

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2019

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
LEXINGTON, KENTUCKY



PREPARED BY THE DEPARTMENT OF FINANCE AND ADMINISTRATION

Paid for with Lexington-Fayette Urban County Government Funds



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2019



Cover by: Amy Wallot/Communications



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INTRODUCTORY SECTION



Lexington-Fayette Urban County Government
OFFICE OF THE MAYOR

Linda Gorton
Mayor

December 9, 2019

Dear Citizen,

The Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019, reflects fiscal discipline and strong financial management:

- As the year unfolded, revenue growth slowed. To stay within our budget we cut \$2 million by reducing operating expenses and discretionary accounts, and a slowdown in hiring.
- One driver of increased costs was the state, which held Kentucky cities responsible for a greater share of pension costs. We had reserved \$10 million in surplus funds to cover this increase. The increase in Lexington in FY19 was \$3.1 million. The remaining funds will be used to meet pension increases in future years.
- Our rainy day fund stands at \$35.3 million, almost double what was set aside in 2011. The fund is close to our goal of 10% of revenue.
- As always, public safety dominated our budget in FY19. This year public safety is 55.5% of our General Fund budget. We hired 25 new positions in our Fire Department, with 24 to staff our new station in Masterson Station, a growing area of our City. We also invested \$2.7 million in new tower trucks and other vehicles in the Fire Department. In the Police Department, we invested \$2.5 million in new police cars.
- We funded debt service for \$20 million in bonds for our new convention center, which will produce jobs and help us attract even more visitors to our city.
- We maintained funding for social service agencies at \$3 million to overcome federal and state cuts in funding. Since 2012, our City has doubled funding for these grants.
- We invested \$12 million in paving, \$850,000 for traffic signals, and \$250,000 for pedestrian safety. Lexington is living within its means, competing and winning.

Sincerely,

Linda Gorton
Mayor

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ELECTED OFFICIALS

MAYOR
Linda Gorton

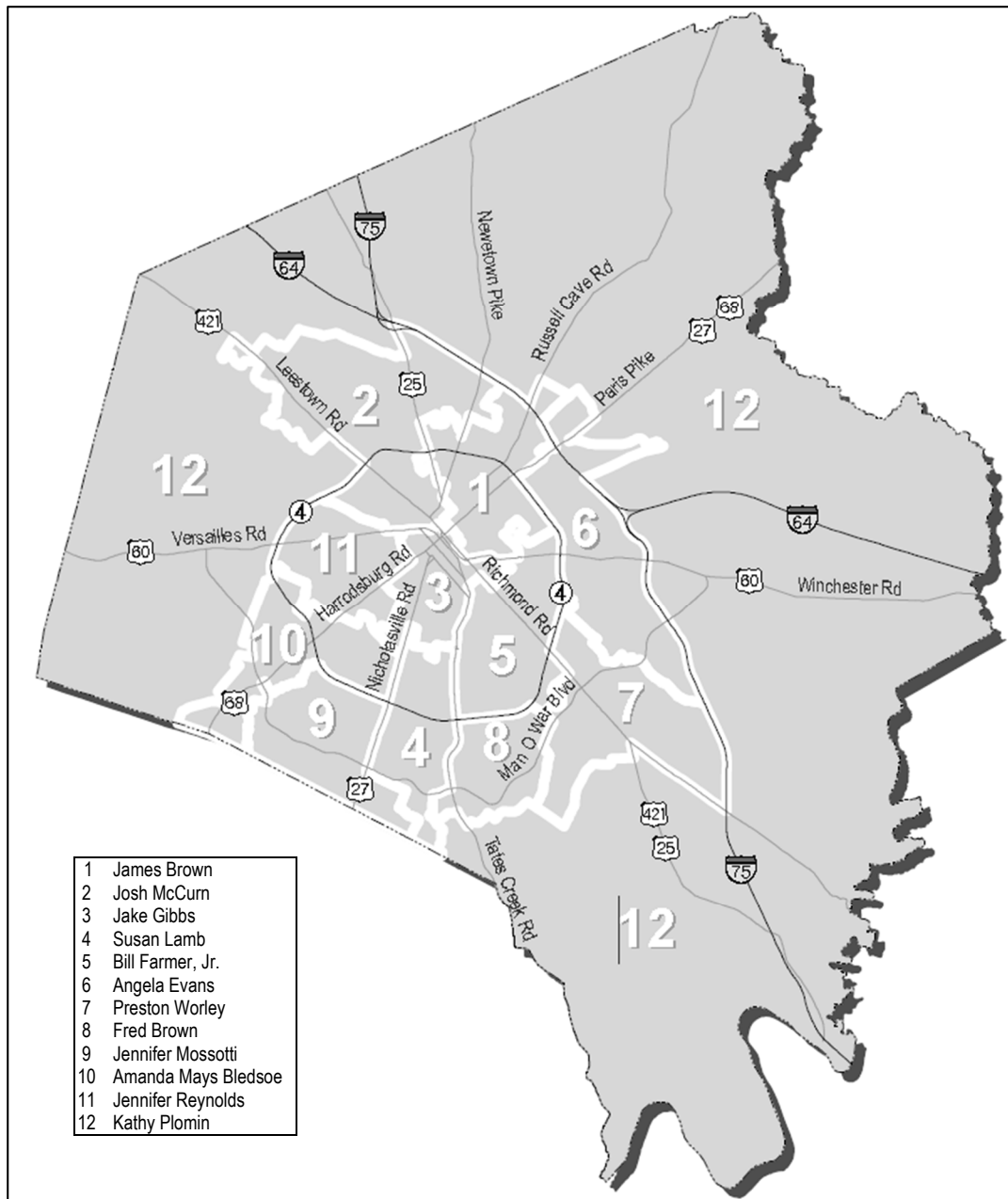
COUNCILMEMBERS-AT-LARGE

Steve Kay – Vice Mayor

Richard Moloney

Chuck Ellinger

DISTRICT COUNCILMEMBERS





December 9, 2019

Citizens of Lexington-Fayette Urban County
Honorable Mayor Linda Gorton
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, 2019. 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, 2019. 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, 2019 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, 2019, 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, 2019)

Demographic Profile

The City of Lexington, with a population of 323,780, 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 38,988 postsecondary students in the talent pool. Incorporated in 1775, Lexington has since grown to encompass just over 286 square miles of land.

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 December 9, 2019)

Economic Development

LFUCG has developed and implemented two programs to support job growth and economic mobility. The JOBS fund has been allocated \$3.5 million, of which \$3.0 million has been committed to 25 companies, to support companies that are creating new jobs above the county median wage. Based on payroll reporting, the incentivized companies have created \$13.9 million in new payroll in Lexington-Fayette County. Some of the companies have loans, which has also generated repaid principal and interest back into the program fund. The Economic Development Grant has allocated \$300,000 between eleven (11) non-profit agencies to support workforce development programs. The job training services provided by the non-profit agencies resulted in 182 unemployed and underemployed individuals placed into employment. The median wage earned by the 182 individuals placed into employment was \$10.94. The top 3 sectors represented in frequency of placements were in Hospitality, Manufacturing, and Healthcare.

Lexington Convention Center

In July 2018, the Lexington Convention Center broke ground on a more than \$240 million renovation and expansion, which is the single largest capital project in Lexington's history. The project had been in discussion for several years and is expected to strengthen Lexington's convention facilities and continue a program of downtown revitalization. The total convention space will exceed 200,000 square feet when completed. An important part of the project is a refresh of the exterior, with an upgraded façade and arena upgrades as well. In addition to Lexington Convention Center Contracts, the project was funded by Lexington bond funds, an allocation from the state, and a bond issue by the Lexington Convention Center. The project is scheduled for completion in November of 2021.

Town Branch Commons

Construction began in July 2018 for the Town Branch Commons. The project is a linear urban trail closing the gap between our downtown parks and two major trails. Once on the Town Branch Trail, users will be able to access 22 continuous miles of dedicated walking, jogging, and cycling trails connecting the city center to the countryside. Within the downtown core, the trail separates bikers from pedestrians. As it travels along Midland Ave. the walkers and bikers are combined for a different experience. Water is featured along the path in interactive fountains and planting areas to collect storm water. The trail is separated and buffered from adjacent vehicular traffic. The trail is fully funded by a diverse array of federal and state grants that leverage local dollars. Funding sources include a \$14.1M federal TIGER Grant, a \$5.6M federal CMAQ Grant, a \$2.9M federal TAP Grant, a \$7.1M Kentucky Infrastructure Loan, and \$11.8M of local dollars. Completion of the project is expected in 2022. A corresponding sanitary sewer project on the Midland Avenue section has already been completed.

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 incurred no penalties for missing a Consent Decree imposed 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 2019, work on the \$65 M West Hickman Wet Weather Storage (WWS) complex was the primary focus. The 22 million gallon tank is complete with the associated pumping facility coming on-line in July 2019. Two additional WWS tanks (West Hickman 7 and East Hickman) will come on-line in FY20. A total of 26 RMP projects have been completed and another nineteen (19) are in the construction phase, totaling approximately \$234.5 million in capital expenditures. The most recent projections show total RMP capital project expenses continuing to trend approximately 30% below the original estimated expenditure for the projects completed or are under construction to date. The Government will continue to closely monitor this trend as the overall project scope begins to transition away from the storage tank projects and into the pipeline upgrade projects.

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. In FY19, the Government took steps to create two dedicated full-time positions to administer and manage on-going CMOM program requirements.

Three of the four (4) Supplemental Environmental Projects (SEPs) that were specifically required by the Consent Decree are complete, with the flood mitigation Commonwealth SEP remaining to be completed. LFUCG has completed \$18.5 million of \$30 million in flood mitigation projects as required by the flood mitigation SEP and is currently constructing Phase One of the Southland/Wolf Run project (approximately \$1.1 M) and the WGPL Green Infrastructure project (\$160,000).

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. That permit expires in May 2020 and work is underway to secure a new 5 year permit.

Parks and Recreation

In the past year, the Division of Parks and Recreation completed many projects that stemmed directly from the 2018 Parks Master Plan. Projects included building improvements, new trail and sidewalk, ADA accessibility, and new playgrounds, included the replacement of Shillito Park playground which was built by 800+ volunteers and completed in October of 2019. Additionally, the department prepared new site development plans for a dozen parks as recommended by the Parks Master Plan and welcomed several new pieces of public art in city parks.



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. The Government has also restructured existing debt to benefit from the low interest rate environment and decrease its overall debt service burden. As the Federal Reserve considers future rate changes, 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 3.9% in June 2019, which is the same as in June 2018. The June 2019 rate was below the state rate of 4.1%. Total employment is well above pre-2008 levels. Employment, as measured by the Bureau of Labor Statistics, was 194,528 for the quarter ended December 31, 2018. By comparison, total employment was 199,897 for the quarter ending December 31, 2017 and 179,182 for the quarter ending 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 2018 was \$48,000.

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 2019 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 27th 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, 2018. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

Respectfully submitted,



William O'Mara, Commissioner
Department Of Finance





Government Finance Officers Association

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

Presented to

**Lexington-Fayette Urban
County Government, Kentucky**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

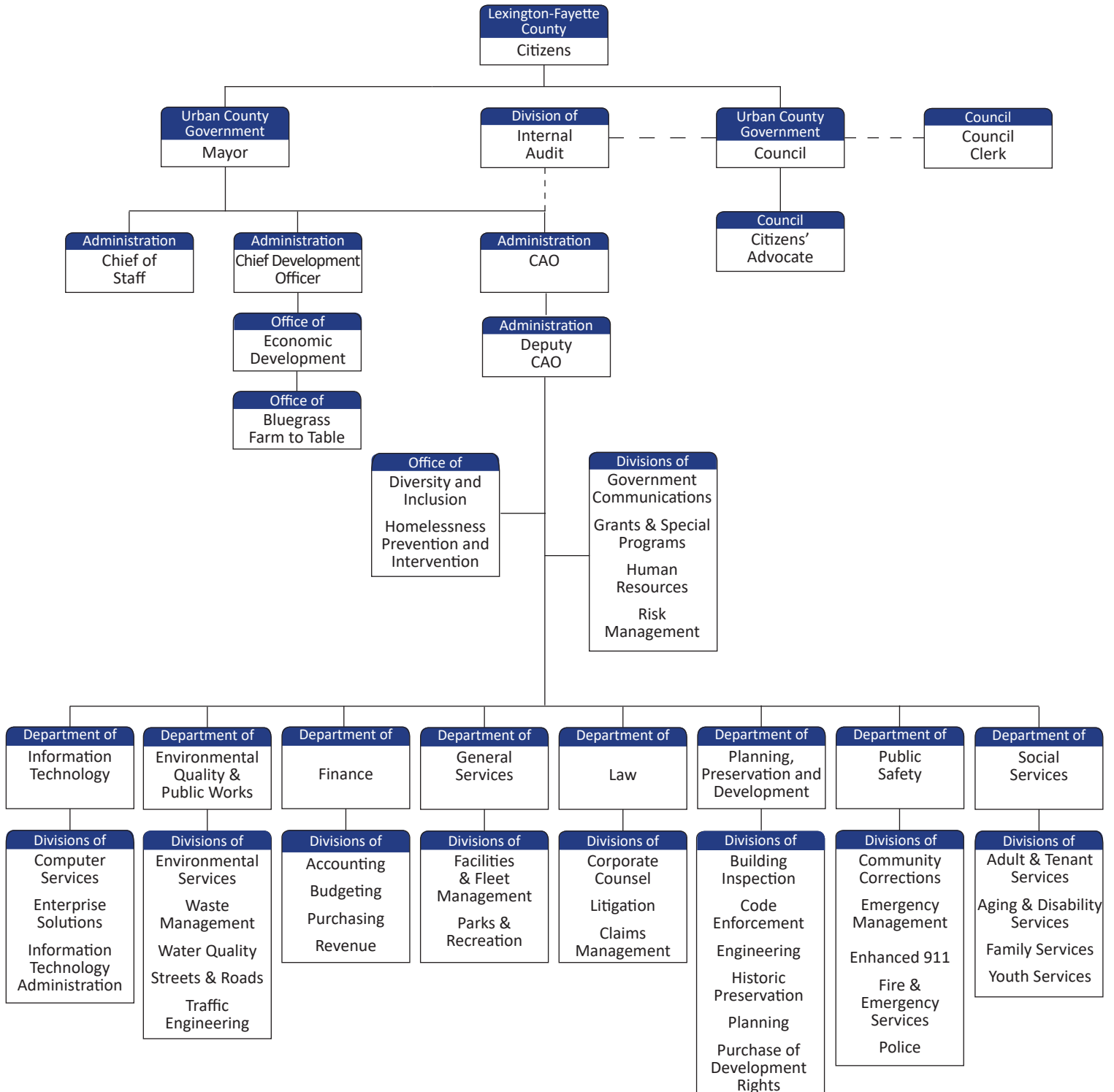
Christopher P. Morill

Executive Director/CEO



LEXINGTON

Lexington-Fayette Urban County Government Organizational Chart



DIRECTORY OF GOVERNMENTAL OFFICIALS

Council Office

Citizens' Advocate Office

Council Clerk's Office

Office of the Mayor

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
Purchase of Development Rights
Historic Preservation

Chief Development Office

Planning

Chief Information Office

Computer Services
Enterprise Solutions

Finance

Accounting and Payroll
Purchasing
Revenue
Budgeting

Environmental Quality and Public Works

Environmental Services
Water Quality
Waste Management
Streets and Roads
Traffic Engineering
Building Inspection
Engineering

Law

Public Safety

Community Corrections
Division of Emergency Management
E911
Fire and Emergency Services
Police
Code Enforcement

Social Services

Adult Services
Aging Services
Family Services
Youth Services

General Services

Facilities and Fleet Management
Parks and Recreation

Stacey Maynard, Council Administrator

Amber Deitz, Citizens' Advocate

Abigail Allen, Director

Linda Gorton, Mayor

Bruce Sahli, Director

Sally Hamilton, Chief Administrative Officer

Charlie Lanter, Director
Vacant, Director
Stacey Dimon, Supervisor
Kendra Carter, Director
Chris Edwards, Supervisor
John Maxwell, Director
Polly Ruddick, Director
Elizabeth Overman, Program Manager
Bettie L. Kerr, Director

Kevin Atkins, Chief Development Officer

Jim Duncan, Director

Aldona Valicenti, Chief Information Officer

Mike Nugent, Director
Phillip Stiefel, Director

William O'Mara, Commissioner

Phyllis Cooper, Director
Todd Slatin, Director
Rusty Cook, Director
Melissa Lueker, Director

Nancy Albright, Commissioner

Susan Plueger, Director
Charles H. Martin, Director
Tracey Thurman, Director
Rob Allen, Director
Jeff Neal, Director
Dewey Crowe, Director
Doug Burton, Director

Susan Speckert, Commissioner

Ken Armstrong, Commissioner

Steve Haney, Director
Patricia Dugger, Director
Robert Stack, Director
Kristin Chilton, Chief
Lawrence Weathers, Chief
Alex Olszowy, Director

Chris Ford, Commissioner

Connie Godfrey, Director
Kristina Stambaugh, Director
Joanna Rodes, Director
Stephanie Hong, Director

Monica Conrad, Acting Commissioner

Jamshid Baradaran, Director
Monica Conrad, Director



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FINANCIAL SECTION



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lexington-Fayette Urban County Government (the "Government"), as of and for the year ended June 30, 2019, 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 100% of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the financial statements of the entities above, is based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2019, 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.

Change in Accounting Principal – Adoption of GASB Accounting Standard

As discussed in Note 2 to the financial statements, the Government adopted new accounting guidance, Government Accounting Standards Board ("GASB") Statement No. 84, *Fiduciary Activities*, effective as of July 1, 2018. The implementation of this accounting standard resulted in the creation of a new Investment Trust Fund and a Custodial Fund and reduced the net position for Agency Funds. Our opinion is not modified with respect to this matter.

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 110 to 114 and pension and OPEB information on pages 115 to 122 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 and the other auditors 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* 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 and the Schedule of Expenditures of State 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 by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, 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 December 9, 2019, 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
December 9, 2019

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, 2019. It is supplementary information required by the Governmental Accounting Standards Board (GASB) and is intended to provide a readable explanation of the information within the basic financial statements. It should be read in conjunction with the Letter of Transmittal (which can be found preceding this narrative on page 3) and the financial statements immediately following the analysis.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government–Wide Highlights

- The Government early implemented GASB Statement No. 84, *Fiduciary Activities*. The objective of the statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The statement establishes criteria for identifying fiduciary activities of all state and local governments. As a result, the Government has identified two new fiduciary funds, the Sewer Investment Trust Fund and the Prisoner Account Fund. The Government recognized two prior period adjustments on June 30, 2019, of \$29,270,139 and \$627,876 respectively, to establish these new funds.
- Total assets plus deferred outflows of resources of the Primary Government exceeded total liabilities and deferred inflows of resources by approximately \$314.41 million at the close of fiscal year 2019. This amount includes a deficit of approximately (\$711.16) million in unrestricted net position.
- Governmental Activities' net position was (\$31.52) million at the end of fiscal year 2019. Of this amount, \$667.27 million was the net investment in capital assets. The net investment in capital assets comprises 2,117.24% of total net position.
- Business-Type Activities held a balance of \$345.93 million in net position. The unrestricted fund balance at June 30, 2019 is \$54.87 million, or 56.91% of Business-Type Activity expenses.

Fund Highlights

- As of June 30, 2019, the Government's governmental funds reported combined ending fund balances of \$147.80 million, a decrease of \$1.41 million compared to the previous fiscal year. Of this total amount, \$81.20 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 \$5.93 million or 1.61% 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 \$39.57 million. The committed fund balance designation for economic stabilization held a balance of \$35.35 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 \$18.46 million for fiscal year 2019.

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, 2019. 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 intergovernmental revenues (federal grants) and taxes, 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 \$314.41 million as of June 30, 2019, a decrease of \$57.38 million from the previous year. Total depreciation expense government wide was \$73.27 million.

The largest proportion of the Government's net position, \$942.88 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 2019	Restated FY 2018	Change
ASSETS			
Current and other assets	\$369,298	\$378,041	(\$8,743)
Capital assets	1,426,184	1,404,025	22,159
Total assets	<u>1,795,482</u>	<u>1,782,066</u>	<u>13,416</u>
DEFERRED OUTFLOWS OF RESOURCES	222,116	226,973	(4,857)
LIABILITIES			
Current and other liabilities	85,587	79,049	6,538
Long-term liabilities	1,441,411	1,496,090	(54,679)
Total liabilities	<u>1,526,998</u>	<u>1,575,139</u>	<u>(48,141)</u>
DEFERRED INFLOWS OF RESOURCES	176,189	62,111	114,078
NET POSITION			
Net Investment in Capital Assets	942,878	965,647	(22,769)
Restricted for:			
Capital Projects	47,789	111,478	(63,689)
Energy Improvement Projects	1,377	1,271	106
Debt Service	3,762	3,440	322
Capital Replacement	1,794	1,327	467
Pension	21,449	20,632	817
Water Quality Incentive Program	5,336	5,217	119
Grants	259	250	9
Maintenance and Operations	925	489	436
Unrestricted	<u>(711,158)</u>	<u>(737,962)</u>	<u>26,804</u>
Total net position	<u>\$314,411</u>	<u>\$371,789</u>	<u>(\$57,378)</u>

Approximately \$82.69 million, or 26.30% 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 (\$31.52) million, or 2.68% of total assets, a decrease of \$73.50 million from the previous year. Of this total, \$667.27 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.

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

	Governmental Activities		
	FY 2019	Restated FY 2018	Change
ASSETS			
Current and other assets	\$237,300	\$240,112	(\$2,812)
Capital assets	937,563	958,377	(20,814)
Total assets	<u>1,174,863</u>	<u>1,198,489</u>	<u>(23,626)</u>
DEFERRED OUTFLOWS OF RESOURCES	206,043	206,056	(13)
LIABILITIES			
Current and other liabilities	60,704	60,298	406
Long-term liabilities	1,180,692	1,244,061	(63,369)
Total liabilities	<u>1,241,396</u>	<u>1,304,359</u>	<u>(62,963)</u>
DEFERRED INFLOWS OF RESOURCES	171,026	58,198	112,828
NET POSITION			
Net Investment in Capital Assets	667,270	718,485	(51,215)
Restricted for:			
Capital Projects	43,876	47,044	(3,168)
Energy Improvement Projects	632	607	25
Debt Service	1,026	812	214
Pension	21,449	20,632	817
Grants	259	250	9
Maintenance and Operations			
Unrestricted	<u>(766,028)</u>	<u>(745,842)</u>	<u>(20,186)</u>
Total net position	<u>(\$31,516)</u>	<u>\$41,988</u>	<u>(\$73,504)</u>

Table 3 shows the net position of Business-Type Activities totaled \$345.93 million at the end of fiscal year 2019, an increase of \$16.13 million from the previous fiscal year. Of total net position, \$275.61 million, or 79.67%, is invested in capital assets, minus related debt which is still outstanding and used to acquire those assets. The Government uses these capital assets in the same way as the capital assets held by Governmental Activities.

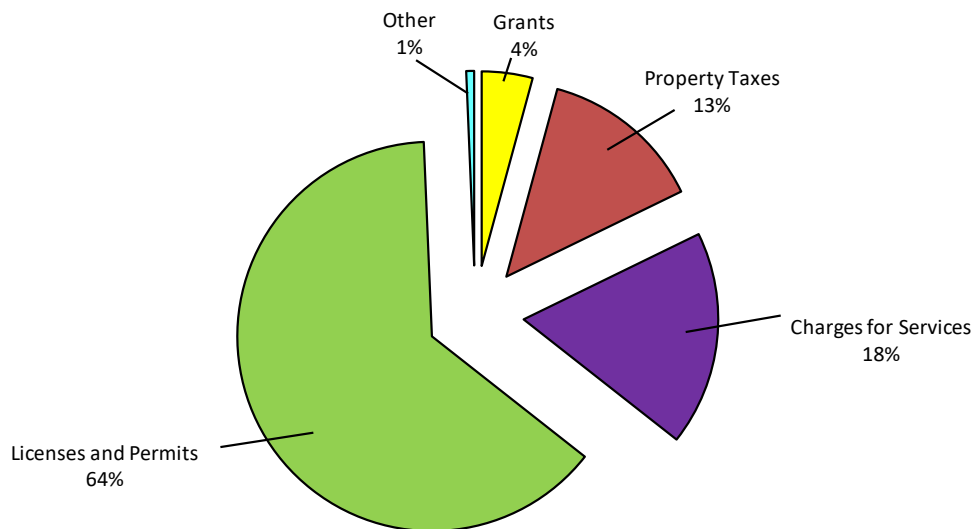
Table 3
Lexington-Fayette Urban County Government
Summary of Net Position
For Years as Stated
(in thousands)

	Business-Type Activities		
	FY 2019	Restated FY 2018	Change
ASSETS			
Current and other assets	\$131,998	\$137,930	(\$5,932)
Capital assets	488,621	445,648	42,973
Total assets	<u>620,619</u>	<u>583,578</u>	<u>37,041</u>
 DEFERRED OUTFLOWS OF RESOURCES	 16,073	 20,917	 (4,844)
 LIABILITIES			
Current and other liabilities	24,883	18,751	6,132
Long-term liabilities	260,719	252,029	8,690
Total liabilities	<u>285,602</u>	<u>270,780</u>	<u>14,822</u>
 DEFERRED INFLOWS OF RESOURCES	 5,163	 3,914	 1,249
 NET POSITION			
Net Investment in Capital Assets	275,608	247,163	28,445
Restricted for:			
Capital Projects	3,914	64,434	(60,520)
Energy Improvement Projects	746	664	82
Debt Service	2,736	2,628	108
Capital Replacement	1,794	1,327	467
Water Quality Incentive Program	5,336	5,217	119
Maintenance and Operations	925	489	436
Unrestricted	54,868	7,879	46,989
Total net position	<u>\$345,927</u>	<u>\$329,801</u>	<u>\$16,126</u>

Governmental Activities

As indicated in Chart 1, the Government funds its Governmental Activities from revenue received from four significant categories. A clear majority, 64%, of the Government's revenue were provided through licenses and permits. This category includes fees placed on employee withholdings, business returns, insurance premiums, and franchise fees. Charges for Services were 18%, which was the second largest contributing category to governmental activity revenues. Revenues collected in this category included charges collected from the Detention Center, EMS charges, golf course collections, fees for building permits, and fees associated with parks and recreation programs. Property Taxes comprised 13% of governmental revenues. Federal and State grant funding represented 4% of governmental revenue. The remaining 1% in Other category represented miscellaneous revenues collected by the Government.

Chart 1
Distribution of Governmental Activity Revenues



As indicated by Table 4, revenues from Governmental Activities totaled \$476.28 million, which was an increase of \$9.71 million, or 2.08%, from the previous fiscal year. Licenses and permits totaled \$303.56 million, representing 63.74% 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. The Government implemented a new system allowing for improvements in identifying and reporting collections within 60 days of the end of the fiscal year. Licenses and permits decreased by \$1.06 million, or 0.35% from the previous fiscal year. This is primarily due to a decrease in franchise fees collected during the fiscal year. Property taxes increased by \$2.50 million, due to an increase in realty taxes collected. Charges for services increased by \$4.47 million from the previous fiscal year, or 5.52%. Operating and Capital grants decreased by \$0.53 million from the previous fiscal year, or 1.09%.

As noted on Table 4, total expenses of Governmental Activities were \$550.35 million; an increase of \$15.48 million from the previous fiscal year. This is primarily due to the Government's commitment to contributing to the renovations of the Lexington Convention Center of \$20.0 million. In addition, General Government expenditures increase \$1.77 million for various capital projects. Information Technology projects increased \$1.24 million over the prior year due to a financial system upgrade. Community Corrections expenditures increased \$1.72 million due to salary increases. Other various departments had increases totaling \$4.47 million. This is offset by decreases in Public Safety of \$11.43 million for capital expenditures and OPEB changes, and various other departments totaling \$2.29 million.

Business-Type Activities

Also indicated on Table 4, revenues from Business-Type Activities increased by \$39.56 million from the previous fiscal year. Revenues collected for services provided by the Government increased \$38.8 million and other general revenues increased \$0.76 million. Total expenses of Business-Type Activities increased when compared to fiscal year 2018, by \$6.75 million. Primarily Sanitary Sewer and Landfill increased \$9.75 million and \$0.73 million, respectively. Other Business-Type Activities expenses increased approximately \$0.34 million. Public Facilities and Prisoner Account expenses decreased \$1.14 million and \$2.93 million, respectively. The largest program among these activities is the Sanitary Sewer system, with expenses of \$63.11 million during the fiscal year, representing 65.46% 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	
	2019	Restated 2018	2019	Restated 2018	2019	Restated 2018
Revenues						
Program Revenues:						
Charges for Services	\$84,848	\$80,408	\$111,353	\$72,553	\$196,201	\$152,961
Operating Grants & Contributions	11,596	10,617			11,596	10,617
Capital Grants & Contributions	5,189	5,718			5,189	5,718
General Revenues:						
Property Taxes	64,574	62,072			64,574	62,072
Licenses & Permits	303,563	304,626			303,563	304,626
Grants & Unrestricted Contributions	3,353	1,951			3,353	1,951
Other General Revenues	3,155	1,179	1,749	991	4,904	2,170
Total Revenues	<u>476,278</u>	<u>466,571</u>	<u>113,102</u>	<u>73,544</u>	<u>589,380</u>	<u>540,115</u>
Program Expenses						
General Government	45,808	24,040			45,808	24,040
Administrative Services	10,124	10,333			10,124	10,333
Health, Dental, Vision, Workers Comp,						
General Insurance	28,506	27,763			28,506	27,763
Chief Development Officer	1,208	263			1,208	263
Information Technology	12,248	11,012			12,248	11,012
Finance	36,311	36,669			36,311	36,669
Environmental Quality & Public Works	64,883	65,541			64,883	65,541
Planning, Preservation, & Development	46,409	46,217			46,409	46,217
Public Safety	14,632	14,914			14,632	14,914
Police	87,225	94,800			87,225	94,800
Fire & Emergency Services	89,330	92,898			89,330	92,898
Community Corrections	42,469	40,749			42,469	40,749
Social Services	15,087	14,223			15,087	14,223
General Services	12,376	13,443			12,376	13,443
Parks & Recreation	24,799	24,127			24,799	24,127
Law	2,887	2,602			2,887	2,602
Interest on Long-Term Debt	16,045	15,273			16,045	15,273
Sanitary Sewer System			63,106	53,354	63,106	53,354
Public Facilities			6,915	8,050	6,915	8,050
Landfill			4,799	4,072	4,799	4,072
Right of Way			593	530	593	530
Extended School Program			2,152	2,137	2,152	2,137
Prisoners' Account System				2,930	0	2,930
Enhanced 911			4,797	4,701	4,797	4,701
CKY Network			421	266	421	266
Water Quality			13,628	13,619	13,628	13,619
Total Expenses	<u>550,347</u>	<u>534,867</u>	<u>96,411</u>	<u>89,659</u>	<u>646,758</u>	<u>624,526</u>
Increase (Decrease) in Net Position before Transfers	(74,069)	(68,296)	16,691	(16,115)	(57,378)	(84,411)
Transfers	565	(800)	(565)	800	0	0
Increase (Decrease) in Net Position	(73,504)	(69,096)	16,126	(15,315)	(57,378)	(84,411)
Net Position, July 1	41,988	111,084	329,801	345,116	371,789	456,200
Net Position, June 30	<u>(\$31,516)</u>	<u>\$41,988</u>	<u>\$345,927</u>	<u>\$329,801</u>	<u>\$314,411</u>	<u>\$371,789</u>

PERSONNEL COSTS

During the year, personnel related expenses for salaries and wages covered by collective bargaining agreements increased approximately \$5.19 million. Police and Community Corrections increased by \$0.90 million and \$0.97 million, respectively. Fire & Emergency Services increased by \$3.32 million. Salary and wage costs, including benefits, for non-collective bargaining employees increased 1.60%. See Chart 2 for more information on personnel costs for Governmental Activities during fiscal year 2019.

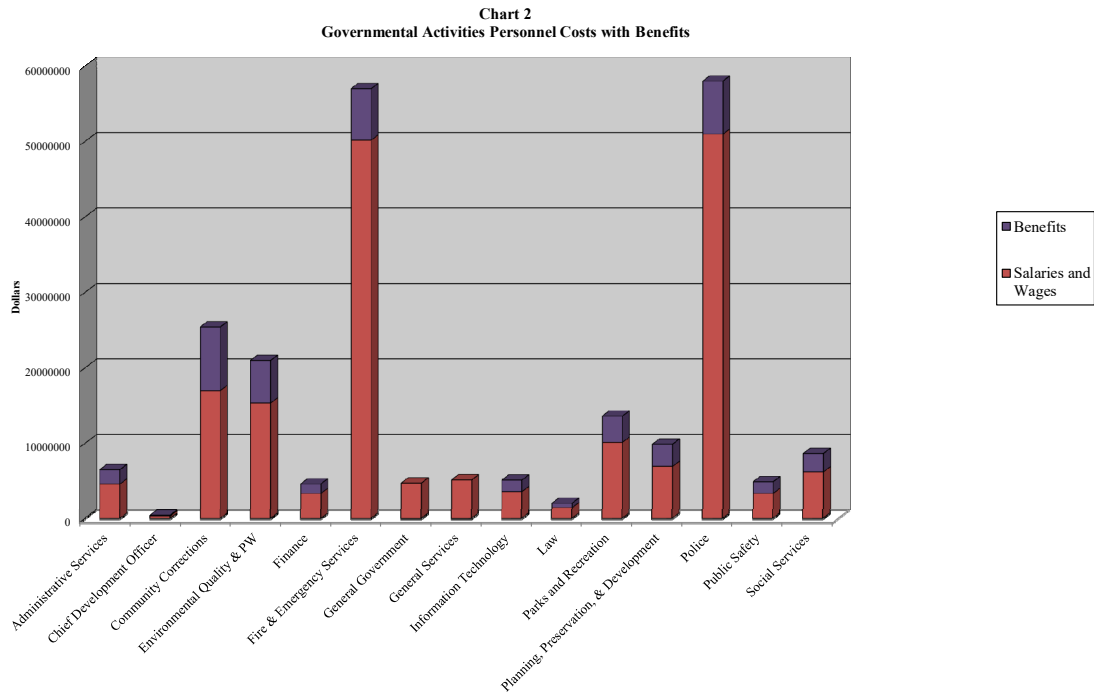
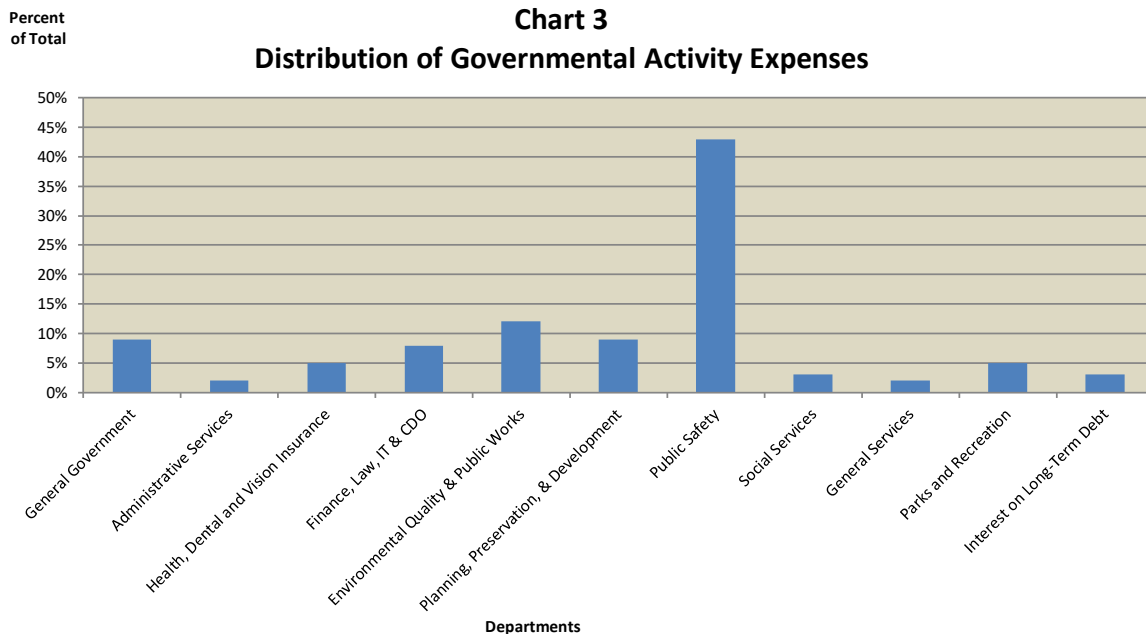


Chart 3 displays the distribution of total costs by governmental activity.



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, 2019 reflect a combined ending fund balance of \$147.80 million, a decrease of \$1.41 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 \$47.11 million, offset by net transfers out and proceeds from the issuance of bonds of \$45.70 million.

The Government had \$5.93 million of unassigned fund balance available in the General Fund at June 30, 2019. Unassigned fund balance of the General Fund (the Government's main operating fund) represents approximately 1.61% of total general fund expenditures for fiscal year 2019. At the end of fiscal year 2019, the fund balance held by the General Fund totaled \$67.91 million, an increase of \$3.55 million, or 5.52%, from the previous fiscal year. This was primarily due to revenues in excess of expenditures of \$0.65 million, offset by other financing uses of \$2.87 million. In addition, there is a slight increase from a prior period adjustment of \$0.03 million (see footnote 2.D. for additional details).

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 \$25.84 million, a decrease of \$2.34 million over the prior fiscal year. This decrease is primarily due to expenditures in excess of revenues of \$2.35 million, offset by transfers in of \$0.01 million. Revenues of the Urban Services Fund increased by \$1.56 million or 3.72% compared to the prior fiscal year. Operating expenditures increased \$4.45 million over the prior fiscal year. This was primarily due to an increase in equipment, acquisitions, and construction of \$4.09 million and an increase in debt expenditures of \$0.42 million offset by a decrease in department expenditures of \$0.06 million.

The Federal and State Grants Fund held a balance of \$0.26 million for fiscal year ended June 30, 2019, 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 2019, \$52.41 million was expended on these projects. Bonds in the amount of \$44.86 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 \$345.93 million as of June 30, 2019, an increase of \$15.30 million from the prior fiscal year. Revenues from charges for services increased \$38.8 million and total expenses increased \$6.65 million when compared to the prior fiscal year.

The Sanitary Sewer System Fund held a total net position of \$258.54 million, a decrease of \$15.48 million over the prior year. Of the total net position held by the Sanitary Sewer System Fund, \$4.46 million is restricted by bond covenants for capital replacement, projects, and debt service. In addition, \$0.75 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 \$19.67 million, a decrease of \$0.39 million from the prior fiscal year. Operating income during fiscal year 2018 was \$5.95

million. The decrease in net position is primarily due to excess operating revenues of \$0.45 million and transfers of \$0.57 million, offset by non-operating expenses of \$1.41 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 \$20.96 million, an increase of \$1.33 million from the prior fiscal year. Revenues in excess of expenses primarily contributed to this increase.

As of June 30, 2019, the total net position of the Landfill Fund held a balance of \$40.96 million, an increase of \$2.82 million from the prior fiscal year, a 7.40% 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, 2019 the other enterprise funds held total net position of \$4.36 million, a decrease of \$2.44 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 2019, General Fund revenues totaled \$369.91 million, an increase of 1.59% from the previous fiscal year. Total revenues were \$3.28 million below the final budgeted amount. This decrease in actual revenue is the result of a stabilization in the U.S. economy, which affected the growth rate of both business returns and franchise fees. Total ad valorem taxes and charges for services were \$1.53 million above the final budgeted amount. Fines and forfeitures, intergovernmental, and property sales were \$0.56 million above the final budgeted amount. Investment returns were \$1.13 million above the final budgeted amount. Other income was \$0.48 million above the final budgeted amount. Total licenses and permits were \$6.47 below the final budgeted amount.

General Fund expenditures of the Government totaled \$369.26 million, an increase of \$5.89 million, or 1.62% over the previous fiscal year. Expenditures were \$9.64 million below the final budgeted amount. Operating expenditures were \$6.43 million below the final budgeted amount. Personnel expenditures, accounting for 63.14% of General Fund expenditures, were \$2.78 million below the final budgeted amount. Divisions with collective bargaining agreements had expenditures \$2.13 million below the final budgeted amount. Personnel expenditures from these divisions account for 52.97% 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	2019	2018	Change	% Change	% General Fund Expenditures
Non-Collective Bargaining Divisions					
Administrative Services	\$5,432	\$5,217	\$215	4.1%	1.5%
Chief Development Officer	421	310	111	35.8%	0.1%
Information Technology	4,938	4,501	437	9.7%	1.3%
Department of Finance	4,781	4,802	(21)	(0.4%)	1.3%
Department of General Services	3,989	3,476	513	14.8%	1.1%
Department of Law	2,100	2,055	45	2.2%	0.6%
Department of Public Safety	4,568	4,678	(110)	(2.4%)	1.2%
Department of Social Services	7,177	7,038	139	2.0%	1.9%
Department of Environmental Quality & PW	5,930	6,028	(98)	(1.6%)	1.6%
Department of Planning, Preservation & Dev	9,079	9,053	26	0.3%	2.5%
General Government	6,492	6,048	444	7.3%	1.8%
Parks and Recreation	13,543	13,381	162	1.2%	3.7%
Total Non-Collective Bargaining Divisions	68,450	66,587	1,863	2.8%	18.5%
Divisions with Collective Bargaining					
Police	69,487	66,718	2,769	4.2%	18.8%
Community Corrections	26,128	24,994	1,134	4.5%	7.1%
Fire & Emergency Services	69,105	64,281	4,824	7.5%	18.7%
Total Collective Bargaining Divisions	164,720	155,993	8,727	5.6%	44.6%
Total Personnel Costs with Benefits	\$233,170	\$222,580	\$10,590	4.8%	63.1%

CAPITAL ASSETS

The Government's capital assets totaled \$1.43 billion as of June 30, 2019, 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 \$667.27 million. Governmental Activities net investment in capital assets decreased by \$51.22 million from the prior fiscal year. The net investment in capital assets of Business-Type Activities totaled \$275.61 million, an increase of \$28.45 million over the previous fiscal year.

This year's major changes in capital assets included:

- Governmental Activities total capital assets decreased by \$25.11 million compared to the previous fiscal year. The decrease was primarily due to depreciation of \$55.99 million, asset retirements of \$0.13 million, and a prior period adjustment decrease of \$4.29 million, offset by capital additions of \$35.31 million. Developments in progress decreased by \$24.61 million and were placed in service. Construction in progress increased by \$12.39 million for various projects. Developments in progress relate to the Exaction Area Master Plan (EAMP), additional details can be found in Note 1.D.
- Capital assets for Business-Type Activities increased by \$41.45 million. The overall increase was primarily due to additions of \$60.25 million, offset by depreciation of \$17.28 million and a prior period adjustment of \$1.52 million. The increase represents several projects underway related to the Government's Remedial Measures Plan, filed with the Environmental Protection Agency. Additional information can be found in Note 5.B. to the financial statements.

- Construction in progress assets totaled \$30.08 million in the Governmental Activities and \$123.08 million in Business-Type Activities. The overall increase from the previous year in construction in progress assets totaled \$66.60 million. The increase was primarily due to additions of \$70.96 million offset by net asset retirements and reclassifications of \$4.36 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	
	2019	2018	2019	2018	2019	2018
Land*	\$62,866	\$61,888	\$46,422	\$46,342	\$109,288	\$108,230
Purchase of Development Rights	80,603	80,220			80,603	80,220
Intangibles	12,891	7,902	3,743	4,726	16,634	12,628
Buildings	108,617	112,694	28,203	31,516	136,820	144,210
Vehicles, Equipment, & Furniture*	44,344	44,323	19,476	19,174	63,820	63,497
Land and Leasehold Improvements	15,762	18,689	6,432	6,881	22,194	25,570
Infrastructure & Sewer Lines/Plants	582,102	594,357	261,149	260,198	843,251	854,555
Construction in Progress	30,082	17,689	123,080	68,869	153,162	86,558
Developments in Progress*	296	24,906	116	9,465	412	34,371
Total	<u>\$937,563</u>	<u>\$962,668</u>	<u>\$488,621</u>	<u>\$447,171</u>	<u>\$1,426,184</u>	<u>\$1,409,839</u>

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

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

DEBT ADMINISTRATION

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

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

At the end of fiscal year 2019, the Government had \$611.68 million in bonds and notes outstanding; Governmental Activities' debt increased by \$13.38 million and total debt increased by \$25.91 million. The increase in debt for Governmental Activities resulted primarily from the issuance of GO bonds totaling \$44.86 million, offset by principal payments and amortized bond costs in the current fiscal year on outstanding debt of \$31.48 million. The Business-Type Activities debt increased \$12.53 million primarily from note payable proceeds of \$23.74 million, offset by principal payments and amortized bond costs of \$11.21 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 \$3.32 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 \$362.03 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	
	2019	2018	2019	2018	2019	2018
General Obligation Bonds, Notes, Leases	\$402,421	\$389,046	\$138,261	\$120,023	\$540,682	\$509,069
Mortgage Revenue Bonds			43,965	46,578	43,965	46,578
Revenue Bonds			27,036	30,129	27,036	30,129
Total	<u>\$402,421</u>	<u>\$389,046</u>	<u>\$209,262</u>	<u>\$196,730</u>	<u>\$611,683</u>	<u>\$585,776</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 2020 Budget, for all funds combined, net of interfund transfers, is \$623,491 million. Significant initiatives in the budget include:

- A commitment of \$78.26 million for storm sewer projects and programs as required by the Environmental Protection Agency Consent Decree, which will include the issuance of Sewer Revenue Bonds. For additional information see Note 7.
- GO bonds were approved as part of the fiscal year 2020 budget for \$18.11 million. The bonds will fund projects for Public Safety, infrastructure improvements, voting machines, fleet replacement, and to provide funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of 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, 2019

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
ASSETS				
Cash	\$55,254,031	\$56,062,203	\$111,316,234	\$49,183,359
Investments	67,191,490	68,149,748	135,341,238	14,316,796
Receivables (Net)	37,618,113	5,822,634	43,440,747	3,809,883
Due from Other Governments	3,709,658		3,709,658	4,127,370
Due from Primary Government				2,238,552
Other Current Assets				753,068
Inventories and Prepaid Expenses	2,725,472	168,809	2,894,281	964,017
Net Pension Asset	21,448,799		21,448,799	
Restricted Assets:				
Cash				17,450,009
Receivables (Net)	4,870,270		4,870,270	3,250,699
Grants Receivable	1,000,000		1,000,000	1,787,982
Investments	42,057,724	1,793,860	43,851,584	270,637,255
Other				75,678
Capital Assets:				
Non-depreciable	183,645,881	170,198,301	353,844,182	131,526,790
Depreciable (Net)	753,917,443	318,422,210	1,072,339,653	230,472,002
Other Assets	1,424,271		1,424,271	10,384,503
Total Assets	\$1,174,863,152	\$620,617,765	\$1,795,480,917	\$740,977,963
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amount on Bond Refunding	\$3,790,680	\$2,945,919	\$6,736,599	\$1,352,203
Deferred Pension Amounts	182,577,923	9,892,392	192,470,315	14,300,266
Deferred Other Post Employment Benefit Amounts	19,673,995	3,234,613	22,908,608	3,228,030
Deferred Amount on Note Payable				3,372,502
Total Deferred Outflows of Resources	\$206,042,598	\$16,072,924	\$222,115,522	\$22,253,001
LIABILITIES				
Accounts, Contracts Payable and				
Accrued Liabilities	\$18,971,250	\$9,935,216	\$28,906,466	\$14,667,207
Interest Payable	4,965,468	439,804	5,405,272	138
Internal Balances	1,494,920	(1,494,920)		
Due to Component Units	2,238,552		2,238,552	
Unearned Revenue and Other	5,125,791	43,886	5,169,677	268,401
Claims Liabilities	27,908,401		27,908,401	
Liabilities Payable from				
Restricted Assets:				
Payable		6,363,854	6,363,854	4,323,917
Bonds and Notes Payable		9,016,786	9,016,786	
Interest Payable		577,955	577,955	4,728,806
Due Within One Year:				
Bonds and Notes Payable	31,840,000	2,527,654	34,367,654	8,834,604
Compensated Absences	3,697,727	522,475	4,220,202	247,469
Landfill Closure and				
Postclosure Care Costs		441,121	441,121	
Due in More Than One Year:				
Unearned Revenue and Other	273,008		273,008	344,327
Bonds and Notes Payable	370,580,856	197,717,618	568,298,474	326,473,216
Compensated Absences	22,714,607	1,037,571	23,752,178	839,839
Landfill Closure and				
Postclosure Care Costs		11,964,371	11,964,371	
Unfunded Other Post Retirement				
Benefit Liability	307,936,013	10,519,306	318,455,319	15,045,777
Unfunded Pension Liability	443,649,826	35,988,706	479,638,532	76,048,750
Total Liabilities	\$1,241,396,419	\$285,601,403	\$1,526,997,822	\$451,822,451
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Amounts	\$36,914,285	\$2,888,550	\$39,802,835	\$5,742,019
Deferred Other Post Employment Benefit Amounts	134,111,743	2,274,907	136,386,650	1,870,335
Total Deferred Inflows of Resources	\$171,026,028	\$5,163,457	\$176,189,485	\$7,612,354

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
June 30, 2019

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
NET POSITION				
Net Investment in Capital Assets	\$667,270,316	\$275,607,655	\$942,877,971	\$258,054,553
Restricted for:				
Governmental and Program Funds				643,417
Capital Projects	43,874,848	3,914,194	47,789,042	9,792,615
Energy Improvement Projects	631,925	745,519	1,377,444	
Debt Service	1,026,212	2,735,764	3,761,976	44,703,462
Capital Replacement		1,793,860	1,793,860	
Pension	21,448,799		21,448,799	
Water Quality Incentive Program		5,336,048	5,336,048	
Grants	259,010		259,010	
Maintenance and Operations		925,234	925,234	
Unrestricted (Deficit)	(766,027,807)	54,867,555	(711,160,252)	(9,397,888)
Total Net Position	(\$31,516,697)	\$345,925,829	\$314,409,132	\$303,796,159

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, 2019

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	Total	
Primary Government:								
Governmental Activities:								\$0
Administrative Services	\$10,124,062	\$395,756	\$2,040,032	\$3,399	(\$7,684,875)	\$0	(\$7,684,875)	\$0
Chief Development Officer	1,207,709	40,428			(1,167,281)		(1,167,281)	
Community Corrections	42,468,842	10,424,478	33,178		(32,011,186)		(32,011,186)	
Environmental Quality & Public Works	64,882,901	3,180,175	258,036	1,457,687	(59,987,003)		(59,987,003)	
Finance	36,311,239	459,930			(35,851,309)		(35,851,309)	
Fire & Emergency Services	89,329,598	8,178,353	3,355,912		(77,795,333)		(77,795,333)	
General Government	45,808,696	21,877,626	4,665	4,218	(23,922,187)		(23,922,187)	
General Services	12,376,066	4,139			(12,371,927)		(12,371,927)	
Health, Dental, and Vision	28,505,869	28,505,869						
Information Technology	12,247,559	3,376			(12,244,183)		(12,244,183)	
Law	2,886,923	2,638			(2,884,285)		(2,884,285)	
Parks & Recreation	24,799,178	4,483,856	15,765		(20,299,557)		(20,299,557)	
Planning, Preservation, & Development	46,408,689	3,100,837		3,497,849	(39,810,003)		(39,810,003)	
Police	87,225,335	1,987,333	3,702,534	225,424	(81,310,044)		(81,310,044)	
Public Safety	14,632,438	73,867	909,491		(13,649,080)		(13,649,080)	
Social Services	15,086,794	2,129,603	1,276,589		(11,680,602)		(11,680,602)	
Interest on Long-Term Debt	16,044,874				(16,044,874)		(16,044,874)	
Total Governmental Activities	550,346,772	84,848,264	11,596,202	5,188,577	(448,713,729)	0	(448,713,729)	
Business-Type Activities:								
Sanitary Sewer System	63,106,251	75,961,739				12,855,488	12,855,488	
Public Facilities	6,915,288	5,949,941				(965,347)	(965,347)	
Landfill	4,799,382	7,173,603				2,374,221	2,374,221	
Right of Way	593,476	682,221				88,745	88,745	
Extended School Program	2,152,127	2,126,102				(26,025)	(26,025)	
Enhanced 911	4,797,403	4,176,602				(620,801)	(620,801)	
CKY Network	421,115	498,913				77,798	77,798	
Water Quality	13,628,042	14,784,064				1,156,022	1,156,022	
Total Business-Type Activities	96,413,084	111,353,185	0	0	0	14,940,101	14,940,101	
Total Primary Government	\$646,759,856	\$196,201,449	\$11,596,202	\$5,188,577	(\$448,713,729)	\$14,940,101	(\$433,773,628)	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

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	\$29,012,107	\$20,842,190	\$501,500	\$80,275,500			\$72,607,083
Lexington Airport Board	27,709,824	24,688,597		7,618,089			4,596,862
Fayette County Department of Health	16,893,937	4,275,390	5,788,770				(6,829,777)
Nonmajor Component Units	55,816,792	4,677,931	5,738,430	284,730			(45,115,701)
Total Component Units	\$129,432,660	\$54,484,108	\$12,028,700	\$88,178,319	\$0	\$0	\$25,258,467
General Revenues:							
Property Taxes					\$64,573,949	\$0	\$64,573,949
Licenses Fees - Wages and Net Profits Taxes					303,562,887		303,562,887
Grants and Contributions Not Restricted to Specific Programs:							
Community Development Block Grant					3,352,871		3,352,871
Income on Investments					2,733,373	1,730,075	4,463,448
Net Change in Fair Value of Investments							7,429,309
Gain on Sale of Capital Assets					421,745	19,254	440,999
Miscellaneous							646,174
Transfers							(2,462,319)
Total General Revenues and Transfers					564,725	(564,725)	
Change in Net Position					375,209,550	1,184,604	376,394,154
Net Position, Beginning					(73,504,179)	16,124,705	(57,379,474)
Adjustment to Opening Net Position (Note 2.D.)					46,278,955	361,222,188	407,501,143
Net Position, Beginning - Restated					(4,291,473)	(31,421,064)	(35,712,537)
Net Position, Ending					41,987,482	329,801,124	371,788,606
					(\$31,516,697)	\$345,925,829	\$314,409,132

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	General	Urban Services	Federal and State Grants	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$0	\$7,491,633	\$0	\$15,369,180	\$22,860,813
Investments	46,313,314	19,932,932		945,244	67,191,490
Receivables:					
Loans			2,043,238		2,043,238
License Fees	29,686,497				29,686,497
Other	11,575,307	123,075		1,222,927	12,921,309
Less Allowance for Uncollectible Amounts	(5,017,351)		(2,043,238)		(7,060,589)
Due from Other Governments	30,707		3,678,951		3,709,658
Inventories and Prepaid Items	2,290,430	94,468		8,880	2,393,778
Restricted Investments	1,026,838		29,087	41,001,799	42,057,724
Total Assets	\$85,905,742	\$27,642,108	\$3,708,038	\$58,777,962	\$176,033,850
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and Contracts Payable	\$8,105,185	\$1,508,266	\$1,455,308	\$2,768,185	\$13,836,944
Accrued Payroll & Related Liabilities	3,532,344	290,202	55,294		3,877,840
Due to Other Funds	2,053,795		437,805	663,747	3,155,347
Due to Component Units	2,238,552				2,238,552
Unearned Revenue and Other	2,061,301	818	1,500,621	1,563,051	5,125,791
Total Liabilities	17,991,177	1,799,286	3,449,028	4,994,983	28,234,474
Fund Balances:					
Nonspendable	2,290,430	94,468			2,384,898
Restricted for:					
Public Works				8,233,228	8,233,228
Public Safety	1,026,212			1,429,926	2,456,138
Capital Projects				43,874,848	43,874,848
Grants Projects			259,010		259,010
Urban Services		25,745,424			25,745,424
Energy Improvement Projects	628,995	2,930			631,925
Committed for:					
General Government	4,228,784				4,228,784
Economic Stabilization	35,345,181				35,345,181
Assigned to:					
General Government	16,145,000			244,977	16,389,977
Capital Projects	2,318,361				2,318,361
Unassigned	5,931,602				5,931,602
Total Fund Balances	67,914,565	25,842,822	259,010	53,782,979	147,799,376
Total Liabilities and Fund Balances	\$85,905,742	\$27,642,108	\$3,708,038	\$58,777,962	\$176,033,850

* Prior period adjustments were made to assets in the Exactions Area Master Plan (EAMP). There is no impact on total Governmental Fund

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2019

Total Fund balances - Governmental Funds	\$147,799,376
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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	1,650,403,329	
Less accumulated depreciation	<u>(712,840,005)</u>	937,563,324

The net pension asset is not an available resource and, therefore, is not reported in the funds.	21,448,799
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Restricted receivables and other long-term assets are not available to pay for expenditures in the current period and, therefore, are not reported in the funds.

Restricted receivables (Net)	5,870,270
Other assets	1,424,271

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	(402,420,856)	
Unearned revenue and other	(273,008)	
Interest payable	(4,965,468)	
Compensated absences	(26,412,334)	
Unfunded pension liability and other post retirement benefits	<u>(751,585,839)</u>	(1,185,657,505)

Loss on debt refunding has been deferred in the Statement of Net Position (see Note 1.G.)	3,790,680
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Outflows and inflows related to pension have been deferred in the Statement of Net Position	145,663,638
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Outflows and inflows related to other post employment benefit amounts have been deferred in the Statement of Net Position	(114,437,748)
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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.	6,513,118
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Internal balances due to non-governmental activities related to items listed above	<u>(1,494,920)</u>
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Net Position of Governmental Activities	<u><u>(\$31,516,697)</u></u>
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The accompanying notes are an integral part of the financial statements.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2019

	General	Urban Services	Federal and State Grants	Other Governmental Funds	Total Governmental Funds
REVENUES					
License Fees and Permits	\$308,462,028	\$1,654,789	\$0	\$0	\$310,116,817
Taxes	25,221,927	39,352,022			64,573,949
Charges for Services	28,196,399	1,491,110			29,687,509
Fines and Forfeitures	230,914	949			231,863
Intergovernmental	975,875		20,137,649	8,050,338	29,163,862
Exactions				243,198	243,198
Property Sales	236,248	306,614			542,862
Income on Investments	1,604,513	592,808	17,457	518,595	2,733,373
Other	4,981,187	88,137	620,245	263,475	5,953,044
Total Revenues	369,909,091	43,486,429	20,775,351	9,075,606	443,246,477
EXPENDITURES					
Current:					
Administrative Services	7,773,340	567,588	1,183,718		9,524,646
Chief Development Officer	1,305,739				1,305,739
Community Corrections	38,560,253		33,178	1,677,506	40,270,937
Environmental Quality & Public Works	11,147,751	35,124,095	710,038	84,833	47,066,717
Finance	5,817,395	23,451		32,128	5,872,974
Fire and Emergency Services	78,850,987		3,319,374		82,170,361
General Government	5,032,940	2,072,089	76,281	781,679	7,962,989
General Services	7,912,657	183,881			8,096,538
Information Technology	10,680,207	614,004		715,998	12,010,209
Law	2,548,860	16,818		338,383	2,904,061
Outside Agencies	22,264,873		2,838,937		25,103,810
Parks and Recreation	20,625,472		24,524	2,071,104	22,721,100
Planning, Preservation, & Development	12,257,456		905,834	176,194	13,339,484
Police	76,675,850		3,628,233	985,367	81,289,450
Public Safety	12,105,316		833,298		12,938,614
Social Services	9,065,892		2,122,545		11,188,437
Debt Service:					
Principal	28,329,993	669,237		245,770	29,245,000
Interest	15,721,258	238,503		11,323	15,971,084
Other Debt Service				196,590	196,590
Capital:					
Equipment	1,049,728	5,329,412	617,232	6,662,525	13,658,897
Acquisitions and Construction	1,536,051	992,422	6,561,584	38,428,667	47,518,724
Total Expenditures	369,262,018	45,831,500	22,854,776	52,408,067	490,356,361
Excess (Deficiency) of Revenues Over (Under) Expenditures	647,073	(2,345,071)	(2,079,425)	(43,332,461)	(47,109,884)
OTHER FINANCING SOURCES (USES)					
Issuance of Debt				42,055,000	42,055,000
Premium on Bonds				2,804,065	2,804,065
Transfers In	9,301,386	150,950	2,305,913	220,812	11,979,061
Transfers Out	(6,427,009)	(145,119)	(217,678)	(4,352,169)	(11,141,975)
Total Other Financing Sources	2,874,377	5,831	2,088,235	40,727,708	45,696,151
Net Change in Fund Balances	3,521,450	(2,339,240)	8,810	(2,604,753)	(1,413,733)
Fund Balances, Beginning	64,362,714	28,182,062	250,200	56,418,133	149,213,109
Adjustment to Opening Fund Balance (Note 2.D.)	30,401			(30,401)	
Fund Balances, Beginning - Restated	64,393,115	28,182,062	250,200	56,387,732	149,213,109
Fund Balances, Ending	\$67,914,565	\$25,842,822	\$259,010	\$53,782,979	\$147,799,376

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, 2019**

Net change in fund balances - Governmental Funds (\$1,413,733)

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	35,219,517	
Less current year depreciation	<u>(55,989,653)</u>	(20,770,136)

The net effect of various miscellaneous transactions involving capital assets
(i.e. sales, trade-ins, and donations) is to decrease net position. (121,389)

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	39,768
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Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenues in the funds:

Exaction fees	77,881
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Bond proceeds provide current financial resources to Governmental Funds,
but issuing debt increases long-term liabilities in the Statement of Net
Position. Repayment of bond principal is an expenditure in the Governmental
Funds, but the repayment reduces long-term liabilities in the Statement of
Net Position.

Issuance of debt	(42,055,000)	
Premium on bonds	(2,804,065)	
Principal payments	<u>29,245,000</u>	(15,614,065)

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	816,884	
Amortization of current year bond (discounts) premiums	2,239,225	
Amortization of current year bond refunding losses	(452,671)	
Change in unfunded pension liability	(28,965,544)	
Change in unfunded other post retirement benefit liability	105,998,402	
Change in deferred outflows from pension plans	695,219	
Change in deferred outflows from other post retirement benefits	(255,900)	
Change in deferred inflows from pension plans	(10,039,014)	
Change in deferred inflows from other post retirement benefits	(102,789,169)	
Unearned revenue and other	(722)	
Change in accrued interest payable	(73,790)	
Change in restricted receivables (net)	(274,964)	
Change in compensated absences	<u>(288,492)</u>	<u>(33,390,536)</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. (2,311,969)

Change in net position of Governmental Activities (\$73,504,179)

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	Business-Type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	Total
Current Assets:						
Cash	\$7,819,283	\$2,901,905	\$17,290,939	\$19,171,349	\$8,878,727	\$56,062,203
Investments	39,118,595	302,377	25,758,556	1,497,255	1,472,965	68,149,748
Receivables:						
User Fees Receivable	10,578,161		1,792,668	2,185,999		14,556,828
Other Receivables	459,839	68,213	53,965	139	298,909	881,065
Less Allowance for Uncollectible Accounts	(6,979,303)		(1,210,282)	(1,389,807)	(35,867)	(9,615,259)
Inventories and Prepaid Expenses	84,912		28,009	39,888	16,000	168,809
Due from Other Funds						0
Total Current Assets	51,081,487	3,272,495	43,713,855	21,504,823	10,630,734	130,203,394
Noncurrent Assets:						
Restricted Investments:						
Reserved for Capital Replacement	1,721,860			72,000		1,793,860
Capital Assets:						
Land	5,947,189	32,578,646	5,194,637	2,701,225		46,421,697
Land Improvements	354,183	23,498,213	16,832,022	169,259	10,000	40,863,677
Buildings	4,986,489	114,754,327	800,936	179,393	7,514	120,728,659
Sewer Plants	209,402,390		88,764			209,491,154
Sewer Lines	234,230,603		410,356	10,573,334		245,214,293
Leasehold Improvements		2,087,090				2,087,090
Vehicles, Equipment, and Furniture	33,979,963	3,050,577	242,814	251,666	2,957,296	40,482,316
Intangibles	6,485,994	69,281	597,535	1,037,106	1,490,573	9,680,489
Less Accumulated Depreciation	(214,026,555)	(117,471,418)	(12,486,114)	(1,623,069)	(3,937,286)	(349,544,442)
Construction in Progress	119,920,363		370,820	2,787,970		123,079,153
Developments in Progress	116,425					116,425
Total Noncurrent Assets	403,118,904	58,566,716	12,051,770	16,148,884	528,097	490,414,371
Total Assets	454,200,391	61,839,211	55,765,625	37,653,707	11,158,831	620,617,765
Deferred outflows of resources:						
Deferred Amount on Bond Refunding	\$615,004	\$2,330,915	\$0	\$0	\$0	\$2,945,919
Deferred Other Post Employment Benefit Amounts	1,701,346		151,803	825,743	555,721	3,234,613
Deferred Pension Amounts	5,203,071		464,363	2,525,153	1,699,805	9,892,392
Total Deferred Outflows of Resources	7,519,421	2,330,915	616,166	3,350,896	2,255,526	16,072,924
Total Assets & Deferred Outflows of Resources	\$461,719,812	\$64,170,126	\$56,381,791	\$41,004,603	\$13,414,357	\$636,690,689
						\$35,677,985

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2019

	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	\$7,177,635	\$101,704	\$596,879	\$1,556,956	\$102,968	\$9,536,142
Accrued Payroll	204,108		18,843	99,170	76,953	399,074
Claims Payable		2,270,000		257,654		2,527,654
Bonds Payable		432,854		6,950		439,804
Interest Payable			421	43,465		43,886
Unearned Revenue and Other			4,663	146,307	50,571	522,475
Compensated Absences	320,934		441,121			441,121
Landfill Closure and Postclosure Care Costs Payable from Restricted Investments:						
Accounts, Contracts and Retainage Payable	6,363,854					6,363,854
Bonds and Notes Payable	9,016,786					9,016,786
Interest Payable	577,955					577,955
Total Current Liabilities	23,661,272	2,804,558	1,061,927	2,110,502	230,492	29,868,751
Noncurrent Liabilities:						
Bonds and Notes Payable	151,557,107	41,695,176		4,465,335		197,717,618
Compensated Absences	748,847		41,968	146,307	100,449	1,037,571
Landfill Closure and Postclosure Care Costs			11,964,371			11,964,371
Unfunded Other Post Employment Benefit Liability	5,551,103		480,056	2,712,422	1,775,725	10,519,306
Unfunded Pension Liability	18,991,464		1,642,369	9,279,754	6,075,119	35,988,706
Total Noncurrent Liabilities	176,848,521	41,695,176	14,128,764	16,603,818	7,951,293	257,227,572
Total Liabilities	\$200,509,793	\$44,499,734	\$15,190,691	\$18,714,320	\$8,181,785	\$287,096,323
Deferred Inflows of Resources						
Deferred Other Post Employment Benefit Amounts	\$1,200,482	\$0	\$103,817	\$586,589	\$384,019	\$2,274,907
Deferred Pension Amounts	1,524,306		131,821	744,818	487,605	2,888,550
Total Deferred Inflows of Resources	2,724,788	0	235,638	1,331,407	871,624	5,163,457
Total Liabilities & Deferred Inflows of Resources	\$203,234,581	\$44,499,734	\$15,426,329	\$20,045,727	\$9,053,409	\$292,259,780
NET POSITION						
Net Investment in Capital Assets	\$237,072,351	\$14,601,540	\$12,051,769	\$11,353,895	\$528,100	\$275,607,655
Restricted for:						
Capital Projects - Park Acquisition		3,914,194				3,914,194
Debt Service	2,735,764					2,735,764
Capital Replacement	1,721,860			72,000		1,793,860
Energy Improvement Projects	745,519					745,519
Water Quality Incentive Program				5,336,048		5,336,048
Maintenance and Operations		925,234				925,234
Unrestricted	16,209,737	229,424	28,903,693	4,196,933	3,832,848	53,372,635
Total Net Position	\$258,485,231	\$19,670,392	\$40,955,462	\$20,958,876	\$4,360,948	\$344,430,909
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						1,494,920
Net Position of Business-Type Activities						<u>\$345,925,829</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	Business-Type Activities Enterprise Funds				Governmental Activities Internal Service Funds	
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality		Other Enterprise Funds
OPERATING REVENUES						
User Charges	\$61,524,855	\$0	\$6,785,576	\$14,597,245	\$0	\$82,907,676
Fees	2,119,925	452,726	257,617	2,065	6,797,061	9,629,394
Exactions	273,763					273,763
License Fees and Permits					682,221	682,221
Rental Income	358,303	4,795,609				5,153,912
Theater Revenues		701,606				701,606
Other	12,257,683		130,410	189,956	4,556	12,582,605
Total Operating Revenues	76,534,529	5,949,941	7,173,603	14,789,266	7,483,838	111,931,177
OPERATING EXPENSES						
Treatment Plant	7,745,135					7,745,135
Collection System	2,467,916					2,467,916
Property Management		1,523,059				1,523,059
Theater Management		634,748				634,748
Landfill			2,920,804			2,920,804
Right of Way					587,152	587,152
Extended School Program					1,917,735	1,917,735
Enhanced 911					4,426,308	4,426,308
CKY Network					421,115	421,115
Administration	37,748,088		1,290,598	13,093,742	231,281	52,363,709
Depreciation	12,517,562	3,345,694	587,980	446,450	380,530	17,278,216
Claims and Benefit Payments						3,271,773
Total Operating Expenses	60,478,701	5,503,501	4,799,382	13,540,192	7,964,121	92,285,897
Operating Income (Expenses)	16,055,828	446,440	2,374,221	1,249,074	(480,283)	19,645,280
						(2,889,961)

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	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)						
	1,163,863	6,498	432,295	96,755	30,664	1,730,075
Income on Investments	(2,682,949)	(1,672,928)		(87,850)		(4,443,727)
Interest Expense and Fiscal Agent Fees	55,399	261,141				316,540
Amortization of Bond Costs	19,254					19,254
Gain (Loss) on Sale of Capital Assets	(1,444,433)	(1,405,289)	432,295	8,905	30,664	(2,377,858)
Total Nonoperating Revenues (Expenses)						
						0
Income (Loss) Before Transfers						
Transfers In	14,611,395	(958,849)	2,806,516	1,257,979	(449,619)	17,267,422
Transfers Out	172,823,976	568,257		23,939,819		197,332,052
	(172,680,119)		12,417	(23,869,662)	(1,359,413)	(197,896,777)
Change in Net Position	14,755,252	(390,592)	2,818,933	1,328,136	(1,809,032)	16,702,697
						(2,889,961)
Net Position, Beginning						
	274,523,167	20,060,984	38,136,529	19,630,740	6,797,856	9,403,079
Adjustment to Opening Net Position (Note 2.D.)	(30,793,188)				(627,876)	
Net Position, Beginning - Restated	243,729,979	20,060,984	38,136,529	19,630,740	6,169,980	9,403,079
Net Position, Ending	\$258,485,231	\$19,670,392	\$40,955,462	\$20,958,876	\$4,360,948	\$6,513,118
			</			

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, 2019

	Business-Type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	Total
Cash Flows from Operating Activities:						
Receipts from Customers	\$76,627,504	\$5,981,045	\$7,048,834	\$14,644,601	\$7,514,702	\$111,816,686
Receipts from Employees and Other Sources						\$0
Receipts from Interfund Services Provided						35,632,336
Payments to Suppliers	(28,202,896)	(2,198,709)	(2,580,444)	(5,064,903)	(2,030,391)	23,115,861
Payments to Employees	(12,068,095)		(1,186,849)	(5,779,516)	(4,687,321)	(2,833,160)
Payments for Interfund Services Used	(2,108,208)		(161,355)	(769,757)	(243,362)	(23,721,781)
Payments for Claims						(3,282,682)
						(40,039,853)
Net Cash Provided by (Used in) Operating Activities	34,248,305	3,782,336	3,120,186	3,030,425	553,628	44,734,880
						15,875,184
Cash Flows from Noncapital Financing Activities:						
Transfers In	172,823,976	568,257		23,939,819		197,332,052
Transfers Out	(172,680,119)		12,417	(23,869,662)	(1,359,413)	(197,896,777)
Net Cash Provided by Noncapital Financing Activities	143,857	568,257	12,417	70,157	(1,359,413)	(564,725)
						0
Cash Flows from Capital and Related Financing Activities:						
Purchase of Capital Assets	(57,827,874)		(419,141)	(1,872,892)	(132,725)	(60,252,632)
Proceeds from Note Payable	23,741,744					23,741,744
Principal Paid on Bonds	(7,921,901)	(2,165,000)		(253,042)		(10,339,943)
Interest and Fiscal Agent Fees Paid on Bonds	(2,673,388)	(1,672,928)		(87,850)		(4,434,166)
Proceeds on Sale of Capital Assets	21,654					21,654
Net Cash Used in Capital and Related Financing Activities	(44,659,765)	(3,837,928)	(419,141)	(2,213,784)	(132,725)	(51,263,343)
						0
Cash Flows from Investing Activities:						
Purchase of Investments	25,811,718	(6,356)	(402,454)	1,042	(30,664)	25,373,286
Income on Investments	934,957	6,498	432,295	77,835	30,664	1,482,249
Net Cash Flows Provided by Investing Activities	26,746,675	142	29,841	78,877	0	26,855,535
						0
Net Increase (Decrease)	16,479,072	512,807	2,743,303	965,675	(938,510)	19,762,347
						15,875,184
Cash at Beginning of Year	(8,659,789)	2,389,098	14,547,636	18,205,674	9,817,237	36,299,856
						16,518,032
Cash at End of Year	\$7,819,283	\$2,901,905	\$17,290,939	\$19,171,349	\$8,878,727	\$56,062,203
						\$32,393,216

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2019

	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 (Expenses) to Net Cash Provided by (Used in) Operating Activities:						
Operating Income (Expenses)	\$16,055,828	\$446,440	\$2,374,221	\$1,249,074	(\$480,283)	\$19,645,280
Adjustments to Reconcile Operating Income to Net Cash Provided by (Used in) Operating Activities:						
Depreciation	12,517,562	3,345,694	587,980	446,450	380,530	17,278,216
Allowance for Bad Debts	391,298		99,230	112,058		602,586
(Increase) Decrease in Assets:						
Accounts Receivable	26,845		(122,038)	(183,453)		(278,646)
Other Receivables	67,032	31,104	(2,734)	(139)	30,864	126,127
Inventories and Prepaid Expenses	44,046		(7,494)	(1,509)	84,339	119,382
Due from Other Funds						7,140
Developments in Progress	(901)				(901)	16,269,899
(Increase) Decrease in Deferred Outflows:						
Deferred Other Post Employment Benefit Amounts	66,587		1,087	38,118	9,818	115,610
Deferred Pension Amounts	2,220,519		177,624	1,102,218	674,904	4,175,265
Increase (Decrease) in Liabilities:						
Accounts Payable	2,525,650	(13,987)	432,681	59,208	(231,012)	2,772,540
Accrued Payroll	51,378		2,913	23,728	7,323	85,342
Claims Payable						2,049,505
Unearned Revenue			3	38,927		38,930
Other Liabilities		(26,915)	(440,069)	(376)		(467,360)
Compensated Absences	54,534		(2,930)	34,750	4,234	90,588
Unfunded Other Post Employment Benefit Liability	(914,608)		(79,094)	(446,903)	(292,571)	(1,733,176)
Unfunded Pension Liability	482,971		41,767	235,993	154,496	915,227
Increase (Decrease) in Deferred Inflows:						
Deferred Other Post Employment Benefit Amounts	842,005		72,816	411,427	269,346	1,595,594
Deferred Pension Amounts	(182,441)		(15,777)	(89,146)	(58,360)	(345,724)
Total Adjustments	18,192,477	3,335,896	745,965	1,781,351	1,033,911	25,089,600
Net Cash Provided by (Used In) Operating Activities	\$34,248,305	\$3,782,336	\$3,120,186	\$3,030,425	\$553,628	\$44,734,880
						\$15,875,184

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2019

	<u>Pension Trust Funds</u>	<u>Investment Trust Funds</u>	<u>Custodial Funds</u>
ASSETS			
Cash and Cash Equivalents	\$1,400,167	\$28,704,846	\$2,692,422
Interest Receivable	3,354,407		51
Investments, at Fair Value:			
Debt Securities:			
Bank Loans	448,434		
Corporate Debt	100,766,316		
Municipal Obligations	3,807,374		
US Agencies	43,439,687		
US Government Obligations	37,055,547		
Repurchase Agreements	34,306,745		
Other Investments:			
Equity Mutual Funds	400,439,689		
Equity Real Estate	71,450,822		
Equity Securities - Domestic	752,742		
Equity Securities - International	134,851,712		
Total Investments	<u>827,319,068</u>	<u>0</u>	<u>0</u>
Total Assets	<u><u>\$832,073,642</u></u>	<u><u>\$28,704,846</u></u>	<u><u>\$2,692,473</u></u>
LIABILITIES			
Accounts Payable and Accrued Expenses	\$2,270	\$0	\$248,143
Securities Lending Transactions	34,306,745		
Total Liabilities	<u><u>\$34,309,015</u></u>	<u><u>\$0</u></u>	<u><u>\$248,143</u></u>
NET POSITION			
Net position restricted for pensions	<u><u>\$797,764,627</u></u>		
Pool Participants		<u><u>\$28,704,846</u></u>	
Individuals, organizations, and Other Governments			<u><u>\$2,444,330</u></u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2019

	Pension Trust Funds	Investment Trust Funds	Custodial Funds
ADDITIONS			
Contributions:			
Employer	\$30,277,170	\$10,166,059	\$0
Employer - Administration	5,104,101		
Plan Members	10,356,318		3,359,262
Other	112,480		653,205
Total Contributions	<u>45,850,069</u>	<u>10,166,059</u>	<u>4,012,467</u>
Investment Income:			
Net Change in Fair Value of Investments	32,142,283		
Interest	10,706,261	630,076	
Dividends	2,895,869		
Total Investment Income	<u>45,744,413</u>	<u>630,076</u>	<u>0</u>
Less Investment Expense	2,392,803	2,400	
Net Investment Income	<u>43,351,610</u>	<u>627,676</u>	<u>0</u>
Income from Securities Lending Activities:			
Securities Lending Income	115,656		
Securities Lending Expenses:			
Borrower Rebates	(803,866)		
Management Fees	46,254		
Total Securities Lending Expenses (Income)	<u>(757,612)</u>	<u>0</u>	<u>0</u>
Net Income on Securities Lending Activities	<u>873,268</u>	<u>0</u>	<u>0</u>
Total Additions	<u>90,074,947</u>	<u>10,793,735</u>	<u>4,012,467</u>
DEDUCTIONS			
Benefit Payments	67,352,952	11,359,028	848,666
Administrative Expense	324,250		3,090,907
Total Deductions	<u>67,677,202</u>	<u>11,359,028</u>	<u>3,939,573</u>
Net Increase (Decrease)	22,397,745	(565,293)	72,894
Net Position, Beginning	<u>775,366,882</u>		<u>714</u>
Adjustment to Opening Net Position (Note 2.D.)		<u>29,270,139</u>	<u>2,370,722</u>
Net Position, Beginning - Restated	<u>775,366,882</u>	<u>29,270,139</u>	<u>2,371,436</u>
Net Position, Ending	<u><u>\$797,764,627</u></u>	<u><u>\$28,704,846</u></u>	<u><u>\$2,444,330</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, 2019

	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	Total
ASSETS					
Cash	\$4,742,568	\$5,912,121	\$17,259,780	\$21,268,890	\$49,183,359
Investments		9,285,762		5,031,034	14,316,796
Receivables:					
Accounts Receivable	976,207	2,017,612	70,796	592,346	3,656,961
Other		26,744		126,178	152,922
Due from Primary Government	764,000			1,474,552	2,238,552
Due from Other Governments				4,127,370	4,127,370
Other Current Assets	296,788	456,280			753,068
Inventories and Prepaid Expenses			17,152	946,865	964,017
Restricted Current Assets:					
Cash		16,133,612		1,316,397	17,450,009
Accounts Receivable	2,603,558	647,141			3,250,699
Investments	247,944,223	18,973,220		3,719,812	270,637,255
Grants Receivable		1,787,982			1,787,982
Other		75,678			75,678
Capital Assets:					
Non-depreciable	86,721,364	35,152,234		9,653,192	131,526,790
Depreciable (Net)	36,445,301	135,640,877	2,722,118	55,663,706	230,472,002
Other Assets			2,029,503	8,355,000	10,384,503
Total Assets	380,494,009	226,109,263	22,099,349	112,275,342	740,977,963
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Amount on Bond Refunding	\$0	\$1,352,203	\$0	\$0	\$1,352,203
Deferred Amount on Note Payable				3,372,502	3,372,502
Deferred Pension Amounts			7,472,199	6,828,067	14,300,266
Deferred Other Post Employment Benefit Amounts			1,711,655	1,516,375	3,228,030
Total Deferred Outflows of Resources	0	1,352,203	9,183,854	11,716,944	22,253,001
Total Assets and Deferred Outflows of Resources	\$380,494,009	\$227,461,466	\$31,283,203	\$123,992,286	\$763,230,964
LIABILITIES					
Accounts, Contracts Payable and					
Accrued Liabilities	\$9,383,465	\$1,677,097	\$962,083	\$2,644,562	\$14,667,207
Interest Payable				138	138
Unearned Revenue and Other		235,912	31,225	1,264	268,401
Liabilities Payable from Restricted Assets:					
Accounts Payable		4,323,917			4,323,917
Interest Payable	3,230,625	1,498,181			4,728,806
Noncurrent Liabilities:					
Due Within One Year					
Compensated Absences				247,469	247,469
Bonds and Notes Payable	2,810,000	3,990,000		2,034,604	8,834,604
Due in More Than One Year					
Compensated Absences			504,243	335,596	839,839
Bonds and Notes Payable	217,555,145	80,414,503		28,503,568	326,473,216
Other		344,327			344,327
Unfunded Other Post Retirement					
Benefit Liability			10,090,980	4,954,797	15,045,777
Unfunded Pension Liability			57,949,277	18,099,473	76,048,750
Total Liabilities	\$232,979,235	\$92,483,937	\$69,537,808	\$56,821,471	\$451,822,451
DEFERRED INFLOWS OF RESOURCES					
Deferred Pension Amounts	\$0	\$0	\$2,476,641	\$3,265,378	\$5,742,019
Deferred Other Post Employment Benefit Amounts			903,263	967,072	1,870,335
Total Deferred Inflows of Resources	0	0	3,379,904	4,232,450	7,612,354
Total Liabilities and Deferred Inflows of Resources	\$232,979,235	\$92,483,937	\$72,917,712	\$61,053,921	\$459,434,805
NET POSITION					
Net Investment in Capital Assets	\$123,166,665	\$92,860,379	\$2,722,118	\$39,305,391	\$258,054,553
Restricted for:					
Governmental and Program Funds			146,380	497,037	643,417
Capital Projects	8,004,633	1,787,982			9,792,615
Debt Service	19,574,445	24,887,985	241,032		44,703,462
Unrestricted	(3,230,969)	15,441,183	(44,744,039)	23,135,937	(9,397,888)
Total Net Position	\$147,514,774	\$134,977,529	(\$41,634,509)	\$62,938,365	\$303,796,159

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, 2019

	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
Lexington Center Corporation								
Lexington Center Operations	\$17,933,628	\$20,842,190	\$501,500	\$80,275,500	\$83,685,562			\$83,685,562
Depreciation	4,583,653				(4,583,653)			(4,583,653)
Interest on Long-Term Debt	6,494,826				(6,494,826)			(6,494,826)
Total Lexington Center Corporation	29,012,107	20,842,190	501,500	80,275,500				72,607,083
Lexington Airport Board								
Airport Operations	13,995,981	24,688,597		7,618,089		\$18,310,705		18,310,705
Depreciation	10,785,675					(10,785,675)		(10,785,675)
Interest on Long-Term Debt	2,928,168					(2,928,168)		(2,928,168)
Total Lexington Airport Board	27,709,824	24,688,597	0	7,618,089				4,596,862
Fayette County Department of Health								
Department of Health Operations	16,459,020	4,275,390	5,788,770				(\$6,394,860)	(6,394,860)
Depreciation	434,917						(434,917)	(434,917)
Total Fayette County Department of Health	16,893,937	4,275,390	5,788,770					(6,829,777)
Nonmajor Component Units								
Total Component Units	55,816,792	4,677,931	5,738,430	284,730				(45,115,701)
	\$129,432,660	\$54,484,108	\$12,028,700	\$88,178,319	\$72,607,083	\$4,596,862	(\$6,829,777)	(\$45,115,701)
General Revenues:								
Taxes								
Income on Investments					\$8,030,022		\$8,827,419	\$43,196,902
Net Change in Fair Value of Investments					5,974,759		231,482	200,131
Gain on Sale of Capital Assets								646,174
Miscellaneous					(1,786,029)			16,704
Total General Revenues					12,218,752	1,685,815	9,058,901	42,720,743
Change in Net Position					84,825,835	6,282,677	2,229,124	(2,394,958)
Net Position, Beginning					62,688,939	128,694,852	(43,791,574)	65,333,323
Adjustment to Opening Net Position (Note 2.D.)							(72,059)	
Net Position, Beginning-Restated					62,688,939	128,694,852	(43,863,633)	65,333,323
Net Position, Ending					\$147,514,774	\$134,977,529	(\$41,634,509)	\$62,938,365

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
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LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2019

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 Policemen's and Firefighters' Retirement Fund and the City Employees' Pension Fund are Fiduciary Funds.

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.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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 Board of Health is governed by a nine-member board that is appointed by the Mayor and approved by the Urban County Council. In addition, the Urban County Council approves their Ad Valorem tax rate annually.

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 Mayor and approved by the Urban County Council. In addition, the 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 (4.50%) 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 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.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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.

The Downtown Lexington Partnership (DLP) promotes physical and economic development that strengthens and maintains downtown Lexington as the cultural and economic heart of Central Kentucky as well as being dedicated to enhancing downtown Lexington as a unique and vibrant destination to live, work, and play. 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 DLP 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 2019.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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 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.

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, investment, and custodial). Since these assets are being held for the benefit of a third party (private parties, investors, 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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.

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. Custodial 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.

Custodial 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.

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Investment Trust Fund to account for all of the outstanding debt for the Sanitary Sewer System. In fiscal year 2014 the Government defeased all outstanding debt and entered into a new Sewer indenture agreement. 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 deposited into the Bond Account, which is held by a Trustee.

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.

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-

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appropriated at the beginning of each fiscal year. The Council made several supplemental budgetary appropriations throughout fiscal year 2019. The net effect of these supplemental appropriations was an increase of \$2,594,578 in the General Fund and a decrease of \$2,130,911 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 2020, 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 2019 were levied on August 30, 2018 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

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, 2019, 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

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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, 2019 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. The balances of the restricted asset’s accounts in the governmental funds are as follows:

Various purpose general obligation notes account	\$41,002,425
Federal Grants and Contracts	29,087
Debt Service on QECB Bond	<u>1,026,212</u>
Total restricted assets	<u>\$42,057,724</u>

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

Sanitary sewer and stormwater capital replacement account	<u>\$1,793,860</u>
Total restricted assets	<u>\$1,793,860</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.

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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 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.

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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. In addition, it includes the Government's proportionate share of the unfunded liability in the CERS multi-employer defined benefit post-employment health insurance plan.
- 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 postemployment benefit liability, which is the net postemployment benefits obligation for the Policemen's and Firefighters' Retirement Fund. In addition, it includes the Government's proportionate share of the unfunded postemployment benefits liability in the CERS multi-employer defined benefit pension plan.
- Unfunded pension liability, which is the net retirement obligation for the Policemen's and Firefighters' Retirement Fund. In addition, it includes the Government's proportionate share of the unfunded pension liability in the CERS multi-employer defined benefit pension plan.

G. Deferred Inflows of Resources and Deferred Outflows of Resources

With the implementation of GASB Statements 65 and 68, and GASB Statements 74 and 75, the Government's Statement of Net Position includes deferred inflows (or deferred outflows) of resources when appropriate. Deferred outflows of resources represent a consumption of net position that applies to one or more future periods. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s). These amounts will not be recognized as expense or revenue until the applicable period.

Deferred Outflows – include the differences between reacquisition price and the net carrying amount of refunded debt obligations that is recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. In addition, it includes differences between expected and actual experience, changes of assumptions, changes in proportionate share, differences between projected and actual earnings, and differences between projected and actual earnings on investments in both pension plans and other paid employee benefit plans, and contributions to pension plans and other paid employee benefit plans made subsequent to the Government's measurement date of June 30, 2018.

Deferred Inflows – include differences between expected and actual experience, changes of assumptions, changes in proportionate share, and projected and actual earnings on investments in both pension plans and other paid employee benefit plans.

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NOTES TO FINANCIAL STATEMENTS (Continued)
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H. Net Position/Fund Balances

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

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

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

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

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

Nonspendable – These resources include amounts that cannot be spent because they are either not spendable in form, or are legally or contractually required to be maintained intact. The Government's nonspendable funds consisted of prepaid expenses and inventories as of June 30, 2019.

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, 2019.

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:

Affordable Housing & Homelessness Intervention	\$2,389,219
Economic Stabilization	35,345,181
Chief Development Officer	1,037,431
Social Services	716,425
Special Programs	85,709
Committed Fund Balance	<u>\$39,573,965</u>

The Government developed and adopted a General Fund Balance ("Economic Stabilization Fund" or "Contingency Designation Fund") Policy on December 5, 1996, and revised on April 17, 2016.

It is the Government's policy to:

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

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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, 2019 for approval through ordinance.

Assigned for:	General Fund	Non Major Funds
Fire & Emergency Services	\$197,829	\$0
General Government	18,242,724	244,977
Police	22,808	
Assigned Fund Balance	<u>\$18,463,361</u>	<u>\$244,977</u>

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

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

I. Use of Estimates

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

J. Revenues

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

The Government utilizes 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.

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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, 2018.

L. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources, deferred inflows of resources, OPEB expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) Post Employment Health Insurance Plan (the Plan), and additions to/deductions from CERS the Plan'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, 2018.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

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

B. Excess of Expenditures over Appropriations - The following divisions, in funds that have budgets adopted annually, had excess expenditures over appropriations for the fiscal year ended June 30, 2019:

	<u>Excess Expenditures</u>
General Fund:	
Circuit Judges	\$10,558
Division of Water & Air Quality	13
Enterprise Solutions	73,054
Fire & Emergency Services	133,365
Grants & Special Projects Agencies	72,007
Indirect Cost Allocation	296,811
Office of the Chief Administrative Officer	63,632
Office of the CIO	23,318
Office of the Mayor	13,240
Purchase of Development Rights	891
Urban Services Fund:	
Central Purchasing	\$239
Environmental Services	6,679
Streets & Roads	75,093

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

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C. Fund Deficits

Proprietary funds – the Extended School Program had a fund deficit of (\$626,466) as a result of the unfunded pension liability.

D. Prior Period Adjustments

Primary Government

The following prior period adjustments were made to the Governmental fund financial statements:

General Funds: Prior period adjustments totaling \$30,401 between General Governmental Funds and Other Governmental Funds due to asset adjustments related to Exactions Area Master Plan (EAMP). There is no effect on the Governmental fund financial statements as a whole.

The following prior period adjustments were made to the Governmental government-wide financial statements:

The Governmental Funds: Net position was reduced \$4,291,473, and included recognizing capital expenditures of \$4,302,285 from prior years due to the close out of various Exactions Area Master Plan (EAMP) developer agreements, and recognizing prior year capital funding of \$10,812 for seized and forfeited vehicles.

The Business-Type Activities Funds: Net position was reduced \$1,523,049 to recognize capital expenditures from prior years due to the close out of various developer agreements for Sanitary Sewer System infrastructure in the Exactions Area Master Plan (EAMP).

The Government early implemented GASB Statement No. 84, *Fiduciary Activities*, which established criteria for identifying fiduciary activities of all state and local governments. As a result, the Prisoner's Account net position was reduced by \$627,876 and a new fiduciary custodial fund was established. In addition, the Sanitary Sewer System net position was reduced by \$29,270,139 and a new fiduciary investment trust was established.

Component Units

The Fayette County Department of Health reduced net position by \$72,059 to recognize grant expenditures from the prior fiscal year.

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. Cash, Investments and Securities Lending

Primary Government

The Government's bank balances at June 30, 2019 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 as amended March 18, 2019, 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.

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3. Obligations of any corporation of the United States government.
4. Certificates of deposit or other interest-bearing accounts issued by 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). Investments of the Government as of June 30, 2019 are summarized and categorized in the following table:

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Cash and Cash Equivalents	\$42,801,410	\$42,801,410	\$0	\$0
Money Market Mutual Funds	68,238,825		68,238,825	
Certificates of Deposit	9,905,316		9,905,316	
U.S. Government Agency Obligations	58,247,270		58,247,270	
Total Investments	<u>\$179,192,822</u>	<u>\$42,801,410</u>	<u>\$136,391,411</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, and 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Primary Government (except Fiduciary Funds)							
Investment Type	Fair Value	Investment Maturities (in years)				S&P Rating	Fair Value
		Less Than 1 Year	1 to 5	6 to 10	More than 10		
Cash and Cash Equivalents	\$42,801,410	\$42,801,410	\$0	\$0	\$0	AA+	\$46,183,540
Money Market Mutual Funds	68,238,825	68,238,825					
Certificates of Deposit	9,905,316	2,992,756	6,002,585		909,975	NR	133,009,282
U.S. Government Agency Obligations	58,247,270	30,949,213	26,798,112	499,945			
Total Investments	<u>\$179,192,822</u>	<u>\$144,982,205</u>	<u>\$32,800,697</u>	<u>\$499,945</u>	<u>\$909,975</u>		<u>\$179,192,822</u>

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.

Investment Trust Fund

The Government’s investment trust fund operates under the Sewer indenture established to provide that the net revenues from the sewer system operations are deposited into a Bond Account held by a Trustee. The account must provide coverage of 120% of the maximum annual debt service. The fund follows the Government’s policy in accordance with Kentucky Revised Statute (KRS) 66.480 and the Government’s investment policy.

Sewer Investment Trust Fund				
Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
		Level 1	Level 2	Level 3
Money Market Mutual Funds	\$28,704,846		\$28,704,846	

Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
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		Sewer Investment Trust Fund						
		Investment Maturities (in years)					S&P	
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More than 10	Rating		Fair Value
Money Market Mutual Funds	\$28,704,846	\$28,704,846	\$0	\$0	\$0	NA		\$28,704,846

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. Investments of the PFRF as of June 30, 2019 are summarized and categorized in the following table:

Policemen's and Firefighters' Retirement Fund

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt Securities				
Bank Loans	\$448,434	\$0	\$448,434	\$0
Corporate Debt	93,508,479		92,280,906	1,227,573
International Bonds				
Municipal Obligations	3,807,374		3,807,374	
SL Comingle Fund	34,306,745		34,306,745	
US Agencies	35,527,011		35,527,011	
US Government Obligations	34,027,108		34,027,108	
	<u>\$201,625,151</u>	<u>\$0</u>	<u>\$200,397,578</u>	<u>\$1,227,573</u>
Other Investments				
Equity Mutual Funds	\$388,205,114	\$174,727,250	\$213,477,864	\$0
Equity Real Estate	71,450,822		71,450,822	
Equity Securities - Domestic	752,742	270,985	113,011	368,746
Equity Securities - International	134,851,712	69,607,472	65,244,240	
	<u>\$796,885,541</u>	<u>\$244,605,707</u>	<u>\$550,683,515</u>	<u>\$1,596,319</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 by broker quotes daily.

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NOTES TO FINANCIAL STATEMENTS (Continued)
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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:

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

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.

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

		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	\$32,782,854
Bank Loans	\$448,434	\$0	\$448,434	\$0	\$0	AA	74,457,602
Corporate Debt	93,508,479	3,075,333	50,583,752	30,283,179	9,566,215	AAA	3,656,051
International Bonds						B	16,830,044
Municipal Obligations	3,807,374		2,376,865	369,313	1,061,196	BB	29,949,225
SL Comingle Fund	34,306,745	23,075,023	11,000,188		231,534	BBB	18,570,967
US Agencies	35,527,011		1,620,938	4,743,454	29,162,619	CC	2,370,901
US Government Obligations	34,027,108	2,442,265	13,070,273	10,123,818	8,390,752	CCC	25,200
	<u>\$201,625,151</u>	<u>\$28,592,620</u>	<u>\$79,100,451</u>	<u>\$45,519,764</u>	<u>\$48,412,318</u>	NR	<u>618,242,697</u>
Other Investments							
Equity Mutual Funds	\$388,205,114						
Equity Real Estate	71,450,822						
Equity Securities - Domestic	752,742						
Equity Securities - International	<u>134,851,712</u>						
	<u>\$796,885,541</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). The agent, also the custodian for the retirement fund, acts as an agent to lend securities held in the retirement fund portfolios.

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

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

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

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

As of June 30, 2019, the securities loaned in the portfolio did not have credit risk, and the fair value of securities on loan is \$34,306,745. Investments of the CEPF as of June 30, 2019 are summarized and categorized in the following table:

City Employees Pension Fund

Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt Securities:				
Corporate Debt	\$7,257,837	\$0	\$7,257,837	\$0
US Agencies	7,912,676		7,912,676	
US Government Obligations	3,028,439	3,028,439		
Other Investments:				
Equity Mutual Funds	12,234,575		12,234,575	
	<u>\$30,433,527</u>	<u>\$3,028,439</u>	<u>\$27,405,088</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.

City Employees Pension Fund							
Investment Type	Fair Value	Investment Maturities (in years)				S&P Rating	Fair Value
		Less Than 1	1 to 5	6 to 10	More than 10		
Debt Securities:						AAA	\$277,625
Corporate Debt	\$7,257,837	\$1,248,535	\$5,151,205	\$858,096	\$0	AA	5,167,536
US Agencies	7,912,676	7,912,676				A	4,239,332
US Government Obligations	3,028,439			983,504	2,044,935	BBB	601,783
	<u>18,198,952</u>	<u>9,161,211</u>	<u>5,151,205</u>	<u>1,841,601</u>	<u>2,044,935</u>	NR	<u>20,147,251</u>
Other Investments:							
Equity Mutual Funds	12,234,575						
	<u>\$30,433,527</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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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	\$191,841,453
Investments not subject to categorization:	
Certificates of Deposit	20,251,230
Money Market Funds	72,861,368
Total Investments	<u>\$284,954,051</u>

As of June 30, 2019, LCC had \$3,348,169 and \$796,143 in deposits and investments, respectively, which were uninsured and uncollateralized.

B. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

	Primary Government		
	Beginning Balance	Increases	Decreases
			Ending Balance
Governmental Activities:			
Nondepreciable Assets:			
Land *	\$61,458,243	\$1,407,539	\$0
Purchase of Development Rights	80,219,938	383,526	
Intangibles	3,221,012	6,577,132	
Construction in Progress	17,689,270	13,360,181	(967,095)
Developments in Progress *	21,033,377	89,352	(20,826,594)
Depreciable Assets:			
Buildings	186,100,240	1,810,214	
Intangibles	17,585,251	196,000	
Vehicles, Equipment & Furniture *	141,316,475	10,770,827	(5,720,529)
Land & Leasehold Improvements	46,563,690	343,327	(57,578)
Infrastructure	1,033,566,088	22,317,179	
Sewer Lines	11,749,467		
Sewer Plants	216,797		
Totals at Historical Cost	<u>1,620,719,848</u>	<u>57,255,277</u>	<u>(27,571,796)</u>
Less Accumulated Depreciation For:			
Buildings	(73,405,797)	(5,887,754)	
Intangibles	(12,904,659)	(1,784,083)	
Vehicles, Equipment & Furniture	(96,982,469)	(10,533,274)	5,492,528
Land & Leasehold Improvements	(27,874,373)	(3,212,688)	
Infrastructure	(449,663,446)	(34,333,378)	
Sewer Lines	(1,496,638)	(234,140)	
Sewer Plants	(15,498)	(4,336)	
Total Accumulated Depreciation	<u>(662,342,880)</u>	<u>(55,989,653)</u>	<u>5,492,528</u>
Governmental Activities Capital Assets, Net	<u>\$958,376,968</u>	<u>\$1,265,624</u>	<u>(\$22,079,268)</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Nondepreciable Assets:				
Land	\$46,342,136	\$79,561	\$0	\$46,421,697
Construction in Progress	68,869,365	57,599,155	(3,389,367)	123,079,153
Developments in Progress *	7,942,369	3,549	(7,829,493)	116,425
Intangibles	497,826	83,200		581,026
Depreciable Assets:				
Buildings	120,455,322	273,337		120,728,659
Intangibles	8,966,739	132,724		9,099,463
Vehicles, Equipment & Furniture	37,771,831	3,375,223	(664,738)	40,482,316
Land & Leasehold Improvements	42,950,767			42,950,767
Infrastructure	16,026,305	1,860,250		17,886,555
Sewer Lines	219,264,747	8,062,991		227,327,738
Sewer Plants	209,491,154			209,491,154
Totals at Historical Cost	<u>778,578,561</u>	<u>71,469,990</u>	<u>(11,883,598)</u>	<u>838,164,953</u>
Less Accumulated Depreciation For:				
Buildings	(88,938,863)	(3,586,378)		(92,525,241)
Intangibles	(4,738,924)	(1,198,994)		(5,937,918)
Vehicles, Equipment & Furniture	(18,597,850)	(3,072,835)	664,737	(21,005,948)
Land & Leasehold Improvements	(36,069,732)	(448,559)		(36,518,291)
Infrastructure	(1,706,677)	(375,991)		(2,082,668)
Sewer Lines	(78,318,131)	(4,226,673)		(82,544,804)
Sewer Plants	(104,560,786)	(4,368,786)		(108,929,572)
Total Accumulated Depreciation	<u>(332,930,963)</u>	<u>(17,278,216)</u>	<u>664,737</u>	<u>(349,544,442)</u>
Business-Type Activities Capital Assets, Net	<u>\$445,647,598</u>	<u>\$54,191,774</u>	<u>(\$11,218,861)</u>	<u>\$488,620,511</u>

* Restated beginning balance due to prior period adjustment

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

Governmental Activities:

General Government	\$951,454
Computer Information Technology	475,946
Administrative Services	535,097
Finance	708,903
Public Safety	1,496,931
Environmental Quality & Public Works	4,694,433
Police	1,563,116
Fire and Emergency Services	1,945,322
Law	5,574
Community Corrections	2,707,973
Social Services	615,862
General Services	5,065,436
Parks and Recreation	1,864,821
Planning, Preservation, & Development	33,358,785
Total depreciation expense - Governmental Activities	<u>\$55,989,653</u>

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NOTES TO FINANCIAL STATEMENTS (Continued)
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Business-Type Activities:

Sanitary Sewer System	\$12,517,562
Public Facilities Corporation	3,345,694
Landfill	587,980
Right of Way	6,324
Extended School Program	3,111
Enhanced 911	371,095
Water Quality	446,450
Total depreciation expense - Business-Type Activities	\$17,278,216

Discretely Presented Component Units

	Beginning Balance	Increases	Decreases	Ending Balance
Nondepreciable Assets:				
Land	\$32,624,350	\$3,825,895	\$0	\$36,450,245
Construction in Progress	19,721,518	20,657,329	(20,603,902)	19,774,945
Other	16,995,094	58,306,507		75,301,601
Depreciable Assets:				
Buildings & Improvements	363,402,416	12,616,517	(12,589,472)	363,429,461
Vehicles, Equipment, & Furniture	84,254,101	4,599,021	(2,445,850)	86,407,272
Land & Leasehold Improvements	76,847,433	3,707,715	(20,856)	80,534,292
Intangibles	49,605	20,040		69,645
Totals at Historical Cost	593,894,517	103,733,024	(35,660,080)	661,967,461
Less Accumulated Depreciation	(292,900,270)	(21,161,672)	14,093,273	(299,968,669)
Component Unit Activities				
Capital Assets, Net	\$300,994,247	\$82,571,352	(21,566,807)	\$361,998,792

Construction Commitments

The Government has active construction projects as of June 30, 2019. The projects include improvements to buildings, sanitary sewer storm water systems and major roadways. At June 30, 2019, the Government had the following commitments on construction contracts:

<u>Project</u>	<u>Commitment</u>
Buildings	\$3,285,451
Capital Repairs & Maintenance	1,496,069
Land Improvements	1,746,274
Sanitary Sewer Collection System	24,658,061
Sanitary Sewer Treatment System	13,848,712
Storm Drainage	1,433,589
Street Resurfacing Maintenance	5,927,593
Streets & Roadways	5,096,672
Street Lighting	78,696
Traffic Control & Markings	1,229,959
	<u>\$58,801,076</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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, 2019. In addition, Federal and State Grants revenues are based on reimbursable expenditures. The composition of interfund balances as of June 30, 2019, is as follows:

Fund Description	Due from (to) General Fund
Federal & State Grants	(\$437,805)
Other Governmental Funds	(433,815)
Internal Service Funds	2,925,415
Total due from General Fund	<u>\$2,053,795</u>

Receivable Entity	Payable Entity	Amount
Component unit - Lexington Convention and Visitor's Bureau	Primary government - General fund	\$1,474,552
Component unit - Lexington Center Corporation	Primary government - General fund	764,000
Total		<u>\$2,238,552</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	Nonmajor Governmental	Total Governmental	Sanitary Sewer	Public Facilities Corp	Landfill	Water Quality	Nonmajor Proprietary	Total Proprietary
General	\$0	\$148,020	\$1,339,855	(\$3,435,710)	(\$1,947,835)	\$143,857	\$568,257	\$0	\$70,157	(\$1,352,071)	(\$569,799)
Urban Services	(148,020)		142,189		(5,831)						
Fed St Grants	(1,339,855)	(142,189)		(825,748)	(2,307,792)					(7,342)	(7,342)
Nonmajor Governmental	3,435,710		825,748		4,261,458	12,417					12,417
Public Facilities Corp	(568,257)				(568,257)						
Nonmajor Proprietary	1,398,001		7,342		1,405,343						
Grand Total	<u>\$2,777,579</u>	<u>\$5,831</u>	<u>\$2,315,134</u>	<u>(\$4,261,458)</u>	<u>\$837,086</u>	<u>\$156,274</u>	<u>\$568,257</u>	<u>\$0</u>	<u>\$70,157</u>	<u>(\$1,359,413)</u>	<u>(\$564,725)</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 activities column of the Government-Wide Statement of Net Position.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Primary Government

Bonds payable, notes payable, compensated absences, landfill closure and postclosure care costs, and unfunded pension liabilities at June 30, 2019 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:						
Pension Obligation, Series 2009B	Police/Fire Pension Fund	\$70,610,000	3.50% - 6.00%	1-Apr-2029	\$43,340,000	\$3,370,000
General Obligation, Series 2010B	Refunding of 1999B and 2000A	\$7,735,000	1.00% - 3.00%	1-Sep-2019	850,000	850,000
General Obligation, Series 2010C	Refunding of 2000E	\$6,635,000	1.00% - 3.00%	1-Dec-2020	1,325,000	650,000
Pension Obligation, Series 2010D	Police/Fire Pension Fund	\$35,825,000	.95%-5.45%	1-Jun-2030	3,380,000	1,650,000
General Obligation, Series 2010H	Refunding of 2001B	\$4,465,000	1.00%-3.80%	1-Dec-2021	1,565,000	505,000
Pension Obligation, Series 2012A	Police/Fire Pension Fund	\$31,000,000	2.50% - 4.00%	1-Oct-2032	23,530,000	1,355,000
General Obligation, Series 2012B	Refunding of 2002C and 2004C	\$6,275,000	2.00% - 4.00%	1-Jul-2024	4,545,000	720,000
General Obligation, Series 2013A	Road Resurfacing	\$11,275,000	2.00% - 5.00%	1-Oct-2023	5,735,000	1,035,000
General Obligation, Series 2013B	Refunding of 2004, 2005C, 2006B	\$6,005,000	2.00% - 4.00%	1-Jul-2025	3,400,000	465,000
General Obligation, Series 2013C	CIP projects	\$17,035,000	3.00% - 4.00%	1-Oct-2037	13,860,000	695,000
General Obligation, Series 2014A	Refunding of 2010A	\$55,925,000	3.00% - 5.00%	1-Sep-2030	41,520,000	2,685,000
General Obligation, Series 2014B	CIP projects	\$24,245,000	3.25%-5.00%	1-Jan-2035	21,120,000	895,000
General Obligation, Series 2014C	QECB Detention Center	\$2,900,000	3.25%	1-Jun-2027	2,795,000	
General Obligation, Series 2015A	Refunding of 2006C, 2009A, 2010G	\$19,845,000	3.00% - 5.00%	1-Oct-2028	15,620,000	2,060,000
General Obligation, Series 2015B	CIP projects	\$24,860,000	2.00% - 5.00%	1-Oct-2035	19,650,000	1,920,000
General Obligation, Series 2016A	Historic Courthouse Renovation	\$22,450,000	.80%-3.00%	1-Aug-2036	20,620,000	930,000
General Obligation, Series 2016B	CIP projects	\$8,870,000	2.00% - 5.00%	1-Aug-2036	7,750,000	595,000
General Obligation, Series 2016C	CIP projects	\$37,555,000	2.00% - 5.00%	1-Oct-2036	32,355,000	2,805,000
General Obligation, Series 2016D	Refunding of 2006D Detention Center	\$28,495,000	4.00% - 5.00%	1-Nov-2024	19,125,000	3,465,000
General Obligation, Series 2017A	CIP projects	\$32,435,000	3.00% - 5.00%	1-Sep-2037	30,040,000	2,515,000
General Obligation, Series 2017B	Refunding of 2010D Police/Fire Pension	\$22,445,000	2.00% - 2.85%	1-Jun-2030	21,680,000	300,000
General Obligation, Series 2018A	CIP projects	\$42,055,000	3.00% - 5.00%	1-Oct-2038	42,055,000	2,375,000
Premiums and Discounts					26,560,856	
Total Bonds, Notes, and Loans Payable					402,420,856	31,840,000
Other Liabilities:						
Compensated Absences					26,412,334	3,697,727
Unfunded Other Post Employment Benefit Liability					307,936,013	
Unfunded Pension Liability					443,649,826	
Total Other Liabilities					777,998,173	3,697,727
Total Governmental Activities					<u>\$1,180,419,029</u>	<u>\$35,537,727</u>
Business-Type Activities						
Bonds, Notes and Loans:						
Sanitary Sewer, Series 2014A Refunding	Refunding	\$24,190,000	3.00% - 5.00%	1-Sep-2030	\$23,690,000	\$1,800,000
Sanitary Sewer, Series 2014B Refunding	Refunding	\$10,410,000	5.00%	1-Sep-2019	1,005,000	1,005,000
Public Facilities, Series 2016D Refunding	Refunding	\$42,590,000	2.65% - 5.00%	1-Oct-2031	38,370,000	2,270,000
Radcliffe road A209-09	SFR Loan	\$113,523	2.00%	1-Jun-2030	68,270	5,607
KIA Streetscape A209-8	SFR Loan	\$1,254,980	2.00%	1-Dec-2030	781,845	61,109
So. Elkhorn A09-01	SFR Loan	\$14,045,119	2.00%	1-Dec-2031	9,424,364	670,709
Wolf Run A10-08	SFR Loan	\$8,373,431	2.00%	1-Dec-2035	7,698,396	398,101
A13-002 Bob-O-Link	SFR Loan	\$2,711,427	1.75%	1-Dec-2038	2,540,066	117,378
A13-003 East Lake	SFR Loan	\$743,414	1.75%	1-Dec-2037	664,334	32,753
A13-003 Century Hills	SFR Loan	\$1,327,844	1.75%	1-Dec-2037	1,186,597	58,501
A13-003 West Hickman Trk A	SFR Loan	\$4,338,726	1.75%	1-Dec-2037	3,877,202	191,151
A13-003 Woodhill Trk	SFR Loan	\$3,588,635	1.75%	1-Dec-2037	3,206,901	158,104
A13-018 E2A	SFR Loan	\$5,264,306	1.75%	1-Dec-2037	4,816,527	229,810
A13-007 AW PH3	SFR Loan	\$1,154,472	1.75%	1-Dec-2037	883,681	43,572
A13-007 IDLHR N	SFR Loan	\$620,324	1.75%	1-Dec-2037	554,109	27,304
A13-002 Wolf Run Trk	SFR Loan	\$452,195	1.75%	1-Dec-2038	423,617	19,576
A13-002 Wolf Run WWS	SFR Loan	\$5,725,025	1.75%	1-Dec-2038	5,363,207	247,837
A12-016 Blue Sky	SFR Loan	\$1,594,026	2.00%	1-Dec-2036	1,393,429	69,572
A13-007 Walhampton Rogers	SFR Loan	\$719,816	1.75%	1-Dec-2037	642,952	31,696
A13-007 Cardinal-Laramie PH1-3	SFR Loan	\$226,247	1.75%	1-Dec-2037	202,077	9,967
A13-015 Town Branch*	SFR Loan	\$20,309,618	1.75%	1-Dec-2038	19,019,820	878,920
A14-001 Lower Cane Run WWS*	SFR Loan	\$12,168,449	1.75%	1-Dec-2038	11,392,137	526,439
A13-015 Marquis Ave*	SFR Loan	\$583,329	1.75%	1-Dec-2038	546,284	25,244
A13-015 UK Trunk*	SFR Loan	\$3,009,695	1.75%	1-Dec-2038	2,818,559	130,248
A15-026 West Hickman WWS*	SFR Loan	\$55,153,076	1.75%	1-Dec-2038	53,635,342	2,402,246
A13-007 Rodgers Rd	SFR Loan	\$1,780,179	1.75%	1-Dec-2037	1,590,056	78,399
A17-003 Lower Griffin Gate Trunk	SFR Loan	\$1,286,628	1.75%	1-Dec-2037	1,232,385	55,197
A17-005 Town Branch PH 1*	SFR Loan	\$9,969,585	1.75%	1-Dec-2040	4,367,248	
Premiums and Discounts					7,867,653	
Total Bonds, Notes, and Loans Payable					209,262,058	11,544,440
Other Liabilities:						
Compensated Absences					1,560,046	522,475
Landfill Closure & Postclosure Care Costs					12,405,492	441,121
Unfunded Other Post Employment Benefit Liability					10,519,306	
Unfunded Pension Liability					35,988,706	
Total Other Liabilities					60,473,550	963,596
Total Business-Type Activities					<u>\$269,735,608</u>	<u>\$12,508,036</u>

*Amounts represents draws as of 6/30/2019

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2019, 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	\$363,050,000	\$42,055,000	(\$29,245,000)	\$375,860,000	\$31,840,000
Net of Bond Premiums and Discounts	25,996,016	2,804,065	(2,239,225)	26,560,856	
Total Bonds, Notes, and Loans Payable	389,046,016	44,859,065	(31,484,225)	402,420,856	31,840,000
Other Liabilities:					
Compensated Absences	26,123,842	1,571,920	(1,283,428)	26,412,334	3,697,727
Unfunded Other Post Employment Benefit Liability	413,934,415	36,844,090	(142,842,491)	307,936,013	
Unfunded Pension Liability	414,684,282	150,311,639	(121,346,096)	443,649,826	
Total Governmental Activities Long-Term Liabilities	<u>\$1,243,788,555</u>	<u>\$233,586,714</u>	<u>(\$296,956,240)</u>	<u>\$1,180,419,029</u>	<u>\$35,537,727</u>
Business-Type Activities					
Bonds, Notes, and Loans:					
Revenue Bonds	\$27,360,000	\$0	(\$2,665,000)	\$24,695,000	\$2,805,000
Mortgage Revenue Bonds	40,535,000		(2,165,000)	38,370,000	2,270,000
Notes and Loans	120,097,608	23,741,744	(5,509,946)	138,329,406	6,469,440
Bonds, Notes, and Loans Payable	187,992,608	23,741,744	(10,339,946)	201,394,406	11,544,440
Net of Bond Premiums and Discounts	8,737,880		(870,227)	7,867,653	
Total Bonds, Notes, and Loans Payable	196,730,488	23,741,744	(11,210,173)	209,262,058	11,544,440
Other Liabilities:					
Compensated Absences	1,469,458	190,503	(99,913)	1,560,046	522,475
Landfill Closure and Postclosure Care Costs	13,722,665		(1,317,173)	12,405,492	441,121
Unfunded Other Post Employment Benefit Liability	12,252,482	1,392,372	(3,125,548)	10,519,306	
Unfunded Pension Liability	35,073,479	2,624,291	(1,709,064)	35,988,706	
Total Business-Type Activities Long-Term Liabilities	<u>\$259,248,572</u>	<u>\$27,948,910</u>	<u>(\$17,461,870)</u>	<u>\$269,735,608</u>	<u>\$12,508,036</u>

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

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
2020	\$15,416,726	\$31,840,000	\$3,608,028	\$9,274,441	\$1,684,181	\$2,270,000	\$20,708,935	\$43,384,441
2021	13,958,496	32,470,000	3,180,966	9,715,452	1,567,681	2,390,000	18,707,143	44,575,452
2022	12,492,589	31,760,000	2,908,088	9,987,541	1,445,181	2,510,000	16,845,858	44,257,541
2023	11,079,904	31,805,000	2,669,742	8,506,838	1,316,431	2,640,000	15,066,077	42,951,838
2024	9,656,879	32,515,000	2,474,170	8,703,384	1,181,056	2,775,000	13,312,105	43,993,384
2025-2029	28,682,083	137,650,000	9,375,921	46,496,679	3,637,506	16,145,000	41,695,510	200,291,679
2030-2034	8,067,829	56,590,000	4,461,874	42,734,519	473,304	9,640,000	13,003,007	108,964,519
2035-2040	1,285,556	21,230,000	1,035,902	27,605,552			2,321,458	48,835,552
Total	\$100,640,062	375,860,000	\$29,714,691	163,024,406	\$11,305,340	38,370,000	\$141,660,094	577,254,406
Less principal payable within one year		31,840,000		9,274,441		2,270,000		43,384,441
Long term principal due after one year		\$344,020,000		\$153,749,965		\$36,100,000		\$533,869,965

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Component Units

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

Principal				
Fiscal Year	Lexington Center Corporation	Lexington Airport Board	Nonmajor Component Units	Total
2020	\$2,810,000	\$3,990,000	\$2,310,509	\$9,110,509
2021	3,625,000	4,100,000	2,364,999	10,089,999
2022	3,835,000	4,130,000	2,422,656	10,387,656
2023	4,085,000	4,210,000	2,477,613	10,772,613
2024	4,350,000	4,260,000	2,164,163	10,774,163
2025-2029	26,180,000	22,000,000	5,211,254	53,391,254
2030-2034	25,255,000	26,285,000	913,579	52,453,579
2035-2039	34,070,000	11,795,000		45,865,000
2040-2044	45,135,000		12,673,400	57,808,400
2045-2049	58,575,000			58,575,000
Total	207,920,000	80,770,000	30,538,173	319,228,173
Less payable within one year	(2,810,000)	(3,990,000)	(2,310,509)	(9,110,509)
Refinancing loss/premium-discount	12,445,145	3,634,503		16,079,648
Long term principal due after one year	<u>\$217,555,145</u>	<u>\$80,414,503</u>	<u>\$28,227,664</u>	<u>\$326,197,312</u>

Interest				
Fiscal Year	Lexington Center Corporation	Lexington Airport Board	Nonmajor Component Units	Total
2020	\$9,621,625	\$2,919,652	\$0	\$12,541,277
2021	9,460,750	2,798,157	640,505	12,899,412
2022	9,274,250	2,703,097	589,152	12,566,499
2023	9,076,250	2,592,141	537,252	12,205,643
2024	8,865,375	2,469,560	486,883	11,821,818
2025-2029	40,669,125	10,215,675	430,393	51,315,193
2030-2034	34,503,538	5,340,431	1,380,218	41,224,187
2035-2039	27,323,250	909,345	1,022,558	29,255,153
2040-2044	18,091,775		925,629	19,017,404
2045-2049	6,718,125		1,110,755	7,828,880
Total	<u>\$173,604,063</u>	<u>\$29,948,058</u>	<u>\$7,123,345</u>	<u>\$210,675,466</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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 \$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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

of which have been used to finance the acquisition, construction, and improvements to the properties. Upon payment of the outstanding bonds, title to the properties will be conveyed to the Government. The lease agreements are renewable annually and the likelihood of the leases not being renewed is remote.

The PFC issued \$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 \$8,888,648, payable annually in principal installments ranging from \$184,181 to \$259,589 for the upgrades to the Bob-O-Link Trunk Line, Wolf Run Trunk Line and the Wolf Run Storage Tank Capacity Upgrade. 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.
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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

9. KIA Loan A12-16 issued in the amount of \$1,594,025, payable annually in principal installments ranging from \$32,606 to \$48,066 for the acquisition and conversion to a pump station of the Blue Sky Wastewater Treatment plant. 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, payable annually in principal installments ranging from \$501,433 to \$704,322 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. The Capital Replacement Reserve Fund requirement is \$80,000 annually for 10 years.
11. KIA Loan A14-001 issued in the amount of \$12,134,178, payable annually in principal installments ranging from \$252,567 to \$357,777 for design and construction of Phase 1 of a multi-phase waste water storage facility at the Lower Cane Run Pump Station. The Capital Replacement Reserve Fund requirement is \$50,000 annually for 10 years.
12. KIA Loan A15-026 issued in the amount of \$67,944,188 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, 2019 the Government has received only a partial draw of \$55,153,076 with the remaining balance of \$12,791,112 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 principal 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 \$170,000 annually for 10 years.
13. KIA Loan A17-003 issued in the amount of \$1,286,628, payable annually in principal installments ranging from \$27,003 to \$37,929 for the replacement of 4,700 linear feet of gravity sewer pipes. The Capital Replacement Reserve Fund requirement is \$5,900 annually for 10 years.
14. KIA Loan A17-005 issued in the amount of \$9,969,585 for the replacement of 5,600 linear feet of 12 inch sewer pipes with 21 inch sewer pipes. Additionally a source water pump and a Bio-swale for surface water treatment from paved areas will be installed. As of June 30, 2019 the Government has received only a partial draw of \$4,367,248 with the remaining balance of \$5,602,337 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 principal toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government. The Capital Replacement Reserve Fund Requirement is \$25,000 annually for 10 years.

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. \$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.
2. \$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.

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3. \$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.
4. \$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. Of the outstanding balance \$22,445,000 was refunded through the issuance of Series 2017B, leaving a remaining balance of \$6,480,000.
5. \$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.
6. \$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.
7. \$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.
8. \$11,275,000, Series 2013A, Various Purpose General Obligation Bonds to finance various street and highway improvements including the rehabilitation and paving of existing roads and streets throughout Lexington, Fayette County, Kentucky. Issued at a premium and payable in annual principal payments ranging from \$845,000 to \$1,265,000 plus interest over 10 years.
9. \$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.
10. \$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 principal installments ranging from \$595,000 to \$1,195,000 plus interest over 20 years.
11. \$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.

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12. \$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.
 13. \$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. In March of 2018, \$105,000 in unused proceeds were redeemed in an extraordinary call per IRS guidelines. The new par amount is \$2,795,000.
 14. \$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.
 15. \$24,860,000 Series 2015B, Various Purpose General Obligation Bonds to finance various projects for Departments within the Government, including but not limited to financing an ERP software upgrade, new Budgeting system, procurement website upgrade, general repairs, life safety, autos vehicle replacement, roof repair and replacement, HVAC repair and replacement, neighborhood paving, infrastructure improvements, parks improvements and upgrades providing funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights, and additional funding for the Emergency Operations Center. Issued at a premium and payable in annual principal payments ranging from \$495,000 to \$2,015,000 plus interest over 20 years.
 16. \$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-Fayette County, enhance the economic development of downtown Lexington, assist in elimination of blight, and reinforce and promote additional redevelopment activities in downtown Lexington-Fayette County. Issued at Par and payable in annual principal payments ranging from \$910,000 to \$1,435,000 plus interest over 20 years.
 17. \$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

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- 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, and 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.
18. \$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, 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. Issued at a premium and payable in annual principal payments ranging from \$975,000 to \$3,100,000 plus interest over 20 years.
 19. \$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.
 20. \$32,435,000 Series 2017A, 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, renovations, repairs and upgrades and equipping of fire stations, software system upgrades, safety operations and other safety related projects, new firetrucks, new police equipment, new police cars, 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 various other improvements within departments of the Lexington-Fayette Urban County Government, (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 \$585,000 to \$2,925,000 plus interest over 20 years.
 21. \$22,445,000 Series 2017B Taxable General Obligation Pension Funding Refunding Bonds issued to finance the refunding of a portion of the 2010D Lexington-Fayette Urban County Government Taxable General Obligation Pension Funding Bonds. Issued at a premium and payable in annual principal payments ranging from \$295,000 to \$2,595,000 plus interest over 13 years. The refunding provided for a cumulative savings of \$ 1,963,714 over the life of the bonds resulting in net present value savings of \$1,964,340 or 9.82% of the refunded principal.
 22. \$42,055,000 Series 2018A 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 software system upgrades, safety operations and other safety related projects, new firetrucks, new police cars, road resurfacing, road maintenance, streetscapes and sidewalk improvements, renovations and upgrades related to public buildings, fleet vehicle replacement, and upgrades related to park projects, and various other improvements within departments of the Lexington-Fayette Urban County Government, and (ii) providing funding for renovations to the Lexington Convention Center. Issued at a premium and payable in annual principal payments ranging from \$1,060,000 to \$3,595,000 plus interest over 20 years.

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Landfill Closure and Postclosure Care Cost

State and Federal laws and regulations require the Government to place final covers on its landfills and to perform certain maintenance and postclosure monitoring functions at its landfills for thirty years. Since the operations and maintenance of the Government's landfills are accounted for in an Enterprise Fund, the accrued liability for these costs are reported in the Landfill Fund as required by GASB 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. The liability at June 30, 2019 is based on the estimated cost of maintaining and monitoring the Old Frankfort Pike Landfill (OFPLF) and the Haley Pike Landfill. Actual cost may be higher due to inflation, changes in technology, or changes in regulations and these costs will be funded by the Landfill Fund. The OFPLF ceased accepting waste decades ago. The Haley Pike Landfill ceased accepting waste in December 2011. Both of these landfills are at 100% capacity. The Haley Pike Landfill has been capped. Environmental monitoring and maintenance of the property will occur over the next 30 years, in accordance with Kentucky State Law.

NOTE 4. SELF-INSURANCE PROGRAM

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

Surplus at June 30, 2017	\$0
Claims and changes in estimates	34,704,123
Claims paid	(34,704,123)
Surplus at June 30, 2018	0
Claims and changes in estimates	35,632,336
Claims paid	<u>(35,632,336)</u>
Surplus at June 30, 2019	<u><u>\$0</u></u>

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

All assets and employees of the primary government are covered by the Fund. Premiums are paid into the Fund by the General Fund, the Urban Services Fund, and the Sanitary Sewer System Fund and are based on both exposure and experience factors. Premiums include amounts needed to pay prior and current-year claims and administrative costs. Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends, and other economic and social factors. Estimated recoveries, from subrogation and excess insurance policies, for example, are another component of the claims liability estimate.

Annually, as of June 30, the Fund has a third party actuary review the claim histories for all claim years for which open claims are outstanding. The actuary projects the ultimate claim payment obligation (including the IBNR claims) for each year's claim experience. The Government elected to establish the liability for these claims and loss expenses at their present value, with a discount rate of 3.5%. As of June 30, 2019 the undiscounted estimated liability was \$32,676,912. The discounted estimated liability as of June 30, 2019 was \$26,749,031. Changes in the balances of

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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, 2017	\$1,530,598	\$5,468,856	\$155,869	\$16,927,626	\$24,082,949
Claims and changes in estimates FY18	(113,378)	402,117	5,850,015	2,565,896	8,704,650
Claims Incurred FY 2018	293,551	(1,241,718)	(5,843,586)	(1,102,106)	(7,893,859)
Liability at June 30, 2018	1,710,771	4,629,255	162,298	18,391,416	24,893,740
Claims and changes in estimates FY19	(1,578,434)	(611,908)	(602,624)	(4,758,053)	(7,551,019)
Claims Incurred FY 2019	1,627,493	(322,117)	648,157	7,452,777	9,406,310
Liability at June 30, 2019	\$1,759,830	\$3,695,230	\$207,831	\$21,086,140	\$26,749,031

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 \$1,000,000 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 (3) Locations	500,000	\$5,000,000 Annual Aggregate for (3) Specified Locations
Earthquake Loss	250,000	\$100,000,000 Per Occurrence
EDP - Equipment Only	250,000	Included in Property Limits
Data, Programs or Software	250,000	\$5,000,000 Sublimit
Traffic Control Equipment	250,000	Included in Property Limits
Cyber Coverage – First Party	75,000	\$2,000,000 Aggregate (Separate Policy - Not Included in Property)
Boiler and Machinery	250,000	Included in Property Limits
Auto Physical Damage	100,000	Included in Property Limits
Auto Liability	1,500,000	\$2,000,000 Combined Single Limit Per occurrence/\$8,000 000 Commercial Excess Liability Umbrella
General Liability	1,500,000	\$2,000,000 Per Occurrence with varying sublimits/\$8,000 000 Commercial Excess Liability Umbrella
Public Officials Liability	1,500,000	\$2,000,000 Per Occurrence/\$8,000 000 Commercial Excess Liability Umbrella
Law Enforcement Liability	1,500,000	\$2,000,000 Per Occurrence/\$8,000 000 Commercial Excess Liability Umbrella
Workers' Compensation	1,000,000	Statutory Per Occurrence
Employers' Liability	1,000,000	\$2,000,000 Occurrence/\$2,000,000 Aggregate
Pollution Liability	75,000 per pollution loss	\$1,000,000 Aggregate
Aviation Liability	1% of Value - In Motion	\$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, 2019 the Government has accrued approximately \$13,100,000 for potential liabilities for the cases covered by self-insurance (See Note 4.B.).

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

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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. Under the terms of a Lease Agreement dated June 15, 1993 and Supplemental Lease Agreement (Agreement) dated September 18, 2008, LCC has leased the entire Project to the LFUCG on an annual basis. The annual rental to be paid by LFUCG to LCC shall be equal to interest and principal paid on the Series 2008A 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 operational revenue. The Agreement grants LFUCG an exclusive option to renew the lease for additional 1-year periods through June 30, 2022, and requires notice to LCC if the lease is not to be renewed. LFUCG may acquire title to the Project on any interest payment date by notifying LCC and the Trustee 60 days before such date, and by paying to the Trustee an amount equal to principal, interest and redemption premiums on the Bonds outstanding at that time, plus costs associated with the redemption of the Bonds. This Agreement was terminated and replaced on October 1, 2018.

New Lease Agreement dated October 1, 2018 (New Agreement), LCC has leased the entire Project to the LFUCG on an annual basis. The annual rental to be paid by LFUCG to LCC shall be equal to interest and principal paid on the Series 2018 Bonds. The New Agreement grants LFUCG an option to renew the lease for additional 1-year periods through June 30, 2049, and requires notice to LCC if the lease is not to be renewed. LFUCG may acquire title to the Project on any interest payment date by notifying LCC and the Trustee 60 days before such date, and by paying to the Trustee an amount equal to principal, interest and redemption premiums on the Bonds outstanding at that time, plus costs associated with the redemption of the Bonds. LCC and LFUCG entered into a Management Contract dated June 15, 1993. Under this contract, LCC has full possession and control of the Project on behalf of LFUCG. The contract also provides that, in the event operating revenues exceed operating expenses in a given year, this excess may be used to establish reasonable reserves for efficient operation, depreciation, replacement of equipment, and repairs. Any remaining surplus shall be seasonably remitted to LFUCG. Accordingly, LCC has established a Capital Replacements Reserve Account to be used to fund expected replacements and major repairs of fixed assets. And a Current Operating Reserve Account to be used to provide a reasonable reserve for the operations of LCC. The Management Contract between LCC and LFUCG is coterminous with the term of the New Agreement and is automatically renewed from year to year with the New Agreement.

On July 13, 2001, LCC and the University of Kentucky (UK) 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. On February 7, 2018 UK signed a Facility Right of Use Agreement with a minimum of 16 events must be University of Kentucky men's basketball games. LCC is to provide UK four club spaces to be constructed in the Convention Project. The agreement has a term of 15 years and terminated June 30, 2033.

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

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in the amount of \$100,000 each successive fiscal year beginning in 2013, with a final contribution of \$48,000 in 2021. In an agreement signed September 20, 2018 an effective date of January 1, 2019. The new agreement establishes monthly contribution from Visit LEX of \$62,500 and LCC agrees to fund an "Incentive Fund" in the amount of \$250,000. The first three years of the agreement, LCC shall maintain an annual limit in the fund of \$125,000 thereafter. The agreement has a term of 66 months with 5-year automatic renewals and a final 54 month term for a total of 30 years.

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 repaid its commitment to the Commonwealth in fiscal 2017. In October 2018, LCC received approximately \$221 million through the sale of bonds for the Convention Project and the Commonwealth funded its \$60 million commitment.

On January 1, 2018, LCC entered into an agreement with Oak View Group LLC (OVG) to retain OVG as exclusive third party booking agent for events and concerts at Rupp Arena. This agreement expires December 31, 2022.

On December 4, 2018, LCC entered into a tri-party agreement between Town Branch Fund (the Fund), LFUCG and LCC to develop, construct and maintain the Town Branch Commons park project (Park Project). The Park Project will consist of approximately 9 acres of property that is now known as the Cox Street Parking Lot. LCC commits to leasing the property to the Fund under certain lease terms that will be finalized for least 75% of the total budget cost of construction of the Park Project. LFUCG will assist the Fund with the procurement of any permits and procedures for park construction and operations. If the Fund cannot raise sufficient funds as outlined in the agreement, the agreement will be terminated on December 4, 2023, with no further obligations from the Parties.

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

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

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

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F. Lexington Public Library – The Library is a non-profit, non-stock corporate agency and instrumentality of the Government. The Lexington Public Library Board of Trustees is a defendant in a lawsuit filed by the Library's former Director, for contract damages associated with her 2009 termination by the Board. This matter came before an American Arbitration Association panel that on May 17, 2014 issued an Order of Damages totaling \$907,762. On each of the panel's findings for damages, a panel member dissented to the order except in the case of the salary remaining on the contract which totals \$257,731. The Lexington Public Library Board of Trustees' 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 judgment. On August 9, 2017, the Fayette 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. On September 5, 2017, the Plaintiff filed a Notice of Appeal. The parties have fully briefed the Court of Appeals and are awaiting the Court's decision. On March 29, 2019, the Court of Appeals affirmed the trial court's judgment and the Plaintiff filed a Motion to Discretionary Review which is still pending.

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 \$259,273 to the Public Library Corporation to pay current debt service. As of June 30, 2019, the Library is committed to fund a total of \$260,359 through fiscal year 2020 for this purpose.

G. Lexington Convention and Visitors Bureau – The Bureau has pledged a portion of its occupancy tax receipts to the Lexington Center Corporation (LCC) to support the growth and expansion of the arena and convention facilities. The Bureau's original agreement pledged \$248,000 to the LCC for fiscal year 2019. A new agreement was executed effective January 1, 2019 that terminated the prior agreement and provides financial assistance through fiscal year 2024. The agreement includes five auto renewals to allow the agreement to extend through 2049. This agreement requires the Bureau to pay annually \$750,000 to help meet the LCC expansion project bond requirements. The amount is payable in equal monthly installments of \$62,500 being due the last day of each month. LCC may assign its rights to the Bureau's contributions to the bondholders or lenders and in such event, the Bureau would be required to make payments directly to the lender. As of June 30, 2019, the balance of funds payable under this agreement is \$3,372,502 and is recognized as a deferred outflows of resources in the Statement of Net Position. Annual contribution requirements are as follows:

Fiscal Year	
2020	\$747,502
2021	750,000
2022	750,000
2023	750,000
2024 & Beyond	375,000
Total Remaining Obligations	<u>\$3,372,502</u>

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

I. Conduit Debt – The Government has issued Industrial Revenue Bonds to provide financial assistance to private sector and nonprofit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities

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transfers to the private sector or nonprofit entity served by the bond issue. The Government is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2019, there were 15 series of Industrial Revenue Bonds outstanding with an aggregate amount payable of approximately \$73,823,895.

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, 2019, the Lease Revenue Bonds outstanding total approximately \$110,250,000.

J. Encumbrances – Encumbrance accounting is utilized during the year to facilitate effective budgetary control. Encumbrances are treated as budgeted expenditures in the year of incurrence of the commitment to purchase. Budgetary comparisons presented in this report are on this budgetary basis of accounting. Adjustments necessary to convert from the budgetary basis to GAAP are provided on the face of the budgetary comparison statements. In governmental funds, encumbrances outstanding at year-end represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriations, is utilized in the governmental funds. Encumbrances are not treated as expenditures or liabilities because the commitments will be honored during the subsequent year. Outstanding encumbrances for the governmental funds at June 30, 2019 were as follows:

General Fund	\$2,729,815
Urban Service Fund	5,516,667
Nonmajor Governmental Funds	15,255,284

Encumbrances are not recorded in the financial statements for proprietary fund types and Pension Trust Funds. However, the purchase orders outstanding at June 30, 2019 for these funds are as follows:

Sanitary Sewer System	\$43,655,786
Water Quality	5,409,006
Landfill	146,735
Nonmajor Enterprise Funds	366,819

K. 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.

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As of June 30, 2019, 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* – The Government’s revenues for realty, business returns, and employee withholdings will be reduced by an estimated \$216,849 for tax credits related to fiscal year 2019 under an agreement entered into by the state in the next fiscal year. 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 30, 2019, three state abatement agreements have been entered into with local businesses.
- *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 \$242,409 for tax credits related to fiscal year 2019 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, 2019, four state abatement agreements have been entered into with local businesses.
- *Commonwealth Participation Program for Signature Projects* – The Government’s revenues for realty, business returns, and employee withholdings will be reduced by an estimated \$100,000 for tax credits related to fiscal year 2019 under an agreement entered into by the state in the next fiscal year. Participation requirements include a positive impact on the Commonwealth as certified by a qualified independent consultant; a minimum capital investment of \$200 million; not more than 20 percent of the approved project costs or 20 percent of the finished square footage shall be devoted to retail; pledged revenues shall not exceed 80 percent of approved public infrastructure costs; recovery of up to 100 percent of public infrastructure costs less sales taxes paid, signature costs less sales tax paid, and financing costs related to the public infrastructure costs over a period of up to 30 years; and qualifies for a sales tax refund on the purchase of construction materials that do not qualify as an approved public infrastructure cost or an approved signature cost. The Government has pledged 80% of its revenues for realty, business returns, and employee withholdings for 30 years. As of June 30, 2019, two 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, 2019, twenty seven (27) companies participated in that program at the local level. Payroll withholdings are reduced by an estimated amount of \$889,292.

L. Affordable Housing Loan Program – On May 8, 2014 the Government passed Ordinance 52-2014 establishing the affordable housing loan program to promote housing projects by developers to provide more affordable housing options to qualifying residents of Lexington, Kentucky. The Urban County Council also issued a memorandum on August 11, 2014 establishing funding in the amount of \$2,000,000 beginning in fiscal year 2015 and

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thereafter, for total funding as of June 30, 2019 of \$11,500,000. As of June 30, 2019, there are \$4,870,270 in outstanding loans for this program.

M. Jobs Fund Loan Program – On December 5, 2013 the Government passed Ordinance 153-2013 establishing a local economic development incentive program in order to attract or expand the level of employment in Lexington-Fayette County. The purpose of the program is to provide certain qualified businesses with local funding through grants, loans, or other agreements. The program is focused on attracting innovative businesses and promoting expansion of existing businesses involved in advanced manufacturing, technology, professional shared service operations, or healthcare, or which have or will be locating their primary base of operations or headquarters in Lexington-Fayette County. In addition, Ordinance 152-2013 establishes the “Economic Development Investment Board” to perform duties related to the program. The typical maximum of any funding agreement will not exceed \$50,000 for a grant agreement and \$250,000 for a loan or other agreement. Upon the recommendation of the Chief Development Officer and Economic Development Investment Board, the final approval is given by the Urban County Council. The Urban County Council established funding with ordinance 51-2014 on May 15, 2014, in the amount of \$1,000,000 beginning in fiscal year 2014 and thereafter for total funding as of June 30, 2019 of \$3,520,000. As of June 30, 2019, there are \$1,424,271 in outstanding loans for this program.

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 October 10, 2019, the Urban County Council approved the issuance of General Obligation bonds, Series 2019, with a par value of \$18.11 million to finance various projects including, but not limited to, (i) safety operations and other safety related projects, fleet vehicle replacement, voting machine replacement, road paving and maintenance, and various other improvements within departments of the 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. In addition the Urban County Council approved the issuance of Sewer System Revenue Series 2019, for \$50 million to finance various sewer and storm water improvement projects within Lexington-Fayette County.

Component Unit

On September 2018, the Lexington Convention and Visitors Bureau entered into an agreement with the Lexington Center Corporation (LCC) to pledge \$750,000 annually for thirty years beginning January 1, 2019 in order to support the LCC and its convention and tourism facilities.

In July 2019, LCC completed a Request for Proposal procurement policy procedure for catering and concessions services for the new Convention Project along with the Rupp Arena and the Lexington Opera House venues. The Board of Directors (Board) appointed Committee selected Levy Premium Foodservice Limited Partnership (Levy) as its recommendation to provide the food services and to elevate a premium hospitality experience to LCC’s patrons. The Committee’s recommendation was ratified by the Executive Committee of the Board in July 2019. In August 2019, a Letter of Intent (LOI) was executed between Levy and LCC to formalize a contract between the two parties

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in the next sixty days. The LOI grants Levy the right and ability to incur a limited amount of pre-opening reimbursable expenses while the final contract is negotiated.

Per House Bill 1 passed during the 2019 legislative session, certain agencies, including the Health Department, were authorized to pay the reduced KERS non-hazardous employer contribution rate for the year ending June 30, 2020. The authorized participating employers will contribute 49.47% (41.06% to the pension fund and 8.41% to the insurance fund) as opposed to the contribution rate of 83.43% (71.03% to the pension fund and 12.40% to the insurance fund) other KERS non-hazardous employers pay.

On October 22, 2019, the Lexington Airport Board issued revenue and refunding bonds in the amount of \$32,000,000.

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, 2018.

<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 addition,

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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, 2018:

	Number
Inactive Plan Participants:	
Retirees and beneficiaries currently receiving benefits	1,265
Active Plan Participants:	
Active members	1,144
Total	<u>2,409</u>

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 2018, the Government contributed 37.53% 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	37.53%
Plan Member	12.00%

D. Net Pension Liability

The Government's net pension liability/(asset) was measured as of June 30, 2018, 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, 2018	July 1, 2018
Actuarial cost method	Entry Age Normal Funding	Entry Age Normal Funding
Amortization method	Level Dollar - Closed	Level Dollar - Open
Remaining amortization period	27 years closed	15 years open
Asset valuation method	5 year smoothed market	Market
Actuarial assumptions:		
Investment rate of return	7.50%	7.00%
Projected salary increases	9.50% to 3.50%	N/A
Cost-of-living adjustments	See Note 8.A. on page 91	3.00%
Inflation	2.75%	N/A

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	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 6/30/2017	\$903,198,847	\$695,183,216	\$208,015,631	\$9,464,332	\$30,096,248	(\$20,631,916)
Changes for the year:						
Service Cost	19,289,452		19,289,452			
Interest	65,525,538		65,525,538	618,238		618,238
Differences between expected and actual experience	47,795,400		47,795,400	(70,751)		(70,751)
Changes of assumptions						
Contributions-employer		27,576,764	(27,576,764)			
Contributions-employee		10,750,008	(10,750,008)			
Net investment income		71,009,316	(71,009,316)		1,369,364	(1,369,364)
Benefit payments, including refunds of employee contributions	(59,050,010)	(59,050,010)		(1,264,711)	(1,264,711)	
Administrative expense		(306,716)	306,716		(4,994)	4,994
Other changes		8,396	(8,396)			
Net changes	73,560,380	49,987,758	23,572,622	(717,224)	99,659	(816,883)
Balances at 6/30/2018	\$976,759,227	\$745,170,974	\$231,588,253	\$8,747,108	\$30,195,907	(\$21,448,799)

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)	(\$20,960,091)	(\$21,448,799)	(\$21,888,627)

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	\$345,694,287	\$231,588,253	\$136,731,011

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

At June 30, 2018, 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	\$1,512,614	\$0
Total	\$1,512,614	\$0

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	PFRF	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$59,288,120	\$0
Changes of assumptions	32,254,351	
Net difference between projected and actual earnings on pension plan investments		19,893,656
Employer contributions subsequent to the Measurement date	30,389,591	
Total	<u>\$121,932,062</u>	<u>\$19,893,656</u>

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:

2020	\$665,062
2021	424,197
2022	284,767
2023	138,588
2024	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:

2020	\$28,703,449
2021	22,662,778
2022	13,660,681
2023	6,431,487
2024	190,420
Thereafter	0

E. Other Post Employment Benefit (OPEB)

The Governmental Accounting Standards Board issued Statement No. 75 (GASB 75), “*Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions*” in June 2015. GASB 75’s effective date is for an employer’s fiscal year beginning after June 15, 2017. For the purposes of reporting under GASB 75, the Plan is assumed to be a single-employer defined benefit OPEB plan without a special funding situation where no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

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.

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Plan membership – As of June 30, 2018 the plan membership data is as follows:

	Number
Inactive Plan Participants:	
Retirees and beneficiaries currently receiving benefits	1,006
Active Plan Participants:	
Active members	1,180
Total	2,186

Benefits Provided – The Government administers a single-employer defined benefit post-employment health insurance plan. This plan does not include the pension benefits discussed in Note 8. This plan is included in Trust Funds for the City Employees' Pension Fund and the in the Government's financial statements. The plan does not issue a publicly available financial report.

ELIGIBILITY FOR BENEFITS FROM THE POLICEMEN'S & FIREFIGHTERS' RETIREMENT FUND

Service Retirement – Employees are eligible to retire with twenty years of credited service. This can include both actual service and purchased time.

Occupational Disability Retirement – Total and permanent disability incurred while in the line of duty.

Disability Retirement – A member of the fund is eligible to receive a non-occupational disability if they have at least five years of service in the fund and a disabling injury that results from non-occupational causes.

ELIGIBILITY FOR BENEFITS FROM CITY EMPLOYEE'S PENSION FUND

Service Retirement – Employees are eligible to retire with thirty years of credited service or at age 60 with twenty years of service.

Accidental Disability Retirement – Total and permanent disability incurred while in the line of duty.

Ordinary Disability Retirement – A member of the fund is eligible to receive a non-occupational disability if they have at least ten years of service in the fund and a disabling injury that results from non-occupational causes that renders them totally and permanently disabled.

ELIGIBILITY FOR BENEFITS – In August 1999, the Council passed an ordinance that authorized the Government to provide a health insurance benefit to the retirees of both retirement funds, effective July 1, 1999. All retirees who retire (according to the one of the retirement eligibilities listed above) after July 1, 1999 and have continuous participation in the health insurance programs sponsored by the Government are eligible to receive a health insurance benefit.

AMOUNT OF ALLOWANCE – For eligible employees the Government pays the single premium for the plan coverage selected by the retiree, but not more than one hundred percent (100%) of the Government's contribution to the health insurance component of the benefit pool for current urban-county government employees for eligible members. All payments are made to the approved provider of the group health insurance plan, not to the retiree, and the retiree shall not be entitled to receive any portion of the government contribution remaining after payment is made to the approved provider. Upon the death of an active member due to occupational causes, the Government will pay one hundred percent (100%) of the cost of the family medical coverage for the member's surviving spouse and dependent children as long as they remain eligible for a monthly retirement allowance from the retirement fund. Upon the death of an active member due to non-occupational causes, the member's surviving spouse and dependent children are able to stay on the plan as long as the applicable premium payments are made.

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DEPENDENT COVERAGE – Group rates under the group health insurance plan approved by the Government are made available to the spouse, dependents and disabled children of a qualified and participating retiree, if the premium is paid by the retired member, spouse, dependent, or disabled child. Upon the death of a retiree, the retiree's surviving spouse is able to stay on the plan as long as the applicable premium payments are made.

RETIREE GROUP HEALTH INSURANCE PLAN OPTIONS:

- Humana PPO-A
- Humana PPO-B
- Humana HSA1
- Humana HSA2
- Humana Seniors Medicare Advantage Plan
- Anthem Seniors Standard Plan
- Anthem Seniors Comprehensive Plan

Retirees under age 65 may select from the Humana PPO Plan options. Retirees age 65 and older may select from any of the last three plan options above only if they are covered under Medicare Parts A and B. Medicare Part D coverage is provided to those retirees electing one of the Senior Plans above.

CURRENT GROUP HEALTH MONTHLY INSURANCE PREMIUMS EFFECTIVE JANUARY 1, 2018:

Plan Option	Single	Two Party
Humana PPO-A	\$732.57	\$1,340.11
Humana PPO-B	542.12	991.71
Humana HSA1	493.41	902.59
Humana HSA2	484.07	769.84
Humana Seniors Medicare Advantage Plan	377.79	755.58
Anthem Seniors Standard Plan	163.31	326.62
Anthem Seniors Comprehensive Plan	212.66	425.32

The Government contributes \$430.75 for an individual without the tobacco credit, \$455.74 for an individual or an individual covering a spouse with the tobacco credit, and \$480.74 for a family with the tobacco credit toward the premium for single coverage for retirees and \$75 for surviving spouses without the tobacco credit and \$100 for surviving spouses with the tobacco credit of active members who die in service due to occupational causes. The remainder of any premium is paid by retirees.

OTHER POST EMPLOYMENT BENEFITS – Health care and prescription drug coverage is provided in all of the group health insurance plan options. Vision coverage is extended to those members electing the Humana Platinum Plan or the Humana Gold Plan.

Total OPEB Liability (TOL) of the Government

Total OPEB Liability	\$245,951,553
Fiduciary Net Position	0
Net OPEB Liability	<u>\$245,951,553</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Actuarial Assumptions – The total OPEB liability was determined by an actuarial valuation as of July 1, 2017 and rolled forward to June 30, 2018, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Inflation	2.75%
Real Wage growth	N/A
Wage Inflation	N/A
Municipal Bond Index Rate	
Prior Measurement Date	3.56%
Measurement Date	3.89%
Health Care Cost Trends	
Pre-Medicare	7.25% for 2018 decreasing to an ultimate rate of 4.75% by 2028
Post-Medicare	5.38% for 2018 decreasing to an ultimate rate of 4.75% by 2022

Discount rate – The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer.

The RP-2000 Combined Table Generational with Scale AA was used for the inactive members receiving a benefit in the City Employees' Pension Fund. The RP-2000 Combined Table Projected with scale BB to 2017 was used for the members of the Policemen's and Firefighters' Retirement Fund, both actives and the inactive members receiving a benefit.

Total OPEB Liability (TOL)	
Balances at 6/30/2017	\$341,737,302
Changes for the year:	
Service Cost	16,561,150
Interest on the TOL and Cash Flow	12,078,465
Differences between expected and actual experience	(103,220,151)
Changes of assumptions	(16,252,771)
Benefit payments	(4,952,442)
Net changes	(95,785,749)
Balances at 6/30/2018	\$245,951,553

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate – The following presents the net OPEB liability of the Government, calculated using the discount rate of 3.89%, as well as what the Government's net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower and 1-percentage point higher than the current discount rate:

	1% Decrease 2.89%	Current Discount Rate 3.89%	1% Increase 4.89%
Net OPEB Liability	\$291,706,984	\$245,951,553	\$210,087,520

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate – The following presents the net OPEB liability of the Government, as well as what the Government's net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower and 1-percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liability	\$211,352,099	\$245,951,553	\$291,274,336

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Government recognized OPEB expense of \$2,553,900. At June 30, 2018 the Government reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between expected and actual experience	\$0	\$85,695,624
Changes of assumptions	0	35,011,351
Total	\$0	\$120,706,975

Amounts to be recognized as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2020	\$(26,085,715)
2021	(26,085,715)
2022	(26,085,715)
2023	(26,085,715)
2024	(16,364,115)
Thereafter	0

Payable to the OPEB Plan

At June 30, 2018, the Government had no payables for outstanding contributions to the Plan required for the year ended June 30, 2018.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

F. Pension Plan Financial Statements

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
June 30, 2019**

	<u>PFRF</u>	<u>CEPF</u>	<u>Total Pension Trust Funds</u>
ASSETS			
Cash and Cash Equivalents	\$900,738	\$499,429	\$1,400,167
Interest Receivable	3,303,416	50,991	3,354,407
Investments, at Fair Value:			
Debt Securities:			
Bank Loans	448,434		448,434
Corporate Debt	93,508,479	7,257,837	100,766,316
Municipal Obligations	3,807,374		3,807,374
SL Comingled Funds	34,306,745		34,306,745
US Agencies	35,527,011	7,912,676	43,439,687
US Government Obligations	34,027,108	3,028,439	37,055,547
Other Investments:			
Equity Mutual Funds	388,205,114	12,234,575	400,439,689
Equity Real Estate	71,450,822		71,450,822
Equity Securities - Domestic	752,742		752,742
Equity Securities - International	134,851,712		134,851,712
Total Investments	<u>796,885,541</u>	<u>30,433,527</u>	<u>827,319,068</u>
Total Assets	<u>\$801,089,695</u>	<u>\$30,983,947</u>	<u>\$832,073,642</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	\$2,270	\$0	\$2,270
Securities Lending Transactions	34,306,745		34,306,745
Total Liabilities	<u>\$34,309,015</u>	<u>\$0</u>	<u>\$34,309,015</u>
NET POSITION			
Net position restricted for pensions	<u>\$766,780,680</u>	<u>\$30,983,947</u>	<u>\$797,764,627</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

STATEMENT OF CHANGES IN NET POSITION
June 30, 2019

	<u>PFRF</u>	<u>CEPF</u>	<u>Total Pension Trust Funds</u>
ADDITIONS			
Contributions:			
Employer	\$30,277,170	\$0	\$30,277,170
Employer - Administration	5,059,394	44,707	5,104,101
Plan Members	10,356,318		10,356,318
Other	112,421	59	112,480
Total Contributions	<u>45,805,303</u>	<u>44,766</u>	<u>45,850,069</u>
Investment Income:			
Net Change in Fair Value of Investments	30,649,370	1,492,913	32,142,283
Interest	10,136,928	569,333	10,706,261
Dividends	2,840,439	55,430	2,895,869
Total Investment Income	<u>43,626,737</u>	<u>2,117,676</u>	<u>45,744,413</u>
Less Investment Expense	2,305,126	87,677	2,392,803
Net Investment Income	<u>41,321,611</u>	<u>2,029,999</u>	<u>43,351,610</u>
Income from Securities Lending Activities:			
Securities Lending Income	115,656		115,656
Securities Lending Expenses:			
Borrower Rebates	(803,866)		(803,866)
Management Fees	46,254		46,254
Total Securities Lending Expenses (Income)	<u>(757,612)</u>	<u>0</u>	<u>(757,612)</u>
Net Income on Securities Lending Activities	<u>873,268</u>	<u>0</u>	<u>873,268</u>
Total Additions	<u>88,000,182</u>	<u>2,074,765</u>	<u>90,074,947</u>
DEDUCTIONS			
Benefit Payments	66,073,436	1,279,516	67,352,952
Administrative Expense	317,040	7,210	324,250
Total Deductions	<u>66,390,476</u>	<u>1,286,726</u>	<u>67,677,202</u>
Net Increase	21,609,706	788,039	22,397,745
Net Position, Beginning	<u>745,170,974</u>	<u>30,195,908</u>	<u>775,366,882</u>
Net Position, Ending	<u>\$766,780,680</u>	<u>\$30,983,947</u>	<u>\$797,764,627</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

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 16.22%. 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 24.86%.

The contribution requirements and the amounts contributed to CERS were \$16,718,583 and \$18,775,515 respectively, for the years ended June 30, 2019 and 2018.

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.

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, 2018, the Government reported a liability of \$248,050,278 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, 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 pension

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

plan relative to the projected contributions of all participating governmental agencies, as actuarially determined. At June 30, 2018, the Government's portion of nonhazardous and hazardous was 3.12% and 2.41%, respectively.

At June 30, 2018, 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	\$10,829,215	\$2,777,420
Net difference between projected and actual earnings on pension plan investments	10,984,355	13,917,158
Change of assumptions	24,750,032	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	5,743,452	3,214,601
Government contributions subsequent to the measurement date	16,718,583	
Total	<u>\$69,025,637</u>	<u>\$19,909,179</u>

\$16,718,583 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, 2018. 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:

2019	\$25,451,849
2020	11,268,066
2021	(3,040,357)
2022	(1,281,683)
2023	0
Thereafter	0

The total pension liability, net pension liability, and sensitivity information shown in this report are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan's fiscal year end, June 30, 2018, using generally accepted actuarial principles. There have been no changes in actuarial assumptions since June 30, 2017. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. Benefits paid to the spouses of deceased members have been increased from 25% of the member's final rate of pay to 75% of the member's average pay. If the member does not have a surviving spouse, benefits paid to surviving dependent children have been increased from 10% of the member's final pay rate to 50% of average pay for one child, 65% of average pay for two children, or 75% of average pay for three children. The Total Pension liability as of June 30, 2018 is determined using these updated benefit provisions. It is our opinion that this procedure is reasonable, appropriate, and complies with applicable requirements under GASB Statement No. 67 and No. 68.

The Actuarial Cost Method is Entry Age Normal, Level Percentage of Pay, as required by GASB Statement No. 67. The Entry Age Normal actuarial cost method allocates the System's actuarial present value of future benefits to various periods based upon service. The portion of the present value of future benefits allocated to years of service prior to the valuation date is the actuarial accrued liability, and the portion allocated to years following the valuation date is the present value of future normal costs. The normal cost is determined for each active member as the level percent of pay necessary to fully fund the expected benefits to be earned over the career of each individual active member. The normal cost is partially funded with active member contributions with the remainder funded by employer contributions.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.25%, net of pension plan investment expense, including inflation
Projected salary increases	2 %, average, including inflation
Inflation	2.00%

The following presents the net pension liability of the Government's CERS pension plan, calculated using the discount rate of 6.25%, 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 (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Nonhazardous	\$238,865,353	\$189,741,862	\$148,584,980
Hazardous	73,056,629	58,308,416	46,116,258
CERS's net pension liability	\$311,921,982	\$248,050,278	\$194,701,238

Payable to the Pension Plan

At June 30, 2019, the CERS reported payables of \$277,063 from the Government for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2019.

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.

H. The County Employees' Retirement System Other Paid Employee Benefits (OPEB)

Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS). Although the assets of the systems are invested as a whole, each system's assets are used only for the payment of benefits to the members of that plan, and the administrative costs incurred by those receiving an insurance benefit, in accordance with the provisions of Kentucky Revised Statute Sections 16.510, 61.515, 61.702, 78.520, and 78.630.

The Board of Trustees, as of December 1, 2017, is comprised of John Farris, Chair, Governor Appointee; David L. Harris, Vice Chair, Governor Appointee; W. Joe Brothers, Governor Appointee; John E. Chilton, Governor Appointee; William S. Cook, Governor Appointee; Kelly Downard, Governor Appointee; Thomas K. Elliott, Governor Appointee (non-voting); J. T. Fulkerson, Governor Appointee; David M. Gallagher, Governor Appointee; Matthew Monteiro, Governor Appointee; Neil P. Ramsey, Governor Appointee; Thomas B. Stephens, Personnel Secretary, Ex-Officio; Vince Lang, elected by KERS; Keith Percy, elected by SPRS; Betty Pendergrass, elected by CERS; Mary Helen Peter, elected by KERS; Jerry W. Powell, elected by CERS; and David Rich, elected by CERS.

CERS Non-hazardous and CERS Hazardous Insurance Funds are costsharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plans for members that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plans provide for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Relationship to Combining Financial Statements

The total OPEB liability, net OPEB liability, and sensitivity information shown in this report are based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date to the plan's fiscal year ending June 30, 2018 using generally accepted actuarial principles. GASB 74 requires Kentucky Retirement Systems to disclose a 10-year history of certain information in the Required Supplementary Information within their comprehensive annual financial report. The exhibits provided in this report include the applicable information for historical years that were calculated in accordance with this accounting standard. Information disclosed for years prior to June 30, 2017 were prepared by KRS's prior actuary.

There have been no changes in actuarial assumptions since June 30, 2017. However, during the 2018 legislative session, House Bill 185 was enacted, which updated the benefit provisions for active members who die in the line of duty. The system shall now pay 100% of the insurance premium for spouses and children of all active members who die in the line of duty. The Total OPEB liability as of June 30, 2018 is determined using these updated benefit provisions. It is our opinion that this procedure is reasonable, appropriate, and complies with applicable requirements under GASB Statement No. 74.

The components associated with OPEB expense and deferred outflows and inflows of resources have been determined based on the net increase in fiduciary net position as shown in the Combining Statement of Changes in Plan Net Position and in accordance with requirements promulgated by GASB Statements No. 74 and 75. The net OPEB liability at June 30, 2018, is reported in the Notes to Combining Financial Statements and Required Supplementary Information.

Summary of Significant Accounting and Reporting Policies

Measurement Focus, Basis of Accounting and Basis of Presentation

The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, KRS adheres to the reporting requirements established by the Governmental Accounting Standards Board (GASB).

The CERS Non-hazardous and CERS Hazardous Insurance Funds are reported as OPEB trust funds, and are accounted for on the accrual basis of accounting. OPEB contributions are determined by the KRS Board and required by the employers and employees. KRS recognized employer and employee contributions to the plans through June 30, 2017. OPEB expenses are recognized as the benefits come due for the CERS Non-hazardous and CERS Hazardous Insurance Funds, which includes payments made to the Department of Employee Insurance (DEI), and Humana Inc. for OPEB costs incurred for the fiscal year ended June 30, 2018. KRS contracts with DEI and Humana to administer the claims. DEI administers retiree claims for retirees under the age of 65, and Humana administers retiree claims for members 65 and over. Since, the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 74 requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB Liability.

Net investment income represents realized and unrealized gains and losses based on the fair value of investments, interest, and dividends, net of investment expenses. Investment income/loss is allocated to each plan based on the plan's ownership in the respective investment account.

The systems are charged administrative expenses based on the number of members and dependents electing an insurance policy provided by DEI or Humana, on a monthly basis. The administrative expenses are reported in KRS' basic financial statements included in its CAFR for the Insurance Fund.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

The Schedule of Employer Allocations reflects employer contributions received for the fiscal year ended June 30, 2018, and includes the following for each individual employer:

- employer contributing entity and reporting code;
- the amount of the employer contributing entity's contributions; and,
- the employer contributing entity's contributions as a percentage of total employer contributions, as defined by this policy.

The components of the net OPEB liability of CERS for the Government as of June 30, 2018, calculated in accordance with GASB Statement No. 74, are as follows (dollars in thousands):

	CERS Non-Hazardous	CERS Hazardous
Total OPEB Liability	\$130,522,654	\$48,077,128
Fiduciary Net Position	75,209,488	30,886,527
Net OPEB Liability	\$55,313,166	\$17,190,600

Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability

For financial reporting the actuarial valuation as of June 30, 2018, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2018, were based on an actuarial valuation date of June 30, 2017. The total OPEB liability was rolled-forward from the valuation date (June 30, 2017) to the plan's fiscal year ending June 30, 2018, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2017, but did replicate the prior actuary's valuations results on the same assumption, methods, and data, as of that date. The roll-forward is based on the results of GRS' replication. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date, and before the required 2019 experience study, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2018:

Inflation	3.25%
Payroll Growth Rate	4.0% for CERS nonhazardous and hazardous
Salary Increase	4.0%, average
Investment Rate of Return	7.50%
Healthcare Trend Rates	
Pre-65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years
Post-65	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females).

Discount Rate

The projection of cash flows used to determine the discount rate of 5.85% for CERS Non-hazardous, and 5.97% for CERS Hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 7.50%, and a municipal bond rate of

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

3.62%, as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2018. Future contributions are projected in accordance with the Board's current funding policy, which includes the requirement that each participating employer in the System contribute the actuarially determined contribution rate, which is determined using a closed funding period (25 years as of June 30, 2018) and the actuarial assumptions and methods adopted by the Board of Trustees. These projected contributions are determined without regard to the enactment of SB 151 in 2018, which is currently being reviewed by the State Supreme Court. Current assets, future contributions, and investment earnings are projected to be sufficient to pay the projected benefit payments from the retirement system. However, the cost associated with the implicit employer subsidy is not currently being included in the calculation of the System's actuarial determined contributions, and it is our understanding that any cost associated with the implicit subsidy will not be paid out of the System's trust. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy.

The following presents the net OPEB liability of the Government's CERS OPEB Nonhazardous plan, calculated using the discount rate of 5.85%, as well as what the CERS's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.85%) or 1-percentage-point higher (6.85%) than the current rate:

	1% Decrease (4.85%)	Current Discount Rate (5.85%)	1% Increase (6.85%)
Nonhazardous	\$71,842,935	\$55,313,166	\$41,232,823

The following presents the net OPEB liability of the Government's CERS OPEB Hazardous plan, calculated using the discount rate of 5.97%, as well as what the CERS's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.97%) or 1-percentage-point higher (6.97%) than the current rate:

	1% Decrease (4.97%)	Current Discount Rate (5.97%)	1% Increase (6.97%)
Hazardous	\$23,895,780	\$17,190,600	\$11,822,927

The following presents the net OPEB liability of the Government's CERS OPEB plan, as well as what the Government's net OPEB liability of the Government's CERS OPEB plan would be if it were calculated using a discount rate 1-percentage point lower and 1-percentage point higher than the current healthcare cost trend rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Nonhazardous	\$41,181,199	\$55,313,166	\$71,970,685
Hazardous	11,707,628	17,190,600	23,981,488
CERS's net OPEB liability	\$52,888,827	\$72,503,766	\$95,952,173

Contributions

The Government's non-hazardous contribution rate was 5.26%. 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 10.47%.

The contribution requirements and the amounts contributed to CERS were \$5,762,562 and \$1,135,927 respectively, for the years ended June 30, 2019 and 2018.

Deferred Inflows and Outflows of Resources

The Deferred Inflows and Outflows of Resources, and OPEB Expense included in the Schedule of OPEB Amounts by Employer include only certain categories of deferred outflows of resources and deferred inflows of resources.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of OPEB Amounts by Employer does not include deferred outflows/inflows of resources for changes in the employer's proportionate share of contributions or employer contributions made subsequent to the measurement date. The net OPEB liability as of June 30, 2018, is based on the June 30, 2017, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. At June 30, 2018, the Government reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$0	\$8,367,118
Net difference between projected and actual earnings on pension plan investments		5,444,265
Change of assumptions	16,322,180	174,821
Changes in proportion and differences between Employer contributions and proportionate share of contributions		1,693,470
Government contributions subsequent to the measurement date	5,762,562	
Total	<u>\$22,084,742</u>	<u>\$15,679,674</u>

The \$5,762,562 reported as deferred outflows of resources related to OPEB resulting from Government contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:

2019	\$884,081
2020	884,081
2021	(64,735)
2022	145,574
2023	(765,251)
Thereafter	(441,244)

Payable to the OPEB Plan

At June 30, 2019, the CERS reported payables credit balance of \$11,007 from the Government for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2019.

Detailed information about the OPEB 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

The Government implemented the following accounting pronouncements during the fiscal year ended June 30, 2019:

Statement No. 83, *Certain Asset Retirement Obligations*, this Statement addresses accounting and financial reporting for certain asset retirement obligations. An asset retirement obligation is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2019

Assets addressed by this Statement include nuclear power plant decommissioning, contractually required land restoration, such as the removal of wind turbines, and other similar assets.

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, the objective of this Statement is to improve the information that is disclosed in the notes to the financial statements relating to debt. The disclosures added by this Statement include the amount of unused lines of credit, assets pledged as collateral for debt, and terms specified in the debt agreement related to significant events of default with finance-related consequences and termination events with finance-related consequences and subjective acceleration clauses.

Standards that will Become Effective for FY 2020 and Later Year Financial Statements

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. (FY 2021)

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, this Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. Thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. (FY 2021)

Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*, this Statement was issued to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. (FY 2020)

Statement No. 91, *Conduit Debt Obligations*, the primary objectives of this Statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement establishes that a conduit debt obligation is not a liability of the issuer. (FY 2021)

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, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget-Positive (Negative)
REVENUES				
Licenses and Permits:				
Employee Withholdings	\$204,500,000	\$204,500,000	\$201,020,025	(\$3,479,975) a
Business Returns	45,870,000	45,870,000	43,584,527	(2,285,473) a
Insurance Premiums	33,090,000	33,090,000	34,086,330	996,330
Bond Deposits			(1,500)	(1,500)
Regulated License Fee	886,500	886,500	972,606	86,106
Franchise Fee	26,110,000	26,110,000	23,900,899	(2,209,101) a
Bank Franchise Fee	1,598,320	1,598,320	1,654,789	56,469
Vehicle License	240,000	240,000	474,743	234,743
Deed Tax Fee	2,000,000	2,000,000	2,158,042	158,042
Registration Fee	415,000	415,000	409,570	(5,430)
Filing Fee - Planning & Zoning	130,000	130,000	110,568	(19,432)
Animal License	48,000	48,000	47,357	(643)
Certificates of Occupancy	9,000	9,000	5,195	(3,805)
Hotel - Motel License Fee	35,000	35,000	38,877	3,877
Total Licenses and Permits	314,931,820	314,931,820	308,462,028	(6,469,792)
Taxes:				
Realty Taxes	21,499,000	21,855,170	21,973,820	118,650
Personal Taxes	1,668,000	1,602,000	1,640,783	38,783
PSC Taxes	886,000	922,000	719,182	(202,818)
Property Tax Discount	(400,000)	(400,000)	(422,460)	(22,460)
Property Tax Commission	(985,000)	(997,000)	(1,026,917)	(29,917)
Delinquent - Realty & Personal	200,000	200,000	105,857	(94,143)
Motor Vehicle Ad Valorem Tax	1,928,000	1,981,000	2,164,790	183,790
County Clerk Com - Motor Vehicle	(72,000)	(67,000)	(77,123)	(10,123)
Supplementary Tax Bills	15,000	15,000	7,953	(7,047)
Omitted Tax	100,000	100,000	136,042	36,042
Total Taxes	24,839,000	25,211,170	25,221,927	10,757
Charges for Services:				
Accident Report Sales	120,000	120,000	128,978	8,978
Administrative Collection Fees	7,000	7,000	4,925	(2,075)
Adult Probation Fees	41,725	41,725	53,498	11,773
Animal Shelter Collections	18,700	18,700	16,250	(2,450)
Building Permits	1,610,000	1,610,000	1,765,757	155,757
Computer Services Fees	3,000	3,000	3,033	33
Detention Center	8,004,500	8,754,500	9,376,782	622,282
Developer Landscape Fees	6,000	6,000	2,740	(3,260)
District Court Jail Fees	80,000	80,000	207,012	127,012
Domestic Relations Collection	1,000	1,000	335	(665)
Downtown Arts Center	96,800	96,800	96,058	(742)
EMS	8,000,000	8,000,000	8,086,672	86,672
Excess Fees and Collections	3,100,000	3,100,000	3,546,654	446,654
Golf Course Collections	2,800,000	2,800,000	2,448,529	(351,471)
Park Land Acquisition	275,000	275,000	270,894	(4,106)
Parks & Recreation Programs	1,092,220	1,092,220	1,149,375	57,155
Rent or Lease Income	674,144	674,144	1,038,907	364,763
Total Charges for Services	25,930,089	26,680,089	28,196,399	1,516,310 b
Fines and Forfeitures	239,000	239,000	230,914	(8,086)
Intergovernmental	825,422	897,422	975,875	78,453
Property Sales	250,000	250,000	236,248	(13,752)
Investments	477,000	477,000	1,604,513	1,127,513 c
Other Income:				
Contributions	3,650	74,023	158,316	84,293
Other Income	800,000	800,000	948,899	148,899
Penalties & Interest	1,827,500	1,827,500	1,784,080	(43,420)
School Board Tax Fee	15,000	15,000	15,000	
Payment in Lieu of Taxes			92,699	92,699
Miscellaneous	1,095,628	1,788,867	1,982,193	193,326
Total Other Income	3,741,778	4,505,390	4,981,187	475,797
Total Revenues	371,234,109	373,191,891	369,909,091	(3,282,800)
				continued

continued

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, 2019

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget-Positive (Negative)
EXPENDITURES				
General Government:				
Council Office	3,136,104	3,170,842	2,881,886	(288,956)
Office of the Mayor	1,667,689	1,732,664	1,745,904	13,240
Special Programs	239,217	239,652	233,447	(6,205)
Board of Elections	1,168,587	1,168,587	1,012,469	(156,118)
Clerk of the Urban County Council	542,746	537,269	456,993	(80,276)
County Attorney	1,161,116	1,161,116	1,143,810	(17,306)
Coroner	1,271,236	1,323,745	1,260,469	(63,276)
Property Valuation Administrator	366,800	366,800	366,800	
Contingency	3,750,000	1,213,517		(1,213,517)
Circuit Judges	427,796	427,796	438,354	10,558
County Court Clerk	105,917	105,917	68,865	(37,052)
Citizens' Advocate	37,251	37,251	34,382	(2,869)
Commonwealth Attorney	271,024	271,024	271,024	
County Judge Executive	17,804	17,804	14,259	(3,545)
Indirect Cost Allocation	(5,101,420)	(5,101,420)	(4,804,609)	296,811
Total General Government	9,061,867	6,672,564	5,124,053	(1,548,511)
Administrative Services:				
Office of the Chief Administrative Officer	2,107,413	1,923,537	1,987,169	63,632
Government Communications	970,309	969,921	966,642	(3,279)
Grants & Special Projects	698,573	631,336	703,343	72,007
Human Resources	3,474,099	3,574,707	3,452,688	(122,019)
Internal Audit Office	629,671	633,502	631,917	(1,585)
Neighborhood Programs		44,018	31,581	(12,437)
Total Administrative Services	7,880,065	7,777,021	7,773,340	(3,681)
Chief Development Officer				
Chief Development Officer	1,060,376	1,440,016	1,305,739	(134,277)
Total Chief Development Officer	1,060,376	1,440,016	1,305,739	(134,277)
Department of Information Technology:				
Office of the CIO	1,432,515	1,556,406	1,579,724	23,318
Computer Services	8,168,972	8,040,047	7,912,593	(127,454)
Enterprise Solutions	1,147,450	1,173,409	1,246,463	73,054
Total Information Technology	10,748,937	10,769,862	10,738,780	(31,082)
Department of Finance:				
Accounting	1,614,935	1,653,345	1,509,036	(144,309)
Budgeting	577,316	595,780	562,835	(32,945)
Central Purchasing	626,299	689,662	674,565	(15,097)
Revenue	2,398,187	2,394,110	2,333,831	(60,279)
Finance Administration	852,673	870,329	795,034	(75,295)
Total Finance	6,069,410	6,203,226	5,875,301	(327,925) d
Division of Environmental Quality & Public Works:				
Environmental Quality & PW Admin	282,167	279,403	253,237	(26,166)
Division of Water & Air Quality			13	13
Division of Environmental Services	2,492,755	2,965,876	2,743,533	(222,343)
Streets & Roads	3,987,589	4,046,995	3,825,695	(221,300)
Traffic Engineering	4,926,367	4,934,401	4,618,920	(315,481)
Total Environmental Quality & Public Works	11,688,878	12,226,675	11,441,398	(785,277) d
Department of Planning, Preservation, & Development:				
Building Inspection	2,807,267	2,831,980	2,685,931	(146,049)
Code Enforcement	2,258,284	2,253,598	2,145,037	(108,561)
Engineering	1,679,145	1,778,789	1,715,776	(63,013)
Planning, Preservation, & Development Admin	2,695,209	3,084,729	2,889,030	(195,699)
Historic Preservation	456,867	451,538	406,958	(44,580)
Planning	2,414,913	2,461,929	2,356,127	(105,802)
Purchase of Development Rights	206,843	166,233	167,124	891
Total Planning, Preservation, & Development	12,518,528	13,028,796	12,365,983	(662,813) d
Department of Public Safety:				
Police	77,703,345	78,510,953	77,522,942	(988,011)
Fire & Emergency Services	78,589,913	79,594,084	79,727,449	133,365
Community Corrections	38,702,133	39,605,365	38,601,335	(1,004,030)
Public Safety Administration	7,191,332	7,131,660	7,084,416	(47,244)
DEEM/Enhanced 911	4,352,441	4,332,109	4,221,073	(111,036)
Security	904,121	938,979	806,093	(132,886)
Total Public Safety	207,443,285	210,113,150	207,963,308	(2,149,842) d
Department of Social Services:				
Youth Services	2,554,651	2,574,982	2,512,535	(62,447)
Family Services	3,122,523	3,122,793	2,795,131	(327,662)
Adult Services	1,363,740	1,397,833	1,317,739	(80,094)
Social Services Administration	2,573,865	2,587,800	2,442,396	(145,404)
Total Social Services	9,614,779	9,683,408	9,067,801	(615,607) d
continued				

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
EXPENDITURES, continued				
Department of General Services:				
Parks & Recreation	22,012,352	22,324,901	20,804,105	(1,520,796)
Fleet & Facilities Management	6,556,496	6,585,530	5,673,775	(911,755)
General Services Administration	2,631,622	2,603,297	2,238,881	(364,416)
Total General Services	<u>31,200,470</u>	<u>31,513,728</u>	<u>28,716,761</u>	<u>(2,796,967) d</u>
Department of Law:				
Law	2,612,784	2,688,462	2,548,860	(139,602)
Total Law	<u>2,612,784</u>	<u>2,688,462</u>	<u>2,548,860</u>	<u>(139,602)</u>
Outside Agencies:				
Commerce Lexington	457,000	457,000	457,000	
Downtown Lexington Partnership	363,470.00	363,470	363,470	
Environmental Commission	5,900	5,650	5,550	(100)
World Trade Center	55,000	55,000	55,000	
Grants & Special Projects Agencies	682,550	707,120	702,320	(4,800)
Social Service Agencies	3,243,095	3,233,100	3,184,490	(48,610)
LexArts	489,050	489,050	489,050	
Lexington Public Library	16,092,960	16,574,576	16,577,574	2,998
Explorium of Lexington	225,000	225,000	225,000	
Carnegie Literacy Center	106,900	106,900	79,989	(26,911)
Lyric Theatre	150,000	150,000	150,000	
Total Outside Agencies	<u>21,870,925</u>	<u>22,366,866</u>	<u>22,289,443</u>	<u>(77,423)</u>
Debt Service:				
Principal	29,378,863	28,575,677	28,329,993	(245,684)
Interest	15,160,309	15,847,295	15,721,258	(126,037)
Total Debt Service	<u>44,539,172</u>	<u>44,422,972</u>	<u>44,051,251</u>	<u>(371,721)</u>
Total Expenditures	<u>376,309,476</u>	<u>378,906,746</u>	<u>369,262,018</u>	<u>(9,644,728)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,075,367)	(5,714,855)	647,073	6,361,928
OTHER FINANCING SOURCES (USES)				
Transfers In	7,679,710	9,204,588	9,301,386	96,798
Transfers Out	(4,349,831)	(6,944,771)	(6,427,009)	517,762
Total Other Financing Sources	<u>3,329,879</u>	<u>2,259,817</u>	<u>2,874,377</u>	<u>614,560</u>
Net Change in Fund Balance	(1,745,488)	(3,455,038)	3,521,450	6,976,488
Fund Balance, Beginning	<u>3,500,000</u>	<u>3,500,000</u>	<u>64,362,714</u>	<u>60,862,714</u>
Adjustment to Opening Fund Balance (Note 2.D.)			<u>30,401</u>	<u>30,401</u>
Fund Balances - Restated July 1	<u>3,500,000</u>	<u>3,500,000</u>	<u>64,393,115</u>	<u>60,893,115</u>
Fund Balance, Ending	<u>\$1,754,512</u>	<u>\$44,962</u>	<u>\$67,914,565</u>	<u>\$67,869,603</u>

a-revenue estimates for payroll withholdings were over by approximately \$6.5 million

b-total charges for services in various categories exceeded the estimates by \$1.5 million

c-investment income exceeded the estimate by \$1.1 million

d-budget savings in personnel from vacant positions of \$2.8 million and operating from diligent management oversight of \$6.4 million

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits:				
Bank Franchise Fee	\$1,598,320	\$1,598,320	\$1,654,789	\$56,469
Total Licenses and Permits	1,598,320	1,598,320	1,654,789	56,469
Taxes:				
Realty Taxes	38,901,000	39,644,000	39,848,637	204,637
PSC Taxes	347,000	347,000	408,240	61,240
Property Tax Discount	(640,000)	(670,000)	(708,782)	(38,782)
Property Tax Commission	(350,000)	(350,000)	(350,123)	(123)
Delinquent - Realty & Personal	268,000	268,000	130,627	(137,373)
Supplementary Tax Bills	2,500	2,500	23,423	20,923
Total Taxes	38,528,500	39,241,500	39,352,022	110,522
Charges for Services:				
Rent or Lease Income			4,684	4,684
Commodities	2,537,600	2,537,600	1,476,881	(1,060,719)
Dumpster Permit Fees	10,300	10,300	9,545	(755)
Total Charges for Services	2,547,900	2,547,900	1,491,110	(1,056,790)
Property Sales	150,000	150,000	306,614	156,614
Fines and Forfeitures	200	200	949	749
Investments	178,000	178,000	592,808	414,808
Other Income:				
Penalties & Interest	65,000	65,000	75,601	10,601
Miscellaneous	7,900	8,331	12,536	4,205
Total Other Income	72,900	73,331	88,137	14,806
Total Revenues	43,075,820	43,789,251	43,486,429	(302,822)
EXPENDITURES				
General Government:				
Contingency	80,000			
Indirect Cost Allocation	2,189,240	2,189,240	2,072,089	(117,151)
Total General Government	2,269,240	2,189,240	2,072,089	(117,151)
Administrative Services:				
Government Communications	583,127	884,488	571,017	(313,471)
Human Resources	7,000	6,778	3,321	(3,457)
Total Administrative Services	590,127	891,266	574,338	(316,928)
Department of Information Technology:				
Computer Services	628,118	636,200	439,908	(196,292)
Office of the CIO	200,000	200,000	174,096	(25,904)
Total Information Technology	828,118	836,200	614,004	(222,196)
Department of Finance:				
Central Purchasing		3,920	4,159	239
Finance	28,483	24,483	19,292	(5,191)
Total Finance	28,483	28,403	23,451	(4,952)
Division of Environmental Quality & Public Works:				
Waste Management	30,621,990	30,720,329	26,554,677	(4,165,652) a
Division of Environmental Services	742,042	769,811	776,490	6,679
Environmental Quality	692,579	924,628	608,138	(316,490)
Streets & Roads	2,680,395	2,687,776	2,762,869	75,093
Traffic Engineering	6,505,959	6,686,334	6,155,742	(530,592)
Total Environmental Quality & Public Works	41,242,965	41,788,878	36,857,916	(4,930,962)
Department of General Services:				
Fleet & Facilities Management	5,173,409	6,529,266	4,765,144	(1,764,122) b
Total General Services	5,173,409	6,529,266	4,765,144	(1,764,122)
				continued

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, 2019

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
EXPENDITURES, continued				
Department of Law:				
Law	16,824	16,824	16,818	(6)
Total Law	<u>16,824</u>	<u>16,824</u>	<u>16,818</u>	<u>(6)</u>
Debt Service:				
Principal	669,237	669,237	669,237	
Interest	238,503	238,503	238,503	
Total Debt Service	<u>907,740</u>	<u>907,740</u>	<u>907,740</u>	<u>0</u>
Total Expenditures	<u>51,056,906</u>	<u>53,187,817</u>	<u>45,831,500</u>	<u>(7,356,317)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,981,086)	(9,398,566)	(2,345,071)	7,053,495
OTHER FINANCING SOURCES (USES)				
Transfers In		150,950	150,950	
Transfers Out	820	(128,057)	(145,119)	(17,062)
Total Other Financing Sources (Uses)	<u>820</u>	<u>22,893</u>	<u>5,831</u>	<u>(17,062)</u>
Net Change in Fund Balance	(7,980,266)	(9,375,673)	(2,339,240)	7,036,433
Fund Balance, Beginning	<u>23,865,000</u>	<u>23,865,000</u>	<u>28,182,062</u>	<u>4,317,062</u>
Fund Balance, Ending	<u>\$15,884,734</u>	<u>\$14,489,327</u>	<u>\$25,842,822</u>	<u>\$11,353,495</u>

a-savings of approximately \$1.1 million in personnel, \$1.7 million savings in capital expenditures, operating savings of \$1.5 million primarily repairs & maintenance and professional services

b-operating savings of \$1.2 million primarily repairs & maintenance and \$433,000 savings in capital expenditures

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 2014			Fiscal Year 2015			Fiscal Year 2016			Fiscal Year 2017			Fiscal Year 2018		
	Police & Fire	City		Police & Fire	City		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		\$15,736,332	\$0		\$19,289,452	\$0	
Interest	53,365,849	852,811		54,617,104	805,933		56,566,064	736,800		58,934,015	712,334		65,525,538	618,238	
Changes of benefit terms															
Differences between expected and actual experience															
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)		(53,757,251)	(756,397)		(47,795,400)	(70,751)	
Net change in total pension liability	15,041,900	(721,783)		27,509,302	(1,009,825)		33,251,614	(397,653)		89,052,706	(1,376,620)		(59,050,010)	(1,264,711)	
Total pension liability-beginning	738,343,325	12,970,313		753,385,225	12,248,530		780,894,527	11,238,705		814,146,141	10,841,052		903,198,847	9,464,432	
Total pension liability-ending (a)	\$753,385,225	\$12,248,530		\$780,894,527	\$11,238,705		\$814,146,141	\$10,841,052		\$903,198,847	\$9,464,432		\$976,759,227	\$8,747,208	
Plan fiduciary net position															
Contributions-employer	\$27,636,473	\$0		\$22,705,036	\$0		\$24,755,620	\$0		\$29,667,706	\$0		\$27,576,764	\$0	
Contributions-member	9,730,115			9,881,338			9,493,378			11,186,704			10,750,008		
Net investment income	96,386,758	4,356,048		16,827,976	898,062		4,396,040	1,365,187		91,231,369	1,329,650		71,009,316	1,369,365	
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)		(56,718,545)	(1,332,557)		(59,050,010)	(1,264,711)	
Administrative Expense	(598,923)	(27,178)		(665,175)	(28,356)		(178,943)	(15,639)		(226,211)	(7,240)		(306,716)	(4,994)	
Other							80,010			141,051	(2)		8,396		
Net change in plan fiduciary net position	79,557,071	2,754,276		(1,565,163)	(600,686)		(14,814,576)	(76,435)		75,282,074	(10,149)		49,987,738	99,660	
Plan fiduciary net position-beginning	556,723,810	28,029,242		636,280,881	30,783,518		634,715,718	30,182,832		619,901,142	30,106,397		695,183,216	30,096,248	
Plan fiduciary net position-ending (b)	\$636,280,881	\$30,783,518		\$634,715,718	\$30,182,832		\$619,901,142	\$30,106,397		\$695,183,216	\$30,096,248		\$745,170,974	\$30,195,908	
Net pension liability-ending (a) - (b)	\$117,104,344	(\$18,534,988)		\$146,178,809	(\$18,944,127)		\$194,244,999	(\$19,265,345)		\$208,015,631	(\$20,631,816)		\$231,588,253	(\$21,448,700)	
Plan fiduciary net position as a percentage of the total pension liability	84.46%	251.32%		81.28%	268.56%		76.14%	277.71%		76.97%	317.99%		76.29%	345.21%	
Covered payroll	\$63,248,485	\$0		\$62,102,632	\$0		\$65,934,339	\$0		\$73,360,313	\$0		\$73,131,137	\$0	
Net pension liability as a percentage of covered payroll	185.15%	0.00%		235.38%	0.00%		294.60%	0.00%		283.55%	0.00%		316.68%	0.00%	
* In 1973 the City of Lexington froze new entrants into the CEPF. In fiscal year 2010 the last active employee retired															
Actuarial Assumptions:															
Valuation date	7/1/2013	7/1/2013		7/1/2014	7/1/2014		7/1/2015	7/1/2015		7/1/2016	7/1/2016		7/1/2017	7/1/2017	
Actuarial cost method	Entry age normal	Entry age normal		Entry age normal	Entry age normal		Entry age normal	Entry age normal		Entry age normal	Entry age normal		Entry age normal	Entry age normal	
Amortization method	Level dollar, closed	Level dollar, open		Level dollar, closed	Level dollar, open		Level dollar, closed	Level dollar, open		Level dollar, closed	Level dollar, open		Level dollar, closed	Level dollar, open	
Amortization period	30 years	15 years		29 years	15 years		28 years	15 years		27 years	15 years		26 years	15 years	
Actuarial asset valuation method	5-year smoothed market	Market Value		5-year smoothed market	Market Value		5-year smoothed market	Market Value		5-year smoothed market	Market Value		5-year smoothed market	Market Value	
Investment rate of return	7.50%	7%, including inflation		7.50%	7%, including inflation		7.50%	7%, including inflation		7.50%	7%, including inflation		7.50%	7%, including inflation	
Cost of living benefit increases (maximum)	NA	3.00%		NA	3.00%		NA	3.00%		NA	3.00%		NA	3.00%	
Inflation	3.00%	3.00%		3.00%	3.00%		3.00%	3.00%		3.00%	3.00%		3.00%	3.00%	
Projected salary increase	4% to 10.50%	NA		4% to 10.50%	NA		4% to 10.50%	NA		4% to 10.50%	NA		4% to 10.50%	NA	
Mortality table	RP-2000 Combined	RP-2000 Combined		RP-2000 Combined	RP-2000 Combined		RP-2000 Combined	RP-2000 Combined		RP-2000 Combined	RP-2000 Combined		RP-2000 Combined	RP-2000 Combined	
	Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB		Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB		Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB		Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB		Table projected to the valuation date using scale BB	Table projected to the valuation date using scale BB	

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.

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

	Fiscal Year								
	2010	2011		2012		2013		2014	
Actuarially determined contribution	Police & Fire \$30,665,280	City* \$0	Police & Fire \$28,216,938	City \$0	Police & Fire \$30,665,280	City \$0	Police & Fire \$22,322,068	City \$0	Police & Fire \$23,217,413
Contributions in relation to the actuarially determined contribution	** 30,665,280	7,864	** 28,216,938	74,488	** 30,665,280		22,322,068		23,217,413
Contribution deficiency (excess)	\$0	(\$7,864)	\$0	(\$74,488)	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$60,512,412	\$43,416	\$64,258,162	\$0	\$54,595,799	\$0	\$62,455,725	\$0	\$63,248,485
Contributions as a percentage of covered payroll	50.68%	18.11%	43.91%	NA	56.17%	NA	35.74%	NA	36.71%
*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									
	2015		2016		2017		2018		2019	
Actuarially determined contribution	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City
	\$22,705,036	\$0	\$24,755,620	\$0	\$29,808,757	\$0	** \$27,585,160	\$0	\$30,277,170	\$0
Contributions in relation to the actuarially determined contribution	22,705,036		24,755,620		29,808,757		** 27,585,160		30,277,170	
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$62,102,632	\$0	\$65,934,339	\$0	\$73,360,313	\$0	\$73,131,137	\$0	\$76,974,393	\$0
Contributions as a percentage of covered payroll	36.56%	NA	37.55%	NA	40.63%	NA	37.72%	NA	39.33%	NA
Changes in Assumption:										
2017										
Inflation was lowered from 3.00% to 2.75%, and wage inflation was lowered from 4.00% to 3.50%. Adopted RP-2000 Combined Table projected to the valuation date using scale BB. Pre-Retirement and Disability retiree mortality rates are assumed to be the same as the postretirement mortality rates. Retirement rates were increased to better match experience. Termination rates were increased at the early years of service. Disability rates were increased to better match experience. The percentage of disabled members who retire as a result of in-service disability was increased from 75% to 95%.										
*In 1973 the City of Lexington froze new entrants into the CEPF; In fiscal year 2010 the last active employee retired										
**Corrected by Actuary										
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		2018		2019	
	Police & Fire	City	Police & Fire	City	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%	18.37%	6.48%	11.09%	6.18%

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

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS

	Fiscal Year 2017 Police & Fire	Fiscal Year 2018 Police & Fire
Total OPEB liability		
Service cost	\$18,518,517	\$16,561,150
Interest	10,445,265	12,078,465
Changes of benefit terms		
Differences between expected and actual experience	(1,289,809)	(103,220,151)
Changes of assumptions	(30,781,223)	(16,252,771)
Benefit payments, including refunds of member contributions	(5,638,286)	(4,952,442)
Net change in total OPEB liability	(8,745,536)	(95,785,749)
Total OPEB liability-beginning	350,482,838	341,737,302
Total OPEB liability-ending	341,737,302	245,951,553
 Covered payroll	 \$73,360,313	 \$73,131,137
Net OPEB liability as a percentage of covered payroll	465.83%	336.32%

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	2017	2018
The Government's proportion of the net pension liability (asset)	\$115,215,078	\$155,544,394	\$187,010,198	\$241,742,130	\$248,050,278
The Government's proportionate share of the net pension liability (asset)					
Nonhazardous	2.71%	2.76%	2.96%	3.20%	3.12%
Hazardous	2.28%	2.39%	2.41%	2.44%	2.41%
Covered payroll	\$72,558,727	\$74,948,371	\$84,194,948	\$88,823,610	\$89,177,740
The Government's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	158.79%	207.54%	222.12%	287.12%	294.61%
Plan fiduciary net position as a percentage of the total pension liability	66.06%	66.12%	55.19%	55.19%	55.19%
Actuarial Assumptions:					
Valuation date	7/1/2013	7/1/2014	7/1/2015	7/1/2016	7/1/2017
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period	30 years	28 years	28 years	28 years	27 years
Actuarial asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Investment rate of return	7.75%	7.50%	7.50%	7.50%	7.75%
Cost of living benefit increases (maximum)	3.50%	3.25%	3.25%	3.25%	3.25%
Inflation	4.5%, average, including inflation	4%, average, including inflation	4%, average, including inflation	4%, average, including inflation	4%, average, including inflation
Projected salary increase	1983 Group Annuity Mortality Table for all retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Mortality Table for all other members.	RP-2000 Combined Table projected to the valuation date using scale BB (set back 1 year for females)	RP-2000 Combined Table projected to the valuation date using scale BB (set back 1 year for females)	RP-2000 Combined Table projected to the valuation date using scale BB (set back 1 year for females)	RP-2000 Combined Table projected to the valuation date using scale BB (set back 1 year for females)
Mortality table					

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	2018
Contractually required contribution	\$15,852,724	\$10,836,390	\$10,952,366	\$13,388,248	\$14,087,247
Contribution in relation to the contractually required contribution	16,161,747	16,354,078	16,954,959	13,767,651	14,162,524
Contribution deficiency (excess)	<u><u>(\$309,023)</u></u>	<u><u>(\$5,517,688)</u></u>	<u><u>(\$6,002,593)</u></u>	<u><u>(\$379,403)</u></u>	<u><u>(\$75,277)</u></u>
Government's covered payroll	\$72,558,727	\$74,948,371	\$84,194,948	\$88,823,610	\$89,177,740
Contributions as a percentage of covered payroll	22.27%	21.82%	20.14%	15.50%	15.88%

Changes in Assumption:

2015

The assumed investment rate of return was decreased from 7.75% to 7.50%. The assumed rate of inflation was reduced from 3.50% to 3.25%. The assumed rate of wage inflation was reduced from 1.00% to 0.75%.

Payroll growth assumption was reduced from 4.50% to 4.00%. The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). 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.

2017

The assumed investment return was changed from 7.50% to 6.25%. The price inflation assumption was changed from 3.25% to 2.30%, which also resulted in a 0.95% decrease in the salary increase assumption at all years of service. The payroll growth assumption (applicable for the amortization unfunded actuarial accrued liabilities) was changed from 4.00% to 2.00%.

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 OPEB
SCHEDULE OF THE GOVERNMENT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST TEN FISCAL YEARS

	2016	2017	2018
The Government's proportion of the collective net OPEB liability (asset)	\$62,469,796	\$84,449,594	\$72,503,766
The Government's proportionate share of the net OPEB liability (asset)			
Nonhazardous	50,412,648	64,271,500	55,313,166
Hazardous	12,057,148	20,178,094	17,190,600
Covered payroll	84,194,948	88,823,610	89,177,740
The Government's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	74.20%	95.08%	81.30%
Plan fiduciary net position as a percentage of the total OPEB liability	359.01%	272.62%	317.54%

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 OPEB
SCHEDULE OF THE GOVERNMENT'S CONTRIBUTIONS
LAST TEN FISCAL YEARS

	2017	2018
Contractually required contribution	\$5,205,891	\$5,090,084
Contribution in relation to the contractually required contribution	4,934,657	4,885,000
Contribution deficiency (excess)	<u>\$271,234</u>	<u>\$205,084</u>
Government's covered payroll	\$88,823,610	\$89,177,740
Contributions as a percentage of covered payroll	5.56%	5.48%

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

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

CAPITAL PROJECTS FUNDS

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

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

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

The **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 (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 **2018 Bond Projects** will fund projects for Public Safety, software upgrades, infrastructure improvements, parks projects, and building improvements. In addition it will provide funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights.

The **2019 Bond Projects** will fund projects for Public Safety, software upgrades, infrastructure improvements, parks projects, and building improvements, fleet replacement, and the Lexington Convention Center renovations.

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, 2019

	Special Revenue Funds						Capital Projects Funds					
	Local Economic Assistance					Police Confiscated State Funds	Police Confiscated Funds	Public Safety Fund	Total	Lexington Cultural Center	2003 Bond Projects	2007, 2008, & 2009 Bond Projects
	County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Mineral Severance	Coal Severance							
ASSETS												
Current Cash	\$3,331,672	\$3,306,844	\$205,725	\$153,703	\$233,400	\$1,595,660	\$539,901	\$824,542	\$10,191,447	\$4,309	\$35,864	\$0
Current Investments	197,095	318,855		65,699					581,649	39,542		
Receivables:												
Other	51,761	1,017,731		78,422		7,120		67,893	1,222,927			946
Restricted Investments									0			\$946
Total Assets	\$3,580,528	\$4,643,430	\$205,725	\$297,824	\$233,400	\$1,602,780	\$539,901	\$892,435	\$11,996,023	\$43,851	\$35,864	
LIABILITIES AND FUND BALANCES												
Liabilities:												
Accounts and Contracts Payable	\$349,424	\$75,980	\$0	\$52,847	\$4,451	\$39,729	\$2,410	\$0	\$524,841	\$0	\$0	\$0
Unearned Revenue & Other						1,563,051			1,563,051			
Total Liabilities	349,424	75,980	0	52,847	4,451	1,602,780	2,410	0	2,087,892	0	0	0
Fund Balances:												
Nonspendable									0			
Restricted for:												
Public Works									8,233,228			
Public Safety	3,231,104	4,567,450	205,725		228,949		537,491	892,435	1,429,926			
Capital Projects									0	43,851	35,864	946
Assigned				244,977					244,977			
Total Fund Balances	3,231,104	4,567,450	205,725	244,977	228,949	0	537,491	892,435	9,908,131	43,851	35,864	946
Total Liabilities and Fund Balances	\$3,580,528	\$4,643,430	\$205,725	\$297,824	\$233,400	\$1,602,780	\$539,901	\$892,435	\$11,996,023	\$43,851	\$35,864	\$946
* Prior period adjustments were made to assets in the Exactions Area Master Plan (EAMP). There is no impact on total Governmental Funds.												
Continued												

* Prior period adjustments were made to assets in the Exactions Area Master Plan (EAMP). There is no impact on total Governmental Funds.

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING BALANCE SHEET, Continued
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

Capital Projects Funds											
	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	2018 Bond Projects	2019 Bond Projects	Total
ASSETS											
Current Cash	\$46,374	\$361,937	\$11,985	\$3,074	\$1,688	\$0	\$0	\$0	\$0	\$0	\$5,177,733
Current Investments											363,595
Receivables:											
Other											0
Inventories and Prepaid Items											8,880
Due from Other Funds											229,932
Restricted Investments	203,559	238,568	12,429	374,525	673,567		4,685,476	229,932	13,136,300	14,088,905	41,001,799
Total Assets	\$249,933	\$600,505	\$24,414	\$377,599	\$675,255	\$0	\$4,685,476	\$7,817,456	\$13,140,591	\$14,093,494	\$58,777,962
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts and Contracts Payable	\$0	\$0	\$0	\$398	\$9,620	\$0	\$181,287	\$501,355	\$278,373	\$1,240,714	\$2,243,344
Due to Other Funds							353,620		310,127		663,747
Unearned Revenue & Other											0
Total Liabilities	0	0	0	398	9,620	0	534,907	501,355	588,500	1,240,714	2,907,091
Fund Balances:											
Restricted for:											
Public Works											0
Public Safety											0
Capital Projects	249,933	600,505	24,414	377,201	665,635		4,150,569	7,316,101	12,552,091	12,852,780	43,874,848
Assigned											0
Total Fund Balances	249,933	600,505	24,414	377,201	665,635	0	4,150,569	7,316,101	12,552,091	12,852,780	43,874,848
Total Liabilities and Fund Balances	\$249,933	\$600,505	\$24,414	\$377,599	\$675,255	\$0	\$4,685,476	\$7,817,456	\$13,140,591	\$14,093,494	\$58,777,962

* Prior period adjustments were made to assets in the Exactions Area Master Plan (EAMP). 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, 2019

	Special Revenue Funds						Capital Projects Funds					
	County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Local Economic Assistance		Police Confiscated Funds	Police Confiscated State Funds	Public Safety Fund	Total	Lexington Cultural Center	2003 Bond Projects	2007, 2008, & 2009 Bond Projects
				Mineral Severance	Coal Severance							
REVENUES												
Charges for Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental	739,850	5,852,928		285,936	56,703	337,553	536,105	241,263	8,050,338			
Income on Investments	4,093	6,624		1,364					12,081		3,089	11,132
Total Revenues	743,943	5,859,552	0	287,300	56,703	337,553	536,105	241,263	8,062,419	0	3,089	11,132
EXPENDITURES												
Current:												
Environmental Quality & Public Works					14,000							
Police						237,861	204,871		14,000			
Parks and Recreation									442,732			
Capital:						338,383			338,383			
Equipment							99,692	29,700	195,835			2,298
Acquisitions and Construction	1,248,127	1,560,904		94,881				66,443	2,903,912			
Total Expenditures	1,248,127	1,560,904	0	433,264	14,000	337,553	234,571	66,443	3,894,862	0	0	2,298
Excess (Deficiency) of Revenues over (under) Expenditures	(504,184)	4,298,648		(145,964)	42,703	0	301,534	174,820	4,167,557	0	3,089	8,834
OTHER FINANCING SOURCES (USES)												
Transfers Out		(3,369,524)						(300,000)	(3,669,524)			
Total Other Financing Sources (Uses)	0	(3,369,524)	0	0	0	0	0	(300,000)	(3,669,524)	0	0	0
Net Change in Fund Balances	(504,184)	929,124	0	(145,964)	42,703	0	301,534	(125,180)	498,033	0	3,089	8,834
Fund Balances (Deficits), Beginning	3,735,288	3,638,326	205,725	390,941	186,246	0	235,957	1,017,615	9,410,098	43,851	32,775	(36,392)
Adjustment to Opening Fund Balance (Note 2.D.)												
Fund Balances, Beginning - Restated	3,735,288	3,638,326	205,725	390,941	186,246	0	235,957	1,017,615	9,410,098	43,851	32,775	28,504
Fund Balances (Deficits), Ending	\$3,231,104	\$4,567,450	\$205,725	\$244,977	\$228,949	\$0	\$537,491	\$892,435	\$9,908,131	\$43,851	\$35,864	\$946
												Continued

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, Continued
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2019

	Capital Projects Funds													Total Nonmajor Governmental Funds
	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	2018 Bond Projects	2019 Bond Projects	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total	
REVENUES														
Charges for Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental														8,050,338
Exactions												243,198	243,198	243,198
Other								7,048			256,427		263,475	263,475
Income on Investments	10,007	2,613	82	3,723	7,719		44,716	93,325	154,129	124,501	6,874	44,604	506,514	518,595
Total Revenues	10,007	2,613	82	3,723	7,719	0	44,716	100,373	154,129	124,501	263,301	287,802	1,013,187	9,075,606
EXPENDITURES														
Current:														
General Government									750,082			31,597	781,679	781,679
Administrative Services														
Finance					6,339		31,745	5,328	479,417	224,914	383		32,128	32,128
Information Technology														715,998
Environmental Quality & Public Works							35,050			35,783			84,833	84,833
Planning, Preservation, & Development							84,761		91,433				176,194	176,194
Police		85,707			192,645		264,283						542,635	985,367
Community Corrections									1,677,506				1,677,506	1,677,506
General Services									408,342				2,071,104	2,071,104
Parks and Recreation													0	338,383
Debt Service:														
Principal											245,770		245,770	245,770
Interest											11,323		11,323	11,323
Other Debt Service								16,804		179,786			196,590	196,590
Capital:														
Equipment	228	18,132		3,786	9,540		78,838	28,253	1,373,285	4,952,330			6,466,690	6,662,525
Acquisitions and Construction	41,931	4	2,108	60,003	61,250		884,271	3,934,617	3,802,598	26,737,973			35,524,755	38,428,667
Total Expenditures	42,159	103,843	2,108	63,789	269,774	0	1,378,948	5,647,764	8,582,663	32,130,786	257,476	31,597	48,313,205	52,408,067
Excess (Deficiency) of Revenues over (under) Expenditures	(32,152)	(101,230)	(2,026)	(60,066)	(262,055)	0	(1,334,232)	(5,547,391)	(8,428,534)	(32,006,285)	5,825	256,205	(47,500,018)	(43,332,461)
OTHER FINANCING SOURCES (USES)														
Transfers In														
Transfers Out						(90,712)	(60,994)		220,812				220,812	220,812
Issuance of Debt									(530,939)				(682,645)	(4,352,169)
Premium on Bonds										42,055,000			42,055,000	42,055,000
Total Other Financing Sources (Uses)	0	0	0	0	0	(90,712)	(60,994)	0	(310,127)	44,859,065	0	0	44,397,232	40,727,708
Net Change in Fund Balances	(32,152)	(101,230)	(2,026)	(60,066)	(262,055)	(90,712)	(1,395,226)	(5,547,391)	(8,738,661)	12,852,780	5,825	256,205	(3,102,786)	(2,604,753)
Fund Balances (Deficits), Beginning	218,303	685,251	26,440	437,267	927,690	90,712	5,545,795	12,863,492	21,290,752	0	812,686	4,069,413	47,008,035	56,418,133
Adjustment to Opening Fund Balance (Note 2.D.)	63,782	16,484										(139,171)	(30,401)	(30,401)
Fund Balances, Beginning - Restated	282,085	701,735	26,440	437,267	927,690	90,712	5,545,795	12,863,492	21,290,752	0	812,686	3,930,242	46,977,634	56,387,732
Fund Balances (Deficits), Ending	\$249,933	\$600,505	\$24,414	\$377,201	\$665,635	\$0	\$4,150,569	\$7,316,101	\$12,552,091	\$12,852,780	\$818,511	\$4,186,447	\$43,874,848	\$53,782,979

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/19

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2018	Revenue Received	Passed Through to Sub recipients Expenditures	Total Expenditures	Accrued (Deferred) Revenue at June 30, 2019
US Department of Agriculture:							
Direct Programs:							
Child Care Food Program	10.558	11475	\$8,869	\$21,498	\$0	\$12,629	\$0
Child Care Food Program	10.558	11475		44,554		47,231	2,677
Urban Forestry	10.675	PON2-128-1900001567				5,379	5,379
Purchase of Development Rights (PDR)	10.931	545C161501JPC	702,043	896,211		194,168	
Purchase of Development Rights (PDR)	10.931	68-5C16-16-828				90,714	90,714
Total US Department of Agriculture			710,912	962,263	0	350,121	98,770
US Department of Housing and Urban Development:							
Direct Programs:							
Community Dev Block Grant	14.218	B14MC210004	121,001	253,380		132,730	351
Community Dev Block Grant	14.218	B15MC210004	50,085	715,992	58,651	612,429	5,173
Community Dev Block Grant	14.218	B16MC210004	643,646	1,511,827	96,754	773,697	2,270
Community Dev Block Grant	14.218	B17MC210004	429,399	1,276,403	160,696	692,283	5,975
Community Dev Block Grant	14.218	B18MC210004		773,933	470,446	355,184	51,697
Emergency Solutions	14.231	E16MC210004	27,746	27,746			
Emergency Solutions	14.231	E17MC210004	85,982	172,449	28,851	59,776	2,160
Emergency Solutions	14.231	E18MC210004		72,935	72,144	791	
HOME	14.239	M14MC210201	60,798	363,215	185,587	116,830	
HOME	14.239	M15MC210201	11,554	135,758	65,061	64,143	5,000
HOME	14.239	M16MC210201	34,758	567,338	433,073	110,537	11,030
HOME	14.239	M17MC210201	2,603	118,563	116,060		100
HOME	14.239	M18MC210201		106,317	22,059	87,031	2,773
Housing Opp for Pers with AIDS (HOPWA)	14.241	KY-H17-0017-00	83,142	477,183	416,760	6,218	28,937
Continuum of Care	14.267	KY0179L4I021600	2,172	26,327		24,155	
Continuum of Care	14.267	KY0193L4I021700		8,147		16,441	8,294
Total US Department of Housing and Urban Development			1,552,886	6,607,513	2,126,142	3,052,245	123,760
US Department of Justice:							
Direct Programs:							
Police Confiscated Funds	16.001	NA	(1,426,296)	474,308		337,553	(1,563,051)
SCAAP	16.606	2013-AP-BX-0161	(944)			910	(34)
SCAAP	16.606	2014-AP-BX-0607	(30,888)			11,342	(19,546)
SCAAP	16.606	2015-AP-BX-0465	(42,100)			20,927	(21,173)
SCAAP	16.606	2016-AP-BX-0337	(44,231)				(44,231)
SCAAP	16.606	2019-AP-BX-0086		30,869			(30,869)
Cops Hire	16.710	2011ULWX0015	55,142	55,142			
Justice Assistance Grant	16.738	2015-DJ-BX-0335	(726)			726	
Justice Assistance Grant	16.738	2016-DJ-BX-0185	(14,171)				(14,171)
Justice Assistance Grant	16.738	2017-DJ-BX-0808		149,540		149,485	(55)
Comprehensive Opioid Abuse Program (COAP)	16.838	2018-AR-BX-K059				22,082	22,082
Passed through Commonwealth of Kentucky:							
Office Justice Delinquency Prevention	16.540	2016-JF-FX-0029	6,545	10,907		4,362	
Lexington Police Victim Advocate Project	16.575	VOCA-2017-LFUCG-STRE-00039	4,324	15,066		10,742	
Lexington Police Victim Advocate Project	16.575	VOCA-2018-LFUCG-STRE-00030		11,101		11,101	
Underserved Minority Victim	16.575	VOCA-2017-LFUCG-STRE-00058	12,971	29,929		16,958	
Underserved Minority Victim	16.575	VOCA-2018-LFUCG-STRE-00087		42,243		68,101	25,858
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2017-LFUCG-ST-00531	3,953	27,228		23,275	
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2018-LFUCG-ST-00614		4,409		10,373	5,964
Street Sales (Confiscated Funds)	16.738	2017-JAG-LFUCG-STRE-01160		14,081		14,081	
Street Sales	16.738	2017-JAG-LFUCG-STRE-01160		49,599	64,455	9,766	24,622
Total US Department of Justice			(1,476,421)	914,422	64,455	711,784	(1,614,604)

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/19

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2018	Revenue Received	Passed Through to Sub recipients Expenditures	Total Expenditures	Accrued (Deferred) Revenue at June 30, 2019
US Department of Transportation:							
Passed through Commonwealth of Kentucky:							
Air Quality Planning	20.205	1700006017	62,611	62,611			
Air Quality Planning	20.205	SC-625-1900000323		70,492		101,200	30,708
Armstrong Mill Sidewalks	20.205	PO2-628-1700004143	29,700	90,854		61,154	
Beaumont YMCA Trail Project	20.205	PO2-628-1700004155	5,000	10,280		7,280	2,000
Bicycle and Pedestrian Planning	20.205	1700006017	17,967	17,967			
Bicycle and Pedestrian Planning	20.205	SC-625-1900000323		37,807		52,800	14,993
Citation Trail	20.205	PO2-628-1700004156	38,459	79,759		35,439	(5,861)
Clays Mill Road	20.205	C-03328686					
Clays Mill Road	20.205	PO2-625-1500002693	78,948	159,011		80,063	
CNG Fueling Station (Compressed Nat.Gas)	20.205	PO2-628-1600005819		482,160		482,160	
Federal Highway Planning	20.205	1700005044	93,327	93,327			
Federal Highway Planning	20.205	SC-625-1900000307		322,473		392,000	69,527
Fiber Optic Cable Installation	20.205	PO2-628-1600004546	3,277	268,629		282,504	17,152
Forbes Road	20.205	PO2-628-1700002506	251	251		18,220	18,220
Four Side	20.205	PO2-628-1600005725	5,461	9,110		6,456	2,807
Intelligent Transpor. System (ITS)	20.205	PO2-625-1700002191	362,723	107,036			255,687
Intelligent Transpor. System (ITS)	20.205	SC-625-1700002191		767		478,623	477,856
Legacy Trail Enhancements	20.205	PO2-625-1200003879	2,195	65,160		62,965	
Legacy Trail Phase III	20.205	PO2-628-1400005764		16,801		16,801	
Lexington Community Land Trust	20.205	PO2-625-1500000828	55,358				55,358
Liberty Road/Todds Road	20.205	C-04073306	7,686			(7,686)	
W. Loudon Avenue Streetscape	20.205	PO2-628-1800002729		4,000		8,000	4,000
Man O' War & Alumni Intersection Project	20.205	PO2-625-1400004868		23,199		23,199	
Man O' War & Richmond Intersection Project	20.205	PO2-625-1400004869		152,541		172,931	20,390
Mercer Rd/Greendale Rd Turn lanes	20.205	PO2-628-1800001345	12,215	22,299		31,777	21,693
Mobility Office	20.205	1700006017	100,681	100,681			
Mobility Office	20.205	SC-625-1900000323		31,525		122,000	90,475
Newtown Pike	20.205	C-00343167	21,326	21,326			
Newtown Pike Supplement #1	20.205	C-00343167	696,833	696,833			
Newtown Pike Supplement #2	20.205	C-00343167	773,860	1,332,321		91,680	(466,781)
Old Frankfort Pike Scenic Byway Viewing Area	20.205	PO2-628-1500003392	2,442			3,399	5,841
Oxford Circle Sidewalks	20.205	PO2-628-1700004160	2,100	4,678		2,578	
Polo Club Boulevard Project	20.205	PO2-625-1300001036	18,084	27,662		14,471	4,893
Rose Street Bike Lanes	20.205	C-01099430					
Rosemont Garden Sidewalks	20.205	PO2-628-1700004171	7,540	7,540			
South Elkhorn Trail	20.205	PO2-628-1700004176	7,296	15,260		8,876	912
Squires Road Sidewalks	20.205	PO2-628-1600003546		2,765		2,765	
Todds Road Sidewalks	20.205	PO2-628-1700004177	52,110	76,032		27,665	3,743
Town Branch	20.205	PO2-628-1200004353	15,550	26,625		26,444	15,369
Town Branch Commons Corridor-Zone 2	20.205	PO2-628-1600003719	63,874	130,941		69,775	2,708
Town Branch Trail Commons-Midland Section	20.205	PO2-628-1600005544	38,201	362,054		350,466	26,613
Town Branch Trail Crossing	20.205	PO2-628-1500004792		9,526		12,566	3,040
Town Branch Trail Phase IV, V, VI	20.205	PO2-628-1500003706	35,959	42,391		212,049	205,617
Transit Route Facilities Inventory	20.205	PO2-620-1700000432					
West Hickman Trail	20.205	PO2-628-1600005956	7,516	8,173		149,250	148,593
Wilson Downing Sidewalks	20.205	PO2-628-1700004178	20,632	119,393		98,761	
Winchester/Liberty Intersection Improvements	20.205	PO2-628-1600003038		53,600		214,400	160,800
MCSAP (Motor Carrier Safety Asst.Prog.)	20.218	No Number	10,767	25,156		14,389	
MCSAP2 (Motor Carrier Safety Asst.Prog.)	20.218	No Number		36,345		50,286	13,941
Ticketing Aggressive Cars/Trucks (TACT)	20.218	No Number					
Ticketing Aggressive Cars/Trucks (TACT)	20.218	No Number	2,135	16,884		15,698	949
Brighton Rail Trail Phase 4	20.219	RTP 484-13					
Fed Transit Admin Section 5303	20.505	P030217442	29,896	29,896			
Fed Transit Admin Section 5303	20.505	P030217442		16,438		48,400	31,962
Traffic Safety Supplement	20.600	PO2-625-18000010731	10,126	17,044		6,918	
Traffic Safety Supplement	20.600	SC-625-19000008211		31,386		47,457	16,071
Traffic Safety Supplement	20.600	PO2-625-18000045321	2,684	42,984		40,300	
Traffic Safety Supplement	20.600	SC-625-19000015351				7,276	7,276
Traffic Safety Occupant Protection Prog.	20.616	SC-625-19000009091		17,648		21,499	3,851
Traffic Safety	20.616	PO2-625-18000009371	7,467	10,980		3,513	
Traffic Safety	20.616	SC-625-19000008141		17,833		22,305	4,472
Town Branch Tiger	20.933	SC-628-1800005041		6,792		890,041	883,249
Total US Department of Transportation			<u>2,702,257</u>	<u>5,435,246</u>	<u>0</u>	<u>4,881,113</u>	<u>2,148,124</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/19

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2018	Revenue Received	Passed Through to Sub recipients Expenditures	Total Expenditures	Accrued (Deferred) Revenue at June 30, 2019
US Environmental Protection Agency							
Passed through Commonwealth of Kentucky:							
Bob O Link	66.458	A13-002 SWR		54,230		54,230	
Lower Cane Run WWS	66.458	A14-001 SWR		127,420		127,420	
Lower Griffin Gate Trunk	66.458	A17-003 SWR					
Marquis Ave	66.458	A13-015 SWR					
Town Branch Commons Phase I	66.458	A17-005 SWR		4,367,248		4,367,248	
Town Branch WWS	66.458	A13-015 SWR					
UK Trunk Sewer A	66.458	A13-015 SWR		11,000		11,000	
West Hickman Wet Weather Storage	66.458	A15-026 SWR	226,495	19,153,076		20,336,512	1,409,931
Wolf Run Wet Weather Storage	66.458	A13-002 SWR		28,770		28,770	
Total US Environmental Protection Agency			<u>226,495</u>	<u>23,741,744</u>	<u>0</u>	<u>24,925,180</u>	<u>1,409,931</u>
US Department of Health and Human Services:							
Direct Programs:							
Substance Abuse & Mental Health Serv.	93.243	1H79SP080309-01				323,563	323,563
Passed through Commonwealth of Kentucky:							
Senior Citizens	93.044	AS-2017-2018	2,170	2,170			
Senior Citizens	93.044	AS-2018-2019		55,284		55,284	
Wellness Edge Program	93.325	90PRRC0001-01-01				15,765	15,765
Refugee Targeted Assistance Program	93.584	257-107042-2018		9,504		17,090	7,586
Home Network	93.597	2016-2017-PUBLIC-R	(279,210)			290,883	11,673
Home Network	93.597	2017-2018-PUBLIC-R	(236,540)	46,950			(283,490)
Home Network	93.597	2018-2019-PUBLIC-R		248,290			(248,290)
Head Start Program	93.600	No Number	3,033	3,033			
Head Start Program	93.600	No Number		28,487		31,811	3,324
Total US Department of Health and Human Services			<u>(510,547)</u>	<u>393,718</u>	<u>0</u>	<u>734,396</u>	<u>(169,869)</u>
US Department of Homeland Security Office of Domestic Preparedness:							
Direct Programs:							
Assistance to Firefighters	97.044	EMW-2016-FO-04181	110,286	251,369		141,083	
Fire Prevention	97.044	EMW-2017-FP-00614				47,618	47,618
Passed through Commonwealth of Kentucky:							
Hazard Mitigation Grant Prog.(HMGP_EOC)	97.039	PON2-095-13000000082					
Hazard Mitigation Grant Prog.(HMGP_PLAN)	97.039	PON2-095-17000013341	31,593	53,494		23,042	1,141
Hazard Mitigation Grant Prog.(Thompson Rd)	97.039	PON2-095-17000013341		52,196		52,196	
Chemical Stockpile Emergency (CSEPP)	97.040	PO2-095-16000047103	54,674	133,501		88,081	9,254
Chemical Stockpile Emergency (CSEPP)	97.040	PO2-095-17000054304	121,400	222,399		178,881	77,882
Chemical Stockpile Emergency (CSEPP)	97.040	SC-095-17000054303		143,677		346,841	203,164
Emergency Management Assistance	97.042	PO2-095-18000015671	30,970	37,617		6,647	
Emergency Management Assistance	97.042	SC-095-19000009781		36,305		76,892	40,587
State Homeland Bomb Squad	97.067	SC-094-1900001087				9,240	9,240
State Homeland Police	97.067	PO2-094-18000022321	8,453	8,453			
State Homeland Personal Protection Equip.	97.067	PO2-094-18000025391		17,668		24,000	6,332
State Homeland Fire	97.067	PO2-094-17000023251	39,200	39,200			
Total US Dept. of Homeland Security Office of Domestic Preparedness			<u>396,576</u>	<u>995,879</u>	<u>0</u>	<u>994,521</u>	<u>395,218</u>
Total Federal Financial Assistance			<u>\$3,602,158</u>	<u>\$39,050,785</u>	<u>\$2,190,597</u>	<u>\$35,649,360</u>	<u>\$2,391,330</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, 2019**

Grantor/Program Title	Grantor's Number	Grantor	Accrued or (Deferred) Revenue at July 1, 2018	Revenue Received	Passed Through to Sub recipients Expenditures	Expenditures	Accrued or (Deferred) Revenue at June 30, 2019
Day Treatment	PON25231600003082	Kentucky Dept. of Juvenile Justice	\$33,013	\$33,013	\$0	\$0	\$0
Day Treatment	PON25231900001089	Kentucky Dept. of Juvenile Justice		136,694		198,070	61,376
Economic Development-Ashland	N/A	Kentucky Cabinet Economic Development	(450,000)				(450,000)
Economic Development-Belcan Engineer.	N/A	Kentucky Cabinet Economic Development	(34,000)				(34,000)
Economic Development-Bingham McCutchen	N/A	Kentucky Cabinet Economic Development	(200,000)				(200,000)
Economic Development-Tiffany	N/A	Kentucky Cabinet Economic Development	(40,800)				(40,800)
Emergency Medical Services	N/A	Kentucky Bd. Emergency Medical Services		10,000		10,000	
Federal Highway Planning	1700005044	Kentucky Transportation Cabinet	5,834	5,834		24,500	4,345
Federal Highway Planning	1900000307	Kentucky Transportation Cabinet		20,155			
Fire Training Incentive	155	Kentucky Fire Commission		3,047,881		3,047,881	
Fire Training Administration	155	Kentucky Fire Commission		37,631		7,047	(30,584)
Hazard Mitigation Grant Prog (HMGP_Plan)	PON20951700001334	Kentucky Emergency Management Agency	5,056	8,563		3,690	183
Hazard Mitigation Grant Prog (HMGP_Thom)	PON20951700001334	Kentucky Emergency Management Agency		8,351		8,351	
Home Network	2016-2017-PUBLIC-R	Lexington Fayette County Health Dept	(122,379)			122,379	
Home Network	2017-2018-PUBLIC-R	Lexington Fayette County Health Dept	(129,759)	22,870		6,892	(145,737)
Home Network	2018-2019-PUBLIC-R	Lexington Fayette County Health Dept		79,370			(79,370)
Kentucky Fire Commission Training Facility	N/A	Kentucky Fire Commission	(65,000)			57,113	(7,887)
Kentucky Pride	N/A	Kentucky Energy & Environmental Cabinet	(109,767)			109,704	(63)
Kentucky Pride	N/A	Kentucky Energy & Environmental Cabinet		156,910		43,605	(113,305)
KY Pride Household Hazardous Waste Mgmt	N/A	Kentucky Division of Waste Management	(3,334)	(3,334)			
KY Pride Household Hazardous Waste Mgmt	N/A	Kentucky Division of Waste Management		88,749		86,596	(2,153)
LPS Settlement	N/A	Kentucky Office of the Attorney General	(213,603)		213,603		
Law Enforcement Protection Program	SC-094-1900001258	Kentucky Office Homeland Security				39,423	39,423
Law Enforcement Protection Program (2)	SC-094-1900001294	Kentucky Office Homeland Security				64,378	64,378
Lexington Community Land Trust	PO2-625-1500000828	Kentucky Transportation Cabinet	5,766				5,766
Liberty Road/Todds Road	C-04073306	Kentucky Transportation Cabinet	1,921			(1,921)	
Newtown Pike Extension	C00343167	Kentucky Transportation Cabinet	5,331	5,331			
Local Records Grant Project	SY1903LR16	Kentucky Dept. for Libraries & Archives				4,665	4,665
Paula Nye Memorial Education	2016-02	Kentucky Bicycle and Bikeway Commission	(399)			399	
Paula Nye Memorial Education	2017-13	Kentucky Bicycle and Bikeway Commission	(8,363)			8,353	(10)
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation	245,344	245,344			
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation		3,010,103		3,279,947	269,844
Police Training Administration	N/A	Kentucky Law Enforcement Foundation		37,556		823	(36,733)
SANE3 (Sexual Assault Treatment Project)	VAWA-2017-LFUCG-ST-00531	Kentucky Justice Cabinet	3,600	6,600		3,000	
SANE3 (Sexual Assault Treatment Project)	VAWA-2018-LFUCG-ST-00614	Kentucky Justice Cabinet				2,600	2,600
Senior Citizens	AS-2018-2019	Bluegrass Area Development District		81,334		81,334	
State Homeland Commercial Mobile Radio	PO2 094 1800001186 1	Kentucky Office Homeland Security	29,921	29,921			
State Homeland Commercial Mobile Radio (2)	PO2 094 1800001195 1	Kentucky Office Homeland Security	71,460	80,689		58,789	49,560
State Homeland Commercial Mobile Radio	SC-094-1900000504	Kentucky Office Homeland Security		66,080		66,080	
Waste Tire	PO2-625-18000095883	Kentucky Energy & Environmental Cabinet		4,000		4,000	
Total State Financial Assistance			<u>(\$970,158)</u>	<u>\$7,219,645</u>	<u>\$213,603</u>	<u>\$7,337,698</u>	<u>(\$638,502)</u>

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 **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, 2019

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
ASSETS								
Current Assets:								
Cash	\$2,003,225	\$1,056,029	\$0	\$5,340,212	\$324,118	\$154,640	\$503	\$8,878,727
Investments				1,456,216		16,749		1,472,965
Receivables:								
Other Receivables	53,941	259		161,992	46,850	35,867		298,909
Less Allowance for Uncollectible Accounts						(35,867)		(35,867)
Inventories and Prepaid Expenses				12,867	3,133			16,000
Total Current Assets	<u>2,057,166</u>	<u>1,056,288</u>	<u>0</u>	<u>6,971,287</u>	<u>374,101</u>	<u>171,389</u>	<u>503</u>	<u>10,630,734</u>
Noncurrent Assets:								
Land Improvements		10,000						10,000
Buildings				7,514				7,514
Vehicles, Equipment, and Furniture	107,245	103,481		2,746,570				2,957,296
Intangibles				1,490,573				1,490,573
Less Accumulated Depreciation	(68,067)	(102,595)		(3,766,624)				(3,937,286)
Total Noncurrent Assets	<u>39,178</u>	<u>10,886</u>	<u>0</u>	<u>478,033</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>528,097</u>
Total Assets	<u>\$2,096,344</u>	<u>\$1,067,174</u>	<u>\$0</u>	<u>\$7,449,320</u>	<u>\$374,101</u>	<u>\$171,389</u>	<u>\$503</u>	<u>\$11,158,831</u>
Deferred outflows of resources:								
Deferred Pension Amounts	\$160,918	\$406,766	\$0	\$1,132,121	\$0	\$0	\$0	\$1,699,805
Deferred Other Post Employment Benefit Amounts	52,616	132,994		370,111				555,721
Total Deferred Outflows of Resources	<u>213,534</u>	<u>539,760</u>	<u>0</u>	<u>1,502,232</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,255,526</u>
Total Assets & Deferred Outflows of Resources	<u>\$2,309,878</u>	<u>\$1,606,934</u>	<u>\$0</u>	<u>\$8,951,552</u>	<u>\$374,101</u>	<u>\$171,389</u>	<u>\$503</u>	<u>\$13,414,357</u>
LIABILITIES								
Current Liabilities:								
Accounts, Contracts and Retainage Payable	\$2,341	\$39,583	\$0	\$60,702	\$342	\$0	\$0	\$102,968
Accrued Payroll	5,194	35,775		35,984				76,953
Compensated Absences	6,858	1,592		42,121				50,571
Total Current Liabilities	<u>14,393</u>	<u>76,950</u>	<u>0</u>	<u>138,807</u>	<u>342</u>	<u>0</u>	<u>0</u>	<u>230,492</u>
Noncurrent Liabilities:								
Compensated Absences	6,858	51,470		42,121				100,449
Unfunded Other Post Employment Benefit Liability	170,875	428,533		1,176,317				1,775,725
Unfunded Pension Liability	584,597	1,466,099		4,024,423				6,075,119
Total Noncurrent Liabilities	<u>762,330</u>	<u>1,946,102</u>	<u>0</u>	<u>5,242,861</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,951,293</u>
Total Liabilities	<u>\$776,723</u>	<u>\$2,023,052</u>	<u>\$0</u>	<u>\$5,381,668</u>	<u>\$342</u>	<u>\$0</u>	<u>\$0</u>	<u>\$8,181,785</u>
Deferred inflows of resources:								
Deferred Pension Amounts	\$46,921	\$117,673	\$0	\$323,011	\$0	\$0	\$0	\$487,605
Deferred Other Post Employment Benefit Amounts	36,953	92,675		254,391				384,019
Total Deferred Inflows of Resources	<u>83,874</u>	<u>210,348</u>	<u>0</u>	<u>577,402</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>871,624</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$860,597</u>	<u>\$2,233,400</u>	<u>\$0</u>	<u>\$5,959,070</u>	<u>\$342</u>	<u>\$0</u>	<u>\$0</u>	<u>\$9,053,409</u>
NET POSITION								
Net Investment in Capital Assets	\$39,178	\$10,887	\$0	\$478,035	\$0	\$0	\$0	\$528,100
Restricted for:								
Capital Projects								
Unrestricted (Deficits)	1,410,103	(637,353)		2,514,447	373,759	171,389	503	3,832,848
Total Net Position	<u>\$1,449,281</u>	<u>(\$626,466)</u>	<u>\$0</u>	<u>\$2,992,482</u>	<u>\$373,759</u>	<u>\$171,389</u>	<u>\$503</u>	<u>\$4,360,948</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2019

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
Operating Revenues								
User Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fees		2,126,040		4,172,108	498,913			6,797,061
License Fees and Permits	682,221							682,221
Other		62		4,494				4,556
Total Operating Revenues	<u>682,221</u>	<u>2,126,102</u>	<u>0</u>	<u>4,176,602</u>	<u>498,913</u>	<u>0</u>	<u>0</u>	<u>7,483,838</u>
Operating Expenses								
Right of Way	587,152							587,152
Extended School Program		1,917,735						1,917,735
Enhanced 911				4,426,308				4,426,308
CKY Network					421,115			421,115
Administration		231,281						231,281
Depreciation	6,324	3,111		371,095				380,530
Total Operating Expenses	<u>593,476</u>	<u>2,152,127</u>	<u>0</u>	<u>4,797,403</u>	<u>421,115</u>	<u>0</u>	<u>0</u>	<u>7,964,121</u>
Operating Income (Loss)	88,745	(26,025)	0	(620,801)	77,798	0	0	(480,283)
Nonoperating Revenues (Expenses)								
Income on Investments				30,237		427		30,664
Total Nonoperating Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>30,237</u>	<u>0</u>	<u>427</u>	<u>0</u>	<u>30,664</u>
Income (Loss) Before Transfers	88,745	(26,025)	0	(590,564)	77,798	427	0	(449,619)
Transfers In								0
Transfers Out	4,420	11,084		23,083			(1,398,000)	(1,359,413)
Transfer of assets to Component Units								0
Transfer of assets to LexTran								0
Change in Net Position	<u>93,165</u>	<u>(14,941)</u>	<u>0</u>	<u>(567,481)</u>	<u>77,798</u>	<u>427</u>	<u>(1,398,000)</u>	<u>(1,809,032)</u>
Net Position, Beginning	1,356,116	(611,525)	627,876	3,559,963	295,961	170,962	1,398,503	6,797,856
Net Position, Beginning - Restated			(627,876)					(627,876)
Net Position, Ending	<u>\$1,449,281</u>	<u>(\$626,466)</u>	<u>\$0</u>	<u>\$2,992,482</u>	<u>\$373,759</u>	<u>\$171,389</u>	<u>\$503</u>	<u>\$4,360,948</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2019

	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	\$628,280	\$2,128,523	\$0	\$4,275,057	\$482,842	\$0	\$0	\$7,514,702
Payments to Suppliers	(121,573)	(192,661)	(226,529)	(1,069,403)	(420,225)			(2,030,391)
Payments to Employees	(386,278)	(1,508,064)		(2,792,979)				(4,687,321)
Payments for Interfund Services Used	(3,487)	(231,281)		(8,594)				(243,362)
Net Cash Provided by (Used in) Operating Activities	116,942	196,517	(226,529)	404,081	62,617	0	0	553,628
Cash Flows from Noncapital Financing Activities:								
Transfers Out	4,420	11,084		23,083			(1,398,000)	(1,359,413)
Net Cash Flows Provided by (Used in) Noncapital Financing Activities	4,420	11,084	0	23,083	0	0	(1,398,000)	(1,359,413)
Cash Flows from Capital and Related Financing Activities:								
Purchases of Capital Assets				(132,725)				(132,725)
Net Cash Flows Used in Capital and Related Financing Activities	0	0	0	(132,725)	0	0	0	(132,725)
Cash Flows Provided by Investing Activities:								
Purchases of Investments				(30,237)		(427)		(30,664)
Income on Investments				30,237		427		30,664
Net Cash Flows Provided by (Used in) Investing Activities	0	0	0	0	0	0	0	0
Net Increase (Decrease)	121,362	207,601	(226,529)	294,439	62,617	0	(1,398,000)	(938,510)
Cash at Beginning of Year	1,881,863	848,428	226,529	5,045,773	261,501	154,640	1,398,503	9,817,237
Cash at End of Year	\$2,003,225	\$1,056,029	\$0	\$5,340,212	\$324,118	\$154,640	\$503	\$8,878,727
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:								
Operating Income (Loss)	\$88,745	(\$26,025)	\$0	(\$620,801)	\$77,798	\$0	\$0	(\$480,283)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:								
Depreciation	6,324	3,111		371,095				380,530
Other Receivables	(53,941)	2,421		98,455	(16,071)			30,864
Inventories and Prepaid Expenses	48,152	1,238		33,642	1,307			84,339
(Increase) Decrease in Deferred Outflows:								
Deferred Other Post Employment Benefit Amounts	1,805	3,487		4,526				9,818
Deferred Pension Amounts	67,596	166,319		440,989				674,904
Increase (Decrease) in Liabilities:								
Accounts Payable	(47,989)	25,258	(226,529)	18,665	(417)			(231,012)
Accrued Payroll	628	8,347		(1,652)				7,323
Compensated Absences	(1,394)	(5,234)		10,862				4,234
Unfunded Other Post Employment Benefit Liability	(28,153)	(70,606)		(193,812)				(292,571)
Unfunded Pension Liability	14,867	37,284		102,345				154,496
Increase (Decrease) in Deferred Inflows:								
Deferred Other Post Employment Benefit Amounts	25,918	65,001		178,427				269,346
Deferred Pension Amounts	(5,616)	(14,084)		(38,660)				(58,360)
Total Adjustments	28,197	222,542	(226,529)	1,024,882	(15,181)	0	0	1,033,911
Net Cash Provided by (Used In) Operating Activities	\$116,942	\$196,517	(\$226,529)	\$404,081	\$62,617	\$0	\$0	\$553,628

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, 2019

	Health, Dental and Vision Care	Insurance and Risk Management	Total
ASSETS			
Current Assets:			
Cash	\$2,006,010	\$30,387,206	\$32,393,216
Due from Other Funds		2,925,415	2,925,415
Receivables	765	26,895	27,660
Inventories and Prepaid Expenses	331,694		331,694
Total Current Assets	\$2,338,469	\$33,339,516	\$35,677,985
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$1,179,099	\$77,367	\$1,256,466
Claims Payable:			
Reported		12,384,245	12,384,245
Incurred But Not Reported	1,159,370	14,364,786	15,524,156
Total Current Liabilities	2,338,469	26,826,398	29,164,867
Total Liabilities	\$2,338,469	\$26,826,398	\$29,164,867
NET POSITION			
Unrestricted	\$0	\$6,513,118	\$6,513,118

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES, & CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2019

	Health, Dental and Vision Care Insurance				Insurance and Risk Management	
	Health	Dental	Vision Care	Total		Total
Operating Revenues						
Premiums	\$33,085,968	\$2,356,858	\$189,510	\$35,632,336	\$6,838,834	\$42,471,170
Total Operating Revenues	<u>33,085,968</u>	<u>2,356,858</u>	<u>189,510</u>	<u>35,632,336</u>	<u>6,838,834</u>	<u>42,471,170</u>
Operating Expenses						
Claims and Benefit Payments	29,975,564	2,191,999	193,000	32,360,563	9,728,795	42,089,358
Operating Supplies and Expense	3,271,773			3,271,773		3,271,773
Total Operating Expenses	<u>33,247,337</u>	<u>2,191,999</u>	<u>193,000</u>	<u>35,632,336</u>	<u>9,728,795</u>	<u>45,361,131</u>
Operating Income (Loss)	(161,369)	164,859	(3,490)	0	(2,889,961)	(2,889,961)
Change in Net Position	<u>(161,369)</u>	<u>164,859</u>	<u>(3,490)</u>	<u>0</u>	<u>(2,889,961)</u>	<u>(2,889,961)</u>
Net Position, Beginning	<u>375,032</u>	<u>(378,384)</u>	<u>3,352</u>	<u>0</u>	<u>9,403,079</u>	<u>9,403,079</u>
Net Position, Ending	<u>\$213,663</u>	<u>(\$213,525)</u>	<u>(\$138)</u>	<u>\$0</u>	<u>\$6,513,118</u>	<u>\$6,513,118</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2019

	Health, Dental and Vision Care	Insurance and Risk Management	Total
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Receipts from Employees and Other Sources	\$35,632,336	\$0	\$35,632,336
Receipts from Interfund Services Provided	959	23,114,902	23,115,861
Refunds from/(Payments to) Suppliers	(2,837,493)	4,333	(2,833,160)
Payments for Claims	(32,166,349)	(7,873,504)	(40,039,853)
Net Cash Provided by Operating Activities	<u>629,453</u>	<u>15,245,731</u>	<u>15,875,184</u>
Net Increase in Cash and Cash Equivalents	629,453	15,245,731	15,875,184
Cash at Beginning of Year	<u>1,376,557</u>	<u>15,141,475</u>	<u>16,518,032</u>
Cash at End of Year	<u><u>\$2,006,010</u></u>	<u><u>\$30,387,206</u></u>	<u><u>\$32,393,216</u></u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:			
Operating Income (Loss)	\$0	(\$2,889,961)	(\$2,889,961)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Decrease in Assets:			
Due from Other Funds		16,269,899	16,269,899
Other Receivables	959	6,169	7,128
Inventories and Prepaid Expenses	7,140		7,140
Increase in Liabilities:			
Accounts Payable	427,140	4,333	431,473
Claims Payable	194,214	1,855,291	2,049,505
Total Adjustments	<u>629,453</u>	<u>18,135,692</u>	<u>18,765,145</u>
Net Cash Provided by Operating Activities	<u><u>\$629,453</u></u>	<u><u>\$15,245,731</u></u>	<u><u>\$15,875,184</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:

INVESTMENT TRUST FUND

The **Sanitary Sewer Investment Trust** is an investment trust fund. In fiscal year 2014, the Government defeased all outstanding debt and entered into a new Sewer indenture agreement. 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 deposited into the Bond Account, which is held by a Trustee.

CUSTODIAL FUNDS

The **Neighborhood Sewer Projects Fund** is a custodial 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.

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.

Statement of Net Position
Investment Trust Funds
For the Year Ended June 30, 2019

	<u>Sewer</u>
ASSETS	
Cash and Cash Equivalents	\$28,704,846
Total Assets	<u><u>\$28,704,846</u></u>
NET POSITION	
Net position restricted for pool participants	<u><u>\$28,704,846</u></u>

STATEMENT OF CHANGES IN NET POSITION
Investment Trust Funds
For the Year Ended June 30, 2019

	<u>Sewer</u>
ADDITIONS	
Contributions:	
Employer	\$10,166,059
Total Contributions	<u>10,166,059</u>
Investment Income:	
Interest	630,076
Total Investment Income	<u>630,076</u>
Less Investment Expense	2,400
Net Investment Income	<u>627,676</u>
Total Additions	<u>10,793,735</u>
DEDUCTIONS	
Benefit Payments	11,359,028
Total Deductions	<u>11,359,028</u>
Net Decrease	(565,293)
Net Position, Beginning	<u>0</u>
Adjustment to Opening Fund Balance (Note 2.D.)	29,270,139
Fund Balances, Beginning - Restated	<u>29,270,139</u>
Net Position, Ending	<u><u>\$28,704,846</u></u>

STATEMENT OF CHANGES IN NET POSITION
Custodial Funds
For the Year Ended June 30, 2019

	Domestic Relations Fund	Juvenile and Adult Probation	Neighborhood Sewer Projects Fund	Representative Payee Program	Property & Evidence Fund	Prisoner Account	Total Custodial Funds
ASSETS							
Cash and Cash Equivalents	\$314,226	\$330,433	\$714	\$25,196	\$1,011,518	\$1,010,335	\$2,692,422
Interest Receivable	51						51
Total Assets	<u>\$314,277</u>	<u>\$330,433</u>	<u>\$714</u>	<u>\$25,196</u>	<u>\$1,011,518</u>	<u>\$1,010,335</u>	<u>\$2,692,473</u>
LIABILITIES							
Accounts Payable and Accrued Expenses	\$0	\$0	\$0	\$1,994	\$0	\$246,149	\$248,143
Total Liabilities	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$1,994</u>	<u>\$0</u>	<u>\$246,149</u>	<u>\$248,143</u>
NET POSITION							
Individuals, organizations, and Other Governments	\$314,277	\$330,433	\$714	\$23,202	\$1,011,518	\$764,186	\$2,444,330

STATEMENT OF CHANGES IN NET POSITION
Custodial Funds
For the Year Ended June 30, 2019

	Domestic Relations Fund	Juvenile and Adult Probation	Neighborhood Sewer Projects Fund	Representative Payee Program	Property & Evidence Fund	Prisoner Account	Total Custodial Funds
ADDITIONS							
Contributions:							
Plan Members	\$40,857	\$157,161	\$0	\$0	\$333,365	\$2,827,879	\$3,359,262
Other Governments				247,166		406,039	653,205
Total Contributions	40,857	157,161	0	247,166	333,365	3,233,918	4,012,467
Total Additions	40,857	157,161	0	247,166	333,365	3,233,918	4,012,467
DEDUCTIONS							
Benefit Payments	40,857	147,951		300,218	352,938	6,702	848,666
Administrative Expense						3,090,907	3,090,907
Total Deductions	40,857	147,951	0	300,218	352,938	3,097,609	3,939,573
Net Increase (Decrease)	0	9,210	0	(53,052)	(19,573)	136,309	72,894
Net Position, Beginning			714				714
Adjustment to Opening Fund Balance (Note 2.D.)	314,277	321,223		76,254	1,031,091	627,877	2,370,722
Fund Balances, Beginning - Restated	314,277	321,223	714	76,254	1,031,091	627,877	2,371,436
Net Position, Ending	\$314,277	\$330,433	\$714	\$23,202	\$1,011,518	\$764,186	\$2,444,330

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.

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

	June 30, 2019			
	Lexington Transit Authority	Lexington Public Library	Lexington Convention and Visitors Bureau	Total Nonmajor Component Units
ASSETS				
Cash	\$12,095,657	\$8,440,510	\$732,723	\$21,268,890
Investments		5,031,034		5,031,034
Receivables:				
Accounts Receivable	435,084		157,262	592,346
Other	101,272	24,906		126,178
Due from Primary Government			1,474,552	1,474,552
Due from Other Governments	4,127,370			4,127,370
Inventories and Prepaid Expenses	673,623	123,493	149,749	946,865
Restricted Current Assets:				
Cash	1,154,162	161,472	763	1,316,397
Investments		368,722	3,351,090	3,719,812
Capital Assets:				
Non-depreciable	4,578,833	5,051,757	22,602	9,653,192
Depreciable (Net)	34,032,366	19,682,003	1,949,337	55,663,706
Other Assets	8,355,000			8,355,000
Total Assets	\$65,553,367	\$38,883,897	\$7,838,078	\$112,275,342
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Pension Amounts	\$2,322,983	\$3,298,452	\$1,206,632	\$6,828,067
Deferred Other Post Employment Benefit Amounts on pension plan investments		1,128,018	388,357	1,516,375
Deferred Amount on Note Payable			3,372,502	3,372,502
Total Deferred Outflows of Resources	2,322,983	4,426,470	4,967,491	11,716,944
Total Assets and Deferred Outflows of Resources	\$67,876,350	\$43,310,367	\$12,805,569	\$123,992,286
LIABILITIES				
Accounts, Contracts Payable and Accrued Liabilities	\$1,009,733	\$1,328,603	\$306,226	\$2,644,562
Interest Payable		138		138
Unearned Revenue and Other		501	763	1,264
Non-Current Liabilities:				
Due Within One Year:				
Compensated Absences	148,821		98,648	247,469
Bonds and Notes Payable	939,334	347,768	747,502	2,034,604
Due in More Than One Year:				
Compensated Absences	335,596			335,596
Bonds and Notes Payable	17,578,078	8,300,490	2,625,000	28,503,568
Unfunded Other Post Retirement Benefit Liability		3,914,916	1,039,881	4,954,797
Unfunded Pension Liability	1,102,712	13,429,548	3,567,213	18,099,473
Total Liabilities	\$21,114,274	\$27,321,964	\$8,385,233	\$56,821,471
DEFERRED INFLOWS OF RESOURCES				
Deferred Pension Amounts	\$1,808,400	\$1,196,111	\$260,867	\$3,265,378
Deferred Other Post Employment Benefit Amounts		769,894	197,178	967,072
Total Deferred Inflows of Resources	1,808,400	1,966,005	458,045	4,232,450
Total Liabilities and Deferred Inflows of Resources	\$22,922,674	\$29,287,969	\$8,843,278	\$61,053,921
NET POSITION				
Net Investment in Capital Assets	\$21,247,949	\$16,085,502	\$1,971,940	\$39,305,391
Restricted for:				
Governmental and Program Funds		497,037		497,037
Unrestricted	23,705,727	(2,560,141)	1,990,351	23,135,937
Total Net Position	\$44,953,676	\$14,022,398	\$3,962,291	\$62,938,365

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF ACTIVITIES
NONMAJOR COMPONENT UNITS
For the Year Ended June 30, 2019

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lexington Transit Authority	Lexington Public Library	Lexington Convention and Visitors Bureau	Total Nonmajor Component Units
Lexington Transit Authority							
Transit Operations	\$2,537,939	\$4,756,824	\$179,730	(\$16,315,821)			(\$16,315,821)
Depreciation	3,576,752			(3,576,752)			(3,576,752)
Interest on Long-Term Debt	190,412			(190,412)			(190,412)
Total Lexington Transit Authority	29,144,103	4,756,824	179,730				(20,082,985)
Lexington Public Library							
Library Operations	16,012,414	656,169	105,000		(\$14,697,878)		(14,697,878)
Depreciation	1,546,216				(1,546,216)		(1,546,216)
Interest on Long-Term Debt	361,227				(361,227)		(361,227)
Total Lexington Public Library	17,919,857	656,169	105,000				(16,605,321)
Lexington Convention and Visitors Bureau							
Convention and Tourism Operations	8,462,966	325,437				(\$8,137,529)	(8,137,529)
Depreciation	289,866					(289,866)	(289,866)
Total Lexington Convention and Visitors Bureau	8,752,832	325,437	0				(8,427,395)
Total Nonmajor Component Units	\$4,677,931	\$5,738,430	\$284,730	(\$20,082,985)	(\$16,605,321)	(\$8,427,395)	(\$45,115,701)
General Revenues:							
Taxes				\$18,797,657	\$16,577,574	\$7,821,671	\$43,196,902
Income on Investments					183,074	17,057	200,131
Miscellaneous				(856,446)	95,862	84,294	(676,290)
Total General Revenues				17,941,211	16,856,510	7,923,022	42,720,743
Change in Net Position				(2,141,774)	251,189	(504,373)	(2,394,958)
Net Position, Beginning				47,095,450	13,771,209	4,466,664	65,333,323
Net Position, Ending				\$44,953,676	\$14,022,398	\$3,962,291	\$62,938,365

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Governmental Activities										
Net Investment in Capital Assets	\$920,938,945	\$921,236,876	\$899,350,344	\$877,691,469	\$860,074,409	\$838,877,310	\$813,823,945	\$752,686,501	\$718,483,933	\$667,270,316
Restricted	(31,494,181)	32,640,718	20,289,131	26,895,407	22,045,314	34,719,227	58,884,930	61,892,472	69,345,687	67,240,794
Unrestricted (Deficit)	(110,023,238)	(110,023,238)	(98,714,274)	(94,638,121)	(83,112,939)	(350,353,804)	(370,433,940)	(403,166,799)	(741,550,665)	(766,027,807)
Total governmental activities net position	889,444,764	843,854,356	820,925,201	809,948,755	799,006,784	523,242,733	502,274,935	411,412,174	46,278,955	(31,516,697)
Business-type Activities										
Net Investment in Capital Assets	239,666,463	209,276,568	217,434,369	217,313,258	222,913,279	227,825,104	231,848,112	235,845,376	247,162,736	275,607,655
Restricted	35,249,098	50,637,360	57,712,759	66,194,803	68,209,300	60,086,906	69,892,072	77,840,186	74,759,178	15,450,619
Unrestricted (Deficit)	14,702,006	33,023,663	29,435,424	27,429,362	33,237,351	36,179,971	38,061,916	41,169,488	39,300,274	54,867,555
Total business-type activities net position	289,617,567	292,937,591	304,582,552	310,937,423	324,359,930	324,091,981	339,802,100	354,855,050	361,222,188	345,925,829
Primary Government										
Net Investment in Capital Assets	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	965,646,669	942,877,971
Restricted	3,754,917	83,278,078	78,001,890	93,090,210	90,254,614	94,806,133	128,777,002	139,732,658	144,104,865	82,691,413
Unrestricted (Deficit)	14,702,006	(76,999,575)	(69,278,850)	(67,208,759)	(49,875,588)	(314,173,833)	(332,372,024)	(361,997,311)	(702,250,391)	(711,160,252)
Total primary government net position	\$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	\$407,501,143	\$314,409,132

* In 2015, the Government implemented GASB Statement No. 68 which revised the reporting for its liability related to pensions.

** In 2018, the Government implemented GASB Statement No. 74 which revised the reporting for its liability related to other paid employee benefits (OPEB).

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

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Expenses										
Governmental Activities:										
Administrative Services	\$1,299,382	\$1,386,040	\$2,143,480	\$11,761,053	\$5,342,699	\$7,433,487	\$7,800,854	\$9,578,189	\$10,332,453	\$10,124,062
Chief Development Officer	30,894,261	31,104,781	470,018	620,665	192,555	513,854	2,074,348	207,793	263,297	1,207,709
Community Corrections	21,516,034	23,500,067	31,286,365	32,631,937	34,000,937	30,066,104	30,814,432	33,771,433	40,746,826	42,468,842
Environmental Quality & Public Works										
Finance	24,047,223	28,515,655	80,559,723	83,878,537	45,339,718	54,933,912	60,134,890	61,270,031	65,541,170	64,882,901
Fire & Emergency Services	63,116,000	67,106,441	19,357,661	14,744,087	16,726,346	14,049,319	39,135,165	49,393,398	36,669,013	36,311,239
General Government	22,726,537	24,197,239	66,413,015	62,781,239	67,689,682	56,832,342	66,853,053	84,838,719	92,898,310	89,329,598
General Services**	14,629,238	14,242,698	22,985,046	23,692,990	26,973,537	25,480,664	30,180,917	45,598,791	24,040,021	45,808,696
Health, Dental and Vision Insurance	26,711,492	34,755,417	10,041,709	10,898,533	10,551,162	11,827,132	12,486,401	22,964,722	13,442,525	12,376,066
Information Technology**	9,161,677	9,713,226	26,211,457	25,006,634	24,893,545	25,000,892	22,632,726	26,894,758	27,763,298	28,505,869
Law	9,301,249	10,227,268	3,497,483	4,006,240	6,983,029	8,401,242	9,464,131	11,174,379	11,011,888	12,247,559
Parks & Recreation	18,320,506	19,064,298	19,386,251	19,653,677	3,811,867	2,650,481	2,109,025	5,652,482	2,602,304	2,886,923
Planning, Preservation, & Development*										
Police	70,694,372	71,714,415	68,164,371	69,945,322	19,693,483	18,854,526	21,010,506	23,375,486	24,127,163	24,799,178
Public Safety**	11,259,687	11,162,765	13,042,036	3,767,295	47,343,980	42,415,735	53,776,224	45,359,659	46,217,442	46,408,689
Public Works	61,841,096	63,671,436	13,042,036	14,666,437	69,822,219	56,418,416	64,145,155	74,436,600	94,799,943	87,225,335
Social Services	10,692,416	13,131,617	10,776,283	10,776,283	10,776,283	12,593,479	12,560,199	14,759,631	14,913,489	14,632,438
Interest on Long-Term Debt										
Business-Type Activities:										
Sanitary Sewer System	41,453,360	42,472,580	40,124,346	39,014,016	43,664,387	41,207,716	44,271,125	50,078,962	53,354,239	63,106,251
Public Facilities	10,806,267	10,741,225	10,333,320	9,419,886	8,895,507	8,829,979	9,596,104	8,666,540	8,049,921	6,915,288
Public Parking	927,900	906,926	847,894	84,866	26,526	66,994	66,987	1,965,274	1,965,274	4,799,382
Landfill	6,641,801	6,581,625	5,271,593	4,099,770	6,060,197	4,426,038	5,562,566	3,962,016	4,071,987	593,476
Right of Way	313,383	312,770	298,896	284,470	308,683	280,214	336,415	493,872	529,580	2,152,127
Extended School Program	2,456,874	2,207,310	2,339,148	2,198,555	1,977,394	1,951,359	2,262,605	2,023,018	2,137,227	2,930,224
Prisoners' Account System	1,421,523	1,287,139	1,373,473	1,393,543	1,844,393	1,253,423	1,716,855	3,002,164	2,930,224	4,797,403
Enhanced 911	3,634,032	3,083,806	2,973,088	2,930,379	2,384,796	2,638,373	3,940,313	4,170,674	4,701,497	421,115
CKY Network	57,644	84,242	29,307	10,668	450,919	1,307,829	879,328	412,763	266,242	13,628,042
Water Quality	4,528,403	6,280,081	9,182,669	8,308,501	9,139,302	8,618,921	11,290,945	12,002,937	13,618,632	89,659,549
Total Business-Type Activities	72,241,187	73,957,004	72,773,734	67,744,654	74,990,804	70,580,846	79,903,243	86,838,220	89,659,549	96,413,084
Total Primary Government	\$480,289,060	\$508,123,948	\$477,949,214	\$469,110,250	\$488,663,997	\$462,132,665	\$540,558,681	\$624,486,060	\$624,526,571	\$646,759,856

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

Program Revenues	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018
Governmental Activities:										
Administrative Services	\$0	\$1,000	\$1,603,453	\$559,050	\$367,363	\$351,158	\$498,615	\$769,505	\$2,123,003	\$395,756
Chief Development Officer	63,19,484	7,429,351	7,707,225	8,286,565	6,281	76,504	2,500	9,159	9,159	40,428
Community Corrections	1,850,487	2,406,997			9,161,315	8,574,892	9,330,723	9,263,554	9,309,583	10,424,478
Environmental Quality										
Environmental Quality & Public Works										
Finance	3,807,077	3,145,043	2,912,917	2,757,405	2,681,977	3,140,243	2,485,454	3,113,988	3,005,644	3,180,175
Fire & Emergency Services	6,191,913	6,478,108	2,511,142	2,413,363	3,358,781	1,912,603	472,126	55,401	462,509	459,930
General Government	13,541,123	15,644,382	15,086,369	23,141,015	17,046,255	8,211,753	9,210,668	6,817,192	6,817,192	8,178,353
General Services**	113,498	97,898	28,827	28,827	4,155	19,035,778	18,462,898	18,462,898	19,438,510	21,877,626
Health, Dental, and Vision	26,711,492	34,755,417	26,211,457	25,006,634	24,895,545	97,971	18,346	1,700	16,548	4,139
Information Technology**	14,368	20,876								
Law	34,444	18,217								
Parks & Recreation	4,691,533	4,258,091	4,810,535	4,156,325	49,006	15,013	3,096	981	213	3,376
Planning, Preservation, & Development*										
Police	2,007,988	2,402,840	1,528,342	1,942,297	2,245,228	2,709,381	4,403,431	4,333,455	4,325,061	4,483,856
Public Works	445,029	329,460	2,045,401	1,857,059	64,898	1,640,754	1,513,686	1,717,739	2,068,469	1,987,333
Social Services	5,770,608	4,088,338				247,994	69,522	73,187	69,023	73,867
Operating Grants & Contributions	20,192,672	13,849,522	14,139,426	13,065,758	15,108,425	1,804,885	1,662,363	1,586,791	1,864,271	2,129,603
Capital Grants & Contributions	10,434,599	7,078,729	8,316,236	6,272,539	9,200,572	15,087,470	13,383,904	13,146,822	10,617,000	11,996,202
Total Governmental Activities	104,974,788	105,547,184	96,078,664	98,573,466	98,840,995	100,429,782	96,193,389	95,431,225	96,743,087	101,633,045
Business-Type Activities:										
Charges for Services										
Sanitary Sewer System	47,470,305	48,803,593	47,287,791	52,927,780	50,480,049	52,007,762	58,394,719	63,890,717	64,451,293	75,961,739
Public Facilities	6,405,531	7,157,088	7,156,666	5,830,285	6,375,794	6,405,783	6,987,538	7,303,362	6,145,356	5,949,941
Public Parking	1,203,102	859,874	977,414	4,560			705			
Landfill	8,240,762	7,203,610	7,183,611	6,845,329	7,064,989	7,211,864	7,050,937	7,060,342	7,028,050	7,173,603
Right of Way	479,012	483,196	419,676	392,466	520,812	475,126	495,490	656,344	682,221	682,221
Extended School Program	2,097,145	2,038,391	2,338,243	2,379,751	2,202,171	2,229,896	1,904,620	2,060,463	2,060,463	2,126,102
Prisoners' Account System	1,915,910	1,121,799	1,524,127	1,619,626	2,372,285	1,227,415	1,621,110	3,146,187	3,165,206	3,165,206
Enhanced 911	4,069,027	3,749,409	3,999,658	3,517,634	4,273,106	3,810,087	4,126,861	4,429,699	4,542,449	4,176,602
CKY Network	91,090	140,699	51,798	25,738	11,1576	1,369,890	815,110	400,735	319,414	498,913
Water Quality	5,581,104	11,604,589	12,095,514	82,926,476	13,119,524	13,341,859	13,661,911	13,565,209	14,082,286	14,784,064
Total Business-Type Activities	77,552,988	83,162,228	83,034,498	85,539,645	86,520,306	87,979,682	95,443,396	102,450,861	102,450,861	111,533,185
Total Primary Government	182,527,776	188,709,412	179,113,162	184,113,111	185,361,301	188,409,464	191,636,879	197,836,055	199,193,948	212,866,228
Net (Expense)/Revenue										
Governmental Activities	(303,073,085)	(328,619,060)	(309,096,816)	(302,792,130)	(314,832,198)	(291,122,037)	(364,462,049)	(442,216,615)	(438,123,935)	(448,713,729)
Business-Type Activities	5,311,801	9,204,524	10,260,764	18,094,991	11,529,502	17,398,836	15,540,247	15,566,610	12,791,312	14,940,101
Total Primary Government	(297,761,284)	(319,414,536)	(298,836,052)	(284,697,139)	(303,302,696)	(273,723,201)	(348,921,802)	(426,650,005)	(425,332,623)	(433,773,628)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	51,143,199	52,548,109	52,860,840	53,597,311	54,759,199	55,241,837	56,751,000	58,636,843	62,072,333	64,573,949
Licenses and Permits	215,196,838	224,399,866	220,800,201	238,924,158	248,271,270	265,596,253	275,539,490	288,771,661	304,625,553	303,862,887
Grants & Contributions Not Restricted to Specific Programs:										
Community Development Block Grant	2,250,779	2,175,565	2,171,901	2,176,035	2,009,120	1,719,372	8,018,438	1,154,744	1,951,474	3,352,871
Income on Investments	300,149	129,839	589,967	(509,890)	26,3242	1,341,333	602,208	1,029,385	2,333,373	2,333,373
Sale of Assets	(45,882)	2,300,242	311,259	283,406		1,941,282	413,379	1,144,379	149,226	421,745
Transfers	1,737,854	1,249,888	(346,507)	(1,106,585)	(871,447)	(2,546)	(313,102)	1,210,302	(800,072)	564,725
Total Governmental Activities	270,582,937	282,803,509	286,167,661	293,364,435	304,431,384	324,496,198	341,750,628	351,520,137	369,027,899	375,209,550
Business-Type Activities:										
Income on Investments	96,285	540,692	1,029,866	(215,314)	1,021,558	(604,800)	547,366	159,737	962,755	1,730,075
Sale of Assets	(401,697)	39,149	7,824			10,168		536,905	28,641	19,254
Transfers	(1,737,854)	(1,249,888)	346,507	(1,102,981)	871,447	2,546	313,102	(1,210,302)	800,072	(564,725)
Total Business-Type Activities	(2,043,260)	(670,047)	1,384,197	(12,118,295)	1,893,005	(592,086)	860,468	(513,660)	1,791,468	1,184,604
Total Primary Government	268,539,677	282,133,462	287,551,858	281,246,140	306,324,389	323,904,112	342,611,096	351,006,477	370,819,367	376,394,154
Change in Net Position										
Governmental activities	(32,490,148)	(45,815,551)	(22,929,155)	(9,427,695)	(10,400,814)	33,374,161	(22,711,421)	(90,696,478)	(69,096,036)	(73,594,179)
Business-type activities	3,268,535	8,534,477	11,644,961	5,976,696	13,422,507	16,806,750	16,400,715	15,052,950	14,582,780	16,124,705
Prior Period Adjustment - Government Activities	(12,665,128)	225,143		(1,548,751)	(541,157)	(309,138,212)	1,743,623	(166,283)	(296,037,183)	(4,291,473)
Prior Period Adjustment-Business-Type Activities						(17,074,699)	(690,596)		(8,215,642)	(31,421,064)
Total Primary Government	(341,876,741)	(52,144,653)	(12,929,155)	378,175	\$2,480,536	(82,763,000)	(55,257,679)	(575,809,811)	(8,215,642)	(893,092,011)
**In FY 16 the Chief Information Officer 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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
General Fund										
Reserved	\$12,019,893	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Underserved										
Designated for Economic Contingency	14,470,569									
Designated for Payroll	2,923,169									
Undesignated	2,106,483	1,493,737	1,461,447	1,405,198	1,627,367	2,064,127	2,102,194	2,343,585	2,480,783	2,290,430
Nonspendable										
Restricted for:										
Public Safety				408,227	636,874	198,175	397,688	602,807	812,350	1,026,212
Energy Improvement Projects						552,989	552,011	676,218	595,075	628,995
Committed for:										
General Government	3,931,000					11,606,932	13,353,512	5,941,545	3,640,127	4,228,784
Economic Stabilization	18,200,738		18,482,971	23,290,466	25,224,221	29,685,851	30,687,844	31,408,506	34,015,454	35,345,181
Assigned to:										
Capital Projects			6,972,224	8,060,560	8,137,251	20,449,635	13,924,969	4,913,896	1,660,938	2,318,361
General Government			11,583,075	10,325,000	12,700,000	14,500,000	21,200,000	14,000,000	15,400,000	16,145,000
Urban Services			2,500,000							
Unassigned	562,360			4,309,677	4,176,646	4,273,341	4,789,658	5,419,629	5,757,987	5,931,602
Total	31,520,114	24,187,835	44,265,589	54,411,812	63,751,505	83,331,050	87,007,876	65,306,186	64,362,714	67,914,565
Urban Services										
Reserved	8,842,245									
Designated for Payroll	154,622									
Undesignated	16,986,960	4,031	604	175	11,112	2,735	2,603	22,900	62,543	94,468
Nonspendable										
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	28,107,799	25,745,424
Energy Improvement Projects				10,383	13,314	2,930	2,930	5,860	11,720	2,930
Total	25,983,827	20,424,772	22,768,174	28,642,412	29,880,294	31,397,063	30,374,247	23,864,791	28,182,062	25,842,822
All Other Governmental Funds										
Reserved	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	7,765,585	8,233,228
Public Safety		3,117,402	2,812,852	1,659,378	1,569,569	1,529,730	1,460,930	1,418,500	1,253,572	1,429,926
Special Revenue Funds										
Capital Projects	13,742,070									
Grants Projects	36,272,857	32,094,257	19,027,031	25,214,697	20,133,026	33,754,253	57,700,163	41,101,200	47,044,427	43,874,848
Committed for:										
General Government	116,485	546,461	1,262,100	1,262,100	1,262,100	210,880	232,138	241,043	250,200	259,010
Assigned to:										
General Government		410,544	447,605							
Unassigned		(974,484)	(370,103)	445,690	1,721,084	1,327,774	720,741	457,767	390,941	244,977
Total	\$62,834,077	\$45,551,725	\$31,424,810	\$37,637,194	\$36,297,645	\$45,131,391	\$66,305,680	\$48,837,192	\$56,668,333	\$54,041,989

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)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Licenses and Permits	\$219,586,264	\$228,816,452	\$235,226,117	\$243,655,298	\$253,581,959	\$271,354,443	\$281,240,662	\$294,952,524	\$310,378,790	\$310,116,817
Taxes	51,143,199	52,548,109	52,860,840	53,597,311	54,759,199	55,241,837	56,751,090	58,636,843	62,072,333	64,573,949
Charges for Services	21,182,005	24,158,224	26,262,822	26,365,849	26,797,087	28,036,635	29,175,200	27,222,202	27,327,074	29,687,509
Fines and Forfeitures	268,459	220,449	176,319	311,930	258,112	235,626	222,201	234,820	185,061	231,863
Intergovernmental	41,088,818	33,622,666	35,125,072	32,365,491	38,199,741	35,010,716	38,232,668	28,719,916	27,179,190	29,163,862
Exactions	601,993	96,613	129,603	532,410	486,643	2,074,477	317,370	514,337	148,447	243,198
Grant Match	2,619,353									
Property Sales	499,119	2,681,463	453,540	462,570	181,052	529,770	585,626	1,766,593	332,635	542,862
Income on Investments	300,149	129,839	589,902	(509,785)	263,298	1,941,301	1,341,478	602,208	1,029,385	2,733,773
Other	9,988,984	8,998,513	4,002,075	3,436,946	4,067,219	5,244,909	4,536,586	5,011,982	6,771,390	5,953,044
Total Revenues	347,278,343	351,272,328	354,826,290	360,218,020	378,594,310	399,669,714	412,402,881	417,661,425	435,424,305	443,246,477
Expenditures										
Administrative Services	1,098,505	1,209,504	19,612,467	10,370,972	5,014,372	7,431,873	8,060,766	9,259,948	9,397,369	9,524,646
Chief Development Officer			458,932	613,743	190,339	537,986	1,107,841	963,105	1,322,146	1,305,739
Environmental Quality	20,398,457	22,544,214								
Environmental Quality & Public Works			36,315,403	37,037,311	36,407,046	40,387,589	42,819,684	43,305,223	46,744,561	47,066,717
Finance	11,979,265	9,271,854	5,405,089	5,115,502	5,020,225	5,225,806	5,536,971	5,977,862	6,004,097	5,872,974
General Government	6,962,873	7,382,550	5,059,170	5,647,407	5,678,539	6,306,980	6,542,424	6,556,907	6,354,511	7,962,989
General Services**	26,370,443	25,763,110	24,095,490	26,517,790	24,348,481	26,139,238	29,278,819	30,038,997	30,457,511	30,817,638
Information Technology**	10,287,205	8,450,628			6,018,607	7,513,809	9,187,214	9,964,616	13,127,259	12,010,209
Law	9,327,861	10,237,207	3,571,448	3,994,327	4,035,393	2,844,737	2,275,312	10,462,417	2,590,350	2,904,061
Outside Agencies	18,123,297	19,244,315	20,571,727	20,260,096	24,739,506	23,623,807	28,736,538	22,958,277	23,470,932	25,103,810
Planning, Preservation, & Development*	191,233,566	160,552,216	193,328,465	172,413,558	173,507,393	177,216,505	186,290,364	209,591,012	211,574,153	216,669,362
Public Safety**	22,514,826	21,858,996		3,659,901	8,670,017	10,436,351	12,486,736	14,614,512	14,506,605	13,339,484
Public Works	9,615,423	8,402,054	7,804,749	8,222,664	8,196,041	8,422,005	9,190,567	10,296,721	10,852,548	11,188,437
Debt Service:										
Principal	26,230,000	20,035,000	18,465,000	17,855,000	21,925,000	20,850,000	22,010,000	21,470,000	26,855,000	29,245,000
Interest and Other	9,409,512	13,703,243	12,927,929	13,108,740	13,667,645	12,558,133	13,938,702	15,073,088	15,356,878	16,167,674
Capital	70,941,523	49,010,038	29,785,796	28,336,917	48,815,941	51,092,128	70,848,354	95,073,861	43,876,088	61,177,621
Total Expenditures	434,492,756	377,664,929	377,401,672	353,153,928	386,234,545	400,586,967	448,310,292	505,606,546	462,490,008	490,356,361
Excess (Deficiency) of Revenues over (under) Expenditures	(87,214,413)	(26,392,601)	(22,575,382)	7,064,092	(7,640,235)	(917,253)	(35,907,411)	(87,945,121)	(27,065,703)	(47,109,884)
Other Financing Sources (Uses)										
Transfers In	6,723,504	3,843,657	18,102,675	7,226,272	28,308,895	21,319,957	24,833,948	11,581,277	12,385,610	11,979,061
Transfers Out	(4,985,650)	(3,773,123)	(18,493,131)	(7,822,695)	(29,163,490)	(21,316,119)	(25,134,821)	(11,801,402)	(12,710,446)	(11,141,975)
Debt Proceeds (net of bond refunding)	119,515,000	19,720,000	37,275,000	21,177,299	78,350,131	49,993,988	56,180,000	70,278,668	54,808,279	42,055,000
Premium (Discount) on Bonds Issued	(7,130,168)	(4,580,255)	(6,014,921)	(4,549,025)	(60,617,275)	(19,150,513)	3,362,960	(27,626,773)	(15,467,353)	2,804,065
Total Other Financing Sources (Uses)	114,122,686	15,210,279	30,869,623	16,031,851	16,878,261	30,847,313	59,242,087	42,431,770	39,016,090	45,696,151
Net Change in Fund Balances	\$26,908,273	(\$11,182,322)	\$8,294,241	\$23,095,943	\$9,238,026	\$29,930,060	\$23,334,676	(\$45,513,351)	\$11,950,387	(\$1,413,733)
Debt Service as a Percentage of Noncapital Expenditures*	9.5%	10.2%	8.7%	9.1%	10.1%	9.1%	9.0%	7.8%	9.9%	9.4%

*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 5

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Licenses and Permits	\$218,333,096	\$227,486,734	\$233,898,045	\$242,304,633	\$252,196,981	\$269,928,753	\$279,796,674	\$293,445,670	\$308,811,807	\$308,462,028
Taxes	20,222,945	20,992,845	20,880,351	21,368,326	21,899,738	21,826,464	22,599,975	23,068,237	24,528,574	25,221,927
Charges for Services	21,002,080	24,084,059	23,879,484	24,202,174	24,643,221	25,633,499	27,409,249	24,604,479	24,865,154	28,196,399
Fines and Forfeitures	262,040	215,493	170,001	309,442	257,039	234,615	220,612	234,363	184,729	230,914
Intergovernmental	1,156,085	2,441,417	1,942,553	1,978,891	1,720,761	797,537	858,600	546,939	775,621	975,875
Property Sales	473,784	1,985,318	152,194	137,719	56,688	318,536	205,560	1,265,147	248,629	236,248
Income on Investments	62,901	(2,381)	390,823	(556,777)	432,454	1,564,895	775,012	339,889	556,641	1,604,513
Other	5,640,858	4,159,715	2,213,409	2,388,300	2,509,949	4,198,344	3,669,875	3,502,017	4,131,498	4,981,187
Total Revenues	267,153,789	281,363,200	283,526,860	292,132,708	303,716,831	324,502,643	335,535,557	347,006,741	364,102,653	369,909,091
Expenditures and Other										
Financing Sources (Uses)										
Administrative Services	1,098,505	1,209,504	15,973,425	8,112,087	2,656,141	5,617,560	6,177,391	7,524,232	7,751,744	7,773,340
Chief Development Officer			158,932	163,743	182,074	267,683	1,001,763	845,523	1,288,532	1,305,739
Environmental Quality	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	12,369,277	11,441,398
Finance	8,297,391	7,936,589	5,387,968	5,101,158	5,022,088	5,350,469	5,494,593	5,909,131	5,938,150	5,875,301
General Government	3,206,859	3,872,271	1,700,098	3,476,730	3,664,554	4,109,338	4,265,335	4,333,737	3,444,293	5,124,053
General Services**	26,464,121	25,414,155	24,165,031	26,774,613	29,847,860	27,906,695	31,355,145	31,546,178	30,722,576	28,716,761
Information Technology**	7,366,977	7,820,811			6,018,605	8,213,083	8,887,236	10,471,207	10,804,309	10,738,780
Law	8,601,967	9,607,308	3,494,863	3,926,008	3,974,171	2,315,205	2,182,164	10,186,108	2,454,494	2,548,860
Outside Agencies	16,786,200	16,935,373	17,206,291	17,121,904	18,935,337	19,540,759	20,264,359	20,528,503	20,987,191	22,289,443
Planning, Preservation, & Development*				2,738,011	7,742,329	9,540,472	11,872,258	13,588,891	13,399,720	12,365,983
Public Safety**	183,918,587	154,017,726	187,071,884	167,821,104	165,631,441	172,810,800	186,461,715	206,803,147	203,622,135	207,963,308
Public Works	18,296,963	16,628,445								
Social Services	7,439,405	6,801,050	6,003,513	6,566,634	6,633,883	6,821,502	7,870,878	9,209,025	9,262,532	9,067,801
Debt Service	27,749,206	33,701,269	30,937,819	29,748,196	34,160,768	31,970,746	34,481,109	35,216,103	41,330,879	44,051,251
Other Financing (Sources) Uses	(40,465,809)	(3,207,654)	(37,031,128)	2,332,547	2,541,672	643,862	1,181,014	694,993	366,171	(2,874,377)
Financing Sources (Uses)	268,763,589	280,743,254	263,449,106	281,986,485	294,377,138	304,923,098	333,240,985	368,587,574	363,742,003	366,387,641
Net Change in Fund Balance	(\$1,609,800)	\$619,946	\$20,077,754	\$10,146,223	\$9,339,693	\$19,579,545	\$2,294,572	(\$21,580,833)	\$360,650	\$3,521,450

*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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Revenues										
Sewer Service Charges	\$45,578,971	\$45,663,797	\$44,334,743	\$45,990,027	\$46,577,092	\$46,845,571	\$53,005,210	\$60,085,888	\$60,398,087	\$61,524,855
Sewer Tap on Fees	1,072,452	1,523,169	1,944,010	2,325,787	2,013,656	2,482,245	3,249,636	2,154,652	2,923,533	2,119,925
Exactions	287,677	885,730	150,120	4,002,945	801,569	426,085	411,513	294,332	329,120	273,763
Other Income	448,880	776,339	615,624	609,021	1,155,128	2,297,116	1,127,145	912,835	82,988	12,257,683
Total Revenues	47,387,980	48,849,035	47,044,497	52,927,780	50,547,445	52,051,017	57,793,504	63,447,707	63,733,728	76,534,529
Operating Expenses										
Treatment Plant	8,502,531	8,411,093	7,933,477	8,217,471	7,935,854	7,318,958	6,713,706	7,116,239	8,157,629	7,745,135
Collection System	4,297,166	5,544,184	5,064,273	4,405,020	4,461,052	4,187,968	4,413,641	4,536,910	1,832,856	2,467,916
Administration	18,974,390	18,243,183	17,142,578	16,216,619	20,773,379	20,119,458	21,566,883	24,011,158	28,262,383	37,748,088
Depreciation	7,113,944	7,214,960	7,299,442	7,683,896	8,047,827	8,471,363	9,130,305	10,568,196	12,137,121	12,517,562
Total Operating Expenses	38,888,031	39,413,420	37,439,770	36,523,006	41,218,112	40,097,747	41,824,535	46,232,503	50,389,989	60,478,701
Operating Income	8,499,949	9,435,615	9,604,727	16,404,774	9,329,333	11,953,270	15,968,969	17,215,204	13,343,739	16,055,828
Net Nonoperating Revenues/(Expenses)	(2,909,369)	(2,486,197)	(1,697,841)	(2,649,715)	(1,451,967)	(1,710,547)	(2,005,954)	(4,005,015)	(2,289,314)	(1,444,433)
Transfers In		3,010,299	422,187	1,208,935	88,369,088	6,230			150,000	172,823,976
Transfers Out	(394,869)	(4,283,344)	(466,138)	(1,039,194)	(88,351,969)	354	(4,236)	(185,026)	56,435	(172,680,119)
Net Income/Change in Net Position	\$5,195,711	\$5,676,373	\$7,862,935	\$13,924,800	\$7,894,485	\$10,249,307	\$13,958,779	\$13,025,163	\$11,260,860	\$14,755,252

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)
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
2018	17,358,420	746,352	8,117,423	1,740	5,953,135		32,177,070		32,177,070	0.2533
2019	17,859,282	752,367	8,789,535	1,889	5,810,802		33,213,875		33,213,875	0.2533

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
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%	1,551,084	54,623,226	99.7%
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%
2018	61,778,968	59,899,917	97.0%		59,899,917	97.0%
2019	63,891,892	62,113,756	97.2%		62,113,756	97.2%

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

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

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

TABLE 9

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

Fiscal Year	LFUCG Direct Rates					Overlapping Rates						Total	
	General	Urban Services			Total Direct	Fayette County School	Commonwealth of Kentucky	Extension Services	Soil & Water		Health Department		Lextran
		Refuse	Street Lights	Street Cleaning					Conservation				
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	
2018	0.0800	0.1426	0.0210	0.0097	0.2533	0.7500	0.1220	0.0035	0.0006	0.0280	0.0600	1.2174	
2019	0.0800	0.1426	0.0210	0.0097	0.2533	0.8100	0.1220	0.0035	0.0006	0.0280	0.0600	1.2774	

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	2019			2011		
	Taxable Assessed		% of Total City Taxable Assessed Value	Taxable Assessed		% of Total City Taxable Assessed Value
	Value	Rank		Value	Rank	
Hap Property Owner, LP	\$139,500,000	1	0.46%	\$0		
Fayette Mall SPE LLC	138,573,200	2	0.45%	117,000,000	1	0.43%
Fritz Farm Retail Company LLC	86,260,000	3	0.28%			
Passco Fritz Farm Mngr LLC TTEE	64,157,000	4	0.21%			
Fayette Middle Anchor LLC	63,000,000	5	0.21%			
Healthsouth Kentucky Real Estate	56,446,100	6	0.18%			
Newtown Crossing II LLC	53,000,000	7	0.17%			
War Admiral Place	54,662,000	8	0.18%			
Strata Racquet LLC	51,500,000	9	0.17%			
Sir Forty 57 LLC	50,000,000	10	0.16%			
Fourth Quarter Properties*						
Lexmark International Inc.				94,605,300	2	0.35%
Weingarten Realty Inc.				55,806,600	3	0.20%
War Admiral Place				48,274,200	4	0.18%
Fayette Plaza CMBS LLC				44,970,900	5	0.16%
Ball Realty Inc.				40,000,000	6	0.15%
Diamondrock Griffin				38,488,100	7	0.14%
Meijer Stores, Ltd				35,950,000	8	0.13%
Mid American Apts LLC				33,573,600	9	0.12%
				32,700,000	10	0.12%
Total	\$757,098,300		2.47%	\$541,368,700		1.98%

*Hap Properties purchased Hamburg Pavillion from Fourth Quarter Properties in July 2014.

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
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%
2018	2.25%		0.50%	2.75%
2019	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	2019 Rank	2011 Rank
University of Kentucky	1	1
Fayette County Board of Education	2	3
Baptist Healthcare	3	7
Lexmark International	4	2
Lexington-Fayette Urban County Government	5	4
St. Joseph Hospital	6	6
Defense Finance & Acctg System (formerly Dept of Veterans Affairs)	7	5
Amazon.com	8	
Valvoline International, Inc.	9	
Lexington Clinic	10	9
L3 Communications		8
Ashland, Inc.		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				Total Primary Government	% of Personal Income	Primary Government Debt Per Capita
	General Obligation Bonds	QEGB Bond	Lease Revenue Notes Payable	Bond Anticipation Notes	Revenue Bonds	Mortgage Revenue Bonds	Notes Payable				
2010	\$308,355,000	\$0	\$0	\$8,000,000	\$64,565,000	\$63,890,000	\$0	\$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	319,736,652	2,900,000 **			38,561,469	53,625,000	36,968,889	451,792,010	3.2% *	1,435	
2016	356,149,549	2,900,000 **			35,850,000	51,315,000	64,267,000	510,481,549	3.6%	1,603	
2017	375,507,126	2,900,000 **			33,017,706	49,080,404	86,872,538	547,377,774	3.5%	1,699	
2018	386,251,016	2,795,000 **			30,129,000	46,578,000	120,023,000	585,776,016	3.6%	1,809	
2019	399,625,856	2,795,000 **			30,129,000	43,965,000	522,444,000	998,958,856	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 2019 not available at time of publication.

Population data for 2019 not available at time of publication.

* Updated in 2017

** Moved the Qualified Energy Conservation Bond (QEGB) from the General Obligation Bonds total.

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

TABLE 14

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

Fiscal Year	General Obligation Bonds	% of Assessed Value of Property	Per Capita
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%	1,025 *
2016	359,049,549	1.24%	1,127
2017	378,407,126	1.24%	1,174
2018	389,046,016	1.21%	1,202
2019	402,420,856	1.21%	na **

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

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

* Updated in 2017

** Population data for 2019 not available at time of publication.

*** Updated formula to include QECB bond on Table 13

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, 2019

	Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Overlapping Debt
Lexington Center Corporation			
Mortgage Revenue Bonds, Series 2018	\$110,855,000	4.37%	\$4,844,334
Mortgage Revenue Bonds, Series 2018A	83,605,000	4.37%	3,653,517
Mortgage Revenue Bonds, Series 2018B	13,460,000	4.37%	588,198
Lexington Public Library			
Variable Rate, Revenue Bonds Series 2014A	709,583	2.37%	16,814
Lexington-Fayette Urban County Government Airport Corporation			
Fixed Rate General Airport, Revenue, and Refunding Bond 2009A (non-AMT)	2,300,000	5.18%	119,058
Variable Rate General Airport, Revenue, and Refunding Bond 2009B (AMT)	5,400,000	5.18%	279,528
Fixed Rate General Airport, Revenue, and Refunding Bond 2012A (AMT)	6,770,000	5.18%	350,446
Fixed Rate General Airport, Revenue, and Refunding Bond 2012B (non-AMT)	11,230,000	5.18%	581,315
Fixed Rate General Airport, Revenue, and Refunding Bond 2016A (non-AMT)	4,450,000	5.18%	230,352
Fixed Rate General Airport, Revenue, and Refunding Bond 2016B (AMT)	4,500,000	5.18%	232,940
Fixed Rate General Airport, Revenue, and Refunding Bond 2016C (Fed Taxable)	36,525,000	5.18%	1,890,698
Fixed Rate General Airport, Revenue, and Refunding Bond 2016D (non-AMT)	5,345,000	5.18%	276,681
Fixed Rate General Airport, Revenue, and Refunding Bond 2016E (AMT)	4,250,000	5.18%	219,999
Fayette County School & Kentucky School Commission Bonds	431,275,134	100.00%	431,275,134
Subtotal, Overlapping Debt			444,559,014
LFUCG, Direct Debt			402,420,856
Total Direct and Overlapping Indebtedness			<u>\$846,979,870</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									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Assessed Value	\$27,143,337	\$27,278,231	\$27,501,680	\$27,991,475	\$28,353,568	\$29,616,824	\$28,873,199	\$30,607,420	\$32,177,070	\$32,177,070
Debt limit (10% of Assessed Value)	\$2,714,334	\$2,727,823	\$2,750,168	\$2,799,148	\$2,835,357	\$2,961,682	\$2,887,320	\$3,060,742	\$3,217,707	\$3,217,707
Total net debt applicable to limit	171,510	108,710	203,817	194,414	200,820	171,917	162,861	184,801	183,990	362,029
Legal debt margin	\$2,542,824	\$2,619,113	\$2,546,351	\$2,604,734	\$2,634,537	\$2,789,765	\$2,724,459	\$2,875,941	\$3,033,717	\$2,855,678
Total net debt applicable to the limit as a percentage of debt limit	6.32%	3.99%	7.41%	6.95%	7.08%	5.80%	5.64%	6.04%	5.72%	11.25%
Source: Department of Finance, Lexington-Fayette Urban County Government										

TABLE 17

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

Fiscal Year	Sanitary Sewer System				Public Facilities Corporation					
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Coverage	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2010	\$47,446	\$31,774	\$15,672	2.66	\$6,431	\$2,670	\$3,761	\$2,643	\$2,661	0.71
2011	49,383	32,198	17,185	2.41	7,159	2,789	4,370	1,900	2,570	0.98
2012	48,023	30,140	17,883	1.25	7,157	2,697	4,460	1,970	2,495	1.00
2013	52,769	28,839	23,930	4.12	5,830	2,305	3,525	2,050	2,416	0.79
2014	51,542	33,170	18,372	3.14	6,376	2,111	4,265	2,130	2,334	0.96
2015	51,440	31,626	19,814	4.97	6,406	2,436	3,970	2,215	2,247	0.89
2016	58,234	32,694	25,540	4.54	6,988	2,708	4,280	2,310	2,646	0.86
2017	63,289	35,664	27,625	4.36	7,305	2,625	4,680	2,405	2,274	1.00
2018	64,355	38,253	26,102	3.16	6,149	2,960	3,189	2,055	1,875	0.81
2019	77,698	47,961	29,737	2.81	5,956	2,158	3,798	2,165	1,673	0.99

Fiscal Year	Public Parking Corporation				Special Assessment Bonds			
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Coverage	Special Assessment Collections	Debt Service Principal	Debt Service Interest	Coverage
2010	\$1,203	\$539	\$664	0.84	\$0	\$0	\$0	0.00
2011	861	600	261					
2012	978	540	438					
2013	5	4	1					
2014								
2015								
2016	1		1					
2017								
2018								
2019								

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
2010	296,717	\$11,568,412	\$38,988	151,190	12,096	7.4%
2011	301,272	* 12,147,960	40,322	153,602	11,324	6.9%
2012	305,201	* 12,701,835	41,618	156,579	9,688	5.8%
2013	308,501	* 12,826,933	41,578	158,648	9,769	5.8%
2014	310,725	* 13,472,243	* 43,357	158,848	7,983	4.8%
2015	314,767	* 14,224,629	* 45,191	160,099	6,423	3.9%
2016	318,449	* 14,338,062	* 45,025	163,637	6,153	3.6%
2017	322,193	** 15,602,893	** 48,427	167,944	6,360	3.6%
2018	323,780	** 16,247,217	** 50,180	169,048	5,801	3.3%
2019	na	na	na	na	na	na

* Updated in 2018

** Updated in 2019

Note:

Population, Personal Income and Per Capita Personal Income data for 2019 not available at time of publication.

Employed, Unemployed and Unemployment Rate data for 2019 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	2019			2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Kentucky	12,800	1	7.57%	12,278	1	7.99%
Fayette County Public Schools	6,181	2	3.66%	5,500	2	3.58%
Lexington-Fayette Urban County Government	2,945	3	1.74%	3,300	4	2.15%
Amazon.com	2,700	4	1.60%			
Conduent	2,500	5	1.48%			
Veterans Medical Center	2,086	6	1.23%			
Baptist Healthcare	1,852	7	1.10%	2,496	7	1.62%
KentuckyOne Health	1,847	8	1.09%			
Lemark International	1,600	9	0.95%	3,000	5	1.95%
Lockheed Martin	1,100	10	0.65%	1,800	9	1.17%
St.Joseph Hospital				3,500	3	2.28%
ACS a Zerox Company				2,700	6	1.76%
Wal-Mart				2,027	8	1.32%
Kroger				1,655	10	1.08%
	<u>35,611</u>		<u>21.07%</u>	<u>38,256</u>		<u>24.90%</u>

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	229	142,233
2009	7,109	21,603	7,921	4,403	19,455	13,194	2,043	5,138	23,745	32,697	24	137,332
2010	6,491	21,983	8,226	5,711	19,930	12,632	1,881	5,444	25,106	33,256	54	140,714
2011	6,790	23,640	8,266	5,680	19,495	11,962	2,088	5,383	25,988	33,620	40	142,952
2012	6,733	24,230	8,000	5,396	20,318	12,226	2,010	5,347	27,515	34,619	61	146,455
2013	7,144	23,727	7,875	5,030	21,186	12,214	1,906	5,303	32,376	35,860	101	152,722
2014	7,545	23,527	7,638	5,218	22,346	12,229	2,000	4,926	30,600	37,218	43	153,290
2015	8,742	24,995	7,734	4,891	23,556	12,244	1,957	5,024	32,858	37,885	53	159,939
2016	9,591	25,165	7,859	2,335	23,579	11,911	1,775	5,328	30,942	39,458	47	157,990
2017	9,633	25,918	7,858	2,173	23,971	11,445	2,001	5,319	30,750	40,767	46	159,881
2018	9,497	26,777	7,987	2,216	24,056	11,506	1,948	5,421	27,592	38,887	49	155,936

*The Government has corrected years 2001-2017 to reflect the correct employment numbers per category. In addition, fiscal years 2001-2006 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	68.7%	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>	<u>100.0%</u>	<u>260,512</u>	<u>100.0%</u>	<u>295,803</u>	<u>100.0%</u>
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	36.8%	17,124	26.9%	15,164	21.9%
\$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>	<u>100.0%</u>	<u>63,648</u>	<u>100.0%</u>	<u>69,424</u>	<u>100.0%</u>
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>	<u>100.0%</u>	<u>167,235</u>	<u>100.0%</u>	<u>191,593</u>	<u>100.0%</u>
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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Administrative Services	91	86	129	94	47	49	76	78	79	74
General Government	73	70	66	66	67	69	65	67	67	71
Finance & Administration	103	94	68	65	69	70	73	74	73	71
Information Technology					44	52	52	51	49	54
General Services										
Parks & Recreation	138	132	140	139	138	144	146	144	139	139
Other	134	130	97	93	98	102	102	97	92	93
Law	26	26	37	40	39	42	23	23	23	21
Planning, Preservation, & Development				39	128	137	143	146	147	133
Public Safety										
Fire & Emergency Services	522	520	500	520	566	560	565	558	568	623
Firefighters & Officers	15	18	17	16	16	18	18	26	25	16
Civilians										
Police										
Officers	542	511	504	524	542	518	554	572	604	597
Civilians	102	93	127	126	122	112	87	104	112	105
Community Corrections	294	284	321	312	330	298	293	340	320	313
Other	75	79	81	80	68	74	73	92	91	74
Public Works & Development	244									
Other		240								
Environmental Quality & Public Works			508	484	451	453	468	475	488	504
Waste Management	206	196								
Water & Air Quality	149	151								
Other	15	16								
Social Services	113	99	94	96	96	98	108	109	114	111
	2,842	2,745	2,689	2,694	2,821	2,796	2,846	2,956	2,991	2,999

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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fire and Emergency Services										
Emergency Medical Calls	32,199	34,197	37,000	36,619	37,971	42,151	43,076	46,476	47,930	51,245
False Calls	2,653	2,870	2,673	2,585	2,983	3,077	2,898	2,915	3,108	3,154
Fire Incidents	1,129	1,337	1,564	1,293	1,226	1,249	1,248	1,364	1,125	1,028
Good Intent Calls	1,265	1,271	1,153	1,107	1,108	1,180	1,180	1,128	169	1,252
Hazardous Materials Calls	1,192	1,118	1,248	1,451	1,686	1,766	2,021	1,976	1,827	1,900
Other	62	79	60	44	54	40	34	46	32	25
Rescues	451	460	421	449	443	462	501	545	570	740
Rupture - Gas, Water, etc.	45	47	36	34	31	35	41	44	45	40
Service Calls	1,227	1,529	1,707	1,598	2,209	1,968	2,099	2,336	2,838	3,061
Police										
Physical Arrests	17,126	15,248	20,214	14,592	13,773	17,442	16,356	10,990	12,481	14,801
Parking Violations	46,949	42,675	41,849	47,201	46,709	43,055	45,360	48,776	43,305	44,488
Traffic Violations	64,954	63,546	52,086	40,478	48,193	44,795	36,561	37,635	37,173	47,019
Parks and Recreation										
Rounds of Golf	107,565	89,291	95,382	96,607	90,410	91,407	101,535	102,082	90,915	85,906
Pool Visits	188,389	185,421	205,353	169,820	142,062	145,911	167,351	152,466	137,855	141,382
Building Inspection										
Permits Issued	13,646	13,090	13,623	13,860	16,141	15,363	16,653	13,343	9,752	9,188
Inspections	28,915	24,563	23,957	24,518	23,262	21,909	27,406	13,517	15,850	18,951
Sanitary Sewers										
Tap-on Inspections	946	625	644	861	897	930	786	811	573	584
Average daily sewage treatment (mgd)	36	41	39	39	42	41	41	33	35	47
Solid Waste										
Annual Tons of Refuse Collected	141,831	138,331	134,788	135,595	137,728	138,714	149,226	155,493	159,320	175,537
Annual Tons of Recyclables Collected	18,831	20,402	21,834	22,446	22,583	22,509	21,436	21,041	19,502	15,052
Annual Tons of Yard Waste Collected	18,199	18,049	21,801	20,492	19,984	21,609	21,933	24,053	21,425	29,181
Other Public Works										
Street Resurfacing (miles)	30	15	28	22	27	27	51	61	41	106

* 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	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Fire and Emergency Services										
Number of Fire Stations	23	23	23	23	23	23	23	23	23	23
Number of Engines	23	23	22	22	22	22	22	22	22	22
Number of Aerials	7	7	7	7	7	7	7	7	7	7
Number of EC Units	10	10	10	10	10	11	11	11	12	12
Number of Haz-Mat Units	2	2	2	2	2	2	2	2	2	2
Number of Special Operations*							1	1	1	1
Police										
Stations	3	3	3	3	3	3	3	2	2	2
Patrol Units	444	440	429	424	424	430	457	480	517	550
Parks and Recreation										
Acres of Parks	4,917	4,917	4,282	4,282	4,282	4,282	4,282	4,282	4,273	4,273
Number of Golf Courses	6	6	5	5	5	5	5	5	5	5
Number of Swimming Pools	9	9	7	7	7	7	7	7	7	6
Sanitary Sewers										
Treatment Capacity (mgd)	64	64	64	64	64	64	64	64	64	64
Solid Waste										
Collection Trucks	119	113	119	119	116	118	123	135	127	128
Other Public Works										
Streets (miles)	1,628	1,634	1,636	1,638	1,641	1,652	1,663	1,667	1,673	1,669
Acres in County	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,761
Acres in Urban Services Area	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,662
Traffic Signals	376	380	382	376	378	365	374	377	379	384

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