



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2017



Cover by: Amy Wallot/Communications

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
LEXINGTON, KENTUCKY



PREPARED BY THE DEPARTMENT OF FINANCE AND ADMINISTRATION

Paid for with Lexington-Fayette Urban County Government Funds



This page intentionally left blank.

TABLE OF CONTENTS

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT Comprehensive Annual Financial Report Year Ended June 30, 2017

INTRODUCTORY SECTION

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

FINANCIAL SECTION

Report of the Independent Auditors.....	13
Management's Discussion and Analysis.....	16
Basic Financial Statements	30
Government-Wide Financial Statements	
Statement of Net Position.....	31
Statement of Activities	33
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet – Governmental Funds	35
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds	36
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	37
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	38
Proprietary Fund Financial Statements Statement of Net Position	39
Statement of Revenues, Expenses, and Changes in Net Position	41
Statement of Cash Flows	43
Fiduciary Fund Financial Statements	
Statement of Net Position	45
Statement of Changes in Net Position	46
Component Unit Financial Statements	
Statement of Net Position	47
Statement of Activities	48
Notes to Financial Statements	50
Required Supplementary Information	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budgetary Comparison – General Fund.....	103
Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budgetary Comparison – Full Urban Services District Fund	106
Schedule of Changes in the net pension liability and related ratios	108
Schedule of the Government contributions	109
Schedule of Changes in the net pension liability and related ratios	110
Schedule of the Government's proportionate share of the net liability	111
Schedule of the Government's contributions	112
Other Supplementary Information	
Combining Balance Sheet – Nonmajor Governmental Funds.....	115
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds.....	117
Schedule of Expenditures of Federal Awards	119

Schedule of Expenditures of State Awards	122
Combining Statement of Net Position – Nonmajor Enterprise Funds.....	124
Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Enterprise Funds	125
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	126
Combining Statement of Net Position – Internal Service Funds.....	128
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal Service Funds.....	129
Combining Statement of Cash Flows – Internal Service Funds	130
Combining Statement of Net Position – Agency Funds	132
Combining Statement of Changes in Assets and Liabilities – Agency Funds.....	133
Combining Statement of Net Position – Nonmajor Component Units.....	135
Combining Statement of Activities – Nonmajor Component Units	136

STATISTICAL SECTION

Net Position.....	138
Changes in Net Position	139
Fund Balances, Governmental Funds.....	141
Changes in Fund Balances, Governmental Funds.....	142
Changes in Fund Balance, General Fund	143
Sanitary Sewer System, Summary of Revenues and Expenses.....	144
Net Assessed Value – Real, Tangible & Intangible Property.....	145
Property Tax Levies and Collections	146
Direct and Overlapping Property Tax Rates	147
Principal Property Tax Payers.....	148
Direct and Overlapping License Fee Rates	149
Ten Major Occupational Tax Withholders.....	150
Ratios of Outstanding Debt by Type.....	151
Ratios of General Bonded Debt Outstanding	152
Schedule of Direct and Overlapping Indebtedness	153
Legal Debt Margin Information	154
Revenue Bond Coverage.....	155
Demographic and Economic Statistics.....	156
Principal Employers, Fayette County.....	157
Employment by Industry, Fayette County	158
U.S. Census Bureau Statistics	159
LFUCG Employees by Function/Program	160
Operating Indicators by Function/Program.....	161
Capital Asset Statistics by Function/Program	162

INTRODUCTORY SECTION



Lexington-Fayette Urban County Government
OFFICE OF THE MAYOR

Jim Gray
Mayor

Nov. 28, 2017

Dear Citizen,

The Comprehensive Annual Financial Report for the fiscal year ended June 30, 2017, continues to reflect growing financial health, continued fiscal discipline and strong financial management.

- We are in our sixth 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.
- Once again, public safety dominated our budget. We increased our authorized strength to 600 sworn officers in police, the highest it has ever been. We also included funds for body cameras to strengthen the bond between our police officers and our citizens. In fire, we provided \$5.2 million for a new fire station in Masterson Station, a growing part of our city.
- We again increased funding for social service agencies to overcome federal and state cuts in funding.
- We included \$7 million for paving, plus funds to upgrade traffic signals at several busy intersections ... much needed investments in basic infrastructure.
- Our Jobs Fund is proving its worth, making our city more competitive in attracting and retaining jobs, and we invested another \$1.2 million in this incentive program that is unique to Lexington.
- Quality of life investments included almost \$3 million for aquatics.

Lexington is competing and winning. We are building a Great American City.

Sincerely,

Jim Gray, Mayor

ELECTED OFFICIALS

MAYOR
Jim Gray

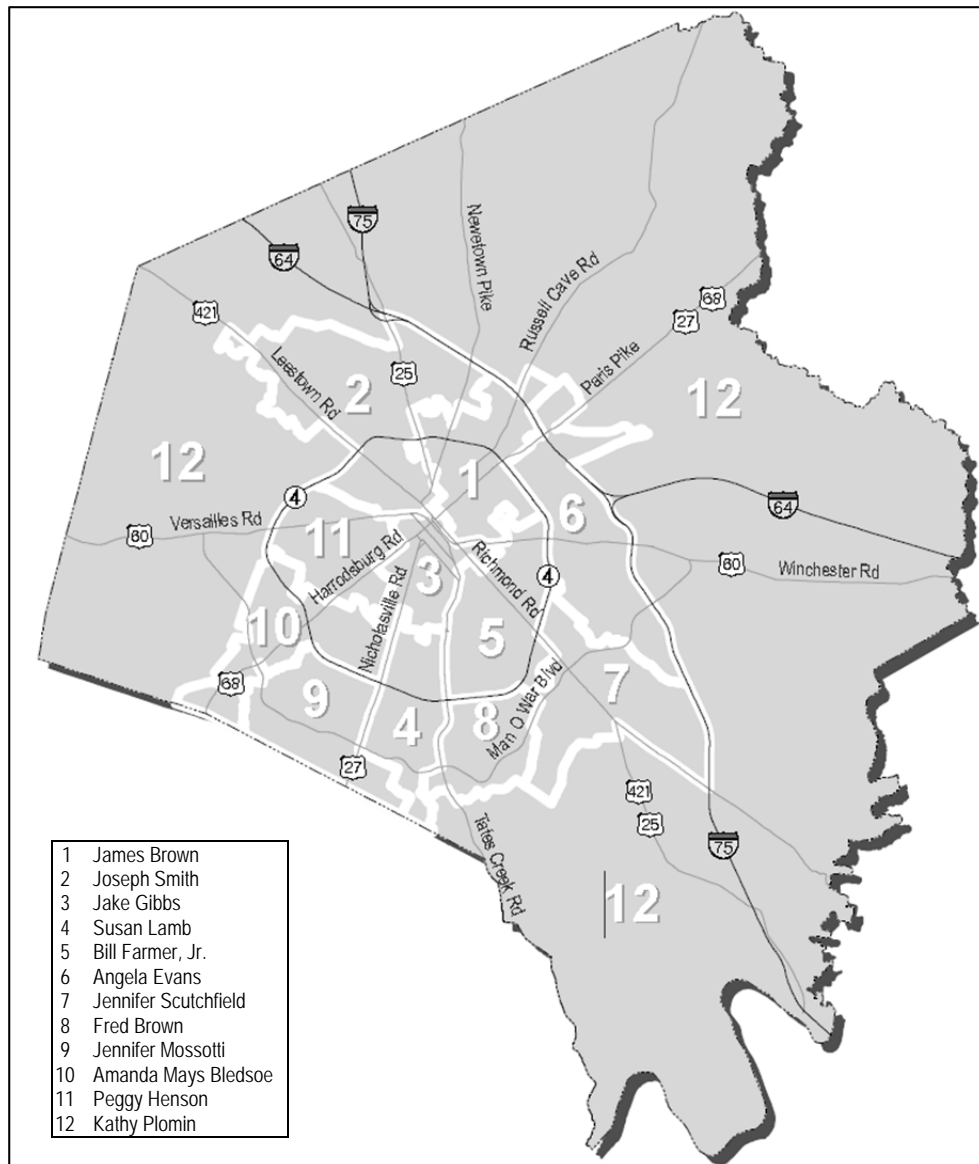
COUNCILMEMBERS-AT-LARGE

Steve Kay – Vice Mayor

Richard Moloney

Kevin Stinnett

DISTRICT COUNCILMEMBERS





November 28, 2017

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, 2017. 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, 2017. 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, 2017 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, 2017, 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, 2017)

Demographic Profile

The City of Lexington, with a population of 318,449, is the second largest city in Kentucky. It is ideally located within 600 miles of 50% of the US population. Besides being the horse capital of the world, Lexington is also home of the state's flagship university, the University of Kentucky, with 38,171 students in the talent pool. . Incorporated in 1775, Lexington has since grown to encompass just over 286 square miles of land. American Institute for Economic Research ranks Lexington as one of the top 20 small cities for American college students for 2016.

Form of Government

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 assisted in the administration of the government by two senior advisors, a Chief Administration Officer (CAO), the Chief Information Officer (CIO), and seven Department Commissioners. The senior advisors, CAO, CIO and Commissioners are appointed by the Mayor with the approval of the Urban County Council. A list of principal officers begins on page 11.

The Government provides a full range of services typical to Municipal governments, including:

- General Government – Mayor, Councilmembers, Chief of Staff, Office of Economic Development, Internal Audit, Chief Administrative Officer, Council Clerk, Division of Risk Management, Division of Government Communications, Division of Human Resources, Division of Homelessness Prevention & Intervention, and the Division Grants & Special Programs
- Information Technology – Divisions of Computer Services and Enterprise Solutions
- Environmental Quality & Public Works – Divisions of Environmental Services, Waste Management, Water Quality, Streets & Roads, and Traffic Engineering
- Finance – Divisions of Accounting, Budgeting, Purchasing, and Revenue
- General Services – Divisions of Facilities & Fleet Management and Parks & Recreation
- Law – Divisions of Corporate Counsel, Litigation, and Claims Management
- Planning, Preservation and Development – Divisions of Building Inspection, Code Enforcement, Engineering, Historic Preservation, Planning, and Purchase of Development Rights
- Public Safety – Community Corrections, Emergency Management/E 911, Fire & Emergency Services, Police, and Security
- Social Services – Divisions of Adult Services, Family Services, Youth Services, and Aging Services

Significant Events (as of November 28, 2017)

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. Fire Station No. 2 was completed for \$5.1 million and will house an Engine, a Ladder, an Emergency Care Ambulance, and the District Supervisor. The 14,523 square foot station is designed to be energy efficient with geo-thermal heat and LED lighting. Construction was completed on a new \$12.5 million public safety operations center that opened in October 2016. Construction on Fire Station No. 24 has begun and is expected to be completed in summer 2019. The estimated cost of construction is \$5.2 million for 13,000 square feet.



- 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 Greenway multi-modal streetscape. This is in addition to \$13.3 million in state and federal transportation grants and infrastructure loans and a city commitment of \$11.85 million. This project is currently in the design phase and will begin construction in early 2018.
- In 2016, the Government issued a taxable bond in the amount of \$22 million to begin rehabilitation of the historic courthouse. The approximately \$32 million project is leveraging \$10 million in federal and state historic tax credits to generate additional funds for renovation. Construction began in July 2016 and is expected to be substantially complete in spring 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, which opened in September 2016. The total construction costs for the Senior Citizens' Center was approximately \$10.5 million.
- In 2016, LFUCG increased its number of CNG-powered refuse trucks to 46. The fleet also includes hybrid-electric, fully electric, bi-fuel, and ethanol (E85) powered vehicles.

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.

The sanitary sewer capital construction component of the Consent Decree consists of 116 capital improvement projects intended to rehabilitate the sanitary sewer system to prevent recurring sanitary sewer overflows and unpermitted bypasses. The cost estimate for all the Remedial Measures Plan (RMP) capital projects is \$591 million, and LFUCG must complete the projects by December 31, 2026. In fiscal year 2017, both the Wolf Run and Lower Cane Run (LCR) wet weather storage tanks were completed and placed into operation. Final restoration of the area surround the LCR tank is ongoing. As of May 31, 2017, sixteen (16) RMP projects have been completed and another fifteen (15) are in the construction phase, totaling approximately \$156 million in capital expenditures. Total capital project expenses are currently trending approximately 30% below the original estimated expenditure for the projects completed or are under construction at this point of the RMP implementation.

While the RMPs outline infrastructure improvements 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 and maintained. 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 operational compliance requirements.

Four (4) Supplemental Environmental Projects (SEPs) are specifically required by the Consent Decree. Two of the four are complete, with the remaining two underway. The Coldstream Park Stream Corridor Restoration and Preservation SEP is currently under construction with a 2018 completion deadline. LFUCG has completed \$15 million of \$30 million in flood mitigation projects as required by the Commonwealth SEP, with an estimated \$11.3 million (design and construction) for the Wilson Downing and Southland project in the planning/design phase, and \$3.7 million still under evaluation.

The Government has met all Consent Decree compliance measures associated with the Municipal Separate Storm Sewer System (MS4) and is in full compliance with its state-issued KPDES permit.



LEXserv Utility Billing

In 2015, LFUCG kicked off a project to bring the billing and collection services in-house for sewer fees, landfill fees, and water quality fees. The system went live in summer 2017.

Jail Management System

Jail Management System (JMS) is a database used to manage the inmate population. The database provides vital information regarding both incident reports and staff reports, as well as offender information. The JMS allows the facility to generate reports that are utilized to apply for grants, fulfill State reporting requirements, assist other law enforcement agencies, complete census reporting, and create 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 Jail Management System went live in October 2016.

PeopleSoft Upgrade

LFUCG utilizes Oracle's PeopleSoft for its Enterprise Resource Planning (ERP) system. LFUCG has initiated a project to upgrade Human Capital Management (HCM), Financial Supply Chain Management (FSCM), and their associated technical environments to the most current version available. LFUCG has budgeted approximately \$5.1 million with a go-live scheduled for July 2018.

Strengthening Fiscal Management

Introduction

The Government has benefited from local economic growth and historically low interest rates that have allowed for significant investments in infrastructure and public safety. As the Federal Reserve begins to approve rate increases, the Government will monitor the bond market to ensure that it stays in a favorable position regarding its long-term debt.

Local Economy

The unemployment rate in Fayette County was 4.4% in June 2017, up from 3.8% in June 2016. 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 196,520 for the quarter ended December 31, 2016. 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 2016 was \$47,164.

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 2017 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 25th 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, 2016. 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





This page intentionally left blank.



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

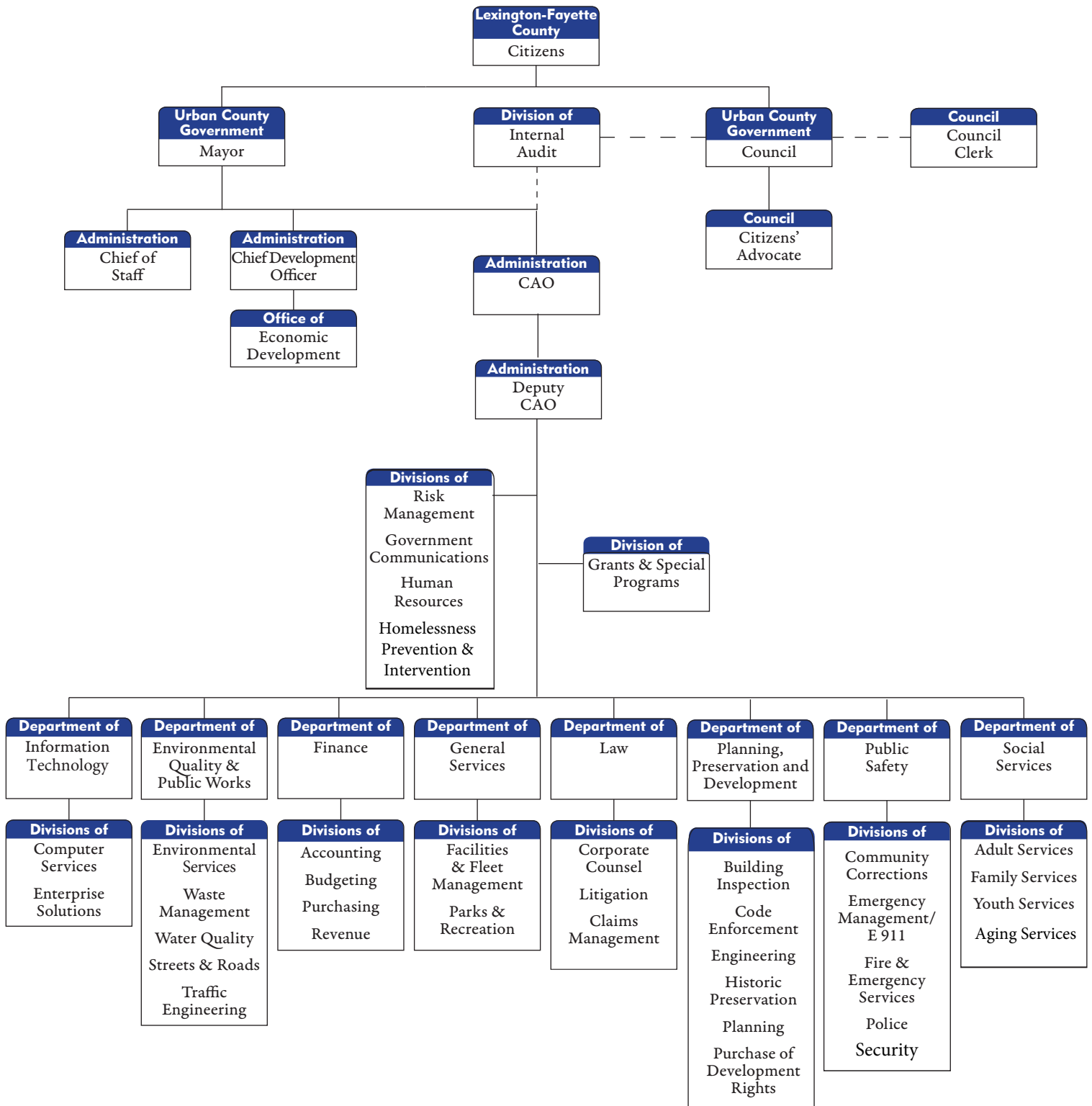
June 30, 2016

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
Charlie Lanter, Director
Patrick R. Johnston, Director
Stacey Dimon, Supervisor
Pat Tatum, Manager
Chris Edwards, Supervisor
John Maxwell, Director
Polly Ruddick, 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



This page intentionally left blank.

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, 2017, 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 99% 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, 2017, 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 103 to 107 and pension information on pages 108 to 112 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 28, 2017, 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 28, 2017

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, 2017. 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

- Total assets plus deferred outflows of resources of the Primary Government exceeded total liabilities and deferred inflows of resources by approximately \$766.27 million at the close of fiscal year 2017. This amount includes a deficit of approximately \$362.00 million in unrestricted net position.
- Governmental Activities' net position was \$411.41 million at the end of fiscal year 2017. Of this amount, \$752.69 million was the net investment in capital assets. The net investment in capital assets comprises 182.95% of total net position.
- Business-Type Activities held a balance of \$354.86 million in net position. The unrestricted fund balance at June 30, 2017 is \$41.17 million, or 47.41% of Business-Type Activity expenses.

Fund Highlights

- As of June 30, 2017, the Government's governmental funds reported combined ending fund balances of \$138.01 million, a decrease of \$45.68 million compared to the previous fiscal year. Of this total amount, \$73.50 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 \$5.42 million or 1.47% 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 \$37.35 million. The committed fund balance designation for economic stabilization held a balance of \$31.41 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 \$18.91 million for fiscal year 2017.

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, 2017. 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 licenses and permits, property taxes, and charges for services. 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 \$766.27 million as of June 30, 2017, a decrease of \$75.64 million from the previous year. Total depreciation expense government wide was \$68.78 million.

The largest proportion of the Government's net position, \$988.53 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. The Government uses these capital assets to provide services to its citizens. As such, these assets are not available for future spending.

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

	Total Net Position		
	FY 2017	Restated FY 2016	Change
ASSETS			
Current and other assets	\$391,876	\$414,596	(\$22,720)
Capital assets	1,395,604	1,387,403	8,201
Total assets	<u>1,787,480</u>	<u>1,801,999</u>	<u>(14,519)</u>
DEFERRED OUTFLOWS OF RESOURCES	138,284	76,248	62,036
LIABILITIES			
Current and other liabilities	87,343	79,966	7,377
Long-term liabilities	1,072,154	946,868	125,286
Total liabilities	<u>1,159,497</u>	<u>1,026,834</u>	<u>132,663</u>
DEFERRED INFLOWS OF RESOURCES		9,502	(9,502)
NET POSITION			
Net Investment in Capital Assets	988,532	1,045,672	(57,140)
Restricted for:			
Capital Projects	108,832	117,596	(8,764)
Energy Improvement Projects	1,240	1,077	163
Debt Service	3,480	3,983	(503)
Capital Replacement	946	673	273
Pension	19,265		19,265
Water Quality Incentive Program	5,189	5,216	(27)
Grants	241	232	9
Maintenance and Operations	539		539
Unrestricted	<u>(361,997)</u>	<u>(332,538)</u>	<u>(29,459)</u>
Total net position	<u>\$766,267</u>	<u>\$841,911</u>	<u>(\$75,644)</u>

Approximately \$139.73 million, or 18.24% 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 \$411.41 million, or 33.71% of total assets, a decrease of \$90.70 million from the previous year. Of this total, \$752.69 million is invested in capital assets (e.g. land, infrastructures, buildings and improvements, and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets.

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

	Governmental Activities		
	FY 2017	Restated FY 2016	Change
ASSETS			
Current and other assets	\$231,818	\$272,750	(\$40,932)
Capital assets	988,778	1,004,123	(15,345)
Total assets	<u>1,220,596</u>	<u>1,276,873</u>	<u>(56,277)</u>
DEFERRED OUTFLOWS OF RESOURCES	126,059	66,604	59,455
LIABILITIES			
Current and other liabilities	69,969	69,391	578
Long-term liabilities	865,274	762,475	102,799
Total liabilities	<u>935,243</u>	<u>831,866</u>	<u>103,377</u>
DEFERRED INFLOWS OF RESOURCES		9,502	(9,502)
NET POSITION			
Net Investment in Capital Assets	752,687	813,825	(61,138)
Restricted for:			
Capital Projects	41,101	57,699	(16,598)
Energy Improvement Projects	682	555	127
Debt Service	603	398	205
Pension	19,265		19,265
Grants	241	232	9
Maintenance and Operations			
Unrestricted	<u>(403,167)</u>	<u>(370,600)</u>	<u>(32,567)</u>
Total net position	<u>\$411,412</u>	<u>\$502,109</u>	<u>(\$90,697)</u>

Table 3 shows the net position of Business-Type Activities totaled \$354.86 million at the end of fiscal year 2017, an increase of \$15.05 million from the previous fiscal year. Of total net position, \$235.85 million, or 66.46%, is invested in capital assets, minus related debt which is still outstanding and used to acquire those assets. The Government uses these capital assets in the same way as the capital assets held by Governmental Activities.

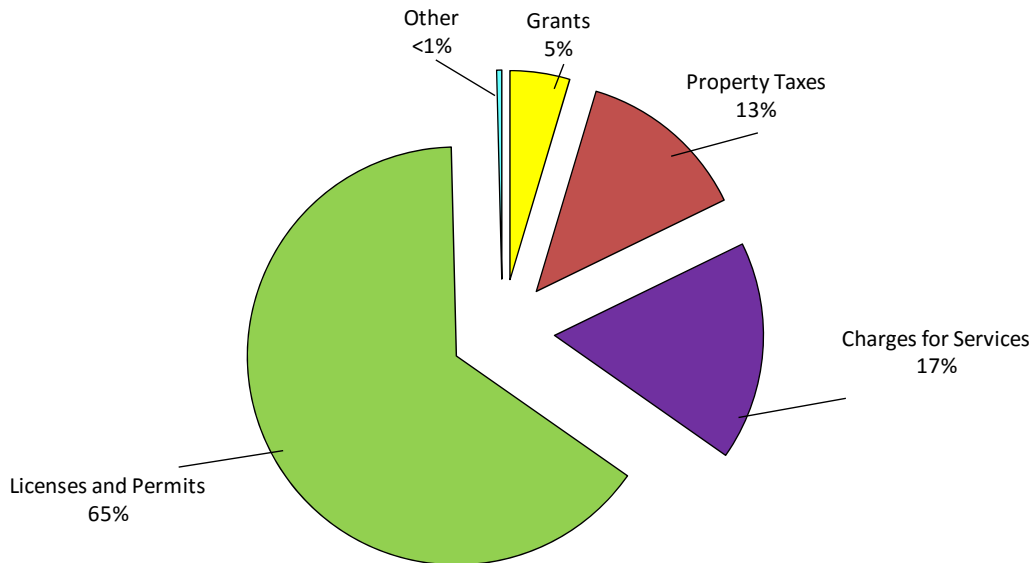
Table 3
Lexington-Fayette Urban County Government
Summary of Net Position
For Years as Stated
(in thousands)

	Business-Type Activities		
		Restated	
	FY 2017	FY 2016	Change
ASSETS			
Current and other assets	\$160,058	\$141,846	\$18,212
Capital assets	406,826	383,280	23,546
Total assets	<u>566,884</u>	<u>525,126</u>	<u>41,758</u>
DEFERRED OUTFLOWS OF RESOURCES	12,225	9,644	2,581
LIABILITIES			
Current and other liabilities	17,374	10,575	6,799
Long-term liabilities	206,880	184,393	22,487
Total liabilities	<u>224,254</u>	<u>194,968</u>	<u>29,286</u>
NET POSITION			
Net Investment in Capital Assets	235,846	231,848	3,998
Restricted for:			
Capital Projects	67,730	59,896	7,834
Energy Improvement Projects	558	522	36
Debt Service	2,878	3,585	(707)
Capital Replacement	946	673	273
Water Quality Incentive Program	5,189	5,216	(27)
Maintenance and Operations	539		539
Unrestricted	41,169	38,062	3,107
Total net position	<u>\$354,855</u>	<u>\$339,802</u>	<u>\$15,053</u>

Governmental Activities

As indicated in Chart 1, the Government funds its Governmental Activities from revenue received from four significant categories. A clear majority, 65%, 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 5% of governmental revenue. The remaining Other category represents miscellaneous revenues collected by the Government.

Chart 1
Distribution of Governmental Activity Revenues



As indicated by Table 4, revenues from Governmental Activities totaled \$445.74 million, which was an increase of \$7.65 million, or 1.75%, from the previous fiscal year. Licenses and permits totaled \$288.77 million, representing 64.78% 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 \$13.41 million, or 4.87% from the previous fiscal year. This is primarily due to increases in occupational license fees and franchise fees collected during the fiscal year of \$13.41 million. Property taxes increased by \$1.89 million, due to an increase in realty taxes collected. Charges for services remained stable, increasing by \$1.52 million from the previous fiscal year, or 2.04%.

As noted on Table 4, total expenses of Governmental Activities were \$537.65 million; an increase of \$76.99 million from the previous fiscal year. This is primarily due to increases in Program Expenses of \$87.27 million. This is offset by decreases in the Departments of the Chief Development Officer and Planning, Preservation, and Development of \$1.87 million and \$8.42 million, respectively.

Business-Type Activities

Also indicated on Table 4, revenues from Business-Type Activities increased \$7.11 million from the previous fiscal year. Revenues collected for services provided by the Government increased \$6.96 million and other general revenues increased \$0.15 million. Total expenses of Business-Type Activities increased when compared to fiscal year 2016, by \$6.94 million. Primarily Sanitary Sewer and Water Quality expenses increased \$5.81 million and \$0.77 million, respectively. Other Business-Type Activities expenses increased approximately \$2.87 million. Landfill and Public Facilities expenses decreased \$1.58 million and \$0.93 million. The largest program among these activities is the Sanitary Sewer system, with expenses of \$50.08 million during the fiscal year, representing 57.67% of all Business-Type Activities expenses.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	Restated 2016	2017	Restated 2016	2017	Restated 2016
Revenues						
Program Revenues:						
Charges for Services	\$76,015	\$74,497	\$102,405	\$95,443	\$178,420	\$169,940
Operating Grants & Contributions	13,147	13,384			13,147	13,384
Capital Grants & Contributions	6,269	8,319			6,269	8,319
General Revenues:						
Property Taxes	58,637	56,751			58,637	56,751
Licenses & Permits	288,770	275,362			288,770	275,362
Grants & Unrestricted Contributions	1,155	8,018			1,155	8,018
Other General Revenues	1,747	1,759	697	547	2,444	2,306
Total Revenues	<u>445,740</u>	<u>438,090</u>	<u>103,102</u>	<u>95,990</u>	<u>548,842</u>	<u>534,080</u>
Program Expenses						
General Government	45,599	30,181			45,599	30,181
Administrative Services	9,578	7,801			9,578	7,801
Health, Dental, Vision, Workers Comp,						
General Insurance	26,895	22,633			26,895	22,633
Chief Development Officer	208	2,074			208	2,074
Information Technology*	11,174	9,464			11,174	9,464
Finance	49,393	39,135			49,393	39,135
Environmental Quality & Public Works	61,270	60,135			61,270	60,135
Planning, Preservation, & Development	45,360	53,776			45,360	53,776
Public Safety*	14,760	12,560			14,760	12,560
Police	74,437	64,146			74,437	64,146
Fire & Emergency Services	84,839	66,853			84,839	66,853
Community Corrections	33,771	30,814			33,771	30,814
Social Services	13,035	11,754			13,035	11,754
General Services	22,965	12,486			22,965	12,486
Parks & Recreation	23,375	21,011			23,375	21,011
Law	5,652	2,109			5,652	2,109
Interest on Long-Term Debt	15,336	13,723			15,336	13,723
Sanitary Sewer System			50,079	44,270	50,079	44,270
Public Facilities			8,667	9,596	8,667	9,596
Public Parking			1,965	67	1,965	67
Landfill			3,962	5,543	3,962	5,543
Right of Way			494	336	494	336
Extended School Program			2,023	2,263	2,023	2,263
Prisoners' Account System			3,002	1,717	3,002	1,717
Enhanced 911			4,171	3,940	4,171	3,940
CKY Network			413	879	413	879
Water Quality			12,063	11,291	12,063	11,291
Total Expenses	<u>537,647</u>	<u>460,655</u>	<u>86,839</u>	<u>79,902</u>	<u>624,486</u>	<u>540,557</u>
Increase (Decrease) in Net Position before Transfers	(91,907)	(22,565)	16,263	16,088	(75,644)	(6,477)
Transfers	1,210	(313)	(1,210)	313	0	0
Increase (Decrease) in Net Position	(90,697)	(22,878)	15,053	16,401	(75,644)	(6,477)
Net Position, July 1	502,109	524,987	339,802	323,401	841,911	848,388
Net Position, June 30	<u>\$411,412</u>	<u>\$502,109</u>	<u>\$354,855</u>	<u>\$339,802</u>	<u>\$766,267</u>	<u>\$841,911</u>

PERSONNEL COSTS

During the year, personnel related expenses for Community Corrections, Fire & Emergency Services, and Police, which are covered by collective bargaining agreements, increased approximately \$14.21 million. Fire & Emergency Services, Police, and Community Corrections increased by \$9.01 million, \$3.80 million, and \$1.40 million, respectively. Salary and wage costs, including benefits, for non-collective bargaining employees increased 4.4%. See Chart 2 for more information on personnel costs for Governmental Activities during fiscal year 2017.

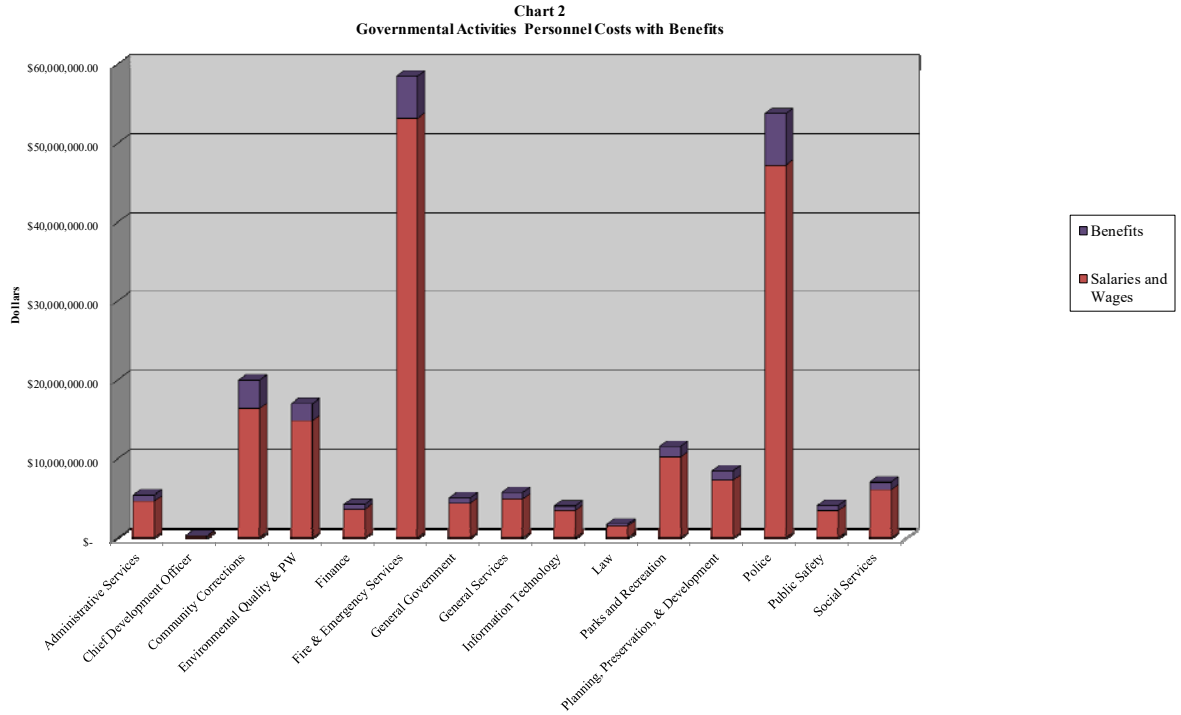
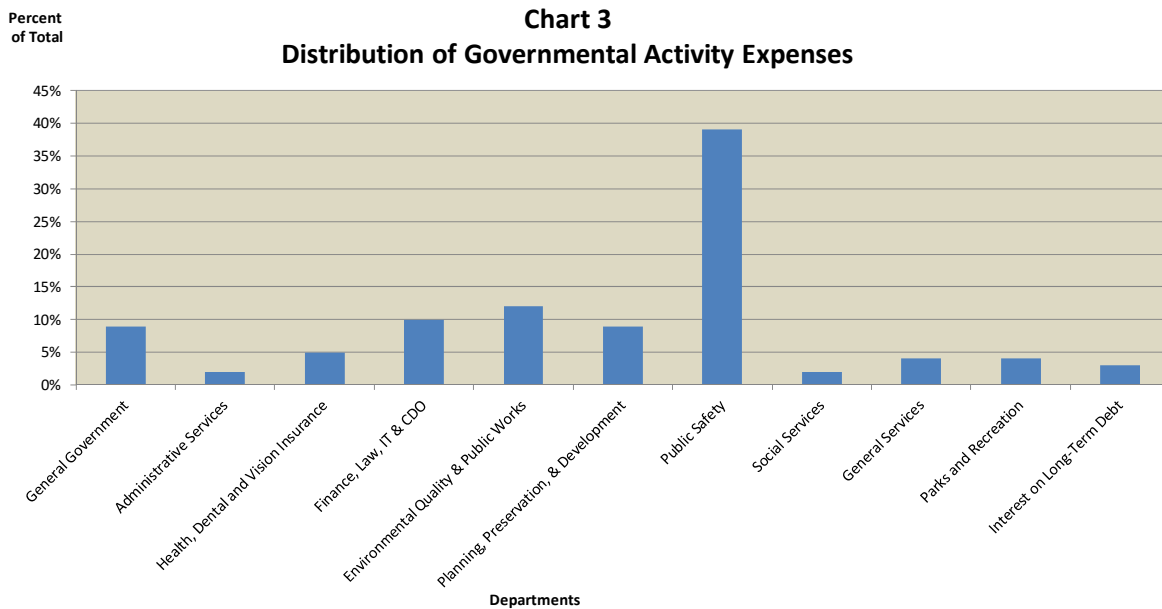


Chart 3 displays the distribution of total costs by governmental activity.



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, 2017 reflect a combined ending fund balance of \$138.01 million, a decrease of \$45.68 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 decrease is primarily due to expenditures in excess of revenues of \$87.95 million, offset by net transfers out and proceeds from the issuance of bonds of \$42.43 million.

The Government had \$5.42 million of unassigned fund balance available in the General Fund at June 30, 2017. Unassigned fund balance of the General Fund (the Government's main operating fund) represents approximately 1.47% of total general fund expenditures for fiscal year 2017. At the end of fiscal year 2017, the fund balance held by the General Fund totaled \$65.31 million, a decrease of \$21.70 million, or 24.94%, from the previous fiscal year. This was primarily due to expenditures in excess of revenues of \$20.88 million and other financing uses of \$0.69 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 \$23.86 million, a decrease of \$6.51 million over the prior fiscal year. This decrease is primarily due to expenditures in excess of revenues of \$8.48 million, offset by net transfers of \$1.97 million. Revenues of the Urban Services Fund increased by \$2.05 million or 5.33% compared to the prior fiscal year. Operating expenditures increased \$7.33 million over the prior fiscal year. This was primarily due to increases in departmental expenditures and acquisitions and construction of \$1.70 million and \$5.63 million, respectively.

The Federal and State Grants Fund held a balance of \$0.24 million for fiscal year ended June 30, 2017, an increase of \$0.01 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 2017, \$65.63 million was expended on these projects. Bonds in the amount of \$42.55 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 \$354.86 million as of June 30, 2017, an increase of \$15.05 million from the prior fiscal year. Revenues from charges for services increased \$6.96 million and total expenses increased \$6.94 million when compared to the prior fiscal year.

The Sanitary Sewer System Fund held total net position of \$267.37 million, an increase of \$13.03 million over the prior year. Of the total net position held by the Sanitary Sewer System Fund, \$68.25 million is restricted by bond covenants for maintenance, capital replacement and projects, and debt service. In addition, \$0.56 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 \$21.59 million, a decrease of \$0.42 million from the prior fiscal year. Operating income during fiscal year 2017 was \$7.30 million. The decrease in net position is primarily due to non-operating expenses of \$1.82 million, offset by excess revenues over expenses of \$1.00 million and transfers in of \$0.41 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 \$21.55 million, an increase of \$0.67 million from the prior fiscal year. Revenues in excess of expenses primarily contributed to this increase.

As of June 30, 2017, the total net position of the Landfill Fund held a balance of \$35.39 million, an increase of \$2.99 million from the prior fiscal year, a 9.22% 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, 2017 the other enterprise funds held total net position of \$7.63 million, a decrease of \$1.69 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 2017, General Fund revenues totaled \$347.01 million, an increase of 3.42% from the previous fiscal year. Total revenues were \$0.03 million above the final budgeted amount. This slight increase in actual revenue is the result of stabilizing in the U.S. economy, which affected both business returns and franchise fees. Total ad valorem taxes and charges for services were \$2.27 million above the final budgeted amount. Fines and forfeitures, intergovernmental, property sales, investment returns, and other income were \$0.37 million above the final budgeted amount. Total licenses and permits were \$2.62 below the final budgeted amount.

General Fund expenditures of the Government totaled \$367.89 million, an increase of \$35.83 million, or 10.79% over the previous fiscal year. Expenditures were \$7.71 million below the final budgeted amount. Operating expenditures were \$8.99 million below the final budgeted amount. Personnel expenditures, accounting for 61.65% of General Fund expenditures, were \$4.87 million above the final budgeted amount. Divisions with collective bargaining agreements had personnel expenditures \$5.71 million above the final budgeted amount. Personnel expenditures from these divisions account for 52.81% of the General Fund expenditures. Please see Table 5 below for more details regarding the distribution of General Fund personnel costs and the changes from prior year.

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

Departments	2017	2016	Change	% Change	% General Fund Expenditures
Non-Collective Bargaining Divisions					
Administrative Services	\$4,981	\$4,500	\$481	10.7%	1.4%
Chief Development Officer	185	176	9	5.1%	0.1%
Information Technology	4,441	3,926	515	13.1%	1.2%
Department of Finance	4,815	4,518	297	6.6%	1.3%
Department of General Services	6,064	6,790	(726)	(10.7%)	1.6%
Department of Law	2,017	1,779	238	13.4%	0.5%
Department of Public Safety	4,382	3,519	863	24.5%	1.2%
Department of Social Services	6,778	5,825	953	16.4%	1.8%
Department of Environmental Quality & PW	5,750	5,094	656	12.9%	1.6%
Department of Planning, Preservation & Dev	8,992	8,336	656	7.9%	2.4%
General Government	5,755	5,911	(156)	(2.6%)	1.6%
Parks and Recreation	13,173	12,640	533	4.2%	3.6%
Total Non-Collective Bargaining Divisions	67,333	63,014	4,319	6.9%	18.3%
Divisions with Collective Bargaining					
Police	62,623	59,123	3,500	5.9%	17.0%
Community Corrections	24,247	23,020	1,227	5.3%	6.6%
Fire & Emergency Services	72,589	59,894	12,695	21.2%	19.7%
Total Collective Bargaining Divisions	159,459	142,037	17,422	12.3%	43.3%
Total Personnel Costs with Benefits	\$226,792	\$205,051	\$21,741	10.6%	61.6%

CAPITAL ASSETS

The Government's capital assets totaled \$1.40 billion as of June 30, 2017, 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 \$752.68 million. Governmental Activities net investment in capital assets decreased by \$61.14 million from the prior fiscal year. The net investment in capital assets of Business-Type Activities totaled \$235.85 million, an increase of \$4.00 million over the previous fiscal year.

This year's major changes in capital assets included:

- Governmental Activities total capital assets decreased by \$15.35 million compared to the previous fiscal year. The decrease was primarily due to depreciation of \$53.37 million and asset retirements of \$0.62 million, offset by capital additions of \$38.61 million and transfers of \$0.03 million. Infrastructure assets decreased by \$26.80 million, primarily due to depreciation of \$33.90 million, offset by capital additions of \$7.10 million. Infrastructure includes roads, bridges, storm water, fiber optics, traffic signals and similar items. In addition, construction in progress decreased \$29.75 from the previous fiscal year. Buildings increased \$24.69 million over the previous fiscal year.
- Capital assets for Business-Type Activities increased by \$23.55 million. The overall increase was primarily due to infrastructure and sewer lines/plants, vehicles, equipment & furniture, and intangibles

increasing by \$32.02 million, \$10.01 million, and \$5.03 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 construction in progress of \$21.86 million. Other asset categories had a net decrease of \$1.65 million.

- Construction in progress assets totaled \$14.51 million in the Governmental Activities and \$43.06 million in Business-Type Activities. The overall decrease from the previous year in construction in progress assets totaled \$51.60 million. The decrease was primarily due to asset retirements and reclasses of \$103.48 million, offset by net additions of \$51.88 million.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Land	\$61,888	\$61,218	\$46,300	\$43,869	\$108,188	\$105,087
Purchase of Development Rights	78,809	76,227			78,809	76,227
Intangibles	8,825	7,119	5,785	760	14,610	7,879
Buildings	115,638	90,951	34,390	36,738	150,028	127,689
Vehicles, Equipment, & Furniture	47,378	38,702	19,999	9,986	67,377	48,688
Land and Leasehold Improvements	17,249	14,602	7,339	9,160	24,588	23,762
Infrastructure & Sewer Lines/Plants	621,349	648,151	241,453	209,433	862,802	857,584
Construction in Progress	14,511	44,256	43,057	64,916	57,568	109,172
Developments in Progress	23,131	22,897	8,503	8,418	31,634	31,315
Total	<u>\$988,778</u>	<u>\$1,004,123</u>	<u>\$406,826</u>	<u>\$383,280</u>	<u>\$1,395,604</u>	<u>\$1,387,403</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 2017, the Government had \$547.38 million in bonds and notes outstanding; Governmental Activities' debt increased by \$19.36 million and total debt increased by \$36.90 million. The increase in debt for Governmental Activities resulted primarily from the issuance of GO bonds totaling \$42.55 million, offset by

principal payments and amortized bond costs in the current fiscal year on outstanding debt of \$23.19 million. The Business-Type Activities debt increased \$17.54 million primarily from note payable proceeds of \$24.04 million, offset by principal payments and amortized bond costs of \$6.50 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 \$3.06 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 \$412.73 million.

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

	Governmental		Business-Type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds, Notes, Leases	\$378,407	\$359,050	\$86,873	\$64,267	\$465,280	\$423,317
Mortgage Revenue Bonds			49,080	51,315	49,080	\$51,315
Revenue Bonds			33,018	35,850	33,018	\$35,850
Total	<u>\$378,407</u>	<u>\$359,050</u>	<u>\$168,971</u>	<u>\$151,432</u>	<u>\$547,378</u>	<u>\$510,482</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 “Aa2-” from Moody’s and “AA” from Standard & Poor’s. The rating of the Government’s mortgage revenue debt is “Aa3” from Moody’s and “AA-” from Standard & Poor’s. The Government has not issued mortgage 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 2018 Budget, for all funds combined, net of interfund transfers, is \$648,711 million. Significant initiatives in the budget include:

- A commitment of \$106.62 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 2018 budget for \$36.82 million. The bonds will fund projects for Public Safety, software upgrades, infrastructure improvements, parks projects, building improvements, and purchasing conservation easements or development rights.

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, 2017

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash	\$20,701,077	\$71,925,256	\$92,626,333	\$40,786,258
Investments	107,624,752	77,500,326	185,125,078	8,714,043
Receivables (Net)	30,936,731	6,759,123	37,695,854	3,921,241
Due from Other Governments	4,262,658		4,262,658	650,715
Due from Component Units	10,568		10,568	
Due from Primary Government				2,226,220
Other Current Assets				878,617
Inventories and Prepaid Expenses	2,722,683	50,709	2,773,392	903,892
Net Pension Asset	19,265,344		19,265,344	
Restricted Assets:				
Cash				25,854,640
Receivables (Net)	2,966,737		2,966,737	529,210
Grants Receivable	1,000,000		1,000,000	926,803
Investments	41,265,391	3,823,310	45,088,701	58,230,894
Other				46,062
Capital Assets:				
Non-depreciable	181,469,056	98,315,669	279,784,725	54,666,761
Depreciable (Net)	807,309,261	308,510,423	1,115,819,684	228,535,705
Other Assets	1,061,289		1,061,289	10,457,410
Total Assets	\$1,220,595,547	\$566,884,816	\$1,787,480,363	\$437,328,471
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amount on Bond Refunding	\$2,304,374	\$4,053,296	\$6,357,670	\$1,797,593
Differences between expected and actual experience	18,565,005	121,321	18,686,326	104,949
Changes of assumptions	8,616,972	1,472,126	10,089,098	4,553,350
Changes in proportionate share	5,968,143	1,166,066	7,134,209	399,815
Differences between projected and actual earnings on pension plan investments	44,876,095	2,612,471	47,488,566	2,525,413
Contributions subsequent to measurement date	45,728,334	2,799,490	48,527,824	3,701,770
Total Deferred Outflows of Resources	\$126,058,923	\$12,224,770	\$138,283,693	\$13,082,890
LIABILITIES				
Accounts, Contracts Payable and				
Accrued Liabilities	\$22,213,645	\$7,333,571	\$29,547,216	\$7,413,970
Interest Payable	4,761,759	493,015	5,254,774	7,529
Internal Balances	(2,383,229)	2,383,229		
Due to Component Units			2,226,220	
Due to Fiduciary Funds	2,407,760		2,407,760	
Due to Primary Government				10,568
Unearned Revenue and Other	15,629,301	9,213	15,638,514	14,312
Claims Liabilities	25,113,155		25,113,155	
Liabilities Payable from				
Restricted Assets:				
Accounts, Contracts and Retainage Payable		1,915,138	1,915,138	1,489,977
Bonds and Notes Payable		4,652,834	4,652,834	
Interest Payable		587,351	587,351	1,759,042
Noncurrent Liabilities:				
Due Within One Year:				
Bonds and Notes Payable	26,280,000	2,303,512	28,583,512	7,698,092
Compensated Absences	3,546,850	477,863	4,024,713	537,036
Landfill Closure and Postclosure Care Costs		439,048	439,048	
Due in More Than One Year:				
Unearned Revenue and Other	123,739		123,739	350,366
Bonds and Notes Payable	352,127,126	162,014,302	514,141,428	139,375,407
Compensated Absences	21,787,793	1,010,683	22,798,476	845,651
Landfill Closure and Postclosure Care Costs		12,845,561	12,845,561	
Unfunded Other Post Retirement Benefit Liability	107,942,196		107,942,196	
Unfunded Pension Liability	353,465,981	27,789,216	381,255,197	58,116,607
Total Liabilities	\$935,242,296	\$224,254,536	\$1,159,496,832	\$217,618,557
DEFERRED INFLOWS OF RESOURCES				
Differences between expected and actual experience	\$0	\$0	\$0	\$553,766
Changes in proportionate share				17,293,757
Total Deferred Inflows of Resources	\$0	\$0	\$0	\$17,847,523

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
NET POSITION				
Net Investment in Capital Assets	\$752,686,501	\$235,845,376	\$988,531,877	\$170,681,673
Restricted for:				
Governmental and Program Funds				475,171
Capital Projects	41,101,200	67,730,120	108,831,320	10,949,119
Energy Improvement Projects	682,078	558,079	1,240,157	
Debt Service	602,807	2,877,540	3,480,347	31,659,395
Capital Replacement		945,770	945,770	
Pension	19,265,344		19,265,344	
Water Quality Incentive Program		5,189,254	5,189,254	
Grants	241,043		241,043	
Maintenance and Operations		539,423	539,423	
Unrestricted (Deficit)	(403,166,799)	41,169,488	(361,997,311)	1,179,923
Total Net Position	\$411,412,174	\$354,855,050	\$766,267,224	\$214,945,281

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, 2017

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	\$9,578,189	\$769,505	\$2,118,524	\$83,475	(\$6,606,685)	\$0	\$0
Chief Development Officer	207,793	6,569	41,368		(159,856)		(159,856)
Community Corrections	33,771,433	9,263,554	75,846		(24,432,033)		(24,432,033)
Environmental Quality & Public Works	61,270,031	3,113,988	810,528	39,611	(57,305,904)		(57,305,904)
Finance	49,393,398	55,401			(49,337,997)		(49,337,997)
Fire & Emergency Services	84,838,719	6,422,785	3,250,238		(75,165,696)		(75,165,696)
General Government	45,598,791	18,642,898	44,375	309	(26,911,209)		(26,911,209)
General Services	22,964,722	1,700			(22,963,022)		(22,963,022)
Health, Dental, and Vision	26,894,758						
Information Technology	11,174,379	981			(11,173,398)		(11,173,398)
Law	5,652,482	17,700			(5,634,782)		(5,634,782)
Parks & Recreation	23,375,486	4,333,455	7,800	280,794	(18,753,437)		(18,753,437)
Planning, Preservation, & Development	45,359,659	3,114,354	216,885	5,702,494	(36,325,926)		(36,325,926)
Police	74,436,600	1,717,739	3,869,118	161,703	(68,688,040)		(68,688,040)
Public Safety	14,759,631	73,187	1,739,821		(12,946,623)		(12,946,623)
Social Services	13,035,311	1,586,791	972,319	652	(10,475,549)		(10,475,549)
Interest on Long-Term Debt	15,336,458				(15,336,458)		(15,336,458)
Total Governmental Activities	537,647,840	76,015,365	13,146,822	6,269,038	(442,216,615)	0	(442,216,615)
Business-Type Activities:							
Sanitary Sewer System	50,078,962	63,890,717				13,811,755	13,811,755
Public Facilities	8,666,540	7,303,362				(1,363,178)	(1,363,178)
Public Parking	1,965,274					(1,965,274)	(1,965,274)
Landfill	3,962,016	7,060,342				3,098,326	3,098,326
Right of Way	493,872	703,959				210,087	210,087
Extended School Program	2,023,018	1,904,620				(118,398)	(118,398)
Prisoners' Account System	3,002,164	3,146,187				144,023	144,023
Enhanced 911	4,170,674	4,429,699				259,025	259,025
CKY Network	412,763	400,735				(12,028)	(12,028)
Water Quality	12,062,937	13,565,209				1,502,272	1,502,272
Total Business-Type Activities	86,838,220	102,404,830	0	0	0	15,566,610	15,566,610
Total Primary Government	\$624,486,060	\$178,420,195	\$13,146,822	\$6,269,038	(\$442,216,615)	\$15,566,610	(\$426,650,005)

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

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	\$20,371,065	\$14,038,643	\$448,000	\$11,533,152			\$5,648,730
Lexington Airport Board	24,804,474	21,946,781		8,437,797			5,580,104
Fayette County Department of Health	9,682,728	3,371,833	6,771,918				461,023
Nonmajor Component Units	50,789,803	4,580,452	7,101,388	4,012,003			(35,095,960)
Total Component Units	\$105,648,070	\$43,937,709	\$14,321,306	\$23,982,952	\$0	\$0	(\$23,406,103)
General Revenues:							
Property Taxes					\$58,636,843	\$0	\$54,518,849
Licenses Fees - Wages and Net Profits Taxes					288,771,661		288,771,661
Grants and Contributions Not Restricted to Specific Programs:							
Community Development Block Grant					1,154,744		1,154,744
Income on Investments					602,208	159,737	761,945
Net Change in Fair Value of Investments							520,248
Gain on Sale of Capital Assets					1,144,379	536,905	(326,219)
Miscellaneous							5,735
Debt Issuance Costs							(2,700,328)
Payment from Lexington-Fayette Urban County Government							(404,432)
Transfers							611,986
Total General Revenues and Transfers					1,210,302	(1,210,302)	
Change in Net Position					351,520,137	(513,660)	52,225,839
Net Position, Beginning					(90,696,478)	15,052,950	28,819,736
Adjustment to Opening Net Position (Note 2.D.)					502,274,935	339,802,100	186,125,545
Net Position, Beginning - Restated					(166,283)		
Net Position, Ending					502,108,652	339,802,100	186,125,545
					\$411,412,174	\$354,855,050	\$214,945,281

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	<u>General *</u>	<u>Urban Services</u>	<u>Federal and State Grants</u>	<u>Other Governmental Funds *</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$686,084	\$723,830	\$3,441,432	\$12,056,454	\$16,907,800
Investments	83,628,413	22,012,893		1,983,446	107,624,752
Receivables:					
Loans			2,707,040		2,707,040
License Fees	21,460,899				21,460,899
Other	13,928,221	124,474	6,637	743,945	14,803,277
Less Allowance for Uncollectible Amounts	(5,386,700)		(2,707,040)		(8,093,740)
Due from Other Governments			4,262,658		4,262,658
Due from Component Units	10,568				10,568
Due from Other Funds		2,560,739		3,018,915	5,579,654
Inventories and Prepaid Items	2,343,585	22,900			2,366,485
Restricted Investments			28,769	41,236,622	41,265,391
Total Assets	<u>\$116,671,070</u>	<u>\$25,444,836</u>	<u>\$7,739,496</u>	<u>\$59,039,382</u>	<u>\$208,894,784</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and Contracts Payable	\$5,021,709	\$1,357,939	\$426,937	\$4,640,214	\$11,446,799
Accrued Payroll & Related Liabilities	9,898,433	199,634	50,068		10,148,135
Due to Other Funds	21,761,282		2,948,051	4,319,067	29,028,400
Due to Fiduciary Funds	2,407,760				2,407,760
Due to Component Units	2,226,220				2,226,220
Unearned Revenue and Other	10,049,480	22,472	4,073,397	1,483,952	15,629,301
Total Liabilities	<u>51,364,884</u>	<u>1,580,045</u>	<u>7,498,453</u>	<u>10,443,233</u>	<u>70,886,615</u>
Fund Balances:					
Nonspendable	2,343,585	22,900			2,366,485
Restricted for:					
Public Works				5,618,682	5,618,682
Public Safety	602,807			1,418,500	2,021,307
Capital Projects				41,101,200	41,101,200
Grants Projects			241,043		241,043
Urban Services		23,836,031			23,836,031
Energy Improvement Projects	676,218	5,860			682,078
Committed for:					
General Government	5,941,545				5,941,545
Economic Stabilization	31,408,506				31,408,506
Assigned to:					
General Government	14,000,000			457,767	14,457,767
Capital Projects	4,913,896				4,913,896
Unassigned	5,419,629				5,419,629
Total Fund Balances	<u>65,306,186</u>	<u>23,864,791</u>	<u>241,043</u>	<u>48,596,149</u>	<u>138,008,169</u>
Total Liabilities and Fund Balances	<u>\$116,671,070</u>	<u>\$25,444,836</u>	<u>\$7,739,496</u>	<u>\$59,039,382</u>	<u>\$208,894,784</u>

* Prior period adjustments were made to correctly allocate projects to funding sources for expenditures incurred in fiscal year 2014.
There is no impact on total Governmental Funds.

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, 2017

Total Fund balances - Governmental Funds	\$138,008,169
--	---------------

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	1,601,104,083	
Less accumulated depreciation	<u>(612,325,767)</u>	988,778,316

The net pension asset is not an available resource and, therefore, is not reported in the funds.	19,265,344
---	------------

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)	3,966,736
Other assets	1,061,289

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	(378,407,126)	
Unearned revenue and other	(123,739)	
Interest payable	(4,761,759)	
Compensated absences	(25,334,643)	
Unfunded pension liability and other post retirement benefits	<u>(461,408,177)</u>	(870,035,444)

Loss on debt refunding has been deferred in the Statement of Net Position (see Note 1.G.)	2,304,374
---	-----------

Differences between expected and actual experience have been deferred in the Statement of Net Position	18,565,005
---	------------

Changes of assumptions have been deferred in the Statement of Net Position	8,616,972
--	-----------

Changes in proportionate share have been deferred in the Statement of Net Position	5,968,143
--	-----------

Differences between projected and actual earnings on pension plan investments have been deferred in the Statement of Net Position	44,876,095
--	------------

Contributions to the pension plan have been deferred in the Statement of Net Position	45,728,334
---	------------

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.	5,626,421
--	-----------

Internal balances due to non-governmental activities related to items listed above	<u>(1,317,580)</u>
--	--------------------

Net Position of Governmental Activities	<u><u>\$411,412,174</u></u>
---	-----------------------------

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General *	Urban Services	Federal and State Grants	Other Governmental Funds *	Total Governmental Funds
REVENUES					
License Fees and Permits	\$293,445,670	\$1,506,854	\$0	\$0	\$294,952,524
Taxes	23,068,237	35,568,606			58,636,843
Charges for Services	24,604,479	2,617,723			27,222,202
Fines and Forfeitures	234,363	457			234,820
Intergovernmental	546,939	3,126	20,454,254	7,715,597	28,719,916
Exactions				514,337	514,337
Property Sales	1,265,147	501,446			1,766,593
Income on Investments	339,889	130,113	20,795	111,411	602,208
Other	3,502,017	85,734	822,804	601,427	5,011,982
Total Revenues	347,006,741	40,414,059	21,297,853	8,942,772	417,661,425
EXPENDITURES					
Current:					
Administrative Services	7,336,256	582,738	1,340,954		9,259,948
Chief Development Officer	845,523		117,582		963,105
Community Corrections	35,115,162		75,846		35,191,008
Environmental Quality & Public Works	9,839,144	33,029,743	356,510	79,826	43,305,223
Finance	5,909,131	15,435		53,296	5,977,862
Fire and Emergency Services	82,741,566		2,853,846		85,595,412
General Government	4,307,630	2,179,632	67,976	1,669	6,556,907
General Services	7,496,788	679,658			8,176,446
Information Technology	9,651,621	153,845		159,150	9,964,616
Law	10,186,108	10,641		265,668	10,462,417
Outside Agencies	20,528,502		2,429,775		22,958,277
Parks and Recreation	21,164,018		28,300	670,233	21,862,551
Planning, Preservation, & Development	13,439,991		860,141	314,380	14,614,512
Police	70,403,595		3,861,963	1,038,905	75,304,463
Public Safety	12,435,767		992,985	71,377	13,500,129
Social Services	8,892,530		1,404,191		10,296,721
Debt Service:					
Principal	20,607,644	625,753		236,603	21,470,000
Interest	14,608,459	224,093		23,982	14,856,534
Other Debt Service				216,554	216,554
Capital:					
Equipment	7,191,095	9,849,508	1,448,739	5,053,007	23,542,349
Acquisitions and Construction	5,192,051	1,545,898	7,350,949	57,442,614	71,531,512
Total Expenditures	367,892,581	48,896,944	23,189,757	65,627,264	505,606,546
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,885,840)	(8,482,885)	(1,891,904)	(56,684,492)	(87,945,121)
OTHER FINANCING SOURCES (USES)					
Issuance of Debt				37,555,000	37,555,000
Premium on Bonds				4,998,227	4,998,227
Issuance of Refunding Debt, par				28,495,000	28,495,000
Issuance of Refunding Debt, premium				4,228,668	4,228,668
Payment to Refunded Debt Escrow Agent				(32,625,000)	(32,625,000)
Transfers In	7,352,460	2,000,000	2,228,817		11,581,277
Transfers Out	(8,047,453)	(26,571)	(328,008)	(3,399,370)	(11,801,402)
Total Other Financing Sources (Uses)	(694,993)	1,973,429	1,900,809	39,252,525	42,431,770
Net Change in Fund Balances	(21,580,833)	(6,509,456)	8,905	(17,431,967)	(45,513,351)
Fund Balances, Beginning	87,007,876	30,374,247	232,138	66,073,542	183,687,803
Adjustment to Opening Fund Balance (Note 2.D.)	(120,857)			(45,426)	(166,283)
Fund Balances, Beginning - Restated	86,887,019	30,374,247	232,138	66,028,116	183,521,520
Fund Balances, Ending	\$65,306,186	\$23,864,791	\$241,043	\$48,596,149	\$138,008,169

* Prior period adjustments were made to correctly allocate projects to funding sources for expenditures incurred in fiscal year 2014. There is no impact on total Governmental Funds.

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, 2017**

Net change in fund balances - Governmental Funds (\$45,513,351)

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	38,381,260	
Less current year depreciation	<u>(53,370,380)</u>	(14,989,120)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.	807,684
---	---------

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	131,289
--------------	---------

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

Exaction fees	269,361
---------------	---------

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	(37,555,000)	
Issuance of refunding debt	(28,495,000)	
Premium on bonds	(4,998,227)	
Premium on refunding bonds	(4,228,668)	
Principal payment to refunded bond escrow agent	32,625,000	
Principal payments	<u>21,470,000</u>	(21,181,895)

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	321,218	
Amortization of current year bond (discounts) premiums	1,557,482	
Amortization of current year bond refunding losses	(292,189)	
Change in unfunded pension liability	(72,826,689)	
Change in unfunded other post retirement benefit liability	(14,003,580)	
Change in deferred inflows of projected and actual earnings on pension plan investments	9,502,047	
Change in differences between expected and actual experience	10,653,761	
Changes of assumptions	(4,413,812)	
Changes in proportionate share	2,263,173	
Change in deferred outflows of projected and actual earnings on pension plan investments	43,761,946	
Change in contributions to the pension plan subsequent to the measurement date	6,315,733	
Unearned revenue and other	4,546,548	
Change in accrued interest payable	(479,924)	
Change in restricted receivables (net)	2,036,710	
Change in compensated absences	<u>(1,157,195)</u>	<u>(12,214,771)</u>

Internal Service Funds are used by management to charge self-insurance to individual funds. The net expense of the Internal Service Funds is reported within Governmental Activities.	1,994,325
---	-----------

Change in net position of Governmental Activities	<u><u>(\$90,696,478)</u></u>
---	------------------------------

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Business-Type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	Total
ASSETS & DEFERRED OUTFLOWS OF RESOURCES						
Current Assets:						
Cash	\$32,320,960	\$1,385,619	\$10,513,370	\$21,804,889	\$5,900,418	\$71,925,256
Investments	47,956,218	297,766	26,083,910	1,737,248	1,425,184	77,500,326
Receivables:						
User Fees Receivable	10,742,045		1,655,072	1,673,615		14,070,732
Other Receivables	365,162	80,914	67,584		376,069	889,729
Less Allowance for Uncollectible Accounts	(5,882,266)		(1,107,863)	(1,174,827)	(36,382)	(8,201,338)
Inventories and Prepaid Expenses	1,973		7,601	724	40,411	50,709
Due from Other Funds		1,498,934	12,566		3,030,509	4,542,009
Restricted Investments:						
Reserved for Sinking Fund	2,877,540					2,877,540
Total Current Assets	88,381,632	3,263,233	37,232,240	24,041,649	10,736,209	163,654,963
Noncurrent Assets:						
Restricted Investments:						
Reserved for Capital Replacement	897,770			48,000		945,770
Capital Assets:						
Land	5,867,628	32,578,646	5,194,637	2,658,793		46,299,704
Land Improvements	354,183	23,498,213	16,832,022	169,259	10,000	40,863,677
Buildings	4,330,859	114,623,103	643,019	17,500	7,514	119,621,995
Sewer Plants	196,399,924					196,399,924
Sewer Lines	214,422,894		410,356	6,214,848		221,048,098
Leasehold Improvements		2,087,090				2,087,090
Vehicles, Equipment, and Furniture	29,421,262	3,074,516	124,330	169,977	3,028,630	35,818,715
Intangibles	6,289,850	69,281	583,242	1,017,811	1,357,849	9,318,033
Less Accumulated Depreciation	(189,810,111)	(110,682,613)	(11,344,707)	(807,063)	(3,546,789)	(316,191,283)
Construction in Progress	39,323,992	131,224	39,500	3,562,719		43,057,435
Developments in Progress	8,502,704					8,502,704
Total Noncurrent Assets	316,000,955	65,379,460	12,482,399	13,051,844	857,204	407,771,862
Total Assets	404,382,587	68,642,693	49,714,639	37,093,493	11,593,413	571,426,825
Deferred outflows of resources:						
Deferred Amount on Bond Refunding	\$1,349,435	\$2,703,861	\$0	\$0	\$0	\$4,053,296
Differences between expected and actual experience	63,569		5,019	30,880	21,853	121,321
Changes of assumptions	771,357		60,903	374,699	265,167	1,472,126
Changes in proportionate share	610,990		48,241	296,798	210,037	1,166,066
Differences between projected and actual earnings on pension plan investments			108,080	664,951	470,571	2,612,471
Contributions subsequent to measurement date	1,466,863		115,817	712,553	504,257	2,799,490
Total Deferred Outflows of Resources	5,631,083	2,703,861	338,060	2,079,881	1,471,885	12,224,770
Total Assets & Deferred Outflows of Resources	\$410,013,670	\$71,346,554	\$50,052,699	\$39,173,374	\$13,065,298	\$583,651,595
						0
						\$31,358,287

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds
					Total
LIABILITIES					
Current Liabilities:					
Accounts, Contracts and Retainage Payable	\$5,850,829	\$194,414	\$204,066	\$547,167	\$7,028,138
Accrued Payroll	149,653		12,208	73,663	305,433
Due to Other Funds	3,710,383			4,532,435	8,242,818
Claims Payable					25,113,155
Bonds Payable		2,055,000		248,512	2,303,512
Interest Payable		485,316		7,699	493,015
Unearned Revenue and Other	9,213				9,213
Compensated Absences	356,923		983	82,745	477,863
Landfill Closure and Postclosure Care Costs			439,048		439,048
Payable from Restricted Investments:					
Accounts, Contracts and Retainage Payable	1,915,138				1,915,138
Bonds and Notes Payable	4,652,834				4,652,834
Interest Payable	587,351				587,351
Total Current Liabilities	17,232,324	2,734,730	656,305	5,492,221	26,454,363
Noncurrent Liabilities:					
Bonds and Notes Payable	110,012,866	47,025,404		4,976,032	162,014,302
Compensated Absences	832,820		8,843	82,745	1,010,683
Landfill Closure and Postclosure Care Costs			12,845,561		12,845,561
Unfunded Pension Liability	14,560,859		1,149,658	7,073,175	27,789,216
Total Noncurrent Liabilities	125,406,545	47,025,404	14,004,062	12,131,952	203,659,762
Total Liabilities	\$142,638,869	\$49,760,134	\$14,660,367	\$17,624,173	\$230,114,125
NET POSITION					
Net Investment in Capital Assets	\$198,563,146	\$16,299,055	\$12,482,401	\$7,643,569	\$235,845,376
Restricted for:					
Capital Projects	64,478,266				64,478,266
Capital Projects - Park Acquisition		3,251,854			3,251,854
Debt Service	2,877,540				2,877,540
Capital Replacement	897,770			48,000	945,770
Energy Improvement Projects	558,079				558,079
Water Quality Incentive Program				5,189,254	5,189,254
Maintenance and Operations		539,423			539,423
Unrestricted		1,496,088	22,909,931	8,668,378	39,851,908
Total Net Position	\$267,374,801	\$21,586,420	\$35,392,332	\$21,549,201	5,626,421
					\$5,626,421
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					1,317,580
Net Position of Business-Type Activities					\$34,855,050

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, 2017

	Business-Type Activities					Governmental Activities
	Enterprise Funds					
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	Internal Service Funds
OPERATING REVENUES						
User Charges	\$60,085,888	\$0	\$6,747,384	\$13,352,599	\$0	\$80,185,871
Fees	2,154,652	423,318	216,177		6,733,144	9,527,291
Exactions	294,332					294,332
License Fees and Permits					703,959	703,959
Rental Income		5,947,026				5,947,026
Theater Revenues		717,742				717,742
Gross Profit - Commissary					2,735,886	2,735,886
Other	912,835	215,276	96,781	187,816	412,211	1,824,919
Total Operating Revenues	63,447,707	7,303,362	7,060,342	13,540,415	10,585,200	45,375,261
OPERATING EXPENSES						
Treatment Plant	7,116,239					7,116,239
Collection System	4,536,910					4,536,910
Property Management		1,974,151				1,974,151
Theater Management		651,101				651,101
Landfill			2,269,721			2,269,721
Right of Way					492,310	492,310
Extended School Program					1,804,640	1,804,640
Prisoners' Account					551,173	551,173
Inmate Trust Account					2,450,991	2,450,991
Enhanced 911					3,786,190	3,786,190
CKY Network	24,011,158		1,221,831	11,762,370	412,763	412,763
Administration	10,568,196	3,677,764	470,264	217,418	214,267	37,209,626
Depreciation					479,202	15,412,844
Claims and Benefit Payments						3,236,685
Total Operating Expenses	46,232,503	6,303,016	3,961,816	11,979,788	10,191,536	39,676,447
Operating Income	17,215,204	1,000,346	3,098,526	1,560,627	393,664	2,462,129

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds
					Total
NONOPERATING REVENUES (EXPENSES)					
Income on Investments	(158,555)	1,214	52,205	258,705	159,737
Interest Expense and Fiscal Agent Fees	(3,108,933)	(2,494,094)		(83,149)	(5,686,176)
Amortization of Bond Costs	55,399	130,570			185,969
Gain (Loss) on Sale of Capital Assets	(792,926)	536,905	(200)		(2,132,449)
Total Nonoperating Revenues (Expenses)	(4,005,015)	(1,825,405)	52,005	175,556	(7,472,919)
Income (Loss) Before Transfers	13,210,189	(825,059)	3,150,531	1,736,183	15,795,448
Transfers In		450,202		114,000	564,202
Transfers Out	(185,026)	(41,792)	(163,143)	(1,175,316)	(1,774,504)
Change in Net Position	13,025,163	(416,649)	2,987,388	674,867	2,462,129
Net Position, Beginning	254,349,638	22,003,069	32,404,944	20,874,334	3,164,292
Net Position, Ending	\$267,374,801	\$21,586,420	\$35,392,332	\$21,549,201	\$5,626,421
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds					467,804
Change in net position of Business-Type Activities					<u>\$15,052,950</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, 2017

	Business-Type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	Total
Increase (Decrease) in Cash and Cash Equivalents:						
Cash Flows from Operating Activities:						
Receipts from Customers	\$62,776,215	\$2,942,364	\$7,118,641	\$13,974,734	\$10,603,706	\$97,415,660
Receipts from Employees and Other Sources						\$0
Receipts from Interfund Services Provided		4,345,375				33,203,405
Payments to Suppliers	(16,701,554)	(3,361,983)	(2,814,322)	(915,555)	(3,114,422)	11,929,990
Payments to Employees	(12,212,146)	(929,940)	(5,697,150)	(4,666,595)	(23,505,831)	(2,930,314)
Payments for Interfund Services Used	(2,177,744)	(135,597)	(996,212)	(222,986)		(3,532,539)
Payments for Claims						(42,138,900)
Net Cash Provided by Operating Activities	31,684,771	3,925,756	3,238,782	6,365,817	2,599,703	47,814,829
						64,181
Cash Flows from Noncapital Financing Activities:						
Transfers In		450,202		114,000		564,202
Transfers Out	(185,026)	(55,000)	(163,143)	(1,175,316)	(163,162)	(1,741,647)
Net Cash Provided by (Used in) Noncapital Financing Activities	(185,026)	395,202	(163,143)	(1,061,316)	(163,162)	0
Cash Flows from Capital and Related Financing Activities:						
Purchase of Capital Assets	(36,865,644)	(399,944)	(819,319)	(3,444,158)	(105,132)	(41,634,197)
Proceeds from Note Payable	22,126,674			1,910,930		24,037,604
Principal Paid on Bonds	(3,687,670)	(2,405,000)		(153,852)		(6,246,522)
Interest and Fiscal Agent Fees Paid on Bonds	(2,644,083)	(2,273,999)		(83,149)		(5,001,231)
Proceeds on Sale of Capital Assets	44,714	550,000				594,714
Net Cash Used in Capital and Related Financing Activities	(21,026,009)	(4,528,943)	(819,319)	(1,770,229)	(105,132)	0
Cash Flows from Investing Activities:						
Purchase of Investments	(4,920,583)	(6,755)	(2,052,206)	(12,000)	14,134	(6,977,410)
Income on Investments	296,265	1,214	52,205	22,047	6,168	377,899
Net Cash Flows Provided by (Used in) Investing Activities	(4,624,318)	(5,541)	(2,000,001)	10,047	20,302	0
Net Increase (Decrease)	5,849,418	(213,526)	256,319	3,544,319	2,351,711	64,181
Cash at Beginning of Year	26,471,542	1,599,145	10,257,051	18,260,570	3,548,707	60,137,015
Cash at End of Year	\$32,320,960	\$1,385,619	\$10,513,370	\$21,804,889	\$5,900,418	\$71,925,256
						\$3,793,277

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2017

	Business-Type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	Total
Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:						
Operating Income	\$17,215,204	\$1,000,346	\$3,098,526	\$1,560,627	\$393,664	\$23,268,367
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:						
Depreciation	10,568,196	3,677,764	470,264	217,418	479,202	15,412,844
Allowance for Bad Debts	353,787		22,448	48,702	515	425,452
(Increase) Decrease in Assets:						
Accounts Receivable	(657,276)		89,682	434,332		(133,262)
Other Receivables	70,661	(15,623)	(31,383)		18,506	42,161
Inventories and Prepaid Expenses	2,290	(7,601)	(724)		5,944	(91)
Due from Other Funds		(672,892)	(228)		1,359,277	686,157
Developments in Progress	(84,876)					(84,876)
(Increase) Decrease in Deferred Outflows:						
Differences between expected and actual experience	64,586		5,870	31,553	26,893	128,902
Changes of assumptions	316,962		31,571	155,492	148,791	652,816
Changes in proportionate share	(421,243)		(32,118)	(204,360)	(137,863)	(795,584)
Differences between projected and actual earnings on pension plan investments	(1,275,816)		(100,173)	(619,619)	(435,178)	(2,430,786)
Contributions subsequent to measurement date	(249,342)		(12,365)	(119,419)	(41,156)	(422,282)
Increase (Decrease) in Liabilities:						
Accounts Payable	778,195	(18,902)	(194,300)	(233,628)	(89,091)	242,274
Accrued Payroll	(243,640)		(18,236)	(112,864)	(133,326)	(508,066)
Claims Payable	2,225,359			2,956,804	(2,797)	5,179,366
Due to Other Funds				(13)		(13)
Unearned Revenue						
Other Liabilities	9,213	(44,937)	(438,056)	2,508		(471,272)
Compensated Absences	(33,187)		(14,986)	(5,804)	(28,605)	(82,582)
Unfunded Pension Liability	3,045,698		369,867	2,254,812	1,034,927	6,705,304
Total Adjustments	14,469,567	2,925,410	140,256	4,805,190	2,206,039	24,546,462
Net Cash Provided by Operating Activities	\$31,684,771	\$3,925,756	\$3,238,782	\$6,365,817	\$2,599,703	\$47,814,829
						\$2,462,129

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2017

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and Cash Equivalents	\$6,258,488	\$1,818,102
Receivables:		
Interest Receivable	1,759,247	
Other Receivables		51
Due from Other Funds	2,526,923	
Investments, at Fair Value:		
Debt Securities:		
US Agencies	30,285,742	
US Government Obligations	32,394,757	
Municipal Obligations	2,544,849	
International Bonds	8,161,516	
Corporate Debt	84,090,782	
Repurchase Agreements	54,702,354	
Other Investments:		
Equity Mutual Funds	319,331,490	
Equity Real Estate	64,102,969	
Equity Securities - Domestic	98,687,289	
Equity Securities - International	75,262,275	
Total Investments	<u>769,564,023</u>	<u>0</u>
Total Assets	<u><u>\$780,108,681</u></u>	<u><u>\$1,818,153</u></u>
LIABILITIES		
Accounts Payable and Accrued Expenses	\$7,700	\$0
Securities Lending Transactions	54,702,354	
Due to Other Funds	119,163	
Payable to Others		1,818,153
Total Liabilities	<u><u>\$54,829,217</u></u>	<u><u>\$1,818,153</u></u>
NET POSITION		
Net position restricted for pensions	<u><u>\$725,279,464</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, 2017

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$29,667,706
Employer - Administration	5,638,286
Plan Members	11,186,704
Other	141,051
Total Contributions	<u>46,633,747</u>
Investment Income:	
Net Change in Fair Value of Investments	82,838,203
Interest	7,546,444
Dividends	4,913,117
Total Investment Income	<u>95,297,764</u>
Less Investment Expense	<u>3,104,435</u>
Net Investment Income	<u>92,193,329</u>
Income from Securities Lending Activities:	
Securities Lending Income	273,357
Securities Lending Expenses:	
Borrower Rebates	(145,704)
Management Fees	51,372
Total Securities Lending Expenses (Income)	<u>(94,332)</u>
Net Income on Securities Lending Activities	<u>367,689</u>
Total Additions	<u>139,194,765</u>
DEDUCTIONS	
Benefit Payments	63,689,388
Administrative Expense	233,451
Total Deductions	<u>63,922,839</u>
Net Increase	75,271,926
Net Position, Beginning	<u>650,007,538</u>
Net Position, Ending	<u><u>\$725,279,464</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, 2017

	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	Total
ASSETS					
Cash	\$1,530,580	\$9,028,426	\$10,766,335	\$19,460,917	\$40,786,258
Investments		3,476,197		5,237,846	8,714,043
Receivables:					
Accounts Receivable	1,358,374	1,824,348	192,878	361,570	3,737,170
Other		9,890		178,573	188,463
Less Allowance for Uncollectible Accounts	(4,392)				(4,392)
Due from Primary Government	856,428			1,369,792	2,226,220
Due from Other Governments				650,715	650,715
Other Current Assets	340,110	538,507			878,617
Inventories and Prepaid Expenses			64,544	839,348	903,892
Restricted Current Assets:					
Cash		19,837,284		6,017,356	25,854,640
Accounts Receivable		529,210			529,210
Investments	19,802,054	37,916,638		512,202	58,230,894
Grants Receivable		926,803			926,803
Other		46,062			46,062
Capital Assets:					
Non-depreciable	22,176,133	22,710,543		9,780,085	54,666,761
Depreciable (Net)	39,743,986	125,347,555	2,520,193	60,923,971	228,535,705
Other Assets	72,907		2,029,503	8,355,000	10,457,410
Total Assets	85,876,180	222,191,463	15,573,453	113,687,375	437,328,471
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on bond refunding	\$53,350	\$1,744,243	\$0	\$0	\$1,797,593
Differences between expected and actual experience			44,702	60,247	104,949
Differences between projected and actual earnings on pension plan investments			657,108	1,868,305	2,525,413
Changes of assumptions			3,241,801	1,311,549	4,553,350
Changes in proportionate share				399,815	399,815
Contributions subsequent to measurement date			2,580,314	1,121,456	3,701,770
Total Deferred Outflows of Resources	53,350	1,744,243	6,523,925	4,761,372	13,082,890
LIABILITIES					
Accounts, Contracts Payable and					
Accrued Liabilities	\$2,814,274	\$1,743,719	\$945,028	\$1,910,949	\$7,413,970
Interest Payable				7,529	7,529
Due to Primary Government				10,568	10,568
Unearned Revenue and Other			10,564	3,748	14,312
Liabilities Payable from Restricted Assets:					
Accounts Payable		1,489,977			1,489,977
Interest Payable		1,759,042			1,759,042
Noncurrent Liabilities:					
Due Within One Year					
Compensated Absences				537,036	537,036
Bonds and Notes Payable	2,245,000	3,980,000		1,473,092	7,698,092
Due in More Than One Year					
Compensated Absences			499,496	346,155	845,651
Bonds and Notes Payable	21,850,896	88,849,510		28,675,001	139,375,407
Other		350,366			350,366
Unfunded Pension Liability			42,797,000	15,319,607	58,116,607
Total Liabilities	\$26,910,170	\$98,172,614	\$44,252,088	\$48,283,685	\$217,618,557
DEFERRED INFLOWS OF RESOURCES					
Differences between expected and actual experience	\$0	\$0	\$0	\$553,766	\$553,766
Changes in proportionate share			17,266,038	27,719	17,293,757
Total Deferred Inflows of Resources	0	0	17,266,038	581,485	17,847,523
NET POSITION					
Net Investment in Capital Assets	\$37,877,573	\$88,552,723	\$2,520,193	\$41,731,184	\$170,681,673
Restricted for:					
Governmental and Program Funds			49,904	425,267	475,171
Capital Projects	10,022,316	926,803			10,949,119
Debt Service	7,777,175	23,882,220			31,659,395
Unrestricted	3,342,296	12,401,346	(41,990,845)	27,427,126	1,179,923
Total Net Position	\$59,019,360	\$125,763,092	(\$39,420,748)	\$69,583,577	\$214,945,281

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, 2017

	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	Nonmajor Component Units	Total
Lexington Center Corporation									
Lexington Center Operations	\$15,139,485	\$14,038,643	\$448,000	\$11,533,152	\$10,880,310				\$10,880,310
Depreciation	4,428,210				(4,428,210)				(4,428,210)
Interest on Long-Term Debt	803,370				(803,370)				(803,370)
Total Lexington Center Corporation	20,371,065	14,038,643	448,000	11,533,152					5,648,730
Lexington Airport Board									
Airport Operations	12,407,092	21,946,781		8,437,797		\$17,977,486			17,977,486
Depreciation	9,894,394					(9,894,394)			(9,894,394)
Interest on Long-Term Debt	2,502,988					(2,502,988)			(2,502,988)
Total Lexington Airport Board	24,804,474	21,946,781	0	8,437,797					5,580,104
Fayette County Department of Health									
Department of Health Operations	9,292,594	3,371,833	6,771,918				\$851,157		851,157
Depreciation	390,134						(390,134)		(390,134)
Total Fayette County Department of Health	9,682,728	3,371,833	6,771,918						461,023
Nonmajor Component Units									
Department of Health Operations	50,789,803	4,580,452	7,101,388	4,012,003				(\$35,095,960)	(35,095,960)
Depreciation	\$105,648,070	\$43,937,709	\$14,321,306	\$23,982,952	\$5,648,730	\$5,580,104	\$461,023	(\$35,095,960)	(\$23,406,103)
Total Component Units									
General Revenues:									
Taxes					\$7,019,889	\$0	\$8,030,272	\$39,468,688	\$54,518,849
Payment from Lexington-Fayette Urban County Government								611,986	611,986
Income on Investments					55,510	321,515	61,945	81,278	520,248
Net Change in Fair Value of Investments						(326,219)			(326,219)
Gain on Sale of Capital Assets								5,735	5,735
Debt Issuance Costs						(404,432)			(404,432)
Miscellaneous					75,000		25,687	(2,801,015)	(2,700,328)
Total General Revenues					7,150,399	(409,136)	8,117,904	37,366,672	\$2,225,839
Change in Net Position					12,799,129	5,170,968	8,578,927	2,270,712	28,819,736
Net Position, Beginning					46,220,231	120,592,124	(47,999,675)	67,312,865	186,125,545
Net Position, Ending					\$59,019,360	\$125,763,092	(\$39,420,748)	\$69,583,577	\$214,945,281

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
INDEX

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	50
	A. Reporting Entity	50
	B. Related Organization	52
	C. Jointly Governed Organizations	52
	D. Basic Financial Statements	53
	E. Budgetary Control	56
	F. Assets, Liabilities and Fund Equity	56
	G. Deferred Inflows of Resources and Deferred Outflows of Resources	59
	H. Net Position/Fund Balances	60
	I. Use of Estimates	62
	J. Revenues	62
	K. Pension	62
NOTE 2.	STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY	62
	A. Compliance With Finance Related Legal and Contractual Provisions	62
	B. Excess of Expenditures over Appropriations	63
	C. Fund Deficits	63
	D. Prior Period Adjustments	63
NOTE 3.	DETAIL NOTES ON ALL FUNDS	64
	A. Cash, Investments, and Securities Lending	64
	B. Capital Assets	70
	C. Interfund Receivables, Payables, and Transfers	72
	D. Long-Term Debt	73
NOTE 4.	SELF-INSURANCE PROGRAM	83
	A. Health, Dental, and Vision Care	83
	B. Insurance and Risk Management	83
NOTE 5.	CONTINGENT LIABILITIES AND COMMITMENTS	84
	A. Litigation	84
	B. United States Environmental Protection Agency Consent Decree	85
	C. Federal and State Grants	85
	D. Lexington Center Corporation	85
	E. Lexington-Fayette Urban County Airport Corporation (Airport Corporation)	86
	F. Lexington Public Library	86
	G. Lexington Downtown Housing Fund, LLC	87
	H. Historic Courthouse, LLLP	87
	I. Liens and Encumbrances	87
	J. Conduit Debt	87
	K. Encumbrances	88
	L. Tax Abatements	88
NOTE 6.	THE SINGLE AUDIT ACT	89
NOTE 7.	SUBSEQUENT EVENTS	89
NOTE 8.	DEFINED BENEFIT PENSION PLANS AND OTHER POST EMPLOYMENT BENEFITS	90
	A. Plan Descriptions	90
	B. Summary of Significant Accounting Policies	91
	C. Contributions	91
	D. Net Pension Liability	91
	E. Other Post Employment Benefit (OPEB)	93
	F. Pension Plan Financial Statements	96
	G. The County Employees' Retirement System	98
NOTE 9.	RECENT GASB PRONOUNCEMENTS	101

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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. LexTran is governed by an eight-member board appointed by the Government and approved by the Urban County Council. 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 approved by 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)
June 30, 2017

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.

The DDA is included in the comprehensive audit of the Government and does not issue separate financial statements. The DDA has 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.

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 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 Parking Authority 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 2017.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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 judgments are recorded when due, and (2) compensated absences are accounted for as expenditures in the period used.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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

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

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

The Government reports the following major governmental funds:

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

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

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

The Government reports the following major proprietary funds:

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

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

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

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

Additionally, the Government reports the following fund types:

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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 2017. The net effect of these supplemental appropriations was an increase of \$27,250,294 in the General Fund and an increase of \$4,067,575 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 2017, 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 2017 were levied on August 30, 2016 on the assessed valuation of property located in Fayette County as of the preceding January 1, the lien date.

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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, 2017, 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, 2017 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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

Various purpose general obligation notes account	\$40,633,815
Federal Grants and Contracts	28,769
Debt Service on QECB Bond	602,807
Total restricted assets	<u>\$41,265,391</u>

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

Sanitary sewer revenue bond sinking fund account	\$2,877,540
Sanitary sewer and stormwater capital replacement account	945,770
Total restricted assets	<u>\$3,823,310</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, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition 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	10-50 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.

The Government has a collection of artwork and historical treasures presented for public exhibition and education that are being preserved for future use. These items are not capitalized or depreciated as part of capital assets.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

governmental funds, compensated absences are not payable with available and spendable resources, and, therefore, are only recorded when they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations – In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable Governmental Activities, Business-Type Activities, or proprietary fund Statement of Net Position. The discounts and premiums related to bonds and notes issued are amortized over the life of the bond or note using the straight-line method. Bonds and notes payable are reported net of the applicable bond premium or discount. Issuance costs are expensed when incurred. 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

earnings on the pension plan, and contributions to pension plans made subsequent to the Government's measurement date of June 30, 2016.

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

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, 2017.

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, 2017.

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	\$921,150
Affordable Housing & Homelessness Intervention	1,904,306
Economic Stabilization	31,408,506
Chief Development Officer	1,842,492
Social Services	767,350
Special Programs	506,247
Committed Fund Balance	<u>\$37,350,051</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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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.
- 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, 2017 for approval through ordinance.

Assigned for:	General Fund	Non Major Funds
Information Technology	\$685,487	\$0
Environmental Quality & Public Works	612,065	
General Government	14,013,077	457,767
General Services	415,083	
Outside Agencies	16	
Parks and Recreation	845,940	
Planning Preservation & Development	128,065	
Public Safety	2,163,260	
Social Services	50,903	
Assigned Fund Balance	<u>\$18,913,896</u>	<u>\$457,767</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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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.

The majority of the sanitary sewer and landfill user fees, together with the water quality management fees, were billed and collected by Greater Cincinnati Water Works (GCWW) through May 14, 2017, the third party vendor hired September 2012 to replace Kentucky American Water Company (KAWC). Cash collected by GCWW was remitted to the Government daily. All revenues (net of an allowance for doubtful accounts) billed by GCWW were recorded by the Government. Beginning May 15, 2017, the Government implemented an internal billing system to collect sanitary sewer and landfill user fees, along with the water quality management fee.

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, 2016.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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, 2017:

	<u>Excess Expenditures</u>
General Fund:	
Accounting	\$91,041
Adult Services	1,705
Board of Elections	1,239
Building Inspection	101,645
Chief Development Officer	67,393
Circuit Judges	8,404
Community Corrections	812,617
Division of Water & Air Quality	689
Engineering	47,215
Enterprise Solutions	109,109
Environmental Quality & Public Works Admin.	2,937
Environmental Services	178,804
Family Services	103,030
Fire & Emergency Services	3,650,752
Government Communications	8,305
Grants & Special Projects Agencies	56,465
Human Resources	2,305
Law	114,233
Office of the Chief Administrative Officer	11,640
Office of the Mayor	52,799
Planning	219,173
Police	1,241,777
Public Safety Administration	787,439
Social Service Administration	53,254
Traffic Engineering	41,707
Urban Services Fund:	
Environmental Quality	\$36,216
Environmental Services	149,900
Indirect Cost Allocation	81,182

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

C. Fund Deficits

Proprietary funds – the Extended School Program had a fund deficit of \$190,082 as a result of the unfunded pension liability.

D. Prior Period Adjustments

Primary Government

A prior period adjustment has been made for \$166,283 to derecognize revenues from occupational license fees recognized in fiscal year 2016 that will not be collected. On the Governmental fund financial statements, fund balance decreased \$166,283.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

A prior period adjustment has been made for \$45,425 between General Governmental Funds and Other Governmental Funds to allocate capital project costs to funding sources. There is no effect on the Governmental fund financial statements as a whole.

Component Units

Component Unit beginning Fund Balance has been reduced \$16,866,035. Effective July 1, 2016, the Parking Authority of Lexington (Parking Authority) contracted with a third party provider for Accounting Services. 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. Accordingly, the Parking Authority is no longer considered to be a component unit of the Government.

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. Cash, Investments and Securities Lending

Primary Government

The Government's bank balances at June 30, 2017 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, 2017

Investments of the Government as of June 30, 2017 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	\$41,550,390	\$41,550,390	\$0	\$0
Money Market Mutual Funds	115,986,323		115,986,323	
Certificates of Deposit	18,893,588		18,893,588	
U.S. Government Agency Obligations	53,783,478		53,783,478	
Total Investments	<u>\$230,213,779</u>	<u>\$41,550,390</u>	<u>\$188,663,389</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, 2017

Investments of the PFRF as of June 30, 2017 are summarized and categorized in the following table:

Policemen's and Firefighters' Retirement Fund

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets Level 1</u>	<u>Significant Other Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Debt Securities				
US Agencies	\$30,078,453	\$0	\$30,078,453	\$0
US Government Obligations	28,864,880		28,864,880	
Municipal Obligations	2,544,849		2,544,849	
International Bonds	8,161,516		8,161,516	
Corporate Debt	75,867,310		75,852,527	14,783
SL Commingled Fund	54,702,354		54,702,354	
	<u>\$200,219,362</u>	<u>\$0</u>	<u>\$200,204,579</u>	<u>\$14,783</u>
Other Investments				
Equity Mutual Funds	\$301,827,952	\$219,066,758	\$82,761,194	\$0
Equity Real Estate	64,102,969		64,102,969	
Equity Securities - Domestic	98,687,289	98,638,712		48,577
Equity Securities - International	75,262,275	4,705,519	70,556,756	
	<u>\$740,099,847</u>	<u>\$322,410,989</u>	<u>\$417,625,498</u>	<u>\$63,360</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	<u>63.00%</u>
US Core Fixed Income	15.50%
US High Yield Fixed Income	7.50%
Total Fixed Income	<u>23.00%</u>
Real Estate	9.00%
Real Return	<u>5.00%</u>
Total Plan	<u>100.00%</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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	\$44,187,990
US Agencies	\$30,078,453	\$12,280	\$2,806,149	\$1,487,623	\$25,772,401	AA	16,896,937
US Government Obligations	28,864,880	676,859	8,637,057	11,920,547	7,630,417	AAA	3,466,157
Municipal Obligations	2,544,849	255,607	2,289,242			B	15,813,033
International Bonds	8,161,516	708,562	4,611,300	2,158,871	682,783	BB	24,185,649
Corporate Debt	75,867,310	498,803	43,841,486	24,580,396	6,946,625	BBB	13,785,901
SL Commingle Fund	54,702,354	36,842,872	17,325,513		533,969	CCC	2,526,516
	<u>\$200,219,362</u>	<u>\$38,994,983</u>	<u>\$79,510,747</u>	<u>\$40,147,437</u>	<u>\$41,566,195</u>	D	177,550
Other Investments						NR	619,060,114
Equity Mutual Funds	\$301,827,952						
Equity Real Estate	64,102,969						
Equity Securities - Domestic	98,687,289						
Equity Securities - International	75,262,275						
	<u>\$740,099,847</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 Northern Trust, a national banking association (the agent). Northern Trust, 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

generally match the maturities of the securities lending arrangements themselves; they are typically very short-term in nature and mostly invested in overnight repurchase agreements.

The agent agrees to indemnify the retirement fund for losses resulting directly or indirectly from the failure of the borrower to return the loaned securities in accordance with the terms of the loan agreement, limited to an indemnification amount equal to the difference between the market value of the loaned securities and the value of the collateral. There are no restrictions in the agreement that limit the amount of securities that can be lent at one time or to one borrower.

As of June 30, 2017, the securities loaned in the portfolio did not have credit risk, and the fair value of securities on loan is \$54,702,354.

Investments of the CEPF as of June 30, 2017 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	\$207,289	\$0	\$207,289	\$0
US Government Obligations	3,529,877		3,529,877	
Corporate Debt	8,223,472		8,223,472	
Other Investments:				
Equity Mutual Funds	17,503,538		17,503,538	
	<u>\$29,464,176</u>	<u>\$0</u>	<u>\$29,464,176</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)
June 30, 2017

		City Employees Pension 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	\$4,841,788	
US Agencies	\$207,289	\$207,289	\$0	\$0	\$0	AA	5,919,392	
US Government Obligations	3,529,877			970,827	2,559,050	BBB	1,199,458	
Corporate Debt	8,223,472	901,102	4,963,795	2,358,575		NR	17,503,538	
	11,960,638	1,108,391	4,963,795	3,329,402	2,559,050			
Other Investments:								
Equity Mutual Funds	17,503,538							
	<u>\$29,464,176</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	\$44,538,496
Investments not subject to categorization:	
Certificates of Deposit	7,752,611
Money Market Funds	14,653,830
Total Investments	<u>\$66,944,937</u>

As of June 30, 2017, LCC had \$1,805,560 and \$532,036 in deposits and investments, respectively, which were uninsured and uncollateralized.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

B. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Nondepreciable Assets:				
Land	\$61,218,271	\$697,172	(\$27,200)	\$61,888,243
Purchase of Development Rights	76,227,144	2,581,801		78,808,945
Intangibles	3,104,387	25,775		3,130,162
Construction in Progress	44,256,207	16,621,764	(46,366,864)	14,511,107
Developments in Progress	22,897,271	233,856	(528)	23,130,599
Depreciable Assets:				
Buildings	153,596,800	30,213,418	(605,841)	183,204,377
Intangibles	13,635,124	3,166,895		16,802,019
Vehicles, Equipment & Furniture	127,170,172	18,528,938	(6,443,445)	139,255,665
Land & Leasehold Improvements	36,660,610	5,464,186	(77,103)	42,047,693
Infrastructure	1,019,646,820	7,095,008		1,026,741,828
Sewer Lines	11,366,648			11,366,648
Sewer Plants	216,797			216,797
Totals at Historical Cost	1,569,996,251	84,628,813	(53,520,981)	1,601,104,083
Less Accumulated Depreciation For:				
Buildings	(62,645,391)	(5,448,439)	527,008	(67,566,822)
Intangibles	(9,620,068)	(1,487,479)		(11,107,547)
Vehicles, Equipment & Furniture	(88,468,298)	(9,763,066)	6,353,787	(91,877,577)
Land & Leasehold Improvements	(22,058,946)	(2,776,448)	36,601	(24,798,793)
Infrastructure	(382,034,687)	(33,664,129)		(415,698,816)
Sewer Lines	(1,038,567)	(226,483)		(1,265,050)
Sewer Plants	(6,826)	(4,336)		(11,162)
Total Accumulated Depreciation	(565,872,783)	(53,370,380)	6,917,396	(612,325,767)
Governmental Activities Capital Assets, Net	\$1,004,123,468	\$31,258,433	(\$46,603,585)	\$988,778,316
Business-Type Activities:				
Nondepreciable Assets:				
Land	\$43,869,383	\$2,830,321	(\$400,000)	\$46,299,704
Construction in Progress	64,916,237	35,253,241	(57,112,043)	43,057,435
Developments in Progress	8,417,827	86,560	(1,683)	8,502,704
Intangibles	455,826			455,826
Depreciable Assets:				
Buildings	118,188,619	1,506,788	(73,412)	119,621,995
Intangibles	3,293,477	5,598,442	(29,712)	8,862,207
Vehicles, Equipment & Furniture	24,585,165	12,532,948	(1,299,398)	35,818,715
Land & Leasehold Improvements	45,877,369	270,602	(3,197,204)	42,950,767
Infrastructure	11,428,527	1,523,951		12,952,478
Sewer Lines	198,320,290	9,775,330		208,095,620
Sewer Plants	167,748,984	28,650,940		196,399,924
Totals at Historical Cost	687,101,704	98,029,123	(62,113,452)	723,017,375
Less Accumulated Depreciation For:				
Buildings	(81,451,020)	(3,836,908)	55,464	(85,232,464)
Intangibles	(2,989,227)	(573,440)	29,710	(3,532,957)
Vehicles, Equipment & Furniture	(14,598,715)	(2,503,460)	1,282,094	(15,820,081)
Land & Leasehold Improvements	(36,716,975)	(570,607)	1,676,115	(35,611,467)
Infrastructure	(1,141,376)	(262,228)		(1,403,604)
Sewer Lines	(70,363,953)	(3,889,734)		(74,253,687)
Sewer Plants	(96,560,556)	(3,776,467)		(100,337,023)
Total Accumulated Depreciation	(303,821,822)	(15,412,844)	3,043,383	(316,191,283)
Business-Type Activities Capital Assets, Net	\$383,279,882	\$82,616,279	(\$59,070,069)	\$406,826,092

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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

Governmental Activities:

General Government	\$597,587
Computer Information Technology	379,250
Administrative Services	379,911
Finance	734,010
Public Safety	1,428,376
Environmental Quality & Public Works	4,902,869
Police	1,008,865
Fire and Emergency Services	1,617,084
Law	2,364
Community Corrections	2,480,564
Social Services	532,183
General Services	4,781,119
Parks and Recreation	1,433,537
Planning, Preservation, & Development	33,092,661
Total depreciation expense - Governmental Activities	<u>\$53,370,380</u>

Business-Type Activities:

Sanitary Sewer System	\$10,568,196
Public Facilities Corporation	3,677,764
Public Parking Corporation	89,045
Landfill	470,264
Right of Way	1,562
Extended School Program	4,111
Enhanced 911	384,484
Water Quality	217,418
Total depreciation expense - Business-Type Activities	<u>\$15,412,844</u>

	Discretely Presented Component Units			
	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable Assets:				
Land	\$25,367,324	\$7,649,766	\$0	\$33,017,090
* Construction in Progress	14,390,067	11,788,844	(12,492,482)	13,686,429
* Other	2,657,189	5,306,053		7,963,242
Depreciable Assets:				
Buildings & Improvements	358,788,253	6,648,451	(4,098,471)	361,338,233
Vehicles, Equipment & Furniture	62,888,874	14,779,514	(1,023,659)	76,644,729
Land & Leasehold Improvements	67,320,093	1,991,302	(841,291)	68,470,104
Intangibles	49,605			49,605
Totals at Historical Cost	531,461,405	48,163,930	(18,455,903)	561,169,432
Less Accumulated Depreciation	(260,535,639)	(20,019,396)	2,588,069	(277,966,966)
Component Unit Activities				
** Capital Assets, Net	<u>\$270,925,766</u>	<u>\$28,144,534</u>	<u>(\$15,867,834)</u>	<u>\$283,202,466</u>

* Beginning balances restated.

** Beginning balance restated to reflect Parking Authority's removal as a Component Unit. The reduction of beginning totals \$18,026,796. For additional details see Note 2.D.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

Construction Commitments

The Government has active construction projects as of June 30, 2017. The projects include improvements to buildings, sanitary sewer storm water systems and major roadways. At June 30, 2017, the Government had the following commitments on construction contracts:

Project	Commitment
Buildings	\$1,584,770
Capital Repairs & Maintenance	2,210,163
Land Improvements	3,127,037
Sanitary Sewer Collection System	59,672,189
Sanitary Sewer Treatment System	1,758,076
Storm Drainage	1,225,757
Street Resurfacing Maintenance	6,061,675
Streets & Roadways	4,260,129
Street Lighting	225,348
Traffic Control & Markings	556,685
	<u>\$80,681,829</u>

Buildings are primarily financed through general obligation bonds for various renovations and construction. Capital repairs & maintenance and traffic control & markings are funded by intergovernmental revenues and general obligation bonds. Land improvements are funded by a combination of intergovernmental revenues, general obligation bonds, and grant funds. Sanitary sewer projects are financed with both sewer revenues and Kentucky Infrastructure Authority State Revolving Fund Loans. Storm drainage improvements are supported by the water quality management fee revenues. Intergovernmental revenues, local contributions, general obligation bonds, and grants provide funding for major roadway improvements. The Urban Services funds finance the construction of street lighting.

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, 2017. In addition, Federal and State Grants revenues are based on reimbursable expenditures. The composition of interfund balances as of June 30, 2017, is as follows:

Fund Description	Due from (to) General Fund
Sanitary Sewer System	(\$3,710,383)
Public Facilities Corporation	1,498,934
Water Quality	(4,532,435)
Landfill	12,566
Other Enterprise Funds	3,030,509
Total due to Proprietary Funds	(3,700,809)
Urban Service	2,560,739
Federal & State Grants	(2,948,051)
Other Governmental Funds	(1,300,154)
Internal Service Funds	27,149,557
Total due from General Fund	<u>\$21,761,282</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

Receivable Entity	Payable Entity	Amount
Primary government - General fund	Component unit - Downtown Development Authority	\$10,568
Total		<u>\$10,568</u>
Component unit - Lexington Convention and Visitor's Bureau	Primary government - General fund	\$1,369,792
Component unit - Lexington Center Corporation	Primary government - General fund	<u>856,428</u>
Total		<u>\$2,226,220</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	Landfill	Water Quality	Non Major Proprietary	Total Proprietary
General	\$0	\$2,000,000	\$1,510,736	(\$3,266,960)	\$243,776	(\$149,521)	\$408,410	(\$163,143)	(\$886,241)	(\$209,227)	(\$999,722)
Urban Services	(2,000,000)		26,571		(1,973,429)						
Fed St Grants	(1,510,735)	(26,571)		(132,411)	(1,669,717)				(175,075)		(175,075)
Nonmajor Governmental	3,266,960		132,411		3,399,371	(35,505)					(35,505)
Public Facilities Corp	(395,202)				(395,202)						
Water Quality			175,075		175,075						
Grand Total	<u>(\$638,977)</u>	<u>\$1,973,429</u>	<u>\$1,844,793</u>	<u>(\$3,399,371)</u>	<u>(\$220,126)</u>	<u>(\$185,026)</u>	<u>\$408,410</u>	<u>(\$163,143)</u>	<u>(\$1,061,316)</u>	<u>(\$209,227)</u>	<u>(\$1,210,302)</u>

D. Long-Term Debt

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

Primary Government

Bonds payable, notes payable, compensated absences, landfill closure and postclosure care costs, and unfunded pension liabilities at June 30, 2017 are as follows:

	Purpose of Issue	Original Issue	Interest Rates	Final Maturity	Amount Outstanding	Due Within One Year
Governmental Activities						
Bonds, Notes, Loans, and Leases:						
General Obligation, Series 2009A	PDR /Building Renovation/CIP	\$24,830,000	2.25% - 5.00%	1-Feb-2029	\$1,680,000	\$1,680,000
Pension Obligation, Series 2009B	Police/Fire Pension Fund	\$70,610,000	3.50% - 6.00%	1-Apr-2029	49,605,000	3,055,000
General Obligation, Series 2010B	Refunding of 1999B and 2000A	\$7,735,000	1.00% - 3.00%	1-Sep-2019	2,480,000	805,000
General Obligation, Series 2010C	Refunding of 2000E	\$6,635,000	1.00% - 3.00%	1-Dec-2020	2,570,000	615,000
Pension Obligation, Series 2010D	Police/Fire Pension Fund	\$35,825,000	.95%-5.45%	1-Jun-2030	26,470,000	1,520,000
General Obligation, Series 2010H	Refunding of 2001B	\$4,465,000	1.00%-3.80%	1-Dec-2021	2,530,000	475,000
Pension Obligation, Series 2012A	Police/Fire Pension Fund	\$31,000,000	2.50% - 4.00%	1-Oct-2032	26,140,000	1,290,000
General Obligation, Series 2012B	Refunding of 2002C and 2004C	\$6,275,000	2.00% - 4.00%	1-Jul-2024	5,920,000	675,000
General Obligation, Series 2012C	CIP projects	\$3,455,000	1.50% - 3.00%	1-Jul-2017	750,000	750,000
General Obligation, Series 2013A	Road Resurfacing	\$11,275,000	2.00% - 5.00%	1-Oct-2023	7,675,000	950,000
General Obligation, Series 2013B	Refunding of 2004,2005C,2006B	\$6,005,000	2.00% - 4.00%	1-Jul-2025	4,295,000	440,000
General Obligation, Series 2013C	CIP projects	\$17,035,000	3.00% - 4.00%	1-Oct-2037	15,190,000	655,000
General Obligation, Series 2014A	Refunding of 2010A	\$55,925,000	3.00% - 5.00%	1-Sep-2030	46,525,000	2,445,000
General Obligation, Series 2014B	CIP projects	\$24,245,000	3.25%-5.00%	1-Jan-2035	22,780,000	810,000
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	1,240,000.00
General Obligation, Series 2015B	CIP projects	\$24,860,000	2.00% - 5.00%	1-Oct-2035	23,210,000	1,735,000
General Obligation, Series 2016A	Historic Courthouse Renovation	\$22,450,000	.80%-3.00%	1-Aug-2036	22,450,000	910,000.00
General Obligation, Series 2016B	CIP projects	\$8,870,000	2.00% - 5.00%	1-Aug-2036	8,870,000	550,000.00
General Obligation, Series 2016C	CIP projects	\$37,555,000	2.00% - 5.00%	1-Oct-2036	37,555,000	2,535,000.00
General Obligation, Series 2016D	Refunding of 2006D Detention Center	\$28,495,000	4.00% - 5.00%	1-Nov-2024	25,575,000	3,145,000.00
Premiums and Discounts					23,392,126	
Total Bonds, Notes, and Loans Payable					378,407,126	26,280,000
Other Liabilities:						
Compensated Absences					25,334,643	3,546,850
Unfunded Other Post Employment Benefit Liability					107,942,196	
Unfunded Pension Liability					353,465,981	
Total Other Liabilities					486,742,820	3,546,850
Total Governmental Activities					\$865,149,946	\$29,826,850
Business-Type Activities						
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	5,710,000	2,540,000
Public Facilities, Series 2016D Refunding	Refunding	\$42,590,000	2.65% - 5.00%	1-Oct-2031	42,590,000	2,055,000
Radcliffe road A209-09	SRF Loan	\$113,523	2.00%	1-Jun-2030	79,156	5,389
KIA Streetscape A209-8	SRF Loan	\$1,254,980	2.00%	1-Dec-2030	900,476	58,725
So. Elkhorn A09-01	SRF Loan	\$14,045,119	2.00%	1-Dec-2031	10,726,398	644,538
Wolf Run A10-08	SRF Loan	\$8,373,431	2.00%	1-Dec-2035	8,471,220	382,567
A13-002 Bob-O-Link	SRF Loan	\$2,657,197	1.75%	1-Dec-2037	2,657,197	112,110
A13-003 East Lake	SRF Loan	\$743,414	1.75%	1-Dec-2037	728,152	31,631
A13-003 Century Hills	SRF Loan	\$1,327,844	1.75%	1-Dec-2037	1,300,584	56,497
A13-003 West Hickman Trk A	SRF Loan	\$4,337,917	1.75%	1-Dec-2037	4,249,655	184,604
A13-003 Woodhill Trk	SRF Loan	\$3,588,021	1.75%	1-Dec-2037	3,514,963	152,689
A13-18 E2A	SRF Loan	\$5,264,306	1.75%	1-Dec-2037	5,264,306	221,939
A13-007 AW PH3	SRF Loan	\$989,346	1.75%	1-Dec-2037	968,580	42,080
A13-007 IDLHR N	SRF Loan	\$620,324	1.75%	1-Dec-2037	607,310	26,369
A13-002 Wolf Run Trk	SRF Loan	\$452,195	1.75%	1-Dec-2037	452,195	19,079
A13-002 Wolf Run WWS	SRF Loan	\$5,696,256	1.75%	1-Dec-2037	5,696,256	240,322
A12-016 Blue Sky	SRF Loan	\$1,594,026	2.00%	1-Dec-2037	1,528,486	66,857
A13-007 Walhampton Rogers	SRF Loan	\$719,816	1.75%	1-Dec-2037	704,710	30,610
A13-007 Cardinal-Laramie PH1-3	SRF Loan	\$226,247	1.75%	1-Dec-2037	221,497	9,626
A13-015 Town Branch*	SRF Loan	\$19,989,939	1.75%	1-Dec-2037	19,989,939	
A14-001 Lower Cane Run WWS*	SRF Loan	\$7,227,053	1.75%	1-Dec-2037	10,492,250	
A13-015 Marquis Ave*	SRF Loan	\$282,067	1.75%	1-Dec-2037	282,067	
A13-015 UK Trunk*	SRF Loan	\$1,946,502	1.75%	1-Dec-2037	1,946,502	
A15-026 West Hickman WWS*	SRF Loan	\$4,347,825	1.75%	1-Dec-2037	\$4,347,825	
A13-07 Rodgers Rd*	SRF Loan	\$1,742,814	1.75%	1-Dec-2037	1,742,814	75,714
Premiums and Discounts					9,608,110	
Total Bonds, Notes, and Loans Payable					168,970,648	6,956,346
Other Liabilities:						
Compensated Absences					1,488,546	477,863
Landfill Closure & Postclosure Care Costs					13,284,609	439,048
Unfunded Pension Liability					27,789,216	
Total Other Liabilities					42,562,371	916,911
Total Business-Type Activities					\$211,533,019	\$7,873,257

*Amounts represents draws as of 6/30/2017

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds, Notes, Loans, and Leases:					
General and Pension Obligation Bonds	\$343,060,000	\$66,050,000	(\$54,095,000)	\$355,015,000	\$26,280,000
Net of Bond Premiums and Discounts	15,989,549	8,960,059	(1,557,482)	23,392,126	
Total Bonds, Notes, and Loans Payable	359,049,549	75,010,059	(55,652,482)	378,407,126	26,280,000
Other Liabilities:					
Compensated Absences	24,177,448	1,976,697	(819,502)	25,334,643	3,546,850
Unfunded Other Post Employment Benefit Liability	93,938,616	14,003,580		107,942,196	
Unfunded Pension Liability	280,639,292	129,820,071	(56,993,382)	353,465,981	
Total Governmental Activities Long-Term Liabilities	\$757,804,905	\$220,810,407	(\$113,465,366)	\$865,149,946	\$29,826,850
Business-Type Activities					
Bonds, Notes and Loans:					
Revenue Bonds	\$32,310,000	\$0	(\$2,410,000)	\$29,900,000	\$2,540,000
Mortgage Revenue Bonds	51,315,000	42,590,000	(51,315,000)	42,590,000	2,055,000
Notes and Loans	64,266,455	24,037,604	(1,431,521)	86,872,538	2,361,346
Bonds, Notes, and Loans Payable	147,891,455	66,627,604	(55,156,521)	159,362,538	6,956,346
Net of Bond Premiums and Discounts	3,540,320	6,714,211	(646,421)	9,608,110	
Total Bonds, Notes, and Loans Payable	151,431,775	73,341,815	(55,802,942)	168,970,648	6,956,346
Other Liabilities:					
Compensated Absences	1,571,128	93,391	(175,973)	1,488,546	477,863
Landfill Closure and Postclosure Care Costs	13,722,665		(438,056)	13,284,609	439,048
Unfunded Pension Liability	21,083,912	9,155,685	(2,450,381)	27,789,216	
Total Business-Type Activities Long-Term Liabilities	\$187,809,480	\$82,590,891	(\$58,867,352)	\$211,533,019	\$7,873,257

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
2018	\$15,150,934	\$26,280,000	\$2,807,027	\$4,901,345	\$1,900,526	\$2,055,000	\$19,858,487	\$33,236,345
2019	14,005,104	26,555,000	2,609,213	6,644,087	1,795,056	2,165,000	18,409,373	35,364,087
2020	12,845,301	26,650,000	2,396,731	6,855,402	1,684,181	2,270,000	16,926,213	35,775,402
2021	11,643,946	27,020,000	2,179,921	7,068,031	1,567,681	2,390,000	15,391,548	36,478,031
2022	10,447,889	26,040,000	1,954,539	7,291,995	1,445,181	2,510,000	13,847,609	35,841,995
2023 - 2027	29,942,678	97,500,000	6,173,138	23,931,194	4,425,600	11,395,000	40,541,416	132,826,194
2028 - 2032	14,932,736	91,290,000	4,357,543	33,213,805	2,139,057	16,480,000	21,429,336	140,983,805
2033 - 2038	2,838,225	33,680,000	1,440,659	26,866,678	43,640	3,325,000	4,322,524	63,871,678
Total	<u>\$111,806,813</u>	<u>355,015,000</u>	<u>\$23,918,771</u>	<u>116,772,537</u>	<u>\$15,000,922</u>	<u>42,590,000</u>	<u>\$150,726,506</u>	<u>514,377,537</u>
Less principal payable within one year		<u>26,280,000</u>		<u>4,901,345</u>		<u>2,055,000</u>		<u>33,236,345</u>
Long term principal due after one year		<u>\$328,735,000</u>		<u>\$111,871,192</u>		<u>\$40,535,000</u>		<u>\$481,141,192</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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	Nonmajor Component Units	
2018	\$2,245,000	\$3,980,000	\$1,473,092	\$7,698,092
2019	2,340,000	3,660,000	1,509,348	7,509,348
2020	4,055,191	3,990,000	1,563,318	9,608,509
2021	5,021,602	4,100,000	1,615,010	10,736,612
2022	5,195,852	4,130,000	1,672,768	10,998,620
2023-2027	5,230,139	22,050,000	8,234,684	35,514,823
2028-2032		23,350,000	1,051,335	24,401,335
2033-2037		21,680,000	355,138	22,035,138
2038-2041		1,470,000		1,470,000
2042-2047			12,673,400	12,673,400
Total	24,087,784	88,410,000	30,148,093	142,645,877
Less payable within one year	(2,245,000)	(3,980,000)	(1,473,092)	(7,698,092)
Refinancing loss/premium-discount	8,112	4,419,510		4,427,622
Long term principal due after one year	<u>\$21,850,896</u>	<u>\$88,849,510</u>	<u>\$28,675,001</u>	<u>\$139,375,407</u>

Fiscal Year	Interest			Total
	Lexington Center Corporation	Lexington Airport Board	Nonmajor Component Units	
2018	\$846,135	\$3,160,870	\$771,706	\$4,778,711
2019	753,485	2,911,454	735,423	4,400,362
2020	645,389	2,878,392	683,908	4,207,689
2021	479,355	2,765,730	629,561	3,874,646
2022	299,000	2,673,221	389,030	3,361,251
2023-2027	373,590	11,500,004	2,101,370	13,974,964
2028-2032		7,327,918	1,135,974	8,463,892
2033-2037		2,231,979	1,086,107	3,318,086
2038-2041		65,650	925,629	991,279
2042-2047				
Total	<u>\$3,396,954</u>	<u>\$35,515,218</u>	<u>\$8,458,708</u>	<u>\$47,370,880</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 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

\$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.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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 \$42,590,000 Mortgage Revenue Refunding Bonds, Series 2016D, to refund \$48,910,000 total principal remaining on Series 2006 bonds, issued at a premium and payable annually in principal installments ranging from \$981,387 to \$3,961,556 plus interest over 16 years. The refunding provided a cumulative savings of \$7,984,977 over the life of the bonds resulting in a net present value savings of \$6,804,749 or 13.91% of the refunded principal.

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, 2017, the Government had received only a partial draw of \$8,805,647 with the remaining balance of \$4,868,655 to be requested in future years. 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 \$9,997,196, payable annually in principal installments ranging from \$205,263 to \$582,140 plus interest over 20 years for the upgrades to the Eastlake Trunk Line, Century Hills Trunk Line, West Hickman Trunk Line and the Woodhill Trunk Line. The Capital Replacement Reserve Fund requirement is \$25,000 annually for 10 years.
7. KIA Loan A13-007 issued in the amount of \$4,298,547, payable annually in principal installments ranging from \$91,001 to \$252,328 plus interest over 20 years for the upgrades to the Storm Water Systems of Anniston Wickland, Idlehour, Walhampton Rogers and Perimeter Park Neighborhoods. The Capital Replacement Reserve Fund requirement is \$12,000 annually for 10 years.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

8. KIA Loan A13-18 issued in the amount of \$5,264,306, payable annually in principal installments ranging from \$110,486 to \$306,355 plus interest over 20 years for the upgrades to the Expansion Area 2A Wastewater System. 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, 2017, the Government had received only a partial draw of \$1,594,026 with the remaining balance of \$335,974 to be requested in future years. 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, upgrades to Marquis Avenue, and the UK Trunk Line. As of June 30, 2017, the Government has received only a partial draw of \$22,218,508 with the remaining balance of \$9,582,492 to be requested in future years. 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, 2017 the Government has received only a partial draw of \$10,492,250 with the remaining balance of \$9,344,813 to be requested in future years. 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.
12. KIA Loan A15-026 issued in the amount of \$36,000,000 for design and construction of Phase 1 of a multi-phase waste water storage facility at the West Hickman Waste Water Treatment Plant. As of June 30, 2017 the Government has received only a partial draw of \$4,347,825 with the remaining balance of \$31,652,175 to be requested in future years. 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.

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. \$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 \$1,680,000.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

2. \$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.
3. \$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.
4. \$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.
5. \$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.
6. \$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, 2017 of \$21,699.
7. \$4,465,000, Series 2010H, General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2001B. Issued at a discount and payable in annual principal payments ranging from \$30,000 to \$540,000 plus interest over 12 years. The refunding provided for a cumulative savings of \$150,459 over the life of the bonds resulting in a net present value savings of \$126,407 or 3.03% of the refunded principal.
8. \$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.
9. \$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.
10. \$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.
11. \$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,

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

- 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.
12. \$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.
 13. \$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.
 14. \$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.
 15. \$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 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.
 16. \$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.
 17. \$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.
 18. \$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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

- 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.
19. \$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.
 20. \$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.
 21. \$37,555,000 Series 2016C, Various Purpose General Obligation Bonds financing the acquisition of various projects for departments within the Lexington-Fayette Urban County Government, 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, (ii) providing funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights. Issued at a premium and payable in annual principal payments ranging from \$975,000 to \$3,100,000 plus interest over 20 years.
 22. \$28,495,000 Series 2016D, Various Purpose General Obligation Refunding Bonds to finance the refunding of the 2006D Detention Center Refunding Bond. Issued at a premium and payable in annual principal payments ranging from \$2,920,000 to \$4,180,000 plus interest over 8 years. The refunding provided for a cumulative savings of \$3,942,183 over the life of the bonds resulting in net present value savings of \$3,742,315 or 11.47% of the refunded principal.

Landfill Closure and Postclosure Care Cost

State and Federal laws and regulations require the Government to place final covers on its landfills and to perform certain maintenance and postclosure monitoring functions at its landfills for thirty years. Since the operations and maintenance of the Government's landfills are accounted for in an Enterprise Fund, the accrued liability for these costs are reported in the Landfill Fund as required by GASB 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. The liability at June 30, 2017 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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, 2015	\$0
Claims and changes in estimates	28,290,907
Claims paid	<u>(28,290,907)</u>
Surplus at June 30, 2016	0
Claims and changes in estimates	33,203,405
Claims paid	<u>(33,203,405)</u>
Surplus at June 30, 2017	<u>\$0</u>

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

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

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

Annually, as of June 30, the Fund has a third party actuary review the claim histories for all claim years for which open claims are outstanding. The actuary projects the ultimate claim payment obligation (including the IBNR claims) for each year's claim experience. The Government elected to establish the liability for these claims and loss expenses at their present value, with a discount rate of 3.5%. As of June 30, 2017 the undiscounted estimated liability was \$29,139,632. The discounted estimated liability as of June 30, 2017 was \$24,082,949.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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, 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 paid 2016	(37,434)	(1,514,063)	(1,276,901)	(4,557,312)	(7,385,710)
Liability at June 30, 2016	2,815,109	6,523,013	192,470	17,219,578	26,750,170
Claims and changes in estimates FY17	(971,181)	2,329,098	353,971	5,768,560	7,480,448
Claims Incurred FY 2017	(313,330)	(3,383,255)	(390,572)	(6,060,512)	(10,147,669)
Liability at June 30, 2017	\$1,530,598	\$5,468,856	\$155,869	\$16,927,626	\$24,082,949

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 reasonably possible likelihood that the Government will incur some liability. As of June 30, 2017 the Government has accrued approximately \$9,600,000 for potential liabilities for the cases covered by self-insurance (See Note 4.B.).

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

In 2005, approximately 430 former and current firefighters filed suit alleging that overtime wages on certain portions of their compensation were not calculated accurately, though remuneration was made in accordance with Department of Labor standards and guidance during the time in question. They sought payment for alleged unpaid or under paid wages. The case went through extensive litigation, including appeals to various higher courts. Mediation began in September 2016, which resulted in a settlement of the case with no admission of liability for \$17,710,422, including contributions to the Police and Firefighters Pension Fund.

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.

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. In December 15, 2016, the University signed a Letter of Intent with LCC outlining goals and terms to be negotiated in a new 15-year lease that would extend to 2033. Negotiations are ongoing and LCC anticipates that a new lease will be finalized before calendar 2017 year end.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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. 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. During fiscal year 2017, work on the project ceased and the Warwick Foundation defaulted on the lease. The \$75,000 commitment from LCC was never paid and is no longer a commitment. LCC has accrued its commitment in its financial statement for the year ended June 30, 2016 and reversed its commitment in its financial statement for the year ended June 30, 2017.

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.

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. On August 18, 2016, the Kentucky Supreme Court denied the Motion for Discretionary Review filed by the Plaintiff. The case was remanded to the Fayette Circuit Court. Since remand, the Library filed two motions for summary judgement. On August 9, 2017, the Fayette

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

Circuit Court granted both motions for summary judgment and held that the Plaintiff was not entitled to recover damages. The deadline for appeal has not passed.

In November 1999 the Public Library Corporation (the Corporation), a component unit of the Lexington-Fayette Urban County Government, issued \$3,570,000 in tax-exempt bonds for the construction of the Bates Creek Branch. As security for the bonds, the Library has pledged to transfer amounts equal to annual debt service plus the highest annual debt service amount that will be on hand in the Corporation.

Through cancelable lease and sublease agreements, the Library is leasing the Bates 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, 2017, 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 is 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., which is a wholly owned subsidiary of Historic Courthouse Square Development, Inc., and Historic Courthouse Investor, LLC. HCH is in the process of developing the old courthouse in downtown Lexington. In connection with this project, the Government has issued \$22,450,000 Series 2016A Taxable General Obligation Bonds (see Note 20.D.) to assist in the financing of this project. A construction loan from the Government to the HCH in the amount of \$10,872,210 was paid during the financing closing. In addition, a grant of \$11,127,790 was made to the Historic Courthouse Square Development, Inc. as a capital contribution toward the construction of the project.

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.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

accompanying financial statements. As of June 30, 2017, there were 24 series of Industrial Revenue Bonds outstanding with an aggregate amount payable of approximately \$138,066,179

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, 2017, the Lease Revenue Bonds outstanding total approximately \$120,650,000

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, 2017 were as follows:

General Fund	\$6,509,151
Urban Service Fund	1,531,493
Nonmajor Governmental Funds	11,419,524

Encumbrances are not recorded in the financial statements for proprietary fund types and Pension Trust Funds. However, the purchase orders outstanding at June 30, 2017 for these funds are as follows:

Sanitary Sewer System	\$64,958,610
Public Facilities Corporation	344,947
Water Quality	4,305,711
Landfill	200,265
Nonmajor Enterprise Funds	22,006

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 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

As of June 30, 2017, 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, 2017, 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, 2017, 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 \$366,246 for tax credits related to fiscal year 2017 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 30, 2017, 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, 2017, twenty four (24) companies participated in that program at the local level. Payroll withholdings are reduced by an estimated amount of \$677,492.

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 September 12, 2017, the Urban County Council approved the issuance of Taxable General Obligation Pension Funding Refunding Bonds in the amount of \$22,560,000 for the partial refunding of Taxable General Obligation Pension Funding Bonds, Series 2010D, currently outstanding in the amount of \$26,470,000. In addition, the Urban County Council approved the issuance of General Obligation bonds with a par value of \$34.79 million to finance various projects including, but not limited to, (i) the construction, installation and equipping of fire stations, software

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

system upgrades, safety operations and other safety related projects, new firetrucks, new police equipment, new police cars, road resurfacing, road maintenance, streetscapes and sidewalk improvements, renovations and upgrades related to public buildings, renovations, and upgrades related to park projects, and various other improvements within departments of the Lexington-Fayette Urban County Government, 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 26, 2017, Moody's upgraded the Government's Sanitary Sewer Revenue Bond rating from Aa2 "negative" outlook to an Aa2 "stable" outlook to reflect a system with well-managed financial operations including above average liquidity and coverage levels, a large and stable customer base, and a manageable debt burden.

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, 2017.

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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 for both plans consisted of the following at June 30, 2016:

	Number
Inactive Plan Participants:	
Retirees and beneficiaries currently receiving benefits	1,193
Active Plan Participants:	
Active members	1,111
Total	2,304

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 are established by state statute and Government ordinance. In fiscal year 2016, the Government contributed 34.93% to the PFRF. Administrative costs were financed by a combination of additional contributions as well as investment income. The required contribution rate is shown in the following table:

	PFRF
Required Contribution Rates:	
Government	34.93%
Plan Member	12.00%

D. Net Pension Liability

The Government's net pension liability/(asset) was measured as of June 30, 2016, 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, 2016	July 1, 2016
Actuarial cost method	Entry Age Normal Funding	Entry Age Normal Funding
Amortization method	Level Dollar - Closed	Level Dollar - Open
Remaining amortization period	28 years closed	15 years open
Asset valuation method	5 year smoothed market	Market

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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)
Balances at 6/30/2015	\$780,894,527	\$634,715,718	\$146,178,809	\$11,238,705	\$30,182,832	(\$18,944,127)
Changes for the year:						
Service Cost	15,545,613		15,545,613			
Interest	56,566,064		56,566,064	736,800		736,800
Differences between expected and actual experience	14,500,618		14,500,617	291,530		291,530
Contributions-employer		24,755,620	(24,755,620)			
Contributions-employee		9,493,378	(9,493,378)			
Net investment income		4,396,040	(4,396,040)		1,365,187	(1,365,187)
Benefit payments, including refunds of employee contributions	(53,360,681)	(53,360,681)		(1,425,983)	(1,425,983)	
Administrative expense		(178,943)	178,943		(15,639)	15,639
Other changes		80,010	(80,010)			
Net changes	33,251,614	(14,814,576)	48,066,190	(397,653)	(76,435)	(321,218)
Balances at 6/30/2016	\$814,146,141	\$619,901,142	\$194,244,999	\$10,841,052	\$30,106,397	(\$19,265,345)

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%)
CEPF's net pension liability (asset)	(\$18,616,650)	(\$19,265,345)	(\$19,845,626)

The following presents the net pension liability of the Government's PFRF pension plan, calculated using the discount rate of 7.50%, 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 (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
PFRF's net pension liability	\$287,683,880	\$194,244,999	\$115,959,773

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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

At June 30, 2016, the CEPF and PFRF reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

CEPF		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$300,295	\$0
Total	\$300,295	\$0
PFRF		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$17,454,125	\$0
Net difference between projected and actual earnings on pension plan investments	30,006,391	
Employer contributions subsequent to the Measurement date	29,808,757	
Total	\$77,269,273	\$0

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	(\$109,716)
2018	(109,714)
2019	380,295
2020	139,430
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:	
2018	\$6,908,706
2019	6,908,706
2020	17,961,425
2021	11,920,754
Thereafter	3,760,925

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 2017, 1,361 retirees of the PFRF received this benefit for a total cost of \$5,578,186; and 14 retirees of the CEPF received this benefit for a total cost to the Government of \$60,100.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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	\$19,246,167
Interest on net OPEB obligation	4,227,238
Adjustment to annual required contribution	<u>(3,831,539)</u>
Annual OPEB cost (expense)	19,641,866
Contributions made	<u>(5,638,286)</u>
Increase in net OPEB obligation	14,003,580
Net OPEB obligation, beginning of year	<u>93,938,616</u>
Net OPEB obligation, end of year	<u><u>\$107,942,196</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 2017 and the two preceding fiscal years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	\$16,613,908	26.9%	\$81,824,516
2016	16,646,588	27.8%	93,938,616
2017	19,641,866	28.7%	107,942,196

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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
		- Projected Unit				
		Credit				
Date	(a)	(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, 2017

F. Pension Plan Financial Statements

STATEMENT OF NET POSITION

June 30, 2017

	<u>PFRF</u>	<u>CEPF</u>	<u>Total Pension Trust Funds</u>
ASSETS			
Cash and Cash Equivalents	\$5,563,930	\$694,558	\$6,258,488
Receivables:			
Interest Receivable	1,702,437	56,810	1,759,247
Due from Other Funds	2,526,923		2,526,923
Investments, at Fair Value:			
Debt Securities:			
US Agencies	30,078,453	207,289	30,285,742
US Government Obligations	28,864,880	3,529,877	32,394,757
Municipal Obligations	2,544,849		2,544,849
International Bonds	8,161,516		8,161,516
Corporate Debt	75,867,310	8,223,472	84,090,782
SL Comingled Funds	54,702,354		54,702,354
Other Investments:			
Equity Mutual Funds	301,827,952	17,503,538	319,331,490
Equity Real Estate	64,102,969		64,102,969
Equity Securities - Domestic	98,687,289		98,687,289
Equity Securities - International	75,262,275		75,262,275
Total Investments	<u>740,099,847</u>	<u>29,464,176</u>	<u>769,564,023</u>
Total Assets	<u><u>\$749,893,137</u></u>	<u><u>\$30,215,544</u></u>	<u><u>\$780,108,681</u></u>
LIABILITIES			
Accounts Payable and Accrued Expenses	\$7,567	\$133	\$7,700
Securities Lending Transactions	54,702,354		54,702,354
Due to Other Funds		119,163	119,163
Total Liabilities	<u>\$54,709,921</u>	<u>\$119,296</u>	<u>\$54,829,217</u>
NET POSITION			
Net position restricted for pensions	<u><u>\$695,183,216</u></u>	<u><u>\$30,096,248</u></u>	<u><u>\$725,279,464</u></u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

STATEMENT OF CHANGES IN NET POSITION
June 30, 2017

	<u>PFRF</u>	<u>CEPF</u>	<u>Total Pension Trust Funds</u>
ADDITIONS			
Contributions:			
Employer	\$29,667,706	\$0	\$29,667,706
Employer - Administration	5,578,186	60,100	5,638,286
Plan Members	11,186,704		11,186,704
Other	141,051		141,051
Total Contributions	<u>46,573,647</u>	<u>60,100</u>	<u>46,633,747</u>
Investment Income:			
Net Change in Fair Value of Investments	82,102,246	735,957	82,838,203
Interest	7,325,765	220,679	7,546,444
Dividends	4,441,223	471,894	4,913,117
Total Investment Income	<u>93,869,234</u>	<u>1,428,530</u>	<u>95,297,764</u>
Less Investment Expense	3,005,555	98,880	3,104,435
Net Investment Income	<u>90,863,679</u>	<u>1,329,650</u>	<u>92,193,329</u>
Income from Securities Lending Activities:			
Securities Lending Income	273,357		273,357
Securities Lending Expenses:			
Borrower Rebates	(145,704)		(145,704)
Management Fees	51,372		51,372
Total Securities Lending Expenses (Income)	<u>(94,332)</u>	<u>0</u>	<u>(94,332)</u>
Net Income on Securities Lending Activities	<u>367,689</u>	<u>0</u>	<u>367,689</u>
Total Additions	<u>137,805,015</u>	<u>1,389,750</u>	<u>139,194,765</u>
DEDUCTIONS			
Benefit Payments	62,296,731	1,392,657	63,689,388
Administrative Expense	226,211	7,240	233,451
Total Deductions	<u>62,522,942</u>	<u>1,399,897</u>	<u>63,922,839</u>
Net Decrease	75,282,073	(10,147)	75,271,926
Net Position, Beginning	<u>619,901,143</u>	<u>30,106,395</u>	<u>650,007,538</u>
Net Position, Ending	<u>\$695,183,216</u>	<u>\$30,096,248</u>	<u>\$725,279,464</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

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, school board, and any additional eligible local agencies electing to participate in the System. At June 30, 2016, 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 18.68%. 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 31.06%.

The contribution requirements and the amounts contributed to CERS were \$18,719,066, \$16,954,959, and \$16,354,078, respectively, for the years ended June 30, 2017, 2016 and 2015.

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, 2016, the Government reported a liability of \$187,010,198 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2017

pension plan relative to the projected contributions of all participating governmental agencies, actuarially determined. At June 30, 2016, the Government's portion of nonhazardous and hazardous was 2.96% and 2.41%, respectively.

At June 30, 2016, the Government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$1,232,201	\$0
Net difference between projected and actual earnings on pension plan investments	17,181,879	
Change of assumptions	10,089,098	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	7,134,209	
Government contributions subsequent to the measurement date	18,719,066	
Total	<u>\$54,356,453</u>	<u>\$0</u>

\$18,719,066 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, 2017. 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:

2017	9,884,073
2018	7,173,581
2019	7,619,314
2020	3,826,208
2021	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. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-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%.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2017

- 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).
- 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, 2016 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 was dated December 3, 2015. 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	2.00%	-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, 2017

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:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Nonhazardous	\$181,527,603	\$145,669,353	\$114,931,695
Hazardous	51,936,158	41,340,845	32,601,546
CERS's net pension liability	\$233,463,761	\$187,010,198	\$147,533,241

Payable to the Pension Plan

At June 30, 2017, the CERS reported payables of \$244,076 from the Government for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2017.

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 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 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 2018 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. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs).

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments.

Statement No. 87, *Leases*, the objective of which is to better meet the information needs financial statement users by improving accounting and financial reporting for leases by governments.

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
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
GENERAL FUND
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget-Positive (Negative)
REVENUES				
Licenses and Permits:				
Employee Withholdings	\$193,400,000	\$193,400,000	\$194,105,812	\$705,812
Business Returns	43,700,000	43,700,000	39,197,601	(4,502,399)
Insurance Premiums	29,070,000	29,070,000	30,749,246	1,679,246
Bond Deposits			(1,000)	(1,000)
Regulated License Fee	900,450	900,450	869,981	(30,469)
Franchise Fee	25,091,620	25,091,620	23,850,021	(1,241,599)
Bank Franchise Fee	1,465,000	1,465,000	1,506,854	41,854
Vehicle License	200,000	200,000	220,778	20,778
Deed Tax Fee	1,600,000	1,600,000	2,302,338	702,338
Registration Fee	415,000	415,000	412,000	(3,000)
Filing Fee - Planning & Zoning	130,000	130,000	142,126	12,126
Animal License	46,000	46,000	44,883	(1,117)
Certificates of Occupancy	9,000	9,000	8,570	(430)
Hotel - Motel License Fee	35,000	35,000	36,460	1,460
Total Licenses and Permits	296,062,070	296,062,070	293,445,670	(2,616,400)
Taxes:				
Realty Taxes	19,389,000	19,744,000	19,679,057	(64,943)
Personal Taxes	1,675,000	1,631,000	1,725,972	94,972
PSC Taxes	725,000	840,000	739,907	(100,093)
Property Tax Discount	(364,000)	(366,000)	(383,587)	(17,587)
Property Tax Commission	(896,000)	(909,000)	(934,692)	(25,692)
Delinquent - Realty & Personal	170,000	200,000	215,723	15,723
Motor Vehicle Ad Valorem Tax	1,768,000	1,842,000	1,992,740	150,740
County Clerk Com - Motor Vehicle	(72,000)	(72,000)	(70,985)	1,015
Supplementary Tax Bills	3,500	3,500	18,567	15,067
Omitted Tax	200,000	150,000	85,535	(64,465)
Total Taxes	22,598,500	23,063,500	23,068,237	4,737
Charges for Services:				
Accident Report Sales	100,000	100,000	119,547	19,547
Administrative Collection Fees	20,000	20,000	23,752	3,752
Adult Probation Fees	80,000	80,000	73,429	(6,571)
Animal Shelter Collections	20,000	20,000	18,632	(1,368)
Building Permits	1,518,400	1,518,400	1,678,455	160,055
Computer Services Fees	7,000	7,000	4,898	(2,102)
Detention Center	5,388,320	5,388,320	8,537,146	3,148,826
Developer Landscape Fees	5,000	5,000	3,960	(1,040)
District Court Jail Fees	90,000	90,000	78,360	(11,640)
Domestic Relations Collection	1,000	1,000	720	(280)
Downtown Arts Center	95,840	95,840	88,076	(7,764)
EMS	7,800,000	7,800,000	6,345,362	(1,454,638)
Excess Fees and Collections	2,750,000	2,750,000	2,922,614	172,614
Golf Course Collections	2,570,000	2,570,000	2,689,307	119,307
Park Land Acquisition	250,000	250,000	243,824	(6,176)
Parks & Recreation Programs	971,550	971,550	1,095,514	123,964
Rent or Lease Income	668,460	668,460	680,883	12,423
Total Charges for Services	22,335,570	22,335,570	24,604,479	2,268,909
Fines and Forfeitures	237,790	237,790	234,363	(3,427)
Intergovernmental	743,790	796,998	546,939	(250,059)
Property Sales	1,107,000	1,107,000	1,265,147	158,147
Investments	508,550	508,550	339,889	(168,661)
Other Income:				
Contributions	600	86,942	175,256	88,314
Other Income			587,474	587,474
Penalties & Interest	1,798,000	1,798,000	1,373,216	(424,784)
School Board Tax Fee	15,000	15,000	13,750	(1,250)
Payment in Lieu of Taxes			65,512	65,512
Miscellaneous	788,480	963,668	1,286,809	323,141
Total Other Income	2,602,080	2,863,610	3,502,017	638,407
Total Revenues	346,195,350	346,975,088	347,006,741	31,653
				continues

continued

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
GENERAL FUND
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget-Positive
	Original	Final	Actual	(Negative)
EXPENDITURES				
General Government:				
Council Office	2,735,610	2,728,078	2,704,424	(23,654)
Office of the Mayor	1,667,500	1,617,595	1,670,394	52,799
Special Programs	359,670	370,604	354,192	(16,412)
Board of Elections	703,880	703,880	705,119	1,239
Clerk of the Urban County Council	535,750	536,068	489,376	(46,692)
County Attorney	1,159,720	1,161,309	1,161,309	
Coroner	1,180,850	1,165,535	1,159,733	(5,802)
Property Valuation Administrator	362,800	362,800	357,800	(5,000)
Contingency	4,546,000	4,546,000		(4,546,000)
Circuit Judges	418,150	418,150	426,554	8,404
County Court Clerk	104,700	104,700	72,878	(31,822)
Citizens' Advocate	37,010	37,010	30,045	(6,965)
Commonwealth Attorney	269,820	265,960	239,327	(26,633)
County Judge Executive	17,290	17,290	10,049	(7,241)
Indirect Cost Allocation	(4,807,650)	(4,807,650)	(5,047,463)	(239,813)
Total General Government	9,291,100	9,227,329	4,333,737	(4,893,592)
Administrative Services:				
Office of the Chief Administrative Officer	2,039,850	1,927,757	1,939,397	11,640
Government Communications	1,241,210	1,218,848	1,227,153	8,305
Grants & Special Projects	617,090	617,090	673,555	56,465
Human Resources	3,090,530	3,104,980	3,107,285	2,305
Internal Audit Office	600,010	598,272	576,842	(21,430)
Total Administrative Services	7,588,690	7,466,947	7,524,232	57,285
Chief Development Officer				
Chief Development Officer	1,658,130	778,130	845,523	67,393
Total Chief Development Officer	1,658,130	778,130	845,523	67,393
Department of Information Technology:				
Office of the CIO	3,162,480	3,355,026	2,888,979	(466,047)
Computer Services	7,177,390	6,846,369	6,477,104	(369,265)
Enterprise Solutions	1,053,820	996,015	1,105,124	109,109
Total Information Technology	11,393,690	11,197,410	10,471,207	(726,203)
Department of Finance:				
Accounting	1,370,000	1,370,000	1,461,041	91,041
Office of Policy and Budget	538,180	538,180	514,787	(23,393)
Central Purchasing	667,190	667,981	666,288	(1,693)
Revenue	2,545,320	2,545,989	2,465,915	(80,074)
Finance Administration	886,820	844,170	801,100	(43,070)
Total Finance	6,007,510	5,966,320	5,909,131	(57,189)
Division of Environmental Quality & Public Works:				
Environmental Quality & PW Admin	337,170	327,766	330,703	2,937
Division of Water & Air Quality			689	689
Division of Environmental Services	2,488,010	2,332,456	2,511,260	178,804
Streets & Roads	4,425,250	5,343,423	4,682,783	(660,640)
Traffic Engineering	4,125,090	4,163,654	4,205,361	41,707
Total Environmental Quality & Public Works	11,375,520	12,167,299	11,730,796	(436,503)
Department of Planning, Preservation, & Development:				
Building Inspection	2,387,890	2,387,890	2,489,535	101,645
Code Enforcement	2,055,270	2,055,270	2,051,884	(3,386)
Engineering	1,604,800	1,774,288	1,821,503	47,215
Planning, Preservation, & Development	2,774,750	4,181,055	4,169,865	(11,190)
Historic Preservation	434,730	434,700	427,988	(6,712)
Planning	2,196,330	2,194,921	2,414,094	219,173
Purchase of Development Rights	234,980	249,952	214,022	(35,930)
Total Planning, Preservation, & Development	11,688,750	13,278,076	13,588,891	310,815
Department of Public Safety:				
Police	68,975,940	72,263,728	73,505,505	1,241,777
Fire & Emergency Services	69,246,550	81,406,303	85,057,055	3,650,752
Community Corrections	34,858,650	34,908,552	35,721,169	812,617
Public Safety Administration	6,755,670	6,778,751	7,566,190	787,439
DEEM/Enhanced 911	4,205,100	4,184,855	4,058,738	(126,117)
Security	955,880	977,180	894,490	(82,690)
Total Public Safety	184,997,790	200,519,369	206,803,147	6,283,778
Department of Social Services:				
Youth Services	2,488,510	2,514,037	2,467,563	(46,474)
Family Services	2,686,770	2,719,229	2,822,259	103,030
Adult Services	1,368,810	1,340,964	1,342,669	1,705
Social Services Administration	2,023,030	2,523,280	2,576,534	53,254
Total Social Services	8,567,120	9,097,510	9,209,025	111,515

continued

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
GENERAL FUND
For the Year Ended June 30, 2017

	Budgeted Amounts			Variance with Final Budget-Positive (Negative)
	Original	Final	Actual	
EXPENDITURES, continued				
Department of General Services:				
Parks & Recreation	22,748,990	24,056,525	23,577,203	(479,322)
Fleet & Facilities Management	9,347,670	9,967,150	5,344,964	(4,622,186)
General Services Administration	2,907,320	2,905,130	2,624,011	(281,119)
Total General Services	35,003,980	36,928,805	31,546,178	(5,382,627)
Department of Law:				
Law	2,418,920	10,071,875	10,186,108	114,233
Total Law	2,418,920	10,071,875	10,186,108	114,233
Outside Agencies:				
Commerce Lexington	457,000	507,000	507,000	
Downtown Lexington Corporation	42,710	32,033	42,710	10,677
Environmental Commission	5,910	6,910	4,717	(2,193)
World Trade Center	72,000	79,000	72,000	(7,000)
Grants & Special Projects Agencies	702,030	686,480	686,448	(32)
Social Service Agencies	2,850,060	2,837,107	2,774,798	(62,309)
LexArts	489,050	489,047	489,047	
NoLi Community Dev Corp		71,128	37,500	(33,628)
Lexington Public Library	14,632,670	15,051,980	15,051,980	
Explorium of Lexington	263,500	263,500	253,617	(9,883)
Carnegie Literacy Center	123,300	153,300	125,977	(27,323)
Downtown Development Authority	324,540	332,709	332,709	
Lyric Theatre	150,000	145,000	150,000	5,000
Total Outside Agencies	20,112,770	20,655,194	20,528,503	(126,691)
Debt Service:				
Principal	24,472,650	23,100,159	20,607,644	(2,492,515)
Interest	13,780,370	15,152,861	14,608,459	(544,402)
Total Debt Service	38,253,020	38,253,020	35,216,103	(3,036,917)
Total Expenditures	348,356,990	375,607,284	367,892,581	(7,714,703)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,161,640)	(28,632,196)	(20,885,840)	7,746,356
OTHER FINANCING SOURCES (USES)				
Transfers In	7,296,960	7,352,460	7,352,460	
Transfers Out	(5,274,660)	(6,431,468)	(8,047,453)	(1,615,985)
Total Other Financing Sources	2,022,300	920,992	(694,993)	(1,615,985)
Net Change in Fund Balance	(139,340)	(27,711,204)	(21,580,833)	6,130,371
Fund Balance, Beginning	1,500,000	1,500,000	87,007,876	85,507,876
Adjustment to Opening Fund Balance (Note 2.D.)			(120,857)	(120,857)
Fund Balances - Restated July 1	1,500,000	1,500,000	86,887,019	85,387,019
Fund Balance, Ending	\$1,360,660	(\$26,211,204)	\$65,306,186	\$91,517,390

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
FULL URBAN SERVICES DISTRICT FUND
For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits:				
Bank Franchise Fee	\$1,465,000	\$1,465,000	\$1,506,854	\$41,854
Total Licenses and Permits	<u>1,465,000</u>	<u>1,465,000</u>	<u>1,506,854</u>	<u>41,854</u>
Taxes:				
Realty Taxes	35,321,000	35,800,000	35,923,019	123,019
PSC Taxes	236,000	304,000	349,044	45,044
Property Tax Discount	(617,000)	(609,000)	(640,890)	(31,890)
Property Tax Commission	(350,000)	(350,000)	(350,000)	
Delinquent - Realty & Personal	268,000	268,000	285,007	17,007
Supplementary Tax Bills	1,000	1,000	2,427	1,427
Total Taxes	<u>34,859,000</u>	<u>35,414,000</u>	<u>35,568,607</u>	<u>154,607</u>
Charges for Services:				
Rent or Lease Income	4,000	4,000	5,000	1,000
Commodities	1,865,670	1,865,670	2,599,178	733,508
Dumpster Permit Fees	430	430	13,545	13,115
Total Charges for Services	<u>1,870,100</u>	<u>1,870,100</u>	<u>2,617,723</u>	<u>747,623</u>
Property Sales	<u>100,000</u>	<u>100,000</u>	<u>501,446</u>	<u>401,446</u>
Fines and Forfeitures	<u>900</u>	<u>900</u>	<u>457</u>	<u>(443)</u>
Intergovernmental	<u>3,180</u>	<u>3,180</u>	<u>3,126</u>	<u>(54)</u>
Investments	<u>241,650</u>	<u>241,650</u>	<u>130,113</u>	<u>(111,537)</u>
Other Income:				
Penalties & Interest	98,000	98,000	70,522	(27,478)
Miscellaneous	3,840	3,840	15,211	11,371
Total Other Income	<u>101,840</u>	<u>101,840</u>	<u>85,733</u>	<u>(16,107)</u>
Total Revenues	<u>38,641,670</u>	<u>39,196,670</u>	<u>40,414,059</u>	<u>1,217,389</u>
EXPENDITURES				
General Government:				
Contingency	179,020	179,020		(179,020)
Indirect Cost Allocation	2,098,450	2,098,450	2,179,632	81,182
Total General Government	<u>2,277,470</u>	<u>2,277,470</u>	<u>2,179,632</u>	<u>(97,838)</u>
Administrative Services:				
Government Communications	1,444,930	1,740,110	1,672,875	(67,235)
Human Resources	3,000	7,000	4,127	(2,873)
Total Administrative Services	<u>1,447,930</u>	<u>1,747,110</u>	<u>1,677,002</u>	<u>(70,108)</u>
Department of Information Technology				
Computer Services	156,750	156,750	153,845	(2,905)
Total Information Technology	<u>156,750</u>	<u>156,750</u>	<u>153,845</u>	<u>(2,905)</u>
Department of Finance:				
Finance	22,940	22,940	15,435	(7,505)
Total Finance	<u>22,940</u>	<u>22,940</u>	<u>15,435</u>	<u>(7,505)</u>
Division of Environmental Quality & Public Works				
Waste Management	26,057,430	27,165,480	25,845,734	(1,319,746)
Division of Environmental Services	644,680	701,853	851,753	149,900
Environmental Quality	207,130	207,130	243,346	36,216
Streets & Roads	2,256,590	2,257,525	2,199,458	(58,067)
Traffic Engineering	6,309,420	6,239,236	6,057,881	(181,355)
Total Environmental Quality & Public Works	<u>35,475,250</u>	<u>36,571,224</u>	<u>35,198,172</u>	<u>(1,373,052)</u>
Department of General Services:				
Fleet & Facilities Management	6,332,190	9,004,611	8,812,371	(192,240)
Total General Services	<u>6,332,190</u>	<u>9,004,611</u>	<u>8,812,371</u>	<u>(192,240)</u>
				continued

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
FULL URBAN SERVICES DISTRICT FUND
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
EXPENDITURES, continued				
Department of Law:				
Law	10,830	10,830	10,641	(189)
Total Law	10,830	10,830	10,641	(189)
Debt Service:				
Principal	625,760	625,760	625,753	(7)
Interest	224,100	224,100	224,093	(7)
Total Debt Service	849,860	849,860	849,846	(14)
Total Expenditures	46,573,220	50,640,795	48,896,944	(1,743,851)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,931,550)	(11,444,125)	(8,482,885)	2,961,240
OTHER FINANCING SOURCES (USES)				
Transfers In	2,000,000	2,000,000	2,000,000	
Transfers Out	(46,900)	(368,099)	(26,571)	341,528
Total Other Financing Sources (Uses)	1,953,100	1,631,901	1,973,429	341,528
Net Change in Fund Balance	(5,978,450)	(9,812,224)	(6,509,456)	3,302,768
Fund Balance, Beginning	30,676,670	30,676,670	30,374,247	(302,423)
Fund Balance, Ending	\$24,698,220	\$20,864,446	\$23,864,791	\$3,000,345

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

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

	Fiscal Year		Fiscal Year		Fiscal Year	
	2014		2015		2016	
	Police & Fire	City	Police & Fire	City	Police & Fire	City
Total pension liability						
Service cost	\$15,273,403	\$0	\$15,682,820	\$0	\$15,545,613	\$0
Interest	53,365,849	852,811	54,617,104	805,933	56,566,064	736,800
Changes of benefit terms						
Differences between expected and actual experience			7,523,715	(345,366)	14,500,618	291,530
Changes of assumptions						
Benefit payments, including refunds of member contributions	(53,597,352)	(1,574,594)	(50,314,337)	(1,470,392)	(53,360,681)	(1,425,983)
Net change in total pension liability	<u>15,041,900</u>	<u>(721,783)</u>	<u>27,509,302</u>	<u>(1,009,825)</u>	<u>33,251,614</u>	<u>(397,653)</u>
Total pension liability-beginning	<u>738,343,325</u>	<u>12,970,313</u>	<u>753,385,225</u>	<u>12,248,530</u>	<u>780,894,527</u>	<u>11,238,705</u>
Total pension liability-ending (a)	<u>\$753,385,225</u>	<u>\$12,248,530</u>	<u>\$780,894,527</u>	<u>\$11,238,705</u>	<u>\$814,146,141</u>	<u>\$10,841,052</u>
Plan fiduciary net position						
Contributions-employer	\$27,636,473	\$0	\$22,705,036	\$0	\$24,755,620	\$0
Contributions-member	9,730,115		9,881,338		9,493,378	
Net investment income	96,386,758	4,356,048	16,827,976	898,062	4,396,040	1,365,187
Benefit payments, including refunds of member contributions	(53,597,352)	(1,574,594)	(50,314,338)	(1,470,392)	(53,360,681)	(1,425,983)
Administrative Expense	(598,923)	(27,178)	(665,175)	(28,356)	(178,943)	(15,639)
Other					80,010	
Net change in plan fiduciary net position	<u>79,557,071</u>	<u>2,754,276</u>	<u>(1,565,163)</u>	<u>(600,686)</u>	<u>(14,814,576)</u>	<u>(76,435)</u>
Plan fiduciary net position-beginning	<u>556,723,810</u>	<u>28,029,242</u>	<u>636,280,881</u>	<u>30,783,518</u>	<u>634,715,718</u>	<u>30,182,832</u>
Plan fiduciary net position-ending (b)	<u>\$636,280,881</u>	<u>\$30,783,518</u>	<u>\$634,715,718</u>	<u>\$30,182,832</u>	<u>\$619,901,142</u>	<u>\$30,106,397</u>
Net pension liability-ending (a) - (b)	<u>\$117,104,344</u>	<u>(\$18,534,988)</u>	<u>\$146,178,809</u>	<u>(\$18,944,127)</u>	<u>\$194,244,999</u>	<u>(\$19,265,345)</u>
Plan fiduciary net position as a percentage of the total pension liability	84.46%	251.32%	81.28%	268.56%	76.14%	277.71%
Covered payroll	\$63,248,485	\$0	\$62,102,632	\$0	\$65,934,339	\$0
Net pension liability as a percentage of covered payroll	185.15%	0.00%	42.48%	0.00%	33.94%	0.00%

*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 - SINGLE EMPLOYER PENSIONS
SCHEDULE OF THE GOVERNMENT'S CONTRIBUTIONS
LAST TEN FISCAL YEARS

	Fiscal Year									
	2008		2009		2010		2011		2012	
	Police & Fire	City	Police & Fire	City	Police & Fire	City*	Police & Fire	City	Police & Fire	City
Actuarially determined contribution	\$26,980,795	\$0	\$28,689,989	\$0	\$30,665,280	\$0	\$28,216,938	\$0	\$30,665,280	\$0
Contributions in relation to the actuarially determined contribution	18,791,796	7,116	84,023,573	7,864	49,469,806	2,632	14,408,809		47,585,689	
Contribution deficiency (excess)	\$8,188,999	(\$7,116)	(\$55,333,584)	(\$7,864)	(\$18,804,526)	(\$2,632)	\$13,808,129	\$0	(\$16,920,409)	\$0
Covered payroll	\$61,368,960	\$42,972	\$65,765,448	\$43,416	\$60,512,412	\$0	\$64,258,162	\$0	\$54,595,799	\$0
Contributions as a percentage of covered payroll	30.62%	16.56%	127.76%	18.11%	81.75%	NA	22.42%	NA	87.16%	NA
*In 1973 the City of Lexington froze new entrants into the CEPF; In fiscal year 2010 the last active employee retired										
Source: Department of Finance, Lexington-Fayette Urban County Government										

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

	Fiscal Year									
	2013		2014		2015		2016		2017	
	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City
Actuarially determined contribution	\$22,322,068	\$0	\$23,217,413	\$0	\$22,705,036	\$0	\$24,755,620	\$0	\$29,808,757	\$0
Contributions in relation to the actuarially determined contribution	22,322,068		23,217,413		22,705,036		24,755,620		29,808,757	
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$62,455,725	\$0	\$63,248,485	\$0	\$62,102,632	\$0	\$65,934,339	\$0	\$73,360,313	\$0
Contributions as a percentage of covered payroll	35.74%	NA	36.71%	NA	36.56%	NA	37.55%	NA	40.63%	NA
*In 1973 the City of Lexington froze new entrants into the CEPF; In fiscal year 2010 the last active employee retired										
Source: Department of Finance, Lexington-Fayette Urban County Government										

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

	2014		2015		2016		2017	
	Police & Fire	City	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%	6.20%	3.80%

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 - CERS PENSION
SCHEDULE OF THE GOVERNMENT'S PROPORTIONATE SHARE OF THE NET LIABILITY
LAST TEN FISCAL YEARS

	2014	2015	2016
The Government's proportion of the net pension liability (asset)	\$115,215,078	\$155,544,394	\$187,010,198
The Government's proportionate share of the net pension liability (asset)			
Nonhazardous	2.71%	2.76%	2.96%
Hazardous	2.28%	2.39%	2.41%
Covered payroll	\$72,558,727	\$74,948,371	\$84,194,948
The Government's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	158.79%	207.54%	222.12%
Plan fiduciary net position as a percentage of the total pension liability	66.06%	66.08%	55.19%

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 - CERS PENSION
SCHEDULE OF THE GOVERNMENT'S CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2014	2015	2016	2017
Contractually required contribution	\$15,852,724	\$10,836,390	\$10,952,366	\$13,324,401
Contribution in relation to the contractually required contribution	16,161,747	16,354,078	16,954,959	18,719,066
Contribution deficiency (excess)	<u>(\$309,023)</u>	<u>(\$5,517,688)</u>	<u>(\$6,002,593)</u>	<u>(\$5,394,665)</u>
Government's covered payroll	\$72,558,727	\$74,948,371	\$84,194,948	\$93,946,519
Contributions as a percentage of covered payroll	22.27%	21.82%	20.14%	19.93%

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

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, 2017

	Special Revenue Funds						Capital Projects Funds		
	Local Economic Assistance			Police Confiscated State Funds			Lexington Cultural Center	2003 Bond Projects *	Equipment Lease Notes *
	County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Mineral Severance	Coal Severance	Police Confiscated State Funds			
ASSETS									
Current Cash	\$2,803,424	\$1,077,251	\$154,661	\$230,624	\$397,110	\$243,940	\$4,308	\$113,550	\$0
Current Investments	190,711	308,501		63,570		1,068,103	39,179		
Receivables:									
Other	70,137	536,554		60,522		43,110			
Due from Other Funds	722,470		51,064	267,123	24,843	130,823	741,442		
Restricted Investments									
Total Assets	\$3,786,742	\$1,922,306	\$205,725	\$621,839	\$421,953	\$1,485,976	\$43,487	\$462,171	\$0
LIABILITIES AND FUND BALANCES									
Liabilities:									
Accounts and Contracts Payable	\$26,727	\$406,730	\$0	\$164,072	\$279,052	\$2,024	\$0	\$0	\$0
Due to Other Funds		5,535				1,483,952	5,535	324,088	
Unearned Revenue & Other									
Total Liabilities	26,727	412,265	0	164,072	279,052	1,485,976	0	324,088	0
Fund Balances:									
Restricted for:									
Public Works	3,760,015	1,510,041	205,725		142,901				
Public Safety						350,304	1,068,196	138,083	
Capital Projects									
Assigned				457,767					
Total Fund Balances	3,760,015	1,510,041	205,725	457,767	142,901	0	43,487	138,083	0
Total Liabilities and Fund Balances	\$3,786,742	\$1,922,306	\$205,725	\$621,839	\$421,953	\$1,485,976	\$43,487	\$462,171	\$0

* Prior period adjustments were made to correctly allocate projects to funding sources for expenditures incurred in fiscal year 2014. There is no impact on total Governmental Funds.

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING BALANCE SHEET, Continued
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

Capital Projects Funds														
	2007, 2008, & 2009 Bond Projects	2010 Bond Projects	2011 & 2012 Bond Projects *	2013 Bond Projects	2014 Bond Projects	2015 Bond Projects	QECB 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	\$0	\$162,274	\$0	\$885,423	\$879,210	\$0	\$0	\$0	\$478,970	\$3,945,970	\$6,469,705	\$12,056,454	
Current Investments										313,382		352,561	1,983,446	
Receivables:														
Other			175,590	71,487				673,784	160,289		33,622	33,622	743,945	
Due from Other Funds		1,214,520	452,250	12,299	808,286	2,274,860	743,890	12,003,279	22,032,311			1,081,150	3,018,915	
Restricted Investments	1,346,306	\$1,214,520		\$83,786	\$1,693,709	\$3,154,070	\$743,890	\$12,677,063	\$22,192,600	\$792,352	\$3,979,592	\$41,236,622	41,236,622	
Total Assets	\$1,346,306	\$1,214,520	\$790,114	\$83,786	\$1,693,709	\$3,154,070	\$743,890	\$12,677,063	\$22,192,600	\$792,352	\$3,979,592	\$49,173,660	\$59,039,382	
LIABILITIES AND FUND BALANCES														
Liabilities:														
Accounts and Contracts Payable	\$0	\$37,994	\$0	\$32,890	\$190,084	\$897,670	\$0	\$906,185	\$1,694,105	\$0	\$0	\$3,758,928	\$4,640,214	
Due to Other Funds	1,188,065	634,804			740,890	192,399	597,216				636,070	4,313,532	4,319,067	
Unearned Revenue & Other												0	1,483,952	
Total Liabilities	1,188,065	672,798	0	32,890	930,974	1,090,069	597,216	906,185	1,694,105	0	636,070	8,072,460	10,443,233	
Fund Balances:														
Restricted for:														
Public Works												0	5,618,682	
Public Safety												0	1,418,500	
Capital Projects	158,241	541,722	790,114	50,896	762,735	2,064,001	146,674	11,770,878	20,498,495	792,352	3,343,522	41,101,200	41,101,200	
Assigned												0	457,767	
Total Fund Balances	158,241	541,722	790,114	50,896	762,735	2,064,001	146,674	11,770,878	20,498,495	792,352	3,343,522	41,101,200	48,596,149	
Total Liabilities and Fund Balances	\$1,346,306	\$1,214,520	\$790,114	\$83,786	\$1,693,709	\$3,154,070	\$743,890	\$12,677,063	\$22,192,600	\$792,352	\$3,979,592	\$49,173,660	\$59,039,382	

* Prior period adjustments were made to correctly allocate projects to funding sources for expenditures incurred in fiscal year 2014. There is no impact on total Governmental Funds.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	County Aid Program	Special Revenue Funds						Capital Projects Funds			
		Local Economic Assistance			Police Confiscated Funds	Police Confiscated State Funds	Public Safety Fund	Total	Lexington Cultural Center	2003 Bond Projects *	Equipment Lease Notes *
		Municipal Aid Program	Industrial Revenue Bond	Mineral Severance	Coal Severance						
REVENUES											
Charges for Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental	754,490	5,773,238		250,962	82,886	281,335	247,842	7,715,597			
Income on Investments	769	11,244		256	4,401	1,283		17,953	1,517	424	
Total Revenues	755,259	5,784,482	0	251,218	82,886	282,618	247,842	7,733,550	1,517	424	0
EXPENDITURES											
Current:											
Environmental Quality & Public Works										1,151	
Planning, Preservation, & Development		36,054				240,340		36,054			
Police								572,265			
Capital:											
Equipment						32,550		32,550			
Acquisitions and Construction	8,199	3,849,940		514,192	281,566	272,890	0	4,653,897		13,375	
Total Expenditures	8,199	3,885,994	0	514,192	281,566	272,890	0	5,294,766	0	14,526	0
Excess (Deficiency) of Revenues over (under) Expenditures	747,060	1,898,488		(262,974)	(198,680)	9,728	247,842	2,438,784	1,517	(14,102)	0
OTHER FINANCING SOURCES (USES)											
Transfers Out		(3,099,647)					(300,000)	(3,399,647)		277	
Total Other Financing Sources (Uses)	0	(3,099,647)	0	0	0	0	(300,000)	(3,399,647)	0	277	0
Net Change in Fund Balances	747,060	(1,201,159)	0	(262,974)	(198,680)	9,728	(52,158)	(960,863)	1,517	(13,825)	0
Fund Balances (Deficits), Beginning	3,012,955	2,711,200	205,725	720,741	341,581	340,576	1,120,354	8,455,812	41,970	(75,189)	65,648
Adjustment to Opening Fund Balance (Note 2.D.)											
Fund Balances, Beginning - Restated	3,012,955	2,711,200	205,725	720,741	341,581	340,576	1,120,354	8,455,812	41,970	227,097	(65,648)
Fund Balances (Deficits), Ending	\$3,760,015	\$1,510,041	\$205,725	\$457,767	\$142,901	\$350,304	\$1,068,196	\$7,494,949	\$43,487	\$138,083	\$0

* Prior period adjustments were made to correctly allocate projects to funding sources for expenditures incurred in fiscal year 2014. There is no impact on total Governmental Funds.

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, Continued
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

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
REVENUES												
Charges for Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental												7,715,597
Exactions										514,337	514,337	514,337
Other									256,427		601,427	601,427
Income on Investments	1,654	4,024	575	483	1,281	6,156	8,849	26,759	1,537	4,592	93,458	111,411
Total Revenues	1,654	4,024	575	483	1,281	201,156	185,607	26,759	257,964	518,929	1,209,222	8,942,772
EXPENDITURES												
Current:												
General Government	1,669										1,669	1,669
Finance									374		53,296	53,296
Information Technology							52,922				159,150	159,150
Environmental Quality & Public Works	11,671										79,826	79,826
Planning, Preservation, & Development							4,826				278,326	278,326
Public Safety											71,377	71,377
Police			19,242			52,135		466,640			466,640	1,038,905
General Services								350,005			670,233	670,233
Parks and Recreation	1,046					319,182		41,900			265,668	265,668
Debt Service:												
Principal									236,603		236,603	236,603
Interest									23,982		23,982	23,982
Other Debt Service								216,554			216,554	216,554
Capital:												
Equipment		26,184	4,678	29,997	180,350	394,835		2,852,997			5,020,457	5,053,007
Acquisitions and Construction	45,086	525,593		105,029	173,283	5,574,977	(59,674)	18,244,819			52,788,717	57,442,614
Total Expenditures	59,472	551,777	23,920	135,026	353,633	6,341,129	(54,848)	22,172,915	260,959	0	60,332,498	65,627,266
Excess (Deficiency) of Revenues over (under) Expenditures	(57,818)	(547,753)	(23,345)	(134,543)	(352,352)	(6,139,973)	63,697	(22,146,156)	(2,995)	518,929	(59,123,276)	(56,684,492)
OTHER FINANCING SOURCES (USES)												
Transfers Out											277	(3,399,370)
Issuance of Debt								37,555,000			37,555,000	37,555,000
Premium on Bonds								4,998,227			4,998,227	4,998,227
Issuance of Refunding Debt, par								28,495,000			28,495,000	28,495,000
Issuance of Refunding Debt, premium								4,228,668			4,228,668	4,228,668
Payment to Refunded Debt Escrow Agent								(32,625,000)			(32,625,000)	(32,625,000)
Total Other Financing Sources (Uses)	0	0	0	0	0	0	0	42,651,895	0	0	42,652,172	39,252,525
Net Change in Fund Balances	(57,818)	(547,753)	(23,345)	(134,543)	(352,352)	(6,139,973)	63,697	(30,288,382)	(2,995)	518,929	(16,471,104)	(17,431,967)
Fund Balances (Deficits), Beginning	216,059	1,089,475	1,020,334	185,439	1,115,087	8,203,974	82,977	42,059,260	795,347	2,824,593	57,617,730	66,073,542
Adjustment to Opening Fund Balance (Note 2.D.)			(206,875)					(7,244)			(45,426)	(45,426)
Fund Balances, Beginning - Restated	216,059	1,089,475	813,459	185,439	1,115,087	8,203,974	82,977	42,059,260	795,347	2,824,593	57,572,304	66,028,116
Fund Balances (Deficits), Ending	\$158,241	\$541,722	\$790,114	\$50,896	\$762,735	\$2,064,001	\$146,674	\$11,770,878	\$792,352	\$3,343,522	\$41,101,200	\$48,596,149

* Prior period adjustments were made to correctly allocate projects to funding sources for expenditures incurred in fiscal year 2014. There is no impact on total Governmental Funds.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/17

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2016	Revenue Received	Passed Through to Sub recipients Expenditures	Total Expenditures	Accrued (Deferred) Revenue at June 30, 2017
US Department of Agriculture:							
Direct Programs:							
Child Care Food Program	10.558	11475	\$3,830	\$18,222	\$0	\$14,392	\$0
Child Care Food Program	10.558	11475		42,955		46,574	3,619
Purchase of Development Rights (PDR)	10.931	545C161401H6P		1,282,120		1,282,120	
Total US Department of Agriculture			<u>3,830</u>	<u>1,343,297</u>	<u>0</u>	<u>1,343,086</u>	<u>3,619</u>
US Department of Housing and Urban Development:							
Direct Programs:							
Community Dev Block Grant	14.218	B14MC210004	190,472	294,700	29,359	74,902	33
Community Dev Block Grant	14.218	B15MC210004	60,488	631,940	117,210	514,790	60,548
Community Dev Block Grant	14.218	B16MC210004		418,483	587	417,896	
Emergency Solutions	14.231	E15MC210004	8,319	52,554	30,061	14,419	245
Emergency Solutions	14.231	E16MC210004		88,526	97,539	9,569	18,582
HOME	14.239	M14MC210201	4,457	759,171	571,723	268,472	85,481
HOME	14.239	M15MC210201	40,063	515,319	406,104	80,432	11,280
HOME	14.239	M16MC210201		112,890	67,933	62,952	17,995
Housing Opp for Pers with AIDS (HOPWA)	14.241	KY-H14-0011	78,960	497,476	438,159	11,873	31,516
Continuum of Care	14.267	KY0161L4I021500		16,072		34,254	18,182
Total US Department of Housing and Urban Development			<u>382,759</u>	<u>3,387,131</u>	<u>1,758,675</u>	<u>1,489,559</u>	<u>243,862</u>
US Department of Interior:							
Passed through Commonwealth of Kentucky:							
Certified Local Government Scholarship	15.904	PON2 410 1600003753 1		1,005		1,005	
Total US Department of Interior			<u>0</u>	<u>1,005</u>	<u>0</u>	<u>1,005</u>	<u>0</u>
US Department of Justice:							
Direct Programs:							
Police Confiscated Funds	16.001	NA	(1,345,945)	618,595		480,588	(1,483,952)
Safe Havens	16.527	2013-FL-AX-K011	42,023	130,891	96,487	3,675	11,294
Arrest Policy	16.590	2011-WE-AX-0011	39,742	101,437	15,318	68,561	22,184
SCAAP	16.606	2012-AP-BX-0690	(37,694)			37,570	(124)
SCAAP	16.606	2013-AP-BX-0161	(53,662)			7,060	(46,602)
SCAAP	16.606	2014-AP-BX-0607	(34,405)			904	(33,501)
SCAAP	16.606	2015-AP-BX-0465	(42,100)				(42,100)
SCAAP	16.606	2016-AP-BX-0337		44,231			(44,231)
Cops Hire	16.710	2011ULWX0015	213,388	706,019		649,796	157,165
Justice Assistance Grant	16.738	2013-DJ-BX-0325	(2)			2	
Justice Assistance Grant	16.738	2014-DJ-BX-0578	(1,413)			1,379	(34)
Justice Assistance Grant	16.738	2015-DJ-BX-0335	(11,407)				(11,407)
Justice Assistance Grant	16.738	2016-DJ-BX-0185		157,318		140,361	(16,957)
Passed through Commonwealth of Kentucky:							
Lexington Police Victim Advocate Project	16.575	VOCA-2016-LFUCG-STRE-0026				2,468	2,468
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2015-LFUCG-ST-00438	8,099	22,093		13,994	
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2016-LFUCG-ST-00483		1,710		7,408	5,698
National PAL Mentoring Program	16.726	2016-JU-FX-0014				1,080	1,080
Street Sales (Confiscated Funds)	16.738	2015-JAG-LFUCG-STRE-01084		10,003		10,003	
Street Sales	16.738	2015-JAG-LFUCG-STRE-01084	19,399	19,399			
Street Sales (Confiscated Funds)	16.738	2016-JAG-LFUCG-STRE-01144		2,603		2,603	
Street Sales	16.738	2016-JAG-LFUCG-STRE-01144		25,530	44,375		18,845
Total US Department of Justice			<u>(1,203,977)</u>	<u>1,839,829</u>	<u>156,180</u>	<u>1,427,452</u>	<u>(1,460,174)</u>
US Department of Labor:							
Passed through Commonwealth of Kentucky:							
WIA	17.259	16-006Y	20,898	20,898			
Total US Department of Labor			<u>20,898</u>	<u>20,898</u>	<u>0</u>	<u>0</u>	<u>0</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/17

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2016	Revenue Received	Passed Through to Sub recipients Expenditures	Total Expenditures	Accrued (Deferred) Revenue at June 30, 2017
US Department of Transportation:							
Passed through Commonwealth of Kentucky:							
Air Quality Planning	20.205	1500006243	17,174	17,174			
Air Quality Planning	20.205	PO2-625-1600006758		61,971		109,694	47,723
Bicycle and Pedestrian Planning	20.205	1500006243	12,835	12,835			
Bicycle and Pedestrian Planning	20.205	PO2-625-1600006758		15,224		32,805	17,581
Bike Plan	20.205	1600006170		10,259		24,826	14,567
Clays Mill Road	20.205	C-03328686	683,616	807,029		123,413	
Clays Mill Road	20.205	PO2-625-1500002693	35,745	343,990		492,395	184,150
Congestion Management	20.205	1500006243	23,672	23,672			
Federal Highway Planning	20.205	1500003920	94,291	94,291			
Federal Highway Planning	20.205	1600003892		312,485		380,000	67,515
Fiber Optic Cable Installation	20.205	PO2-628-1600004546		19,469		19,469	
Forbes Road	20.205	PO2-628-1700002506				16,683	16,683
Four Side	20.205	PO2-628-1600005725				47,921	47,921
Gainesway Trail CMAQ Project	20.205	PO2-628-1300001253	69	280,863		280,794	
Intelligent Transpor. System (ITS)	20.205	PO2-625-1500000357	74,014	74,014			
Intelligent Transpor. System (ITS)	20.205	PO2-625-1600002350	53,779	64,330		12,143	1,592
Legacy Trail Phase III	20.205	PO2-628-1400005764	5,587	109,567		149,249	45,269
Lexington Community Land Trust	20.205	PO2-625-1500000828	55,358				55,358
Liberty Road/Todds Road	20.205	C-00021586	50,510				50,510
Liberty Road/Todds Road	20.205	C-04073306	171,557	239,416		553,102	485,243
Loudon Avenue Sidewalk Project	20.205	PO2-628-1100001626	13,386	152,604		187,503	48,285
Man O' War & Alumni Intersection Project	20.205	PO2-625-1400004868	11,421	11,421			
Man O' War & Pink Pigeon Intersection Project	20.205	PO2-625-1400004867		254,123		254,123	
Man O' War & Richmond Intersection Project	20.205	PO2-625-1400004869		2,166		2,166	
Mobility Office	20.205	PO2-625-1500006243	24,100	24,100			
Mobility Office	20.205	PO2-625-1600006758		7,954		74,997	67,043
Newtown Pike	20.205	C-00343167	21,326				21,326
Newtown Pike Supplement #1	20.205	C-00343167	934,164	490,675		275,794	719,283
Newtown Pike Supplement #2	20.205	C-00343167	255,341	510,782		785,624	530,183
Old Frankfort Pike Scenic Byway Viewing Ar	20.205	PO2-628-1500003392	19,400	40,375		24,975	4,000
Rose Street Bike Lanes	20.205	C-01099430	115,537	152,714		38,937	1,760
Squires Road Sidewalks	20.205	PO2-628-1600003546		3,328		3,328	
Town Branch	20.205	PO2-628-1200004353	2,221	9,719		17,413	9,915
Town Branch Commons Corridor-Zone 2	20.205	PO2-628-1600003719		13,941		44,433	30,492
Town Branch Trail Commons-Midland Section	20.205	PO2-628-1600005544		31,667		116,769	85,102
Town Branch Trail Crossing	20.205	PO2-628-1500004792	6,464	6,464		3,664	3,664
Town Branch Trail Phase IV, V, VI	20.205	PO2-628-1500003706	152,698	385,987		336,741	103,452
Transit Route Facilities Inventory	20.205	PO2-620-1700000432				652	652
West Hickman Trail	20.205	PO2-628-1600005956		2,736		22,038	19,302
West Loudon Avenue Streetscape	20.205	PO2-628-1600001801		53,877		53,877	
Winchester/Liberty Intersection Improvements	20.205	PO2-628-1600003038		2,312		7,999	5,687
MCSAP	20.218	No Number	6,884	6,884			
MCSAP	20.218	No Number	1,902	54,552		54,149	1,499
Tact	20.218	No Number	3,636	15,158		11,522	
Tact	20.218	No Number		12,969		18,514	5,545
Brighton Rail Trail Phase 4	20.219	RTP 484-13	675	1,300		4,913	4,288
Fed Transit Admin Section 5303	20.505	1600000549	4,244	4,244			
Fed Transit Admin Section 5303	20.505	P030217442		48,400		48,400	
Traffic Safety Speed Program	20.600	PT-16-30	6,378	15,319		8,941	
Traffic Safety	20.600	PT-17-32		20,763		23,974	3,211
Traffic Safety	20.616	M2HVE-16-12	3,779	15,632		11,853	
Traffic Safety Drive Sober Campaign	20.616	M5HVE-2016-MG-00-23		4,771		4,771	
Traffic Safety Impaired Driving Enforcement	20.616	M5HVE-17-18		13,056		14,801	1,745
Traffic Safety Supplement	20.616	M2HVE-2016-MG-00-23	4,625	4,625			
Traffic Safety Supplement #2	20.600	PT-2017-HY-90				13,178	13,178
Total US Department of Transportation			2,866,388	4,861,207	0	4,708,543	2,713,724
US Environmental Protection Agency							
Direct Programs:							
Brownfield Assessment Project	66.818	BF-00D33315	73,230	197,379		124,149	
Passed through Commonwealth of Kentucky:							
Brownfield Assessment Project	66.818	PON2-129-16000030561	12,000	12,000			
Wolf Run	66.460	C9994861-09	55,249	125,557		70,308	
Wolf Run	66.460	PON2-129-1400000015	53,408	250,053		196,645	
Blue Sky	66.458	A12-16 SWR	100,000	100,000			
West Hickman Trunk	66.458	A13-003 SWR	1,037,834	1,251,558		213,724	
Woodhill Trunk	66.458	A13-003 SWR		402,883		402,883	
Town Branch WWS	66.458	A13-015 SWR	2,129,642	4,349,868		2,220,226	
Wolf Run WWS	66.458	A13-002 SWR	565,976	1,677,461		1,111,485	
Cardinal Laramie	66.458	A13-007 WQ	22,435	130,750		108,315	
Lower Cane Run WWS	66.458	A14-001 SWR	1,186,082	7,768,509		6,582,427	
Marquis Ave	66.458	A13-015 SWR		282,067		282,067	
Rogers Stormwater	66.458	A13-007 WQ		1,130,571		1,780,180	649,609
UK Trunk Sewer A	66.458	A13-015 SWR		1,946,502		1,946,502	
West Hickman Wet Weather Storage	66.458	A15-026 SWR		4,347,825		9,870,601	5,522,776
Total US Environmental Protection Agency			5,235,856	23,972,983	0	24,909,512	6,172,385

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/17

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Direct/ Pass-through Grantor's Number</u>	<u>Accrued (Deferred) Revenue at July 1, 2016</u>	<u>Revenue Received</u>	<u>Passed Through to Sub recipients Expenditures</u>	<u>Total Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2017</u>
US Department of Health and Human Services:							
Direct Programs:							
Christopher & Dana Reeve Foundation	93.325	No Number		7,800		7,800	
Passed through Commonwealth of Kentucky:							
Senior Citizens	93.044	PON2-725-1600003936		66,748		67,840	1,092
Refugee Targeted Assistance Program	93.584	257-107042-2017		4,691		7,355	2,664
Home Network	93.597	2013-1014-PUBLIC-R	(73,458)			66,953	(6,505)
Home Network	93.597	2014-2015-PUBLIC-R	(356,571)			334,583	(21,988)
Home Network	93.597	2015-2016-PUBLIC-R	(287,185)	56,530			(343,715)
Home Network	93.597	2016-2017-PUBLIC-R		233,890			(233,890)
Head Start Program	93.600	No Number		17,841		22,433	4,592
HIV Awareness	93.940	No Number		200		200	
Total US Department of Health and Human Services			<u>(717,214)</u>	<u>387,700</u>	<u>0</u>	<u>507,164</u>	<u>(597,750)</u>
US Department of Homeland Security Office of Domestic Preparedness:							
Direct Programs:							
Assistance to Firefighters	97.044	EMW-2015-FO-03878		365,909		367,912	2,003
Passed through Commonwealth of Kentucky:							
Hazard Mitigation Grant Prog.(HMGP EOC)	97.039	PON209513000000082		23,415		24,761	1,346
Chemical Stockpile Emergency (CSEPP)	97.040	PON209512000005372	342,025	342,025			
Chemical Stockpile Emergency (CSEPP)	97.040	PO209513000036521	38,087	74,365		114,805	78,527
Chemical Stockpile Emergency (CSEPP)	97.040	PO209514000033041	120,723	409,636		499,015	210,102
Chemical Stockpile Emergency (CSEPP)	97.040	PO209515000044461	168,717	715,548		667,195	120,364
Chemical Stockpile Emergency (CSEPP)	97.040	PO209516000047101		268,314		327,443	59,129
Emergency Management Assistance	97.042	PO209516000021481	(20,381)	11,114		31,495	
Emergency Management Assistance	97.042	PO209517000014471		58,004		71,146	13,142
Clarksdale Court -PDA	97.047	PON2-0950-1500002494	195,815	215,050		19,235	
State Homeland Cyber	97.067	PO2-094-1600002021	7,000	7,000			
State Homeland Police	97.067	PO2-094-1600002323	23,762	100,000		76,238	
State Homeland Police	97.067	PO2-094-1700002251		2,992		27,020	24,028
State Homeland PPE	97.067	PO2-094-1700002261				5,384	5,384
State Homeland Fire	97.067	PO2-094-1600002020	65,000	65,000			
State Homeland Fire Infrastructure	97.067	PO2-094-1700000910		26,170		34,000	7,830
Total US Dept. of Homeland Security Office of Domestic Preparedness			<u>940,748</u>	<u>2,684,542</u>	<u>0</u>	<u>2,265,649</u>	<u>521,855</u>
Total Federal Financial Assistance			<u>\$7,529,288</u>	<u>\$38,498,592</u>	<u>\$1,914,855</u>	<u>\$36,651,970</u>	<u>\$7,597,521</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
For the Year Ended June 30, 2017

Grantor/Program Title	Grantor's Number	Grantor	Accrued or (Deferred) Revenue at July 1, 2016	Revenue Received	Passed Through to Sub recipients Expenditures	Expenditures	Accrued or (Deferred) Revenue at June 30, 2017
Day Treatment	PON252314000028721	Kentucky Dept. of Juvenile Justice	\$36,277	\$36,277	\$0	\$0	\$0
Day Treatment	PON252316000030821	Kentucky Dept. of Juvenile Justice		181,565		198,071	16,506
Economic Development-Ashland	N/A	Kentucky Cabinet Economic Development		450,000			(450,000)
Economic Development-Belcan Engineer.	N/A	Kentucky Cabinet Economic Development	(234,000)	(200,000)			(34,000)
Economic Development-Bingham McCutchen	N/A	Kentucky Cabinet Economic Development	(450,000)	(250,000)			(200,000)
Economic Development-Tiffany	N/A	Kentucky Cabinet Economic Development	(13,800)				(13,800)
Emergency Medical Services	N/A	Kentucky Bd. Emergency Medical Services		10,000		10,000	
FCDC Substance Abuse Recovery Program	PON2-527-1600001825	Kentucky Dept. of Corrections		25,389		30,312	4,923
Federal Highway Planning	1500003920	Kentucky Transportation Cabinet	5,894	5,894			
Federal Highway Planning	1600003892	Kentucky Transportation Cabinet		19,530		23,750	4,220
Fire Training Incentive	155	Kentucky Fire Commission		2,830,677		2,830,677	
Hazard Mitigation Grant Prog.(HMGP_EOC)	PON209513000000082	Kentucky Emergency Management Agency		3,746		3,961	215
Home Network	2015-2016-PUBLIC-R	Lexington Fayette County Health Dept	(38,065)	31,980		41,028	(29,017)
Home Network	2016-2017-PUBLIC-R	Lexington Fayette County Health Dept		147,420			(147,420)
Local Food Coordinator	A2015-008	Kentucky Agricultural Development Board		51,250		41,368	(9,882)
Isaac Murphy Memorial Garden	PO2-625-1000004542	Kentucky Transportation Cabinet	93				
Kentucky Pride	N/A	Kentucky Energy & Environmental Cabinet	(104,971)			104,971	
Kentucky Pride	N/A	Kentucky Energy & Environmental Cabinet		152,750		45,714	(107,036)
KY Pride Household Hazardous Waste Mgmt	N/A	Kentucky Division of Waste Management		104,585		94,229	(10,356)
LPS Settlement	N/A	Kentucky Office of the Attorney General	(267,090)		28,453	25,034	(213,603)
Law Enforcement Service Fee	LSF-2015-LFUCG-STRE-00263	Kentucky Justice Cabinet	32,675	32,675		50,362	11,400
Law Enforcement Service Fee	LSF-2016-LFUCG-STRE-00288	Kentucky Justice Cabinet		38,962			66,694
Legacy Trail Enhancements	PO2-625-1200003879	Kentucky Transportation Cabinet	66,694				5,766
Lexington Community Land Trust	PO2-625-1500000828	Kentucky Transportation Cabinet	5,766				12,627
Liberty Road/Todds Road	C-0021586	Kentucky Transportation Cabinet	12,627				121,312
Liberty Road/Todds Road	C-04073306	Kentucky Transportation Cabinet	42,890	59,854		138,276	5,331
Newtown Pike Extension	C00343167	Kentucky Transportation Cabinet	5,331				(11,034)
Paula Nye Memorial Education	2016-02	Kentucky Bicycle and Bikeway Commission		15,000		3,966	
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation	162,112	162,112			234,411
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation		2,552,135		2,786,546	(1,619)
Recycling	N/A	Kentucky Division of Waste Management		13,675		12,056	200
SANE3 (Sexual Assault Treatment Project)	VAWA-2015-LFUCG-ST-00438	Kentucky Justice Cabinet	6,200	12,400		3,400	3,400
SANE3 (Sexual Assault Treatment Project)	VAWA-2016-LFUCG-ST-00483	Kentucky Justice Cabinet		44,473		44,474	1
Senior Citizens	PON2-725-1600003936	Bluegrass Area Development District		3,200		3,200	
Therma Imaging Camera	N/A	Kentucky Fire Commission		44,473			
Unsewered Areas 2	SX21067001 & SX21067008	Kentucky Infrastructure Authority	11,033	296,661		351,135	65,507
Waste Tire	N/A	Kentucky Energy & Environmental Cabinet		4,000		4,000	
Total State Financial Assistance			<u>(\$720,334)</u>	<u>\$6,836,303</u>	<u>\$28,453</u>	<u>\$6,852,930</u>	<u>(\$675,254)</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, 2017

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
ASSETS								
Current Assets:								
Cash	\$686,230	\$488,371	\$385,117	\$3,097,881	\$72,891	\$154,641	\$1,015,287	\$5,900,418
Investments				1,409,048		16,136		1,425,184
Receivables:								
Other Receivables		1,940		269,191	69,071	35,867		376,069
Less Allowance for Uncollectible Accounts		(515)				(35,867)		(36,382)
Due from Other Funds	998,282	204,509		1,344,612	99,890		383,216	3,030,509
Inventories and Prepaid Expenses				40,411				40,411
Total Current Assets	1,684,512	694,305	385,117	6,161,143	241,852	170,777	1,398,503	10,736,209
Noncurrent Assets:								
Land Improvements		10,000						10,000
Buildings				7,514				7,514
Vehicles, Equipment, and Furniture	81,637	119,219	143,647	2,684,127				3,028,630
Intangibles				1,357,849				1,357,849
Less Accumulated Depreciation	(57,021)	(111,611)	(143,247)	(3,234,910)				(3,546,789)
Total Noncurrent Assets	24,616	17,608	400	814,580	0	0	0	857,204
Total Assets	\$1,709,128	\$711,913	\$385,517	\$6,975,723	\$241,852	\$170,777	\$1,398,503	\$11,593,413
Deferred outflows of resources:								
Differences between expected and actual experience	\$2,080	\$4,989	\$0	\$14,651	\$133	\$0	\$0	\$21,853
Changes of assumptions	25,237	60,532		177,780	1,618			265,167
Changes in proportionate share	19,990	47,947		140,819	1,281			210,037
Differences between projected and actual earnings on pension plan investments	44,786	107,422		315,492	2,871			470,571
Contributions subsequent to measurement date	47,992	115,112		338,077	3,076			504,257
Total Deferred Outflows of Resources	140,085	336,002	0	986,819	8,979	0	0	1,471,885
Total Assets & Deferred Outflows of Resources	\$1,849,213	\$1,047,915	\$385,517	\$7,962,542	\$250,831	\$170,777	\$1,398,503	\$13,065,298
LIABILITIES								
Current Liabilities:								
Accounts, Contracts and Retainage Payable	\$1,688	\$13,545	\$169,716	\$45,114	\$1,599	\$0	\$0	\$231,662
Accrued Payroll	4,554	29,598		35,465	292			69,909
Compensated Absences	8,269	1,566		27,377				37,212
Total Current Liabilities	14,511	44,709	169,716	107,956	1,891	0	0	338,783
Noncurrent Liabilities:								
Compensated Absences	8,269	50,629		27,377				86,275
Unfunded Pension Liability	476,394	1,142,660		3,355,935	30,535			5,005,524
Total Noncurrent Liabilities	484,663	1,193,289	0	3,383,312	30,535	0	0	5,091,799
Total Liabilities	\$499,174	\$1,237,998	\$169,716	\$3,491,268	\$32,426	\$0	\$0	\$5,430,582
NET POSITION								
Net Investment in Capital Assets	\$24,617	\$17,608	\$400	\$814,580	\$0	\$0	\$0	\$857,205
Restricted for:								
Capital Projects								0
Unrestricted (Deficits)	1,325,422	(207,691)	215,401	3,656,694	218,405	170,777	1,398,503	6,777,511
Total Net Position	\$1,350,039	(\$190,083)	\$215,801	\$4,471,274	\$218,405	\$170,777	\$1,398,503	\$7,634,716

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2017

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
Operating Revenues								
User Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fees		1,904,154		4,428,255	400,735			6,733,144
License Fees and Permits	703,959							703,959
Gross Profit - Commissary			2,735,886					2,735,886
Other		466	410,301	1,444				412,211
Total Operating Revenues	<u>703,959</u>	<u>1,904,620</u>	<u>3,146,187</u>	<u>4,429,699</u>	<u>400,735</u>	<u>0</u>	<u>0</u>	<u>10,585,200</u>
Operating Expenses								
Right of Way	492,310							492,310
Extended School Program		1,804,640						1,804,640
Prisoners' Account			551,173					551,173
Inmate Trust Account			2,450,991					2,450,991
Enhanced 911				3,786,190				3,786,190
CKY Network					412,763			412,763
Administration		214,267						214,267
Depreciation	1,562	4,111		384,484			89,045	479,202
Total Operating Expenses	<u>493,872</u>	<u>2,023,018</u>	<u>3,002,164</u>	<u>4,170,674</u>	<u>412,763</u>	<u>0</u>	<u>89,045</u>	<u>10,191,536</u>
Operating Income (Loss)	210,087	(118,398)	144,023	259,025	(12,028)	0	(89,045)	393,664
Nonoperating Revenues (Expenses)								
Income on Investments				5,683		485		6,168
Gain (Loss) on Sale of Capital Assets							(1,876,228)	(1,876,228)
Total Nonoperating Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,683</u>	<u>0</u>	<u>485</u>	<u>(1,876,228)</u>	<u>(1,870,060)</u>
Income (Loss) Before Transfers	210,087	(118,398)	144,023	264,708	(12,028)	485	(1,965,273)	(1,476,396)
Transfers Out	(46,789)	287,334		(386,090)	(17,617)		(46,065)	(209,227)
Change in Net Position	<u>163,298</u>	<u>168,936</u>	<u>144,023</u>	<u>(121,382)</u>	<u>(29,645)</u>	<u>485</u>	<u>(2,011,338)</u>	<u>(1,685,623)</u>
Net Position, Beginning	<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>
Net Position, Ending	<u>\$1,350,039</u>	<u>(\$190,083)</u>	<u>\$215,801</u>	<u>\$4,471,274</u>	<u>\$218,405</u>	<u>\$170,777</u>	<u>\$1,398,503</u>	<u>\$7,634,716</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2017

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
Increase (Decrease) in Cash and Cash Equivalents:								
Cash Flows from Operating Activities:								
Receipts from Customers	\$703,959	\$1,915,547	\$3,146,187	\$4,443,564	\$394,449	\$0	\$0	\$10,603,706
Payments to Suppliers	(37,525)	(6,249)	(3,067,042)	357,093	(360,699)			(3,114,422)
Payments to Employees	(395,786)	(1,529,488)		(2,716,634)	(24,687)			(4,666,595)
Payments for Interfund Services Used	(4,901)	(214,270)		(3,815)				(222,986)
Net Cash Provided by Operating Activities	265,747	165,540	79,145	2,080,208	9,063	0	0	2,599,703
Cash Flows from Noncapital Financing Activities:								
Transfers Out	(46,789)	287,334		(386,090)	(17,617)			(163,162)
Net Cash Flows Provided by (Used in) Noncapital Financing Activities	(46,789)	287,334	0	(386,090)	(17,617)	0	0	(163,162)
Cash Flows from Capital and Related Financing Activities:								
Purchases of Capital Assets	(24,985)			(80,147)				(105,132)
Net Cash Flows Used in Capital and Related Financing Activities	(24,985)	0	0	(80,147)	0	0	0	(105,132)
Cash Flows Provided by Investing Activities:								
Purchases of Investments				(5,683)		19,817		14,134
Income on Investments				5,683		485		6,168
Net Cash Flows Provided by Investing Activities	0	0	0	0	0	20,302	0	20,302
Net Increase (Decrease)	193,973	452,874	79,145	1,613,971	(8,554)	20,302	0	2,351,711
Cash at Beginning of Year	492,257	35,497	305,972	1,483,910	81,445	134,339	1,015,287	3,548,707
Cash at End of Year	\$686,230	\$488,371	\$385,117	\$3,097,881	\$72,891	\$154,641	\$1,015,287	\$5,900,418
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:								
Operating Income (Loss)	\$210,087	(\$118,398)	\$144,023	\$259,025	(\$12,028)	\$0	(\$89,045)	\$393,664
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:								
Depreciation	1,562	4,111		384,484			89,045	479,202
Allowance for Bad Debts		515						515
(Increase) Decrease in Assets:								
Accounts Receivable								0
Other Receivables		10,927		13,865	(6,286)			18,506
Inventories and Prepaid Expenses				5,944				5,944
Transfer Assets to Other Funds					0			0
Due from Other Funds	(19,397)	531,653		839,844	7,177			1,359,277
(Increase) Decrease in Deferred Outflows:								
Differences between expected and actual experience	1,550	8,574		16,530	239			26,893
Changes of assumptions	5,586	54,649		87,015	1,541			148,791
Changes in proportionate share	(14,616)	(27,865)		(94,652)	(730)			(137,863)
Differences between projected and actual earnings on pension plan	(42,151)	(97,574)		(292,852)	(2,601)			(435,178)
Contributions subsequent to measurement date	(13,509)	13,742		(41,846)	457			(41,156)
(Increase) Decrease in Liabilities:								
Accounts Payable	(779)	(8,663)	(62,081)	(18,297)	729			(89,091)
Accrued Payroll	(6,224)	(67,346)	(2,797)	(58,966)	(790)			(133,326)
Due to Other Funds			0					0
Unearned Revenues & Other								0
Other Liabilities	(7,524)	1,173		(22,254)				(28,605)
Compensated Absences	151,162	(139,958)		1,002,368	21,355			1,034,927
Unfunded Pension Liability								
Total Adjustments	55,660	283,938	(64,878)	1,821,183	21,091	0	89,045	2,206,039
Net Cash Provided by Operating Activities	\$265,747	\$165,540	\$79,145	\$2,080,208	\$9,063	\$0	\$0	\$2,599,703

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, 2017

	Health, Dental and Vision Care	Insurance and Risk Management	Total
ASSETS			
Current Assets:			
Cash	\$64,506	\$3,728,771	\$3,793,277
Due from Other Funds	1,143,631	26,005,926	27,149,557
Receivables	5,267	53,988	59,255
Inventories and Prepaid Expenses	356,198		356,198
Total Current Assets	\$1,569,602	\$29,788,685	\$31,358,287
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$539,396	\$79,315	\$618,711
Claims Payable:			
Reported		10,581,580	10,581,580
Incurred But Not Reported	1,030,206	13,501,369	14,531,575
Total Current Liabilities	1,569,602	24,162,264	25,731,866
Total Liabilities	\$1,569,602	\$24,162,264	\$25,731,866
NET POSITION			
Unrestricted	\$0	\$5,626,421	\$5,626,421

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES, & CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2017

	Health, Dental and Vision Care Insurance				Insurance and Risk Management	Total
	Health	Dental	Vision Care	Total		
Operating Revenues						
Premiums	\$30,691,054	\$2,337,964	\$174,387	\$33,203,405	\$12,171,856	\$45,375,261
Total Operating Revenues	30,691,054	2,337,964	174,387	33,203,405	12,171,856	45,375,261
Operating Expenses						
Claims and Benefit Payments	27,523,094	2,296,705	146,921	29,966,720	9,709,727	39,676,447
Operating Supplies and Expense	3,236,685			3,236,685		3,236,685
Total Operating Expenses	30,759,779	2,296,705	146,921	33,203,405	9,709,727	42,913,132
Operating Income (Loss)	(68,725)	41,259	27,466	0	2,462,129	2,462,129
Change in Net Position	(68,725)	41,259	27,466	0	2,462,129	2,462,129
Net Position, Beginning	384,325	(393,343)	9,018	0	3,164,292	3,164,292
Net Position, Ending	\$315,600	(\$352,084)	\$36,484	\$0	\$5,626,421	\$5,626,421

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2017

	<u>Health, Dental and Vision Care</u>	<u>Insurance and Risk Management</u>	<u>Total</u>
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Receipts from Employees and Other Sources	\$33,203,405	\$0	\$33,203,405
Receipts from Interfund Services Provided	(453,008)	12,382,998	11,929,990
Refunds from/(Payments to) Suppliers	(2,923,939)	(6,375)	(2,930,314)
Payments for Claims	(29,761,952)	(12,376,948)	(42,138,900)
Net Cash Used in Operating Activities	<u>64,506</u>	<u>(325)</u>	<u>64,181</u>
Net Increase (Decrease) in Cash and Cash Equivalents	64,506	(325)	64,181
Cash at Beginning of Year	<u>0</u>	<u>3,729,096</u>	<u>3,729,096</u>
Cash at End of Year	<u><u>\$64,506</u></u>	<u><u>\$3,728,771</u></u>	<u><u>\$3,793,277</u></u>
Reconciliation of Operating Income to Net Cash Used In Operating Activities:			
Operating Income	\$0	\$2,462,129	\$2,462,129
Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities:			
(Increase) Decrease in Assets:			
Due from Other Funds	(459,067)	148,420	(310,647)
Other Receivables	6,059	62,722	68,781
Inventories and Prepaid Expenses	36,353		36,353
Increase (Decrease) in Liabilities:			
Accounts Payable	276,393	(6,375)	270,018
Claims Payable	204,768	(2,667,221)	(2,462,453)
Total Adjustments	<u>64,506</u>	<u>(2,462,454)</u>	<u>(2,397,948)</u>
Net Cash Used in Operating Activities	<u><u>\$64,506</u></u>	<u><u>(\$325)</u></u>	<u><u>\$64,181</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

	Balance June 30, 2016	Balance June 30, 2017
NEIGHBORHOOD SEWER PROJECTS FUND		
Cash and Short-Term Investments	\$714	\$714
Total Assets	\$714	\$714
Payable to Property Owners	\$714	\$714
Total Liabilities	\$714	\$714
JUVENILE & ADULT PROBATION FUND		
Cash	\$320,163	\$316,826
Total Assets	\$320,163	\$316,826
Accounts Payable	\$320,163	\$316,826
Total Liabilities	\$320,163	\$316,826
PROPERTY & EVIDENCE FUND		
Cash	\$1,138,713	\$1,162,913
Total Assets	\$1,138,713	\$1,162,913
Accounts Payable	\$1,138,713	\$1,162,913
Total Liabilities	\$1,138,713	\$1,162,913
DOMESTIC RELATIONS FUND		
Cash	\$313,647	\$314,226
Accounts Receivable	630	51
Total Assets	\$314,277	\$314,277
Accounts Payable	\$314,277	\$314,277
Total Liabilities	\$314,277	\$314,277
REPRESENTATIVE PAYEE FUND		
Cash	\$17,333	\$23,423
Total Assets	\$17,333	\$23,423
Accounts Payable	\$17,333	\$23,423
Total Liabilities	\$17,333	\$23,423
TOTALS - AGENCY FUNDS		
Cash and Short-Term Investments	\$1,790,570	\$1,818,102
Accounts Receivable	630	51
Total Assets	\$1,791,200	\$1,818,153
Liabilities	\$1,791,200	\$1,818,153
Total Liabilities	\$1,791,200	\$1,818,153

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
NEIGHBORHOOD SEWER PROJECTS FUND				
Cash and Short-Term Investments	\$714	\$0	\$0	\$714
Total Assets	<u>\$714</u>	<u>\$0</u>	<u>\$0</u>	<u>\$714</u>
Payable to Property Owners	\$714	\$0	\$0	\$714
Total Liabilities	<u>\$714</u>	<u>\$0</u>	<u>\$0</u>	<u>\$714</u>
JUVENILE & ADULT PROBATION FUND				
Cash	\$320,163	\$21,331	\$24,668	\$316,826
Total Assets	<u>\$320,163</u>	<u>\$21,331</u>	<u>\$24,668</u>	<u>\$316,826</u>
Accounts Payable	\$320,163	\$21,331	\$24,668	\$316,826
Total Liabilities	<u>\$320,163</u>	<u>\$21,331</u>	<u>\$24,668</u>	<u>\$316,826</u>
PROPERTY & EVIDENCE FUND				
Cash	\$1,138,713	\$424,209	\$400,009	\$1,162,913
Total Assets	<u>\$1,138,713</u>	<u>\$424,209</u>	<u>\$400,009</u>	<u>\$1,162,913</u>
Accounts Payable	\$1,138,713	\$542,458	\$518,258	\$1,162,913
Total Liabilities	<u>\$1,138,713</u>	<u>\$542,458</u>	<u>\$518,258</u>	<u>\$1,162,913</u>
DOMESTIC RELATIONS FUND				
Cash	\$313,647	\$1,193	\$614	\$314,226
Accounts Receivable	630	51	630	51
Total Assets	<u>\$314,277</u>	<u>\$1,244</u>	<u>\$1,244</u>	<u>\$314,277</u>
Accounts Payable	\$314,277	\$563	\$563	\$314,277
Total Liabilities	<u>\$314,277</u>	<u>\$563</u>	<u>\$563</u>	<u>\$314,277</u>
REPRESENTATIVE PAYEE FUND				
Cash	\$17,333	\$327,689	\$321,599	\$23,423
Total Assets	<u>\$17,333</u>	<u>\$327,689</u>	<u>\$321,599</u>	<u>\$23,423</u>
Accounts Payable	\$17,333	\$483,440	\$477,350	\$23,423
Total Liabilities	<u>\$17,333</u>	<u>\$483,440</u>	<u>\$477,350</u>	<u>\$23,423</u>
TOTALS - AGENCY FUNDS				
Cash and Short-Term Investments	\$1,790,570	\$774,422	\$746,890	\$1,818,102
Accounts Receivable	630	51	630	51
Total Assets	<u>\$1,791,200</u>	<u>\$774,473</u>	<u>\$747,520</u>	<u>\$1,818,153</u>
Liabilities	\$1,791,200	\$1,047,792	\$1,020,839	\$1,818,153
Total Liabilities	<u>\$1,791,200</u>	<u>\$1,047,792</u>	<u>\$1,020,839</u>	<u>\$1,818,153</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, 2017

	Lexington Transit Authority	Lexington Public Library	Lexington Convention and Visitors Bureau	Downtown Development Authority	Total Nonmajor Component Units
ASSETS					
Cash	\$13,470,102	\$5,438,437	\$274,226	\$278,152	\$19,460,917
Investments		5,237,846			5,237,846
Receivables:					
Accounts Receivable	142,971		218,599		361,570
Other	162,980	15,593			178,573
Due from Primary Government			1,369,792		1,369,792
Due from Other Governments	650,715				650,715
Inventories and Prepaid Expenses	483,045	124,642	231,661		839,348
Restricted Current Assets:					
Cash	1,175,221		4,842,135		6,017,356
Investments			512,202		512,202
Restricted Non-Current Investments					
Capital Assets:					
Non-depreciable	4,971,573	4,786,335	22,177		9,780,085
Depreciable (Net)	38,928,233	21,652,551	343,187		60,923,971
Other Assets	8,355,000				8,355,000
Total Assets	\$68,339,840	\$37,255,404	\$7,813,979	\$278,152	\$113,687,375
DEFERRED OUTFLOWS OF RESOURCES					
Differences between expected and actual experience	\$0	\$49,893	\$10,354	\$0	\$60,247
Differences between projected and actual earnings on pension plan investments	570,989	1,074,368	222,948		1,868,305
Changes of assumptions	580,513	605,405	125,631		1,311,549
Changes in proportionate share		298,715	101,100		399,815
Contributions subsequent to measurement date	180,339	750,722	190,395		1,121,456
Total Deferred Outflows of Resources	1,331,841	2,779,103	650,428	0	4,761,372
Total Assets and Deferred Outflows of Resources	\$69,671,681	\$40,034,507	\$8,464,407	\$278,152	\$118,448,747
LIABILITIES					
Accounts, Contracts Payable and Accrued Liabilities	\$530,021	\$827,892	\$545,951	\$7,085	\$1,910,949
Interest Payable		7,529			7,529
Due to Primary Government				10,568	10,568
Unearned Revenue and Other		501	3,247		3,748
Non-Current Liabilities:					
Due Within One Year:					
Compensated Absences	156,275	311,312	66,979	2,470	537,036
Bonds and Notes Payable	884,345	588,747			1,473,092
Due in More Than One Year:					
Compensated Absences	345,613			542	346,155
Bonds and Notes Payable	19,426,678	9,248,323			28,675,001
Unfunded Pension Liability	1,519,870	11,428,207	2,371,530		15,319,607
Total Liabilities	\$22,862,802	\$22,412,511	\$2,987,707	\$20,665	\$48,283,685
DEFERRED INFLOWS OF RESOURCES					
Differences between expected and actual experience	\$553,766	\$0	\$0	\$0	\$553,766
Changes in proportionate share		27,719			27,719
Total Deferred Inflows of Resources	553,766	27,719	0	0	581,485
Total Liabilities and Deferred Inflows of Resources	\$23,416,568	\$22,440,230	\$2,987,707	\$20,665	\$48,865,170
NET POSITION					
Net Investment in Capital Assets	\$24,764,004	\$16,601,816	\$365,364	\$0	\$41,731,184
Restricted for:					
Governmental and Program Funds		425,267			425,267
Unrestricted	21,491,109	567,194	5,111,336	257,487	27,427,126
Total Net Position	\$46,255,113	\$17,594,277	\$5,476,700	\$257,487	\$69,583,577

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF ACTIVITIES
NONMAJOR COMPONENT UNITS
For the Year Ended June 30, 2017

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lexington Transit Authority	Lexington Public Library	Lexington Convention and Visitors Bureau	Downtown Development Authority	Total Nonmajor Component Units
Lexington Transit Authority									
Transit Operations	\$21,480,816	\$3,795,777	\$5,984,892	\$3,808,068	(\$7,892,079)				(\$7,892,079)
Depreciation	3,664,511				(3,664,511)				(3,664,511)
Interest on Long-Term Debt	272,435				(272,435)				(272,435)
Total Lexington Transit Authority	25,417,762	3,795,777	5,984,892	3,808,068					(11,829,025)
Lexington Public Library									
Library Operations	15,056,853	784,675	785,709	105,000		(\$13,381,469)			(13,381,469)
Depreciation	1,564,236					(1,564,236)			(1,564,236)
Interest on Long-Term Debt	420,857					(420,857)			(420,857)
Total Lexington Public Library	17,041,946	784,675	785,709	105,000					(15,366,562)
Lexington Convention and Visitors Bureau									
Convention and Tourism Operations	7,777,813		330,787				(\$7,447,026)		(7,447,026)
Depreciation	95,411						(95,411)		(95,411)
Total Lexington Convention and Visitors Bureau	7,873,224	0	330,787	0					(7,542,437)
Downtown Development Authority									
Downtown Design Center	456,871			98,935				(\$357,936)	(357,936)
Total Downtown Development Authority	456,871	0	0	98,935					(357,936)
Total Nonmajor Component Units	\$50,789,803	\$4,580,452	\$7,101,388	\$4,012,003	(\$11,829,025)	(\$15,366,562)	(\$7,542,437)	(\$357,936)	(\$35,095,960)
General Revenues:									
Taxes					\$17,119,661	\$15,051,980	\$7,297,047	\$0	\$39,468,688
Payment from/to Lexington-Fayette Urban County Government					287,446			324,540	611,986
Income on Investments						74,432	6,598	248	81,278
Gain on Sale of Capital Assets					5,735				5,735
Miscellaneous					(2,842,299)	10,826	30,458		(2,801,015)
Total General Revenues					14,570,543	15,137,238	7,334,103	324,788	37,366,672
Change in Net Position					2,741,518	(229,324)	(208,334)	(33,148)	2,270,712
Net Position, Beginning					43,513,595	17,823,601	5,685,034	290,635	67,312,865
Net Position, Ending					\$46,255,113	\$17,594,277	\$5,476,700	\$257,487	\$69,583,577

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Net Investment in Capital Assets	\$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	\$752,686,501
Restricted	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	61,892,472
Unrestricted (Deficit)	5,930,420	(6,454,734)		(110,023,238)	(98,714,274)	(94,638,121)	(83,112,939)	(350,353,804)	(370,433,940)	(403,166,799)
Total governmental activities net position	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	411,412,174
Business-type Activities										
Net Investment in Capital Assets	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	235,845,376
Restricted	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	77,840,186
Unrestricted (Deficit)	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	41,169,488
Total business-type activities net position	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	354,855,050
Primary Government										
Net Investment in Capital Assets	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	988,531,877
Restricted	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	139,732,658
Unrestricted (Deficit)	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)	(361,997,311)
Total primary government net position	\$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	\$766,267,224

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities:										
Administrative Services	\$3,832,639	\$3,313,306	\$1,299,382	\$1,386,040	\$21,143,480	\$11,761,053	\$5,342,699	\$7,483,487	\$7,800,854	\$9,578,189
Chief Development Officer	30,686,297	30,670,339	30,894,261	31,104,781	470,018	620,665	192,555	513,854	2,074,348	207,793
Community Corrections	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	33,771,433
Environmental Quality										
Environmental Quality & Public Works	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	61,270,031
Finance	58,497,660	66,077,180	62,716,441	67,106,441	19,357,661	14,744,087	16,726,346	14,049,319	39,135,165	49,393,398
Fire & Emergency Services	30,660,951	22,726,537	24,197,239	22,985,046	66,413,015	62,781,239	67,689,682	56,832,342	66,853,053	84,838,719
General Government	11,531,344	13,944,835	14,629,238	14,242,698	10,041,709	23,692,990	26,973,537	25,480,664	30,180,917	45,988,791
General Services**	14,564,306	25,824,211	26,711,492	34,755,417	26,211,457	10,898,533	10,551,162	11,827,132	12,486,401	22,964,722
Health, Dental and Vision Insurance	11,216,315	14,522,324	9,161,677	9,713,226		25,006,634	24,893,545	25,000,892	22,632,726	26,894,758
Information Technology**	12,593,109	10,803,413	9,301,249	10,227,268		6,983,029	3,811,867	8,401,242	9,464,131	11,174,379
Law						4,006,240		2,650,481	2,109,025	5,652,482
Outside Agencies										
Parks & Recreation	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	23,375,486
Planning, Preservation, & Development*	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	45,359,659
Police	26,717,271	13,145,251	11,259,687	11,162,765	13,042,036	69,945,322	69,822,219	56,418,416	64,145,155	74,436,600
Public Safety**	71,695,702	62,907,588	61,841,096	63,671,436		14,666,437	10,776,283	12,593,479	12,560,199	14,759,631
Public Works	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	13,035,311
Social Services										
Special Projects										
Interest on Long-Term Debt	5,727,995	6,357,236	10,692,416	13,131,617	12,835,920	13,116,205	13,053,635	13,116,151	13,722,941	15,336,458
Debt Service - Other	1,066,179									
Total governmental activities	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	537,647,840
Business-type Activities:										
Sanitary Sewer System	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	50,078,962
Public Facilities	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	8,666,540
Public Parking	463,177	1,012,399	927,900	906,926	847,894	84,866	265,226	66,994	1,965,274	1,965,274
Landfill	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	3,962,016
Right of Way	333,723	299,598	313,383	312,770	298,896	284,470	308,683	280,214	336,415	493,872
Extended School Program	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	2,023,018
Prisoners' Account System	1,724,224	1,628,156	1,421,523	1,287,139	1,373,473	1,393,543	1,844,393	1,253,423	1,716,855	3,002,164
Enhanced 911	3,870,267	3,314,149	3,654,032	3,083,806	2,973,088	2,930,379	2,384,796	2,638,373	3,940,313	4,170,674
CKY Network	54,347	63,502	57,644	84,242	29,307	10,668	450,919	1,307,829	879,528	412,763
Small Business Development										
Water Quality		1,841,975	4,528,403	6,280,081	9,182,669	8,308,501	9,139,302	8,618,921	11,290,945	12,062,937
Total business-type activities	63,701,888	63,111,884	72,241,187	73,957,704	72,773,734	67,744,654	74,990,804	70,880,846	79,903,243	86,838,220
Total primary government	\$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	\$624,486,060

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Program Revenues										
Governmental Activities:										
Charges for Services	\$0	\$0	\$0	\$1,000	\$1,603,453	\$559,050	\$367,363	\$351,158	\$498,615	\$769,505
Administrative Services	7,822,586	6,413,349	6,319,484	7,429,351	7,707,225	8,286,565	6,281	76,504	2,500	6,569
Chief Development Officer	2,155,407	1,263,393	1,850,487	2,406,997			9,161,315	8,574,892	9,330,723	9,263,554
Community Corrections										
Environmental Quality										
Environmental Quality & Public Works										
Finance	1,526,545	4,385,600	3,807,077	3,145,043	2,912,917	2,757,405	2,681,977	3,140,243	2,485,454	3,113,988
Fire & Emergency Services	4,686,614	6,773,040	6,191,913	6,478,108	2,511,142	2,413,363	3,358,781	1,912,603	472,126	55,401
General Government	14,562,857	14,300,517	13,541,123	15,644,382	7,340,946	6,952,394	7,036,029	9,201,753	9,210,668	6,422,785
General Services**	71,059	104,442	113,498	97,898	15,086,369	23,141,015	17,046,255	19,035,778	19,035,469	18,642,898
Health, Dental, and Vision	14,564,306	25,824,211	26,711,492	34,755,417	63,132	28,827	4,155	97,971	18,346	1,700
Information Technology**	77,900	56,344	14,368	20,876	26,211,457	25,006,634	24,893,545	25,000,892	22,632,726	26,894,758
Law	2,935			18,217	35,293	36,944	49,006	3,821	3,096	981
Outside Agencies								15,013	31,416	17,700
Parks & Recreation	4,566,558	5,581,956	4,691,533	4,258,091	4,810,535	4,156,325	3,869,990	4,327,985	4,403,431	4,333,455
Planning, Preservation, & Development*	614,408	2,031,643	2,007,988	2,402,840	1,528,342	240,168	2,245,228	2,709,381	3,119,969	3,114,354
Police	1,482,000	403,491	445,029	329,460	2,045,401	1,857,059	64,898	1,640,754	1,513,686	1,717,739
Public Safety**	14,368,414	3,775,946	5,770,608	4,088,338				247,994	69,522	73,187
Public Works	3,362,529	3,754,793	2,848,473	3,542,915	1,766,790	1,857,123	1,703,695	1,804,885	1,662,363	1,586,791
Debt Service - other										
Operating Grants & Contributions	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	13,146,822
Capital Grants & Contributions	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	6,269,038
Total Governmental Activities	95,223,281	98,020,529	104,974,788	105,547,184	96,078,664	98,573,466	98,840,595	100,429,782	96,193,389	95,431,225
Business-Type Activities:										
Charges for Services										
Sanitary Sewer System	27,532,422	36,605,347	47,470,305	48,803,593	47,287,791	52,927,780	50,480,049	52,007,762	58,394,719	63,890,717
Public Facilities	6,237,836	6,841,271	7,157,088	7,156,666	7,156,666	5,830,285	6,375,794	6,405,783	6,987,558	7,303,362
Public Parking	1,192,523	1,373,037	1,203,102	859,874	977,414	4,560		705		0
Landfill	8,356,220	8,499,137	8,240,762	7,203,610	7,183,611	6,845,329	7,064,989	7,211,864	7,060,937	7,060,342
Right of Way	310,950	403,771	479,012	483,196	419,676	392,466	520,812	475,126	495,490	703,959
Extended School Program	2,203,771	1,808,121	2,097,145	2,038,391	2,338,243	2,379,751	2,202,171	2,229,896	2,389,089	1,904,620
Prisoners' Account System	2,066,361	2,028,429	1,915,910	1,121,799	1,524,127	1,619,626	2,372,285	1,227,415	1,621,110	3,146,187
Enhanced 911	2,621,394	3,453,310	4,069,027	3,749,409	3,999,658	3,517,634	4,273,106	3,810,887	4,126,861	4,429,699
CKY Network	61,360	84,045	91,090	160,699	51,798	25,738	111,576	1,269,890	815,110	400,735
Small Business Development	188									
Water Quality	5,581,104	11,604,569	12,095,514	12,296,476			13,119,524	13,341,859	13,661,911	13,565,209
Water Quality	40,783,025	61,162,736	77,552,988	83,162,228	83,034,498	85,839,645	86,520,306	87,978,682	95,443,490	102,404,830
Total Business-Type Activities	146,006,306	159,183,365	182,527,776	188,709,412	179,113,162	184,413,111	185,361,301	188,409,464	191,636,879	197,836,055
Total Primary Government										
Net (Expense)/Revenue										
Governmental Activities	(321,768,385)	(314,545,638)	(303,073,085)	(328,619,060)	(309,096,816)	(302,792,130)	(314,832,198)	(291,122,037)	(364,462,049)	(442,216,615)
Business-Type Activities	(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	15,566,610
Total Primary Government	(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)	(426,650,005)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	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	58,636,843
Licenses and Permits	220,015,258	218,194,593	215,196,838	224,399,866	230,580,201	238,934,158	248,271,270	265,596,253	275,539,490	288,771,661
Grants & Contributions Not Restricted to Specific Programs:										
Community Development Block Grant	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	1,154,744
Income on Investments	3,582,709	804,510	300,149	129,839	589,967	(509,890)	263,242	1,941,282	1,341,333	602,208
Sale of Assets	457,516	641,460	(45,882)	2,300,242	311,259	283,406			413,379	1,144,379
Bond Refunding										
Miscellaneous										
Conveyance of Asset										
Transfers	(620,031)	617,876	1,737,854	1,249,888	(346,507)	(1,106,585)	(871,447)	(2,546)	(313,102)	1,210,302
Total Governmental Activities	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	351,520,137
Business-Type Activities:										
Income on Investments	1,907,250	669,955	96,285	540,692	1,029,866	(215,314)	1,021,558	(604,800)	547,366	159,737
Sale of Assets	15,106	93,891	(401,697)	391,149	7,824			10,168		536,905
Bond Refunding										
Transfers	620,031	(617,876)	(1,737,854)	(1,249,888)	346,507	(11,902,981)	871,447	2,546	313,102	(1,210,302)
Total Business-Type activities	2,542,387	145,970	(2,043,266)	(670,047)	1,384,197	(12,118,295)	1,893,005	(92,086)	860,468	(513,660)
Total Primary Government	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	351,006,477
Change in Net Position										
Governmental activities	(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)	(90,696,478)
Business-type activities	(10,376,376)	(1,803,178)	3,268,535	8,534,477	11,644,961	5,976,696	13,422,507	16,806,750	16,400,715	15,052,950
Prior Period Adjustment - Government Activities			(12,655,128)	225,143		(1,548,751)	(541,157)	(309,138,212)	1,743,623	(166,283)
Prior Period Adjustment-Business-Type Activities				(5,214,453)		378,175		(17,074,699)	(690,596)	
Total Primary Government	(54,790,478)	(39,208,997)	(34,221,613)	(37,285,031)	(11,284,194)	(3,451,019)	\$2,480,536	(82,763,032,000)	(55,257,679)	(575,809,811)

*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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Reserved	\$5,254,246	\$12,177,430	\$12,019,893	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unreserved										
Designated for Economic Contingency	13,219,620	14,470,569	14,470,569							
Designated for Payroll	1,293,279	2,116,169	2,923,169							
Designated for Working Capital										
Designated for Pay Adjustments	4,620,501	4,365,746	2,106,483							
Undesignated				1,493,737	1,461,447	1,405,198	1,627,367	2,064,127	2,102,194	2,343,585
Nonspendable										
Restricted for:										
Public Safety								198,175	397,688	602,807
Energy Improvement Projects						408,227	636,874	552,989	552,011	676,218
Committed for:										
Economic Stabilization				3,931,000		6,612,684	11,249,146	11,606,932	13,353,512	5,941,545
Assigned to:				18,200,738	18,482,971	23,290,466	25,224,221	29,685,851	30,687,844	31,408,506
Capital Projects					6,972,224	8,060,560	8,137,251	20,449,635	13,924,969	4,913,896
General Government					11,583,075	10,325,000	12,700,000	14,500,000	21,200,000	14,000,000
Urban Services					2,500,000					
Unassigned				562,360	3,265,872	4,309,677	4,176,646	4,273,341	4,789,658	5,419,629
Total	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	65,306,186
Urban Services										
Reserved	1,064,326	5,612,288	8,842,245							
Designated for Payroll	99,401	127,622	154,622							
Undesignated	31,935,168	28,237,751	16,986,960							
Nonspendable				4,031	604	175	11,112	2,735	2,603	22,900
Restricted for:										
Urban Service Projects				20,420,741	22,767,570	28,631,854	29,855,868	31,391,398	30,368,714	23,836,031
Energy Improvement Projects						10,383	13,314	2,930	2,930	5,860
Unassigned										
Total	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	23,864,791
All Other Governmental Funds										
Reserved	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	5,618,682
Public Safety				3,117,402	2,812,852	1,659,378	1,569,569	1,529,730	1,460,930	1,418,500
Special Revenue Funds										
Capital Projects	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	41,101,200
Grants Projects	(13,728,932)	6,138,952	36,272,857	546,461	1,262,100	1,262,100	1,262,100	210,880	232,138	241,043
Unassigned	119,184	100,842	116,485							
Committed for:										
General Government				410,544	447,605					
Assigned to:										
General Government				(974,484)	(370,103)	445,690	1,721,084	1,327,774	720,741	457,767
Unassigned									(82,433)	
Total	\$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	\$48,837,192

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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Licenses and Permits	\$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	\$294,952,524
Taxes	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	58,636,843
Charges for Services	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	27,222,202
Fines and Forfeitures	180,785	303,205	268,459	220,449	176,319	311,930	258,112	235,626	222,201	234,820
Local Contributions										
Intergovernmental	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	28,719,916
Exactions	1,282,254	379,575	601,993	96,613	129,603	532,410	486,643	2,074,477	317,370	514,337
Grant Match	1,709,521	2,734,433	2,619,353					529,770	585,626	1,766,593
Property Sales	557,071	803,382	499,119	2,681,463	453,540	462,570	181,052	529,770	1,341,478	602,208
Income on Investments	3,582,709	804,510	300,149	129,839	589,902	(509,785)	263,298	1,941,301	4,536,586	5,011,982
Other	8,145,477	7,928,848	9,988,984	8,998,513	4,002,075	3,436,946	4,067,219	5,244,909		
Total Revenues	358,732,943	348,633,424	347,278,343	351,272,328	354,826,290	360,218,020	378,594,310	399,669,714	412,402,881	417,661,425
Expenditures										
Administrative Services	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	9,259,948
Chief Development Officer					458,932	613,743	190,339	537,986	1,107,841	963,105
Environmental Quality & Public Works	19,441,341	21,076,668	20,398,457	22,544,214						
Finance	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	43,305,223
General Government	13,651,464	6,761,982	6,962,873	7,382,550	5,115,502	5,115,502	5,020,225	5,225,806	5,536,971	5,977,862
General Services**	28,280,713	29,246,730	26,370,443	25,763,110	5,059,177	5,647,407	5,678,539	6,306,980	6,542,424	6,556,907
Information Technology**	9,919,332	13,566,187	10,287,205	8,450,628	24,095,490	26,517,790	24,348,481	26,139,238	29,278,819	30,038,997
Law	23,551,596	10,851,780	9,327,861	10,237,207	3,571,448	3,994,327	4,035,393	2,844,757	9,187,214	9,964,616
Outside Agencies	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	22,938,277
Planning, Preservation, & Development*	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	209,591,012
Public Safety**	23,013,365	24,708,831	22,514,826	21,858,996		3,659,901	8,670,017	10,436,351	12,486,736	14,614,512
Public Works	12,006,737	11,623,944	9,615,423	8,402,054	7,804,749	8,222,664	8,196,041	8,422,005	9,190,567	10,296,721
Social Services										
Special Projects										
Debt Service:										
Principal	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	21,470,000
Interest	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	15,073,088
Other	47,475,384	45,435,689	70,941,523	49,010,038	29,785,796	28,336,917	48,815,941	51,092,128	70,848,554	95,073,861
Total Expenditures	387,977,104	444,357,758	434,492,756	377,664,929	377,401,672	353,153,928	386,234,545	400,586,967	448,310,292	505,606,546
Excess (Deficiency) of Revenues over (under) Expenditures	(29,244,161)	(95,724,334)	(87,214,413)	(26,392,601)	(22,575,382)	7,064,092	(7,640,235)	(917,253)	(35,907,411)	(87,945,121)
Other Financing Sources (Uses)										
Transfers In	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	11,581,277
Transfers Out	(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)	(11,801,402)
Property Sales										
Debt Proceeds (net of bond refunding)		116,960,000	119,515,000	19,720,000	37,275,000	21,177,299	78,350,131	49,993,988	56,180,000	70,278,668
Bond Anticipation Note										
Premium (Discount) on Bonds Issued										
Total Other Financing Sources (Uses)	(632,990)	117,577,876	114,122,686	15,210,279	30,869,623	16,031,851	16,878,261	30,847,313	59,242,087	42,431,770
Net Change in Fund Balances	(\$29,877,151)	\$21,853,542	\$26,908,273	(\$11,182,322)	\$8,294,241	\$23,095,943	\$9,238,026	\$29,930,060	\$23,334,676	(\$45,513,351)
Debt Service as a percentage of noncapital expenditures*	6.2%	4.5%	9.5%	10.2%	8.7%	9.1%	10.1%	9.1%	9.0%	7.8%

*Planning, Preservation, & 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)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Licenses and Permits	\$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	\$293,445,670
Taxes	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	23,068,237
Charges for Services	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	24,604,479
Fines and Forfeitures	137,659	270,598	262,040	215,493	170,001	309,442	257,039	234,615	220,612	234,363
Intergovernmental	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	546,939
Property Sales	392,892	646,007	473,784	1,985,318	152,194	137,719	56,688	318,536	205,560	1,265,147
Income on Investments	1,827,694	288,720	62,901	(2,381)	390,823	(556,777)	432,454	1,564,895	775,012	339,889
Other	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	3,502,017
Total Revenues	273,326,473	271,485,517	267,153,789	281,363,200	283,526,860	292,132,708	303,716,831	324,502,643	335,535,557	347,006,741
Expenditures and Other										
Financing Sources (Uses)										
Administrative Services	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	7,524,232
Chief Development Officer					158,932	163,743	182,074	267,683	1,001,763	845,523
Environmental Quality	2,025,452	53,206	3,217	6,407						
Environmental Quality & Public Works					8,380,410	8,103,750	7,366,215	9,814,924	11,746,025	11,730,796
Finance	7,955,937	9,057,361	8,297,391	7,936,589	5,387,968	5,101,158	5,022,088	5,350,469	5,494,593	5,909,131
General Government	11,450,829	3,337,821	3,206,859	3,872,271	1,700,098	3,476,730	3,664,554	4,109,338	4,265,335	4,333,737
General Services**	28,032,856	28,401,996	26,464,121	25,414,155	24,165,031	26,774,613	29,847,860	27,906,695	31,355,145	31,546,178
Information Technology**	6,513,655	7,610,707	7,366,977	7,820,811			6,018,605	8,213,083	8,887,236	10,471,207
Law	20,032,934	9,602,925	8,601,967	9,607,308	3,494,863	3,926,008	3,974,171	2,315,205	2,182,164	10,186,108
Outside Agencies	16,843,781	16,913,570	16,786,200	16,935,373	17,206,291	17,121,904	18,935,337	19,540,759	20,264,359	20,528,503
Planning, Preservation, & Development*										
Public Safety**	146,778,076	219,175,755	183,918,587	154,017,726	187,071,884	167,821,104	165,631,441	172,810,800	186,461,715	206,803,147
Public Works	18,553,415	17,198,118	18,296,963	16,628,445						
Social Services	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	9,209,025
Debt Service	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	35,216,103
Other Financing (Sources) Uses	(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	694,993
Residual Equity Transfers										
Total Expenditures and Other										
Financing Sources (Uses)										
Net Change in Fund Balance	291,991,519	262,743,248	268,763,589	280,743,254	263,449,106	281,986,485	294,377,138	304,923,098	333,240,985	368,587,574
	(\$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	(\$21,580,833)

*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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Sewer Service Charges	\$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	\$60,085,888
Sewer Tap on Fees	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	2,154,652
Exactions	343,998	198,914	287,677	885,730	150,120	4,002,945	801,569	426,085	411,513	294,332
Other Income	80,462	93,293	448,880	776,339	615,624	609,021	1,155,128	2,297,116	1,127,145	912,835
Total Revenues	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	63,447,707
Operating Expenses										
Treatment Plant	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	7,116,239
Collection System	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	4,536,910
Administration	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	24,011,158
Depreciation	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	10,568,196
Total Operating Expenses	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	46,232,503
Operating Income	(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	17,215,204
Net Nonoperating Revenues/(Expenses)	(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)	(4,005,015)
Capital Contributions										
Transfers In	81,331	453,974		3,010,299	422,187	1,208,935	88,369,088	6,230		
Transfers Out	(596,775)	(888,779)	(394,869)	(4,283,344)	(466,138)	(1,039,194)	(88,351,969)	354	(4,236)	(185,026)
Net Income/Change in Net Position	(\$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	\$13,025,163

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)
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	15,741,024	919,466	7,162,151	1,080	5,793,103		29,616,824 *		29,616,824	0.2535
2016	15,497,091	911,673	6,935,829	995	5,527,611		28,873,199 *		28,873,199	0.2538
2017	16,346,959	948,410	7,509,402	1,345	5,801,304		30,607,420		30,607,420	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.

* Year 2015 & 2016 data was flipped: Corrected Error

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
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%	1,156,688	54,228,829	99.0%
2016	55,935,427	54,402,567	97.3%		54,402,567	97.3%
2017	58,046,716	56,107,829	96.7%		56,107,829	96.7%

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	Soil & Water Conservation				Health Department
		Refuse	Street					Extension Services	Water	Department		
			Lights	Cleaning								
2008	0.0800	0.1590	0.0210	0.0094	0.2694	0.5940	0.1240	0.0031	0.0004	0.0280	0.0600	1.0789
2009	0.0800	0.1590	0.0210	0.0094	0.2694	0.6050	0.1220	0.0032	0.0004	0.0280	0.0600	1.0880
2010	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0280	0.0600	1.0951
2011	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0280	0.0600	1.0951
2012	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0280	0.0600	1.0951
2013	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0280	0.0600	1.0951
2014	0.0800	0.1431	0.0210	0.0094	0.2535	0.6740	0.1220	0.0033	0.0004	0.0280	0.0600	1.1412
2015	0.0800	0.1431	0.0210	0.0094	0.2535	0.6960	0.1220	0.0034	0.0005	0.0280	0.0600	1.1634
2016	0.0800	0.1431	0.0210	0.0097	0.2538	0.7400	0.1220	0.0035	0.0005	0.0280	0.0600	1.2078
2017	0.0800	0.1431	0.0210	0.0097	0.2538	0.7500	0.1220	0.0035	0.0006	0.0280	0.0600	1.2179

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	2017			2008		
	Taxable Assessed		% of Total City Taxable Assessed Value	Taxable Assessed		% of Total City Taxable Assessed Value
	Value	Rank		Value	Rank	
Hap Property Owner, LP	\$185,700,000	1	0.61%			
Fayette Mall SPE LLC	117,000,000	2	0.38%			
Fayette Middle Anchor LLC	63,000,000	3	0.21%			
Inland American Lodging Lex	53,501,500	4	0.17%			
Newtown Crossing II LLC	53,000,000	5	0.17%	\$31,500,000	8	0.12%
Healthsouth Kentucky Real Estate	50,678,300	6	0.17%			
Sir Forty 57 LLC	50,000,000	7	0.16%			
War Admiral Place LLC	50,473,100	8	0.16%			
Mid America Apts	48,177,600	9	0.16%			
Weingarten Realty Investors	47,869,900	10	0.16%	31,855,300	7	0.12%
Lexington Joint Venture*				58,943,600	1	0.23%
Lexmark International Inc.				56,228,500	2	0.22%
Fourth Quarter Properties				53,562,800	3	0.21%
Meijer Stores, Ltd				34,973,400	4	0.14%
Diamondrock Griffin				32,700,000	5	0.13%
Fayette Development				32,460,700	6	0.13%
Geneva Organization				30,100,000	9	0.12%
Main Street EH LLC				29,200,000	10	0.11%
Total	\$719,400,400		2.35%	\$391,524,300		1.53%

*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
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%
2017	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	2017 Rank	2008 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	7
Defense Finance & Acctg System	6	
St. Joseph Hospital	7	5
Amazon.com	8	
Valvoline International, Inc.	9	
Lexington Clinic	10	9
Ashland Inc.		8
Dept of Veterans Affairs		6
L3 Communications		10

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

TABLE 13

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

Fiscal Year	Governmental Activities				Business-type Activities				% 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	Total Primary Government		
2008	\$126,065,000	\$0	\$0	\$0	\$35,715,000	\$68,195,000	\$0	\$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%	1,464
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%	1,390
2014	310,040,731				42,590,809	52,872,841	27,785,157	433,289,538	3.2% *	1,391
2015	322,636,652				38,561,469	53,625,000	36,968,889	451,792,010	3.2% *	1437
2016	359,049,549				35,850,000	51,315,000	64,267,000	510,481,549	na	na
2017	\$378,407,126	\$0	\$0	\$0	\$33,017,706	\$49,080,404	\$86,872,538	\$547,377,774	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 2016 and 2017 not available at time of publication.

Population data for 2016 and 2017 not available at time of publication.

* Updated in 2017

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	Per Capita
		Value of Property	
2008	\$126,065,000	0.49%	\$438
2009	229,265,000	0.83%	784
2010	308,355,000	1.14%	1,054 *
2011	303,865,000	1.11%	1,009 *
2012	315,714,650	1.15%	1,033 *
2013	314,541,343	1.12%	1,018 *
2014	310,040,731	1.09%	996 *
2015	322,636,652	1.09%	1,026 *
2016	359,049,549	1.24%	na
2017	378,407,126	1.24%	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 2016 & 2017 not available at time of publication.

* Updated in 2017

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, 2017

	Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Overlapping Debt
Lexington Center Corporation			
Refunding and Improvement Mortgage Revenue Bonds, Series 1993	\$0	3.71%	\$0
Mortgage Revenue Bonds, Series 2008A	\$12,195,000	3.15%	384,032
Mortgage Revenue Bonds, Series 2015	9,000,000	3.15%	283,418
Mortgage Revenue Bonds, Series 2016	2,892,784	3.15%	91,096
Lexington-Fayette Urban County Government Airport Corporation			
Fixed Rate General Airport, Revenue, and Refunding Bond 2009A (non-AMT)	6,600,000	5.04%	332,562
Variable Rate General Airport, Revenue, and Refunding Bond 2009B (AMT)	5,400,000	5.04%	272,097
Fixed Rate General Airport, Revenue and Refunding Bond 2012A (AMT)	6,770,000	5.04%	341,128
Variable Rate General Airport Taxable Revenue and Refunding Bond 2008C	29,080,000	4.67%	1,357,982
Fixed Rate General Airport, Revenue, and Refunding Bond 2012B (non-AMT)	11,230,000	5.04%	565,860
Fixed Rate General Airport, Revenue Bonds Bond 2016A (non-AMT)	4,840,000		
Fixed Rate General Airport, Revenue Bonds Bond 2016B (AMT)	4,880,000		
Fixed Rate General Airport, Revenue & Refunding Bond Bond 2016C (Fed Taxable)	39,095,000		
Fixed Rate General Airport, Revenue Bonds Bond 2016D (non-AMT)	5,345,000		
Fixed Rate General Airport, Revenue and Refunding Bond 2016E (AMT)	4,250,000		
Fayette County School & Kentucky School Commission Bonds	417,333,673	100.00%	417,333,673
Subtotal, Overlapping Debt			420,961,850
LFUCG, Direct Debt			378,407,126
Total Direct and Overlapping Indebtedness			<u>\$799,368,976</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									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Assessed Value	\$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	\$30,607,420
Debt limit (10% of Assessed Value)	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	3,060,742
Total net debt applicable to limit	166,455	195,775	171,510	108,710	203,817	194,414	200,820	171,917	162,861	184,801
Legal debt margin	\$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	\$2,875,941
Total net debt applicable to the limit as a percentage of debt limit	6.46%	7.13%	6.32%	3.99%	7.41%	6.95%	7.08%	5.80%	5.64%	6.04%
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 Available Revenue	Debt Service Interest	Debt Service Principal	Debt Service Interest	Debt Service Coverage	Less:		
	Gross Revenue	Operating Expenses						Gross Revenue	Operating Expenses	Net Available Revenue
2008	\$28,994	\$28,659	\$335	\$1,726	\$3,855	\$1,726	0.06	\$6,238	\$2,853	\$3,385
2009	37,049	27,201	9,848	1,706	3,855	1,706	1.77	6,841	2,681	4,160
2010	47,446	31,774	15,672	1,849	4,040	1,849	2.66	6,431	2,670	3,761
2011	49,383	32,198	17,185	2,608	4,510	2,608	2.41	7,159	2,789	4,370
2012	48,023	30,140	17,883	3,181	11,117	3,181	1.25	7,157	2,697	4,460
2013	52,769	28,839	23,930	2,400	3,413	2,400	4.12	5,830	2,305	3,525
2014	51,542	33,170	18,372	2,348	3,505	2,348	3.14	6,376	2,111	4,265
2015	51,440	31,626	19,814	1,917	2,067	1,917	4.97	6,406	2,436	3,970
2016	58,234	32,694	25,540	2,536	3,094	2,536	4.54	6,988	2,708	4,280
2017	\$63,289	\$35,664	\$27,625	\$2,644	\$3,688	\$2,644	4.36	\$7,305	\$2,625	\$4,680

Fiscal Year	Public Parking Corporation				Special Assessment Bonds			
	Less:		Net Available Revenue	Debt Service Interest	Debt Service Principal	Debt Service Interest	Debt Service Coverage	Special Assessment Collections
	Gross Revenue	Operating Expenses						
2008	\$1,193	\$0	\$1,193	\$70	\$720	\$70	1.51	\$35
2009	1,383	580	803	70	720	70	1.02	
2010	1,203	539	664	36	750	36	0.84	
2011	861	600	261					
2012	978	540	438					
2013	5	4	1					
2014								
2015								
2016	1		1					
2017	\$0	\$0	\$0					

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

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

TABLE 18

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

Fiscal Year	Population	Personal Income (Thousands)	Per Capita Personal Income	Civilian Labor Force		
				Employed	Unemployed	Unemployment Rate
2008	287,683	\$11,727,241 *	\$40,764 *	144,068	7,311	4.8%
2009	292,514	11,220,857 *	38,360 *	141,049	13,087	8.5%
2010	296,717 *	11,568,412 *	38,988 *	142,196	12,029	7.8%
2011	301,291 *	12,147,960 *	40,320 *	147,052	12,146	7.6%
2012	305,525 *	12,701,835 *	41,574 *	146,775	10,192	6.5%
2013	308,829 *	12,826,933 *	41,534 *	152,866	11,657	7.1%
2014	311,399 *	13,506,459 *	43,373 *	148,833	9,938	6.3%
2015	314,488 *	14,226,854 *	45,238 *	161,674	6,879	4.1%
2016	na	na	na	252,827	10,512	4.0% *
2017	na	na	na	263,754	12,514	4.5%

* Updated in 2017

Note:

Personal Income and Per Capita Personal Income data for 2016, and 2017 not available at time of publication.

Population data for 2016 and 2017 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	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Kentucky	13,500	1	5.12%	n/a	n/a	n/a
Fayette County Public Schools	7,983	2	3.03%	n/a	n/a	n/a
Conduent formerly Xerox	3,100	3	1.18%	n/a	n/a	n/a
Lexington-Fayette Urban County Government	2,945	4	1.12%	n/a	n/a	n/a
Lexmark International	2,100	5	0.80%	n/a	n/a	n/a
KentuckyOne Health	1,757	6	0.67%	n/a	n/a	n/a
Veterans Medical Center	1,565	7	0.59%	n/a	n/a	n/a
Baptist Healthcare	1,558	8	0.59%	n/a	n/a	n/a
Amazon.com	1,200	9	0.45%	n/a	n/a	n/a
Lockheed Martin	1,100	10	0.42%	n/a	n/a	n/a
	<u>36,808</u>		<u>13.96%</u>			

Note:

First year of presentation for Employees and Percentage of Total City Employment was FY2010. This data is not available for FY2008.

Source: Lexington Chamber of Commerce

TABLE 20

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

Year	Construction	Education and Health Services	Financial Activities	Information	Leisure and Hospitality	Manufacturing	Natural Resources and Mining	Other Services	Professional and Business Services	Trade, Transportation, and Utilities	Others	Total Employment by Place of Work
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
2016	9,270	24,820	7,773	2,405	23,839	12,079	1,838	5,413	28,649	36,625	47	152,758

*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>191,593</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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Administrative Services	77	89	91	86	129	94	47	49	76	78
Chief Development Officer										
General Government	77	48	73	70	66	66	67	69	65	67
Finance & Administration	104	108	103	94	68	65	69	70	73	74
Information Technology										
General Services							44	52	52	51
Parks & Recreation	180	145	138	132	140	139	138	144	146	144
Other	123	132	134	130	97	93	98	102	102	97
Law	34	31	26	26	37	40	39	42	23	23
Planning, Preservation & Development						39	128	137	143	146
Public Safety										
Fire & Emergency Services										
Firefighters & Officers	512	504	522	520	500	520	566	560	565	558
Civilians	20	18	15	18	17	16	16	18	18	26
Police										
Officers	538	557	542	511	504	524	542	518	554	572
Civilians	117	77	102	93	127	126	122	112	87	104
Community Corrections	359	341	294	284	321	312	330	298	293	340
Other	99	101	75	79	81	80	68	74	73	92
Public Works & Development	221	218								
Solid Waste										
Sanitary Sewers										
Other				240						
Environmental Quality & Public Works					508	484	451	453	468	475
Waste Management	208	199	206	196						
Water & Air Quality	135	145	149	151						
Other	18	10	15	16						
Social Services	137	128	113	99	94	96	96	98	108	109
	2,959	2,851	2,842	2,745	2,689	2,694	2,821	2,796	2,846	2,956

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 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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fire and Emergency Services										
Emergency Medical Calls	31,336	31,490	32,199	34,197	37,000	36,619	37,971	42,151	43,076	46,476
False Calls	2,804	2,715	2,653	2,870	2,673	2,585	2,983	3,077	2,898	2,915
Fire Incidents	1,322	1,301	1,129	1,337	1,564	1,293	1,226	1,249	1,364	1,364
Good Intent Calls	1,090	1,245	1,265	1,271	1,153	1,107	1,108	1,180	1,180	1,128
Hazardous Materials Calls	1,252	1,295	1,192	1,118	1,248	1,451	1,686	1,766	2,021	1,976
Other	109	134	62	79	60	44	54	40	34	46
Rescues	387	366	451	460	421	449	443	462	501	545
Rupture - Gas, Water, etc.	32	51	45	47	36	34	31	35	41	44
Service Calls	1,313	1,330	1,227	1,529	1,707	1,598	2,209	1,968	2,099	2,336
Police										
Physical Arrests	19,460	18,155	17,126	15,248	20,214	14,592	13,773	17,442	16,356	10,990
Parking Violations	8,945	49,471	46,949	42,675	41,849	47,201	46,709	43,055	45,360	48,776
Traffic Violations	76,529	73,945	64,954	63,546	52,086	40,478	48,193	44,795	36,561	37,635
Parks and Recreation										
Rounds of Golf	141,776	122,153	107,565	89,291	95,382	96,607	90,410	91,407	101,535	102,082
Pool Visits	202,093	217,917	188,389	185,421	205,353	169,820	142,062	145,911	167,351	152,466
Building Inspection										
Permits Issued	14,173	13,660	13,646	13,090	13,623	13,860	16,141	15,363	16,653	13,343
Inspections	27,650	29,404	28,915	24,563	23,957	24,518	23,262	21,909	27,406	13,517
Sanitary Sewers										
Tap-on Inspections	1,057	879	946	625	644	861	897	930	786	811
Average daily sewage treatment (mgd)	38	40	36	41	39	39	42	41	41	33
Solid Waste										
Annual Tons of Refuse Collected	165,087	155,645	141,831	138,331	134,788	135,595	137,728	138,714	149,226	155,493
Annual Tons of Recyclables Collected	18,355	20,190	18,831	20,402	21,834	22,446	22,583	22,509	21,436	21,041
Annual Tons of Yard Waste Collected			18,199	18,049	21,801	20,492	19,984	21,609	21,933	24,053
Other Public Works										
Street Resurfacing (miles)	38	35	30	15	28	22	27	27	51	61

* The physical arrest data was based on the jail import data.

** The physical arrest data is based on ticket data.

*** In the prior fiscal years permits were counted as issued, in the new system permits are counted by address. In prior fiscal years inspections were counted, including drive-by inspections. The current system limits the number of inspections per day, eliminating drive-by inspections.

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	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Fire and Emergency Services										
Number of Fire Stations	23	23	23	23	23	23	23	23	23	23
Number of Engines	24	24	23	23	22	22	22	22	22	22
Number of Aerials	8	8	7	7	7	7	7	7	7	7
Number of EC Units	9	10	10	10	10	10	11	11	11	11
Number of Haz-Mat Units	3	3	2	2	2	2	2	2	2	2
Police										
Stations	3	3	3	3	3	3	3	3	3	2
Patrol Units	481	438	444	440	429	424	424	430	457	480
Parks and Recreation										
Acres of Parks	4,565	4,565	4,917	4,917	4,282	4,282	4,282	4,282	4,282	4,282
Number of Golf Courses	6	6	6	6	5	5	5	5	5	5
Number of Swimming Pools	9	9	9	9	7	7	7	7	7	7
Sanitary Sewers										
Treatment Capacity (mgd)	64	64	64	64	64	64	64	64	64	64
Solid Waste										
Collection Trucks	116	115	119	113	119	119	116	118	123	135
Other Public Works										
Streets (miles)	1,589	1,599	1,628	1,634	1,636	1,638	1,641	1,652	1,663	1,667
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	363	367	376	380	382	376	378	365	374	377

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