		226,918	
Unrestricted	19,925,043	437,486	5,511,267
<b>Total Net Position</b>	<b>\$43,513,595</b>	<b>\$17,823,601</b>	<b>\$5,685,034</b>

<b>Downtown Development Authority</b>	<b>Total Nonmajor Component Units</b>
\$308,983	\$16,261,667 4,752,208  219,162 158,994 1,306,410 6,081,187 716,215  5,154,260 511,672  9,841,671 60,167,217 8,355,000
<u>\$308,983</u>	<u>\$113,525,663</u>
\$0	\$78,951  1,099,737 1,603,022 1,003,239
<u>0</u>	<u>3,784,949</u>
<u>\$308,983</u>	<u>\$117,310,612</u>
\$13,000	\$3,853,531 116
643	643 4,746
3,858	521,186 1,273,251
847	339,977 30,180,504 13,352,208
<u>\$18,348</u>	<u>\$49,526,162</u>
\$0	\$425,510  46,075
<u>0</u>	<u>471,585</u>
<u>\$18,348</u>	<u>\$49,997,747</u>
\$0	\$40,921,516  226,918
290,635	26,164,431
<u>\$290,635</u>	<u>\$67,312,865</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF ACTIVITIES**  
**NONMAJOR COMPONENT UNITS**  
**For the Year Ended June 30, 2016**

		<b>Program Revenues</b>		
		<b>Charges for</b>	<b>Operating</b>	<b>Capital</b>
	<b>Expenses</b>	<b>Services</b>	<b>Grants and</b>	<b>Grants and</b>
			<b>Contributions</b>	<b>Contributions</b>
<b>Lexington Transit Authority</b>				
Transit Operations	\$24,603,936	\$3,109,950	\$16,677,748	\$370,661
Depreciation	2,751,405			
Total Lexington Transit Authority	27,355,341	3,109,950	16,677,748	370,661
<b>Lexington Public Library</b>				
Library Operations	13,875,593	727,906	341,931	105,000
Depreciation	1,425,797			
Interest on Long-Term Debt	408,726			
Total Lexington Public Library	15,710,116	727,906	341,931	105,000
<b>Lexington Convention and Visitors Bureau</b>				
Convention and Tourism Operations	6,218,509		331,857	
Depreciation	82,241			
Total Lexington Convention and Visitors Bureau	6,300,750	0	331,857	0
<b>Downtown Development Authority</b>				
Downtown Design Center	501,082			151,851
Total Downtown Development Authority	501,082	0	0	151,851
Total Nonmajor Component Units	\$49,867,289	\$3,837,856	\$17,351,536	\$627,512
<b>General Revenues:</b>				
Taxes				
Payment from/to Lexington-Fayette Urban County Government				
Income on Investments				
Gain (Loss) on Sale of Capital Assets				
Miscellaneous				
<b>Total General Revenues</b>				
Change in Net Position				
Net Position, Beginning				
Adjustment to Opening Net Position (Note 2.D.)				
Net Position, Beginning - Restated				
Net Position, Ending				



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

<b>Lexington Transit Authority</b>	<b>Lexington Public Library</b>	<b>Lexington Convention and Visitors Bureau</b>	<b>Downtown Development Authority</b>	<b>Total Nonmajor Component Units</b>
(\$4,445,577)				(\$4,445,577)
(2,751,405)				(2,751,405)
				<u>(7,196,982)</u>
	(\$12,700,756)			(12,700,756)
	(1,425,797)			(1,425,797)
	(408,726)			(408,726)
				<u>(14,535,279)</u>
		(\$5,886,652)		(5,886,652)
		(82,241)		(82,241)
				<u>(5,968,893)</u>
			(\$349,231)	(349,231)
				<u>(349,231)</u>
<u>(\$7,196,982)</u>	<u>(\$14,535,279)</u>	<u>(\$5,968,893)</u>	<u>(\$349,231)</u>	<u>(\$28,050,385)</u>
\$16,663,597	\$14,528,966	\$7,238,764	\$0	\$38,431,327
			384,890	384,890
	55,895	7,359	190	63,444
	1,688,649			1,688,649
(711,085)	140,230	18,840		(552,015)
<u>15,952,512</u>	<u>16,413,740</u>	<u>7,264,963</u>	<u>385,080</u>	<u>40,016,295</u>
<u>8,755,530</u>	<u>1,878,461</u>	<u>1,296,070</u>	<u>35,849</u>	<u>11,965,910</u>
<u>34,758,065</u>	<u>15,945,140</u>	<u>4,201,515</u>	<u>254,786</u>	<u>55,159,506</u>
		187,449		187,449
<u>34,758,065</u>	<u>15,945,140</u>	<u>4,388,964</u>	<u>254,786</u>	<u>55,346,955</u>
<u>\$43,513,595</u>	<u>\$17,823,601</u>	<u>\$5,685,034</u>	<u>\$290,635</u>	<u>\$67,312,865</u>



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## STATISTICAL SECTION

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

Financial Trends: Tables 1 – 6

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

Revenue Capacity: Tables 7 – 12

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

Debt Capacity: Tables 13 – 17

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

Demographic & Economic Indicators: Tables 18 – 21

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

Operating Information: Tables 22 – 24

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

TABLE 1

## LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

## NET POSITION

## LAST TEN FISCAL YEARS

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net Investment in Capital Assets	\$965,683,982	\$963,823,728	\$934,789,342	\$920,938,945	\$921,236,876	\$899,350,344	\$877,691,469	\$860,074,409	\$838,877,310	\$813,823,945
Restricted	19,918,500	2,241,711	6,255,432	(31,494,181)	32,640,718	20,289,131	26,895,407	22,045,314	34,719,227	58,884,930
Unrestricted (Deficit)	30,807,379	5,930,420	(6,454,734)	(110,023,238)	(110,023,238)	(98,714,274)	(94,638,121)	(83,112,939)	(350,353,804)	(370,433,940)
Total governmental activities net position	1,016,409,861	971,995,859	934,590,040	889,444,764	843,854,356	820,925,201	809,948,755	799,006,784	523,242,733	502,274,935
Business-type Activities										
Net Investment in Capital Assets	244,593,588	239,407,215	254,269,159	239,666,463	209,276,568	217,434,369	217,313,258	222,913,279	227,825,104	231,848,112
Restricted	39,914,276	24,129,422	24,680,839	35,249,098	50,637,360	57,712,759	66,194,803	68,209,300	60,086,906	69,892,072
Unrestricted (Deficit)	14,020,822	24,615,573	7,399,034	14,702,006	33,023,663	29,435,424	27,429,362	33,237,351	36,179,971	38,061,916
Total business-type activities net position	298,528,686	288,152,210	286,349,032	289,617,567	292,937,591	304,582,552	310,937,423	324,359,930	324,091,981	339,802,100
Primary Government										
Net Investment in Capital Assets	1,210,277,570	1,203,230,943	1,189,058,501	1,160,605,408	1,130,513,444	1,116,784,713	1,095,004,727	1,082,987,688	1,066,702,414	1,045,672,057
Restricted	59,832,776	26,371,133	30,936,271	3,754,917	83,278,078	78,001,890	93,090,210	90,254,614	94,806,133	128,777,002
Unrestricted (Deficit)	44,828,201	30,545,993	944,300	14,702,006	(76,999,575)	(69,278,850)	(67,208,759)	(49,875,588)	(314,173,833)	(332,372,024)
Total primary government net position	\$1,314,938,547	\$1,260,148,069	\$1,220,939,072	\$1,179,062,331	\$1,136,791,947	\$1,125,507,753	\$1,120,886,178	\$1,123,366,714	\$847,334,714	\$842,077,035

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

TABLE 2

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Expenses</b>										
Governmental Activities:										
Administrative Services	\$34,445,560	\$3,832,639	\$3,315,306	\$1,299,382	\$1,386,040	\$21,143,480	\$11,761,053	\$5,342,699	\$7,433,487	\$7,800,854
Chief Development Officer		30,686,297	30,670,339	30,894,261	31,104,781	470,018	620,665	192,555	2,074,348	2,074,348
Community Corrections	29,028,326	23,947,831	24,729,110	21,516,034	23,500,067	31,286,365	32,631,937	34,000,937	30,066,104	30,814,432
Environmental Quality										
Environmental Quality & Public Works										
Finance	10,464,204	12,376,624	13,378,819	24,047,223	28,515,655	80,559,723	83,878,537	45,339,718	54,933,912	60,134,890
Fire & Emergency Services	53,242,082	58,497,360	66,077,180	63,116,000	67,106,441	19,357,661	14,744,087	16,726,346	14,049,319	39,135,165
General Government	23,927,771	30,660,951	22,706,306	22,726,537	24,197,239	66,413,015	62,781,239	67,689,682	56,832,342	66,853,053
General Services**	10,855,412	11,531,344	13,944,835	14,629,238	14,342,698	22,985,046	23,692,900	26,973,537	25,480,664	30,180,917
Health, Dental and Vision Insurance	13,301,058	14,564,306	25,824,211	26,711,492	34,755,417	10,041,709	10,898,533	10,551,162	11,827,132	12,486,401
Information Technology**		11,216,315	14,522,324	9,161,677	9,713,226	26,211,457	25,006,634	24,893,545	25,000,892	22,632,726
Law		12,593,109	10,803,413	9,301,249	10,227,268	3,497,483	4,006,240	6,983,029	8,401,242	9,464,131
Outside Agencies										
Parks & Recreation	19,428,046	21,961,714	19,955,406	18,320,506	19,064,298	19,386,251	19,653,677	19,693,483	18,854,526	21,010,506
Planning, Preservation, & Development*										
Police	56,980,657	63,533,856	69,507,685	70,694,372	71,714,415	68,164,371	3,767,295	47,343,980	42,415,735	53,776,224
Public Safety**	11,937,598	26,717,271	13,145,251	11,259,687	11,162,765	69,945,322	69,945,322	69,822,219	56,418,416	64,145,155
Public Works	68,896,198	71,695,702	62,907,588	61,841,096	63,671,436	13,042,036	14,666,437	10,776,283	12,593,479	12,560,199
Social Services	15,493,804	16,392,173	14,719,158	11,836,703	10,672,881	9,780,945	10,194,745	10,478,516	10,964,083	11,754,471
Special Projects										
Interest on Long-Term Debt	6,378,169	5,727,995	6,357,236	10,692,416	13,131,617	12,835,920	13,116,305	13,053,635	13,116,151	13,722,941
Debt Service - Other	1,066,289	1,056,179								
Total governmental activities	357,550,215	416,991,666	412,564,167	408,047,873	434,166,244	405,175,480	401,365,596	413,673,193	391,551,819	460,655,438
Business-type Activities:										
Sanitary Sewer System	26,703,501	36,565,069	35,438,026	41,453,360	42,472,580	40,124,346	39,014,016	43,664,387	41,207,716	44,271,125
Public Facilities	10,444,503	11,359,294	10,971,103	10,806,267	10,741,225	10,333,320	9,419,886	8,895,507	8,829,979	9,596,104
Public Parking	511,198	463,177	1,012,399	927,900	906,926	847,894	84,866	265,226	66,994	66,987
Landfill	1,651,318	7,250,365	6,209,619	6,641,801	6,581,625	5,271,593	4,099,770	6,060,197	4,426,038	5,542,566
Right of Way	307,012	333,723	299,598	313,383	312,770	298,896	284,470	308,683	280,214	336,415
Extended School Program	1,967,273	2,081,422	2,333,357	2,456,874	2,207,310	2,339,148	2,198,555	1,977,394	1,951,359	2,262,605
Prisoners' Account System	1,273,913	1,724,224	1,638,156	1,421,523	1,287,139	1,373,473	1,393,543	1,844,393	1,253,423	1,716,855
Enhanced 911	3,057,919	3,870,267	3,314,149	3,634,032	3,083,806	2,973,088	2,930,379	2,384,796	2,638,373	3,940,313
CKY Network	62,228	54,347	63,502	57,644	84,242	29,307	10,668	450,919	1,307,829	879,328
Small Business Development										
Water Quality			1,841,975	4,528,403	6,280,081	9,182,669	8,308,301	9,139,302	8,618,921	11,290,945
Total business-type activities	45,979,165	63,701,888	63,111,884	72,241,187	73,957,704	72,773,734	67,744,654	74,990,804	70,580,846	79,903,243
Total primary government	\$403,529,380	\$480,693,554	\$475,676,051	\$480,289,060	\$508,123,948	\$477,949,214	\$469,110,250	\$488,663,997	\$462,132,665	\$540,558,681

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services	\$7,167,050	\$0	\$0	\$0	\$1,000	\$1,603,453	\$559,050	\$367,363	\$351,158	\$498,615
Administrative Services	6,955,537	7,822,586	6,413,349	6,319,484	7,429,351	7,707,225	8,286,565	6,281	76,504	2,500
Chief Development Officer		2,155,407	1,265,393	1,850,487	2,406,997			9,161,315	8,574,892	9,330,723
Community Corrections										
Environmental Quality										
Environmental Quality & Public Works										
Finance	1,233,796	1,526,545	4,385,600	3,807,077	3,145,043	2,511,142	2,757,405	2,681,977	3,140,243	2,485,454
Fire & Emergency Services	4,166,741	4,686,614	6,773,040	6,191,913	6,478,108	7,340,946	2,413,363	3,358,781	1,912,603	472,126
General Government	8,708,357	14,562,857	14,300,517	13,541,123	15,644,382	17,046,369	23,141,015	17,046,255	8,211,753	9,210,668
General Services**		71,059	104,442	113,498	97,898	63,132	28,827	4,155	97,971	19,035,469
Health, Dental, and Vision	13,297,984	25,824,211	26,711,492	26,711,492	34,755,417	26,211,457	25,006,634	24,893,545	25,000,892	18,346
Information Technology**		77,900	56,344	14,368	20,876			4,271	3,821	22,632,726
Law	475	2,935	21,528	34,444	18,217	35,293	36,944	49,006	15,013	3,096
Outside Agencies										31,416
Parks & Recreation	4,520,111	4,566,558	5,381,956	4,691,533	4,258,091	4,810,535	4,156,325	3,869,990	4,327,985	4,403,431
Planning, Preservation, & Development*										
Police	309,799	614,408	2,031,643	2,007,988	2,402,840	1,578,342	240,168	2,245,228	2,709,381	3,119,969
Public Safety**	2,419,149	1,482,000	403,491	445,029	329,460	2,045,401	1,857,059	64,898	1,640,754	1,513,686
Public Works	1,304,217	14,388,414	3,775,946	5,770,608	4,088,338					69,522
Social Services	2,071,456	3,362,329	3,754,793	2,848,473	3,542,915	1,766,790	1,857,123	1,703,695	1,804,885	1,662,363
Debt Service - other	73,448									
Operating Grants & Contributions	31,988,064	17,500,905	13,251,883	20,192,672	13,849,522	14,139,426	13,065,758	15,108,425	15,087,470	13,383,964
Capital Grants & Contributions	3,138,381	7,838,458	10,276,393	10,434,599	7,078,729	8,316,236	6,272,539	9,200,572	8,190,685	8,319,315
Total Governmental Activities	87,354,365	95,223,281	98,020,529	104,974,788	105,547,184	96,078,664	98,573,466	98,840,995	100,429,782	96,193,389
<b>Business-Type Activities:</b>										
Charges for Services										
Sanitary Sewer System	26,199,037	27,539,422	36,605,347	47,470,305	48,803,593	47,287,791	52,927,780	50,480,049	52,007,762	58,394,719
Public Facilities	5,390,398	6,237,836	6,841,271	6,405,531	7,157,088	7,156,666	5,830,285	6,375,794	6,987,558	6,987,558
Public Parking	593,995	1,192,523	1,373,037	1,203,102	859,874	977,414	4,560		6,405,783	705
Landfill	7,870,493	8,556,220	8,499,137	8,240,762	7,203,610	7,183,611	6,845,329	7,064,989	7,211,864	7,050,937
Right of Way	413,705	310,950	403,771	479,012	483,196	419,676	392,466	520,812	475,126	495,490
Extended School Program	2,220,509	2,203,771	1,808,121	2,097,145	2,038,391	2,338,243	2,379,751	2,202,171	2,229,896	2,289,089
Prisoners' Account System	1,950,786	2,066,361	2,026,429	1,915,910	1,121,799	1,524,127	1,619,626	2,372,285	1,227,415	1,621,110
Enhanced 911	2,383,332	2,621,394	3,453,310	4,069,027	3,749,409	3,999,658	3,517,634	4,273,106	3,810,087	4,126,861
CKY Network	26,609	61,360	84,045	91,099	140,699	51,798	25,738	11,576	1,269,890	815,110
Small Business Development	23,384	188								
Water Quality		68,268		5,581,104	11,604,569	12,095,514	12,296,476	13,119,524	13,341,859	13,661,911
Total Business-Type Activities	47,072,248	50,783,025	61,162,736	77,552,988	83,162,228	83,034,498	85,839,645	86,520,306	87,979,682	95,443,490
Total Primary Government	134,426,613	146,006,306	159,183,265	182,527,776	188,709,412	179,113,162	184,413,111	185,361,301	188,409,464	191,636,879
<b>Net (Expense)/Revenue</b>										
Governmental Activities	(270,195,650)	(321,768,385)	(314,543,638)	(303,073,085)	(328,619,060)	(309,096,816)	(302,792,130)	(314,832,198)	(291,122,037)	(364,462,049)
Business-Type Activities	1,093,083	(12,918,863)	(1,949,148)	5,311,801	9,204,524	10,260,764	18,094,991	11,529,502	17,398,836	15,540,247
Total Primary Government	(269,102,567)	(334,687,248)	(316,492,786)	(297,761,284)	(319,414,536)	(298,836,052)	(284,697,139)	(303,302,696)	(273,723,201)	(348,921,802)
<b>General Revenues and Other Changes in Net Position</b>										
Governmental Activities:										
Property Taxes	47,791,867	51,455,185	54,301,749	51,143,199	52,548,109	52,860,840	53,597,311	54,759,199	55,241,837	56,751,090
Licenses and Permits	210,698,736	220,015,258	218,194,593	215,196,838	224,399,866	230,580,201	238,924,158	248,271,270	265,596,253	275,539,490
Grants & Contributions Not Restricted to Specific Programs:										
Community Development Block Grant	2,126,818	2,463,746	2,577,631	2,250,779	2,175,565	2,171,901	2,176,035	2,009,120	1,719,372	8,018,438
Income on Investments	6,121,269	3,382,709	804,510	300,149	129,839	589,967	(509,890)	263,242	1,941,282	1,341,333
Sale of Assets	(1,041,367)	457,516	641,460	(45,882)	2,300,242	311,259	283,406			413,379
Bond Refunding										
Miscellaneous	963,926									
Conveyance of Asset	(2,116,880)									
Transfers	(3,308,054)	(620,031)	617,876	1,737,854	1,249,888	(346,507)	(1,106,585)	(871,447)	(2,540)	(313,102)
Total Governmental Activities	261,236,315	277,354,383	277,137,819	270,582,937	282,803,509	286,167,661	293,364,435	304,431,384	324,496,198	341,750,628
Business-Type Activities:										
Income on Investments	2,802,634	1,907,250	669,955	96,285	540,692	1,029,866	(215,314)	1,021,558	(604,800)	547,366
Sale of Assets	(183,523)	15,106	93,891	(401,697)	39,149	7,824			10,168	
Bond Refunding										
Transfers	3,308,054	620,031	(617,876)	(1,737,854)	(1,249,888)	346,507	(11,902,981)	871,447	2,546	313,102
Total Business-Type Activities	5,927,165	2,542,387	(145,970)	(2,043,266)	(670,047)	1,384,197	(12,118,295)	1,893,005	(592,086)	860,468
Total Primary Government	267,163,480	279,896,770	277,283,789	268,539,671	282,133,462	287,551,858	281,246,140	306,324,389	323,904,112	342,611,096
<b>Change in Net Position</b>										
Governmental activities	(8,959,335)	(44,414,002)	(37,405,819)	(32,490,148)	(45,815,551)	(22,929,155)	(9,427,695)	(10,400,814)	33,374,161	(22,711,421)
Business-type activities	7,020,248	(10,376,476)	(1,803,178)	3,268,535	8,534,477	11,644,961	5,976,696	13,422,507	16,806,750	16,400,715
Prior Period Adjustment - Government Activities	437,425			(12,655,128)	225,143	(1,548,751)	(1,548,751)	(541,157)	(309,138,212)	1,743,623
Prior Period Adjustment-Business-Type Activities	39,260									
Total Primary Government	(81,462,002)	(54,790,478)	(39,208,997)	(341,876,741)	(37,056,935)	(12,832,945)	(378,175)	(2,480,536)	(17,074,699)	(690,596)
**Planning, Preservation, & Development was added in FY13 and was previously included with Administration.										
**In FY16 the Chief Information Officer was changed to the Department of Information Technology. In addition, the Division of Security was moved from the Department of General Services to the Department of Public Safety.										
Source: Department of Finance, Lexington-Fayette Urban County Government										

TABLE 3

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund										
Reserved	\$4,637,101	\$5,254,246	\$12,177,430	\$12,019,893	\$0	\$0	\$0	\$0	\$0	\$0
Unreserved										
Designated for Economic Contingency	11,894,147	13,219,620	14,470,569	14,470,569						
Designated for Payroll	556,400	1,293,279	2,116,169	2,923,169						
Designated for Working Capital	9,634,602									
Designated for Pay Adjustments										
Undesignated	15,713,298	4,620,501	4,365,746	2,106,483	1,493,737	1,461,447	1,405,198	1,627,367	2,064,127	2,102,194
Nonspendable										
Restricted for:										
Public Safety									198,175	397,688
Energy Improvement Projects							408,227	636,874	552,989	552,011
Committed for:										
General Government					3,931,000					
Economic Stabilization					18,200,738	18,482,971	6,612,684	11,249,146	11,606,932	13,353,512
Assigned to:										
Capital Projects						6,972,224	8,060,560	8,137,251	20,449,635	13,924,969
General Government						11,583,075	10,325,000	12,700,000	14,500,000	21,200,000
Urban Services						2,500,000				
Unassigned					562,360	3,265,872	4,309,677	4,176,646	4,273,341	4,789,658
Total	42,435,548	24,387,646	33,129,914	31,520,114	24,187,835	44,265,589	54,411,812	63,751,505	83,331,050	87,007,876
Urban Services										
Reserved	1,661,414	1,064,326	5,612,288	8,842,245						
Designated for Payroll	45,700	99,401	127,622	154,622						
Undesignated	26,852,738	31,935,168	28,237,751	16,986,960						
Nonspendable										
Restricted for:					4,031	604	175	11,112	2,735	2,603
Urban Service Projects					20,420,741	22,767,570	28,631,854	29,855,868	31,391,398	30,368,714
Energy Improvement Projects							10,383	13,314	2,930	2,930
Unassigned										
Total	28,559,852	33,098,895	33,977,661	25,983,827	20,424,772	22,768,174	28,642,412	29,880,294	31,397,063	30,374,247
All Other Governmental Funds										
Reserved	6,521,414	18,430,040	7,944,462	12,702,665						
Undesignated, reported in:										
Nonspendable					369	6,604	22,376	77,859	106,066	2,680
Restricted for:										
Public Works					10,357,176	8,238,721	9,032,953	11,534,007	8,202,688	6,271,461
Public Safety					3,117,402	2,812,852	1,659,378	1,569,569	1,529,730	1,460,930
Special Revenue Funds										
Capital Projects	8,770,810	9,269,371	12,137,914	13,742,070	32,094,257	19,027,031	25,214,697	20,133,026	33,754,253	57,700,163
Grants Projects	14,852,272	(13,728,932)	6,138,952	36,272,857	546,461	1,262,100	1,262,100	1,262,100	210,880	232,138
Committed for:	313,460	119,184	100,842	116,485						
General Government					410,544	447,605				
Assigned to:										
General Government					(974,484)	(370,103)	445,690	1,721,084	1,327,774	720,741
Unassigned										
Total	\$30,457,956	\$14,089,663	\$26,322,170	\$62,834,077	\$45,551,725	\$31,424,810	\$37,637,194	\$36,297,645	\$45,131,391	\$66,305,680

LFUCG elected to implement GASB Statement No. 54, Fund Balance Reporting and the Governmental Fund Type Definitions, in fiscal year 2011. This statement allows the entity to apply prospectively in the statistical section. Therefore, LFUCG has not reclassified prior information.

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



TABLE 4

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Licenses and Permits	\$215,760,874	\$224,874,954	\$222,841,928	\$219,586,264	\$228,816,452	\$235,226,117	\$243,655,298	\$253,581,959	\$271,354,443	\$281,240,662
Taxes	47,791,867	51,455,185	54,301,749	51,143,199	52,548,109	52,860,840	53,597,311	54,759,199	55,241,837	56,751,090
Charges for Services	22,350,901	21,357,602	22,073,405	21,182,005	24,158,224	26,262,822	26,365,849	26,797,087	28,036,635	29,175,200
Fines and Forfeitures	57,192	180,785	303,205	268,459	220,449	176,319	311,930	258,112	235,626	222,201
Local Contributions										
Intergovernmental	32,419,475	45,587,385	36,462,389	41,088,818	33,622,666	35,125,072	32,365,491	38,199,741	35,010,716	38,232,668
Excations	1,584,199	1,282,254	379,575	601,993	96,613	129,603	532,410	486,643	2,074,477	317,370
Grant Match	2,178,329	1,709,521	2,734,433	2,619,353						
Property Sales	785,073	557,071	803,382	499,119	2,681,463	453,540	462,570	181,052	529,770	585,626
Income on Investments	5,737,945	3,582,709	804,510	300,149	129,839	589,902	(509,785)	263,298	1,941,301	1,341,478
Other	7,260,457	8,145,477	7,928,848	9,988,984	8,998,513	4,002,075	3,436,946	4,067,219	5,244,909	4,536,586
<b>Total Revenues</b>	<b>335,926,312</b>	<b>358,732,943</b>	<b>348,633,424</b>	<b>347,278,343</b>	<b>351,272,328</b>	<b>354,826,290</b>	<b>360,218,020</b>	<b>378,594,310</b>	<b>399,669,714</b>	<b>412,402,881</b>
<b>Expenditures</b>										
Administrative Services	25,431,738	1,845,175	3,213,262	1,098,505	1,209,504	19,612,467	10,370,972	5,014,372	7,431,873	8,060,766
Chief Development Officer		19,441,341	21,076,668	20,398,457	22,544,214	458,932	613,743	190,339	537,986	1,107,841
Environmental Quality & Public Works										
Finance	9,890,462	11,561,109	11,488,448	11,979,265	9,271,854	36,315,403	37,037,311	36,407,046	40,387,589	42,819,684
General Government	6,706,895	13,651,464	6,761,982	6,962,873	7,382,550	5,059,177	5,115,502	5,020,225	5,225,806	5,536,971
General Services**	28,040,506	28,280,713	29,246,730	26,370,443	25,763,110	24,095,490	26,517,790	26,139,238	6,306,980	6,542,424
Information Technology**		9,919,332	13,566,187	10,287,205	8,450,628					
Law	2,064,825	23,551,596	10,851,780	9,327,861	10,237,207	3,571,448	3,994,327	4,035,393	7,513,809	9,187,214
Outside Agencies	15,613,480	20,090,648	19,236,209	18,123,297	19,244,315	20,571,727	20,260,096	24,739,506	23,623,807	28,736,538
Planning, Preservation, & Development*	142,764,740	153,492,722	227,892,046	191,233,566	160,552,216	193,328,465	172,413,558	173,507,393	177,216,505	186,290,364
Public Safety**	34,857,640	23,013,365	24,708,831	22,514,826	21,858,996		3,659,901	8,670,017	10,436,351	12,486,736
Social Services	13,347,071	12,006,737	11,623,944	9,615,423	8,402,054					
Special Projects						7,804,749	8,222,664	8,196,041	8,422,005	9,190,567
Debt Service:										
Principal	18,797,661	16,740,000	13,760,000	26,230,000	20,035,000	18,465,000	17,855,000	21,925,000	20,850,000	22,010,000
Interest and Other	7,594,762	6,907,518	5,495,982	9,409,512	13,703,243	12,927,929	13,108,740	13,667,645	12,558,133	13,938,702
Capital	36,861,883	47,475,384	45,435,689	70,941,523	49,010,038	29,785,796	28,336,917	48,815,941	51,092,128	70,848,354
<b>Total Expenditures</b>	<b>341,971,663</b>	<b>387,977,104</b>	<b>444,357,758</b>	<b>434,492,756</b>	<b>377,664,929</b>	<b>377,401,672</b>	<b>300,016,400</b>	<b>386,234,545</b>	<b>400,586,967</b>	<b>448,310,292</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(6,045,351)	(29,244,161)	(95,724,334)	(87,214,413)	(26,392,601)	(22,575,382)	60,201,620	(7,640,235)	(917,253)	(35,907,411)
<b>Other Financing Sources (Uses)</b>										
Transfers In	3,746,037	1,375,483	4,238,345	6,723,504	3,843,657	18,102,675	7,226,272	28,308,895	21,319,957	24,833,948
Transfers Out	(7,054,091)	(2,008,473)	(3,620,469)	(4,985,650)	(3,773,123)	(18,493,131)	(7,822,695)	(29,163,490)	(21,316,119)	(25,134,821)
Property Sales										
Debt Proceeds (net of bond refunding)	4,667,606		116,960,000	119,515,000	19,720,000	37,275,000	21,177,299	78,350,131	49,993,988	56,180,000
Bond Anticipation Note										
Premium (Discount) on Bonds Issued					(4,580,255)	(6,014,921)	(4,549,025)	(60,617,275)	(19,150,513)	3,362,960
<b>Total Other Financing Sources (Uses)</b>	<b>1,359,552</b>	<b>(632,990)</b>	<b>117,577,876</b>	<b>114,122,686</b>	<b>15,210,279</b>	<b>30,869,623</b>	<b>16,031,851</b>	<b>16,878,261</b>	<b>30,847,313</b>	<b>59,242,087</b>
<b>Net Change in Fund Balances</b>	<b>(\$4,685,799)</b>	<b>(\$29,877,151)</b>	<b>\$21,853,542</b>	<b>\$26,908,273</b>	<b>(\$11,182,322)</b>	<b>\$8,294,241</b>	<b>\$76,233,471</b>	<b>\$9,238,026</b>	<b>\$29,930,060</b>	<b>\$23,334,676</b>
Debt Service as a percentage of noncapital expenditures*	8.3%	6.2%	4.5%	9.5%	10.2%	8.7%	10.8%	10.1%	9.1%	9.0%

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

\*\*In FY 16 the Chief Information Officer was changed to the Department of Information Technology. In addition, the Division of Security was moved from the Department of General Services to the Department of Public Safety.

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

TABLE 5

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Licenses and Permits	\$214,665,674	\$223,622,531	\$221,612,009	\$218,333,096	\$227,486,734	\$233,898,045	\$242,304,633	\$252,196,981	\$269,928,753	\$279,796,674
Taxes	18,150,819	19,509,219	20,737,242	20,222,945	20,992,845	20,880,351	21,368,326	21,899,738	21,826,464	22,599,975
Charges for Services	22,215,574	21,313,927	21,965,618	21,002,080	24,084,059	23,879,484	24,202,174	24,643,221	25,633,499	27,409,249
Fines and Forfeitures	57,192	137,659	270,598	262,040	215,493	170,001	309,442	257,039	234,615	220,612
Intergovernmental	2,133,350	3,315,630	2,405,778	1,156,085	2,441,417	1,942,553	1,978,891	1,720,761	797,537	858,600
Property Sales	465,537	392,892	646,007	473,784	1,985,318	152,194	137,719	56,688	318,536	205,560
Income on Investments	2,971,942	1,827,694	288,720	62,901	(2,381)	390,823	(556,777)	432,454	1,564,895	775,012
Other	4,088,217	3,206,921	3,559,545	5,640,858	4,159,715	2,213,409	2,388,300	2,509,949	4,198,344	3,669,875
<b>Total Revenues</b>	<b>264,748,305</b>	<b>273,326,473</b>	<b>271,485,517</b>	<b>267,153,789</b>	<b>281,363,200</b>	<b>283,526,860</b>	<b>292,132,708</b>	<b>303,716,831</b>	<b>324,502,643</b>	<b>335,535,557</b>
<b>Expenditures and Other</b>										
<b>Financing Sources (Uses)</b>										
Administrative Services	15,276,489	1,081,760	1,052,574	1,098,505	1,209,504	15,973,425	8,112,087	2,656,141	5,617,560	6,177,391
Chief Development Officer						158,932	163,743	182,074	267,683	1,001,763
Environmental Quality		2,025,452	53,206	3,217	6,407					
Environmental Quality & Public Works										
Finance	7,745,982	7,955,937	9,057,361	8,297,391	7,936,589	5,387,968	8,103,750	7,366,215	9,814,924	11,746,025
General Government	5,048,021	11,450,829	3,337,821	3,206,859	3,872,271	1,700,098	3,476,730	5,022,088	5,350,469	5,494,593
General Services**	28,318,762	28,032,856	28,401,996	26,464,121	25,414,155	24,165,031	26,774,613	3,664,554	4,109,338	4,265,335
Information Technology**		6,513,655	7,610,707	7,366,977	7,820,811			29,847,860	27,906,695	31,355,145
Law	1,782,008	20,032,934	9,602,925	8,601,967	9,607,308	3,494,863	3,926,008	6,018,605	8,213,083	8,887,236
Outside Agencies	15,464,809	16,843,781	16,913,570	16,786,200	16,935,373	17,206,291	17,121,904	3,974,171	2,315,205	2,182,164
Planning, Preservation, & Development*								18,935,337	19,540,759	20,264,359
Public Safety**	138,132,390	146,778,076	219,175,755	183,918,587	154,017,726	187,071,884	167,821,104	7,742,329	9,540,472	11,872,258
Public Works	11,771,654	18,553,415	17,198,118	18,296,963	16,628,445			165,631,441	172,810,800	186,461,715
Social Services	10,617,866	10,245,245	9,604,663	7,439,405	6,801,050	6,003,513	6,566,634	6,633,883	6,821,502	7,870,878
Debt Service	25,662,867	23,163,080	19,386,936	27,749,206	33,701,269	30,937,819	29,748,196	34,160,768	31,970,746	34,481,109
Other Financing (Sources) Uses	202,328	(685,501)	(78,652,384)	(40,465,809)	(3,207,654)	(37,031,128)	2,332,547	2,541,672	643,862	1,181,014
Residual Equity Transfers										
Total Expenditures and Other										
Financing Sources (Uses)										
<b>Net Change in Fund Balance</b>	<b>260,023,176</b>	<b>291,991,519</b>	<b>262,743,248</b>	<b>268,763,589</b>	<b>280,743,254</b>	<b>263,449,106</b>	<b>281,986,485</b>	<b>294,377,138</b>	<b>304,923,098</b>	<b>333,240,985</b>
	\$4,725,129	(\$18,665,046)	\$8,742,269	(\$1,609,800)	\$619,946	\$20,077,754	\$10,146,223	\$9,339,693	\$19,579,545	\$2,294,572

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

\*\*In FY16 the Chief Information Officer was changed to the Department of Information Technology. In addition, the Division of Security was moved from the Department of General Services to the Department of Public Safety.

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

TABLE 6

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<b>Revenues</b>										
Sewer Service Charges	\$24,014,195	\$25,884,142	\$35,213,276	\$45,578,971	\$45,663,797	\$44,334,743	\$45,990,027	\$46,577,092	\$46,845,571	\$53,005,210
Sewer Tap on Fees	1,629,573	1,223,820	1,048,864	1,072,452	1,523,169	1,944,010	2,325,787	2,013,656	2,482,245	3,249,636
Exactions	513,539	343,998	198,914	287,677	885,730	150,120	4,002,945	801,569	426,085	411,513
Other Income	41,731	80,462	93,293	448,880	776,339	615,624	609,021	1,155,128	2,297,116	1,127,145
Total Revenues	26,199,038	27,532,422	36,554,347	47,387,980	48,849,035	47,044,497	52,927,780	50,547,445	52,051,017	57,793,504
<b>Operating Expenses</b>										
Treatment Plant	7,259,708	8,164,345	8,447,048	8,502,531	8,411,093	7,933,477	8,217,471	7,935,854	7,318,958	6,713,706
Collection System	4,236,199	5,411,212	4,427,863	4,297,166	5,544,184	5,064,273	4,405,020	4,461,052	4,187,968	4,413,641
Administration	6,786,349	15,083,099	14,325,685	18,974,390	18,243,183	17,142,578	16,216,619	20,773,379	20,119,458	21,566,883
Depreciation	6,361,511	6,417,656	6,393,816	7,113,944	7,214,960	7,299,442	7,683,896	8,047,827	8,471,363	9,130,305
Total Operating Expenses	24,643,767	35,076,312	33,594,412	38,888,031	39,413,420	37,439,770	36,523,006	41,218,112	40,097,747	41,824,535
Operating Income	1,555,271	(7,543,890)	2,959,935	8,499,949	9,435,615	9,604,727	16,404,774	9,329,333	11,953,270	15,968,969
Net Nonoperating Revenues/(Expenses)	(279,228)	(406,882)	(1,255,146)	(2,909,369)	(2,486,197)	(1,697,841)	(2,649,715)	(1,451,967)	(1,710,547)	(2,005,954)
Capital Contributions										
Transfers In	533,401	81,331	453,974		3,010,299	422,187	1,208,935	88,369,088	6,230	
Transfers Out	(910,455)	(596,775)	(888,779)	(394,869)	(4,283,344)	(466,138)	(1,039,194)	(88,351,969)	354	(4,236)
Net Income/Change in Net Position	\$898,989	(\$8,466,216)	\$1,269,984	\$5,195,711	\$5,676,373	\$7,862,935	\$13,924,800	\$7,894,485	\$10,249,307	\$13,958,779

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

TABLE 7

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

Fiscal Year	Residential	Farms	Commercial	Oil, Mineral & Timber Rights	Tangible	Intangible	Total	Less Intangible	Total Taxable Assessed Value	Total Direct Tax Rate (Per \$100 of Assessed value)
2007	13,207,008	624,912	5,444,972	1,524	5,030,923		24,309,339		24,309,339	0.2704
2008	14,116,473	819,013	5,890,069	1,544	4,931,925		25,759,024		25,759,025	0.2694
2009	14,681,278	836,738	6,219,162	1,516	5,723,817		27,462,511		27,462,511	0.2535
2010	14,887,510	866,958	6,310,733	1,530	5,076,606		27,143,337		27,143,337	0.2535
2011	15,043,326	880,219	6,377,418	2,241	4,975,027		27,278,231		27,278,231	0.2535
2012	15,164,243	898,982	6,421,877	1,880	5,014,698		27,501,680		27,501,680	0.2535
2013	15,235,648	897,667	6,523,119	1,499	5,333,542		27,991,475		27,991,475	0.2535
2014	15,299,695	899,945	6,757,308	1,127	5,395,493		28,353,568		28,353,568	0.2535
2015	15,497,091	911,673	6,935,829	995	5,527,611		28,873,199		28,873,199	0.2535
2016	15,741,024	919,466	7,162,151	1,080	5,793,103		29,616,824		29,616,824	0.2538

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

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

TABLE 8

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2007	47,282,303	47,245,216	99.9%	37,087 *	47,282,303	100.0%
2008	51,138,980	51,077,055	99.9%	61,925 *	51,138,980	100.0%
2009	53,823,142	53,779,117	99.9%	44,025 *	53,823,142	100.0%
2010	51,262,112	50,085,884	97.7%	1,176,228 *	51,262,112	100.0%
2011	52,264,220	51,732,977	99.0%	531,243 *	52,264,220	100.0%
2012	52,631,283	52,011,046	98.8%	620,237 *	52,631,283	100.0%
2013	53,136,159	52,567,908	98.9%	568,251 *	53,136,159	100.0%
2014	53,598,026	53,147,356	99.2%	450,670 *	53,598,026	100.0%
2015	54,798,187	53,072,141	96.9%	655,958	53,728,099	98.0%
2016	55,935,427	54,402,567	97.3%		54,402,567	97.3%

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

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

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

TABLE 9

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

Fiscal Year	LFUCG Direct Rates				Overlapping Rates						Total	
	General	Urban Services		Total Direct	Fayette County School	Commonwealth of Kentucky	Extension Services	Soil & Water Conservation		Health Department		Lextran
		Refuse	Street Lights					Street Cleaning				
2007	0.0800	0.1600	0.0210	0.0094	0.2704	0.5410	0.0031	0.0004	0.0280	0.0600	1.0309	
2008	0.0800	0.1590	0.0210	0.0094	0.2694	0.5940	0.0031	0.0004	0.0280	0.0600	1.0789	
2009	0.0800	0.1590	0.0210	0.0094	0.2694	0.6050	0.0032	0.0004	0.0280	0.0600	1.0880	
2010	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.0032	0.0004	0.0280	0.0600	1.0951	
2011	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.0032	0.0004	0.0280	0.0600	1.0951	
2012	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.0032	0.0004	0.0280	0.0600	1.0951	
2013	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.0032	0.0004	0.0280	0.0600	1.0951	
2014	0.0800	0.1431	0.0210	0.0094	0.2535	0.6740	0.0033	0.0004	0.0280	0.0600	1.1412	
2015	0.0800	0.1431	0.0210	0.0094	0.2535	0.6960	0.0034	0.0005	0.0280	0.0600	1.1634	
2016	0.0800	0.1431	0.0210	0.0097	0.2538	0.7400	0.0035	0.0005	0.0280	0.0600	1.2078	

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

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

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

TABLE 10

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

Name	2016			2007		
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Hap Property Owner, LP	\$185,700,000	1	0.63%			
Fayette Mall SPE LLC	117,000,000	2	0.40%			
Fayette Middle Anchor LLC	63,000,000	3	0.21%			
Inland American Lodging Lex	53,501,500	4	0.18%			
Healthsouth Kentucky Real Estate	50,678,300	5	0.17%			
Sir Forty 57 LLC	50,000,000	6	0.17%			
War Admiral Place LLC	49,822,200	7	0.17%			
Lexmark Intl Inc.	48,896,500	8	0.17%	56,228,400	2	0.0023
Weingarten Realty Investors	46,272,500	9	0.16%	31,474,900	7	0.13%
Student Housing SPE Angliana LLC	40,815,000	10	0.14%			
Fourth Quarter Properties				53,562,800	3	0.22%
Lexington Joint Venture*				56,707,600	1	0.23%
Ball Realty Inc.				32,334,800	6	0.13%
Meijer Stores Ltd				35,473,300	4	0.15%
Diamondrock Griffin				32,500,000	5	0.13%
Geneva Organization				30,100,000	8	0.12%
Main Street EH LLC				29,200,000	9	0.12%
Mid America Apts				26,228,000	10	0.11%
Total	<u>\$705,686,000</u>		<u>2.38%</u>	<u>\$383,809,800</u>		<u>1.57%</u>

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

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

TABLE 11

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

Fiscal Year	LFUCG Direct		Fayette County School	
	Rate			Total
2007	2.25%		0.50%	2.75%
2008	2.25%		0.50%	2.75%
2009	2.25%		0.50%	2.75%
2010	2.25%		0.50%	2.75%
2011	2.25%		0.50%	2.75%
2012	2.25%		0.50%	2.75%
2013	2.25%		0.50%	2.75%
2014	2.25%		0.50%	2.75%
2015	2.25%		0.50%	2.75%
2016	2.25%		0.50%	2.75%

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



TABLE 12

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

Name	2016 Rank	2007 Rank
University of Kentucky	1	1
Lexmark International	2	2
Fayette County Board of Education	3	3
Lexington-Fayette Urban County Government	4	4
Baptist Healthcare	5	6
Defense Finance & Acctg System	6	
St. Joseph Hospital	7	5
Amazon.com	8	
Ashland, Inc.	9	7
Lexington Clinic	10	9
Dept of Veterans Affairs		8
Commonwealth of Kentucky		10

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

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TABLE 13

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

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	% of Personal Income	Primary Government Debt Per Capita
	General Obligation Bonds, Notes, Leases	Mortgage Revenue Bonds	Lease Revenue Notes Payable	Bond Anticipation Notes	Revenue Bonds	Mortgage Revenue Bonds	Notes Payable				
2007	\$142,805,000	\$0	\$0	\$0	\$39,400,000	\$68,885,000	\$0	\$251,090,000	2.2%	\$886	
2008	126,065,000				35,715,000	68,195,000		229,975,000	2.0%	799	
2009	229,265,000				31,860,000	66,470,000		327,595,000	2.9%	1,120	
2010	308,355,000			8,000,000	64,565,000	63,890,000		444,810,000	3.8%	1,499	
2011	303,865,000				60,055,000	61,990,000	15,105,027	441,015,027	3.6%	1,462	
2012	315,714,650				48,121,327	56,708,664	14,766,530	435,311,171	3.4%	1,425	
2013	314,541,343				45,400,398	54,830,752	14,403,727	429,176,220	3.3% *	1,391	
2014	310,040,731				42,590,809	52,872,841	27,785,157	433,289,538	na	1,394	
2015	322,636,652				38,561,469	53,625,000	36,968,889	451,792,010	na	na	
2016	\$359,049,549	\$0	\$0	\$0	\$35,850,000	\$51,315,000	\$64,267,000	\$510,481,549	na	na	

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

See table 18 for population data.

Personal income data for 2014, 2015 and 2016 not available at time of publication.

Population data for 2015 & 2016 not available at time of publication.

\* Updated in 2015

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

TABLE 14

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

Fiscal Year	General Obligation Bonds	% of Assessed Value of Property	Per Capita
2006	\$154,760,000	0.68%	\$553
2007	142,805,000	0.59%	504
2008	126,065,000	0.49%	438
2009	229,265,000	0.83%	784
2010	308,355,000	1.14%	1,039
2011	303,865,000	1.11%	1,008
2012	315,714,650	1.15%	1,034 *
2013	314,541,343	1.12%	1,020
2014	310,040,731	1.09%	998 *
2015	322,636,652	1.12%	na
2016	\$359,049,549	1.21%	na

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

See Table 7 for property value date and Table 18 for population data.

Population data for 2015 & 2016 not available at time of publication.

\* Updated in 2015

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

TABLE 15

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
SCHEDULE OF DIRECT AND OVERLAPPING INDEBTEDNESS  
AS OF JUNE 30, 2016

	Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Overlapping Debt
Lexington Center Corporation			
Mortgage Revenue Bonds, Series 2008A	\$14,355,000	3.77%	\$540,605
Lexington-Fayette Urban County Government Airport Corporation			
Fixed Rate General Airport, Revenue, and Refunding Bond 2009A (non-AMT)	29,080,000	4.67%	1,357,982
Variable Rate General Airport, Revenue, and Refunding Bond 2009B (AMT)	5,400,000	4.67%	252,170
Fixed Rate General Airport, Revenue and Refunding Bond 2012A (AMT)	6,770,000	4.67%	316,146
Fixed Rate General Airport, Revenue, and Refunding Bond 2012B (non-AMT)	11,230,000	4.67%	524,420
Fayette County School & Kentucky School Commission Bonds	440,309,802	100.00%	440,309,802
Lexington-Fayette Urban County Department of Health	0	100.00%	0
Subtotal, Overlapping Debt			444,659,109
LFUCG, Direct Debt			359,049,549
Total Direct and Overlapping Indebtedness			<u>\$803,708,658</u>

## Notes

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

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

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

TABLE 16

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Assessed Value	\$24,309,339	\$25,759,025	\$27,462,511	\$27,143,337	\$27,278,231	\$27,501,680	\$27,991,475	\$28,353,568	\$29,616,824	\$28,873,199
Debt limit (10% of Assessed Value)	2,430,934	2,575,902	2,746,251	2,714,334	2,727,823	2,750,168	2,799,148	2,835,357	2,961,682	2,887,320
Total net debt applicable to limit	171,270	166,455	195,775	171,510	108,710	203,817	194,414	200,820	171,917	162,861
Legal debt margin	\$2,259,664	\$2,409,447	\$2,550,476	\$2,542,824	\$2,619,113	\$2,546,351	\$2,604,734	\$2,634,537	\$2,789,765	\$2,724,459
Total net debt applicable to the limit as a percentage of debt limit	7.05%	6.46%	7.13%	6.32%	3.99%	7.41%	6.95%	7.08%	5.80%	5.64%
Source: Department of Finance, Lexington-Fayette Urban County Government										

TABLE 17

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

Fiscal Year	Sanitary Sewer System					Public Facilities Corporation				
	Less:		Net		Coverage	Less:		Net		Coverage
	Gross Revenue	Operating Expenses	Available Revenue	Debt Service		Gross Revenue	Operating Expenses	Available Revenue	Debt Service	
				Principal Interest				Principal	Interest	
2007	\$26,199	\$18,282	\$7,917	\$3,685	1.42	\$5,439	\$2,095	\$3,344	\$3,495	0.96
2008	28,994	28,659	335	3,855	0.06	6,238	2,853	3,385	3,721	0.72
2009	37,049	27,201	9,848	3,855	1.77	6,841	2,681	4,160	2,716	1.12
2010	47,446	31,774	15,672	4,040	2.66	6,431	2,670	3,761	2,643	0.71
2011	49,383	32,198	17,185	4,510	2.41	7,159	2,789	4,370	1,900	0.98
2012	48,023	30,140	17,883	11,117	1.25	7,157	2,697	4,460	1,970	1.00
2013	52,769	28,839	23,930	3,413	4.12	5,830	2,305	3,525	2,416	0.79
2014	51,542	33,170	18,372	3,505	3.14	6,376	2,111	4,265	2,130	0.96
2015	51,440	31,626	19,814	2,067	4.97	6,406	2,436	3,970	2,215	0.89
2016	\$58,234	\$32,694	\$25,540	\$3,094	4.54	\$6,988	\$2,708	\$4,280	\$2,310	0.86

Fiscal Year	Public Parking Corporation					Special Assessment Bonds				
	Less:		Net		Coverage	Special Assessment		Debt Service		Coverage
	Gross Revenue	Operating Expenses	Available Revenue	Debt Service		Collections	Principal Interest	Principal Interest	Interest	
2007	\$594	\$149	\$445	\$690	0.56	\$26	\$50	\$7	\$7	0.46
2008	1,193	0	1,193	720	1.51	35	55	4	4	0.59
2009	1,383	580	803	720	1.02		50	1	1	0.00
2010	1,203	539	664	750	0.84					
2011	861	600	261							
2012	978	540	438							
2013	5	4	1							
2014										
2015										
2016	\$1	\$0	\$1							

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

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

TABLE 18

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

Fiscal Year	Population	Personal Income (Thousands)	Per Capita Personal Income	Civilian Labor Force		
				Employed	Unemployed	Unemployment Rate
2007	283,291	11,171,024 *	39,433 *	144,393	6,056	4.0%
2008	287,683	11,510,358 *	40,011 *	144,068	7,311	4.8%
2009	292,514	11,257,500 *	38,485 *	141,049	13,087	8.5%
2010	296,708 *	11,599,386 *	39,094 *	142,196	12,029	7.8%
2011	301,313 *	12,266,149 *	40,709 *	147,052	12,146	7.6%
2012	305,252 *	12,813,542 *	41,977 *	146,775	10,192	6.5%
2013	308,428	13,062,972 *	42,353 *	152,866	11,657	7.1%
2014	310,797 *	na	na	148,833	9,938	6.3%
2015	na	na	na	161,674	6,879	4.1%
2016	na	na	na	259,189	10,623	3.9%

\* Updated in 2015

Note:

Personal Income and Per Capita Personal Income data for 2014, 2015 and 2016 not available at time of publication.

Population data for 2015 and 2016 not available at time of publication.

Source: The Bureau of Economic Analysis

Source: U.S. Census Bureau

Source: The Bureau of Labor Statistics

TABLE 19

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

Name	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Kentucky	12,500	1	4.82%	n/a	n/a	n/a
Fayette County Public Schools	5,172	2	2.00%	n/a	n/a	n/a
Xerox	3,100	3	1.20%	n/a	n/a	n/a
Lexington-Fayette Urban County Government	2,837	4	1.09%	n/a	n/a	n/a
Lexmark International	2,200	5	0.85%	n/a	n/a	n/a
Wal-Mart	2,027	6	0.78%	n/a	n/a	n/a
KentuckyOne Health	1,757	7	0.68%	n/a	n/a	n/a
Veterans Medical Center	1,565	8	0.60%	n/a	n/a	n/a
Baptist Healthcare	1,558	9	0.60%	n/a	n/a	n/a
Amazon.com	1,300	10	0.50%	n/a	n/a	n/a
	<u>34,016</u>		<u>13.12%</u>			

Note:

First year of presentation for Employees and Percentage of Total City Employment was FY2010. This data is not available for FY2007.

Source: Lexington Chamber of Commerce



TABLE 20

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

Year	Education and Health			Financial Activities	Information	Leisure and Hospitality		Natural Resources and Mining		Professional and Business Services		Trade, Transportation, and Utilities	Others	Total Employment by Place of Work
	Construction	Services												
2001	*	9,331	20,008	8,367	4,593	18,194	15,185	2,028	4,819	19,241	33,600	77	135,443	
2002	*	8,249	20,919	8,330	4,670	17,756	14,703	1,959	4,786	20,866	33,424	71	135,733	
2003	*	8,727	21,100	8,359	4,365	18,199	13,874	1,890	4,746	21,765	34,276	135	137,436	
2004	*	8,451	21,377	8,822	3,833	18,109	14,133	1,959	4,848	22,944	34,208	200	138,884	
2005	*	8,568	21,728	8,901	3,803	18,360	14,703	2,056	4,727	23,644	34,567	274	141,331	
2006	*	8,291	21,980	9,222	3,743	19,572	14,878	2,552	4,718	25,608	34,416	228	145,208	
2007	*	8,628	20,919	8,811	3,600	19,626	15,299	2,473	4,696	25,352	34,347	304	144,055	
2008	*	7,723	21,035	8,583	5,086	19,427	14,929	2,260	4,941	23,700	34,320		142,004	
2009	*	7,109	21,603	7,921	4,403	19,455	13,194	2,043	5,138	23,745	32,697		137,308	
2010	*	6,937	21,477	8,046	4,628	20,176	12,882	2,170	5,383	22,186	30,782	36	134,703	
2011	*	7,078	23,186	8,167	5,144	20,123	12,241	2,245	5,514	22,646	31,404	36	137,784	
2012	*	6,733	24,230	7,994	5,393	20,313	12,325	2,059	5,348	27,491	35,039	53	146,978	
2013	*	7,097	23,796	7,851	5,030	21,128	12,210	1,919	5,317	32,405	35,614	116	152,483	
2014	*	7,541	23,518	7,662	5,316	22,282	12,230	2,000	4,923	30,587	37,211	40	153,310	
2015	*	8,594	24,377	7,740	4,837	22,981	12,283	2,095	5,066	28,359	35,114	41	151,487	

\*The Government has corrected years 2001-2015 to reflect the correct employment numbers per category. In addition, fiscal years 2001-2007 have been updated to reflect categories using current industry standards.

Source: Bureau of Labor Statistics

TABLE 21

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

	1990 Census		2000 Census		2010 Census	
	Value	%	Value	%	Value	%
Population and Number of Households						
Population						
Under 18 years	50,416	22.4%	55,533	21.3%	62,633	21.2%
18 - 64 years	152,638	67.7%	178,805	68.6%	202,032	68.3%
65 years and over	22,312	9.9%	26,174	10.0%	31,138	10.5%
Total	<u>225,366</u>	100.0%	<u>260,512</u>	100.0%	<u>295,803</u>	100.0%
Number of Households	89,529		108,288		123,043	
Economic and Education						
Family Income						
Less than \$10,000	5,979	10.5%	3,587	5.6%	4,407	6.3%
\$10,000 - \$24,999	12,365	21.7%	8,947	14.1%	8,791	12.7%
\$25,000 - \$49,999	20,889	36.7%	17,124	26.9%	15,164	21.8%
\$50,000 - \$74,999	10,790	19.0%	14,759	23.2%	12,913	18.6%
\$75,000 or more	6,850	12.0%	19,231	30.2%	28,149	40.5%
Total Families	<u>56,873</u>	100.0%	<u>63,648</u>	100.0%	<u>69,424</u>	100.0%
Median Family Income	\$35,936		\$53,264		\$63,086	
Mean Family Income	\$44,467		\$52,261		\$76,373	
Per Capita Income	\$20,355		\$23,109		\$25,561	
School Enrollment						
Elementary/Secondary	32,858		36,938		43,918	
College	28,339		31,508		41,238	
Education for Individuals 25+ years of age						
Less than 9th grade	11,760	8.3%	8,539	5.1%	8,813	4.6%
High School, No Diploma	16,365	11.5%	15,213	9.1%	13,986	7.3%
High School Graduate	33,238	23.4%	37,448	22.4%	43,875	22.9%
College 1 - 3 years	37,299	26.2%	46,420	27.8%	54,796	28.6%
College 4 or more years	43,454	30.6%	59,615	35.6%	70,123	36.6%
Total	<u>142,116</u>	100.0%	<u>167,235</u>	100.0%	<u>191,594</u>	100.0%
Unemployment Rate	3.7%		1.8%		7.0%	

Source: U.S. Census Bureau

TABLE 22

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Administrative Services	145	77	89	91	86	129	94	47	49	76
Chief Development Officer										
General Government	74	77	48	73	70	66	66	67	69	65
Finance & Administration	94	104	108	103	94	68	65	69	70	73
Information Technology								44	52	52
General Services										
Parks & Recreation	183	180	145	138	132	140	139	138	144	146
Other	132	123	132	134	130	97	93	98	102	102
Law	21	34	31	26	26	37	40	39	42	23
Planning, Preservation & Development							39	128	137	143
Public Safety										
Fire & Emergency Services										
Firefighters & Officers	530	512	504	522	520	500	520	566	560	565
Civilians	23	20	18	15	18	17	16	16	18	18
Police										
Officers	534	538	557	542	511	504	524	542	518	554
Civilians	151	117	77	102	93	127	126	122	112	87
Community Corrections	376	359	341	294	284	321	312	330	298	293
Other	78	99	101	75	79	81	80	68	74	73
Public Works & Development										
Solid Waste	211	221	218	244						
Sanitary Sewers	135									
Other	162				240					
Environmental Quality & Public Works						508	484	451	453	468
Waste Management		208	199	206	196					
Water & Air Quality		135	145	149	151					
Other		18	10	15	16					
Social Services	169	137	128	113	99	94	96	96	98	108
	3,018	2,959	2,851	2,842	2,745	2,689	2,694	2,821	2,796	2,846

The following Departmental reorganization took place in FY2008:

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

The following Departmental reorganization took place in FY2012:

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

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

The following Departmental reorganization took place in FY2014:

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

The following Departmental reorganization took place in FY2015:

The Division of Human Resources moved from Law and Risk Management to Administrative Services

In FY2016 the Chief Information Officer was changed to the Department of Information Technology. In addition, the Division of Security was moved from the Department of General Services to the Department of Public Safety.

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

TABLE 23

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fire and Emergency Services										
Emergency Medical Calls	30,087	31,336	31,490	32,199	34,197	37,000	36,619	37,971	42,151	43,076
False Calls	2,667	2,804	2,715	2,653	2,870	2,673	2,585	2,983	3,077	2,898
Fire Incidents	1,402	1,322	1,301	1,129	1,337	1,564	1,293	1,226	1,249	1,248
Good Intent Calls	1,112	1,090	1,245	1,265	1,271	1,153	1,107	1,108	1,180	1,180
Hazardous Materials Calls	1,087	1,252	1,295	1,192	1,118	1,248	1,451	1,686	1,766	2,021
Other	129	109	134	62	79	60	44	54	40	34
Rescues	517	387	366	451	460	421	449	443	462	501
Rupture - Gas, Water, etc.	52	32	51	45	47	36	34	31	35	41
Service Calls	1,161	1,313	1,330	1,227	1,529	1,707	1,598	2,209	1,968	2,099
Police										
Physical Arrests	24,677	19,460	18,155	17,126	15,248	20,214	14,592	13,773	17,442	16,356
Parking Violations	17,665	8,945	49,471	46,949	42,675	41,849	47,201	46,709	43,055	45,360
Traffic Violations	75,014	76,529	73,945	64,954	63,546	52,086	40,478	48,193	44,795	36,561
Parks and Recreation										
Rounds of Golf	139,353	141,776	122,153	107,565	89,291	95,382	96,607	90,410	91,407	101,535
Pool Visits	198,181	202,093	217,917	188,389	185,421	205,353	169,820	142,062	145,911	167,351
Building Inspection										
Permits Issued	16,620	14,173	13,660	13,646	13,090	13,623	13,860	16,141	15,363	16,653
Inspections	29,991	27,650	29,404	28,915	24,563	23,957	24,518	23,262	21,909	27,406
Sanitary Sewers										
Tap-on Inspections	1,681	1,057	879	946	625	644	861	897	930	786
Average daily sewage treatment (mgd)	42	38	40	36	41	39	39	42	41	41
Solid Waste										
Annual Tons of Refuse Collected	154,637	165,087	155,645	141,831	138,331	134,788	135,595	137,728	138,714	149,226
Annual Tons of Recyclables Collected	18,740	18,355	20,190	18,831	20,402	21,834	22,446	22,583	22,509	21,436
Annual Tons of Yard Waste Collected				18,199	18,049	21,801	20,492	19,984	21,609	21,933
Other Public Works										
Street Resurfacing (miles)	40	38	35	30	15	28	22	27	27	51

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

TABLE 24

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Fire and Emergency Services										
Number of Fire Stations	23	23	23	23	23	23	23	23	23	23
Number of Engines	24	24	24	23	23	22	22	22	22	22
Number of Aerials	8	8	7	7	7	7	7	7	7	7
Number of EC Units	9	9	10	10	10	10	10	10	11	11
Number of Haz-Mat Units	3	3	3	2	2	2	2	2	2	2
Number of Special Operations*	0	0	0	0	0	0	0	0	0	1
Police										
Stations	3	3	3	3	3	3	3	3	3	3
Patrol Units	467	481	438	444	440	429	424	424	430	457
Parks and Recreation										
Acres of Parks	4,261	4,565	4,565	4,917	4,917	4,282	4,282	4,282	4,282	4,282
Number of Golf Courses	6	6	6	6	6	5	5	5	5	5
Number of Swimming Pools	10	9	9	9	9	7	7	7	7	7
Sanitary Sewers										
Treatment Capacity (mgd)	64	64	64	64	64	64	64	64	64	64
Solid Waste										
Collection Trucks	126	116	115	119	113	119	119	116	118	123
Other Public Works										
Streets (miles)	1,542	1,589	1,599	1,628	1,634	1,636	1,638	1,641	1,652	1,663
Acres in County	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,762
Acres in Urban Services Area	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,618
Traffic Signals	357	363	367	376	380	382	376	378	365	374

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