

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT



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

522 Patterson Street
Lexington, KY 40502
PARKS
& RECREATION



Lexington, Kentucky

Tubby's Clubhouses

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
LEXINGTON, KENTUCKY



PREPARED BY THE DEPARTMENT OF FINANCE

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

Paid for with Lexington-Fayette Urban County Government Funds



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INTRODUCTORY SECTION



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

Teresa Ann Isaac, Mayor

December 5, 2005

Dear Fayette County Citizens:

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

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

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

Sincerely,

Teresa Ann Isaac
Mayor

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

200 East Main Street

Lexington, KY 40507

859-258-3100

Fax: (859) 258-3194

mayor@lfucg.com

ELECTED OFFICIALS

MAYOR

Teresa Ann Isaac

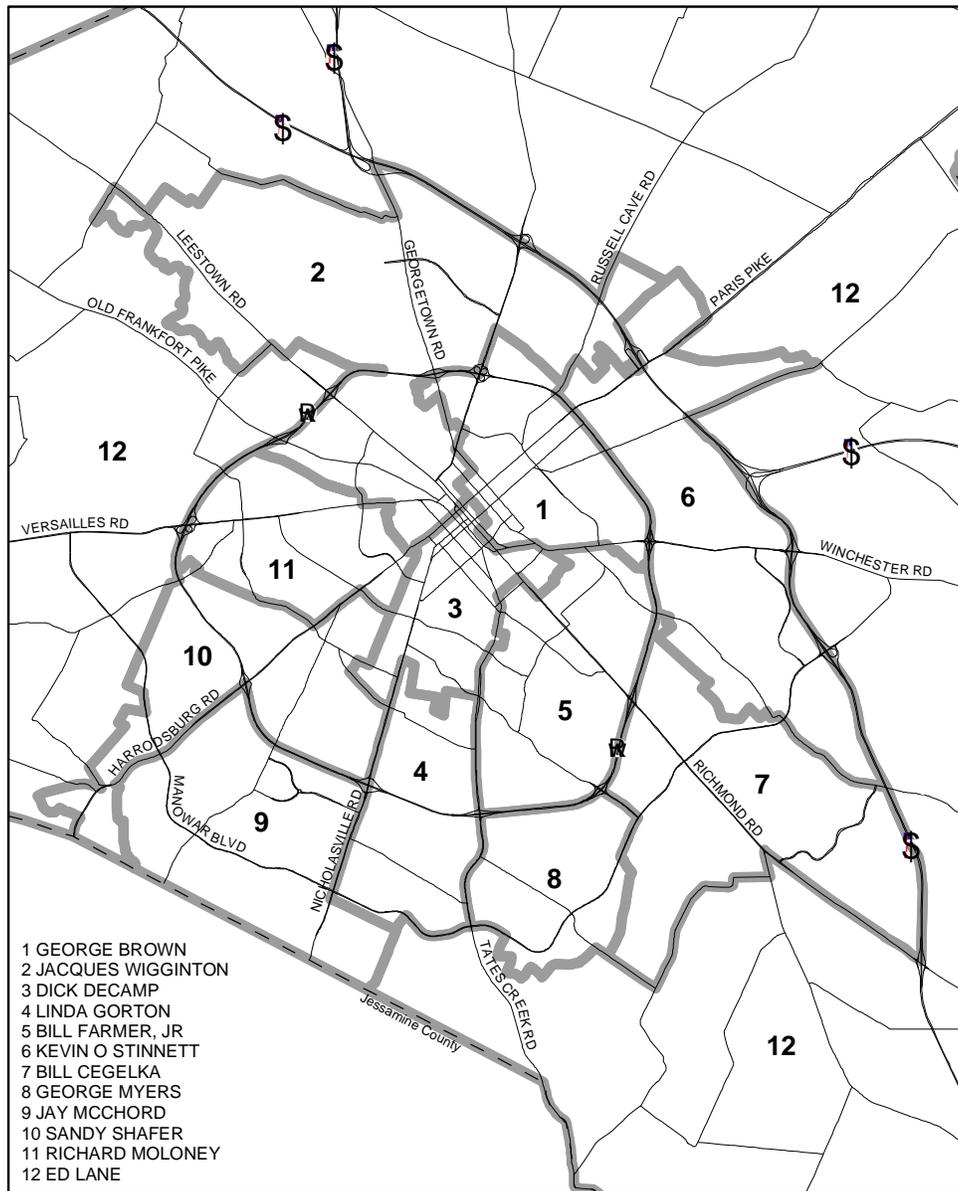
COUNCILMEMBERS-AT-LARGE

Mike Scanlon – Vice Mayor

Charles W. Ellinger, II

David B. Stevens, M.D.

DISTRICT COUNCILMEMBERS





Mayor Teresa Ann Isaac

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
Department of Finance

November 28, 2005

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

Dear Mayor and Members of the Urban County Council:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Lexington-Fayette Urban County Government (the Government) for the fiscal year ended June 30, 2005. The CAFR was prepared in accordance with Generally Accepted Accounting Principles (GAAP) and the reporting standards of the Governmental Accounting Standards Board (GASB). The CAFR includes all funds of the Government and component units.

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

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

State statute and the Charter of the Government both require an independent financial audit be conducted annually. The accounting firm of Mountjoy & Bressler, LLP performed the audit for the fiscal year ended June 30, 2005. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Government for the fiscal year ended June 30, 2005 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and

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

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

disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the Government's financial statements for the fiscal year ended June 30, 2005 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component in the financial section of this report.

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

PROFILE OF THE GOVERNMENT

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

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

The Mayor is assisted in the administration of the government by a Chief Administrative Officer (CAO) and department commissioners who are appointed by the Mayor with the approval of the Urban County Council. The Urban County Government has seven departments, headed by the CAO or department commissioners, which are responsible for administering programs and implementing policies. Each department is divided into divisions that are managed by division directors.

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

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

The Department of Finance includes the divisions of Accounting, Computer Services, Central Purchasing and Revenue. This department is responsible for the custody, investment and disbursement of all funds; debt management; retirement fund administration; coordination of the annual financial audit and publication of the CAFR.

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

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

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

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

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

SIGNIFICANT EVENTS

Tubby's Clubhouses

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

Day Treatment Center

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

Collective Bargaining for Sworn Police and Fire Personnel

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

Water Company Acquisition Halted

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

Storm Water Infrastructure Improvements

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

Health Department Property Tax

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

Lexington Transit Authority Tax Referendum

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

Once a Week Garbage Collections

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

Versailles Road Complex

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Economic Performance

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

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

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

Budget Control and Financial Management

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

The Urban County Council adopts a line-item budget ordinance and must approve all budget amendments. Budgetary control is maintained at the division level and is facilitated by the use of encumbrance accounting. As purchase orders are issued, corresponding amounts of a division's appropriations are reserved for later payment. Requests for disbursements, which will result in an overrun of budgeted expenditures, must be accompanied by a request for a budget amendment. At year-end, open encumbrances are recorded as a reservation of fund balance.

Cash Management and Investment Policy

The Department of Finance is responsible for the custody, investment and disbursement of all funds of the Government in accordance with the procedures and standards adopted by the Urban County Council. It is the policy of the Government to invest funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the Government. The Government's investments are governed by state statute (KRS 66.480) and an investment policy approved by the Urban County Council. This fiscal year, all funds were invested in either obligations of the United States and its agencies or instrumentalities, mutual funds comprised of those securities, repurchase agreements, collateralized Certificates of Deposit or commercial paper.

Self Insurance and Risk Management

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

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

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

Retirement Funds

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

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

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

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

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

AWARDS AND ACKNOWLEDGEMENTS

For the twelfth consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lexington-Fayette Urban County Government for its comprehensive annual financial report for the fiscal year ended June 30, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government finance reports.

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

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

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

Respectfully submitted,

Donna Alexander Counts

Donna Alexander Counts
Commissioner of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Lexington-Fayette
Urban County Government,
Kentucky

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

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



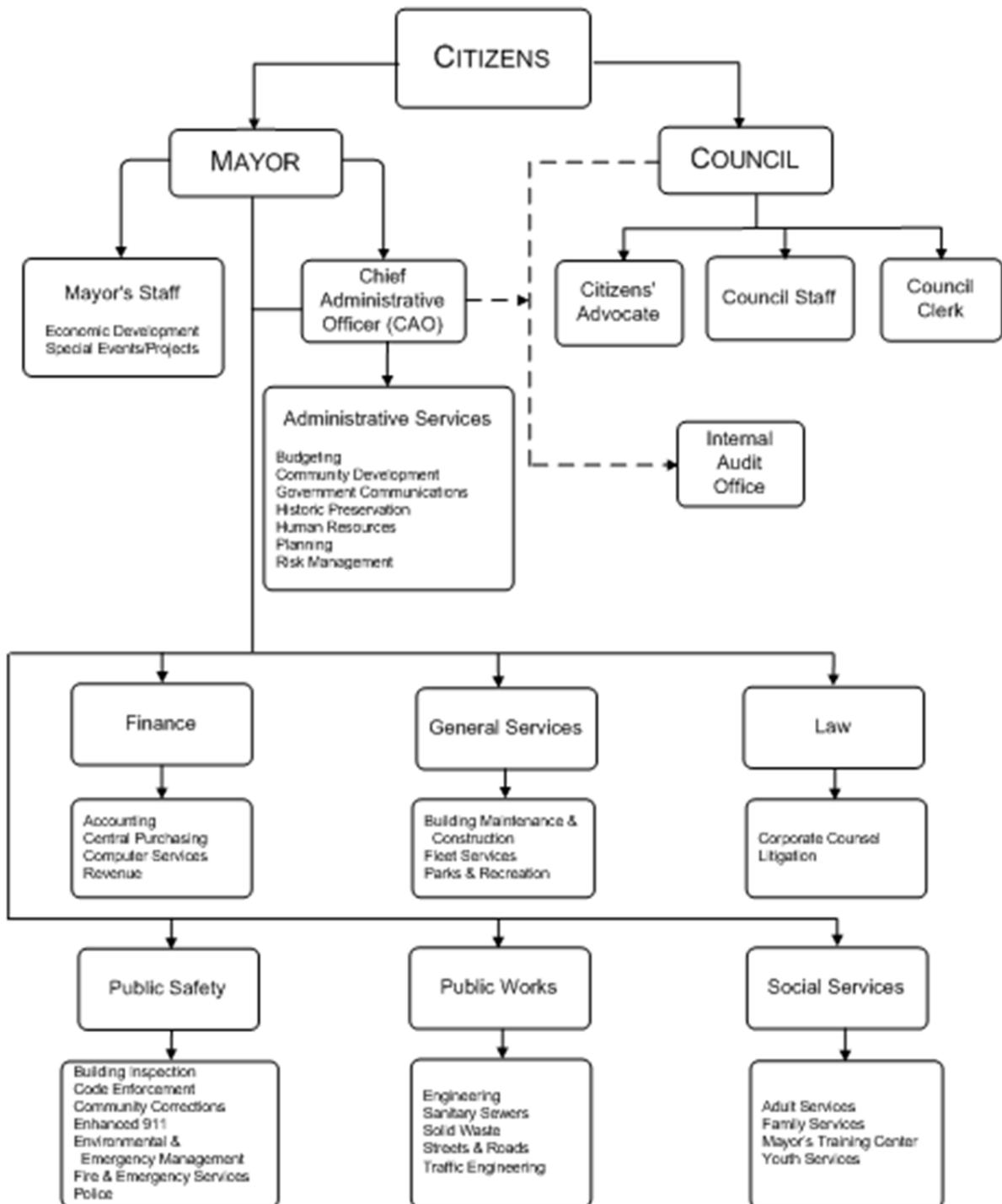
Nancy L. Ziehl

President

Jeffrey R. Emer

Executive Director

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT ORGANIZATIONAL CHART



DIRECTORY OF GOVERNMENT OFFICIALS

Office of the Mayor

Chief of Staff
Economic Development

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

Office of the Chief Administrative Officer

Milton Dohoney, CAO

Administrative Services

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

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

Finance

Accounting
Central Purchasing
Computer Services
Revenue

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

General Services

Building Maintenance & Construction
Fleet Services
Parks and Recreation

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

Law

Corporate Counsel
Litigation

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

Public Safety

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

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

Public Works

Engineering
Sanitary Sewers
Solid Waste
Streets and Roads
Traffic Engineering

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

Social Services

Adult Services
Family Services
Mayor's Training Center
Youth Services

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



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FINANCIAL SECTION

Report of Independent Accountants

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and Urban Services Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

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

Montjoy & Bessler, L.L.P.
Lexington, Kentucky
October 28, 2005

MANAGEMENT DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

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

REPORTING THE GOVERNMENT AS A WHOLE

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

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

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

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

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

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

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

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

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

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

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

THE GOVERNMENT AS TRUSTEE

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

ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net Assets

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

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

*Numbers may not total due to rounding.

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

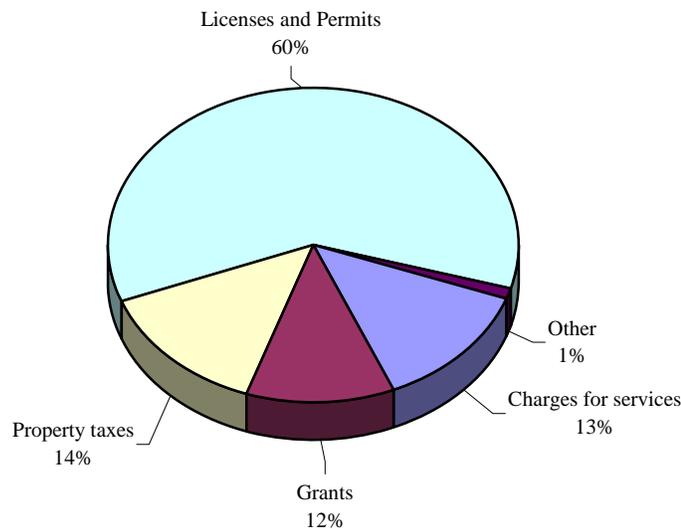
	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for services	\$41.3	\$34.0	\$49.8	\$54.4	\$91.1	\$88.4
Operating Grants and Contributions	20.8	33.1		0.1	20.8	33.2
Capital Grants and Contributions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

*Numbers may not total due to rounding.

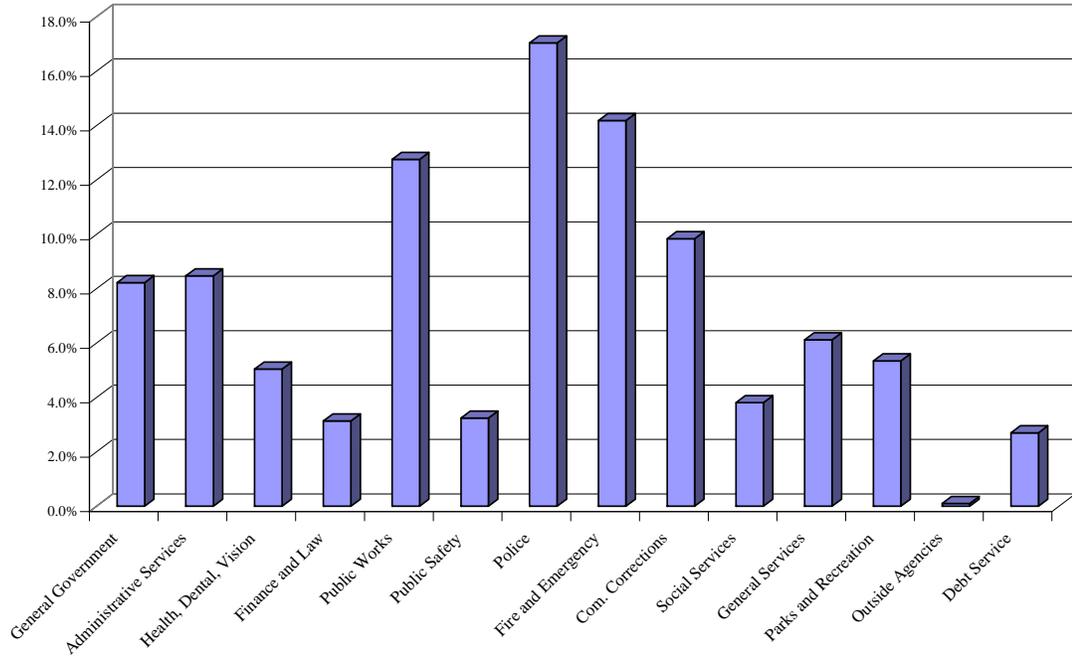
The net assets of the Government’s business-type activities are \$283.0 million and increased by \$6.4 million over the prior year. Of these net assets, \$243.7 million is invested in capital assets, \$21.7 million is reserved for capital projects, \$5.4 million is reserved for debt service, and \$5.6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

Governmental Activities

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

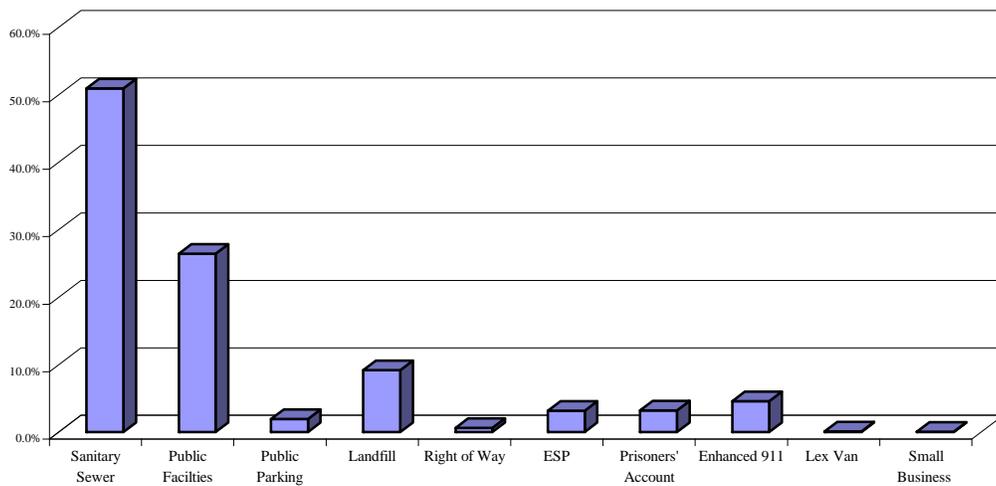


Total expenses of governmental activities were \$277.6 million and decreased \$5.6 million from the prior year. Significant fiscal events are reflected in the decrease of total governmental expenses. Two noteworthy decreases from the prior year include 2004 grant funding for the expansion of the Lexington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



Business-type Activities

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



FUNDS OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

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

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

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

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

The Urban Services Fund is used to finance solid waste collection, streetlights, and street cleaning services for properties within designated property tax districts. At the end of the fiscal year total fund balance was \$21.8 million and increased by \$1.9 million over the prior year. Unreserved, undesignated fund balance was \$17.6 million and reflects 62% of Urban Services revenues. Unreserved, designated fund balance totaled \$367.5 thousand for the 27th pay period that will occur in 2006.

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

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

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

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

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

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

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

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

CAPITAL ASSETS

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

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

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

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

*Numbers may not total due to rounding

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

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

DEBT ADMINISTRATION

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

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

At the end of the fiscal year the Government had \$264.2 million in bonds and notes outstanding. Governmental activities debt increased by \$8.9 million. Payment of principal on outstanding debt helped to offset this increase. Business-type activity debt decreased by \$5.7 million due to the payment of principal on outstanding debt. New debt resulted from two note issues and two bond issues in fiscal year 2005.

- \$9.6 million in general obligation bonds to finance the costs associated with the acquisition, construction, and equipping a day treatment facility; the acquisition, renovation and equipping of a multi-use facility; and the acquisition of rights of way and construction of road improvements.
- \$5.4 million in general obligation notes to finance the acquisition of certain equipment and vehicles including a fiber network, police cars, dump trucks and various other vehicles and equipment for the benefit of numerous departments of the Government.
- \$2.8 million general obligation notes to finance the acquisition and installation of fire equipment including fire engines, EMS units, fire aerial units and other equipment.
- \$4.5 million general obligation bonds to finance the costs of the Purchase of Development Rights Program, renovating and upgrading space in two government office buildings, and making structural repairs to two parking garages owned and operated by the Government.

Following is a summary of the outstanding debt.

Outstanding Debt
June 30, 2005
(in millions)

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

Despite the recent legal changes that provide for the issuance of GO debt, legal limits remain on the total amount of GO indebtedness that may be incurred. The Kentucky Constitution provides that the total principal amount of GO debt cannot exceed 10% of the value of taxable property in the county, or \$2.5 billion. State law provides the same limitation as set forth in the constitution except that the limitation applies to “net indebtedness”, which excludes self-supporting obligations, revenue bonds, special assessment debt and non-tax supported debt issued prior to July 15, 1996 (the effective date of the previously discussed statutory change). The total amount of debt subject to the legal limitation is \$181.7 million.

The Government general obligation debt maintains a bond rating of “Aa2” from Moody’s and “AA+” from Standard & Poor’s. The revenue bonds of the sanitary sewer system have a bond rating of “Aa3” from Moody’s and “AA” from Standard & Poor’s. The rating of the Government’s lease revenue debt is AA3 from Moody’s and AA- from Standard & Poor’s. The Government has not issued lease revenue debt since 1998 due to changes in state law that provided for the issuance of general obligation debt.

Additional information on the Government’s long-term debt can be found in note 3D beginning on page 74 of the report.

NEXT YEAR’S BUDGET

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

REQUESTS FOR INFORMATION

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



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BASIC FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005**

Net change in fund balances - total governmental funds		\$27,132,203
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives		
Expenditure for capital assets	32,642,469	
Less current year depreciation	<u>(15,154,957)</u>	17,487,512
The net effect of various miscellaneous transactions involving capital assets (i.e. Sales, trade-ins, and donations) is to increase net assets.		
		1,886,559
Bond proceeds provide current financial resources for government funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments		
Issuance of Debt	(22,325,000)	
Bond Anticipation Note	(742,401)	
Bond Issuance Costs	251,023	
Refinancing Loss / Discount / Premium	(39,218)	
Principal payments	<u>14,156,321</u>	(8,699,275)
Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds		
Amortization of current year bond issuance costs	(91,389)	
Amortization of current year bond (discounts) premiums	53,997	
Change in Unfunded Pension Liability	(941,329)	
Change in accrued interest payable	(113,671)	
Change in compensated absences	<u>153,583</u>	(938,809)
Internal service funds are used by management to charge self-insurance to individual funds. The net expense of the internal service funds is reported with governmental funds.		
		<u>(2,825,444)</u>
Change in net assets of governmental activities		<u><u>\$34,042,746</u></u>

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

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

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

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

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

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

continued

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

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

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

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

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

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

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

Revenues:

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

Expenditures:

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

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

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

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

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

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

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

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

Expenditures:

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

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

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

	Business-type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Public Parking Corporation	Landfill	Other Enterprise Funds		
ASSETS							
Current Assets:							
Cash	\$10,123,006	\$716,669		\$1,148,950	\$1,239,886	\$13,228,511	\$1,414,892
Investments	13,205,529			16,000,000	1,562,060	30,767,589	7,600,000
Receivables:							
User Fees Receivable	1,343,718			512,458		1,856,176	
Other Receivables	3,983,404	86,171	235	228,596	91,803	4,390,209	333,989
Less Allowance for Uncollectible Accounts	(68,764)			(293,624)	(84,284)	(446,672)	
Due from Other Funds	161,932	1,567,313	539,564	814,679	1,306	3,084,794	137,940
Inventories	14,430					14,430	
Restricted Investments:							
Reserved for Maintenance and Operation	4,223,993					4,223,993	
Reserved for Sinking Fund	4,811,530	673,197				5,484,727	
Total Current Assets	37,798,778	3,043,350	539,799	18,411,059	2,810,771	62,603,757	9,486,821
Non-Current Assets:							
Restricted Investments:							
Reserved for Construction & Capital Acquisitions	10,760,982	307,671				11,068,653	
Reserved for Depreciation	2,328,000					2,328,000	
Reserved for Debt Service	4,614,776		787,697			5,402,473	
Capital Assets:							
Land	1,319,336					1,319,336	
Land Improvements	27,052					27,052	
Buildings	1,534,060					1,534,060	
Sewer Plants	159,275,354					159,275,354	
Sewer Lines	128,896,073					128,896,073	
Leasehold Improvements		2,137,090				2,137,090	
Vehicles, Equipment, and Furniture	6,368,464	3,375,027	277,756	48,235	1,737,883	11,807,365	
Less Accumulated Depreciation	(103,863,751)	(58,594,762)	(4,904,971)	(2,200,728)	(1,516,610)	(171,080,822)	
Construction in Progress	3,006,326	178,385				3,184,711	
Unamortized Bond Costs	613,435	1,429,659	277,896			2,320,990	
Total Non-Current Assets	214,880,107	122,034,784	17,325,011	16,474,152	221,273	370,935,327	0
Total Assets	252,678,885	125,078,134	17,864,810	34,885,211	3,032,044	433,539,084	9,486,821

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

	Business-type Activities					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Public Parking Corporation	Landfill	Other Enterprise Funds	
Operating Revenues						
User Charges	\$24,049,216			\$7,904,735		\$31,953,951
Fees	1,584,341			222,562	3,833,835	5,640,738
Exactions	1,974,660					1,974,660
Licenses & Permits					207,304	207,304
Rental Income		5,846,676	797,685			6,644,361
Parking Revenues		328,182	653,611			981,793
Theater Revenues		726,767				726,767
Gross Profit-Commissary					916,281	916,281
Other	50,204			20,438	709,102	779,744
Total Operating Revenues	27,658,421	6,901,625	1,451,296	8,147,735	5,666,522	49,825,599
Operating Expenses						
Treatment Plant	6,088,076					6,088,076
Collection System	3,485,272					3,485,272
Property Management		1,814,318	343,370			2,157,688
Theater Management		664,416				664,416
Landfill				3,090,543		3,090,543
Right of Way					266,933	266,933
Extended School Program					1,110,289	1,110,289
Prisoners' Account					920,012	920,012
Inmate Trust Account					510,970	510,970
Enhanced 911					2,052,487	2,052,487
LexVan Program					40,296	40,296
Small Business Development					3,562	3,562
Administration	6,002,433			502,323	332,467	6,837,223
Depreciation	6,373,506	6,123,461	314,223	641,508	112,243	13,564,941
Claims and Benefit Payments						0
Total Operating Expenses	21,949,287	8,602,195	657,593	4,234,374	5,349,259	40,792,708
Operating Income (Loss)	5,709,134	(1,700,570)	793,703	3,913,361	317,263	(1,599,785)

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

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

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

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

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

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

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

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

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

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

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

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

	Program Revenues					Net (Expenses) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	Total	
Lexington Center Corporation									
Lexington Center Operations	\$10,237,919	\$948,000	\$1,484,956	\$3,492,247				\$3,492,247	
Depreciation	4,720,719			(4,720,719)				(4,720,719)	
Interest on Long-term Debt	1,225,198			(1,225,198)				(1,225,198)	
Total Lexington Center Corporation	16,183,836	11,297,210	1,484,956	(2,453,670)				(2,453,670)	
Lexington Airport Board									
Airport Operations	7,947,643	13,412,952	9,322,516		14,787,825			14,787,825	
Depreciation	5,067,440				(5,067,440)			(5,067,440)	
Interest on Long-term Debt	665,913				(665,913)			(665,913)	
Total Lexington Airport Board	13,680,996	13,412,952	9,322,516		9,054,472			9,054,472	
Fayette County Department of Health									
Department of Health Operations	20,602,349	6,287,192	9,380,890		(4,934,267)			(4,934,267)	
Depreciation	480,718				(480,718)			(480,718)	
Total Fayette County Department of Health	21,083,067	6,287,192	9,380,890		(5,414,985)			(5,414,985)	
53 Nonmajor component units	27,594,816	2,108,958	2,282,593			(14,153,667)		(14,153,667)	
Total component units	\$78,542,715	\$33,106,312	\$13,090,065					(12,967,850)	
General Revenues:									
Taxes				2,267,434				6,853,187	
Payment from Lexington-Fayette Urban County Government					5,196,093			16,193,907	
Conveyance of Assets								0	
Income on Investments				184,603	42,001			487,993	
Net Change in Fair Value of Investments								4,322	
Gain on Sale of Assets								(15,719)	
Miscellaneous								264,648	
Total General Revenues				2,452,037	5,238,094			23,788,338	
Change in Net Assets				(1,633)	(176,891)			10,820,488	
Prior Period Adjustment								34,575	
Net Assets, July 1				51,065,604	4,133,702			141,083,752	
Net Assets, June 30				\$51,063,971	\$3,991,386			\$151,938,815	

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

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

Governmental Fund Type

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

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

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

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

Proprietary Fund Type

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

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

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

Governmental Fund Type

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

The **Lexington-Fayette Urban County Department of Health (Board of Health)** has the general statutory responsibility of promoting and protecting the health of Fayette County residents. The Government appoints the nine members of the Board of Health.

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

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

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

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

Proprietary Fund Type

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

The **Lexington Center Corporation (LCC)** is a non-profit, non-stock corporate agency and instrumentality of the Government. The purpose of the LCC is to plan, finance, develop, and operate a convention, trade show, performing arts, and sports facility. The thirteen-member board is appointed by the Mayor and approved by the Urban County Council. The Government has statutory authority to impose a transient room tax, not exceeding two percent of qualified occupancy rental to provide funds for payment of debt service. As discussed in Note 5 B, the Government entered into a Lease Agreement that provides for an annual rental to be paid by the Government if net revenues are not sufficient to pay all debt service costs.

The **Lexington-Fayette Urban County Airport Board (Airport Board)** is responsible for the operation, maintenance, and planning of airport facilities designed to serve the general public of the Central Kentucky area. The ten board members are appointed by the Mayor and approved by the Urban County Council. The Government has entered into a Contract Lease and Option Agreement, discussed in Note 5 C, that requires an annual rental to be paid by the Government if net revenues are not sufficient to pay all debt service costs.

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

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

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

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

The **Bluegrass Regional Recycling Center (BRRC)** is a non-profit Kentucky corporation whose purpose is to reduce the volume of solid waste being placed in landfills and engage in activities that promote recycling. Pursuant to an Interlocal Agreement, the BRRC is operated by the Government and fourteen counties. The Government has no legal interest in or access to the resources of the BRRC nor does it have any legal responsibility for the deficits or debts of, or financial support to, the BRRC.

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

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

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

D. Basic Financial Statements

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary financial statements. With this measurement focus, all assets and all liabilities, including long-term assets as well as long-term debt and obligations, are included in the Statement of Net Assets. Revenues are recorded when earned; and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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

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

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

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

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

E. Basis of Presentation

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

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

The focus of governmental fund measurement (in the fund financial statements) is on the determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than on net income. The balance sheets generally contain only current assets and liabilities. The reported fund balance (net current assets) is a measure of "available spendable resources". The Government reports the following major governmental funds:

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

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

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

The focus of proprietary fund measurement is upon the determination of operating income, changes in net assets, financial position, and cash flows, which is similar to businesses. All assets and all liabilities associated with the

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

operation of these funds are included on the balance sheet. The Government reports the following major proprietary funds:

The **Sanitary Sewer System Fund** accounts for the construction activities, operation and maintenance, and the payment of principal and interest for the bond issues of the Government's sanitary sewer system. (See further description on page 78.)

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

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

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

Additionally, the Government reports the following fund types:

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

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

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

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

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

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

F. Budgetary Control and Encumbrances

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

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

Funds special revenue funds, which are not budgeted. Budgets are adopted on a basis consistent with generally accepted accounting principles except that budgetary basis expenditures include purchase orders and contracts (encumbrances) and budgetary basis revenues do not include taxpayer assessed and EMS revenues that have not been received. Budgetary control is maintained at the division level, e.g. Division of Police, Division of Parks and Recreation, etc. The Mayor may authorize transfers within a division; however, the Urban County Council must approve by ordinance any other amendments to the budget. All budgeted amounts presented in the financial statements reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year). Appropriations lapse at year-end; however, uncompleted capital projects may be reappropriated at the beginning of each fiscal year. The Council made several supplemental budgetary appropriations throughout fiscal year 2005. The net effect of these supplemental appropriations was an increase of \$9,665,550 and \$2,309,210 in the General Fund and the Urban Services Fund respectively, which included reappropriations of funds for capital projects that were uncompleted and lapsed at June 30, 2004.

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

In governmental funds, encumbrances outstanding at year-end are reported on the GAAP basis as "reserved for encumbrances" in the fund equity section of the appropriate fund balance sheet as they do not constitute expenditures or liabilities.

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

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

G. Assets, Liabilities, and Fund Equity

Cash and Investments - Management has adopted written policies and procedures for cash and investment management. Cash and cash equivalents include cash on hand, demand deposits, and cash with fiscal agents. Cash balances of most Government funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to each of the funds based on the fund's average monthly cash balance, except as required by ordinance for various restricted reserves. Funds that incur a negative balance in pooled cash and investments during the year are not allocated interest. The Government has adopted GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. This statement requires that investments in interest earning investment contracts, external investment pools, open-end mutual funds, and debt and equity securities be reported at fair value. Investments in the Pension Trust Funds and investments with a maturity of more than one year at the time of purchase are stated at fair value. Fair value for securities traded on a national exchange is determined by the last reported sales price. All other investments are stated at cost.

Receivables - Receivables are amounts due representing revenues earned or accrued in the current period. A receivable is reported for uncollected property taxes. Since these taxes are all at least six months delinquent at June 30, an allowance for uncollectible accounts has been established. Allowances for uncollectible loans in the Federal and State Grants have also been established at 100% because of the nature of the individual projects and terms of the loans. Accounts receivable from other governments include amounts due from grantors for grants for specific programs and capital projects. The majority of other receivables in the General Fund are for taxpayer-assessed

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

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

Property taxes for fiscal year 2005 were levied on September 8, 2004, on the assessed valuation of property located in Fayette County as of the preceding January 1, the lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

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

Per Kentucky statute, the county sheriffs are responsible for collection of property taxes. During fiscal year 1991, the Fayette County Sheriff and the Government entered into a contract whereby the Government agreed to collect property taxes as an agent for the Sheriff. This contract is renewable annually and was renewed for fiscal year 2005. Vehicle taxes, collected by the County Clerk of Fayette County, are due and collected in the birth month of the vehicle's licensee. During the year, property tax revenues are recognized when cash is received. At year-end, a receivable is recorded for delinquent property taxes but revenues are only recognized for taxes collected within 60 days of the close of the fiscal year.

Interfund Receivables - During the course of its operations, the Government has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of June 30, 2005, balances of interfund amounts receivable or payable have been recorded as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

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

Restricted Assets - Certain proceeds of revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet since their use is limited by applicable bond indentures. The Construction and Capital Acquisitions account is used to report proceeds of general obligation and revenue bonds and notes that are restricted for use in construction and capital acquisitions. The Maintenance and Operations account is the resources set aside to operate, maintain, and insure the Sanitary Sewer System for three full months. The Depreciation account is the resources set aside to provide reasonable reserves for renewals, replacements, improvements, extensions, extraordinary major repairs and contingencies in the operation of the Sanitary Sewer System. The Debt Service account is used to report resources set aside to prevent a default in payment of principal or interest on the bonds. The Sinking Fund account is the resources accumulated for debt service payments over the next twelve months.

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

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

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

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

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

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

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

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

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

Long-term liabilities include the following:

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

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

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

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

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

H. Revenues, Expenditures and Expenses

Substantially all governmental fund revenues are accrued. Property taxes are billed and collected within the same fiscal year in which the taxes are levied. Emergency medical service fees are billed and collected by Software Development, Inc. (SDI) as an agent for the Government. Cash collected by SDI is remitted daily to the Government. The Government records all revenues (net of an allowance for doubtful accounts) billed by SDI through the end of the fiscal year.

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

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

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

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

Compensated absences are recorded when payable rather than when earned.

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Compliance With Finance Related Legal and Contractual Provisions

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

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

B. Excess of Expenditures over Appropriations - The following divisions, in funds that have budgets adopted annually, had excess expenditures over appropriations for the fiscal year ended June 30, 2005:

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

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

C. Fund Deficits

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

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

D. Component Units

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

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. Cash, Investments and Securities Lending

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

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

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

Primary Government (except Pension Trust Funds)

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

Interest Rate Risk – While the government has adopted an investment policy that recommends controlling interest rate risk through maturity diversification, the policy does place any formal limits of investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - To limit credit risk, the government has adopted an investment policy to limit investments held at one financial institution to no more than 35% of total investments, excluding money market mutual funds.

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

Investments of the PFRF as of June 30, 2005 are summarized and categorized in the following table:

Policemen's and Firefighters' Retirement Fund

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

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

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

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

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

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

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

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

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

Investment of the cash collateral may be in commercial paper that is rated in the highest category of at least two nationally recognized security agencies, short-term obligations of banks, short-term obligations of the United States Government or its agencies, repurchase agreements, funding agreements issued by insurance companies rated “A” or higher by A. M. Best & Company, or money market mutual funds.

The agent agrees to indemnify the retirement fund for losses resulting directly or indirectly from the failure of the borrower to return the loaned securities in accordance with the terms of the loan agreement, limited to an indemnification amount equal to the difference between the market value of the loaned securities and the value of

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

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

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

Investments of the CEPF as of June 30, 2005 are summarized and categorized in the following table:

City Employees Pension Fund

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More Than 10</u>
Debt Securities					
US Agencies	\$7,192,845		\$ 3,344,865	\$ 704,912	\$ 3,143,068
US Treasuries	2,843,339		453,669	1,138,185	1,251,485
US Treasury Strips	906,604			77,006	829,598
International Bonds	456,106		121,535	285,949	48,622
Corporate Debt	3,110,786	202,491	1,365,698	1,082,422	460,175
Money Market Mutual Funds	649,577	649,577			
	<u>15,159,257</u>	<u>\$852,068</u>	<u>\$5,285,767</u>	<u>\$3,288,474</u>	<u>\$5,732,948</u>
Other Investments					
Equity Securities - Domestic	11,394,327				
Equity Securities - International	1,023,409				
	<u>\$27,576,993</u>				

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

<u>Asset Class</u>	<u>Target Allocation</u>
US Equities	40%
US Broad Market Fixed Income	60%
Total Plan	100%

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

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

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

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

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

Lexington Airport Board

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

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

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

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

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

B. Capital Assets

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

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

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

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

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

Governmental activities:

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

Business-type activities:

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

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

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

Construction Commitments

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

<u>Project</u>	<u>Remaining Commitment</u>
Major roadway improvements	\$2,272,523
Buildings Expansion & Renovation	2,052,119
Renovations to government buildings	2,311,326
Sanitary sewer system improvements	1,710,389
Stormwater system improvements	539,714
Landfill closure & improvements	3,097,737
Parks improvements	67,610
Total	<u>\$12,051,418</u>

Intergovernmental revenues and local contributions provide funding for the major roadway improvements. The Urban Services Fund and intergovernmental revenues fund the renovations to government buildings. The Sanitary Sewers Revenue Bonds, Series 2001A, is financing the sanitary sewer improvements. General obligation bonds finance the commitments for stormwater system improvements. Landfill user fees are paying the landfill closure. Intergovernmental revenues and general obligation bonds fund the parks improvements.

C. Interfund Receivables, Payables, and Transfers

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

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

Due to/from other funds:

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

Due to/from primary government and component units:

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

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

Interfund transfers:

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

	Transfer In:				
Transfer Out:	General	Major Proprietary	Nonmajor Governmental	Federal and State Grants	Total
General		\$1,282,035	\$4,542,430		\$5,824,465
Urban Services	18,084		86,000		104,084
Federal and State Grants	83,004			4,634	87,638
Nonmajor Governmental	861,461		123,281		984,742
Major Proprietary	952				952
Total	\$963,501	\$1,282,035	\$4,751,711	\$4,634	\$7,001,881

D. Long-term Debt

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

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

Primary Government

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

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

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

Changes in Long-term Liabilities

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

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

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end \$62,187 of internal service funds compensated absences are included in the above amounts. Also, for the governmental activities, compensated absences are generally liquidated by the General Fund and the Urban Services Fund.

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

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

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

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

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

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

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

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

Component Units

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

Summary of Principal Requirements

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

General Description of the Government's Bonds and Notes Payable

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

1. \$15,545,000 of Refunding Bonds, Series of 1993, to refund \$13,785,000 principal remaining on the 1985 series of refunding bonds.
2. \$14,860,000 of Refunding Bonds, Series of 1996, to refund the \$14,920,000 total principal remaining on the 1986 and 1988 bonds. The refunding bonds were issued to reduce interest rates on the debt. The refunded bonds were issued to provide local share funding for upgrading and expanding the Town Branch Treatment Plant.
3. \$25,150,000 of Revenue Bonds, Series A of 2001, to pay for the rehabilitation of gravity sewer pipe and appurtenances at various locations throughout the Urban Services area.
4. \$16,860,000 of Refunding Bonds, Series B of 2001 to reduce interest rates on debt by refunding the \$17,340,000 total principal remaining on the 1992 bonds. The refunded bonds were issued to provide funds for expansion of the West Hickman Creek wastewater treatment plant and to finance the installation of the Lower Cane Run system.

The bond ordinances provide that the gross income and revenues of the Sanitary Sewer System be deposited into the Revenue and Operations Account. Monies in the Revenue and Operations Account are to be disbursed as follows:

- Each month to the Sinking Fund, 1/6 of the next interest payment and 1/12 of the next principal payment and, if necessary, 1/24th of the required Debt Service Reserve which is the 125% of the average annual debt service

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

on the 1993, 1996, and 2001 Series A and B Bonds, and any parity bonds until the Debt Service Reserve equals the requirement.

- Pay, as they accrue, the proper and necessary costs of operating, maintaining and insuring the System as set out in the "Current Expenses" contained in the annual budget and to accumulate and maintain an amount sufficient to pay said costs for three months.
- Each month to the Depreciation Fund, 1/24th of the required Depreciation Reserve (defined as 5% of the outstanding bonds or such larger amount as required by an Independent Consulting Engineer) until the required Depreciation Reserve has been accumulated.
- To the Capital Projects Fund any surpluses after the Sinking Fund, Debt Service Reserve and Depreciation Fund are fully funded and the Revenue and Operations Account contains an amount sufficient to operate, maintain and insure the System for three full months.

The bond ordinances also outline parity provisions for the issuance of additional bonds for the acquisition or construction of sewer system facilities. The "net income and revenues" of the System, as defined in the bond ordinance, must provide coverage of 125% of Maximum Annual Debt Service. The bonds are insured by Municipal Bond Insurance Association; and supplemental issues, if insured, must also be approved by the insurer.

The Public Facilities Corporation (PFC) was created by the Government to act as the agency and instrumentality of the Government in acquiring, developing and financing public improvements and public projects. The PFC financed various projects through bank and mortgage notes and the issuance of revenue bonds. The debt is collateralized by the properties, a pledge of specified Government revenues, and lease payments from the Government sufficient to retire the debt and to provide for the operation and maintenance of the facilities.

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

The Public Facilities Corporation has issued the following bonds:

1. \$4,360,000 of Mortgage Revenue Bonds, Series 1995, to finance constructing, renovating, installing and equipping swimming pools and family aquatic centers located at Castlewood, Southland, and Woodland parks. Renovations of the existing facilities were needed to maintain and enhance the recreational swimming and watersports activities in Lexington. Renovation also allows for accessibility for elderly and physically disabled patrons, a feature unavailable at other public pools in Lexington.
2. \$69,120,000 in Mortgage Revenue Bonds, Series 1998, to finance a court facility that includes a Circuit Court Building, a District Court Building, and an adjoining parking garage. The Government entered into a sublease with the Administrative Office of the Court (AOC) of the Commonwealth of Kentucky which provides for lease payments based on the percentage of space occupied by AOC functions in the courthouses and the AOC share of costs of the parking garage. The resulting AOC sublease payments will account for approximately 89% of the debt service payments; the remaining debt service payments will be paid by the Government.

The Public Parking Corporation (PPC) was created to act as an agency and instrumentality of the Government in the acquisition and financing of public parking projects. Debt issued by the PPC is collateralized by the properties and lease payments from the Government. The Government leases the properties from the PPC for amounts sufficient to pay the bond principal and interest maturities and to operate, insure, and maintain the properties. Upon

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

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

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

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

The Fayette County Detention Center Corporation (Detention Center Corporation) is an instrumentality of the Government to provide for the financing and construction of detention facilities for the Government. The Government has entered into lease and option agreements with the Detention Center Corporation under which the Detention Center Corporation received title to the properties that were mortgaged as security for revenue bond issues. The Government leases the properties from the Detention Center Corporation for amounts sufficient to pay the bond principal and interest maturities. Operating expenses are paid through the Government's General Fund. Upon payment of the outstanding bonds, title to the properties will be conveyed to the Government. The lease agreements are renewable annually and the likelihood of the leases not being renewed is remote. The Government has included the Detention Center Corporation in its general purpose financial statements as a debt service fund.

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

General Obligation Bonds and Notes - The Government issues general obligation bonds and notes to provide funds for the acquisition and construction of capital assets used by governmental activities. The Government has issued the following general obligation bonds and notes:

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

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

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

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

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

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

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

Landfill Closure and Postclosure Care Cost - State and federal laws and regulations require the Government to place final covers on its landfills and to perform certain maintenance and monitoring functions at the Haley Pike landfill for thirty years. Since the operations of the Government's landfill is accounted for in an Enterprise Fund, the accrued liability for these costs are reported in the Landfill Fund as required by GASB 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. The \$23,237,288 liability reported at June 30, 2005 is based on the use of 97.9% of the estimated capacity of the Haley Pike landfill and 100% of the Old Frankfort Pike landfill. The remaining cost to perform all closure and postclosure care is estimated to be \$508,141. The Government will recognize this cost as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. The Government expects to close the Haley Pike landfill in the year 2006. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

E. Net Assets

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

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

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

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

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

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

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

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

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

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

NOTE 4. SELF-INSURANCE PROGRAM

A. Health, Dental, and Vision Care - The Government offers health, dental, and vision care insurance options to employees of the Government under a self-insurance plan. The plan provides Anthem Blue Cross Blue Shield, Humana, United Health Care, Aetna, Eckerd Prescription, Delta Dental, and Cole Vision coverage. Third party administrators are responsible for the processing of claims and cost containment. Premiums are paid through payroll deductions and may be funded fully or partially by the Benefit Pool provided by the Government. The Health, Dental, and Vision Care Insurance Fund accounts for these activities and is reported in an internal service fund. Changes in the balances of claims liabilities during the past two years are as follows:

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

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

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

established in 1982. There are four types of insurance coverage provided by the self-insurance program: auto liability and physical damage, general liability, property and casualty, and workers' compensation.

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

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

Annually, as of June 30, the Fund has a third party actuary review the claim history for all claim years for which open claims are outstanding. The actuary projects the ultimate claim payment obligation (including the incurred but not reported claims) for each year's claim experience. The Government elected to establish the liability for these claims and loss expenses at their present value with a discount rate of 3.5%. As of June 30, 2005, the undiscounted estimated liability was \$19,481,832. The discounted estimated liability as of June 30, 2005 was \$16,480,346. Changes in the balances of claims liabilities during the past two years are as follows:

	Auto Liability and Physical Damage	General Liability	Property	Workmen's Compensation	Total
Liability at June 30, 2003	\$806,686	\$3,626,840	\$113,298	\$8,844,680	\$13,391,504
Claims and changes in estimates FY 2004	937,685	2,546,260	(277,774)	3,226,791	6,432,962
Claims paid FY 2004	(270,112)	(777,837)	293,533	(2,387,236)	(3,141,652)
Liability at June 30, 2004	1,474,259	5,395,263	129,057	9,684,235	16,682,814
Claims and changes in estimates FY 2005	1,884,337	(1,880,174)	638,362	4,387,672	5,030,197
Claims paid FY 2005	(2,368,455)	1,454,531	(533,313)	(3,785,428)	(5,232,665)
Liability at June 30, 2005	<u>\$990,141</u>	<u>\$4,969,620</u>	<u>\$234,106</u>	<u>\$10,286,479</u>	<u>\$16,480,346</u>

The Fund uses excess insurance policies, purchased from various commercial carriers, to reduce its exposure to large losses on all types of insured events or for exposures that are difficult to self-insure. These insurance policies permit recovery of losses above the self-insured retention limits from the insurance carriers, although it does not discharge the primary liability of the Self-Insurance Retention Fund as the direct source for payment of claims made against the LFUCG. During fiscal year 2004 and the first quarter of fiscal year 2005, the LFUCG was totally self-insured for general liability, auto liability, and public officials' liability. Workers' compensation self-insured retention was \$600,000 and Property self-insured retention remained \$250,000. Settlements have exceeded funding for each of the past five fiscal years resulting in a negative fund balance when Incurred But Not Reported (IBNR's) Claims are included in the total future liabilities. The following schedule indicates the types of excess insurance purchased the deductible or SIR (self-insured retention level) maintained by the Fund, and the limit of the excess insurance coverage:

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

NOTE 5. CONTINGENT LIABILITIES

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2005

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

B. Lexington Center Corporation - Lexington Center Corporation (LCC) is a non-profit, non-stock corporate agency and instrumentality of the Lexington-Fayette Urban County Government. The Government entered into a Lease Agreement that provides for leasing for the Lexington Center from the Lexington Center Corporation on an annual basis beginning June 15, 1993. This Lease Agreement replaces a Contract Lease and Option Agreement that began October 1, 1974. The annual rental to be paid by the Government to Lexington Center Corporation is an amount equal to interest and principal on the bonds, plus costs of operating, maintaining and insuring the leased premises, less all receipts of Lexington Center Corporation that are not required to be otherwise applied. The agreement grants the Government an exclusive option to renew the lease for additional one-year periods through June 30, 2013, but the Government may elect not to renew the lease with written notice to Lexington Center Corporation.

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

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

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

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

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

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

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

G. Conduit Debt - The Government has issued Industrial Revenue Bonds to provide financial assistance to private sector and nonprofit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector or nonprofit entity served by the bond issue. The Government is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2005 the outstanding balance on conduit debt issues was \$241,343,840.

NOTE 6. SPECIAL ASSESSMENT DEBT

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

NOTE 7. THE SINGLE AUDIT ACT

The U.S. Office of Management and Budget's Circular No. A-133 for Audits of States, Local Governments and Non-Profit Organizations requires non-federal entities that expend \$500,000 or more a year in federal awards to have an audit performed in accordance with the provisions of the Circular. A separate supplemental report will be issued on active grant programs of the Lexington-Fayette Urban County Government in accordance with applicable provisions of the Single Audit Act of 1984, P.L. 98-502 and the Single Audit Act Amendments of 1996, P.L. 104-156.

NOTE 8. SUBSEQUENT EVENTS

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

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

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

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

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

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

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

Both pension plans are included in the Government’s comprehensive annual report and do not issue stand-alone financial reports.

Membership of each plan consisted of the following at June 30, 2005:

	Policemen’s and Firefighters’	City Employees’
Inactive Plan Participants:		
Retirees and beneficiaries currently receiving benefits	829	140
Active Plan Participants:		
Vested	90	1
Nonvested	880	
Total	1,799	141

B. Summary of Significant Accounting Policies and Plan Asset Matters

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

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

Investments - Investments are stated at fair value. Securities traded on a national exchange are valued at the last reported sales price. Gains or losses on the sale of fixed income securities are recognized using the completed transaction method. There are no significant investments (other than U.S. Government and U.S. Government Agencies & Instrumentalities) in any one organization that represent 5% or more of net assets available for benefits.

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

	Policemen's and Firefighters'	City Employees'
Required Contribution Rates:		
Government	17.0%	17.5%
Plan Member	11.0%	8.5%

D. Supplemental Information

Schedule of Funding Progress

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

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

Schedule of Employer Contributions

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

Annual Pension Cost and Net Pension Obligation

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

*2% COLA

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

Three-Year Trend Information

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

The information presented in the supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation is presented in the following table.

	<u>Policemen's and Firefighters' Pension Fund</u>	<u>City Employees' Pension Fund</u>
Valuation date	July 1, 2004	July 1, 2005
Actuarial cost method	Entry Age Normal Funding	Entry Age Normal Funding
Amortization method	Level Dollar - Open	Level Dollar - Open
Remaining amortization period	40 years	15 years
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return	8.0%	8.0%
Projected salary increases	5.0%	5.0%
Projected benefit increases	3.0%	3.0%
Projected inflation rate	N/A	4.0%

E. Other Post Employment Benefit

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

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

F. Pension Plan Financial Statements

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

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

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

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

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

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

G. The County Employees' Retirement System

Plan Description - The Government contributes to the Commonwealth of Kentucky's County Employees' Retirement System (CERS). CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county and school board and any additional eligible local agencies electing to participate in the System. At June 30, 2004, there were 1,383 local governments participating in CERS, which provides for retirement, disability and death benefits. Beginning October 27, 1975, all eligible full time employees of the Government were required to participate in CERS. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

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



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NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

DEBT SERVICE FUND

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

CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

	Special Revenue Funds										Capital Projects Funds				
	County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Local Economic Assistance Mineral Severance	Police Confiscated Funds	Police Confiscated State Funds	Public Safety Fund	Total	Lexington Cultural Center	Storm Water Bond Projects	Public Safety Capital Projects	Reynolds Road Project			
ASSETS															
Cash	\$49,799	\$5,011,957	\$9,287	\$136,175	\$31,639	\$7,811	\$70,861	\$5,317,529	\$3,706			\$137,457			
Current Investments	200,000	1,350,000	18,000	300,000	130,000	68,000	200,000	2,266,000	321,416		20,590	350,000			
Restricted Investments								0		1,398,372	4,138,748				
Receivables:															
Other					12,636	600	86,238	99,474		11					
Due From Other Governments	552,880							552,880							
Due From Other Funds								0	504,333		733,078	2,391,771			
Total Assets	\$802,679	\$6,361,957	\$27,287	\$436,175	\$174,275	\$76,411	\$357,099	\$8,235,883	\$829,455	\$1,398,383	\$4,892,416	\$2,879,228			
LIABILITIES AND FUND BALANCES															
Liabilities:															
Accounts and Contracts Payable	2,461	1,274,945		\$66,217	\$26,558	\$3,225	\$1,475,592	83,274		\$55,117	\$117,445	\$76,324			
Due to Other Funds			2,500					2,500		0	0	0			
Unearned Revenues															
Total Liabilities	2,461	1,274,945	2,500	66,217	26,558	3,225	1,561,366	85,774	0	55,117	117,445	76,324			
Fund Balances:															
Reserved for:															
Encumbrances	31,479	1,617,760		235,012	16,672	27	2,358,593		6,166	627,698	1,674,156	220,179			
Unreserved (Deficit), reported in:															
Special Revenue Funds	768,739	3,469,252	24,787	134,946	131,045	73,159	357,099	4,315,924			3,100,815	2,582,725			
Capital Project Funds	800,218	5,087,012	24,787	369,958	147,717	73,186	357,099	6,674,517	829,455	1,343,266	4,774,971	2,802,904			
Total Fund Balances	\$802,679	\$6,361,957	\$27,287	\$436,175	\$174,275	\$76,411	\$357,099	\$8,235,883	\$829,455	\$1,398,383	\$4,892,416	\$2,879,228			

Continued

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

	Capital Projects Funds											Total				
	Public Safety Capital Projects	Reynolds Road Project	2001 Bond Projects	2002 Bond Projects	2003 Bond Projects	Golf Course Bond Projects	Purchase of Development Rights	Equipment Lease Notes	Public Properties Project	Condemnation	2004 Bond Projects		2005 Bond Projects	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total
REVENUES																
Intergovernmental		\$11,745					\$124,327								\$136,072	\$5,753,434
Exactions														4,767,468	4,767,468	4,767,468
Rental Income	78,173	12,107	759	360	25,715	364	1,643	30,906	23			291,528		291,528	485,666	
Income on Investments									9,000			54	7,146	313,929	424,167	
Other														9,000	364,670	
Total Revenues	78,173	23,852	759	360	25,715	364	125,970	30,906	9,023	0	89,186	54	322,265	4,774,614	5,517,997	11,795,405
EXPENDITURES																
Current Operating:																
Administrative Services																
Public Works					62,850										62,850	478,824
Police															0	4,957,971
Social Services															0	260,433
Outside Agencies															0	0
Debt Service:																
Principal							1,652								896	242,434
Interest and Other	16					46	11	6,296	24,559	22,928		11		130,000	306,321	
Bond Insurance Costs	14,901						20,583	31,011						161,435	233,119	
Capital:																
Equipment	2,462,002	358,229	308,441	14,993	658,780		2,352,982	197,259	333,953		21,059	14,863		3,840,073	3,840,073	
Acquisitions and Construction		773,748									4,088,066			9,087,086	9,087,086	
Total Expenditures	2,476,919	1,131,977	308,441	14,993	723,961	46	2,375,228	1,229,809	24,559	356,881	4,368,296	24,742	292,331	13,828,768	19,657,284	
Excess (Deficiency) of Revenues over (under) Expenditures	(2,398,746)	(1,108,125)	(307,682)	(14,633)	(698,246)	318	(2,249,258)	(1,198,903)	(15,536)	(356,881)	(4,279,110)	(24,688)	29,934	4,730,784	(8,310,771)	(7,861,879)
Other Financing Sources (Uses):																
Transfers In																
Transfers Out	500,000	2,750,000	240,521				(6,461)			77,500	161,000			3,729,021	4,751,711	
Issuance of Debt							3,035,000	5,365,000				(123,281)		(129,742)	(984,742)	
Line of Credit	2,830,000										9,640,000	1,455,000		22,325,000	22,325,000	
Net Premium (Discount) on Proceeds	(6,250)						7,168	18,205		304,813				304,813	304,813	
Total Other Financing Sources (Uses)	3,323,750	2,750,000	240,521	0	0	0	3,035,707	5,383,205	0	382,313	9,801,000	1,351,814	0	26,268,310	26,436,000	
Net Change in Fund Balances	925,004	1,641,875	(67,161)	(14,633)	(698,246)	318	786,449	4,184,302	(15,536)	25,432	5,521,890	1,327,126	29,934	4,730,784	17,957,539	18,574,121
Fund Balances, July 1	3,849,967	1,161,029	39,323	25,522	1,922,030	13,846	148,078	1,122,826	15,537	(50,297)	(3,647,105)	0	1,330,590	(309,303)	8,214,763	14,272,698
Fund Balances, June 30	\$4,774,971	\$2,802,904	(\$27,838)	\$10,889	\$1,223,784	\$14,164	\$934,527	\$5,307,128	\$1	(\$24,865)	\$1,874,785	\$1,327,126	\$1,360,524	\$4,421,481	\$26,172,302	\$32,846,819

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

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

Explanation of Differences between Budgetary Expenditures and GAAP Expenditures

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

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

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

Explanation of Differences between Budgetary Expenditures and GAAP Expenditures

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

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u> <u>Budgetary Basis</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental		\$183,000	\$263,172	\$80,172
Income on Investments			6,293	6,293
Total Revenues	<u>0</u>	<u>183,000</u>	<u>269,465</u>	<u>86,465</u>
EXPENDITURES				
Administrative Services:				
Community Development		433,760	407,141	26,619
Total Expenditures	<u>0</u>	<u>433,760</u>	<u>407,141</u>	<u>26,619</u>
Excess (Deficiency) Revenues over (under) Expenditures	0	(250,760)	(137,676)	113,084
Fund Balance July 1	<u>0</u>	<u>272,622</u>	<u>272,622</u>	<u>0</u>
Fund Balance, June 30	<u>\$0</u>	<u>\$21,862</u>	<u>\$134,946</u>	<u>\$113,084</u>

Explanation of Differences between Budgetary Expenditures and GAAP Expenditures

Total expenditures from the budgetary comparison schedule	\$407,141
Differences - Budget to GAAP:	
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but the year the supplies are received for financial reporting purposes.	<u>(204,196)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$202,945</u>

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

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

Explanation of Differences between Budgetary Expenditures and GAAP Expenditures

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

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

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

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

Grantor/Program Title		Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2004	Revenue Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2005
746	Mobility Office FY05	20.505	C-04258033		\$58,740	\$88,619	\$29,879
826	Mobility Office FY04	20.505	C-03249056	26,453	26,453		0
817	FTA Section 5303 FY04	20.505	KY0809LEX	8,207	8,207		0
742	FTA Section 5303 FY05	20.505	KY0809LEX		13,992	29,364	15,372
741	Traffic Safety FFY05	20.600	PT-05-21		2,605	15,518	12,913
812	Traffic Safety FFY05-Supplemental	20.600	IN5-05-02			9,999	9,999
835	Traffic Safety FFY04	20.600	PT-04-26	7,965	23,010	15,045	0
933	Buckle Up Kentucky	20.600	IN4-04-01	9,778	9,778		0
Total US Department of Transportation					<u>2,012,570</u>	<u>2,160,293</u>	<u>760,661</u>
US Department of Housing and Urban Development:							
Direct Programs:							
901	CDBG Program Year 2001	14.218	B00MC210004	(558,082)			(558,082)
902	CDBG Program Year 2002	14.218	B01MC210004	424,357		2,911	427,268
903	CDBG Program Year 2003	14.218	B02MC210004	171,508		182,394	353,902
904	CDBG Program Year 2004	14.218	B03MC210004	901,086	1,811,123	1,493,417	583,380
905	CDBG Program Year 2005	14.218	B04MC210004	(598,023)		628,356	30,333
871	Emergency Shelter FY04	14.231	S03MC210003	49,231	49,405	174	0
875	Emergency Shelter FY05	14.231	S04MC210003		64,797	82,749	17,952
860	H.O.M.E. FY01	14.239	M00MC210201	(8,455)	111,485	110,239	(9,701)
861	H.O.M.E. FY02	14.239	M01MC210201	125,041	92,038	127,663	160,666
862	H.O.M.E. FY03	14.239	M02MC210201	23,075	294,307	448,011	176,779
863	H.O.M.E. FY04	14.239	M03MC210201	46,200	602,054	626,967	71,113
864	H.O.M.E. FY05	14.239	M04MC210201	(74,053)	165,578	206,605	(33,026)
827	H.O.P.W.A. FY02	14.241	KY-H01-0004	98,168	420,420	495,531	173,279
Total US Department of Housing and Urban Development					<u>3,611,207</u>	<u>4,405,017</u>	<u>1,393,863</u>
US Department of Agriculture:							
Direct Programs:							
798	Purchase of Development Rights (Prog. 855)	10.913	73-5C16-4-242		1,660,112	2,368,059	707,947
935	WHIP (Wildlife Habitat Incentive Program)	10.914	72-5C16-4-A031			1,026	1,026
Passed through Commonwealth of Kentucky:							
751	Food Commodities Social Services FFY05	10.550	034-0400		4,575	4,575	0
740	National School Lunch Program - FFY04	10.555	034-038-999	10,526	27,353	16,827	0
795	National School Lunch Program - FFY05	10.555	034-038-999		50,159	64,126	13,967
724	Child Care Food Program FFY04	10.558	034-L95-999	8,918	22,102	13,184	0
760	Child Care Food Program FFY05	10.558	034-L95-999		34,438	42,792	8,354
711	Summer Lunch-Parks & Housing FFY05	10.559	034-X75-999SU			62,557	62,557
754	Summer Lunch-Parks & Housing FFY04	10.559	034-X75-999SU	53,089	135,688	82,599	0
837	Urban Forestry FY04	10.664	M-03263322	9,665	19,286	9,621	0
808	Urban Forestry FY05	10.664	M-04548175			1,302	1,302
Total US Department of Agriculture					<u>1,953,713</u>	<u>2,666,668</u>	<u>795,153</u>
US Department of Interior:							
Passed through Commonwealth of Kentucky:							
881	Loudon House	15.AA1	21-01-ML-1118	\$6,326	\$6,326		0
809	Historic Preservation FFY03	15.904	21-03-18217	10,000	13,258	3,258	0
799	Historic Preservation FFY05	15.904	21-04-19318			5,555	5,555
831	Cardinal Run Park FY04	15.916	21-01278		55,320	75,000	19,680
Total US Department of Interior					<u>74,904</u>	<u>83,813</u>	<u>25,235</u>
US Department of Justice:							
Direct Programs:							
140	Police Confiscated Funds	16.000	NA	(18,389)	328,798	199,470	(147,717)
877	Safe Havens	16.527	2003-CW-BX-0010	42,093	143,786	161,958	60,265
806	Local Law Enforcement Block Grant FFY03	16.592	2002-LB-BX-1731	(21,158)		21,158	0
747	Local Law Enforcement Block Grant FFY04	16.592	2003-LB-BX-2632	(132,621)		79,328	(53,293)
782	Local Law Enforcement Block Grant FFY05	16.592	2004-LB-BX-0510		96,357	74,460	(21,897)
820	SCAAP (State Criminal Alien Assist.Prog.)FY05	16.606	2004APBX0089		54,531	54,531	0
934	Bulletproof Vests FY04	16.607	04023843		6,294	6,294	0
735	Project Safe Neighborhoods FY04	16.609	2003-GP-CX-0547			16,865	16,865
706	Project Safe Neighborhoods FY03	16.609	2003-GP-CX-0547	1,525	89,847	178,315	89,993
874	Drug Free Community	16.729	2001JNFX0109	15,050	69,284	75,039	20,805
Passed through Commonwealth of Kentucky:							
786	Juvenile Accountability Block Grt. FFY04	16.523	2002-JB-BX-0023 (102)	9,333	17,088	7,755	0
732	Juvenile Accountability Block Grt. FFY05	16.523	2003-JB-BX-0033 (101)		24,238	27,149	2,911
830	PALYEP (Police Activity League Youth Enrich.) FY04	16.541	2002MUMU0010-FY04	(6,402)	12,697	19,099	0
858	PALYEP (Police Activity League Youth Enrich.) FY05	16.541	2002MUMU0010-FY05		13,333		(13,333)
851	Title V FY05	16.548	2002-JP-FX-0001		2,615	10,458	7,843
776	Street Sales FFY04	16.579	7028-N2-16/03	237,281	297,504	60,223	0
776	Street Sales FFY04-Confiscated Funds	16.579	7028-N2-16/03	(34,103)	7,407	41,510	0
721	Street Sales FFY05	16.579	7077-N2-17/04			82,843	82,843
721	Street Sales FFY05-Confiscated Funds	16.579	7077-N2-17/04			45,346	20,936
792	Families & Services Together FY04	16.579	M-03291585	21,108	21,108		0
767	Families & Courts Together FY05	16.579	M-04476277		24,441	35,369	10,928
774	Urban League Construction Training FFY04	16.579	7029-N12-4/03	54,010	67,367	13,357	0
723	HOPE	16.579	6524-N15A-1/02	66,380	66,380		0
726	SANE FY04 (Sexual Assault Treatment Project)	16.588	6624-VA1-5/03	16,022	50,321	34,299	0
773	SANE FY05 (Sexual Assault Treatment Project)	16.588	6672-VA1-6/04		10,932	24,827	13,895
Total US Department of Justice					<u>1,428,738</u>	<u>1,269,653</u>	<u>91,044</u>

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

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

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

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

	Grantor's Number	Grantor's Program Title	Grantor	Accrued or (Deferred) Revenue at July 1, 2004	Revenue Received	Expenditures	Accrued or (Deferred) Revenue at June 30, 2005
701	155	Fire Training Incentive FY04	Kentucky Commission on Fire Protection	\$105,012	\$105,012		\$0
701	155	Fire Training Incentive FY05	Kentucky Commission on Fire Protection		1,645,597	1,762,377	116,780
704	M-03148088	Community Juvenile Justice FY05	Kentucky Justice Cabinet	100,335	100,335		0
721	7077-N2-17/04	Street Sales FFY05 Confiscated Funds	Kentucky Justice Cabinet		14,784	27,615	12,831
722	N/A	Ballet Under the Tears	Kentucky Arts Council		7,500	7,500	0
726	6624-VA1-5/03	SANE FY04 Sexual Assault Treatment Project	Kentucky Justice Cabinet	1,000	3,800	2,800	0
729	DR-1388-006	Hazard Mitigation Grant Pgm. (HMGP) Lexington	Kentucky Emergency Management Agency	50		6,755	6,805
730	15-14	Coleman House FY05	Kentucky Cabinet for Families and Children		21,694	21,694	0
731	M-02174148	Intensive Probation FY03	Kentucky Justice Cabinet	6,250	6,250		0
733	PT-105-03	Police Training Incentive FY04	Kentucky Law Enforcement Foundation	150,995	150,995		0
733	PT-105-03	Police Training Incentive FY05	Kentucky Law Enforcement Foundation		1,620,149	1,766,071	145,922
734	C-0021586	Todd/Liberty Transportation Improvement Pgm.	Kentucky Transportation Cabinet	4,101	6,819	7,721	5,003
739	2003-2004-5000-01-R	Home Network FY04	Lexington Fayette County Health Dept.		1,390	1,390	0
744	C-04122296	FHWA Transportation Planning FY05	Kentucky Transportation Cabinet		9,658	15,358	5,700
745	M-04028482	Emergency Management Assistance FFY04	Kentucky Emergency Management Agency		3,735	3,735	0
750	NA	KY Body Armor Program	Kentucky Dept. for Local Government		77,600	63,491	(14,109)
756	M-02174148	Day Treatment FY03	Kentucky Dept. of Juvenile Justice	7,993	7,993		0
757	M-02174148	Transition Plus FY03	Kentucky Dept. of Juvenile Justice	14,042	14,042		0
763	2004-2005-5000-01-R	Home Network FY05	Lexington Fayette County Health Dept.		33,930	33,930	0
766	SY0403LR23	Local Records Grant	Kentucky Dept. for Libraries/Archives	(19,574)		19,574	0
767	M-04476277	Families & Courts Together FY05	Kentucky Dept. of Juvenile Justice		8,147	11,790	3,643
772	A834 (2004-A)	Area Development Fund FY04	Kentucky Dept. for Local Government	(16,520)	(172)	16,348	1,000
773	6672-VA1-6/04	SANE FY05 Sexual Assault Treatment Project	Kentucky Justice Cabinet		800	1,800	1,000
775	04-DA743	Animal Disposal Assistance FY05	Kentucky Dept. Agriculture		8,618	8,618	0
776	7028-N2-16/03	Street Sales FFY04	Kentucky Justice Cabinet	(9,011)	11,201	20,212	0
777	M-04215988	Day Treatment FY05	Kentucky Dept. of Juvenile Justice		209,657	228,717	19,060
787	LSF-589-L1-04	Law Enforcement Service Fee FY04	Kentucky Justice Cabinet	17,115	17,115		0
792	M-03291585	Families & Services Together FY04	Kentucky Dept. of Juvenile Justice	7,036	7,036		0
795	034-038-999	National School Lunch Program FFY05	Kentucky Dept. of Education		539	539	0
796	C-01261650	Newtown Pike Extension FY02	Kentucky Transportation Cabinet		3,638	3,638	3,638
797	M-04215988	Transition Plus FY05	Kentucky Dept. of Juvenile Justice		19,245	29,605	10,360
798	M-01288488	Purchase of Development Rights FY00 (Prog. 853)	Kentucky Dept. of Agriculture		1,810,688	2,056,006	245,318
804	M-05058359	Emergency Mgmt Assistance FFY05	Kentucky Emergency Management Agency		14,518	14,518	0
814	C00343167	Newtown Pike Extension FY02	Kentucky Transportation Cabinet	9,915	34,627	53,269	28,557
816	NA	Kentucky Pride FY03	Kentucky Dept. Natural Resources	(14,083)		14,083	0
821	C-03023888	FHWA Transportation Planning FY04	Kentucky Transportation Cabinet	7,246	7,332	91	5
833	M-04235109	Community Juvenile Justice FY05	Kentucky Justice Cabinet		110,447	228,947	118,500
839	C-03165238	Congestion Management Study FY04	Kentucky Finance & Administration Cabinet	458,185	2,913	4,875	1,962
846	Lexington Center FY04	Lexington Center FY04	Kentucky Finance & Administration Cabinet	(37,009)	1,943,141	1,484,956	0
848	NA	African Cemetery #2	Kentucky Dept. for Local Government	(94,451)		37,009	0
856	NA	Kentucky Pride FY04	Kentucky Dept. Natural Resources		715,447	94,451	0
886	M-02182811	Johnson Community Center	Kentucky Finance & Administration Cabinet	59,075	59,075	1,131,476	416,029
887	M-04052650	Waste Tire Amnesty Program FY04	Kentucky Environmental Protection Cabinet	405,583			0
888	DR 1454	Ice Storm 2003	Kentucky Emergency Management Agency		29,019	32,298	405,583
889	C-04073306	Todd/Liberty Road Section II	Kentucky Transportation Cabinet		10,689	10,644	3,279
890	M-05089830	Emergency Medical Services FY05	Kentucky Bd. Emergency Medical Services	(11,583)		11,583	(45)
892	M-03109249	Emergency Medical Services FY03 (B)	Kentucky Bd. Emergency Medical Services		135,666	73,511	0
896	NA	Kentucky Pride FY05			6,655		(62,155)
899	M-05015672	Search & Rescue	Kentucky Emergency Management Agency	240	240	6,655	0
932	C-04004720	Walkable Communities	Kentucky Transportation Cabinet				0
Total State Financial Assistance				\$1,151,942	\$8,993,926	\$9,315,650	\$1,473,666

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

NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

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

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

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the Government in a trustee capacity or as an agent for individuals, private organizations, other governmental units, or other funds. These include pension trust, expendable trust, and agency funds. Individual funds included in this fund type are as follows:

AGENCY FUNDS

The **Neighborhood Sewer Projects Fund** is an agency fund that accounts for the collection of special assessments and debt service payments on financing for neighborhood capital projects.

The **Juvenile and Adult Probation Fund** accounts for funds collected by the divisions of Youth Services and Detention Services from juvenile and adult offenders and disbursed to victims in accordance with court decrees and funds collected from and disbursed for inmates on work release.

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

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

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

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

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

General Capital Assets:

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

Total General Capital Assets	<u><u>\$340,481,292</u></u>
-------------------------------------	-----------------------------

Investment in General Capital Assets from:

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

Total Investment in General Capital Assets	<u><u>\$340,481,292</u></u>
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**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY
For the Year Ended June 30, 2005**

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

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

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

NONMAJOR COMPONENT UNITS

The **Lexington Transit Authority** is authorized to promote and develop mass transportation, including acquisition, operation and extension of the existing mass transit system.

The **Lexington Public Library** provides educational, informational and recreational service needs to Lexington and Fayette County through circulating and reference materials.

The **Lexington Convention and Visitors Bureau** promotes recreational, convention and tourist activity in Fayette County.

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

The **Carnegie Literacy Center** provides adult literacy programs in Fayette County.

The **Downtown Development Authority** acts as an agency of the Government in various economic development, redevelopment, and physical improvement activities associated with downtown.

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

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

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

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

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

General Revenues:

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

Total General Revenues

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

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

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

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

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

STATISTICAL SECTION

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

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

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

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

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

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

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

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

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

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

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

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

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Revenues										
Licenses and Permits	\$115,101,448	\$122,798,439	\$129,379,308	\$140,106,975	\$150,863,316	\$156,766,735	\$160,717,826	\$165,274,588	\$179,533,692	\$189,786,177
Taxes	27,610,341	28,696,289	29,910,260	31,024,465	33,863,033	34,100,242	37,203,745	40,127,166	41,964,425	43,189,707
Charges for Services	9,909,169	10,442,277	11,242,630	15,123,431	13,455,129	16,236,396	20,404,416	20,489,827	20,449,154	21,561,092
Fines and Forfeitures	161,091	182,694	167,013	274,002	407,111	279,558	382,532	236,226	245,150	184,104
Local Contributions	16,730						2,325,000			
Intergovernmental	17,822,515	17,680,919	17,492,022	20,154,798	22,187,033	33,095,607	38,269,881	41,632,430	47,380,792	30,321,835
Exactions							561,670	1,754,136	1,754,558	4,767,468
Grant Match	2,611,893	3,118,636	2,863,309	3,686,128	3,085,475	3,938,607	2,271,624	2,766,839	2,450,210	2,025,396
Property Sales	176,579	271,033	468,842	185,177	1,122,090	448,380	87,186	138,315	457,849	523,841
Income on Investments	1,908,083	1,798,109	2,722,250	3,037,034	4,502,957	4,058,755	1,562,701	773,032	451,123	1,420,555
Other	2,974,543	2,787,368	3,101,936	2,868,964	3,289,571	4,356,229	3,554,903	5,667,056	4,230,933	5,544,293
Total Revenues	178,292,392	187,775,764	197,347,570	216,460,974	232,775,715	253,280,509	267,341,484	278,859,615	298,917,886	299,324,468
Expenditures										
General Government	8,385,869	8,795,515	8,642,971	5,730,821	6,110,943	6,638,002	9,869,176	9,552,502	21,330,624	9,812,520
Administrative Services	4,586,015	6,336,844	6,596,728	10,752,753	12,754,916	13,081,228	15,961,216	17,683,142	29,924,619	24,077,384
Finance	3,094,761	4,034,742	4,137,945	4,772,212	5,129,343	5,656,743	6,096,794	6,118,472	6,488,798	6,593,458
Public Works	20,275,591	24,752,145	25,534,121	30,380,578	31,857,753	35,092,859	40,375,022	42,235,913	36,175,381	41,247,381
Public Safety	54,714,193	60,414,100	65,350,273	71,592,929	78,803,752	90,116,892	98,744,205	103,806,458	106,315,766	118,307,014
Social Services	5,209,470	5,571,114	5,895,957	6,154,800	6,417,544	6,333,898	9,288,878	9,929,597	11,162,991	13,389,135
General Services	16,858,190	18,668,449	20,513,685	20,085,066	24,744,941	23,545,747	25,560,791	25,270,975	23,757,464	24,696,780
Law	3,806,121	1,003,567	1,205,675	1,309,346	1,587,512	1,552,463	1,576,323	1,879,329	1,630,466	1,861,769
Outside Agencies	17,744,407	19,312,239	19,840,591	22,145,267	22,633,574	23,672,691	31,840,555	32,513,602	27,557,006	18,876,456
Special Projects	15,191,555	15,557,334	14,974,707	17,970,485	19,617,032	28,490,679	2,044,329			
Debt Service:										
Principal		864	268	0	1,040,000	3,455,000	7,743,568	9,711,219	10,404,328	14,156,321
Interest and Other	10,491,786	13,044,220	13,087,421	12,428,666	16,280,100	15,429,992	14,348,596	11,914,692	12,150,607	7,634,836
Capital	207,673	3,874,256	2,081,315	22,603,640	56,106,029	23,009,888	22,324,958	22,168,069	17,883,186	12,927,159
Total Expenditures	160,565,631	181,365,389	187,861,657	225,926,563	283,083,439	276,076,082	285,774,411	292,783,970	304,781,236	293,580,213
Excess (Deficiency) of Revenues over (under) Expenditures	17,726,761	6,410,375	9,485,913	(9,465,589)	(50,307,724)	(22,795,573)	(18,432,927)	(13,924,355)	(5,863,350)	5,744,255
Other Financing Sources (Uses)										
Transfers In	2,831,580	4,055,180	2,469,541	1,195,900	2,558,258	3,260,939	810,599	2,620,303	1,820,461	5,719,846
Transfers Out	(5,323,134)	(4,776,852)	(3,476,155)	(3,472,376)	(2,095,188)	(5,704,885)	(2,194,686)	(3,666,134)	(2,956,814)	(7,000,929)
Property Sales								1,479,458		
Bond and Note Proceeds		1,527,900		66,113,187	19,753,684	22,371,699	15,415,000	10,490,000	6,590,000	22,325,000
Bond Anticipation Note							(148,782)	65,121	445,187	304,813
Premium (Discount) on Bonds Issued									183,730	39,218
Total Other Financing Sources (Uses)	(2,491,554)	806,228	(1,006,614)	63,836,711	20,216,754	19,927,753	13,882,131	10,988,748	6,082,564	21,387,948
Net Change in Fund Balances	\$15,235,207	\$7,216,603	\$8,479,299	\$54,371,122	(\$30,090,970)	(\$2,867,820)	(\$4,550,796)	(\$2,935,607)	\$219,214	\$27,152,203
Debt Service as a percentage of noncapital expenditures	6.5%	7.3%	7.0%	6.1%	7.6%	7.5%	8.4%	8.0%	7.9%	7.8%

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

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

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Revenues										
Licenses and Permits	\$115,890,320	\$120,725,752	\$129,093,656	\$138,606,697	\$150,426,657	\$155,566,415	\$159,054,097	\$164,661,161	\$177,623,046	\$188,632,470
Taxes	11,998,277	12,463,656	12,731,743	12,977,902	13,904,666	12,513,674	13,539,941	14,547,490	15,729,458	17,731,787
Charges for Services	9,783,182	10,324,150	11,160,169	15,114,957	13,455,129	16,198,920	17,671,856	20,402,491	20,279,414	21,260,954
Fines and Forfeitures	161,091	182,694	167,013	274,002	407,111	279,558	382,532	236,226	245,150	184,104
Intergovernmental	1,414,148	1,285,016	1,481,534	1,406,255	1,662,247	1,786,032	1,941,787	2,079,144	3,693,236	2,418,670
Property Sales	175,704	271,033	453,324	168,381	1,011,609	367,425	33,617	1,479,458	438,709	516,536
Income on Investments	1,044,870	828,951	1,538,252	1,284,191	1,182,639	1,399,319	334,302	127,728	90,639	533,607
Other	1,481,054	1,430,056	1,562,961	1,398,893	1,654,839	1,847,097	1,711,660	1,483,755	1,138,913	1,873,064
Total Revenues	141,948,646	147,511,308	158,188,652	171,231,278	183,704,897	189,958,440	194,669,792	205,017,453	219,238,565	233,151,192
Expenditures and Other Financing Sources (Uses)										
General Government ^(1,6)	6,263,477	6,820,840	6,465,834	4,048,212	4,269,422	5,255,625	4,843,238	5,513,279	3,680,801	3,668,705
Administrative Services ^(1,4)	1,513,350	3,076,179	3,222,783	10,159,579	12,146,051	11,917,682	10,796,794	15,396,156	14,858,450	13,228,125
Finance	3,109,595	4,067,949	4,115,357	4,772,184	5,241,297	5,652,458	5,911,517	6,061,481	6,473,910	6,773,332
Public Works ⁽²⁾	6,042,802	9,591,809	8,953,334	11,644,306	12,481,138	14,176,205	11,954,671	11,377,147	10,706,996	12,389,534
Public Safety ⁽³⁾	54,004,903	60,315,411	65,067,419	71,509,758	78,610,088	90,125,329	92,178,648	94,704,416	99,730,690	111,767,425
Social Services ^(3,7)	5,230,683	5,549,041	5,991,328	6,105,080	6,374,415	6,397,213	6,244,601	6,590,974	7,871,084	9,143,767
General Services	16,795,858	18,741,616	18,913,261	19,968,701	21,249,518	22,107,660	21,735,067	22,410,805	21,644,848	24,917,618
Housing & Community Dev ⁽⁴⁾	3,155,512	3,363,881	3,331,916							
Law ⁽⁵⁾	952,419	3,857,999	1,220,301	1,300,007	1,600,344	1,579,136	1,590,374	1,820,584	1,613,724	1,876,412
Outside Agencies	17,208,525	19,446,702	20,070,545	21,964,307	23,010,520	23,190,541	23,416,545	23,526,902	22,818,075	18,258,584
Debt Service	8,152,882	10,545,157	11,231,809	11,070,468	16,176,071	17,420,469	19,360,248	18,851,660	20,447,860	20,802,641
Other Financing (Sources) Uses	4,833,456	4,603,507	3,262,910	3,283,472	1,029,332	1,511,884	973,404	(1,981,067)	(479,708)	4,860,964
Residual Equity Transfers	9,158,232	2,527,592	1,828,255	2,638,332	1,757,346	2,027,561				
Total Expenditures and Other Financing Sources (Uses)	136,421,694	152,507,683	153,675,052	168,464,406	183,945,542	201,361,763	199,005,107	204,272,337	209,366,730	227,687,107
Net Change in Fund Balance	\$5,526,952	(\$4,996,375)	\$4,513,600	\$2,766,872	(\$240,645)	(\$11,403,323)	(\$4,335,315)	\$745,116	\$9,871,835	\$5,464,085

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

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

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

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

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

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

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

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

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

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

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

Fiscal Year	Residential	Farms	Commercial	Oil, Mineral & Timber Rights	Tangible	Intangible	Total	Less Intangible	Total Taxable Assessed Value	Total Direct Tax Rate (Per \$100 of Assessed value)
1996	\$5,752,742	\$308,306	\$3,039,133		\$3,269,574	\$4,138,272	\$16,508,027	\$4,138,272	\$12,369,755	0.2965
1997	6,137,094	325,921	3,123,884		3,636,024	4,784,171	18,007,094	4,784,171	13,222,923	0.2965
1998	6,532,272	343,270	3,242,046		3,597,853	2,284,417	15,999,859	2,284,417	13,715,442	0.2965
1999	6,920,397	373,289	3,404,515		3,390,608	2,103,419	16,192,228	2,103,419	14,088,809	0.2965
2000	7,522,125	395,484	3,724,821	837	3,766,229	2,087,704	17,497,199	2,087,704	15,409,495	0.2965
2001	8,283,396	412,231	4,037,026	968	4,380,481	2,168,617	19,282,719	2,168,617	17,114,102	0.2955
2002	9,141,865	446,553	4,326,255		4,213,642	2,073,358	20,201,673	2,073,358	18,128,316	0.2945
2003	9,823,997	465,697	4,543,167	870	4,303,219	4,208,933	23,345,884	4,208,933	19,136,951	0.2945
2004	10,486,256	545,897	4,695,549	806	4,397,630	3,183,438	23,309,575	3,183,438	20,126,137	0.2904
2005	11,287,423	559,829	4,897,578	770	4,315,023	3,527,423	24,588,044	3,527,423	21,060,622	0.2704

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

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

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

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

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

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

Fiscal Year	LFUCG Direct Rates						Overlapping Rates					
	Urban Services			Total Direct	Fayette County School	Commonwealth of Kentucky	Extension Services	Soil & Water Conservation	Health Department	Total		
	General	Refuse	Street Lights								Street Cleaning	
1996	0.0810	0.1750	0.0311	0.0094	0.2965	0.5270	0.1670				0.9905	
1997	0.0810	0.1750	0.0311	0.0094	0.2965	0.5320	0.1630				0.9915	
1998	0.0810	0.1750	0.0311	0.0094	0.2965	0.5390	0.1570				0.9925	
1999	0.0810	0.1750	0.0311	0.0094	0.2965	0.5460	0.1530				0.9955	
2000	0.0810	0.1750	0.0311	0.0094	0.2965	0.5400	0.1480				0.9845	
2001	0.0800	0.1750	0.0311	0.0094	0.2955	0.5320	0.1410				0.9685	
2002	0.0790	0.1750	0.0311	0.0094	0.2945	0.5280	0.1360				0.9585	
2003	0.0790	0.1750	0.0311	0.0094	0.2945	0.5280	0.1350				0.9575	
2004	0.0800	0.1750	0.0260	0.0094	0.2904	0.5330	0.1330	0.0032	0.0004		0.9600	
2005	0.0800	0.1600	0.0210	0.0094	0.2704	0.5350	0.1310	0.0032	0.0004	0.0280	0.9680	

Note: All taxpayers in Fayette County are subject to the General Service rate. Full Service rate is for taxpayers receiving complete urban services. Rates would be reduced for those taxpayers receiving less than full urban services.
 The annual increase in real property tax revenue, excluding new assessments, must be 4% or less. Any amount over 4% is subject to a recall vote.

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

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

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

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

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

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

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

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

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

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

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

Fiscal Year	Governmental Activities						Business-type Activities					Total Primary Government	% of Personal Income	Primary Government Debt Per Capita
	General Obligation Bonds, Notes, Leases	Mortgage Revenue Bonds	Lease Revenue Notes Payable	Bond Anticipation Notes	Revenue Bonds		Mortgage Revenue Bonds	Lease Revenue Notes	Total Primary Government					
					Revenue Bonds	Lease Revenue Notes								
1996		\$9,855,000				\$46,868,589	\$56,900,000	\$9,659,311	\$123,282,900	2%	\$496			
1997		8,270,000	4,085,309			45,564,614	53,430,000	8,765,000	120,114,923	2%	478			
1998		6,875,000	3,734,002			43,065,446	50,650,000	11,555,000	115,879,448	2%	454			
1999	67,115,000	5,410,000	3,231,725			40,470,755	116,075,000	11,470,000	243,772,480	3%	942			
2000	89,530,000	3,870,000	2,836,238			37,750,286	112,125,000	6,190,000	252,301,524	3%	967			
2001	108,430,000	2,255,000	2,419,811			59,578,753	108,010,000	2,280,000	282,973,564	3%	1,079			
2002	117,900,000	885,000	1,991,244			56,710,531	103,730,000		281,216,775	3%	1,070			
2003	119,795,000	285,000	1,543,585			53,375,000	98,320,000		273,318,585	3%	1,030			
2004	136,560,000		434,255			50,040,000	73,940,000		260,974,255	na	980			
2005	144,905,000		257,934	742,401		46,560,000	71,680,000		264,145,335	na	na			

Note: Details regarding LFUCG outstanding debt can be found in the notes to the financial statements. See page 149 for personal income and population data.

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

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

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

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

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

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

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

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

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

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

The following issue has been defeased:

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

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

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

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

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

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

Fiscal Year	Sanitary Sewer System					Public Facilities Corporation					
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest				Principal	Interest	Principal
1996	\$22,622	\$11,688	\$10,934	\$2,074	\$2,876	\$9,138	\$518	\$8,620	\$2,465	\$2,016	1.92
1997	23,488	11,293	12,195	1,304	2,124	11,887	683	11,204	2,710	2,124	2.32
1998	23,352	11,216	12,136	2,499	2,338	11,730	778	10,952	2,820	2,004	2.27
1999	24,305	11,732	12,573	2,595	2,230	11,381	855	10,526	2,950	1,880	2.18
2000	24,129	11,918	12,211	2,720	2,115	12,320	1,106	11,214	3,230	2,195	2.07
2001	23,668	12,590	11,078	2,842	1,993	10,210	1,024	9,186	3,360	2,053	1.70
2002	23,343	12,251	11,092	2,868	1,989	11,021	1,840	9,181	3,505	3,407	1.33
2003	27,196	13,408	13,788	3,336	2,725	11,183	2,328	8,855	4,580	4,733	0.95
2004	28,428	14,453	13,975	3,335	2,570	11,504	2,474	9,030	4,760	4,530	0.97
2005	28,701	15,576	13,125	3,480	2,414	6,943	2,479	4,464	1,365	3,473	0.92

Fiscal Year	Public Parking Corporation					Special Assessment Bonds				
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Special Assessment Collections	Less: Operating Expenses	Net Available Revenue	Debt Service	
				Principal	Interest				Principal	Interest
1996	\$1,457	\$282	\$1,175	\$520	\$618	\$1,266	\$970	\$428	0.91	
1997	1,408	289	1,119	545	591	1,020	1,088	244	0.77	
1998	1,498	288	1,210	565	562	592	1,134	185	0.45	
1999	1,345	327	1,018	745	358	397	824	131	0.42	
2000	1,396	315	1,081	720	368	336	446	92	0.62	
2001	1,496	322	1,174	755	337	198	335	72	0.49	
2002	1,298	317	981	775	303	49	355	56	0.12	
2003	1,447	335	1,112	830	268	49	555	39	0.08	
2004	1,563	306	1,257	860	229	46	45	14	0.78	
2005	1,451	343	1,108	895	190	34	45	12	0.60	

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

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

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

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

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

Source: The Bureau of Economic Analysis

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
EMPLOYMENT BY INDUSTRY, FAYETTE COUNTY
Based on 1987 Standard Industrial Classification

Year	Farm	Agricultural Service	Mining	Construction	Manufacturing	Transportation & Public Utilities	Wholesale Trade	Retail Trade	Finance, Insurance and Real Estate	Services	Government and Government Enterprises	Total Employment by Place of Work
1994	1,802	3,183	302	9,846	18,654	8,371	7,687	34,439	10,337	55,571	31,660	181,852
1995	1,947	3,264	313	10,157	18,565	8,632	8,176	35,598	12,069	57,929	32,513	189,163
1996	1,779	3,484	300	10,704	18,681	8,673	8,910	35,621	12,637	61,147	32,797	194,733
1997	1,984	3,759	396	11,547	18,894	8,839	9,184	36,281	12,404	62,323	32,240	197,851
1998	1,793	3,949	392	11,900	19,301	9,211	9,331	36,650	12,455	63,440	32,605	201,027
1999	1,831	4,327	312	12,687	19,417	9,235	9,215	37,534	12,481	65,535	33,326	205,900
2000	1,805	4,506	308	13,076	19,142	9,225	9,177	38,238	12,768	66,775	35,434	210,454

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
EMPLOYMENT BY INDUSTRY, FAYETTE COUNTY
Based on 2002 North American Industry Standard

Year	Farm	Forestry, Fishing and Related Activities	Mining	Construction	Manufacturing	Wholesale Trade, Transportation and Utilities	Information	Retail Trade	Finance, Insurance and Real Estate	Services	Government and Government Enterprises	Total Employment by Place of Work
2001	1,852	3,107	335	12,727	16,252	13,314	5,315	24,222	13,180	79,852	35,156	205,312
2002	1,831	2,950	334	11,533	14,983	12,845	5,074	23,858	13,240	81,000	34,218	201,866
2003	2,007	2,744	353	11,397	14,338	13,096	4,818	23,956	13,537	81,917	34,217	202,380

Source: The Bureau of Economic Analysis

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

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

Source: U.S. Census Bureau

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

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

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

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

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

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

** Calendar Year

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

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

Function/Program	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Fire and Emergency Services										
Number of Fire Stations	18	18	19	19	19	21	21	21	21	21
Number of Engines	18	18	19	19	19	21	21	21	21	21
Number of Aerials	5	5	6	6	6	6	6	6	6	8
Number of EC Units	6	6	6	6	6	7	7	7	7	9
Number of Haz-Mat Units	2	2	3	3	3	3	3	3	3	3
Police										
Stations	2	2	2	2	2	3	3	3	3	3
Patrol Units	na	460	463							
Parks and Recreation										
Acres of Parks	na	na	3,972	4,003	4,207	4,186	4,206	4,263	4,263	4,261
Number of Golf Courses	5	5	5	5	6	6	6	6	6	6
Number of Swimming Pools	14	14	14	14	12	13	12	10	8	10
Sanitary Sewers										
Treatment Capacity (mgd)	52	52	52	52	52	52	64	64	64	64
Solid Waste										
Collection Trucks	na	117	117							
Other Public Works										
Streets (miles)	na	1,516	1,544							
Acres in County	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,762
Acres in Urban Services Area	49,288	49,288	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,618
Traffic Signals	na	na	308	308	316	325	330	344	340	349

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