



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2013



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
LEXINGTON, KENTUCKY



PREPARED BY THE DEPARTMENT OF FINANCE AND ADMINISTRATION

Paid for with Lexington-Fayette Urban County Government Funds



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INTRODUCTORY SECTION



Lexington-Fayette Urban County Government
OFFICE OF THE MAYOR

Jim Gray
Mayor

November 15, 2013

Dear Citizen,

The Comprehensive Annual Financial Report for the fiscal year ended June 30, 2013, reflects the strong steps we have taken to improve the financial health of the Lexington-Fayette Urban County Government through sound financial management.

We have made efficient operation of government a top priority, creating a leaner, smarter city hall. By questioning expenditures in regular meetings held throughout the year with division directors ... a new practice for this city ... we are successfully controlling costs.

The full impact of our largely successful efforts to move employee health insurance toward a cost-of-service model, and of our decision to establishment an employee health clinic and pharmacy, which saves money for both the city and employees, are evident in this report.

This report also reflects savings gained through successful negotiations with public safety unions. We appreciate the dedication of our public safety officers, the service they offer our citizens and their willingness to make sacrifices to help our government recover from tough financial times. Because our employees worked with us we did not have to lay off public safety employees during the worst of the recession, unlike many cities across the country. Now we are restoring the strength of our police, fire and corrections divisions.

In March 2013 sustainable reform of our Police and Firefighter pension fund was signed into state law and, while its impact is not directly felt in this budget, it puts Lexington on the path to long-term financial stability.

We continue to build our budget around preserving government's core services, like public safety and public works. Investments in our Rainy Day Fund have also continued.

Lexington is ready to compete through strategic investments and strong financial management. We look forward to a bright future for our Great American City.

Sincerely,

Jim Gray
Mayor

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www.facebook.com/JimGrayLexKY www.twitter.com/JimGrayLexKY

ELECTED OFFICIALS

MAYOR

Jim Gray

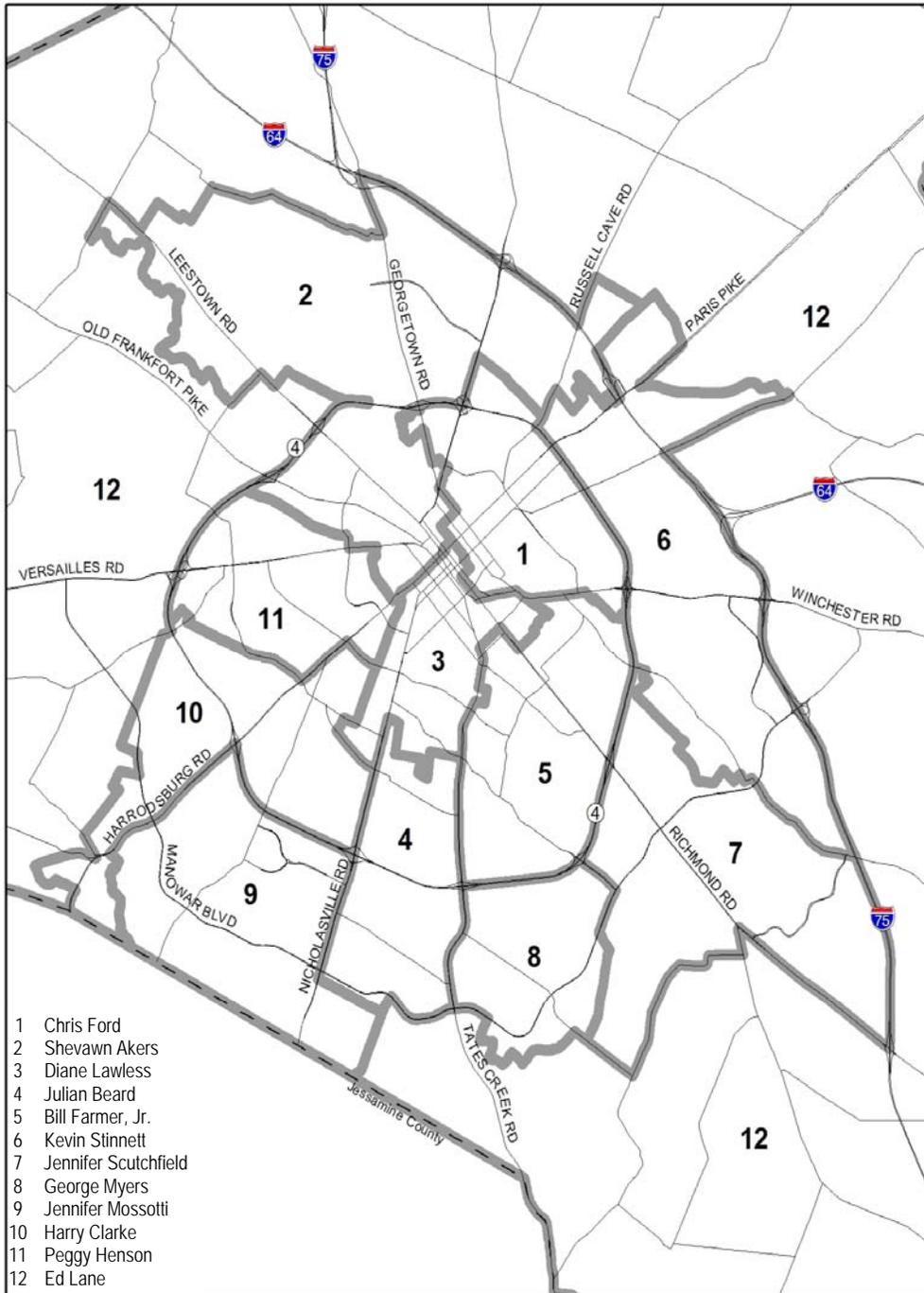
COUNCILMEMBERS-AT-LARGE

Linda S. Gorton – Vice Mayor

Charles W. Ellinger, II

Steve Kay

DISTRICT COUNCILMEMBERS





Lexington-Fayette Urban County Government
DEPARTMENT OF FINANCE

Jim Gray
Mayor

William O'Mara
Commissioner

November 15, 2013

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

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

As Commissioner of Finance, I present the Comprehensive Annual Financial Report (CAFR) of the Lexington-Fayette Urban County Government (the Government) for the fiscal year ended June 30, 2013 (FY2013). The CAFR has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and the reporting standards of the Governmental Accounting Standards Board (GASB). The CAFR includes all funds of the Government and its component units.

The report is organized into three sections: an introductory section, a financial section and a statistical section. This introductory section provides general information on the Government's structure, as well as information useful in assessing the Government's financial condition. The financial section contains the report of the independent auditors on the financial statement audit, management's 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 Division of Accounting, with assistance from staff in the Divisions of Finance, Revenue, and Budgeting. These divisions are responsible for both the accuracy of the data presented and the completeness and fairness of the presentation. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to protect the Government's assets from loss, theft or misuse and to compile sufficient reliable information for preparation of the financial statements in conformance with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits likely to be derived from their use and that such cost-benefit evaluation requires estimates and judgment by management.

State statute and the Charter of the Government both require that an independent financial audit be conducted annually. The accounting firm of Dean Dorton Allen Ford, PLLC performed the audit for the fiscal year ended June 30, 2013. 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, 2013 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unmodified opinion that the Government's financial statements for the fiscal year ended June 30, 2013, are fairly presented in conformity with GAAP. The report of the independent auditors is presented as the first component in the financial section of this report.

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

Profile of the Government (As of November 15, 2013)

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

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

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

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

The CAO is charged with providing leadership to all of government in technology and communications. The Office includes the Division of Computer Services and the Division of Government Communications. Computer Services provides mainframe and microcomputer support, database development and information services to the Government and some outside agencies. Government Communications prepares and distributes information about the city in a variety of ways including LexCall (a one-stop call for city hall services), GTV3 (the city's cable television station) and the city's website.

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

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

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

The Department of Law provides legal services for the Government. The Corporate Counsel Division prepares all legal instruments of the Government and provides advice to its elected officials, employees and agencies. The Litigation Division represents the Government in civil cases and administrative hearings and coordinates representation of cases handled by outside attorneys. Claims management, insurance procurement and administration of the self insurance fund are also handled in the Department of Law. The Commissioner also oversees the Division of Human Resources, which manages all hiring of employees and benefits administration.

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

The Department of Public Safety is the largest in the Government. It includes the Divisions of Community Corrections, Police, Fire and Emergency Services, Emergency Management, Enhanced 911, Code Enforcement, and Building Inspection. Readers should be familiar with the services provided by Corrections, Police and Fire, but may not be as familiar with the other Divisions, which provide a variety of services including emergency communications and management, disaster preparedness, inspections of properties for code violations and nuisance abatement.

The Department of Social Services provides services to Fayette County residents by helping families become self sufficient, offering specialized programs to help Lexington youth and providing financial and social services to eligible senior citizens in the community. The Divisions in this Department include Adult Services, Family Services and Youth Services. Other programs in the Department include Aging Services and management of the Cardinal Valley Center, which works to bridge cultural gaps among neighbors.

Significant Events (as of November 15, 2013)

Infrastructure Highlights

- The project to renovate and restore the Main Street Annex Parking Garage was completed on schedule and under budget. The garage re-opened on May 6 and has been named the Helix Garage because of its distinctive circular exit ramp. Features of the Helix Garage are an upgraded lighting system, new entry and exit system using recyclable tokens rather than paper tickets, and a real time display of open parking space counts at the entrances.
- Installation of a Police radio system compliant with current FCC requirements was completed in FY2013. The new equipment improves coverage throughout Fayette County and will allow all Government Public Safety divisions to be on one system by FY2015.
- The Government began the systematic resurfacing of approximately 57 miles of roadway in Fayette County in FY2013. Work is expected to be completed in the coming year.
- In August, the Urban County Council unanimously approved the construction of a new senior citizens' center in Idle Hour Park on land already owned by the Government. Planning is underway and construction is expected to begin in FY2014. The facility could be open within two years.

Bluegrass Economic Advancement Movement

In a new approach to economic development, the mayors of Lexington and Louisville partnered with the Brookings Institute to pursue a regional approach to boosting central Kentucky's advanced manufacturing sector. Called the Bluegrass Economic Advancement Movement, or BEAM, the initiative has recently received approval for a plan from

its board, which includes leaders of the state's largest manufacturers and research universities. The plan largely focuses on efforts to increase exports, workforce development and innovation. While the full plan will be introduced in the fall of 2013, elements are already underway.

Health Center and Pharmacy

The Samuel Brown Health Center and City Employee Pharmacy have completed their first full year of operations. Response has been positive and Health Center and Pharmacy employees have actively sought to participate in departmental meetings and after-hours town hall sessions to ensure that eligible members are informed of the services offered. The Health Center and Pharmacy have delivered significant savings to both the Government and its employees. During FY2013 some occupational health services were transferred to the Health Center which has resulted in additional savings for the Government.

Consent Decree

The Government is required to reduce sanitary sewer overflows (SSOs) as part of its court ordered settlement with the United States Department of Justice, the United States Environmental Protection Agency and the Commonwealth of Kentucky's Energy and Environmental Protection Cabinet (the "Consent Decree"). The Consent Decree requires Lexington to address structural, operational, and procedural issues within its storm and sanitary sewer systems in accordance with the schedule developed jointly with the United States Environmental Protection Agency. To date Lexington has met every Consent Decree deadline and has not been assessed any stipulated penalties.

In FY2013 the Remedial Measures Plan (RMP) for Group 3 was completed and submitted to the United States Environmental Protection Agency. The RMP is the master plan for over 80 capital improvement projects intended to rehabilitate the sanitary sewer system to prevent recurring SSOs/unpermitted bypasses. The cost estimate for the RMP projects is \$591 million, and the Government must complete these projects over the next 11-13 years. In FY2013 engineering firms were retained and work began on six new RMP projects with construction to follow in FY2014. Also in FY2013 construction of the Expansion Area 2A and Wolf Run Force Mains and Pump Stations began. These are expected to be completed in FY2014.

While RMP outlines structural changes required for Consent Decree compliance the Capacity, Management, Operations and Maintenance Plan (CMOM) is also a requirement of the Consent Decree. CMOM outlines the operational changes that must be undertaken. In FY2013 the Division of Water Quality completed thirteen required CMOM program elements.

LEXserv Utility Billing

Effective September 1, 2012 the Kentucky American Water Company made a corporate decision to discontinue their long standing service of billing for sewer, landfill, and water quality fees on the water bill. The Government entered into a four year agreement with Greater Cincinnati Water Works to furnish billing services and collection of these fees. The Government has conducted an aggressive campaign to encourage payment of fees by automatic debit (currently 16% of customers use this method). LEXserve is currently on track to calculate and assess penalty and interest charges beginning October 1, 2013.

Strengthening Fiscal Management

Introduction

FY2013 continued to be a challenging year due to the dynamic and volatile nature of the economy. Like many American cities Lexington faced compressed revenue growth and continued to identify opportunities to operate more efficiently and effectively through prudent financial management.

Local Economy

The unemployment rate in Fayette County was 7.1% in June 2013, up from 6.5% in June 2012. The June 2013 rate is below the national and state rates which were 7.6% and 8.4% respectively. Employment as measured by a household survey, which is by place of residence, was 183,674 for the quarter ended December 31, 2012. The number of people employed as of December 31, 2011 was 179,578.

Budget Control and Financial Management

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

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

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

Police and Fire Pension Fund

A large-scale reform of the Policemen's and Firefighters' Retirement Fund (the Fund) was completed in FY2013. The reform significantly reduced the Fund's unfunded liability. Driving the reduction in the unfunded liability was a combination of higher payments by the Government in order to pay down the liability in thirty years and benefit changes for new, active and retired police and firefighters. The consensus-driven plan was approved with a 76% affirmative vote by active and retired public safety officers and was signed into law by the Governor of Kentucky.

Long-Term Financial Policies

Annually the Government adopts a Capital Improvement Plan prior to the completion of the annual operating budget. The development of the capital improvement plan budget is coordinated with the development of the operating budgets. Requests for capital projects are accompanied by estimates of project impact on annual operating costs and revenues. Additionally, multi-year forecasts of revenues and expenditures, including operating and capital expenditures, are prepared throughout the year to monitor the adequacy of funding resources and debt capacity.

Cash Management and Investment Policy

The Department of Finance is responsible for the custody, investment and disbursement of all funds of the Government in accordance with the procedures and standards adopted by the Urban County Council. It is the policy of the Government to invest funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the Government. The Government's investments are governed by State Statute (KRS 66.480) and an investment policy approved by the Urban County Council. In FY2013 all funds were invested in either obligations of the United States and its agencies and instrumentalities, mutual funds comprised of those securities, repurchase agreements, collateralized Certificates of Deposit or commercial paper.

Awards and Acknowledgements

For the 20th 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 Government for its CAFR for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

Respectfully submitted,

A handwritten signature in black ink that reads "William O'Mara". The signature is written in a cursive style with a large initial 'W' and a long, sweeping tail.

William O'Mara, Commissioner
Department Of Finance



Government Finance Officers Association

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

Presented to

**Lexington-Fayette
Urban County Government
Kentucky**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

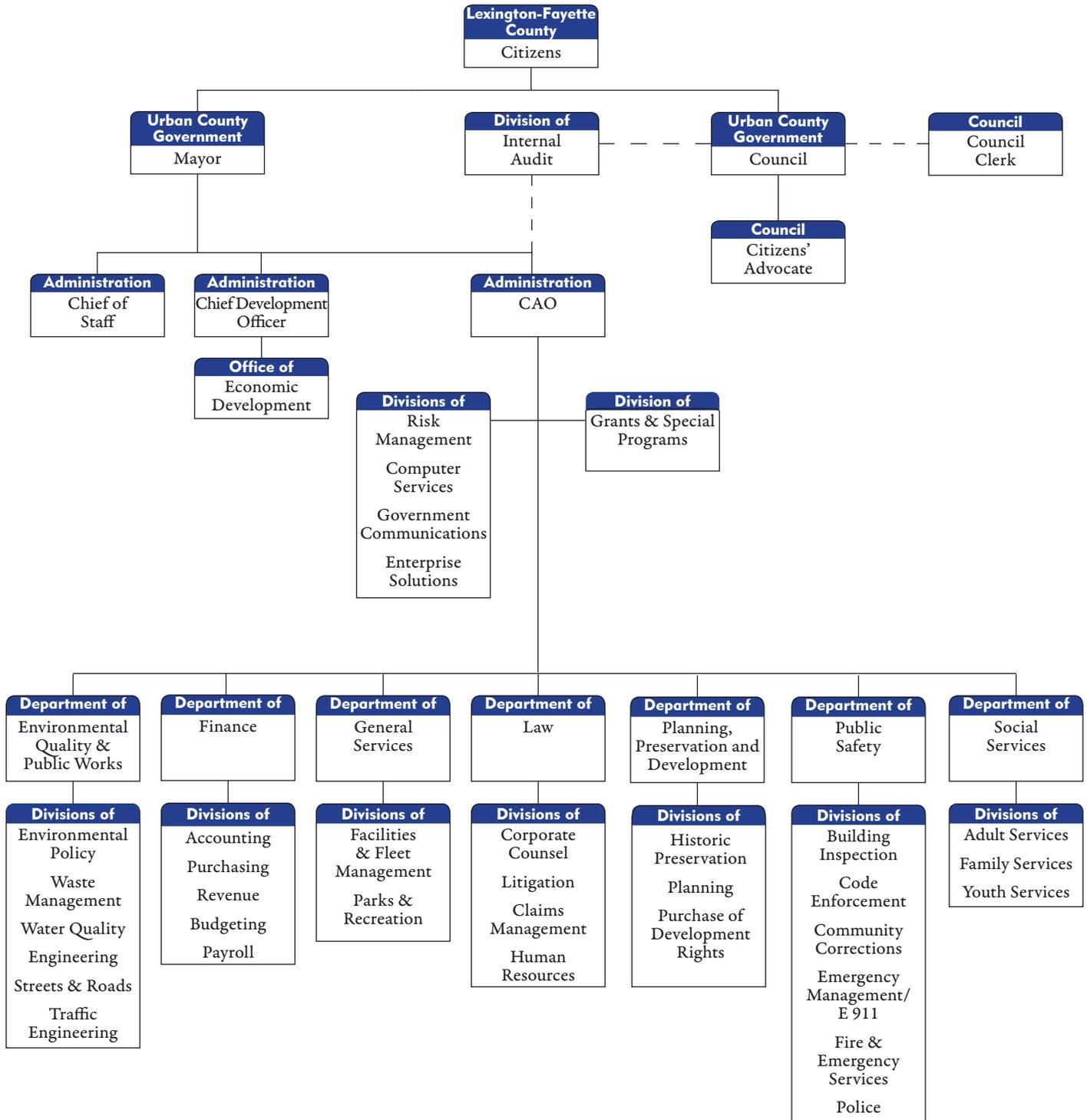
June 30, 2012

Executive Director/CEO



Lexington-Fayette Urban County Government

Organizational Chart



DIRECTORY OF GOVERNMENTAL OFFICIALS

Council Office
Citizens' Advocate Office

Council Clerk's Office

Office of the Mayor

Chief Development Officer

Internal Audit

Office of the Chief Administrative Officer
Grants and Special Programs
Risk Management
Computer Services
Enterprise Solutions
Government Communications

Planning, Preservation, and Development
Planning
Purchase of Development Rights
Historic Preservation

Finance
Accounting and Payroll
Purchasing
Revenue
Budgeting

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

Law
Corporate Counsel
Litigation
Human Resources
Claims Management

Public Safety
Building Inspection
Code Enforcement
Community Corrections
Division of Emergency Management/E911
Division of Emergency Management/E911
Fire and Emergency Services
Police

Social Services
Adult Services
Family Services
Youth Services

General Services
Facilities and Fleet Management
Parks and Recreation

Stacey Maynard, Council Administrator
Penny McFadden, Citizen's Advocate

Susan Lamb, Council Clerk

Jim Gray, Mayor

Kevin Atkins

Bruce Sahli, Director

Sally Hamilton, Chief Administrative Officer
Irene Gooding, Director
Patrick R. Johnston, Director
Mike Nugent, Director
Chad Cottle, Director
Vacant

Derek Paulsen, Commissioner
Chris King, Director
Billy Van Pelt, Program Manager
Bettie L. Kerr, Director

William O'Mara, Commissioner
Phyllis Cooper, Director
Todd Slatin, Director
Vacant
Melissa Lueker, (Acting) Director

Richard Moloney, Commissioner
Brad Frazier, Director
Susan Bush, Director
Charles H. Martin, Director
Steve Feese, Director
Albert Miller, (Acting) Director
Jim Woods, (Acting) Director

Janet Graham, Commissioner
Keith Horn
Vacant
John Maxwell, Director
Tom Sweeney

Clay Mason, Commissioner
Dewey Crowe, Director
David Jarvis, Director
Rodney Ballard, Director
Patricia Dugger, Director of Emergency Management
David Lucas, Director of Enhanced 911
Keith Jackson, Chief
Ronnie Bastin, Chief

Beth Mills, Commissioner
Connie Godfrey, Director
Joanna Rodes, Director
Stephanie Hong, Director

Geoff Reed, Commissioner
Jamshid Baradaran, Director
Jerry Hancock, Director



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FINANCIAL SECTION

Report of Independent Auditors

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Lexington-Fayette Urban County Government (the Government), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, the Lexington Convention and Visitors Bureau, the Lexington Public Library, the Lexington-Fayette Urban County Airport Board, the Lexington-Fayette Urban County Department of Health, and the Lexington Center Corporation, which represent 93%, 94% and 97%, respectively, of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Lexington Transit Authority, the Lexington Convention and Visitors Bureau, the Lexington Public Library, the Lexington-Fayette Urban County Airport Board, the Lexington-Fayette Urban County Department of Health, and the Lexington Center Corporation, is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, based on our audit and the report 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Full Urban Services District Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 15 through 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Government's basic financial statements. The accompanying Combining and Individual Fund Statements on pages 104 through 107 and 113 through 128, and the Schedule of Expenditures of State Awards on page 108 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 page 108 through 110 is presented for purposes of additional analysis, as required by U.S Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the reports of other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Government's basic financial statements. The accompanying Introductory Section on pages 1 through 11 and the Statistical Section on pages 132 through 156 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements by us or other auditors, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013 on our consideration of the Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.

Dean Dorton Allen Ford, PLLC

Dean Dorton Allen Ford, PLLC
November 15, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of Lexington-Fayette Urban County Government's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the Government's financial performance for the fiscal year ended June 30, 2013. It is supplementary information required by the Governmental Accounting Standards Board (GASB) and is intended to provide a readable explanation of the information within the basic financial statements. It should be read in conjunction with the Letter of Transmittal (which can be found preceding this narrative on page 3) and the financial statements immediately following the analysis.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government–Wide Highlights

The assets of the Primary Government exceeded its liabilities at the close of the fiscal year by \$1.12 billion (net position).

- Total assets of the Primary Government exceeded total liabilities by approximately \$1,120.89 million at the close of fiscal year 2013. This amount includes a deficit of approximately \$67.05 million in unrestricted net assets.
- The Government adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources and Net Position*. The Statements of Net Position, previously referred to as the Statements of Net Assets, now reflect interest rate caps as deferred outflows and deferred inflows of resources for reporting the Government's discretely presented Component Units. The adoption of GASB Statement No. 63 had no financial impact on the net position of the Government.
- GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* was early implemented during fiscal year 2013. The accounting for bond issuance costs has been changed from deferring the costs and amortizing them over the lives of the related bonds to expensing them in the year incurred. The change in accounting for bond issuance costs resulted in a decrease of net position in the amount of \$2.1 million.
- Governmental Activities' net position was \$809.95 million at the end of fiscal year 2013. Of this amount, \$877.69 million was invested in capital assets, net of related debt. The investments in capital assets, net of related debt comprises 108.4% of total net position.
- Business-Type Activities held a balance of \$310.94 million in net position. The unrestricted fund balance at June 30, 2013 is \$27.43 million, or 40.5% of Business-Type Activity expenses.

Fund Highlights

- As of June 30, 2013, the Government's governmental funds reported combined ending fund balances of \$120.69 million, an increase of \$22.23 million compared to the previous fiscal year. Of this total amount, \$66.22 million is restricted for various projects: public works, public safety, capital projects, grants, urban services, and energy improvements.
- The General Fund, the primary operating fund of the Government, held an unassigned fund balance of \$4.31 million or 1.5% of General Fund expenditures. There are two categories of committed fund balance; general government and economic stabilization. Committed funds represent amounts restricted for use by the highest level of governing authority, an ordinance passed by the Urban County Council. The total committed fund balance is \$29.90 million. The committed fund balance designation for economic stabilization held a balance of \$23.29 million, available for spending in the event of an economic downturn or unforeseen event. There are two categories of assigned fund balance; general government and capital projects. Assignments for general government and capital

projects represent planning for various projects. These assignments total \$18.39 million for fiscal year 2013.

OVERVIEW OF THE FINANCIAL STATEMENTS

Three key elements comprise the basic financial statements, including:

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

A. Government-Wide Financial Statements

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

The *Statement of Net Position* reflects the financial position of the Government at fiscal year ended June 30, 2013. Accordingly, the Government's net position, the difference between assets (what the citizens own) and liabilities (what the citizens owe) are one way to determine the financial condition of the Government. Over time, increases or decreases in net position are one indicator of whether the financial health of the Government is improving or deteriorating. However, additional factors such as changes in the Government's revenue structure, its tax base, and its level of assets held, should be considered in order to assess thoroughly the overall financial condition of the Government.

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

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

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

B. Fund Financial Statements

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

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

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

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

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

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

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

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

C. Notes to the Financial Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Analysis of Net Position

Net position may serve as a useful indicator of a government's financial position. In Table 1 below, the Government's combined net position (Governmental and Business-Type Activities) totaled \$1.12 billion as of June 30, 2013, a decrease of \$3.45 million from the previous year. Total depreciation expense government wide was \$60.52 million.

The largest proportion of the Government's net position, \$1.10 billion, is invested in capital assets (e.g. land, infrastructures, buildings and improvements, and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets. The Government uses these capital assets to provide services to its citizens. As such, these assets are not available for future spending.

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

	Total Net Position		
	FY 2013	Restated FY 2012	Change
ASSETS			
Current and other assets	\$351,316	\$312,328	\$38,988
Capital assets	1,371,678	1,403,130	(31,452)
Total assets	<u>1,722,994</u>	<u>1,715,458</u>	<u>7,536</u>
LIABILITIES			
Current and other liabilities	70,142	53,237	16,905
Long-term liabilities	531,966	537,884	(5,918)
Total liabilities	<u>602,108</u>	<u>591,121</u>	<u>10,987</u>
NET POSITION			
Invested in capital assets net of related debt	1,095,005	1,116,784	(21,779)
Restricted for:			
Capital Projects	69,034	57,996	11,038
Energy Improvement Projects	419		419
Debt Service	8,772	9,610	(838)
Capital Replacement	2,338	2,479	(141)
Water Quality Incentive Program	4,031		4,031
Grants	1,262	1,262	0
Maintenance and Operations	7,235	6,655	580
Unrestricted	<u>(67,209)</u>	<u>(70,449)</u>	<u>3,240</u>
Total net position	<u>\$1,120,887</u>	<u>\$1,124,337</u>	<u>(\$3,450)</u>

Approximately \$92.93 million, or 8.3% of total net position, is subject to external restrictions regarding its use. Restricted amounts within Governmental Activities include fund balances of the general fund, the urban services fund and various special revenue funds. Please refer to the fund analysis beginning on page 24 for more information.

Table 2 indicates that the net position of Governmental Activities totaled \$809.95 million, or 63.6% of total assets, a decrease of \$9.43 million from the previous year. Of this total, \$877.69 million is invested in capital assets (e.g. land, infrastructures, buildings and improvements, and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets.

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

	Governmental Activities		
	FY 2013	Restated FY 2012	Change
ASSETS			
Current and other assets	\$229,763	\$194,548	\$35,215
Capital assets	1,043,357	1,069,069	(25,712)
Total assets	1,273,120	1,263,617	9,503
LIABILITIES			
Current and other liabilities	57,898	44,562	13,336
Long-term liabilities	405,274	399,679	5,595
Total liabilities	463,172	444,241	18,931
NET POSITION			
Invested in capital assets			
net of related debt	877,691	899,350	(21,659)
Restricted for:			
Capital Projects	25,215	19,027	6,188
Energy Improvement Projects	419		419
Grants	1,262	1,262	0
Unrestricted	(94,638)	(100,263)	5,625
Total net position	\$809,949	\$819,376	(\$9,427)

Table 3 shows the net position of Business-Type Activities totaled \$310.94 million at the end of fiscal year 2013, an increase of \$5.98 million from the previous fiscal year. Of total net position, \$217.31 million, or 69.9%, is invested in capital assets, minus related debt which is still outstanding and used to acquire those assets. The Government uses these capital assets in the same way as the capital assets held by Governmental Activities.

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

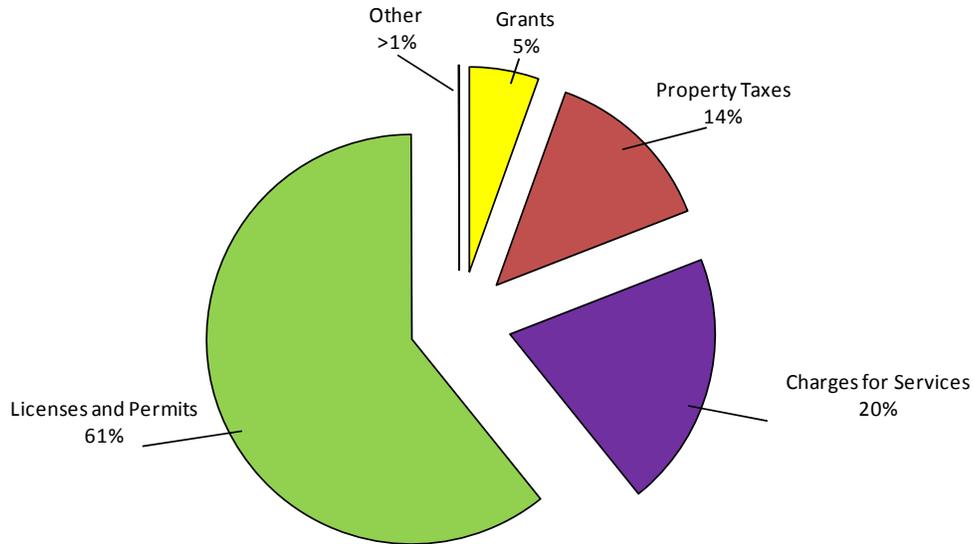
	Business-Type Activities		
	FY 2013	Restated FY 2012	Change
ASSETS			
Current and other assets	\$121,552	\$117,779	\$3,773
Capital assets	328,321	334,061	(5,740)
Total assets	<u>449,873</u>	<u>451,840</u>	<u>(1,967)</u>
LIABILITIES			
Current and other liabilities	12,245	8,675	3,570
Long-term liabilities	126,691	138,204	(11,513)
Total liabilities	<u>138,936</u>	<u>146,879</u>	<u>(7,943)</u>
NET POSITION			
Invested in capital assets			
net of related debt	217,313	217,434	(121)
Restricted for:			
Capital Projects	43,819	38,969	4,850
Debt Service	8,772	9,610	(838)
Capital Replacement	2,338	2,479	(141)
Water Quality Incentive Program	4,031		4,031
Maintenance and Operations	7,235	6,655	580
Unrestricted	27,429	29,814	(2,385)
Total net position	<u>\$310,937</u>	<u>\$304,961</u>	<u>\$5,976</u>

Governmental Activities

As indicated in Chart 1, the Government funds its Governmental Activities from revenue received from four significant categories. A clear majority, 61%, of the Government's revenue is provided through licenses and permits. This category includes fees placed on Employee Withholdings, Business Returns, Insurance Premiums, and Franchise Fees. Charges for Services were 20%, which was the second largest contributing category to governmental activity revenues. Revenues collected in this category include charges collected from the Detention Center, EMS charges, golf course collections, fees for building permits, and fees associated with parks and recreation programs. Property Taxes comprised 14% of governmental revenues just ahead of Federal and State grant funding which represents 5%. The remaining Other category represents miscellaneous revenues collected by the Government.

Chart 1

Distribution of Governmental Activity Revenues



As indicated by Table 4, revenues from Governmental Activities totaled \$393.05 million, which was an increase of \$10.45 million, or 2.7%, from the previous fiscal year. Licenses and permits totaled \$238.92 million, representing 60.9 % of total revenues. As stated earlier, this category includes Employee Withholdings in the form of an occupational license fee (OLF). This fee is comprised of an assessment of 2.25% on the total wages received by individuals employed in Lexington-Fayette County and an assessment of 2.25% on the net profits of businesses operating in the Lexington-Fayette County area. Licenses and permits increased by \$8.34 million, or 3.6% from the previous fiscal year. This is primarily due to increases in occupational license and franchise fees collected during the fiscal year of \$7.25 million and \$1.09 million, respectively. Property taxes increased slightly, \$0.74 million from the previous fiscal year, up 1.4% which was due to an increase in property valuations. Charges for services increased by \$5.61 million, or 7.6%, primarily due to a decrease in insurance subsidy requirements and an increase in premiums.

As noted on Table 4, total expenses of Governmental Activities were \$401.37 million; a decrease of \$5.35 million from the previous fiscal year. This is primarily due to decreases in personnel and insurance expenditures of \$20.13 million, offset by increases in capital and operating expenditures of \$14.77 million.

Business-Type Activities

Also indicated on Table 4, revenues from Business-Type Activities increased \$1.83 million from the previous fiscal year. This is primarily due to an increase in revenues collected for services provided by the Government. Total expenses of Business-Type Activities decreased when compared to FY2012, by \$4.38 million. There were expense reductions in most categories, most notably Public Facilities, Public Parking, Landfill and Water Quality in the amounts of \$1.61 million, \$0.76 million, \$1.17 million and \$0.81 million respectively. The largest program among these activities is the Sanitary Sewer system, with expenses of \$39.01 million during the fiscal year, representing 57.6% of all Business-Type Activities expenses.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	Restated 2012	2013	Restated 2012	2013	Restated 2012
Revenues						
Program Revenues:						
Charges for Services	\$79,235	\$73,623	\$85,840	\$82,757	\$165,075	\$156,380
Operating Grants and Contributions	13,066	14,139			13,066	14,139
Capital Grants and Contributions	6,273	8,316			6,273	8,316
General Revenues:						
Property Taxes	53,597	52,861			53,597	52,861
Licenses and Permits	238,924	230,580			238,924	230,580
Grants and Unrestricted Contributions	2,176	2,172			2,176	2,172
Other General Revenues	(226)	901	(215)	1,038	(441)	1,939
Total Revenues	393,045	382,592	85,625	83,795	478,670	466,387
Program Expenses						
General Government	23,693	22,985			23,693	22,985
Administrative Services*	11,761	21,143			11,761	21,143
Health, Dental, Vision, Workers Comp, General Insurance	25,007	26,211			25,007	26,211
Chief Development Officer	621	470			621	470
Finance	14,744	20,761			14,744	20,761
Environmental Quality & Public Works	83,879	80,706			83,879	80,706
Planning, Preservation, & Development*	3,767				3,767	
Public Safety	14,666	13,042			14,666	13,042
Police	69,945	68,164			69,945	68,164
Fire and Emergency Services	62,781	66,413			62,781	66,413
Community Corrections	32,632	31,286			32,632	31,286
Social Services	10,195	9,781			10,195	9,781
General Services	10,899	10,042			10,899	10,042
Parks and Recreation	19,654	19,386			19,654	19,386
Law and Risk Management	4,006	3,497			4,006	3,497
Interest on Long-Term Debt	13,116	12,836			13,116	12,836
Sanitary Sewer System			39,014	38,832	39,014	38,832
Public Facilities			9,420	11,033	9,420	11,033
Public Parking			85	848	85	848
Landfill			4,100	5,272	4,100	5,272
Right of Way			284	299	284	299
Extended School Program			2,199	2,339	2,199	2,339
Prisoners' Account System			1,394	1,374	1,394	1,374
Enhanced 911			2,930	2,973	2,930	2,973
LexVan Program			11	29	11	29
Water Quality			8,309	9,120	8,309	9,120
Total Expenses	401,366	406,723	67,746	72,119	469,112	478,842
Increase (Decrease) in Net Position before Transfers	(8,321)	(24,131)	17,879	11,676	9,558	(12,455)
Transfers						
Transfers	(1,106)	(347)	(11,903)	347	(13,009)	0
Increase (Decrease) in Net Position	(9,427)	(24,478)	5,976	12,023	(3,451)	(12,455)
Net Position, July 1 (as restated)	819,376	843,854	304,961	292,938	1,124,337	1,136,792
Net Position, June 30	<u>\$809,949</u>	<u>\$819,376</u>	<u>\$310,937</u>	<u>\$304,961</u>	<u>\$1,120,886</u>	<u>\$1,124,337</u>

*The following Divisional organizational changes took place in FY2013:

Historic Preservation, Planning and Purchase of Development Rights moved from Administrative Services to Planning, Preservation & Developm

PERSONNEL COSTS

During the year personnel related expenses for Police, Fire, and Community Corrections, which are covered by collective bargaining agreements, decreased approximately \$30.35 million. This decrease is primarily due to a payment of \$31 million to the Police and Firefighters' Retirement Fund that was financed through the Government's issuance of pension bonds and an additional contribution paid to the Retirement plan of \$1.52 million in the prior fiscal year. Salary and wage costs, including benefits, for non-collective bargaining employees decreased 8.3%. See Chart 2 for more information on personnel costs for Governmental Activities during FY2013.

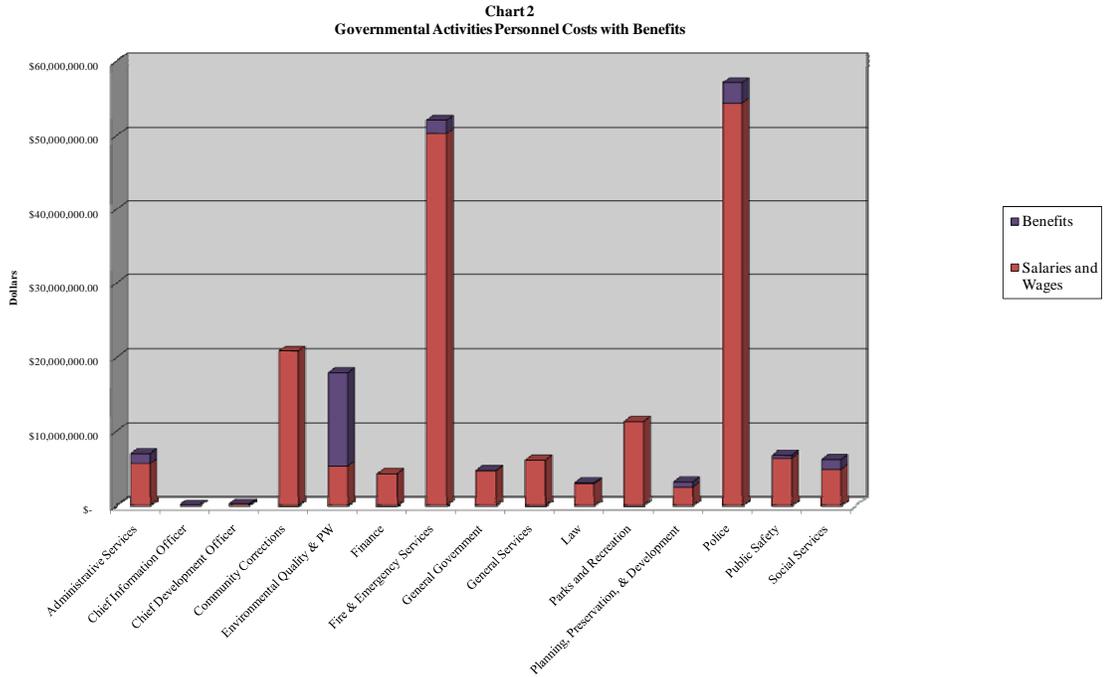
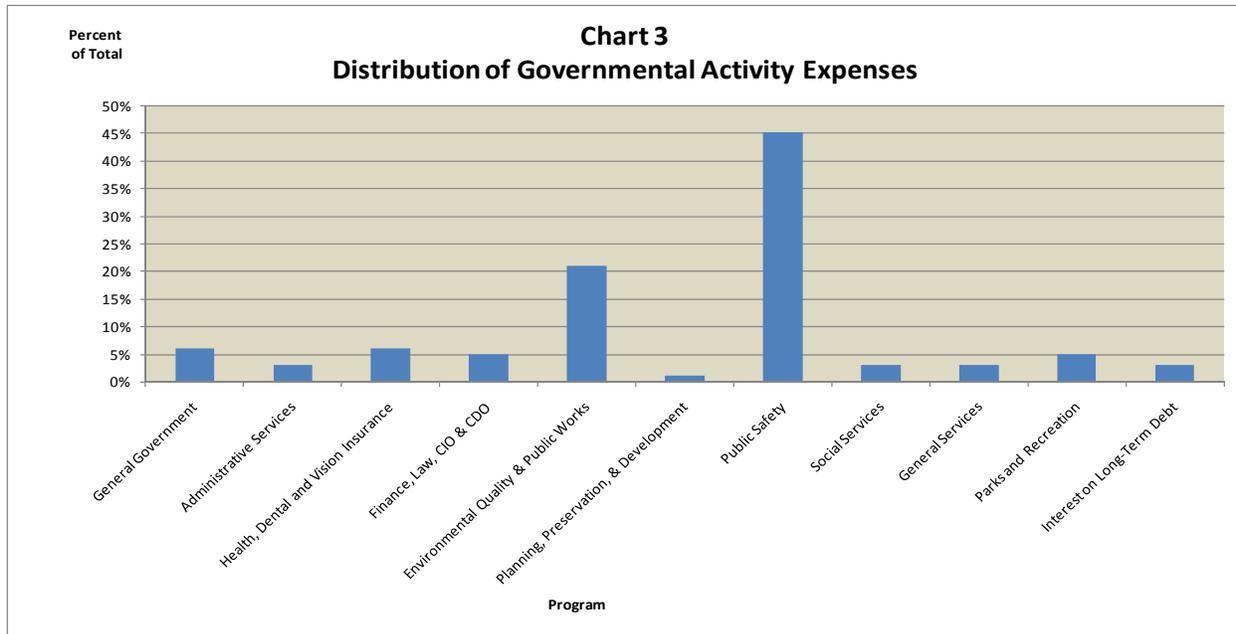


Chart 3 displays the distribution of total costs by governmental activity.



FUNDS OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

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

Governmental Funds

The Government's total governmental funds for the year ended June 30, 2013 reflect a combined ending fund balance of \$120.69 million, an increase of \$22.23 million from the previous fiscal year. The Government reports fund balance as nonspendable, restricted, committed, assigned, or unassigned (refer to Note 1 to the financial statements for detailed information on the fund balance classifications). The increase is primarily due to revenues in excess of expenditures of \$7.06 million and other financing sources of \$16.03 million.

The Government had \$4.31 million of unassigned fund balance available in the General Fund at June 30, 2013. Unassigned fund balance of the General Fund (the Government's main operating fund) represents approximately 1.5% of total general fund expenditures for FY2013. At the end of FY2013, the fund balance held by the General Fund totaled \$54.41 million, an increase of \$10.15 million, or 22.9%, from the previous fiscal year. This was primarily due to revenues in excess of expenditures of \$12.48 million, offset by other financing uses of \$2.33 million.

The Urban Services Fund is used to finance solid waste collection, streetlights, and street cleaning services for properties within designated property tax districts. At the end of the fiscal year, the Urban Services Fund held a total fund balance of \$28.64 million, an increase of \$5.87 million over the prior fiscal year. This increase is primarily due to revenues in excess of expenditures of \$3.46 million and transfers of \$2.42 million. Revenues of the Urban Services Fund remained stable compared to the prior fiscal year, increasing \$0.01 million. Expenditures decreased \$1.18 over the prior fiscal year. This was primarily due to a decrease in capital expenditures of \$0.81 million. In addition, personnel and operating expenditures decreased by \$0.26 million and \$0.11 respectively.

The Federal and State Grants Fund held a balance of \$1.26 million for fiscal year ended June 30, 2013, stable when compared to the prior fiscal year. This fund balance represents grant revenues received, but not spent, that are restricted for specific activities. During FY2012, an outstanding loan receivable balance was paid in full. The funding will be used in the future for urban development projects.

The Other Governmental Funds primarily relate to costs associated with various capital bond projects. During FY2013, \$16.21 million was expended on these projects. Bonds in the amount of \$14.73 million were issued to reimburse these expenditures and cover any additional costs associated with the projects. An additional issuance of \$6.01 million partially refunded prior year bonds. For more details on long term debt, please see Note 3.D. to the financial statements.

Proprietary Funds

The Government's proprietary fund statements provide the same type of information found in the *Government-Wide Financial Statements*, but in more detail. Total net position for the Government's proprietary funds totaled \$310.94 million as of June 30, 2013, an increase of \$5.98 million from the prior fiscal year.

The Sanitary Sewer Fund held total net position of \$231.95 million, an increase of \$13.92 million over the prior year. Revenues in excess of expenses primarily contributed to this increase. Of the total net position held by the Sanitary Sewer Fund, \$60.69 million is restricted by bond covenants for maintenance, capital replacement and projects, and debt service.

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 position of the Public Facilities Corporation was \$27.45 million, a decrease of \$3.06 million from the prior fiscal year. This is primarily due to operating expenses in excess of revenues of \$1.00 million and non-operating expenses of \$2.59 million.

The Water Quality Fund was established to account for the revenues and expenses of developing and operating storm water related activities. The net position of the Water Quality Fund totaled \$14.02 million, an increase of \$4.09 million from the prior fiscal year. Revenues in excess of expenses primarily contributed to this increase.

As of June 30, 2013, the total net position of the Landfill Fund held a balance of \$28.06 million, an increase of \$2.66 million from the prior fiscal year, a 10.5% increase. Revenues in excess of expenses primarily contributed to this increase.

The other enterprise funds were established to account for the acquisition, operation and maintenance of the Government's facilities and services which are entirely or predominantly self-supported by user charges or where the Government has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes. As of June 30, 2013 the other enterprise funds held total net position of \$9.13 million, a decrease of \$11.64 million over the previous fiscal year. During FY2013, assets totaling \$12.44 million were transferred from Public Parking Corporation (PPC) to the component unit Parking Authority of Lexington. The transfer agreement was established in the prior fiscal year. Public Parking Corporation (PPC), with a net position of \$3.81 as of June 30, 2013, is now presented as a non major enterprise fund. In addition, the Water Quality Fund was established as a major enterprise fund and accordingly moved for appropriate presentation on the financial statements. Also, during FY2013, the Government transferred the LexVan Program to the Lexington Transit Authority, a component unit, with a net position of \$223,981.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

For FY2013, General Fund revenues totaled \$292.13 million, an increase of 3.0% from the previous fiscal year. Total revenues were \$1.67 million above the final budgeted amount. This increase in actual revenue is the result of a continued rebound in the U.S. economy, which positively affects both employee withholdings and business returns. Revenues received for services provided were \$2.62 million above the final budgeted amount. This is primarily due to detention center fees and excess fee collections of \$1.93 million and \$1.06 million respectively.

General Fund expenditures of the Government totaled \$279.65 million, a decrease of \$20.83 million, or 6.9% over the previous fiscal year. Expenditures were \$13.07 million below the final budgeted amount. Operating expenditures were \$8.95 million below the final budgeted amount. Personnel expenditures, accounting for 64.4% of General Fund expenditures, were \$4.29 million below the final budgeted amount. Divisions with collective bargaining agreements had personnel expenditures \$3.86 million over the final budgeted amount. Personnel expenditures from these divisions account for 44.9% of the general fund expenditures. In addition, these expenditures decreased by \$30.80 million when compared to the prior fiscal year. This is primarily due to the payment of \$31 million to the Police and Firefighter's Retirement Fund during FY2012. The increase was offset by personnel savings in the divisions covered by non-collective bargaining agreements of \$8.15 million. Please see the Table 5 below for more details regarding the distribution of General Fund personnel cost and the changes from prior year.

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

<u>Departments</u>	<u>2013</u>	<u>2012</u>	<u>Change</u>	<u>% Change</u>	<u>% General Fund Expenditures</u>
Non-Collective Bargaining Divisions					
Administrative Services	\$5,678	\$7,921	(\$2,243)	-28.3%	2.0%
Chief Development Officer	164	159	5	3.1%	0.1%
Department of Finance	4,333	4,706	(373)	-7.9%	1.5%
Department of General Services	6,168	6,862	(694)	-10.1%	2.2%
Department of Law	2,967	2,901	66	2.3%	1.1%
Department of Public Safety	6,437	7,223	(786)	-10.9%	2.3%
Department of Social Services	4,901	4,943	(42)	-0.8%	1.8%
Department of Environmental Quality & PW	5,315	5,713	(398)	-7.0%	1.9%
Department of Planning, Preservation & Dev	2,497		2,497		0.9%
General Government	4,705	5,036	(331)	-6.6%	1.7%
Parks and Recreation	11,357	11,999	(642)	-5.4%	4.1%
Total Non-Collective Bargaining Divisions	54,522	57,463	(2,941)	-5.1%	19.5%
Divisions with Collective Bargaining					
Police	54,426	69,124	(14,698)	-21.3%	19.5%
Community Corrections	20,909	21,627	(718)	-3.3%	7.5%
Fire and Emergency Services	50,317	65,700	(15,383)	-23.4%	18.0%
Total Collective Bargaining Divisions	125,652	156,451	(30,799)	-19.7%	44.9%
Total Personnel Costs with Benefits	\$180,174	\$213,914	(\$33,740)	-15.8%	64.4%

CAPITAL ASSETS

The Government's capital assets totaled \$1.37 billion as of June 30, 2013, details of which are in Note 3.B. of the financial statements. This investment includes land, buildings, equipment, park facilities, roads, bridges, and sewer systems. For Governmental Activities, the recorded capital investments, net of related debt totaled \$877.69 million. Governmental Activities capital assets, net of related debt decreased by \$21.66 million from the prior fiscal year. The capital assets, net of related debt of Business-Type Activities totaled \$217.31 million, remaining stable compared to the previous fiscal year.

This year's major changes in capital assets included:

- The decrease in infrastructure and sewer line assets of \$23.69 million over the prior year was primarily responsible for the overall decrease in capital assets in the Governmental Activities. The decrease was primarily due to depreciation and transfers of \$33.10 million, offset by capital additions of \$0.70 million and completed capital projects of \$8.72 million. Infrastructure includes roads, bridges, storm water, fiber optics, traffic signals and similar items. In addition, buildings, construction in progress, and vehicles, equipment and furniture assets decreased by \$2.07 million, \$3.24 million, and \$4.24 million respectively, from the previous fiscal year. This was offset by an increase in developments in progress and purchase of development rights for \$7.46 million and \$2.10 million respectively.
- Capital assets for Business-Type Activities decreased by \$5.74 million. The decrease was primarily due to building assets, decreasing by \$8.50 million. The decrease was due to depreciation of \$4.29

million and transfers of \$5.02 million, offset by additions and completed capital projects of \$0.11 million and \$0.70 million. Land and infrastructure and sewer lines also decreased by \$7.59 million and \$4.4 million. This was offset by increases in construction and developments in process of \$9.96 million and \$3.56 million respectively.

- Infrastructure assets totaled \$730.01 million in the Governmental Activities and \$197.89 million in Business-Type Activities. The overall decrease from the previous year in infrastructure assets totaled \$28.08 million. The decrease was primarily due to depreciation of \$39.47 million and transfers of \$0.22 million, offset by net additions of \$11.61 million.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Land	\$59,354	\$59,174	\$41,525	\$49,110	\$100,879	\$108,284
Purchase of Developmental Rights	72,187	70,087			72,187	70,087
Intangibles	4,975	5,790	883	956	5,858	6,746
Buildings	96,485	98,550	48,568	57,071	145,053	155,621
Vehicles, Equipment and Furniture	27,785	32,026	5,632	3,006	33,417	35,032
Land and Leasehold Improvements	10,748	12,158	11,560	12,881	22,308	25,039
Infrastructure and Sewer Lines/Plants	730,013	753,699 *	197,891	202,287 *	927,904	955,986
Construction in Progress	21,308	24,543	14,562	4,605 *	35,870	29,148
Developments in Progress	20,502	13,042	7,700	4,145	28,202	17,187
Total	\$1,043,357	\$1,069,069	\$328,321	\$334,061	\$1,371,678	\$1,403,130

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

Additional information on the Government's capital assets activity can be found in Note 3.B. to the financial statements beginning on page 73 of the report.

DEBT ADMINISTRATION

The Government began issuing General Obligation (GO) bonds in FY1999 because of changes in state law that had previously precluded this type of financing. Since GO bonds are backed by the full faith and credit of the Government, they carry a higher credit rating than other forms of debt and have lower interest rates. As a result, future debt issues on behalf of the Government will be GO debt unless such debt is secured by Enterprise Fund activities.

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

At the end of FY2013, the Government had \$429.18 million in bonds and notes outstanding; Governmental Activities' debt decreased by \$1.17 million and total debt decreased by \$6.14 million. The decrease in debt for Governmental Activities resulted primarily from the issuance of GO bonds totaling \$14.73 million, offset by

principal payments, bond refunding and amortized bond costs in the current fiscal year on outstanding debt of \$15.90 million. The Business-Type Activities debt decreased \$4.96 million due primarily to principal payments.

Despite 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 \$2.80 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 \$194.41 million.

Summary of Outstanding Debt

For Years as Stated

(in thousands)

	Governmental		Business-Type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds, Notes, Leases	\$314,541	\$315,715	\$14,404	\$14,767	\$328,945	\$330,482
Mortgage Revenue Bonds			54,831	56,709	54,831	\$56,709
Revenue Bonds			45,400	48,121	45,400	\$48,121
Total	\$314,541	\$315,715	\$114,635	\$119,597	\$429,176	\$435,312

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

Additional information regarding the Government’s long-term debt can be found in Note 3.D. to the financial statements beginning on page 76 of the report.

NEXT YEAR’S BUDGET

The Lexington-Fayette Urban County Government Fiscal Year 2014 Budget, for all funds combined, net of interfund transfers, is \$525,341 million. Significant initiatives in the budget include:

- A commitment of \$103.33 million for storm sewer projects and programs as required by the U.S. Environmental Protection Agency Consent Decree.
- GO bonds were approved as part of the FY2014 budget for \$17.51 million. The bonds will fund projects for Purchase of Development Rights conservation easements, Public Safety, traffic signal upgrades, renovation and construction of Parks, Facilities and Fleet Management vehicle replacement and repairs, a new senior citizens center, and funding for the Arts and Entertainment District.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
June 30, 2013

	<u>Primary Government</u>			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash	\$64,084,079	\$27,243,016	\$91,327,095	\$29,265,403
Investments	54,896,669	65,871,972	120,768,641	12,878,868
Receivables (net)	21,776,219	6,375,016	28,151,235	3,243,770
Due from Other Governments	5,599,526		5,599,526	1,313,722
Due from Fiduciary Funds	279,833		279,833	
Due from Component Units	718,884		718,884	82,000
Due from Primary Government				1,290,466
Other Current Assets				738,713
Inventories and Prepaid Expenses	1,796,562	108,884	1,905,446	849,819
Net Pension Asset	54,324,982		54,324,982	
Restricted Assets:				
Cash				7,817,827
Receivables (net)				2,872,411
Grants Receivable				
Investments	26,286,522	21,953,584	48,240,106	23,286,080
Other				56,049
Pension Asset				768,005
Capital Assets:				
Non-depreciable	176,456,083	63,931,415	240,387,498	34,698,975
Depreciable (Net)	866,901,132	264,389,396	1,131,290,528	226,904,966
Other Assets				85,040
Total Assets	<u>\$1,273,120,491</u>	<u>\$449,873,283</u>	<u>\$1,722,993,774</u>	<u>\$346,152,114</u>
DEFERRED OUTFLOWS OF RESOURCES				
Fair Value of Interest Rate Caps	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$18,738</u>
LIABILITIES				
Accounts, Contracts Payable and Accrued Liabilities	\$20,256,817	\$7,082,976	\$27,339,793	\$7,316,478
Interest Payable	3,792,897	597,784	4,390,681	29,423
Internal-Balances	671,610	(671,610)		
Due to Component Units	1,290,466		1,290,466	82,000
Due to Other Governments	908,899		908,899	
Due to Primary Government				718,884
Unearned Revenue and Other	1,212,890	43,664	1,256,554	160,852
Claims Liabilities	29,764,197		29,764,197	
Liabilities Payable from Restricted Assets:				
Accounts, Contracts and Retainage Payable		854,974	854,974	
Bonds and Notes Payable		3,505,220	3,505,220	
Interest Payable		831,646	831,646	1,191,000
Non-Current Liabilities:				
Due Within One Year:				
Bonds and Notes Payable	21,925,000	2,189,208	24,114,208	2,764,725
Compensated Absences	2,821,916	418,536	3,240,452	554,798
Landfill Closure and Postclosure Care Costs		435,251	435,251	
Due in More Than One Year:				
Unearned Revenue and Other	4,141,931	658,381	4,800,312	714,294
Bonds and Notes Payable	292,616,343	108,940,449	401,556,792	91,640,369
Compensated Absences	17,334,625	895,420	18,230,045	827,617
Landfill Closure and Postclosure Care Costs		13,153,961	13,153,961	
Unfunded Other Post Retirement Benefit Liability	64,980,406		64,980,406	
Unfunded Pension Liability	1,453,739		1,453,739	
Total Liabilities	<u>\$463,171,736</u>	<u>\$138,935,860</u>	<u>\$602,107,596</u>	<u>\$106,000,440</u>
DEFERRED INFLOWS OF RESOURCES				
Fair Value of Interest Rate Caps	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$18,738</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
June 30, 2013

	<u>Primary Government</u>			
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
NET POSITION				
Investment in Capital Assets,				
Net of Related Debt	\$877,691,469	\$217,313,258	\$1,095,004,727	\$166,909,485
Restricted for:				
Governmental and Program Funds				255,446
Capital Projects	25,214,697	43,818,826	69,033,523	1,000,330
Energy Improvement Projects	418,610		418,610	
Debt Service		8,772,069	8,772,069	23,120,143
Capital Replacement		2,337,730	2,337,730	
Pension				768,005
Water Quality Incentive Program		4,031,475	4,031,475	
Grants	1,262,100		1,262,100	
Maintenance and Operations		7,234,703	7,234,703	
Unrestricted (Deficit)	<u>(94,638,121)</u>	<u>27,429,362</u>	<u>(67,208,759)</u>	<u>48,098,265</u>
Total Net Position	<u>\$809,948,755</u>	<u>\$310,937,423</u>	<u>\$1,120,886,178</u>	<u>\$240,151,674</u>

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, 2013

Function/Program Activities	Net (Expenses) Revenue and Changes in Net Assets						Component Units
	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities:							
General Government	\$23,692,990	\$23,141,015	\$77,709	\$128,260	(\$346,006)	\$0	\$0
Administrative Services	11,761,053	559,050	1,341,454	37,440	(9,823,109)		(9,823,109)
Health, Dental, and Vision	25,006,634	25,006,634					
Chief Development Officer	620,665		450,000		(170,665)		(170,665)
Finance	14,744,087	2,413,363			(12,330,724)		(12,330,724)
Environmental Quality & Public Works	83,878,537	2,757,405	2,358,032	3,856,198	(74,906,902)		(74,906,902)
Planning, Preservation, & Development	3,767,295	240,168		1,917,249	(1,609,878)		(1,609,878)
Public Safety	14,666,437	1,857,059	1,021,078		(11,788,300)		(11,788,300)
Police	69,945,322	1,942,297	3,427,166		(64,301,509)		(64,301,509)
Fire and Emergency Services	62,781,239	6,952,394	2,202,701	274,350	(53,626,144)		(53,626,144)
Community Corrections	32,631,937	8,286,565	55,392		(24,289,980)		(24,289,980)
Social Services	10,194,745	1,857,123	2,130,804	50,277	(6,156,541)		(6,156,541)
General Services	10,898,533	28,827			(10,869,706)		(10,869,706)
Parks and Recreation	19,653,677	4,156,325	1,422	8,765	(15,487,165)		(15,487,165)
Law and Risk Management	4,006,240	36,944			(3,969,296)		(3,969,296)
Interest on Long-Term Debt	13,116,205				(13,116,205)		(13,116,205)
Total Governmental Activities	401,365,596	79,235,169	13,065,758	6,272,539	(302,792,130)	0	(302,792,130)
Business-Type Activities:							
Sanitary Sewer System	39,014,016	52,927,780				13,913,764	13,913,764
Public Facilities	9,419,886	5,830,285				(3,589,601)	(3,589,601)
Public Parking	84,866	4,560				(80,306)	(80,306)
Landfill	4,099,770	6,845,329				2,745,559	2,745,559
Right of Way	284,470	392,466				107,996	107,996
Extended School Program	2,198,555	2,379,751				181,196	181,196
Prisoners' Account System	1,393,543	1,619,626				226,083	226,083
Enhanced 911	2,930,379	3,517,634				587,255	587,255
LexVan Program	10,668	25,738				15,070	15,070
Water Quality	8,308,501	12,296,476				3,987,975	3,987,975
Total Business-Type Activities	67,744,654	85,839,645	0	0	0	18,094,991	18,094,991
Total Primary Government	\$469,110,250	\$165,074,814	\$13,065,758	\$6,272,539	(\$302,792,130)	\$18,094,991	(\$284,697,139)

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Function/Program Activities Component Units:	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Lexington Center Corporation	\$18,662,164	\$14,554,865	\$848,000	\$3,526,938				\$267,639
Lexington Airport Board	21,094,530	16,625,757		4,295,303				(173,470)
Fayette County Department of Health	15,666,767	4,014,861	5,750,810					(5,901,096)
Parking Authority of Lexington	2,327,095	3,217,193						890,098
Nonmajor component units	45,515,692	3,915,666	5,242,550	2,241,043				(34,116,433)
Total Component Units	\$103,266,248	\$42,328,342	\$11,841,360	\$10,063,284	\$0	\$0	\$0	(\$39,033,262)
General Revenues:								
Property Taxes					\$53,597,311	\$0	\$53,597,311	\$45,504,015
Licenses Fees - Wages and Net Profits Taxes					238,924,158		238,924,158	
Grants and Contributions Not Restricted to Specific Programs:								
Community Development Block Grant					2,176,035		2,176,035	(116,267)
Income on Investments					(509,890)	(215,314)	(725,204)	26,373
Gain (Loss) on Sale of Capital Assets					283,406		283,406	261,239
Miscellaneous								(357,543)
Debt Issuance Costs								227,560
Payment to Lexington-Fayette Urban County Government						947,184		
Transfers					(947,184)			
Total General Revenues and Transfers					293,523,836	731,870	294,255,706	45,545,377
Transfer of Assets (To) / From Component Units					(159,401)	(12,850,165)	(13,009,566)	13,009,566
					293,364,435	(12,118,295)	281,246,140	58,554,943
Change in Net Position					(9,427,695)	5,976,696	(3,450,999)	19,521,681
Net Position, Beginning					820,925,201	304,582,552	1,125,507,753	222,880,718
Adjustment to Opening Net Position (Note 2.D.)					(1,548,751)	378,175	(1,170,576)	(2,250,725)
Net Position, Beginning-Restated					819,376,450	304,960,727	1,124,337,177	220,629,993
Net Position, Ending					\$809,948,755	\$310,937,423	\$1,120,886,178	\$240,151,674

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	Urban Services	Federal and State Grants	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$23,488,566	\$8,991,589	\$385,578	\$6,350,159	\$39,215,892
Investments	24,962,988	21,328,405		8,605,276	54,896,669
Receivables:					
Loans			3,384,441		3,384,441
License Fees	16,233,772				16,233,772
Other	9,271,024	197,114		77,729	9,545,867
Less Allowance for Uncollectible Amounts	(4,341,956)		(3,384,441)		(7,726,397)
Due from Other Governments			5,599,526		5,599,526
Due from Component Units	718,884				718,884
Due from Fiduciary Funds	279,833				279,833
Due from Other Funds				2,747,488	2,747,488
Inventories and Prepaid Expenses	1,405,198	175		22,376	1,427,749
Restricted Investments	901		27,920	26,257,701	26,286,522
Total Assets	<u>\$72,019,210</u>	<u>\$30,517,283</u>	<u>\$6,013,024</u>	<u>\$44,060,729</u>	<u>\$152,610,246</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and Contracts Payable	\$6,838,626	\$962,958	\$2,196,827	\$3,873,084	\$13,871,495
Accrued Payroll & Related Liabilities	5,718,143	300,348	124,576	5,797	6,148,864
Due to Other Funds	2,937,772	611,565	2,039,022	2,897,855	8,486,214
Due to Other Governments				908,899	908,899
Due to Component Units	1,290,466				1,290,466
Unearned Revenue and Other	822,391		390,499		1,212,890
Total Liabilities	<u>17,607,398</u>	<u>1,874,871</u>	<u>4,750,924</u>	<u>7,685,635</u>	<u>31,918,828</u>
Fund Balances:					
Nonspendable	1,405,198	175		22,376	1,427,749
Restricted for:					
Public Works				9,032,953	9,032,953
Public Safety				1,659,378	1,659,378
Capital Projects				25,214,697	25,214,697
Grants Projects			1,262,100		1,262,100
Urban Services		28,631,854			28,631,854
Energy Improvement Projects	408,227	10,383			418,610
Committed for:					
General Government	6,612,684				6,612,684
Economic Stabilization	23,290,466				23,290,466
Assigned to:					
General Government	10,325,000			445,690	10,770,690
Capital Projects	8,060,560				8,060,560
Unassigned	4,309,677				4,309,677
Total Fund Balances	<u>54,411,812</u>	<u>28,642,412</u>	<u>1,262,100</u>	<u>36,375,094</u>	<u>120,691,418</u>
Total Liabilities and Fund Balances	<u>\$72,019,210</u>	<u>\$30,517,283</u>	<u>\$6,013,024</u>	<u>\$44,060,729</u>	<u>\$152,610,246</u>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2013**

Total Fund balances - Governmental Funds		\$120,691,418
Amounts reported for Governmental Activities in the Statement of Net Position is different because:		
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	1,472,235,908	
Less accumulated depreciation	<u>(428,878,693)</u>	1,043,357,215
The net pension asset is not an available resource and, therefore, is not reported in the funds.		
		54,324,982
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(314,541,343)	
Unearned revenue and other	(4,141,931)	
Interest payable	(3,792,897)	
Compensated absences	(20,156,541)	
Unfunded pension liability and other post retirement benefits	<u>(66,434,146)</u>	(409,066,858)
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.		
		973,175
Internal balances due to non-governmental activities related to items listed above		
		<u>(331,177)</u>
Net Position of Governmental Activities		<u><u>\$809,948,755</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, 2013

	<u>General</u>	<u>Urban Services</u>	<u>Federal and State Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
License Fees and Permits	\$242,304,633	\$1,350,665	\$0	\$0	\$243,655,298
Taxes	21,368,326	32,228,985			53,597,311
Charges for Services	24,202,174	2,126,243		37,432	26,365,849
Fines and Forfeitures	309,442	2,488			311,930
Intergovernmental	1,978,891	64,877	21,514,334	8,807,389	32,365,491
Exactions				532,410	532,410
Property Sales	137,719	317,956		6,895	462,570
Income on Investments	(556,777)	(19,070)	24,862	41,200	(509,785)
Other	2,388,300	111,867	604,886	331,893	3,436,946
Total Revenues	<u>292,132,708</u>	<u>36,184,011</u>	<u>22,144,082</u>	<u>9,757,219</u>	<u>360,218,020</u>
EXPENDITURES					
Current:					
General Government	3,460,430	2,052,315	134,662		5,647,407
Administrative Services	8,112,087	738,892	1,519,993		10,370,972
Chief Development Officer	163,743		450,000		613,743
Finance	5,100,413	13,729		1,360	5,115,502
Environmental Quality & Public Works	8,047,857	28,380,110	593,613	15,731	37,037,311
Planning, Preservation, & Development	2,672,927		986,974		3,659,901
Public Safety	12,479,722		887,516	106,489	13,473,727
Police	62,496,329		3,376,450	690,337	66,563,116
Fire and Emergency Services	59,227,409		2,090,036		61,317,445
Community Corrections	31,005,597		53,673		31,059,270
Social Services	6,566,634		1,656,030		8,222,664
General Services	7,817,833	50,940			7,868,773
Parks and Recreation	18,634,002		15,015		18,649,017
Law	3,920,600	60,022		13,705	3,994,327
Outside Agencies	17,121,904		3,138,192		20,260,096
Debt Service:					
Principal	16,887,264	749,806		217,930	17,855,000
Interest	12,784,592	163,936		19,690	12,968,218
Other Debt Service	76,340			64,182	140,522
Capital:					
Equipment	2,642,579	507,674	767,190	3,638,191	7,555,634
Acquisitions and Construction	435,676	8,519	8,890,802	11,446,286	20,781,283
Total Expenditures	<u>279,653,938</u>	<u>32,725,943</u>	<u>24,560,146</u>	<u>16,213,901</u>	<u>353,153,928</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,478,770	3,458,068	(2,416,064)	(6,456,682)	7,064,092
OTHER FINANCING SOURCES (USES)					
Issuance of Debt				14,730,000	14,730,000
Premium on Bonds				1,938,656	1,938,656
Discount on Bonds				(71,653)	(71,653)
Issuance of Refunding Debt, par				6,005,000	6,005,000
Issuance of Refunding Debt, premium				442,299	442,299
Payment to Refunded Debt Escrow Agent				(6,416,028)	(6,416,028)
Transfers In	2,030,614	2,529,224	2,666,434		7,226,272
Transfers Out	(4,363,161)	(113,054)	(250,370)	(3,096,110)	(7,822,695)
Total Other Financing Sources (Uses)	<u>(2,332,547)</u>	<u>2,416,170</u>	<u>2,416,064</u>	<u>13,532,164</u>	<u>16,031,851</u>
Net Change in Fund Balances	10,146,223	5,874,238	0	7,075,482	23,095,943
Fund Balances, Beginning	44,265,589	22,768,174	1,262,100	30,162,710	98,458,573
Adjustment to Opening Fund Balance (Note 2.D.)				(863,098)	(863,098)
Fund Balances, Beginning - Restated	<u>44,265,589</u>	<u>22,768,174</u>	<u>1,262,100</u>	<u>29,299,612</u>	<u>97,595,475</u>
Fund Balances, Ending	<u>\$54,411,812</u>	<u>\$28,642,412</u>	<u>\$1,262,100</u>	<u>\$36,375,094</u>	<u>\$120,691,418</u>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013**

Net change in fund balances - Governmental Funds \$23,095,943

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	15,060,135	
Less current year depreciation	<u>(47,264,720)</u>	(32,204,585)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position. (1,145,457)

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

Exaction fees		7,637,848
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Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Issuance of debt	(14,730,000)	
Issuance of refunding debt	(6,005,000)	
Premium on bonds	(1,938,656)	
Premium on refunding bonds	(442,299)	
Discount on bonds	71,653	
Loss on refunding	671,028	
Principal payment to refunded bond escrow agent	5,745,000	
Principal payments	<u>17,855,000</u>	1,226,726

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

Change in net pension asset	(205,249)	
Amortization of current year bond (discounts) premiums	(53,419)	
Change in unfunded pension liability	60,249	
Change in unfunded other post retirement benefit liability	(8,017,550)	
Unearned revenue and other	(771,939)	
Change in accrued interest payable	(147,987)	
Change in compensated absences	<u>1,097,725</u>	<u>(8,038,170)</u>

Change in net assets of Governmental Activities (\$9,427,695)

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
BUDGETARY COMPARISON
GENERAL FUND
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive (Negative)
REVENUES				
Licenses and Permits:				
Employee Withholdings	\$162,000,000	\$162,000,000	\$162,487,723	\$487,723
Business Returns	32,970,000	32,970,000	31,936,132	(1,033,868)
Insurance Premiums	23,280,000	23,280,000	25,684,002	2,404,002
Bond Deposits	2,000	2,000	30,500	28,500
Regulated License Fee	844,300	844,300	909,630	65,330
Franchise Fee	21,164,224	21,169,624	17,876,171	(3,293,453)
Bank Franchise Fee	1,327,000	1,327,000	1,350,665	23,665
Vehicle License	185,000	185,000	199,594	14,594
Deed Tax Fee	1,100,000	1,100,000	1,205,622	105,622
Contractor Registration Fee	300,000	300,000	410,296	110,296
Filing Fee - Planning & Zoning	122,000	122,000	130,526	8,526
Animal License	43,400	43,400	44,832	1,432
Certificates of Occupancy	10,000	10,000	10,870	870
Hotel - Motel License Fee	23,000	23,000	28,070	5,070
Total Licenses and Permits	243,370,924	243,376,324	242,304,633	(1,071,691)
Taxes:				
Realty Taxes	17,898,000	18,035,000	17,911,311	(123,689)
Personal Taxes	1,576,000	1,634,000	1,696,858	62,858
PSC Taxes	736,000	782,000	873,670	91,670
Property Tax Discount	(331,000)	(334,000)	(342,389)	(8,389)
Property Tax Commission	(828,000)	(836,000)	(861,056)	(25,056)
Delinquent - Realty & Personal	53,000	92,147	231,173	139,026
Motor Vehicle Ad Valorem Tax	1,535,000	1,603,000	1,706,695	103,695
County Clerk Com - Motor Vehicle	(61,000)	(64,000)	(58,732)	5,268
Supplementary Tax Bills	8,000	8,000	453	(7,547)
Omitted Tax	77,000	210,343	210,343	
Total Taxes	20,663,000	21,130,490	21,368,326	237,836
Charges for Services:				
Accident Report Sales	15,000	15,000	85,481	70,481
Administrative Collection Fees	13,520	13,520	12,652	(868)
Adult Probation Fees	150,000	150,000	84,788	(65,212)
Animal Shelter Collections	20,000	20,000	18,475	(1,525)
Building Permits	907,800	907,800	1,050,461	142,661
Computer Services Fees			7,127	7,127
Detention Center	5,681,950	5,681,950	7,609,144	1,927,194
Developer Landscape Fees	5,500	5,500	1,950	(3,550)
District Court Jail Fees	740,000	740,000	592,635	(147,365)
Domestic Relations Collection	6,000	6,000	2,429	(3,571)
EMS	6,800,000	6,800,000	6,749,363	(50,637)
Excess Fees and Collections	2,300,000	2,300,000	3,359,336	1,059,336
Golf Course Collections	3,108,094	3,108,094	2,713,755	(394,339)
Park Land Acquisition	150,000	150,000	226,321	76,321
Parks & Recreation Programs	1,091,760	1,091,760	1,045,811	(45,949)
Rent or Lease Income	590,990	591,190	642,446	51,256
Total Charges for Services	21,580,614	21,580,814	24,202,174	2,621,360
Fines and Forfeitures	175,300	175,300	309,442	134,142
Intergovernmental	1,958,930	1,958,930	1,978,891	19,961
Property Sales		110,000	137,719	27,719
Investments	68,000	68,000	(556,777)	(624,777)
Other Income:				
Contributions		180,343	189,147	8,804
Other Income		14,000	25,264	11,264
Penalties and Interest	1,620,000	1,620,000	1,323,323	(296,677)
School Board Tax Fee	12,000	12,000	12,000	
Tourist Commission Fee			173	173
Miscellaneous	81,200	235,776	838,393	602,617
Total Other Income	1,713,200	2,062,119	2,388,300	326,181
Total Revenues	289,529,968	290,461,977	292,132,708	1,670,731

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
BUDGETARY COMPARISON
GENERAL FUND
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive (Negative)
EXPENDITURES				
General Government:				
Council Office	2,511,820	2,491,355	2,420,790	(70,565)
Office of the Mayor	1,442,660	1,679,163	1,544,685	(134,478)
Special Programs	719,545	673,289	658,485	(14,804)
Board of Elections	669,330	669,330	581,076	(88,254)
Clerk of the Urban County Council	464,039	457,903	411,252	(46,651)
County Attorney	801,312	801,312	801,312	
Coroner	657,660	657,660	705,376	47,716
Property Valuation Administrator	335,400	335,400	335,400	
Contingency	5,821,200	3,821,200		(3,821,200)
Circuit Judges	327,680	327,680	327,976	296
County Court Clerk	132,700	132,700	68,830	(63,870)
Citizens' Advocate	38,670	38,670	30,381	(8,289)
Commonwealth Attorney	154,325	154,325	134,967	(19,358)
County Judge Executive	19,750	19,750	12,778	(6,972)
Indirect Cost Allocation	(4,917,000)	(4,917,000)	(4,556,578)	360,422
Total General Government	9,179,091	7,342,737	3,476,730	(3,866,007)
Administrative Services:				
Office of the Chief Administrative Officer	759,580	770,134	779,375	9,241
Computer Services	5,347,861	5,226,056	4,537,705	(688,351)
Enterprise Solutions	973,740	973,740	967,618	(6,122)
Government Communications	831,855	831,855	762,513	(69,342)
Grants & Special Projects	418,130	405,124	414,883	9,759
Internal Audit Office	697,735	697,735	649,993	(47,742)
Total Administrative Services	9,028,901	8,904,644	8,112,087	(792,557)
Chief Development Officer				
Chief Development Officer	156,290	156,290	163,743	7,453
Total Chief Development Officer	156,290	156,290	163,743	7,453
Department of Finance:				
Accounting	1,360,070	1,360,070	1,296,635	(63,435)
Office of Policy and Budget	487,310	487,310	428,386	(58,924)
Central Purchasing	585,880	585,880	482,862	(103,018)
Revenue	2,351,640	2,351,640	2,233,716	(117,924)
Finance Administration	855,060	842,560	659,559	(183,001)
Total Finance	5,639,960	5,627,460	5,101,158	(526,302)
Division of Environmental Quality & Public Works:				
Environmental Quality & PW Admin	266,460	195,838	212,607	16,769
Division of Environmental Policy	254,090	513,615	220,481	(293,134)
Engineering	1,314,450	1,291,506	1,278,224	(13,282)
Streets & Roads	4,485,260	3,984,719	2,716,714	(1,268,005)
Traffic Engineering	3,524,450	3,635,201	3,675,724	40,523
Total Environmental Quality & Public Works	9,844,710	9,620,879	8,103,750	(1,517,129)
Department of Planning, Preservation, & Development:				
Planning, Preservation, & Dev	542,980	438,287	240,722	(197,565)
Historic Preservation	382,500	397,187	393,879	(3,308)
Planning	2,006,760	2,031,760	1,959,803	(71,957)
Purchase of Development Rights	140,760	146,549	143,607	(2,942)
Total Planning, Preservation & Development	3,073,000	3,013,783	2,738,011	(275,772)
Department of Public Safety:				
Building Inspection	2,152,410	2,145,749	1,969,012	(176,737)
Police	61,423,220	61,469,416	64,116,501	2,647,085
Fire & Emergency Services	54,967,375	56,033,633	60,219,284	4,185,651
Community Corrections	31,169,967	31,144,150	31,005,597	(138,553)
Public Safety Administration	1,583,245	11,911,145	5,789,350	(6,121,795)
Code Enforcement	1,839,985	1,839,985	1,605,008	(234,977)
DEEM/Enhanced 911	3,525,534	3,482,177	3,116,352	(365,825)
Total Public Safety	156,661,736	168,026,255	167,821,104	(205,151)
Department of Social Services:				
Youth Services	2,141,575	1,951,635	1,791,989	(159,646)
Family Services	2,442,820	2,503,913	2,299,605	(204,308)
Adult Services	1,294,735	1,281,858	1,266,074	(15,784)
Social Services Administration	1,185,615	1,271,587	1,208,966	(62,621)
Total Social Services	7,064,745	7,008,993	6,566,634	(442,359)

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
BUDGETARY COMPARISON
GENERAL FUND
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive (Negative)
EXPENDITURES, continued				
Department of General Services:				
Parks and Recreation	19,776,009	19,633,338	18,831,780	(801,558)
Fleet and Facilities Management	8,619,821	8,553,959	4,760,034	(3,793,925)
General Services Administration	2,852,120	2,818,685	3,182,799	364,114
Total General Services	31,247,950	31,005,982	26,774,613	(4,231,369)
Department of Law:				
Human Resources	1,991,900	1,997,652	1,751,970	(245,682)
Law	2,119,850	2,110,737	2,174,038	63,301
Total Law	4,111,750	4,108,389	3,926,008	(182,381)
Outside Agencies:				
Commerce Lexington	457,000	457,000	457,000	
Downtown Arts Center	91,310	91,310	91,310	
Downtown Lexington Corporation	42,710	42,710	42,710	
Environmental Commission	2,910	2,910	1,256	(1,654)
World Trade Center	110,000	110,000	110,000	
Grants & Special Projects Agencies	387,032	387,032	387,032	
Social Service Agencies	1,631,256	1,651,256	1,651,256	
Lexington Public Library	13,385,240	13,746,810	13,746,810	
Explorium of Lexington	169,000	169,000	169,000	
Carnegie Literacy Center	54,300	54,300	54,300	
Downtown Development Authority	211,230	261,230	261,230	
Lyric Theatre	150,000	150,000	150,000	
Total Outside Agencies	16,691,988	17,123,558	17,121,904	(1,654)
Debt Service:				
Principal	20,987,260	17,188,985	16,887,265	(301,720)
Interest	12,103,070	13,101,345	12,784,591	(316,754)
Other Debt Service	490,320	490,320	76,340	(413,980)
Total Debt Service	33,580,650	30,780,650	29,748,196	(1,032,454)
Total Expenditures	286,280,771	292,719,620	279,653,938	(13,065,682)
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,249,197	(2,257,643)	12,478,770	14,736,413
OTHER FINANCING SOURCES (USES)				
Transfers In	250,000	2,712,239	2,030,614	(681,625)
Transfers Out	(4,328,124)	(3,466,758)	(4,363,161)	(896,403)
Total Other Financing Sources	(4,078,124)	(754,519)	(2,332,547)	(1,578,028)
Net Change in Fund Balances	(828,927)	(3,012,162)	10,146,223	13,158,385
Fund Balance, Beginning	1,500,000	1,500,000	44,265,589	42,765,589
Fund Balance, Ending	\$671,073	(\$1,512,162)	\$54,411,812	\$55,923,974

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
BUDGETARY COMPARISON
FULL URBAN SERVICES DISTRICT FUND
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive (Negative)
REVENUES				
Licenses and Permits:				
Bank Franchise Fee	\$1,327,000	\$1,327,000	\$1,350,665	\$23,665
Total Licenses and Permits	<u>1,327,000</u>	<u>1,327,000</u>	<u>1,350,665</u>	<u>23,665</u>
Taxes:				
Realty Taxes	32,305,000	32,649,000	32,501,969	(147,031)
PSC Taxes	216,000	216,000	283,884	67,884
Property Tax Discount	(549,000)	(555,000)	(569,134)	(14,134)
Property Tax Commission	(350,000)	(350,000)	(350,000)	
Delinquent - Realty & Personal	6,000	6,000	361,322	355,322
Supplementary Tax Bills	10,000	10,000	944	(9,056)
Total Taxes	<u>31,638,000</u>	<u>31,976,000</u>	<u>32,228,985</u>	<u>252,985</u>
Charges for Services:				
Rent or Lease Income	2,500	2,500	3,000	500
Commodities	1,915,400	1,915,400	2,112,843	197,443
Dumpster Permit Fees	6,250	6,250	10,400	4,150
Total Charges for Services	<u>1,924,150</u>	<u>1,924,150</u>	<u>2,126,243</u>	<u>202,093</u>
Property Sales			317,956	317,956
Fines and Forfeitures	1,400	1,400	2,488	1,088
Intergovernmental	84,250	84,250	64,877	(19,373)
Investments			(19,070)	(19,070)
Other Income:				
Penalties and Interest	103,200	103,200	95,420	(7,780)
Miscellaneous		12,585	16,447	3,862
Total Other Income	<u>103,200</u>	<u>115,785</u>	<u>111,867</u>	<u>(3,918)</u>
Total Revenues	<u>35,078,000</u>	<u>35,428,585</u>	<u>36,184,011</u>	<u>755,426</u>
EXPENDITURES				
General Government:				
Contingency	236,100	236,100		(236,100)
Indirect Cost Allocation	2,224,000	2,224,000	2,052,315	(171,685)
Total General Government	<u>2,460,100</u>	<u>2,460,100</u>	<u>2,052,315</u>	<u>(407,785)</u>
Administrative Services:				
Office of the Chief Administrative Office	32,240	32,240	32,664	424
Computer Services	141,260	126,758	122,761	(3,997)
Government Communications	583,860	583,860	583,466	(394)
Total Administrative Services	<u>757,360</u>	<u>742,858</u>	<u>738,891</u>	<u>(3,967)</u>
Department of Finance:				
Finance	17,391	17,391	13,729	(3,662)
Total Finance	<u>17,391</u>	<u>17,391</u>	<u>13,729</u>	<u>(3,662)</u>
Division of Environmental Quality & Public Works				
Waste Management	24,299,120	23,556,212	20,793,371	(2,762,841)
Office of Compliance	828,590	872,879	695,390	(177,489)
Environmental Quality	258,860	253,805	173,147	(80,658)
Streets & Roads	1,868,710	1,866,416	1,976,485	110,069
Traffic Engineering	5,949,500	5,658,019	5,175,735	(482,284)
Environmental Quality & Public Works Administration	167,700	167,100	82,176	(84,924)
Total Environmental Quality & Public Works	<u>33,372,480</u>	<u>32,374,431</u>	<u>28,896,304</u>	<u>(3,478,127)</u>
Department of General Services:				
Fleet and Facilities Management	2,080,810	80,810	50,940	(29,870)
Total General Services	<u>2,080,810</u>	<u>80,810</u>	<u>50,940</u>	<u>(29,870)</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
BUDGETARY COMPARISON
FULL URBAN SERVICES DISTRICT FUND
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive (Negative)
EXPENDITURES, continued				
Department of Law:				
Human Resources	11,730	11,730	3,039	(8,691)
Law	31,040	363,040	56,983	(306,057)
Total Law	<u>42,770</u>	<u>374,770</u>	<u>60,022</u>	<u>(314,748)</u>
Debt Service:				
Principal	749,810	749,810	749,806	(4)
Interest	202,530	202,530	163,936	(38,594)
Total Debt Service	<u>952,340</u>	<u>952,340</u>	<u>913,742</u>	<u>(38,598)</u>
Total Expenditures	<u>39,683,251</u>	<u>37,002,700</u>	<u>32,725,943</u>	<u>(4,276,757)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,605,251)	(1,574,115)	3,458,068	5,032,183
OTHER FINANCING SOURCES (USES)				
Transfers In	2,529,224	2,529,224	2,529,224	
Transfers Out		(38,109)	(113,054)	(74,945)
Total Other Financing Sources (Uses)	<u>2,529,224</u>	<u>2,491,115</u>	<u>2,416,170</u>	<u>(74,945)</u>
Net Change in Fund Balances	(2,076,027)	917,000	5,874,238	4,957,238
Fund Balance, Beginning	17,686,842	17,686,842	22,768,174	5,081,332
Fund Balance, Ending	<u>\$15,610,815</u>	<u>\$18,603,842</u>	<u>\$28,642,412</u>	<u>\$10,038,570</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Business-Type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds		
ASSETS							
Current Assets:							
Cash	\$7,951,711	\$1,598,938	\$4,725,961	\$8,939,690	\$4,026,716	\$27,243,016	\$24,868,187
Investments	39,221,291	290,700	23,995,704	927,980	1,436,297	65,871,972	
Receivables:							
User Fees Receivable	5,472,895		1,136,224	1,403,541		8,012,660	
Other Receivables	232,958	66,960	53,774		36,381	390,073	338,536
Less Allowance for Uncollectible Accounts	(1,248,340)		(433,537)	(309,973)	(35,867)	(2,027,717)	
Inventories and Prepaid Expenses	90,814		442	8,100	9,528	108,884	368,813
Due from Other Funds		283,239	107,339		1,551,599	1,942,177	5,398,293
Restricted Investments:							
Reserved for Maintenance and Operation	7,234,703					7,234,703	
Reserved for Sinking Fund	4,376,559					4,376,559	
Total Current Assets	63,332,591	2,239,837	29,585,907	10,969,338	7,024,654	113,152,327	30,973,829
Non-Current Assets:							
Restricted Investments:							
Reserved for Construction & Capital Acquisitions	3,627,313					3,627,313	
Reserved for Capital Replacement	2,319,500					2,319,500	
Reserved for Debt Service	4,395,509					4,395,509	
Capital Assets:							
Land	1,825,534		5,194,637	1,526,469	400,000	41,525,286	
Land Improvements	254,476		16,572,297	157,788	3,207,206	45,692,445	
Buildings	3,034,578		219,445		55,350	120,843,771	
Sewer Plants	163,269,363					163,269,363	
Sewer Lines	178,693,398		366,314	2,916,910		181,976,622	
Leasehold Improvements		2,137,090				2,137,090	
Vehicles, Equipment, and Furniture	11,570,807	3,118,967	111,830	19,999	2,078,310	16,899,913	
Intangibles	1,628,711	69,281			1,534,909	3,232,901	
Less Accumulated Depreciation	(155,252,354)	(100,130,443)	(8,954,066)	(195,883)	(4,985,869)	(269,518,615)	
Construction in Progress	13,490,071			675,924	396,083	14,562,078	
Developments in Progress	7,699,957					7,699,957	
Total Non-Current Assets	236,556,863	80,808,617	13,510,457	5,101,207	2,685,989	338,663,133	0
Total Assets	\$299,889,454	\$83,048,454	\$43,096,364	\$16,070,545	\$9,710,643	\$451,815,460	\$30,973,829

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Business-Type Activities					Governmental Activities Internal Service Funds
	Enterprise Funds					
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	Total
OPERATING REVENUES						
User Charges	\$45,990,027	\$0	\$6,464,242	\$12,278,465	\$0	\$64,732,734
Fees	2,325,787		181,087	72	5,922,091	8,429,037
Exactions	4,002,945					4,002,945
License Fees and Permits					392,466	
Rental Income		5,144,534			1,278	5,145,812
Parking Revenues		1,294			3,282	4,576
Theater Revenues		684,457				684,457
Gross Profit - Commissary					1,051,233	1,051,233
Other	609,021		200,000	17,939	569,425	1,396,385
Total Operating Revenues	52,927,780	5,830,285	6,845,329	12,296,476	7,939,775	85,839,645
OPERATING EXPENSES						
Treatment Plant	8,217,471					8,217,471
Collection System	4,405,020					4,405,020
Property Management		1,682,433				1,682,433
Theater Management		622,280				622,280
Landfill			1,778,921			1,778,921
Right of Way					277,112	277,112
Extended School Program					1,985,809	1,985,809
Prisoners' Account					427,948	427,948
Inmate Trust Account					962,928	962,928
Enhanced 911					2,920,070	2,920,070
LexVan Program	16,216,619				10,668	10,668
Administration			1,472,306	8,117,204	205,539	26,011,668
Depreciation	7,683,896	4,526,910	848,543	87,890	112,407	13,259,646
Claims and Benefit Payments						2,074,969
Total Operating Expenses	36,523,006	6,831,623	4,099,770	8,205,094	6,902,481	62,561,974
Operating Income (Loss)	16,404,774	(1,001,338)	2,745,559	4,091,382	1,037,294	23,277,671
						35,040,113
						37,115,082

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Business-Type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	
NON-OPERATING REVENUES (EXPENSES)						
Income on Investments	(158,705)	38	2,652	(60,319)	1,020	(215,314)
Interest Expense and Fiscal Agent Fees	(2,381,940)	(2,416,174)		(25,041)		(4,823,155)
Amortization of Bond Costs	(109,070)	(172,089)				(281,159)
Gain (Loss) on Sale of Capital Assets				(78,366)		(78,366)
Total Non-Operating Revenues (Expenses)	(2,649,715)	(2,588,225)	2,652	(163,726)	1,020	(5,397,994)
Income (Loss) Before Contributions and Transfers	13,755,059	(3,589,563)	2,748,211	3,927,656	1,038,314	17,879,677
Transfers In	1,208,935	706,030	108,000	181,019		2,203,984
Transfers Out	(1,039,194)		(200,000)	(17,606)		(1,256,800)
Transfers of Assets to Component Units		(171,758)			(12,678,407)	(12,850,165)
Change in Net Position	13,924,800	(3,055,291)	2,656,211	4,091,069	(11,640,093)	5,976,696
Net Position, Beginning	217,012,388	31,205,750	25,398,846	9,862,710	20,771,681	973,175
Adjustment to Opening Net Position (Note 2.D.)	1,013,623	(698,643)		63,195		
Net Position, Beginning - Restated	218,026,011	30,507,107	25,398,846	9,925,905	20,771,681	973,175
Net Position, Ending	\$231,950,811	\$27,451,816	\$28,055,057	\$14,016,974	\$9,131,588	\$973,175
Change in net assets of Business-Type Activities						<u><u>\$5,976,696</u></u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Business-Type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	
Cash Flows from Operating Activities:						
Receipts from Customers	\$45,948,448	\$1,867,584	\$6,443,271	\$11,847,121	\$8,145,920	\$74,252,344
Receipts from Employees and Other Sources						\$0
Receipts from Interfund Services Provided		3,995,606				28,097,342
Payments to Suppliers	(13,039,330)	(2,100,043)	(7,312,158)	(3,969,640)	(1,904,913)	24,843,603
Payments to Employees	(10,122,145)		(778,804)	(4,125,601)	(3,669,670)	(2,210,484)
Payments for Interfund Services Used	(1,908,248)		(125,536)	(649,835)	(218,409)	
Payments for Claims						(28,724,461)
Net Cash Provided by (Used in) Operating Activities	20,878,725	3,763,147	(1,773,227)	3,102,045	2,352,928	28,323,618
Cash Flows from Noncapital Financing Activities:						
Transfers In	1,208,935	706,030	108,000	181,019		2,203,984
Transfers Out	(1,039,194)		(200,000)	(17,606)	(239,051)	(1,495,851)
Net Cash Provided by (Used in) Noncapital Financing Activities	169,741	706,030	(92,000)	163,413	(239,051)	708,133
Cash Flows from Capital and Related Financing Activities:						
Purchase of Capital Assets	(15,017,917)		(38,400)	(1,029,074)	(396,083)	(16,481,474)
Principal Paid on Bonds	(3,413,492)	(2,050,000)		(58,041)		(5,521,533)
Interest and Fiscal Agent Fees Paid on Bonds	(2,400,456)	(2,416,174)		(25,041)		(4,841,671)
Net Cash Used in Capital and Related Financing Activities	(20,831,865)	(4,466,174)	(38,400)	(1,112,156)	(396,083)	(26,844,678)
Cash Flows from Investing Activities:						
Purchase of Investments		(38)	(2,652)	(944)	(589)	(4,223)
Proceeds from Sales and Maturities of Investments	1,972,412					1,972,412
Income on Investments	718,093	38	2,652	15,625	1,020	737,428
Net Cash Flows Provided by Investing Activities	2,690,505	0	0	14,681	431	2,705,617
Net Increase (Decrease)	2,907,106	3,003	(1,903,627)	2,167,983	1,718,225	4,892,690
Cash at Beginning of Year	5,044,605	1,595,935	6,629,588	6,771,707	2,308,491	22,350,326
Cash at End of Year	\$7,951,711	\$1,598,938	\$4,725,961	\$8,939,690	\$4,026,716	\$27,243,016
						\$24,868,187

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Business-Type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds		
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:							
Operating Income (Loss)	\$16,404,774	(\$1,001,338)	\$2,745,559	\$4,091,382	\$1,037,294	\$23,277,671	\$0
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:							
Depreciation	7,683,896	4,526,910	848,543	87,890	112,407	13,259,646	
Allowance for Bad Debts	1,109,680		89,541	145,832		1,345,053	
(Increase) Decrease in Assets:							
Accounts Receivable	(2,938,815)		(253,805)	(449,355)		(3,641,975)	
Other Receivables	2,999	32,905	51,747	9,198	210,716	298,367	(164,287)
Inventories and Prepaid Expenses	(3,756)		(442)		26,472	31,472	(122,132)
Transfer Assets to Other Funds	8,000			(181,018)		(173,018)	
Due from Other Funds		285,491	(107,339)		1,280,551	1,458,703	15,990,150
Developments in Progress	(3,554,497)					(3,554,497)	
Increase (Decrease) in Liabilities:							
Accounts Payable	4,216,243	(61,072)	513,955	(127,612)	(240,596)	4,300,918	(13,383)
Accrued Payroll	(74,189)		3,087	(38,907)	(31,729)	(141,738)	
Claims Payable							6,315,652
Due to Other Funds	(861,973)		(103,135)	(381,194)	(44,543)	(1,390,845)	
Unearned Revenue	(489,019)		(200,000)		(3,848)	(692,867)	
Other Liabilities	(552,185)	(19,749)	(5,365,370)	(305)		(5,937,609)	
Compensated Absences	(72,433)		4,432	(53,866)	6,204	(115,663)	
Total Adjustments	4,473,951	4,764,485	(4,518,786)	(989,337)	1,315,634	5,045,947	22,006,000
Net Cash Provided by (Used In) Operating Activities	\$20,878,725	\$3,763,147	(\$1,773,227)	\$3,102,045	\$2,352,928	\$28,323,618	\$22,006,000

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$16,816,268	\$660,875
Receivables:		
Interest Receivable	1,660,652	
Investments, at Fair Value:		
Debt Securities:		
US Agencies	35,016,945	
US Government Obligations	21,126,338	
Municipal Obligations	5,933,303	
International Bonds	14,025,710	
Corporate Debt	80,270,352	
Repurchase Agreements	12,174,347	
Other Investments:		
Equity Mutual Funds	164,552,201	
Equity Real Estate	52,746,107	
Equity Securities - Domestic	94,038,556	
Equity Securities - International	98,862,748	
Total Investments	578,746,607	0
Total Assets	\$597,223,527	\$660,875
LIABILITIES		
Accounts Payable and Accrued Expenses	\$11,227	\$0
Securities Lending Transactions	12,174,347	
Compensated Absenses - Current	2,534	
Compensated Absenses - Non Current	2,534	
Due to Other Funds	279,833	
Payable to Others		660,875
Total Liabilities	\$12,470,475	\$660,875
NET POSITION		
Amounts Held in Trust for Pension Benefits	\$584,753,052	\$0

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2013

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$22,322,068
Employer - Administration	4,218,146
Plan Members	7,242,128
Other	81,122
Total Contributions	33,863,464
Investment Income:	
Net Change in Fair Value of Investments	57,458,431
Interest	7,771,288
Dividends	3,732,444
Total Investment Income	68,962,163
Less Investment Expense	2,862,512
Net Investment Income	66,099,651
Income from Securities Lending Activities:	
Securities Lending Income	31,693
Securities Lending Expenses:	
Borrower Rebates	(85,620)
Management Fees	46,871
Total Securities Lending Expenses (Income)	(38,749)
Net Income on Securities Lending Activities	70,442
Total Additions	100,033,557
DEDUCTIONS	
Benefit Payments	50,939,013
Administrative Expense	627,118
Total Deductions	51,566,131
Net Increase	48,467,426
Net Position, Beginning	536,285,626
Net Position, Ending	\$584,753,052

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
COMPONENT UNITS
June 30, 2013

	Lexington Center Corporation*	Lexington Airport Board	Fayette County Department of Health	Parking Authority of Lexington	Nonmajor Component Units**	Total
ASSETS						
Cash	\$1,986,071	\$3,000,208	\$2,844,356	\$2,367,120	\$19,067,648	\$29,265,403
Investments		6,597,048			6,281,820	12,878,868
Receivables:						
Accounts Receivable	983,510	1,860,877			266,850	3,111,237
Other		24,792		5,607	103,343	133,742
Less Allowance for Uncollectible Accounts	(1,209)					(1,209)
Due from Component Units	82,000					82,000
Due from Primary Government	282,298				1,008,168	1,290,466
Due from Other Governments					1,313,722	1,313,722
Other Current Assets	356,652	382,061				738,713
Inventories and Prepaid Expenses			35,519	496	813,804	849,819
Restricted Current Assets:						
Cash		6,699,712			1,118,115	7,817,827
Accounts Receivable		443,202	2,429,209			2,872,411
Investments	2,099,192	11,489,131		3,048,839	510,090	17,147,252
Other		56,049				56,049
Pension Assets					768,005	768,005
Restricted Non-Current Investments	6,138,828					6,138,828
Capital Assets:						
Non-depreciable	12,422,120	6,088,579		8,502,464	7,685,812	34,698,975
Depreciable (Net)	44,613,842	134,276,601	3,800,391	8,933,434	35,280,698	226,904,966
Other Assets					85,040	85,040
Total Assets	\$68,963,304	\$170,918,260	\$9,109,475	\$22,857,960	\$74,303,115	\$346,152,114
DEFERRED OUTFLOWS OF RESOURCES						
Fair Value of Interest Rate Caps	\$0	\$18,738	\$0	\$0	\$0	\$18,738
LIABILITIES						
Accounts, Contracts Payable and Accrued Liabilities	\$992,848	\$1,231,431	\$1,226,798	\$1,469,697	\$2,395,704	\$7,316,478
Interest Payable				7,711	21,712	29,423
Due to Primary Government				645,155	73,729	718,884
Due to Component Units					82,000	82,000
Unearned Revenue and Other	152,775			4,371	3,706	160,852
Liabilities Payable from Restricted Assets:						
Interest Payable		1,191,000				1,191,000
Non-Current Liabilities:						
Due Within One Year						
Compensated Absences				3,904	550,894	554,798
Bonds and Notes Payable	1,935,000		115,000	358,526	356,199	2,764,725
Due in More Than One Year						
Compensated Absences			515,927	3,904	307,786	827,617
Bonds and Notes Payable	18,280,270	59,427,035	400,000	5,611,331	7,921,733	91,640,369
Other		714,294				714,294
Total Liabilities	\$21,360,893	\$62,563,760	\$2,257,725	\$8,104,599	\$11,713,463	\$106,000,440
DEFERRED INFLOWS OF RESOURCES						
Fair Value of Interest Rate Caps	\$0	\$18,738	\$0	\$0	\$0	\$18,738
NET POSITION						
Investment in Capital Assets, Net of Related Debt	36,518,775	80,950,700	3,285,391	11,466,041	34,688,578	166,909,485
Restricted for:						
Governmental and Program Funds			70,633		184,813	255,446
Capital Projects	951,743			48,587		1,000,330
Debt Service	5,187,085	17,484,539		448,519		23,120,143
Pension					768,005	768,005
Unrestricted	4,944,808	9,919,261	3,495,726	2,790,214	26,948,256	48,098,265
Total Net Position	\$47,602,411	\$108,354,500	\$6,851,750	\$14,753,361	\$62,589,652	\$240,151,674

* Restated to conform to the Government's implementation of GASB 65

** Certain categories have been reclassified to conform to the Government-Wide Financial Statement presentation

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, 2013

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets						
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lexington Center Corporation*	Lexington Airport Board	Fayette County Department of Health	Parking Authority of Lexington	Nonmajor Component Units**	Total
Lexington Center Corporation										
Lexington Center Operations	\$13,237,965	\$14,554,865	\$848,000	\$3,526,938	\$5,691,838					\$5,691,838
Depreciation	4,553,330				(4,553,330)					(4,553,330)
Interest on Long-Term Debt	870,869				(870,869)					(870,869)
Total Lexington Center Corporation	18,662,164	14,554,865	848,000	3,526,938						267,639
Lexington Airport Board										
Airport Operations	9,577,388	16,625,757		4,295,303		\$11,343,672				11,343,672
Depreciation	9,425,228					(9,425,228)				(9,425,228)
Interest on Long-Term Debt	2,091,914					(2,091,914)				(2,091,914)
Total Lexington Airport Board	21,094,530	16,625,757	0	4,295,303						(173,470)
Fayette County Department of Health										
Department of Health Operations	15,241,042	4,014,861	5,750,810			(\$5,475,371)				(5,475,371)
Depreciation	370,048					(370,048)				(370,048)
Interest on Long-Term Debt	55,677					(55,677)				(55,677)
Total Fayette County Department of Health	15,666,767	4,014,861	5,750,810	0						(5,901,096)
Parking Authority of Lexington										
Parking Operations	2,132,716	3,217,193					\$1,084,477			1,084,477
Depreciation	194,379						(194,379)			(194,379)
Total Parking Authority of Lexington	2,327,095	3,217,193	0	0						890,098
Nonmajor Component Units										
Total Component Units	45,515,692	3,915,666	5,242,550	2,241,043	\$267,639	(\$173,470)	\$890,098	(\$34,116,433)	(\$34,116,433)	(34,116,433)
	\$103,266,248	\$42,328,342	\$11,841,360	\$10,063,284						(\$39,033,262)
General Revenues:										
Taxes					\$2,822,631	\$0	\$0	\$0	\$35,234,962	\$45,504,015
Payment from Lexington-Fayette Urban County Government							(33,670)		261,230	227,560
Income on Investments					36,102	(299,643)	1,952		91,555	(116,267)
Gain (Loss) on Sale of Capital Assets						16,347			10,026	26,373
Issuance of Debt						(357,543)				(357,543)
Miscellaneous							2,070		253,842	261,239
Total General Revenues					2,858,733	(640,839)	(29,648)	2,070	35,851,615	45,545,377
Transfer of assets from Lexington-Fayette Urban County Government							12,627,057		382,509	13,009,566
Change in Net Position					3,126,372	(814,309)	13,487,507	2,117,691	60,641,311	19,521,681
Net Position, Beginning					44,777,956	111,738,072	4,457,525	1,265,854	60,641,311	222,880,718
Adjustment to Opening Net Position (Note 2.D.)					(301,917)	(2,569,263)	789,805		(169,350)	(2,250,725)
Net Position, Beginning-Restated					44,476,039	109,168,809	5,247,330	1,265,854	60,471,961	220,629,993
Net Position, Ending					\$47,602,411	\$108,354,500	\$6,851,750	\$14,753,361	\$62,589,652	\$240,151,674

* Restated to conform to the Government's implementation of GASB 65

** Certain categories have been reclassified to conform to the Government-Wide Financial Statement presentation

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
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June 30, 2013

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. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

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

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

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

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

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

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

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

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

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

The Lexington Convention and Visitors Bureau (Visitors Bureau) was established by the Government for the purpose of promoting recreational, convention and tourist activity in Fayette County. The Government may abolish the Visitors Bureau by repealing the ordinance that created it. All nine members of the Visitors Bureau 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 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 a 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.D., the Government entered into a Lease Agreement that provides for an annual rental to be paid by the Government if net revenues are not sufficient to pay all debt service costs.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

Government has entered into a Contract Lease and Option Agreement, discussed in Note 5.E., which requires an annual rental to be paid by the Government if net revenues are not sufficient to pay all debt service costs.

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

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

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

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

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

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

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

The Valley View Ferry Authority is a legally separate entity that operates and maintains the Ferry on the Kentucky River at Valley View. The board consists of seven members, two appointed by the Government, three appointed by the Madison County Fiscal Court and two appointed by the Jessamine County Fiscal Court. The Government is not legally responsible for the Valley View Ferry Authority’s finances. The Government contributed \$14,000 to support the Ferry’s operations in fiscal year 2013.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

D. Basic Financial Statements

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

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

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

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

The Government reports the following major governmental funds:

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

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

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

The Government reports the following major proprietary funds:

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

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

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

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

Additionally, the Government reports the following fund types:

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

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

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

Agency Funds account for assets held by the Government for others in an agency capacity. These are funds collected from juvenile and adult offenders and disbursed to victims in accordance with court decrees, funds collected from and disbursed for inmates who are on work release, funds collected from 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 non-operating items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Government's enterprise and internal service funds are charges to customers for services. Operating expenses for enterprise and internal service funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2013

E. Budgetary Control

Budget Policy – The Urban County Council annually approves the budget ordinance for all operating funds of the Government, which includes governmental, proprietary, fiduciary, and agency funds. Federal and State Grant funds and capital projects funds adopt project-length budgets. Additional special revenue funds which are not budgeted include the Industrial Revenue Bond Fund, Police Confiscated Funds and the Public Safety Fund. Budgets are adopted on a basis consistent with GAAP except that budgetary basis expenditures include purchase orders and contracts (encumbrances). Budgetary control is maintained at the division level, e.g. Division of Police, Division of Parks and Recreation, etc. The Mayor may authorize transfers within a division; however, the Urban County Council must approve by ordinance any other amendments to the budget. All budgeted amounts presented in the financial statements reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year). Appropriations lapse at year-end; however, uncompleted capital projects may be re-appropriated at the beginning of each fiscal year. The Council made several supplemental budgetary appropriations throughout Fiscal Year 2013. The net effect of these supplemental appropriations was an increase of \$6,438,847 in the General Fund and a decrease of \$2,680,551 in the Urban Services Fund, which included re-appropriations of encumbrances from prior fiscal years and various waste management and street light re-appropriations to the following fiscal year 2014, respectively.

F. Assets, Liabilities and Fund Equity

Cash and Investments – Management has adopted written policies and procedures for cash and investment management. Cash and cash equivalents include cash on hand, demand deposits and cash with fiscal agents. Cash balances of most Government funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to each of the funds based on the fund's average monthly cash balance, except as required by ordinance for various restricted reserves. Funds that incur a negative balance in pooled cash and investments during the year are not allocated interest. The Government has adopted GASB Statement No. 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. Allowances for uncollectible loans in the Federal and State Grants Fund fully reserve loan balances due to the nature of the individual projects and terms of the loans. Accounts receivable from other governments include amounts due from grantors for grants for specific programs and capital projects. The majority of other receivables in the General Fund are for taxpayer-assessed revenues that are collected 30 days after year end. Franchise fee revenues are recognized if collected within 60 days after year end.

Property taxes for fiscal year 2013 were levied on August 30, 2012 on the assessed valuation of property located in Fayette County as of the preceding January 1, the lien date.

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
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June 30, 2013

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

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

Interfund Receivables/Payables – During the course of its operations, the Government has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2013, 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 and Prepaid Items – Fuel and vehicle parts inventories are stated at average cost. Other inventories are valued using the first-in, first-out method. The costs of inventory items are recognized as expenditures or expenses when used.

Payments made to vendors for goods and services that will benefit periods beyond June 30, 2013 are recorded in assets as prepaid items.

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

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

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

Various purpose general obligation notes account	\$25,997,776
Equipment general obligation notes account	259,925
Federal Grants and Contracts	27,920
Pension bonds	901
Total restricted assets	<u><u>\$26,286,522</u></u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2013

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

Sanitary sewer system maintenance and operations account	\$7,234,703
Sanitary sewer revenue bond sinking fund account	4,376,559
Sanitary sewer revenue bonds construction account	3,627,313
Sanitary sewer capital replacement account	2,319,500
Sanitary sewer debt service reserve account	4,395,509
Total restricted assets	<u>\$21,953,584</u>

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

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

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

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

Construction in progress (CIP) represents construction projects for capital assets that have not yet been placed in service. Developments in progress (DIP) represent fees accrued on urban development projects in the EAMP currently underway that have not yet been completed, where settlement of the fees by the respective developer is expected to be made through contributing infrastructure type assets (e.g. roads, sewer systems, etc.) to the Government. CIP and DIP are not depreciated until the projects are complete and placed in service. For more information on the EAMP plan, please see page 59. Land, purchase of development rights and permanent easements are not depreciated.

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

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

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

proprietary fund Statement of Net Position. The discounts and premiums related to bonds and notes issued are amortized over the life of the bond or note using the straight-line method. Bonds and notes payable are reported net of the applicable bond premium or discount. Issuance costs are expensed when incurred.

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

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

Long-term liabilities include the following:

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

G. Net Position/Fund Balances

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

Nonspendable – These resources include amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The Government’s nonspendable funds consisted of prepaid expenses and inventories as of June 30, 2013.

Restricted – Restricted amounts represent resources that are constrained for a specific purpose by external parties, constitutional provisions or enabling legislation. The Government had restricted funds for various projects: public works, public safety, capital projects, grants, urban services, and energy improvement as of June 30, 2013.

Committed – Committed amounts are constrained for a specific purpose by the Government using its highest level of decision-making authority. For resources to be considered committed, the Urban County Council issues an ordinance that can only be changed with another corresponding ordinance. The Government has committed funds for general government and economic stabilization as of June 30, 2013.

The Government developed and adopted an Unrestricted General Fund Balance (“Economic Stabilization Fund” or “Economic Contingency Fund”) Policy on December 5, 1996. It is the Government’s policy to:

- Maintain an Economic Contingency Fund balance of not less than \$4,000,000. Interest earned on monies will accrue to the Economic Contingency Fund.
- Budget a deposit of \$50,000 per month, for each fiscal year until the Economic Contingency Fund is at least equal to 10% of the last completed fiscal year total General Fund revenues, beginning with the 2007 fiscal year.
- Examine the General Fund Unassigned Fund Balance on an annual basis, following the annual audit report, and allocate 25% of the available balance above the Budgeted Fund Balance Carry forward and a reserve for Capital Re-appropriations to be deposited into the Economic Contingency Fund.

The Economic Contingency Fund balance may only be used for an unanticipated emergency of an extreme nature that cannot be remedied by reasonable budget changes and/or the use of budgeted ending fund balance.

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

Assigned – Assigned amounts represent resources that the Government intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the Urban County Council or by the Commissioner of Finance under the authorization of the Mayor. The Government has assigned funds for general government and capital projects as of June 30, 2013.

Unassigned – Unassigned amounts represent resources that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

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

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

H. Use of Estimates

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

I. Revenues, Expenditures and Expenses

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

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

Expenditures are recognized when the related fund liability is incurred except for the following permitted by GAAP:

- 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.

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 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2013

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, 2013:

	Excess Expenditures
General Fund:	
Chief Development Officer	\$7,453
Circuit Judges	296
Coroner	47,716
Environmental Quality & Public Works Admin	16,769
Fire & Emergency Services	4,185,651
General Services Administration	364,114
Grants & Special Projects	9,759
Office of the Chief Administrative Officer	9,241
Law	63,301
Police	2,647,085
Traffic Engineering	40,523
Urban Services Fund:	
Office of the Chief Administrative Officer	424
Streets & Roads	\$110,069

Excess expenditures over appropriations were funded by available fund balances.

C. Fund Deficits

There were no fund deficits to report at June 30, 2013.

D. Prior Period Adjustments

Primary Government

In fiscal year 2013, the Government early implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65). The accounting for bond issuance costs has been changed from amortizing the costs over the lives of the related bonds to expensing them in the year incurred. The change in accounting resulted in a reduction in the government-wide net position of \$2,101,495. Governmental Activities net position was decreased by \$1,402,852. Business-Type Activities net position was decreased by \$698,643.

Capital assets for Governmental Activities on the government-wide Statement of Net Position were decreased by \$145,899 in fiscal year 2013 for amounts incorrectly recorded as capital expenditures in the year 2008.

Capital assets for Business-Type Activities were increased by \$1,292,354 as a result of expenses in fiscal year 2012 not capitalized for construction in progress in the Sanitary Sewer System Fund for the remedial measures costs incurred in the prior year.

Capital assets for Business-Type Activities were increased by \$63,195 from prior years as a result of expenses not capitalized for Water Quality. Expenses were incurred prior to fiscal year 2012.

Notes Payable for Business-Type Activities were increased by \$278,731 to correctly reflect loan funds received by the Sanitary Sewer System Fund during the prior fiscal year for completion of the upgrade of the South Elkhorn pump station and construction of a new 36 inch force main.

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NOTES TO FINANCIAL STATEMENTS (Continued)
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Revenues were incorrectly recognized in prior years related to the Police Confiscated Funds. A prior period adjustment in the amount of \$863,098 has been made to the Governmental Fund financial statements to derecognize revenues representing funds not yet spent.

Component Units

In FY 2013, the Lexington Airport adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources and Net Position* and GASB 65. The Statements of Net Position, previously referred to as the Statements of Net Assets, now reflect interest rate caps as deferred outflows and deferred inflows of resources. Also, the accounting for bond issuance costs has been changed from amortizing them over the lives of the related bonds to expensing them in the year incurred. The change in accounting for bond issuance costs resulted in a reduction of net position of \$2,569,263.

The Lexington Public Library early implemented GASB 65 during fiscal year 2013, which resulted in a decrease of net position in the amount of \$169,350 due to the change in accounting for debt issuance costs.

The Lexington Center Corporation financial statements for fiscal year 2013 have been restated to conform to the Government's financial statements to reflect implementation of GASB 65. This resulted in a decrease of net position in the amount of \$301,917 due to the change in accounting for debt issuance costs.

In fiscal year 2013, the Board of Health has restated certain items from the prior year as follows:

Previously reported net position	\$4,457,525
Increase in accounts receivable	228,739
Increase in HealthFirst Bluegrass receivable	164,318
Decrease in accounts payable	235,548
Decrease in accrued payroll and fringes	39,175
Decrease in accrued leave	122,025
Net position, June 30, 2012	<u>\$5,247,330</u>

These asset and liability changes also affected corresponding line items in the statements of revenues, expenditures and changes in net position and cash flows.

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. Cash, Investments, and Securities Lending

Primary Government

The Government's bank balances at June 30, 2013 are entirely insured by the Federal Deposit Insurance Corporation (FDIC) and/or collateralized with securities held by the Government's agent in the Government's name. In accordance with Kentucky Revised Statute (KRS) 66.480 and the Government's investment policy, the Government is allowed to invest in obligations of the U.S. Treasury and U.S. agencies and instrumentalities, repurchase agreements, bankers' acceptances, commercial paper, obligations of the Commonwealth of Kentucky and its agencies and instrumentalities, shares of mutual funds or interest bearing deposits of insured national or state banks. In addition, the Pension Trust Funds are allowed to invest in equity securities, corporate bonds and international stocks listed as American Depository Receipts (ADR).

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

Investments of the Government as of June 30, 2013 are summarized and categorized in the following table:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1Year</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More Than 10</u>
Money Market Mutual Funds	\$126,845,313	\$126,845,313	\$0	\$0	\$0
Certificates of Deposit	10,266,129	1,819,044	1,116,433	6,396,635	934,017
U.S. Government Agency Obligations	26,207,310		1,976,678	8,085,748	16,144,884
Repurchase Agreements	5,689,995	5,689,995			
Total Investments	<u>\$169,008,747</u>	<u>\$134,354,352</u>	<u>\$3,093,111</u>	<u>\$14,482,383</u>	<u>\$17,078,901</u>

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

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

In accordance with its investment policy, the Government is permitted to invest in the following:

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

Concentration of Credit Risk – The risk of loss attributed to the magnitude of the Government’s investment in a single issuer. Government securities and investments in mutual funds are excluded from this risk. In order to reduce

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

the credit risk, the investments held by a financial institution in the Government's name should be limited to no more than 35% of the total investments, excluding that held in a Money Market Mutual Fund.

Pension Trust Funds

The Government's Pension Trust Funds are made up of the Policemen's and Firefighters' Retirement Fund (PFRF) and the City 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 CEPF has been closed since 1983.

Investments of the PFRF as of June 30, 2013 are summarized and categorized in the following table:

Policemen's and Firefighters' Retirement Fund

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities					
US Agencies	\$28,840,779	\$721,553	\$4,036,103	\$4,955,455	\$19,127,668
US Government Obligations	18,193,115	5,552,473	3,166,997	2,239,555	7,234,090
Municipal Obligations	5,933,303		2,797,723	1,788,420	1,347,160
International Bonds	13,362,360	747,166	6,249,214	5,237,654	1,128,326
Corporate Debt	76,927,344	3,122,703	46,885,030	23,101,366	3,818,245
Repurchase Agreements	12,174,347	12,174,347			
	<u>155,431,248</u>	<u>\$22,318,242</u>	<u>\$63,135,067</u>	<u>\$37,322,450</u>	<u>\$32,655,489</u>
Other Investments:					
Equity Mutual Funds	164,552,201				
Equity Real Estate	52,746,107				
Equity Securities - Domestic	81,039,311				
Equity Securities - International	97,641,022				
	<u>\$551,409,889</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:

Asset Class	Target Allocation
Passive Large Cap Core	5.0%
Active Large Cap Growth	10.0%
Active Large Cap Value	10.0%
Small Cap Equity	15.0%
International Growth Equities	9.25%
International Value Equities	9.25%
Emerging Markets	4.5%
Total Equities	<u>63.0%</u>
US Core Fixed Income	15.5%
US High Yield Fixed Income	7.5%
Total Fixed Income	<u>23.0%</u>
Real Estate	9.0%
Real Return	<u>5.0%</u>
Total Plan	<u>100.0%</u>

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

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

Debt Securities by Investment Type							
	US Agencies	US Government Obligations	Municipal Obligations	International Bonds	Corporate Debt	Total	%
Quality Ratings:							
AAA	\$0	\$0	\$1,825,577	\$643,935	\$3,016,552	\$5,486,064	4%
AA	9,545,236	9,155,214	2,876,800	2,857,194	5,597,258	30,031,702	21%
A			573,581	2,371,139	16,661,137	19,605,857	14%
BBB				1,271,866	13,439,811	14,711,677	10%
BB				2,837,338	15,366,252	18,203,590	13%
B				3,166,013	18,710,638	21,876,651	15%
CCC				214,875	2,104,099	2,318,974	2%
D					225,700	225,700	< 1%
NR	19,295,543	9,037,901	657,345		1,805,897	30,796,686	21%
	<u>\$28,840,779</u>	<u>\$18,193,115</u>	<u>\$5,933,303</u>	<u>\$13,362,360</u>	<u>\$76,927,344</u>	<u>\$143,256,901</u>	<u>100%</u>

Concentration of Credit Risk – Government securities and investments in mutual funds are excluded from this risk. The PFRF places a restriction on equity managers that at the time of purchase they may not invest in more than 5% of the outstanding securities of one issuer nor invest more than 5% of their portfolios’ assets in the outstanding securities with one issuer. The US 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 PFRF has authorized the lending of domestic bonds and securities in return for collateral. Collateral for loaned securities may be in the form of cash, securities issued or guaranteed by the United States Government or its agencies or irrevocable letters of credit. The broker/dealer collateralizes their borrowing to 102% of the security value, plus accrued interest. If the broker/dealer fails to return the security upon request, then the agent will utilize the collateral to replace the security loaned. The Government does not have the ability to pledge or sell collateral securities without a borrower default.

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

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 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2013

or higher by A. M. Best & Company or money market mutual funds. The investments of the collateral do not generally match the maturities of the securities lending arrangements themselves; they are typically very short-term in nature and mostly invested in overnight repurchase agreements.

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

As of June 30, 2013, the securities loaned in the portfolio did not have credit risk, and the fair value of securities on loan is \$12,174,347.

Investments of the CEPF as of June 30, 2013 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	\$6,176,166	\$3,286	\$1,143,329	\$1,059,459	\$3,970,092
US Government Obligations	2,933,223		1,516,603	567,420	849,200
International Bonds	663,350	36,253	296,492	162,662	167,943
Corporate Debt	3,343,008	133,472	1,801,037	554,457	854,042
	<u>13,115,747</u>	<u>\$173,011</u>	<u>\$4,757,461</u>	<u>\$2,343,998</u>	<u>\$5,841,277</u>
Other Investments:					
Equity Securities - Domestic	12,999,245				
Equity Securities - International	1,221,726				
	<u>\$27,336,718</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	<u>100%</u>

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

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

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Debt Securities by Investment Type						
	US Agencies	US Government Obligations	International Bonds	Corporate Debt	Total	%
Quality Ratings:						
AAA	\$0	\$0	\$20,488	\$265,891	\$286,379	2%
AA	6,176,166	2,933,223	145,700	327,742	9,582,831	73%
A			321,291	1,786,339	2,107,630	16%
BBB			175,871	963,036	1,138,907	9%
	<u>\$6,176,166</u>	<u>\$2,933,223</u>	<u>\$663,350</u>	<u>\$3,343,008</u>	<u>\$13,115,747</u>	<u>100%</u>

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

Component Units

For complete information on custodial credit risk, interest rate risk, credit risk, and concentration of credit risk, refer to the individual reports on each component unit.

Summarized investment information for the component units is included in the table below:

	<u>Reported Amount/ Fair Value</u>
U.S. Government and Government	
Agency Obligations	\$21,185,146
Investments not subject to categorization:	
Certificates of Deposit	8,891,102
Money Market Funds	<u>6,088,700</u>
Total Investments	<u><u>\$36,164,948</u></u>

As of June 30, 2013, LCC had \$2,002,452 and \$1,599,192 in deposits and investments, respectively that were uninsured and uncollateralized.

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June 30, 2013

B. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$59,174,341	\$179,914	\$0	\$59,354,255
Purchase of Development Rights	70,086,607	2,100,869		72,187,476
Intangibles	3,008,387	96,000		3,104,387
Construction in Progress	24,543,397	8,329,526	(11,565,371)	21,307,552
Developments in Progress	13,042,410	7,460,108	(105)	20,502,413
Depreciable Assets:				
Buildings	143,607,378	2,394,197	(69,783)	145,931,792
Intangibles	8,189,770	143,387		8,333,157
Vehicles, Equipment and Furniture	102,338,310	3,211,644	(3,568,123)	101,981,831
Land and Leasehold Improvements	25,921,675	425,634		26,347,309
Infrastructure	997,929,718	7,387,950	(216,384)	1,005,101,284
Sewer Lines *	6,054,178	2,030,274		8,084,452
Totals at Historical Cost	1,453,896,171	33,759,503	(15,419,766)	1,472,235,908
Less Accumulated Depreciation For:				
Buildings	(45,056,783)	(4,409,340)	19,472	(49,446,651)
Intangibles	(5,408,062)	(967,758)	(86,876)	(6,462,696)
Vehicles, Equipment and Furniture	(70,312,136)	(7,129,380)	3,244,829	(74,196,687)
Land and Leasehold Improvements	(13,764,006)	(1,835,255)		(15,599,261)
Infrastructure	(249,997,835)	(32,751,338)	35,366	(282,713,807)
Sewer Lines	(287,942)	(171,649)		(459,591)
Total Accumulated Depreciation	(384,826,764)	(47,264,720)	3,212,791	(428,878,693)
Governmental Activities Capital Assets, Net	1,069,069,407	(13,505,217)	(12,206,975)	1,043,357,215
Business-Type Activities:				
Non-Depreciable Assets:				
Land	49,110,380		(7,585,094)	41,525,286
Construction in Progress *	4,605,036	13,252,100	(3,295,058)	14,562,078
Developments in Progress	4,145,460	3,554,804	(307)	7,699,957
Intangibles		144,094		144,094
Depreciable Assets:				
Buildings	130,662,869	814,178	(10,633,276)	120,843,771
Intangibles	3,088,807			3,088,807
Vehicles, Equipment and Furniture	13,623,560	3,508,858	(232,505)	16,899,913
Land and Leasehold Improvements	48,395,923		(566,388)	47,829,535
Infrastructure *	6,746,076	1,404,256		8,150,332
Sewer Lines	173,043,228	783,062		173,826,290
Sewer Plants	163,269,363			163,269,363
Totals at Historical Cost	596,690,702	23,461,352	(22,312,628)	597,839,426
Less Accumulated Depreciation For:				
Buildings	(73,591,605)	(4,291,778)	5,607,257	(72,276,126)
Intangibles	(2,132,813)	(216,941)		(2,349,754)
Vehicles, Equipment and Furniture	(10,617,874)	(882,100)	232,505	(11,267,469)
Land and Leasehold Improvements	(35,515,128)	(1,321,032)	566,387	(36,269,773)
Infrastructure	(387,032)	(146,788)	(35,365)	(569,185)
Sewer Lines	(56,406,578)	(3,333,703)		(59,740,281)
Sewer Plants	(83,978,723)	(3,067,304)		(87,046,027)
Total Accumulated Depreciation	(262,629,753)	(13,259,646)	6,370,784	(269,518,615)
Business-Type Activities Capital Assets, Net	\$334,060,949	\$10,201,706	(\$15,941,844)	\$328,320,811

* Restated beginning balance due to prior period adjustment

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

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

Governmental Activities:

General Government	\$647,591
Administrative Services	1,114,021
Finance	389,736
Public Safety	311,695
Environmental Quality & Public Works	36,741,733
Police	865,796
Fire and Emergency Services	1,440,609
Law	1,791
Community Corrections	1,616,294
Social Services	257,714
General Services	2,795,801
Parks and Recreation	1,027,025
Planning, Preservation & Development	54,914
Total depreciation expense - Governmental Activities	<u><u>\$47,264,720</u></u>

Business-Type Activities:

Sanitary Sewers	\$7,683,896
Public Facilities	4,526,910
Public Parking	81,248
Landfill	848,543
Right of Way	7,358
Extended School Program	10,825
Prisoners' Account System	2,667
Enhanced 911	10,309
Stormwater	87,890
Total depreciation expense - Business-Type Activities	<u><u>\$13,259,646</u></u>

	Discretely Presented Component Units			
	Beginning Balance	Increases	Decreases	Ending Balance
Non-Depreciable Assets:				
Land	\$22,906,071	\$7,585,094	\$0	\$30,491,165
Construction in Progress *	3,853,406	9,152,314	(10,006,782)	2,998,938
Other	491,544	717,330		1,208,874
Depreciable Assets:				
Buildings and Improvements *	306,140,455	16,644,579	(59,461)	322,725,573
Vehicles, Equipment and Furniture	55,616,661	5,267,730	(2,035,745)	58,848,646
Land and Leasehold Improvements	64,220,641	2,757,735	(605,189)	66,373,187
Intangibles	58,540	1,915		60,455
Totals at Historical Cost	<u>453,287,318</u>	<u>42,126,697</u>	<u>(12,707,177)</u>	<u>482,706,838</u>
Less Accumulated Depreciation	<u>(204,632,174)</u>	<u>(18,675,218)</u>	<u>2,204,495</u>	<u>(221,102,897)</u>
Component Unit Activities				
Capital Assets, Net	<u><u>\$248,655,144</u></u>	<u><u>\$23,451,479</u></u>	<u><u>(\$10,502,682)</u></u>	<u><u>\$261,603,941</u></u>

* Beginning balances restated.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

Construction Commitments

The Government has active construction projects as of June 30, 2013. The projects include improvements to major roadways, government buildings, sanitary sewer and stormwater systems. At June 30, 2013, the Government had the following commitments on construction contracts:

<u>Project</u>	<u>Commitment</u>
Buildings	\$226,549
Capital Repairs and Maintenance	3,249,116
Land Improvements	2,245,966
Sanitary Sewer Collection System	10,375,200
Sanitary Sewer Treatment System	12,368,207
Street Lighting	291,481
Storm Drainage	242,223
Street Resurfacing Maintenance	11,648,472
Streets and Roadways	3,273,587
Traffic Control and Markings	99,389
	<u>\$44,020,190</u>

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

C. Interfund Receivables, Payables and Transfers

The principal purpose of the Government's interfund transfers is indicative of funding for capital projects or subsidies of various Government operations and reallocation of special revenues. Due to our practice of cash management by pooling the Government's funds, interfund balances exist as of June 30, 2013. In addition, Federal and State Grants revenues are based on reimbursable expenditures.

The composition of interfund balances as of June 30, 2013, is as follows:

<u>Fund Description</u>	<u>Due from (to) General Fund</u>
Sanitary Sewer System	(\$1,592,622)
Public Facilities Corporation	283,239
Water Quality	(8,132)
Landfill	107,339
Other Enterprise Funds	1,550,609
Total due from Proprietary Funds	<u>340,433</u>
Urban Service	(611,565)
Federal and State Grants	(2,039,022)
Other Governmental Funds	(150,367)
Internal Service Funds	5,398,293
Total due from General Fund	<u>\$2,937,772</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

Receivable Entity	Payable Entity	Amount
Primary government - General fund	Component unit - Downtown Development Authority	\$73,729
Primary government - General fund	Component unit - Parking Authority	645,155
Component unit - Lexington Convention and Visitor's Bureau	Component unit - Lexington Center Corporation	82,000
Total		<u>800,884</u>
Component unit - Lexington Convention and Visitor's Bureau	Primary government - General fund	1,008,168
Component unit - Lexington Center Corporation	Primary government - General fund	282,298
Component unit - Lexington Center Corporation	Component unit - Lexington Convention and Visitor's Bureau	82,000
Total		<u>\$1,372,466</u>

Interfund transfers:

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

	General	Urban Services	Fed St Grants	Non Major Governmental	Total Governmental	Major Proprietary	Total Proprietary
General	\$0	\$2,529,224	\$1,074,904	(\$1,777,610)	\$1,826,518	\$675,771	\$675,771
Urban Services	(2,529,224)		5,054		(2,524,170)	108,000	108,000
Fed St Grants	(1,074,903)	(5,054)		(1,318,500)	(2,398,457)	(17,606)	(17,606)
Non-Major Governmental	1,777,610		1,318,500		3,096,110	181,019	181,019
Major Proprietary	(506,030)	(108,000)	17,606		(596,424)		
Grand Total	<u>(\$2,332,547)</u>	<u>\$2,416,170</u>	<u>\$2,416,064</u>	<u>(\$3,096,110)</u>	<u>(\$596,423)</u>	<u>\$947,184</u>	<u>\$947,184</u>

D. Long-term Debt

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

Primary Government

Bonds payable, notes payable, compensated absences, landfill closure and postclosure care costs, and unfunded pension liabilities at June 30, 2013 are as follows:

Purpose of Issue	Original Issue	Interest Rates	Final Maturity	Amount Outstanding	Due Within One Year
Governmental Activities					
Bonds, Notes, Loans, and Leases:					
General Obligation, Series 2002C	\$4,570,000	3.00% - 4.93%	1-Dec-2022	\$125,000	\$125,000
General Obligation, Series 2004C	9,640,000	2.50% - 4.75%	1-Jul-2024	895,000	440,000
General Obligation, Series 2005C	4,490,000	3.00% - 4.20%	1-Jun-2025	620,000	305,000
General Obligation, Series 2006B	10,310,000	4.00% - 4.50%	1-Jun-2026	2,265,000	725,000
General Obligation, Series 2006C	2,055,000	3.50% - 4.20%	1-Nov-2026	1,590,000	85,000
General Obligation, Series 2006D	56,850,000	4.00% - 4.25%	1-May-2024	43,405,000	3,450,000
General Obligation, Series 2008A	13,520,000	3.50%	1-Feb-2014	1,935,000	1,935,000
General Obligation, Series 2009A	24,830,000	2.25% - 5.00%	1-Feb-2029	19,175,000	1,490,000
Pension Obligation, Series 2009B	70,610,000	3.50% - 6.00%	1-Apr-2029	60,590,000	2,580,000
General Obligation, Series 2010A	69,320,000	1.00% - 5.60%	1-Sep-2030	64,245,000	3,775,000
General Obligation, Series 2010B	7,735,000	1.00% - 3.00%	1-Sep-2019	5,545,000	750,000
General Obligation, Series 2010C	6,635,000	1.00% - 3.00%	1-Dec-2020	4,905,000	570,000
Pension Obligation, Series 2010D	35,825,000	.95% - 5.45%	1-Jun-2030	32,040,000	1,330,000
General Obligation, Series 2010F	6,305,000	1.00% - 2.90%	1-Dec-2016	5,000,000	1,275,000
General Obligation, Series 2010G	8,950,000	3.20% - 5.40%	1-Dec-2025	8,950,000	
General Obligation, Series 2010H	4,465,000	1.00% - 3.80%	1-Dec-2021	4,325,000	440,000
Pension Obligation, Series 2012A	31,000,000	2.50% - 4.00%	1-Oct-2032	31,000,000	1,170,000
General Obligation, Series 2012B	6,275,000	2.00% - 4.00%	1-Jul-2024	6,275,000	20,000
General Obligation, Series 2012C	3,455,000	1.50% - 3.00%	1-Jul-2017	3,455,000	530,000
General Obligation, Series 2013A	11,275,000	2.00% - 5.00%	1-Oct-2023	11,275,000	845,000
General Obligation, Series 2013B	\$6,005,000	2.00% - 4.00%	1-Jul-2025	6,005,000	85,000
Premiums, Discounts, and Unamortized Amounts on Bond Obligations				921,343	
Total Bonds, Notes and Loans Payable				314,541,343	21,925,000
Other Liabilities:					
Compensated Absences				20,156,541	2,821,916
Unfunded Other Post Employment Benefit Liability				64,980,406	
Unfunded Pension Liability				1,453,739	
Total Other Liabilities				86,590,686	2,821,916
Total Governmental Activities				\$401,132,029	\$24,746,916
Business-Type Activities					
Bonds, Notes and Loans:					
Sanitary Sewer, Series 2009A	\$35,960,000	1.75% - 5.875%	1-Jul-2030	\$33,170,000	\$1,430,000
Sanitary Sewer, Series 2010A	13,860,000	2.25% - 3.75%	30-Jun-2021	13,220,000	1,480,000
Public Facilities, Series 2006	66,725,000	3.88% - 4.25%	1-Oct-2031	57,970,000	2,130,000
Radcliff road A209-09	113,523	2.00%	1-Jun-2030	99,670	4,976
KIA Streetscape A209-8	1,254,980	2.00%	1-Dec-2030	1,124,030	54,232
So. Elkhorn A09-01	\$14,045,119	2.00%	1-Dec-2031	13,180,027	595,220
Premiums, Discounts, and Unamortized Amounts on Bond Obligations				(4,128,850)	
Total Bonds, Notes and Loans				114,634,877	5,694,428
Other Liabilities:					
Compensated Absences				1,313,956	418,536
Landfill Closure & Postclosure Care Costs				13,589,212	435,251
Total Other Liabilities				14,903,168	853,787
Total Business-Type Activities				\$129,538,045	\$6,548,215

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds, Notes, Loans, and Leases:					
General Obligation Bonds, Notes and Leases	\$316,485,000	\$20,735,000	(\$23,600,000)	\$313,620,000	\$21,925,000
Net of Bond Premiums, Discounts and Unamortized Amounts on Refundings	(770,350)	1,638,274	53,419	921,343	
Total Bonds, Notes, Loans and Leases Payable	<u>315,714,650</u>	<u>22,373,274</u>	<u>(23,546,581)</u>	<u>314,541,343</u>	<u>21,925,000</u>
Other Liabilities:					
Compensated Absences	21,254,266	2,371,365	(3,469,090)	20,156,541	2,821,916
Unfunded Other Post Employment Benefit Liability	56,962,856	8,017,550		64,980,406	
Unfunded Pension Liability	1,513,988		(60,249)	1,453,739	
Total Governmental Activities Long-Term Liabilities	<u>\$395,445,760</u>	<u>\$32,762,189</u>	<u>(\$27,075,920)</u>	<u>\$401,132,029</u>	<u>\$24,746,916</u>
Business-Type Activities					
Bonds, Notes and Loans:					
Revenue Bonds	\$49,220,000	\$0	(\$2,830,000)	\$46,390,000	\$2,910,000
Mortgage Revenue Bonds	60,020,000		(2,050,000)	57,970,000	2,130,000
Notes and Loans	14,766,530	278,730	(641,533)	14,403,727	654,428
Bonds, Notes, and Loans Payable	124,006,530	278,730	(5,521,533)	118,763,727	5,694,428
Net of Bond Premiums, Discounts and Unamortized Amounts on Refundings	(4,410,009)		281,159	(4,128,850)	
Total Bonds, Notes, and Loans Payable	<u>119,596,521</u>	<u>278,730</u>	<u>(5,240,374)</u>	<u>114,634,877</u>	<u>5,694,428</u>
Other Liabilities:					
Compensated Absences	1,429,619	88,210	(203,872)	1,313,956	418,536
Landfill Closure and Postclosure Care Costs	18,954,582		(5,365,370)	13,589,212	435,251
Total Business-Type Activities Long-Term Liabilities	<u>\$139,980,722</u>	<u>\$366,940</u>	<u>(\$10,809,616)</u>	<u>\$129,538,045</u>	<u>\$6,548,215</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

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

Fiscal Year	Governmental Activities		Business-Type Activities				Total Primary Government	
	General Obligation Bonds, Notes and Leases		Revenue Bonds, Notes and Leases		Mortgage Revenue Bonds		Interest	Principal
	Interest	Principal	Interest	Principal	Interest	Principal		
2014	\$13,363,325	\$21,925,000	\$ 2,308,603	\$ 3,564,428	\$2,354,938	\$2,130,000	\$18,026,866	\$27,619,428
2015	12,752,305	20,530,000	2,213,275	3,642,582	2,269,369	2,215,000	17,234,949	26,387,582
2016	11,988,206	21,280,000	2,107,503	3,731,001	2,178,868	2,310,000	16,274,577	27,321,001
2017	11,156,263	19,730,000	1,986,554	3,839,689	2,084,569	2,405,000	15,227,386	25,974,689
2018	10,456,331	20,295,000	1,852,104	3,953,652	1,986,469	2,500,000	14,294,904	26,748,652
2019 - 2023	40,170,983	98,160,000	7,045,785	17,752,731	8,308,028	14,125,000	55,524,796	130,037,731
2024 - 2028	19,413,421	77,335,000	3,968,054	14,241,396	5,070,105	17,360,000	28,451,580	108,936,396
2029 - 2033	2,901,359	34,365,000	743,055	10,068,248	1,264,481	14,925,000	4,908,895	59,358,248
Total	<u>\$122,202,193</u>	<u>313,620,000</u>	<u>\$22,224,933</u>	<u>60,793,727</u>	<u>\$25,516,827</u>	<u>57,970,000</u>	<u>\$169,943,953</u>	<u>432,383,727</u>
Less principal payable within one year		<u>21,925,000</u>		<u>3,564,428</u>		<u>2,130,000</u>		<u>27,619,428</u>
Long term principal due after one year		<u>\$291,695,000</u>		<u>\$57,229,298</u>		<u>\$55,840,000</u>		<u>\$404,764,298</u>

Component Units

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

Fiscal Year	Principal					Total
	Lexington Center Corporation	Lexington Airport Board	Fayette County Board of Health	Parking Authority of Lexington	Nonmajor Component Units	
2014	\$1,935,000	\$0	\$115,000	\$358,526	\$356,199	\$2,764,725
2015	2,005,000	1,100,000	125,000	364,123	384,912	3,979,035
2016	2,075,000	1,700,000	130,000	369,807	448,470	4,723,277
2017	2,160,000	2,000,000	145,000	375,580	415,181	5,095,761
2018	2,245,000	2,100,000		4,501,821	440,018	9,286,839
2019-2023	9,950,000	11,750,000			2,563,422	24,263,422
2024-2028		13,230,000			2,684,386	15,914,386
2029-2033		15,110,000			811,095	15,921,095
2034-2038		7,610,000			174,249	7,784,249
2039		680,000				680,000
Total	<u>20,370,000</u>	<u>55,280,000</u>	<u>515,000</u>	<u>5,969,857</u>	<u>8,277,932</u>	<u>90,412,789</u>
Less payable within one year	<u>1,935,000</u>		<u>115,000</u>	<u>358,526</u>	<u>356,199</u>	<u>2,764,725</u>
Less refinancing loss/premium- discount	<u>154,730</u>	<u>(4,147,035)</u>				<u>(3,992,305)</u>
Long term principal due after one year	<u>\$18,280,270</u>	<u>\$59,427,035</u>	<u>\$400,000</u>	<u>\$5,611,331</u>	<u>\$7,921,733</u>	<u>\$91,640,369</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

Fiscal Year	Interest					Total
	Lexington Center Corporation	Lexington Airport Board	Fayette County Board of Health	Parking Authority of Lexington	Nonmajor Component Units	
2014	\$746,934	\$2,431,550	\$19,118	\$89,993	\$384,643	\$3,672,238
2015	677,372	2,376,550	13,480	84,396	349,444	3,501,242
2016	601,468	2,325,686	7,599	78,712	293,484	3,306,949
2017	517,215	2,260,550	600	72,939	296,884	3,148,188
2018	428,265	2,176,550		61,712	301,165	2,967,692
2019-2023	739,364	9,265,388			1,107,447	11,112,199
2024-2028		6,038,024			667,073	6,705,097
2029-2033		2,644,928			267,623	2,912,551
2034-2038		511,833			5,631	517,464
Total	<u>\$3,710,618</u>	<u>\$30,031,059</u>	<u>\$40,797</u>	<u>\$387,752</u>	<u>\$3,673,394</u>	<u>\$37,843,620</u>

General Description of the Government's Bonds and Notes Payable

Revenue and Mortgage Revenue Bonds

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

1. \$35,960,000 of Sewer System Revenue Bonds, Series 2009A, (Taxable Build America Bonds) issued at a discount and payable annually in principal installments ranging from \$1,385,000 to \$2,420,000 plus interest over 20 years, to be utilized along with other available funds of financing for the construction of major additions, betterment and extensions to the sanitary sewer system. The 2009A Bonds were issued under the guidelines provided under the American Recovery and Reinvestment Act (ARRA). Under the Guidelines set forth in the ARRA, the Government is eligible to apply for an interest subsidy payment from the United States Treasury of 35% for Build America Bonds (BABs). The Government received a subsidy for the year ended June 30, 2013 of \$569,952.
2. \$13,860,000 of Sewer System Refunding Revenue Bonds Series 2010A, issued at a premium, are payable annually in principal installments ranging from \$125,000 to \$1,860,000 plus interest over 12 years, to partially refund Revenue Bonds Series 2001A. The refunding provided for a cumulative savings of \$1,101,593 over the life of the bonds resulting in a net present value savings of \$934,076 or 6.739% of the refunded principal.

The bond ordinances provide that the gross income and revenues of the 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 125% of the average annual debt service on the 2009 Series A, 2010 Series A 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 Capital Replacement Fund, 1/24th of the required Capital Replacement Reserve (defined as 5% of the outstanding bonds or such larger amount as required by an Independent Consulting Engineer) until the required Capital Replacement Reserve has been accumulated.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

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

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

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

1. Radcliffe Road A209-09 issued in the amount of \$113,523, payable annually in principal installments ranging from \$1,837 to \$3,438 plus interest over 20 years. Financing improvements to the storm water system along Radcliffe Road in Fayette County.
2. KIA Streetscape A209-08 issued in the amount of \$1,254,980, payable annually in principal installments ranging from \$25,671 to \$37,843 plus interest over 20 years. Financing improvements to the storm water system in the city center of Lexington. These funds were used in conjunction with the Streetscape project that included upgrades to the sidewalks, sewer and storm water systems. This capital project included South Limestone, East and West Main Street and Vine Street.
3. South Elkhorn Pumpstation KIA A09-01 issued in the amount of \$14,045,119, payable annually in principal installments ranging from \$281,600 to \$423,692 plus interest over 20 years. Financing the upgrade of the South Elkhorn pump station and construction of a new 36 inch force main.

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General Obligation Bonds and Notes

The Government issues general obligation bonds and notes to provide funds for the acquisition and construction of capital assets used by Governmental Activities. The Government has issued the following general obligation bonds and notes:

1. \$4,570,000, Series 2002C, issued at a discount and payable annually in principal installments ranging from \$125,000 to \$355,000 plus interest over 20 years, to finance the construction of various stormwater improvements and two lanes of a four-lane boulevard. Of the original issue Series 2002C, approximately \$1,400,000 was partially refunded through the issuance of Series 2012B leaving a remaining balance of \$480,000.
2. Series 2004C, issued at a discount and payable annually in principal installments ranging from \$335,000 to \$700,000 plus interest over 20 years, to finance the costs associated with the acquisition, construction, and equipping of 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. Approximately \$4,790,000 was partially refunded through the issuance of Series 2012B and \$960,000 was partially refunded through the issuance of Series 2013B leaving a remaining balance of \$895,000.
3. \$4,490,000, Series 2005C, issued at a discount and payable annually in principal installments ranging from \$150,000 to \$355,000 plus interest over 20 years, 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. Of the outstanding balance, \$1,795,000 was partially refunded through the issuance of Series 2013B leaving a remaining balance of \$620,000.
4. \$10,310,000, Series 2006B, issued at a discount and payable annually in principal installments ranging from \$255,000 to \$840,000 plus interest over 20 years, to finance stormwater improvements, neighborhood redevelopment projects, Bluegrass Aspendale Parkway, Veterans Park fire station and police cars. Of the outstanding balance, \$2,990,000 was partially refunded through the issuance of Series 2013B leaving a remaining balance of \$2,265,000.
5. \$2,055,000, Series 2006C, issued at par and payable annually in principal installments ranging from \$70,000 to \$145,000 plus interest over 20 years, to finance the costs of the Purchase of Development Rights Program.
6. \$56,850,000, Refunding Series 2006D, to refund the Public Facilities Corporation Series 1995 bonds for \$2,500,000 in principal and to partially refund the 1999 General Obligation Bonds, Series 1999A. Issued at a premium, the bonds are payable annually in principal installments ranging from \$35,000 to \$4,680,000 plus interest over 18 years. The refunding provided for a cumulative savings of \$2,372,454 over the life of the bonds resulting in net present value savings of \$1,756,185 or 3.319% of the refunded principal.
7. \$13,520,000, Series 2008A, issued at a premium and payable annually in principal installments ranging from \$1,870,000 to \$3,370,000 plus interest over 5 years, to finance acquisition of certain equipment and vehicles in addition to various parks projects.
8. \$24,830,000, Series 2009A, issued at a premium and payable annually in principal installments ranging from \$745,000 to \$1,725,000 plus interest over 20 years, to finance the cost of the Purchase of Development Rights Program, Street Resurfacing, Bluegrass Aspendale improvements and other various construction projects.
9. \$70,610,000, Series 2009B, Taxable General Obligation Pension Funding Bonds issued at a discount and payable annually in principal installments ranging from \$2,315,000 to \$5,515,000 plus interest over 20 years, to finance additional contributions to the Policemen's and Firefighters' Retirement Plan.

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10. \$69,320,000, Series 2010A, (Build America Bonds) Taxable General Obligation Public Project Bonds, to finance various projects for departments within the Government, including acquisition of equipment, infrastructure projects and the Purchase of Development Rights program. The 2010A Bonds were issued under the guidelines provided under the ARRA. Under the Guidelines set forth in the ARRA, the Government is eligible to apply for an interest subsidy payment from the United States Treasury of 35% for BABs. The Government received a subsidy for the year ended June 30, 2013 of \$1,028,206.
11. \$7,735,000, Series 2010B, General Obligation Refunding Bonds, for refunding the Series 1999B and 2000A General Obligation Bonds. The Series 2010B bonds, issued at a discount, are payable annually in principal installments ranging from \$715,000 to \$850,000 plus interest over 10 years. The refunding provided for a cumulative savings of \$1,394,276 over the life of the bonds resulting in a net present value savings of \$1,189,304 or 15.376% of the refunded principal.
12. \$6,635,000, Series 2010C, General Obligation Refunding Bonds, for refunding the Series 2000E General Obligation Bonds. The Series 2010C bonds, issued at a discount, are payable annually in principal installments ranging from \$60,000 to \$675,000 plus interest over 12 years. The refunding provided for a cumulative savings of \$675,874 over the life of the bonds resulting in net present value savings of \$593,504 or 8.945% of the refunded principal.
13. \$35,825,000, Series 2010D, Taxable General Obligation Pension Funding Bonds issued at a discount and payable annually in principal installments ranging from \$1,195,000 to \$2,700,000 plus interest over 20 years, to finance additional contributions to the Policemen's and Firefighters' Retirement Plan.
14. \$6,305,000, Series 2010F, Various Purpose General Obligation Public Projects Build America Bonds issued at a discount and payable annually in principal installments ranging from \$45,000 to \$1,305,000 plus interest over 5 years, to finance the acquisition of various equipment for Departments within the Government including but not limited to Computer Services, Public Safety, Parks and Recreation and Solid Waste. The 2010F Bonds were issued under the guidelines provided under the ARRA. Under the Guidelines set forth in the ARRA, the Government is eligible to apply for an interest subsidy payment from the United States Treasury of 35% for BABs. The Government received a subsidy for the year ending June 30, 2013 of \$40,008.
15. \$8,950,000, Series 2010G, Various Purpose General Obligation Public Projects Recovery Zone Economic Development Bonds (RZEDB) issued at a discount and payable annually in principal installments ranging from \$200,000 to \$1,445,000 plus interest over 15 years, to finance the acquisition of various equipment for Departments within the Government including but not limited to Public Safety, Purchase of Development Rights, Recycling Center and Public Works utility design. The 2010G Bonds were issued under the guidelines provided under the ARRA. Under the Guidelines set forth in the ARRA, the Government is eligible to apply for an interest subsidy payment from the United States Treasury of 45% for RZEDB. The Government received a subsidy for the year ending June 30, 2013 of \$167,439.
16. \$4,465,000, Series 2010H, General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2001B. The Series 2010H bonds, issued at a discount, are payable in annual principal payments ranging from \$30,000 to \$540,000 plus interest over 12 years. The refunding provided for a cumulative savings of \$150,459 over the life of the bonds resulting in a net present value savings of \$126,407 or 3.028% of the refunded principal.
17. \$31,000,000, Series 2012A, Taxable General Obligation Pension Funding Bonds issued at a premium and payable annually in principal installments ranging from \$1,170,000 to \$2,110,000 plus interest over 20 years, to finance additional contributions to the Policemen's and Firefighters' Retirement Plan .
18. \$6,275,000, Series 2012B, General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2002C and the General Obligation Bond Series 2004C. The Series 2012B, issued at a

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discount, are payable annually in principal installments ranging from \$20,000 to \$825,000 plus interest over 12 years. The refunding provided for a cumulative savings of \$597,633 over the life of the bonds resulting in net present value savings of \$545,403 or 8.759% of the refunded principal.

19. \$3,445,000, series 2012C, Various Purpose General Obligation notes to finance various projects for Departments within the Government, including construction, acquisition and installation of various projects including but not limited to street and sidewalk improvements, safety equipment, various park and recreation improvements and other equipment and vehicles for the benefit of numerous Departments of the Government. The 2012C Bonds, issued at a premium, are payable in annual principal payments ranging from \$530,000 to \$750,000 plus interest over 5 years.
20. \$11,275,000, Series 2013A, Various Purpose General Obligation Bonds to finance various street and highway improvements including the rehabilitation and paving of existing roads and streets throughout Lexington, Fayette County, Kentucky. The 2013A bonds, issued at a premium, are payable in annual principal payments ranging from \$845,000 to \$1,265,000 plus interest over 10 years.
21. \$6,005,000, Series 2013B, Various Purpose General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2004C, General Obligation Bond Series 2005C and General Obligation Bond Series 2006B. The Series 2013B, issued at a premium, are payable annually in principal installments ranging from \$40,000 to \$925,000 plus interest over 13 years. The refunding provided for a cumulative savings of \$402,579 over the life of the bonds resulting in net present value savings of \$293,222 or 5.103% of the refunded principal.

Landfill Closure and Postclosure Care Cost

State and Federal laws and regulations require the Government to place final covers on its landfills and to perform certain maintenance and postclosure monitoring functions at its landfills for thirty years. Since the operations and maintenance of the Government's landfills are accounted for in an Enterprise Fund, the accrued liability for these costs are reported in the Landfill Fund as required by GASB 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. The liability at June 30, 2013 is based on the estimated cost of maintaining and monitoring the Old Frankfort Pike Landfill (OFPLF) and the Haley Pike Landfill. Actual cost may be higher due to inflation, changes in technology, or changes in regulations and these costs will be funded by the Landfill Fund. The OFPLF ceased accepting waste decades ago. The Haley Pike Landfill ceased accepting waste in December 2011. Both of these landfills are at 100% capacity. The Haley Pike Landfill has been capped. Environmental monitoring and maintenance of the property will occur over the next 30 years, in accordance with Kentucky State Law.

NOTE 4. SELF-INSURANCE PROGRAM

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

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Changes in the balances of claims liabilities during the past two years are as follows:

Surplus at June 30, 2011	\$0
Claims and changes in estimates	34,948,610
Claims paid	<u>(34,948,610)</u>
Surplus at June 30, 2012	0
Claims and changes in estimates	28,097,342
Claims paid	<u>(28,097,342)</u>
Surplus at June 30, 2013	<u><u>\$0</u></u>

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

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

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

Annually, as of June 30, the Fund has a third party actuary review the claim histories for all claim years for which open claims are outstanding. The actuary projects the ultimate claim payment obligation (including the IBNR claims) for each year's claim experience. The Government elected to establish the liability for these claims and loss expenses at their present value with a discount rate of 3.5%. As of June 30, 2013 the undiscounted estimated liability was \$33,834,737. The discounted estimated liability as of June 30, 2013 was \$28,506,197.

Changes in the balances of claims liabilities during the past two years are as follows:

	Auto Liability and Physical Damage	General Liability	Property	Workmens' Compensation	Total
Liability at June 30, 2011	\$1,406,328	\$6,495,436	\$288,982	\$13,854,847	\$22,045,593
Claims and changes in estimates	622,261	1,097,129	394,400	5,571,816	7,685,606
Claims paid	<u>(1,049,206)</u>	<u>(1,224,692)</u>	<u>(547,150)</u>	<u>(4,885,706)</u>	<u>(7,706,754)</u>
Liability at June 30, 2012	979,383	6,367,873	136,232	14,540,957	22,024,445
Claims and changes in estimates	5,483,185	5,784,985	420,511	3,656,313	15,344,994
Claims paid	<u>(2,483,714)</u>	<u>(2,649,710)</u>	<u>(416,868)</u>	<u>(3,312,950)</u>	<u>(8,863,242)</u>
Liability at June 30, 2013	<u><u>\$3,978,854</u></u>	<u><u>\$9,503,148</u></u>	<u><u>\$139,875</u></u>	<u><u>\$14,884,320</u></u>	<u><u>\$28,506,197</u></u>

The Fund uses excess insurance policies, purchased from various commercial carriers, to reduce its exposure to large losses on all types of insured events or for exposures that are difficult to self-insure. These insurance policies permit recovery of losses above the self-insured retention limits from the insurance carriers, although it does not discharge the primary liability of the Self-Insured Retention Fund as the direct source for payment of claims made against the Government. Workers' compensation self-insured retention was \$750,000 and property self-insured retention was \$250,000.

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

Line of coverage	Self-insured Retention Per Occurrence	Excess Reinsurance Annual Limit
Property	\$250,000	\$500,000,000 Per Occurrence
Flood Loss	250,000	\$100,000,000 Per Occurrence
Flood Loss (Zones A, V, and all other 100 – year floodplains)	250,000	\$2,000,000 Per Occurrence
Earthquake Loss	250,000	\$100,000,000 Per Occurrence
Electronic Data Processing	250,000	Included in Property Limits
Traffic Control Equipment	250,000	Included in Property Limits
Cyber Coverage – Third Party	100,000	\$20,000,000 Aggregate
Cyber Coverage – First Party	100,000	\$2,000,000 Aggregate
Boiler and Machinery	100,000	\$100,000,000 Per Occurrence
Electronic Data Processing	100,000	\$10,000,000 Per Occurrence
Auto Physical Damage	100,000	Included in Property Limits
Auto Liability	2,000,000	\$5,000,000 Per Occurrence
General Liability	2,000,000	\$5,000,000 Per Occurrence
Public Officials Liability	2,000,000	\$5,000,000 Per Occurrence
Workers' Compensation	750,000	Statutory Per Occurrence
Employers' Liability	\$75,000 with \$250,000 corridor	\$1,000,000 Per Occurrence

NOTE 5. CONTINGENT LIABILITIES AND COMMITMENTS

A. Litigation – The Government is party to numerous legal proceedings where the ultimate outcome cannot be determined with certainty or cannot be reasonably estimated, many of which normally occur in government operations. The Government’s Department of Law estimates that there are pending cases in which there is a reasonably possible likelihood that the Government will incur some liability. As of June 30, 2013 the Government has accrued approximately \$11,200,000 for potential liabilities for the cases covered by self-insurance (See Note 4.B.) and approximately \$4,000,000 in the General Fund in the Government-Wide Financial Statements for matters not covered by the self-insurance program.

In 2005, a case was filed by multiple firefighters alleging that their overtime wages, pension contributions, and benefits were not calculated accurately. They seek compensatory damages and attorneys’ fees. The Government filed a Motion for Judgment on the Pleadings on state wage and hour claims, and the Motion was granted by the Fayette Circuit Court. The Court granted the Government’s motion to make the judgment final and appealable, and the Plaintiffs appealed to the Court of Appeals. The Court of Appeals upheld the Circuit Court’s decision in favor of the Government. The Plaintiffs have filed a Motion for Discretionary Review with the Kentucky Supreme Court and the Government’s Response has been submitted. The Kentucky Supreme Court issued an Order holding in abeyance the Motion for Discretionary Review until another firefighter wage and hour case is decided. The Kentucky Supreme Court ultimately issued a decision in the other firefighter case, and the Lexington case was remanded to the Court of Appeals. The Court of Appeals issued a decision which necessitated further review at the Kentucky Supreme Court. Currently, the case is pending there on a Motion for Discretionary Review. The Plaintiffs’ claim could be in excess of \$1,000,000, depending on the form of calculation of back overtime wages. The Government intends to vigorously defend the claims asserted in the lawsuit, but at the same time, and at the Plaintiffs’ counsels’ request, has indicated a willingness to attempt to mediate the parties’ differences while continuing to litigate the Government’s defenses.

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

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

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

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

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

On April 15, 2011, LCC and the Triangle Foundation entered into a lease agreement of the Triangle Park property through August 15, 2011 for the purpose of renovation of the property. On May 16, 2011, LCC and Triangle Foundation entered into a grant agreement in which the Triangle Foundation shall renovate Triangle Park in accordance with the lease agreement for an approximate value of \$1,300,000.

On May 29, 2012, the Blue Grass Community Foundation awarded LCC a grant in the amount of \$2,500,000 for renovations and upgrades to student-athlete locker room facilities, dressing rooms for entertainment acts and artists and other public areas within Rupp Arena.

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

As of June 30, 2013, several uncompleted construction projects funded in-part by Federal grants remain open. Upon completion and final approval by the Inspector General, these projects will be closed out and a final account will be rendered. Outstanding construction contract commitments are \$1,064,000 at June 30, 2013.

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

The Airport Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; general liability claims; and natural disasters. The Airport Corporation manages these risks through the purchase of commercial insurance.

F. Lexington Public Library – The Library is a non-profit, non-stock corporate agency and instrumentality of the Government. The Lexington Public Library Board of Trustees is a defendant in a lawsuit filed by the Library's former Director, for contract damages associated with her 2009 termination by the Board. This matter came before an American Arbitration Association panel that on May 17, 2013 issued an Order of Damages totaling \$907,762. On each of the panel's findings for damages a panel member dissented to the order except in the case of the salary remaining on the contract which totals \$257,731. The Board of Director's legal counsel has presented arguments against the Order on Damages before the Fayette County District Court and is awaiting an opinion.

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

G. Lexington Downtown Housing Fund, LLC – On December 9, 2004 the Government passed ordinance 319-2004 approving a lease and sublease for the purpose of creating, enhancing and extending market-rate housing in downtown Lexington (the Project). The Ordinance authorized entering into one or more leases with the Kentucky League of Cities Funding Trust to enable the Government to finance the Project for an aggregate principal amount of \$2,000,000 outstanding at any one time. The leases are a general obligation pledge of the Government. The sublease agreement between the Government and the Lexington Downtown Housing Fund, LLC (DHL LLC) assigns administrative management and support of the loan programs to DHL LLC. Under the loan program, DHL LLC makes loans to developers of approved projects. The loans made by DHL LLC are funded in part by the sublease and in part from funds contributed or loaned from local participating banks. The interest on the loans are paid by the developers and the principal of the loans are subsequently repaid by the revenues from the projects. In the event of default by the developer on the loan payment, the portion of the loan funded by the sublease would become an obligation of the Government. As of June 30, 2013 the total principal outstanding was \$1,005,000.

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

I. Conduit Debt – The Government has issued Industrial Revenue Bonds to provide financial assistance to private sector and nonprofit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector or nonprofit entity served by the bond issue. The Government is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2013, there were 28 series of Industrial Revenue Bonds outstanding with an aggregate amount payable of approximately \$223,034,815.

To provide for the construction of a hospital facility, the Public Facilities Corporation (PFC) issued Lease Revenue Bonds, Series 2011A (Eastern State Hospital Project). The bonds are a special limited obligation of the PFC, payable solely from and secured by a pledge of rentals to be received from a lease agreement between the PFC and the Commonwealth of Kentucky. The bonds do not constitute a debt or pledge of the faith and credit of the PFC or the Government, and accordingly have not been reported in the accompanying financial statements. At June 30, 2013, the Lease Revenue Bonds outstanding total approximately \$138,635,000.

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

In governmental funds, encumbrances outstanding at year-end represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriations, is utilized in the governmental funds. Encumbrances are not treated as expenditures or liabilities because the commitments will be honored during the subsequent year. Outstanding encumbrances for the governmental funds at June 30, 2013 were as follows:

General Fund	\$2,195,173
Urban Service Fund	3,516,473
Nonmajor Governmental Funds	\$16,799,600

Encumbrances are not recorded in the financial statements for proprietary fund types and Pension Trust Funds. However, the purchase orders outstanding at June 30, 2013 for these funds are as follows:

Sanitary Sewer System	\$24,650,067
Public Facilities Corporation	750
Water Quality	3,510,936
Landfill	769,732
Nonmajor Enterprise Funds	\$863,347

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

NOTE 6. 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 (the Circular) 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 Government in accordance with applicable provisions of the Single Audit Act of 1984, P.L. 98-502 and the Single Audit Act Amendments of 1996, P.L. 104-156.

NOTE 7. SUBSEQUENT EVENTS

Primary Government

In April 2013, the Kentucky Infrastructure Authority Board approved low interest loans for the purpose of acquiring and constructing certain facilities and improvements to the Government's Wastewater system. These projects are required as part of the EPA Consent Decree. The total amount is \$56,167,393. As of June 30, 2013, the Government had not received proceeds.

On October 22, 2013, the Government issued General Obligation bonds, series 2013C, with a par value of \$17,035,000. The bonds will fund projects for the Purchase of Development Rights program, conservation easements, Public Safety, traffic signal upgrades, renovation and construction of parks, Facilities and Fleet Management vehicle replacement and repairs, a new senior citizens center, and funding for the Arts and Entertainment District.

NOTE 8. TRANSFER OF ASSETS

Primary Government

Parking Authority of Lexington – Effective July 1, 2012, the Government entered into a transfer agreement with a component unit, Parking Authority of Lexington. The transfer agreement encompasses relinquishing management and control of four properties, formerly listed as assets of the Government. The net book value of the Governmental Activities capital assets transferred was \$15,943. The net book value of the Business-Type Activities capital assets transferred was \$12,611,114. The total net book value of the properties transferred was \$12,627,057.

Lexington Transit Authority – Effective April 1, 2013, the Government transferred the LexVan program to a component unit, Lexington Transit Authority. The net book value of the Governmental Activities capital assets transferred was \$143,458. The Business-Type Activities other assets transferred were \$239,051. The total value of assets transferred was \$382,509.

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

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 PFRF and the CEPF.

The sworn personnel of the divisions of Police and Fire are eligible to participate in the PFRF. For members whose participation date in the PFRF is prior to March 14, 2013, benefits vest after twenty years of service. The annuity is 2.5% of average salary multiplied by years of total service. For members whose participation date is on or after March 14, 2013, benefits vest after twenty-five years of service. The annuity is 2.25% of average salary multiplied by years of total service. Cost of living adjustments (COLA) will be granted on the following schedule for both current and future retirees beginning on the earlier of a member turning age 50 or being retired for five years until

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

the PFRF, utilizing the current COLA provisions, is 85% funded. At that time, COLA's will be granted each year by an amount, determined by the Board, of between 2% and 5% compounded annually. In addition, those receiving an annuity of over \$100,000 will not be eligible to receive a COLA until the later of the proposed conditions or January 1, 2016.

Above \$100,000	1%
\$75,000 to \$99,000	1%
\$50,000 to \$74,999	1.5%
\$40,000 to \$49,999	1.5%
\$35,000 to \$39,999	2%
\$30,000 to \$24,999	2%
Under \$30,000	2%

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

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

Both pension plans are included in the Government's comprehensive annual report and do not issue stand-alone financial reports. Membership of each plan consisted of the following at June 30, 2013:

	Number
Inactive Plan Participants:	
Retirees and beneficiaries currently receiving benefits	1,135
Active Plan Participants:	
Active members	1,064
Total	2,199

B. Summary of Significant Accounting Policies and Plan Asset Matters

Basis of Accounting – The preparation of the financial statements of the PFRF and CEPF conform to the provisions of GASB Statement No. 25. Benefits and refunds of both plans are recognized when due and payable in accordance with the terms of each plan. The financial statements are prepared on an accrual basis.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2013

C. Contributions

The contribution requirements and benefit provisions for the PFRF and CEPF are established by state statute and Government ordinance. In fiscal year 2013, the Government contributed 24.70% to the PFRF and 17.5% to the CEPF. An additional contribution of \$6,784,793 was made to the PFRF based on an actuarial determination of the annual required contribution (ARC) in June, 2013. Administrative costs were financed by a combination of additional contributions as well as investment income.

The required contribution rates are shown in the following table:

Required Contribution Rates:	PFRF	CEPF
Government	24.70%	17.5%
Plan Member	11.0%	8.5%

D. Supplemental Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
		Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)			
<i>Policemen's and Firefighters' Pension Fund (3% COLA)</i>						
7/1/08	\$418,311,038	\$664,935,356	\$246,624,318	62.9%	\$61,368,960	401.9%
7/1/09	441,772,820	699,851,128	258,078,308	63.1%	65,765,448	392.4%
7/1/10	502,259,967	724,140,738	221,880,771	69.4%	60,512,412	366.7%
7/1/11	501,069,884	758,851,546	257,781,662	66.0%	64,258,162	401.2%
7/1/12	525,849,582	687,673,831	161,824,250	76.5%	54,595,799	296.4%
7/1/13	\$533,892,554	\$738,343,325	\$204,450,771	72.3%	\$62,455,725	327.4%
<i>City Employees' Pension Fund</i>						
7/1/08	\$27,299,997	\$22,917,270	\$(4,382,727)	119.1%	\$42,972	(10,199.0)%
7/1/09	24,865,567	20,179,074	(4,686,493)	123.2%	43,416	(10,794.4)%
7/1/10	25,529,868	16,080,311	(9,449,557)	158.8%	0*	NA
7/1/11	27,052,395	15,068,768	(11,983,627)	179.5%	0*	NA
7/1/12	26,875,985	14,012,737	(12,863,248)	191.8%	0*	NA
7/1/13	\$28,029,242	\$12,970,313	\$(15,058,929)	216.1%	0*	NA

*All city employees are currently retired, therefore covered payroll is \$0.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

Annual Pension Cost and Net Pension Obligation (Asset)

	PFRF	CEPF
Annual required contribution	\$22,322,068	\$0
Interest on net pension obligation (asset)	(4,089,767)	105,979
Adjustment to annual required contribution	(4,295,016)	166,228
Annual pension cost	22,527,317	(60,249)
Contributions made	22,322,068	0
Decrease in net pension obligation (asset)	205,249	(60,249)
Net pension obligation (asset), beginning of year	(54,530,231)	1,513,988
Net pension obligation (asset), end of year	\$(54,324,982)	\$1,453,739

Six-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Obligation (Asset)
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Policemen's and Firefighters' Pension Fund

2008	\$27,080,947	\$18,791,796	69.4%	\$25,040,871
2009	28,839,699	84,023,573	291.3%	(30,143,003)
2010	30,485,067	49,469,806	162.3%	(49,127,742)
2011	27,923,223	14,408,809	51.6%	(35,613,328)
2012	28,668,786	47,585,689	165.9%	(54,530,231)
2013	\$22,527,317	\$22,322,068	99.1%	\$(54,324,982)

City Employees' Pension Fund

2008	\$(71,777)	\$7,116	N/A	\$1,869,987
2009	(74,415)	7,864	N/A	1,787,708
2010	(71,141)	\$74,488	N/A	1,642,079
2011	(65,345)		N/A	1,576,734
2012	(62,746)		N/A	1,513,988
2013	\$(60,249)		N/A	\$1,453,739

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2013

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

	Policemen's and Firefighters' Pension Fund	City Employees' Pension Fund
Valuation date	July 1, 2013	July 1, 2013
Actuarial cost method	Entry Age Normal Funding	Entry Age Normal Funding
Amortization method	Level Dollar - Closed	Level Dollar - Open
Remaining amortization period	30 years open	15 years open
Asset valuation method	Actuarial Related Value	Market
Actuarial assumptions:		
Investment rate of return	7.5%	7.0%
Projected salary increases	10.50 to 4.00%	N/A
Cost-of-living adjustments	See Note 9.A. on page 90	3.0%
Inflation	3.0%	N/A

The Government's annual required contribution (ARC), amount contributed, and percentage of required contribution to actual contribution for the last six years are as follows:

Fiscal Year Ending	ARC	Contribution	Percentage of ARC Contributed
<i>Policemen's and Firefighters' Retirement</i>			
2008	\$26,980,795	\$18,791,796	69.6%
2009	28,689,989	84,023,573	292.9%
2010	30,665,280	49,469,806	161.3%
2011	28,216,938	14,408,809	51.1%
2012	28,703,638	47,585,689	165.8%
2013	\$22,322,068	\$22,322,068	100.0%
<i>City Employees' Pension*</i>			
2008	\$0	\$7,116	
2009		7,864	
2010		\$74,488	
2011			
2012			
2013			

*Closed plan

E. Other Post Employment Benefit (OPEB)

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

Funding Policy – The Government pays the premiums for single coverage on a pay-as-you-go basis. In fiscal year 2013, 800 retirees of the PFRF received this benefit for a total cost of \$4,156,970; and 16 retirees of the CEPF received this benefit for a total cost to the Government of \$61,176.

Annual OPEB Cost and Net OPEB Obligation – The Government's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis,

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Government's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Government's net OPEB obligation:

Annual required contribution	\$13,261,194
Interest on net OPEB obligation	2,563,329
Adjustment to annual required contribution	<u>2,323,383</u>
Annual OPEB cost (expense)	13,501,140
Contributions made	<u>(5,483,590)</u>
Increase in net OPEB obligation	8,017,550
Net OPEB obligation, beginning of year	<u>56,962,856</u>
Net OPEB obligation, end of year	<u><u>\$64,980,406</u></u>

The Government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 and the two preceding fiscal years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2011	\$16,659,028	23.1%	\$44,645,362
2012	16,713,023	26.3%	56,962,856
2013	\$13,501,140	40.6%	\$64,980,406

Funded Status and Funding Progress – The Government completed an actuarial valuation of the future unfunded actuarial accrued liability of these benefits and it was determined that as of July 1, 2012 the liability was \$171,684,066. The annual required contribution to fund this liability over a period of 30 years is \$13,261,194. These figures represent the amount needed to provide benefits for 876 current retirees and beneficiaries and 1,014 active members. To date there has not been any funding of this liability.

Actuarial assumptions of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2013

The actuarial assumptions used for the calculations are listed below.

Valuation date	July 1, 2012
Actuarial cost method	Projected unit credit
Amortization method	Level Percent of Pay, Open
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	4.5%
Medical cost trend rate*	
Pre-Medicare trend rate	9.5% - 5.0%
Post-Medicare trend rate	7.0% - 5.0%
Year of ultimate trend rate	2018
* Includes inflation at	3.0%

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
7/1/08	\$0	\$181,181,934	\$181,181,934	0.00%	\$61,409,904	295.0%
7/1/10		211,706,877	211,706,877	0.00%	60,512,412	349.9%
7/1/12		\$171,684,066	\$171,684,066	0.00%	\$54,595,799	314.5%

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

F. Pension Plan Financial Statements

STATEMENT OF NET POSITION
June 30, 2013

	<u>PFRF</u>	<u>CEPF</u>	<u>Total Pension Trust Funds</u>
ASSETS			
Cash and Cash Equivalents	\$16,215,973	\$600,295	\$16,816,268
Receivables:			
Interest Receivable	1,558,595	102,057	1,660,652
Investments, at Fair Value:			
Debt Securities:			
US Agencies	28,840,779	6,176,166	35,016,945
US Government Obligations	18,193,115	2,933,223	21,126,338
Municipal Obligations	5,933,303		5,933,303
International Bonds	13,362,360	663,350	14,025,710
Corporate Debt	76,927,344	3,343,008	80,270,352
Repurchase Agreements	12,174,347		12,174,347
Other Investments:			
Equity Mutual Funds	164,552,201		164,552,201
Equity Real Estate	52,746,107		52,746,107
Equity Securities - Domestic	81,039,311	12,999,245	94,038,556
Equity Securities - International	97,641,022	1,221,726	98,862,748
Total Investments	<u>551,409,889</u>	<u>27,336,718</u>	<u>578,746,607</u>
Total Assets	<u>\$569,184,457</u>	<u>\$28,039,070</u>	<u>\$597,223,527</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	\$11,227	\$0	\$11,227
Securities Lending Transactions	12,174,347		12,174,347
Compensated Absences - Current	2,534		2,534
Compensated Absences - Non Current	2,534		2,534
Due to Other Funds	270,005	9,828	279,833
Total Liabilities	<u>\$12,460,647</u>	<u>\$9,828</u>	<u>\$12,470,475</u>
NET POSITION			
Amounts Held in Trust for Pension Benefits	<u>\$556,723,810</u>	<u>\$28,029,242</u>	<u>\$584,753,052</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

STATEMENT OF CHANGES IN NET POSITION
June 30, 2013

	<u>PFRF</u>	<u>CEPF</u>	<u>Total</u>
ADDITIONS			
Contributions:			
Employer	\$22,322,068	\$0	\$22,322,068
Employer - Administration	4,156,970	61,176	4,218,146
Plan Members	7,242,128		7,242,128
Other	81,122		81,122
Total Contributions	<u>33,802,288</u>	<u>61,176</u>	<u>33,863,464</u>
Investment Income:			
Net Change in Fair Value of Investments	55,487,547	1,970,884	57,458,431
Interest	7,193,869	577,419	7,771,288
Dividends	3,455,536	276,908	3,732,444
Total Investment Income	<u>66,136,952</u>	<u>2,825,211</u>	<u>68,962,163</u>
Less Investment Expense	2,801,925	60,587	2,862,512
Net Investment Income	<u>63,335,027</u>	<u>2,764,624</u>	<u>66,099,651</u>
Income from Securities Lending Activities:			
Securities Lending Income	31,693		31,693
Securities Lending Expenses:			
Borrower Rebates	(85,620)		(85,620)
Management Fees	46,871		46,871
Total Securities Lending Expenses (Income)	<u>(38,749)</u>	<u>0</u>	<u>(38,749)</u>
Net Income on Securities Lending Activities	<u>70,442</u>	<u>0</u>	<u>70,442</u>
Total Additions	<u>97,207,757</u>	<u>2,825,800</u>	<u>100,033,557</u>
DEDUCTIONS			
Benefit Payments	49,296,681	1,642,332	50,939,013
Administrative Expense	596,907	30,211	627,118
Total Deductions	<u>49,893,588</u>	<u>1,672,543</u>	<u>51,566,131</u>
Net Increase	47,314,169	1,153,257	48,467,426
Net Position, Beginning	<u>509,409,641</u>	<u>26,875,985</u>	<u>536,285,626</u>
Net Position, Ending	<u>\$556,723,810</u>	<u>\$28,029,242</u>	<u>\$584,753,052</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

G. The County Employees' Retirement System

The Government contributes to the Commonwealth of Kentucky's County Employees' Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county and school board and any additional eligible local agencies electing to participate in the System. At June 30, 2013, there were over 1,400 local government agencies participating in CERS, which provides for retirement, disability and death benefits. Beginning October 27, 1975, all eligible full-time employees of the Government were required to participate in CERS. 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, or by telephone at (502) 696-8800.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The Government's contribution rate for nonhazardous employees was 19.55 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8 percent will go to the member's account and 1 percent will go to the KRS insurance fund. The Government's contribution rate for hazardous employees was 37.60 percent.

The contribution requirements and the amounts contributed to CERS were \$16,625,248, \$16,388,805 and \$15,277,032 respectively for the years ended June 30, 2013, 2012, and 2011.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to maximum dollar amount.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

The Governor signed Senate Bill 2 into law on April, 4, 2013, which amends the state employee pension program. Effective July 1, 2013, several changes will take place as a result of Senate Bill 2. Some highlights are as follows: participation in the hybrid cash balance plan for both hazardous and non-hazardous participants; changes to the annual retirement allowance calculation; authorization to amend or suspend benefits and rights; new terms and conditions for receiving his or her retirement during the period of reemployment.

NOTE 10. RECENT GASB PRONOUNCEMENTS

In April 2013, the GASB approved Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The objective of this Statement is to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. The Government does not expect this Statement to have a significant effect on its financial statements.

In January 2013, the GASB approved Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement provides specific accounting and financial reporting guidance for combinations in the governmental environment. This Statement also improves the usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. The Government does not expect this Statement to have a significant effect on its financial statements.

In June 2012, the GASB approved Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits.

Cost-sharing governmental employers will also be required to report a net pension liability, pension expense and pension-related assets and liabilities based on their proportionate share of the collective amounts for all governments in the plan.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2013

All governments participating in the defined benefit pension plan would also have the following in their note disclosures:

- Descriptions of the plan and benefits provided
- Significant assumptions employed in the measurement of the net pension liability
- Descriptions of benefit changes and changes in assumptions
- Assumptions related to the discount rate and impact on the total pension liability of a 1 percentage point increase and decrease in the discount rate
- Net pension assets and liabilities

The provisions of this Statement are effective for fiscal years beginning after June 15, 2014. The Government is currently evaluating the effects of this statement on its financial statements.

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

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

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

The **Public Works Bond Projects** are for storm water and road improvement projects.

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 COMBINING BALANCE SHEET, Continued
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2013

		Capital Projects Funds								
		2007, 2008, & 2009 Bond Projects	2010 Bond Projects	2011 & 2012 Bond Projects	2013 Bond Projects	2014 Bond Projects	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total	Total Nonmajor Governmental Funds
ASSETS										
Current Cash		\$0	\$0	\$0	\$0	\$0	\$513,025	\$1,047,198	\$1,564,531	\$6,350,159
Current Investments							311,362	68,063	727,636	8,605,276
Receivables :										
Other								33,622	33,622	77,729
Inventories and Prepaid Expenses		8,354		5,959					14,313	22,376
Due from Other Funds		144,349	550,874	910,784		157,887			1,827,355	2,747,488
Restricted Investments		1,340,191	6,239,078	3,887,326	2,738,011	11,446,116			26,257,701	26,257,701
Total Assets		\$1,492,894	\$6,789,952	\$4,804,069	\$2,738,011	\$11,604,003	\$824,387	\$1,148,883	\$30,425,158	\$44,060,729
LIABILITIES AND FUND BALANCES										
Liabilities:										
Accounts and Contracts Payable		\$253,163	\$799,657	\$146,524	\$330,781	\$2,188,105	\$0	\$0	\$3,718,230	\$3,873,084
Accrued Payroll & Related Liabilities									0	5,797
Due to Other Governments					45,997		21,430	985,855	1,477,918	908,899
Due to Other Funds							21,430	985,855	1,477,918	2,897,855
Total Liabilities		253,163	799,657	146,524	376,778	2,188,105	21,430	985,855	5,196,148	7,685,635
Fund Balances:										
Nonspendable		8,354		5,959					14,313	22,376
Restricted for:										
Public Works									0	9,032,953
Public Safety									0	1,659,378
Capital Projects		1,231,377	5,990,295	4,651,586	2,361,233	9,415,898	802,957	163,028	25,214,697	25,214,697
Assigned									0	445,690
Total Fund Balances		1,239,731	5,990,295	4,657,545	2,361,233	9,415,898	802,957	163,028	25,229,010	36,375,094
Total Liabilities and Fund Balances		\$1,492,894	\$6,789,952	\$4,804,069	\$2,738,011	\$11,604,003	\$824,387	\$1,148,883	\$30,425,158	\$44,060,729

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Special Revenue Funds										Capital Projects Funds		
	County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Local Economic Assistance			Police Confiscated Funds	Police Confiscated State Funds	Public Safety Fund	Total	Lexington Cultural Center	2003 Bond Projects	Equipment Lease Notes
				Mineral Severance	Coal Severance	Other							
REVENUES													
Charges for Services	\$25,425	\$0	\$12,007	\$0	\$0	\$0	\$0	\$0	\$37,432	\$0	\$0	\$0	\$0
Intergovernmental	854,301	6,857,371		64,003	57,407	518,474	122,436	333,397	8,807,389				
Property Sales							6,895						
Other		75,681							75,681				
Income on Investments	19	839		6		138			1,002	43	626	469	469
Total Revenues	879,745	6,933,891	12,007	64,009	57,407	518,612	129,331	333,397	8,928,399	43	626	469	469
EXPENDITURES													
Current:													
Environmental Quality & Public Works		15,731							15,731				
Police						490,852	199,485		690,337				
Capital:													
Equipment							164,615	22,539	187,154				
Acquisitions and Construction	384,032	4,119,425		65,924	64,636	19,820	116,887	53,140	4,823,864		76,334		
Total Expenditures	384,032	4,135,156	0	65,924	64,636	510,672	480,987	75,679	5,717,086	0	76,334	0	0
Excess (Deficiency) of Revenues over (under) Expenditures	495,713	2,798,735	12,007	(1,915)	(7,229)	7,940	(351,656)	257,718	3,211,313	43	(75,708)	469	469
OTHER FINANCING SOURCES (USES)													
Transfers Out		(2,504,994)						(200,000)	(2,704,994)				
Total Other Financing Sources (Uses)	0	(2,504,994)	0	0	0	0	0	(200,000)	(2,704,994)	0	0	0	0
Net Change in Fund Balances	495,713	293,741	12,007	(1,915)	(7,229)	7,940	(351,656)	57,718	506,319	43	(75,708)	469	469
Fund Balances (Deficits), Beginning	2,155,855	5,405,553	157,343	447,605	519,970	863,098	1,106,127	847,312	11,502,863	41,387	309,215	322,917	322,917
Adjustment to Opening Fund Balance (Note 2.D.)						(863,098)							
Fund Balances, Beginning - Restated	2,155,855	5,405,553	157,343	447,605	519,970	0	1,106,127	847,312	10,639,765	41,387	309,215	322,917	322,917
Fund Balances (Deficits), Ending	\$2,651,568	\$5,699,294	\$169,350	\$445,690	\$512,741	\$7,940	\$754,471	\$905,030	\$11,146,084	\$41,430	\$233,507	\$323,386	\$323,386

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2013

	Capital Projects Funds							Total Nonmajor Governmental Funds
	2007, 2008, & 2009 Bond Projects	2010 Bond Projects	2011 & 2012 Bond Projects	2013 Bond Projects	2014 Bond Projects	Public Library Corporation	Parks, Open Space, Storm Water Exactions	
REVENUES								
Charges for Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$37,432
Intergovernmental								8,807,389
Exactions				532,410				532,410
Property Sales								6,895
Other				256,212				256,212
Income on Investments	4,664	14,863	9,560	4,522	4,167	563	721	40,198
Total Revenues	4,664	14,863	9,560	4,522	4,167	256,775	533,131	828,820
EXPENDITURES								
Current:								
Finance						1,360		1,360
Environmental Quality & Public Works								0
Public Safety			106,489					106,489
Police								0
Parks and Recreation				13,705				13,705
Debt Service:								
Principal						217,930		217,930
Interest						19,690		19,690
Other Debt Service					64,182			64,182
Capital:								
Equipment	959,906	744,084	1,310,517	436,530				3,451,037
Acquisitions and Construction	712,561	1,476,175	11,937	736,329	3,609,086			6,622,422
Total Expenditures	1,672,467	2,220,259	1,428,943	1,186,564	3,673,268	238,980	0	10,496,815
Excess (Deficiency) of Revenues over (under) Expenditures	(1,667,803)	(2,205,396)	(1,419,383)	(1,182,042)	(3,669,101)	17,795	533,131	(9,667,995)
OTHER FINANCING SOURCES (USES)								
Transfers Out								
Issuance of Debt	(16,116)	(375,000)						(391,116)
Premium on Bonds				3,455,000	11,275,000			14,730,000
Discount on Bonds				110,318	1,828,338			1,938,656
Issuance of Refunding Debt, par				(22,043)	(49,610)			(71,653)
Issuance of Refunding Debt, premium					6,005,000			6,005,000
Payment to Refunded Debt Escrow Agent					442,299			442,299
Total Other Financing Sources (Uses)	(16,116)	(375,000)	0	3,543,275	13,084,999	0	0	16,237,158
Net Change in Fund Balances	(1,683,919)	(2,580,396)	(1,419,383)	2,361,233	9,415,898	17,795	533,131	6,569,163
Fund Balances (Deficits), Beginning								
Adjustment to Opening Fund Balance (Note 2.D.)	2,923,650	8,570,691	6,076,928	0	0	785,162	(370,103)	18,659,847
Fund Balances, Beginning - Restated	2,923,650	8,570,691	6,076,928	0	0	785,162	(370,103)	18,659,847
Fund Balances (Deficits), Ending	\$1,239,731	\$5,990,295	\$4,657,545	\$2,361,233	\$9,415,898	\$802,957	\$163,028	\$25,229,010
								\$36,375,094

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending June 30, 2013

<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, 2012</u>	<u>Revenue Received</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2013</u>
US Department of Agriculture:						
Direct Programs:						
Child Care Food Program	10.558	034-L95-999	(\$3,793)	\$13,068	\$16,861	\$0
Child Care Food Program	10.558	11475		54,685	59,236	4,551
Purchase of Development Rights (PDR)	10.913	68-5C16-11-128	1,000,000	1,000,000		
Purchase of Development Rights (PDR)	10.913	68-5C16-11-128		144,767	1,017,107	872,340
Passed through Commonwealth of Kentucky:						
Emerald Ash Borer Treatment Site	10.664	PON2 128 1200003374			9,477	9,477
Total US Department of Agriculture			996,207	1,212,520	1,102,681	886,368
US Department of Housing and Urban Development:						
Direct Programs:						
Community Dev Block Grant	14.218	B10MC210004	316,560	597,366	280,806	
Community Dev Block Grant	14.218	B11MC210004		1,520,859	1,705,401	184,542
Emergency Shelter	14.231	E11MC210003	1,126	1,126		
Emergency Solutions	14.231	E11MC210003		27,944	26,778	(1,166)
Emergency Solutions	14.231	E12MC210003		2,231	20,218	17,987
HOME	14.239	M10MC210201	192,148	965,151	798,200	25,197
Housing Opp for Pers with AIDS (HOPWA)	14.241	KY-H08-0007	931	6,205	5,274	
Housing Opp for Pers with AIDS (HOPWA)	14.241	KY-H11-0012	35,923	410,368	401,029	26,584
Community Dev Block Grant-R - ARRA	14.253	B-08-MY-21-0004	37,113	226,942	189,829	
HPRP_R_2010 - ARRA	14.257	S-09-MY-21-0003	2,363	2,363		
Passed through Commonwealth of Kentucky:						
Neighborhood Stabilization Program-Land	14.228	09N-043	52,694	92,674	39,980	
Neighborhood Stabilization Program-REACH	14.228	09N-042	35,252	455,079	419,827	
Total US Department of Housing and Urban Development			674,110	4,308,308	3,887,342	253,144
US Department of Justice:						
Direct Programs:						
Police Confiscated Funds	16.000	NA	(863,097)	556,475	510,673	(908,899)
Safe Havens	16.527	2010-CW-AX-K013	44,869	104,742	91,495	31,622
Arrest Policy	16.590	2006-WE-AX-0053	63,861	63,861		
Arrest Policy	16.590	2011-WE-AX-0011	69,436	203,229	189,622	55,829
SCAAP	16.606	2011-AP-BX-0370	(18,404)		8,647	(9,757)
SCAAP	16.606	2012-AP-BX-0690		65,503		(65,503)
Bulletproof Vests	16.607	2010-BOBX-10051351	6,775	6,775		
Bulletproof Vests	16.607	2011-BOBX-11055448			295	295
Bulletproof Vests	16.607	2012-BOBX-12064748			345	345
Project Safe Neighborhoods	16.609	2009-GP-BX-0020	16,925	49,349	32,424	
Project Safe Neighborhoods	16.609	2010-GP-BX-0095	1,200	36,194	87,776	52,782
Project Safe Neighborhoods	16.609	2011-GP-BX-0027			1,840	1,840
Cops Hire	16.710	2011ULWX0015		284,024	408,910	124,886
Justice Assistance Grant	16.738	2009-DJ-BX-0469	8,923	9,958	1,035	
Justice Assistance Grant	16.738	2010-DJ-BX-1245	(275,872)		242,444	(33,428)
Justice Assistance Grant	16.738	2011-DJ-BX-3120	(207,346)		77,579	(129,767)
Justice Assistance Grant	16.738	2012-DJ-BX-0432			113,181	113,181
Justice Assistance Grant (JAG) Recovery - ARI	16.804	2009-SB-BP-1627	(199,712)		199,712	
Passed through Commonwealth of Kentucky:						
Juv Accountability Block Grant	16.523	JABG-2012-LFUCG-0008	4,501	10,546	6,045	
Juv Accountability Block Grant	16.523	JABG-2013-LFUCG St-00007		2,220	12,927	10,707
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2011-LFUCG-ST-00220	11,220	29,158	17,938	
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2012-LFUCG-ST-00296		4,986	11,441	6,455
Street Sales (Confiscated Funds)	16.738	2011-JAG-LFUCG STRE-00800		1,432	1,432	
Street Sales	16.738	2012-JAG-LFUCG STRE-00919		23,278	49,192	25,914
Street Sales (Confiscated Funds)	16.738	2012-JAG-LFUCG STRE-00919		23,813	23,813	
PALYEP	16.726	2010-JU-FX-0025	8,411	12,238	3,827	
PALYEP	16.726	2011-JU-FX-0015	2,579	11,949	11,197	1,827
Total US Department of Justice			(1,325,731)	1,499,730	2,103,790	(721,671)
US Department of Labor:						
Passed through Commonwealth of Kentucky:						
WIA	17.259	13-010Y		49,961	65,025	15,064
Total US Department of Labor				49,961	65,025	15,064

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending June 30, 2013

<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, 2012</u>	<u>Revenue Received</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2013</u>
US Department of Transportation:						
Direct Programs:						
Passed through Commonwealth of Kentucky:						
Air Quality Planning	20.205	1200000158	4,000	4,000		
Air Quality Planning	20.205	1300000048		42,635	53,350	10,715
Alexander Drive/Stone	20.205	P02-628-0800020946		1,866	128,260	126,394
Bicycle and Pedestrian Planning	20.205	1200000158	13,343	13,343		
Bicycle and Pedestrian Planning	20.205	1300000048		28,383	28,383	
Brighton East	20.205	1000001796		468	80,185	79,717
Citation Boulevard	20.205	C-05396856	1,262	(103,599)	(5,194)	99,667
Clays Mill Road	20.205	C-03328686	1,163,440	1,299,029	765,260	629,671
Congestion Management	20.205	1200000158	14,894	14,894		
Congestion Management	20.205	1300000048		51,384	53,986	2,602
Federal Highway Planning	20.205	1100004277	105,889	105,889		
Federal Highway Planning	20.205	1200004765		206,866	335,200	128,334
Fiber Optic Cable Installation	20.205	P02-628-0700013795	686		(686)	
Fiber Optic Cable Installation	20.205	P02-628-0900022383	107,217	307,620	200,403	
Gainesway Trail CMAQ Project	20.205	P02-628-0700013794		7,012	8,765	1,753
Grimes Mill Bridge	20.205	C-05354512		642	642	
Illuminated Street Signs	20.205	P02-628-0900022381		24,694	347,599	322,905
Intelligent Transpor. System (ITS)	20.205	1000002782	332,128	332,128		
Intelligent Transpor. System (ITS)	20.205	1200000760	6,759	276,976	341,035	70,818
Intelligent Transpor. System (ITS)	20.205	P02-625-1300000653			8,172	8,172
Legacy Trail Enhancements	20.205	P02-625-1200003879			79	79
Lexvan Program Project	20.205	P02-628-0900022384	105,600	105,600		
Lexington Traffic	20.205	P02-625-1200001306	79,981	325,426	245,445	
Liberty Road/Todds Road	20.205	C-00021586	(135,052)			(135,052)
Liberty Road/Todds Road	20.205	C-04073306	96,622	182,853	212,777	126,546
Loudon Avenue Project	20.205	C-02279716	65,062	65,000	(62)	
Loudon Avenue Sidewalk Project	20.205	P02-628-1100001626		13,597	20,018	6,421
Newtown Landscape	20.205	P02-628-1200005511	177,420	177,420		
Newtown Pike	20.205	C-00343167	30,166	33,338	40,222	37,050
Newtown Pike Supplement #1	20.205	C-00343167	283,074	329,139	59,173	13,108
Newtown Pike Supplement #2	20.205	C-00343167	164,652	663,774	1,700,698	1,201,576
Old Frankfort Pike Corridor	20.205	P02-628-1200001790		24,960	37,440	12,480
Rose Street Bike Lanes	20.205	C-01099430			3,200	3,200
Share The Road	20.205	P02-628-0900022380			22,012	22,012
South Elkhorn Bike	20.205	KYTC Item 7-229		540	540	
South Limestone Streetscape	20.205	P02-628-1100004324	16,976	48,193	31,217	
Southland	20.205	P02-628-1100001374	2,094	13,548	28,320	16,866
Tates Creek Sidewalks	20.205	P02-628-1300001250	90,882	94,337	3,455	
Town Branch	20.205	P02-628-1200004353	882	1,388	1,363	857
West Hickman	20.205	C-04482975	59,417	59,417		
Mobility Office	20.205	MA-1200000158	51,392	51,392		
Mobility Office	20.205	MA-1300000048		22,555	67,417	44,862
MCSAP	20.218	No Number	22,846	73,376	50,530	
MCSAP	20.218	No Number		10,207	31,178	20,971
Tact	20.218	No Number	12,403	28,159	15,756	
Tact	20.218	No Number		14,126	15,151	1,025
Cool Trail	20.219	1000003084			4,812	4,812
Fed Transit Admin Section 5303	20.505	KY-80-0003-03	9,474	9,474		
Fed Transit Admin Section 5303	20.505	KY-80-0003-04		39,845	48,400	8,555
Traffic SP	20.600	PT-12-30	6,105	10,022	3,917	
Traffic SP	20.600	PT-13-37		25,000	25,000	
Traffic Safety Supplement	20.602	K2-12-38	19,741	19,741		
Traffic Safety Supplement	20.602	K2-13-17			10,000	10,000
Traffic Safety	20.600	AL-12-22	19,008	34,469	15,461	
Traffic Safety	20.600	AL-13-16		79,808	107,358	27,550
Total US Department of Transportation			2,928,363	5,170,934	5,146,237	2,903,666
US Environmental Protection Agency						
Direct Programs:						
Passed through Commonwealth of Kentucky:						
Brownfield Assessment Project	66.818	BF-95461610-0	6,830	37,400	41,328	10,758
Wolf Run	66.460	C9994861-09	21,577	51,403	30,704	878
Total US Environmental Protection Agency			28,407	88,803	72,032	11,636

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending June 30, 2013

<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, 2012</u>	<u>Revenue Received</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2013</u>
US Department of Health and Human Services:						
Direct Programs:						
Runaway Youth	93.623	90CY236403	62,488	161,819	99,331	
Passed through Commonwealth of Kentucky:						
Senior Citizens	93.044	AS-2012-2013-2015		98,397	109,899	11,502
New Chance-Cab For Families	93.558	PON2 736 1000001890	27,218	27,218		
New Chance-Cab For Families	93.558	PON2 736 1200001514		275,477	285,532	10,055
Home Network	93.597	2010-2011-PUBLIC-R	(46,577)		46,577	
Home Network	93.597	2011-2012-PUBLIC-R	(383,610)	63,110	273,768	(172,952)
Home Network	93.597	2012-1013-PUBLIC-R		378,350		(378,350)
Total US Department of Health and Human Services			<u>(340,481)</u>	<u>1,004,371</u>	<u>815,107</u>	<u>(529,745)</u>
US Department of Homeland Security Office of Domestic Preparedness:						
Passed through Commonwealth of Kentucky:						
Hazard Mitigation Grant Prog.(HMGP_Fire)	97.039	PON209511000015692		97,125	97,125	
Hazard Mitigation Grant Prog.(HMGP_Plan)	97.039	PON209511000015692	54,374	77,953	28,876	5,297
Hazard Mitigation Grant Prog.(HMGP_South)	97.039	PON209511000014261	128,592	168,560	39,968	
Chemical Stockpile Emergency (CSEPP)	97.040	PON20951000009494	145,299	176,876	51,530	19,953
Chemical Stockpile Emergency (CSEPP)	97.040	PON209511000014052	214,593	204,018	157,362	167,937
Chemical Stockpile Emergency (CSEPP)	97.040	PON20951200005372	612	35,524	258,054	223,142
Chemical Stockpile Emergency (CSEPP)	97.040	PO209513000036521			28,783	28,783
Emergency Management Assistance	97.042	PON209511000003831	62,614	99,840	37,226	
Emergency Management Assistance	97.042	PON209513000006711			79,646	79,646
Bomb Squad	97.067	PO209412000030072		156,295	156,295	
State Homeland Police	97.067	P02 094 1200003009 2	38,800	50,285	11,485	
State Homeland Training	97.067	PO2 094 1200003012 2		23,800	23,800	
Metro Medical Response System (MMRS)	97.067	PO2 094 1100002296 5	564	77,502	114,448	37,510
Metro Medical Response System (MMRS)	97.067	P02 094 1200003498 4	11,636	123,021	138,493	27,108
Staffing for Adequate Fire & Emerg Response	97.083	EMW-2011-FH-00445			175,476	175,476
Total US Dept. of Homeland Security Office of Domestic Preparedness			<u>657,084</u>	<u>1,290,799</u>	<u>1,398,567</u>	<u>764,852</u>
US Department of Energy						
Direct Programs:						
Energy Efficiency & Conservation Bl.Grt (EEBCG_R) - ARRA	81.128	DE-EE0000728	110,647	531,996	421,349	
Total US Department of Energy			<u>110,647</u>	<u>531,996</u>	<u>421,349</u>	<u>0</u>
Total Federal Financial Assistance			<u>\$3,728,606</u>	<u>\$15,157,422</u>	<u>\$15,012,130</u>	<u>\$3,583,314</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, 2013

Grantor/Program Title	Grantor's Number	Grantor	Accrued or (Deferred) Revenue at July 1, 2012	Revenue Received	Expenditures	Accrued or (Deferred) Revenue at June 30, 2013
ADF Dunbar	N/A	Bluegrass Area Development District	\$8,798	\$9,752	\$954	\$0
Bluesky	SX21067007	Kentucky Infrastructure Authority	15,285	60,674	133,928	88,539
Day Treatment	PON252311000025341	Kentucky Dept. of Juvenile Justice	20,154	20,154		
Day Treatment	PON252312000035321	Kentucky Dept. of Juvenile Justice	(98,000)	199,522	217,659	18,137
Economic Development-Belcan Engineer.	N/A	Kentucky Cabinet Economic Development		136,000		(234,000)
Economic Development-Bingham McCutch	N/A	Kentucky Cabinet Economic Development			450,000	450,000
Emergency Medical Services	N/A	Kentucky Bd. Emergency Medical Services	516,638	10,169	10,169	
Expansion	SX21067006	Kentucky Infrastructure Authority	6,618	1,331,372	1,125,671	310,937
Federal Highway Planning	1100004277	Kentucky Transportation Cabinet		6,618		
Federal Highway Planning	1200004765	Kentucky Transportation Cabinet		12,929		
Fire Training Incentive	155	Kentucky Commission on Fire Protection		1,880,590	20,950	8,021
Green Acres	SX21067103	Kentucky Infrastructure Authority	9,655	368,994	369,047	9,708
Hazard Mitigation Grant (HMGP_Fire)	PON209511000015692	Kentucky Emergency Management Agency		15,540	15,540	
Hazard Mitigation Grant (HMGP_Plan)	PON209511000015692	Kentucky Emergency Management Agen	8,700	12,472	4,620	848
Hazard Mitigation Grant (HMGP_South)	PON209511000014261	Kentucky Emergency Management Agen	20,575	26,970	6,395	
Home Network	2011-2012-PUBLIC-R	Lexington Fayette County Health Dept	(64,370)	9,940	74,310	(59,180)
Home Network	2012-1013-PUBLIC-R	Lexington Fayette County Health Dept		59,180		2,250
Isaac Murphy Memorial Garden	PO2-625-1000004542	Kentucky Transportation Cabinet	7,181	12,099	7,168	
Kentucky Pride	N/A	Kentucky Dept. Natural Resources	(58,422)	(9,945)	48,477	(29,315)
Kentucky Pride	N/A	Kentucky Dept. Natural Resources		145,327	116,012	
KY Household Hazardous Waste	N/A	Kentucky Energy & Environmental Cabin	(63,258)	(63,258)		
KY Recycle	N/A	Kentucky Energy & Environmental Cabin	(1,148)	(1,148)		
KY Recycle	N/A	Kentucky Energy & Environmental Cabin	(688)	(688)		
KY Recycle	N/A	Kentucky Energy & Environmental Cabin		112,000		(112,000)
Law Enforcement Protection Program	PO2 094 1300002728 1	Governor's Office for Homeland Security	21,695	21,695	15,875	15,875
Law Enforcement Service Fee	LSF-2011-LFUCG-Stre-00166	Kentucky Justice Cabinet			70,007	70,007
Law Enforcement Service Fee	LSF-2012-LFUCG-Stre-00201	Kentucky Justice Cabinet			375,000	375,000
Lexington Downtown Redevelopment Proj	PON2 112 1300001077 1	Kentucky Dept. Local Government	(33,365)			(33,365)
Liberty Road/Todds Road	C-0021586	Kentucky Transportation Cabinet	24,158	45,713	53,194	31,639
Liberty Road/Todds Road	C-04073306	Kentucky Transportation Cabinet	7,541	8,334	10,055	9,262
Newtown Pike Extension	C00343167	Kentucky Transportation Cabinet	148,955	148,955		
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation		1,753,220	1,917,966	164,746
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation	(25,000)		25,000	
Purchase of Development Rights (PDR)	A2012-0023	Kentucky Dept. Agriculture	9,000	7,200		1,800
SANE3 (Sexual Assault Treatment Project)	VAWA-2010-LFUCG-ST-00132	Kentucky Justice Cabinet	7,400	4,000	7,400	10,800
SANE3 (Sexual Assault Treatment Project)	VAWA-2011-LFUCG-ST-00220	Kentucky Justice Cabinet			5,000	5,000
SANE3 (Sexual Assault Treatment Project)	VAWA-2012-LFUCG-ST-00296	Kentucky Justice Cabinet				
State Homeland CMRS	PO2 094 1100002341 1	Governor's Office for Homeland Security	867	867		2,600
Tates Creek Rd/Lansdowne Dr Traffic Sig	N/A	Kentucky Transportation Cabinet		2,909	2,909	
Unsewered Areas 2	SX21067001 & SX21067008	Kentucky Infrastructure Authority		3,000	3,000	
Waste Tire	N/A	Kentucky Energy & Environment Cabinet				
Total State Financial Assistance			\$-488,969	\$6,351,156	\$6,969,496	\$1,107,309

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

NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2013

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	LexVan Program	Small Business Development	Public Parking Corporation	Total
ASSETS								
Current Assets:								
Cash	\$476,279	\$15,576	\$274,913	\$2,112,576	\$0	\$132,085	\$1,015,287	\$4,026,716
Investments				1,400,905		35,392		1,436,297
Receivables:								
Other Receivables		514				35,867		36,381
Less Allowance for Uncollectible Accounts						(35,867)		(35,867)
Due from Other Funds	423,998	294,846	250,657			1,354	580,744	1,551,599
Inventories and Prepaid Expenses		7,947		1,581				9,528
Total Current Assets	900,277	318,883	525,570	3,515,062	0	168,831	1,596,031	7,024,654
Non-Current Assets:								
Land							400,000	400,000
Land Improvements		10,000					3,197,206	3,207,206
Buildings							55,350	55,350
Vehicles, Equipment, and Furniture	56,652	94,334	188,902	1,623,320			115,102	2,078,310
Intangibles			152,726	1,382,183				1,534,909
Less Accumulated Depreciation	(44,422)	(94,921)	(339,828)	(2,951,353)			(1,555,345)	(4,985,869)
Construction in Progress				396,083				396,083
Total Non-Current Assets	12,230	9,413	1,800	450,233	0	0	2,212,313	2,685,989
Total Assets	\$912,507	\$328,296	\$527,370	\$3,965,295	\$0	\$168,831	\$3,808,344	\$9,710,643
LIABILITIES								
Current Liabilities:								
Accounts, Contracts and Retainage Payable	\$3,139	\$11,632	\$307,006	\$24,818	\$0	\$0	\$0	\$346,595
Accrued Payroll	6,755	77,340		43,746				127,841
Due to Other Funds				990				990
Compensated Absences	6,033	1,270		24,256				31,559
Unearned Revenue and Other			723					723
Total Current Liabilities	15,927	90,242	307,729	93,810	0	0	0	507,708
Non-Current Liabilities:								
Compensated Absences	6,033	41,057		24,256				71,346
Total Non-Current Liabilities	6,033	41,057	0	24,256	0	0	0	71,346
Total Liabilities	\$21,960	\$131,299	\$307,729	\$118,066	\$0	\$0	\$0	\$579,054
NET POSITION								
Invested in Capital Assets, Net of Related Debt	\$12,230	\$9,413	\$1,800	\$450,234	\$0	\$0	\$2,212,314	\$2,685,991
Unrestricted (Deficits)	878,317	187,584	217,841	3,396,995		168,831	1,596,030	6,445,598
Total Net Position	\$890,547	\$196,997	\$219,641	\$3,847,229	\$0	\$168,831	\$3,808,344	\$9,131,589

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2013

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	LexVan Program	Small Business Development	Public Parking Corporation	Total
Operating Revenues								
User Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fees		2,378,719		3,517,634	25,738			5,922,091
License Fees and Permits	392,466							392,466
Rental Income							1,278	1,278
Parking Revenues							3,282	3,282
Gross Profit - Commissary			1,051,233					1,051,233
Other		1,032	568,393					569,425
Total Operating Revenues	<u>392,466</u>	<u>2,379,751</u>	<u>1,619,626</u>	<u>3,517,634</u>	<u>25,738</u>	<u>0</u>	<u>4,560</u>	<u>7,939,775</u>
Operating Expenses								
Right of Way	277,112							277,112
Extended School Program		1,985,809						1,985,809
Prisoners' Account			427,948					427,948
Inmate Trust Account			962,928					962,928
Enhanced 911				2,920,070				2,920,070
LexVan Program					10,668			10,668
Administration		201,921					3,618	205,539
Depreciation	7,358	10,825	2,667	10,309			81,248	112,407
Total Operating Expenses	<u>284,470</u>	<u>2,198,555</u>	<u>1,393,543</u>	<u>2,930,379</u>	<u>10,668</u>	<u>0</u>	<u>84,866</u>	<u>6,902,481</u>
Operating Income (Loss)	107,996	181,196	226,083	587,255	15,070	0	(80,306)	1,037,294
Non-Operating Revenues (Expenses)								
Income on Investments				142		878		1,020
Total Non-Operating Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>142</u>	<u>0</u>	<u>878</u>	<u>0</u>	<u>1,020</u>
Income (Loss) Before Contributions and Transfers	107,996	181,196	226,083	587,397	15,070	878	(80,306)	1,038,314
Transfer of assets to Component Units					(239,051)		(12,439,355)	(12,678,406)
Change in Net Position	<u>107,996</u>	<u>181,196</u>	<u>226,083</u>	<u>587,397</u>	<u>(223,981)</u>	<u>878</u>	<u>(12,519,661)</u>	<u>(11,640,092)</u>
Net Position, Beginning	782,551	15,801	(6,442)	3,259,832	223,981	167,953	16,328,005	20,771,681
Net Position, Ending	<u>\$890,547</u>	<u>\$196,997</u>	<u>\$219,641</u>	<u>\$3,847,229</u>	<u>\$0</u>	<u>\$168,831</u>	<u>\$3,808,344</u>	<u>\$9,131,589</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2013

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	LexVan Program	Small Business Development	Public Parking Corporation	Total
Cash Flows from Operating Activities:								
Receipts from Customers	\$392,466	\$2,213,924	\$1,649,971	\$3,861,911	\$26,002	\$0	\$1,646	\$8,145,920
Payments to Suppliers	(122,258)	(368,537)	(1,676,372)	211,709	52,491	(300)	(1,646)	(1,904,913)
Payments to Employees	(270,208)	(1,656,545)		(1,742,917)				(3,669,670)
Payments for Interfund Services Used		(201,921)		(5,820)	(10,668)			(218,409)
Net Cash Provided by (Used in) Operating Activities	0	(13,079)	(26,401)	2,324,883	67,825	(300)	0	2,352,928
Cash Flows from Noncapital Financing Activities:								
Transfers Out					(239,051)			(239,051)
Net Cash Flows Provided by (Used in) Noncapital Financing Activities	0	0	0	0	(239,051)	0	0	(239,051)
Cash Flows from Capital and Related Financing Activities:								
Purchases of Capital Assets				(396,083)				(396,083)
Net Cash Flows from Capital and Related Financing Activities	0	0	0	(396,083)	0	0	0	(396,083)
Cash Flows Provided by Investing Activities:								
Purchases of Investments				(142)		(447)		(589)
Income on Investments				142		878		1,020
Net Cash Flows Provided by (Used in) Investing Activities	0	0	0	0	0	431	0	431
Net Increase (Decrease)	0	(13,079)	(26,401)	1,928,800	(171,226)	131	0	1,718,225
Cash at Beginning of Year	476,279	28,655	301,314	183,776	171,226	131,954	1,015,287	2,308,491
Cash at End of Year	476,279	15,576	274,913	2,112,576	0	132,085	1,015,287	4,026,716
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:								
Operating Income (Loss)	107,996	181,196	226,083	587,255	15,070	0	(80,306)	1,037,294
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:								
Depreciation	7,358	10,825	2,667	10,309			81,248	112,407
(Increase) Decrease in Assets:								
Other Receivables		(165,827)	30,345	344,277	264		1,657	210,716
Inventories and Prepaid Expenses		(7,947)		34,419				26,472
Due from Other Funds	(118,416)		(250,657)	1,434,197	52,491	(300)	163,236	1,280,551
Increase (Decrease) in Liabilities:								
Accounts Payable	1,816	(15,340)	9,971	(75,779)			(161,264)	(240,596)
Accrued Payroll	(272)	(17,638)	(45,553)	(13,819)				(31,729)
Due to Other Funds			723	990			(4,571)	(44,543)
Unearned Revenues & Other								(3,848)
Compensated Absences	1,518	1,652		3,034				6,204
Total Adjustments	(107,996)	(194,275)	(252,484)	1,737,628	52,755	(300)	80,306	1,315,634
Net Cash Provided by (Used In) Operating Activities	\$0	(\$13,079)	(\$26,401)	\$2,324,883	\$67,825	(\$300)	\$0	\$2,352,928



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INTERNAL SERVICE FUNDS

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

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

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 June 30, 2013**

	Health Dental and Vision Care	Insurance and Risk Management	Total
ASSETS			
Current Assets:			
Cash	\$615,000	\$24,253,187	\$24,868,187
Due from Other Funds	299,149	5,099,144	5,398,293
Receivables	126,350	212,186	338,536
Inventories and Prepaid Expenses	368,813		368,813
Total Current Assets	\$1,409,312	\$29,564,517	\$30,973,829
 LIABILITIES			
Current Liabilities:			
Accounts Payable	\$151,312	\$85,145	\$236,457
Claims Payable:			
Reported		14,730,195	14,730,195
Incurred But Not Reported	1,258,000	13,776,002	15,034,002
Total Liabilities	\$1,409,312	\$28,591,342	\$30,000,654
 NET POSITION			
Unrestricted	\$0	\$973,175	\$973,175

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES, & CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2013

	<u>Health, Dental and Vision Care Insurance</u>				<u>Insurance and Risk Management</u>	<u>Total</u>
	<u>Health</u>	<u>Dental</u>	<u>Vision Care</u>	<u>Total</u>		
Operating Revenues						
Premiums	\$26,077,752	\$1,899,081	\$120,509	\$28,097,342	\$9,017,740	\$37,115,082
Total Operating Revenues	<u>26,077,752</u>	<u>1,899,081</u>	<u>120,509</u>	<u>28,097,342</u>	<u>9,017,740</u>	<u>37,115,082</u>
Operating Expenses						
Claims and Benefit Payments	23,984,885	1,914,311	123,177	26,022,373	9,017,740	35,040,113
Operating Supplies and Expense	2,074,969			2,074,969		2,074,969
Total Operating Expenses	<u>26,059,854</u>	<u>1,914,311</u>	<u>123,177</u>	<u>28,097,342</u>	<u>9,017,740</u>	<u>37,115,082</u>
Operating Income (Loss)	17,898	(15,230)	(2,668)	0	0	0
Change in Net Position	<u>17,898</u>	<u>(15,230)</u>	<u>(2,668)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Position, Beginning	<u>412,303</u>	<u>(422,538)</u>	<u>10,235</u>	<u>0</u>	<u>973,175</u>	<u>973,175</u>
Net Position, Ending	<u>\$430,201</u>	<u>(\$437,768)</u>	<u>\$7,567</u>	<u>\$0</u>	<u>\$973,175</u>	<u>\$973,175</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2013

	Health Dental and Vision Care	Insurance and Risk Management	Total
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Receipts from Employees and Other Sources	\$28,097,342	\$0	\$28,097,342
Receipts from Interfund Services Provided	854,759	23,988,844	24,843,603
Refunds from/(Payments) to Suppliers	(2,257,628)	47,144	(2,210,484)
Payments for Claims	(26,188,473)	(2,535,988)	(28,724,461)
Net Cash Used in Operating Activities	506,000	21,500,000	22,006,000
Net Increase (Decrease) in Cash and Cash Equivalents	506,000	21,500,000	22,006,000
Cash at Beginning of Year	109,000	2,753,187	2,862,187
Cash at End of Year	\$615,000	\$24,253,187	\$24,868,187
Reconciliation of Operating Income to Net Cash Used In Operating Activities:			
Operating Income	\$0	\$0	\$0
Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities:			
(Increase) Decrease in Assets:			
Due from Other Funds	978,594	15,011,556	15,990,150
Other Receivables	(123,835)	(40,452)	(164,287)
Inventories and Prepaid Expenses	(122,132)		(122,132)
Increase (Decrease) in Liabilities:			
Accounts Payable	(60,527)	47,144	(13,383)
Claims Payable	(166,100)	6,481,752	6,315,652
Total Adjustments	506,000	21,500,000	22,006,000
Net Cash Provided by Operating Activities	\$506,000	\$21,500,000	\$22,006,000

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.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF NET POSITION
AGENCY FUNDS
For the Year Ended June 30, 2013

	Balance July 1, 2012	Balance June 30, 2013
NEIGHBORHOOD SEWER PROJECTS FUND		
Cash and Short-Term Investments	\$714	\$714
Payable to Property Owners	\$714	\$714
JUVENILE AND ADULT PROBATION FUND		
Cash	\$328,582	\$327,627
Accounts Payable	\$328,582	\$327,627
DOMESTIC RELATIONS FUND		
Cash	\$314,032	\$313,982
Accounts Payable	\$314,032	\$313,982
REPRESENTATIVE PAYEE PROGRAM		
Cash	\$6,090	\$18,552
Accounts Payable	\$6,090	\$18,552
TOTALS - AGENCY FUNDS		
Cash and Short-Term Investments	\$649,418	\$660,875
Liabilities	\$649,418	\$660,875

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2013

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30,2013</u>
NEIGHBORHOOD SEWER PROJECTS FUND				
Cash and Short-Term Investments	\$714	\$0	\$0	\$714
Payable to Property Owners	\$714	\$0	\$0	\$714
JUVENILE AND ADULT PROBATION FUND				
Cash	\$328,583	\$25,496	\$26,452	\$327,627
Accounts Payable	\$328,583	\$25,434	\$26,390	\$327,627
Due to Other Funds		2,265	2,265	0
Total Liabilities	\$328,583	\$27,699	\$28,655	\$327,627
DOMESTIC RELATIONS FUND				
Cash	\$314,032	\$52	\$102	\$313,982
Accounts Payable	\$314,032	\$52	\$102	\$313,982
REPRESENTATIVE PAYEE PROGRAM				
Cash	\$6,090	\$174,872	\$162,410	\$18,552
Accounts Payable	\$6,090	\$174,872	\$162,410	\$18,552
TOTALS - AGENCY FUNDS				
Cash and Short-Term Investments	\$649,419	\$200,420	\$188,964	\$660,875
Liabilities	\$649,419	\$202,623	\$191,167	\$660,875



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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 **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 POSITION
NONMAJOR COMPONENT UNITS
June 30, 2013**

	Lexington Transit Authority**	Lexington Public Library	Lexington Convention and Visitors Bureau**
ASSETS			
Cash	\$14,093,662	\$4,019,483	\$716,270
Investments		6,281,820	
Receivables:			
Accounts Receivable	137,271	28,797	100,782
Other	103,343		
Due from Primary Government			1,008,168
Due from Other Governments	1,313,722		
Inventories and Prepaid Expenses	728,289	7,824	77,334
Restricted Current Assets:			
Cash			1,118,115
Investments			510,090
Pension Assets	768,005		
Restricted Non-Current Investments			
Capital Assets:			
Non-depreciable	3,650,287	4,017,023	18,502
Depreciable (Net)	18,081,195	16,940,857	258,646
Other Assets		85,040	
Total Assets	\$38,875,774	\$31,380,844	\$3,807,907
LIABILITIES			
Accounts, Contracts Payable and Accrued Liabilities	\$1,153,369	\$1,050,536	\$79,348
Interest Payable		21,712	
Due to Primary Government			
Due to Component Units			82,000
Unearned Revenue and Other		501	3,205
Non-Current Liabilities:			
Due Within One Year:			
Compensated Absences	165,202	311,312	69,912
Bonds and Notes Payable		356,199	
Due in More Than One Year:			
Compensated Absences	306,805		
Bonds and Notes Payable		7,921,733	
Total Liabilities	\$1,625,376	\$9,661,993	\$234,465
NET POSITION			
Investment in Capital Assets, Net of Related Debt	\$21,731,482	\$12,679,948	\$277,148
Restricted for:			
Pension	768,005		
Governmental and Program Funds		184,813	
Unrestricted	14,750,911	8,854,090	3,296,294
Total Net Position	\$37,250,398	\$21,718,851	\$3,573,442

** Certain categories have been reclassified to conform to the Government-Wide Financial Statement presentation

Downtown Development Authority	Total Nonmajor Component Units
\$238,233	\$19,067,648
	6,281,820
	266,850
	103,343
	1,008,168
	1,313,722
357	813,804
	1,118,115
	510,090
	768,005
	7,685,812
	35,280,698
	85,040
<u>\$238,590</u>	<u>\$74,303,115</u>

\$112,451	\$2,395,704
	21,712
73,729	73,729
	82,000
	3,706
4,468	550,894
	356,199
981	307,786
	7,921,733
<u>\$191,629</u>	<u>\$11,713,463</u>

\$0	\$34,688,578
	768,005
	184,813
46,961	26,948,256
<u>\$46,961</u>	<u>\$62,589,652</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF ACTIVITIES
NONMAJOR COMPONENT UNITS
For the Year Ended June 30, 2013

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Lexington Transit Authority				
Transit Operations	\$22,470,767	\$2,974,283	\$4,486,417	\$2,136,043
Depreciation	2,842,402			
Total Lexington Transit Authority	25,313,169	2,974,283	4,486,417	2,136,043
Lexington Public Library				
Library Operations	12,610,514	885,442	277,441	105,000
Depreciation	1,235,336			
Interest on Long-Term Debt	382,599			
Total Lexington Public Library	14,228,449	885,442	277,441	105,000
Lexington Convention and Visitors Bureau				
Convention and Tourism Operations	5,443,106	55,941	478,692	
Depreciation	60,916			
Total Lexington Convention and Visitors Bureau	5,504,022	55,941	478,692	0
Downtown Development Authority				
Downtown Design Center	470,052			
Total Downtown Development Authority	470,052	0	0	0
Total nonmajor component units	\$45,515,692	\$3,915,666	\$5,242,550	\$2,241,043
General Revenues:				
Taxes				
Payment from/to Lexington-Fayette Urban County Government				
Income on Investments				
Gain on Sale of Capital Assets				
Miscellaneous				
Total General Revenues				
Transfer of assets from Lexington-Fayette Urban County Government				
Change in Net Position				
Net Position, Beginning				
Adjustment to Opening Net Position (Note 2.D.)				
Net Position, Beginning - Restated				
Net Position, Ending				

** Certain categories have been reclassified to conform to the Government-Wide Financial Statement presentation

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

Lexington Transit Authority**	Lexington Public Library	Lexington Convention and Visitors Bureau**	Downtown Development Authority	Total Nonmajor Component Units
(\$12,874,024)				(\$12,874,024)
(2,842,402)				(2,842,402)
				<u>(15,716,426)</u>
	(\$11,342,631)			(11,342,631)
	(1,235,336)			(1,235,336)
	(382,599)			(382,599)
				<u>(12,960,566)</u>
		(\$4,908,473)		(4,908,473)
		(60,916)		(60,916)
				<u>(4,969,389)</u>
			(\$470,052)	(470,052)
				<u>(470,052)</u>
<u>(\$15,716,426)</u>	<u>(\$12,960,566)</u>	<u>(\$4,969,389)</u>	<u>(\$470,052)</u>	<u>(\$34,116,433)</u>
\$15,856,029	\$13,746,809	\$5,632,124	\$0	\$35,234,962
			261,230	261,230
	87,255	4,268	32	91,555
10,839		(813)		10,026
	6,699	18,370	228,773	253,842
<u>15,866,868</u>	<u>13,840,763</u>	<u>5,653,949</u>	<u>490,035</u>	<u>35,851,615</u>
382,509				382,509
532,951	880,197	684,560	19,983	2,117,691
36,717,447	21,008,004	2,888,882	26,978	60,641,311
	(169,350)			(169,350)
<u>36,717,447</u>	<u>20,838,654</u>	<u>2,888,882</u>	<u>26,978</u>	<u>60,471,961</u>
<u>\$37,250,398</u>	<u>\$21,718,851</u>	<u>\$3,573,442</u>	<u>\$46,961</u>	<u>\$62,589,652</u>



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STATISTICAL SECTION

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

Financial Trends: Tables 1 – 6

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

Revenue Capacity: Tables 7 – 12

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

Debt Capacity: Tables 13 – 17

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

Demographic & Economic Indicators: Tables 18 – 21

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

Operating Information: Tables 22 – 24

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

TABLE 1

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NET POSITION
LAST TEN FISCAL YEARS

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Investment in Capital Assets, net of related debt	\$108,187,766	\$128,533,898	\$964,032,556	\$965,683,982	\$963,823,728	\$934,789,342	\$920,938,945	\$921,236,876	\$899,350,344	\$877,691,469
Restricted	1,253,571	1,316,495	10,509,131	19,918,500	2,241,711	6,255,432	(31,494,181)	32,640,718	20,289,131	26,895,407
Unrestricted (Deficit)	15,892,881	29,526,571	50,390,084	30,807,379	5,930,420	(6,454,734)	(110,023,238)	(110,023,238)	(98,714,274)	(94,638,121)
Total governmental activities net position	123,334,218	159,376,964	1,024,931,771	1,016,409,861	971,995,859	934,590,040	889,444,764	843,854,356	820,925,201	809,948,755
Business-type Activities										
Investment in Capital Assets, net of related debt	245,267,827	243,680,021	245,818,433	244,593,588	239,407,215	254,269,159	239,666,463	209,276,568	217,434,369	217,313,258
Restricted	31,575,194	33,688,305	34,565,941	39,914,276	24,129,422	24,680,839	35,249,098	50,637,360	57,712,759	66,194,803
Unrestricted (Deficit)	(204,318)	5,634,802	11,084,804	14,020,822	24,615,573	7,399,034	14,702,006	33,023,663	29,435,424	27,429,362
Total business-type activities net position	276,638,703	283,003,128	291,469,178	298,528,686	288,152,210	286,349,032	289,617,567	292,937,591	304,582,552	310,937,423
Primary Government										
Investment in Capital Assets, net of related debt	353,455,593	372,213,919	1,209,850,989	1,210,277,570	1,203,230,943	1,189,058,501	1,160,605,408	1,130,513,444	1,116,784,713	1,095,004,727
Restricted	32,828,765	35,004,800	45,075,072	59,832,776	26,371,133	30,936,271	3,754,917	83,278,078	78,001,890	93,090,210
Unrestricted (Deficit)	15,688,563	35,161,373	61,474,888	44,828,201	30,545,993	944,300	14,702,006	(76,999,575)	(69,278,850)	(67,208,759)
Total primary government net position	\$401,972,921	\$442,380,092	\$1,316,400,949	\$1,314,938,547	\$1,260,148,069	\$1,220,939,072	\$1,179,062,331	\$1,136,791,947	\$1,125,507,753	\$1,120,886,178

2006 was the first year LFUCG reported all capital assets, including infrastructure, pursuant to GASB 34.

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

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental Activities:										
General Government	\$21,293,008	\$22,840,721	\$21,977,521	\$23,927,771	\$30,660,951	\$22,706,306	\$22,726,537	\$24,197,239	\$22,985,046	\$23,692,990
Administrative Services	18,938,746	23,522,220	27,674,322	34,445,260	3,832,659	3,315,306	1,299,382	1,386,040	21,143,480	11,761,053
Health, Dental and Vision Insurance	10,592,090	14,011,082	14,740,182	13,301,058	14,564,306	25,824,211	26,711,492	34,755,417	26,211,457	25,006,634
Chief Information Officer					11,216,315	14,522,324	9,161,677	9,713,226	470,018	620,665
Chief Development Officer					6,629,421	10,464,204	13,378,819	24,047,223	19,357,661	14,744,087
Finance	6,876,648	6,670,050	6,629,421	10,464,204	12,376,624	13,378,819	24,047,223	28,515,655	19,357,661	14,744,087
Public Works	33,960,939	35,320,695	93,199,722	68,896,198	71,695,702	62,907,588	61,841,096	63,671,436	80,559,723	83,878,537
Environmental Quality & Public Works										
Planning, Preservation, & Development*	7,232,363	9,001,079	8,563,244	11,937,598	26,717,271	13,145,251	11,259,687	11,162,765	13,042,036	14,666,437
Police	42,794,170	47,320,638	56,588,057	56,980,657	63,533,856	69,507,685	70,694,372	71,714,415	68,164,371	69,945,322
Fire and Emergency Services	36,841,543	39,390,542	47,469,043	53,242,082	58,497,360	66,077,180	63,116,000	67,106,441	66,413,015	62,781,239
Community Corrections	24,478,660	27,326,172	28,539,978	29,028,326	30,686,297	30,670,339	30,894,261	31,104,781	31,286,365	32,631,937
Building Inspection										
Environmental Quality	9,070,442	10,579,394	13,379,478	15,493,804	23,947,831	24,729,110	21,516,034	23,500,067	9,780,945	10,194,745
Social Services	16,242,299	16,998,086	18,493,537	10,855,412	16,392,173	14,719,158	11,836,703	10,672,881	10,041,709	10,898,533
General Services	13,380,136	14,840,330	16,739,980	19,428,046	21,961,714	19,955,406	18,320,506	19,064,298	19,386,251	19,653,677
Parks and Recreation	1,682,220	2,041,719	1,946,786	2,115,341	12,593,109	10,803,413	9,301,249	10,227,268	3,497,483	4,006,240
Law and Risk Management	27,778,643	26,737,6	178,667							
Outside Agencies										
Special Projects	5,739,105	6,236,280	6,291,512	6,378,169	5,727,995	6,357,236	10,692,416	13,131,617	12,835,920	13,116,205
Interest on Long-Term Debt	6,444,538	1,261,204	1,040,970	1,056,289	1,056,179					
Debt Service - Other	283,245,850	277,628,208	363,252,420	357,550,215	416,991,666	412,564,167	408,047,873	434,166,244	405,175,480	401,365,296
Total governmental activities	22,347,738	23,554,596	24,553,305	26,703,501	36,565,069	35,438,026	41,453,360	42,472,580	40,124,346	39,014,016
Business-type Activities:										
Sanitary Sewer System	13,500,561	12,121,284	12,175,005	10,444,504	11,359,294	10,971,103	10,806,267	10,741,225	10,333,320	9,419,886
Public Facilities	941,821	891,857	909,544	511,198	463,177	1,012,399	927,900	906,926	847,894	84,866
Public Parking	5,423,413	4,233,412	1,391,578	1,651,318	7,250,365	6,209,619	6,641,801	6,581,625	5,271,593	4,099,770
Landfill	261,404	266,933	292,284	307,012	333,723	399,598	313,383	312,770	298,896	284,470
Right of Way	1,587,203	1,452,385	1,578,873	1,967,573	2,081,422	2,333,357	2,456,874	2,207,310	2,359,148	2,198,555
Extended School Program	1,500,709	1,472,693	1,563,204	1,273,913	1,724,224	1,628,156	1,421,523	1,287,139	1,373,473	1,593,543
Prisoners Account System	2,300,114	2,112,518	2,107,592	3,057,919	3,870,267	3,314,149	3,634,032	3,083,806	2,973,088	2,930,379
Enhanced 911	17,545	40,296	35,122	62,228	54,347	63,502	57,644	84,242	29,307	10,668
LexVan Program	108,343	3,562	8,838							
Small Business Development										
Water Quality	47,648,941	46,149,536	44,415,345	45,979,165	63,701,888	1,841,975	4,528,403	6,280,081	9,182,669	8,308,501
Total business-type activities	\$330,894,791	\$323,777,344	\$407,667,765	\$403,529,380	\$480,693,554	\$475,676,051	\$480,289,060	\$508,123,948	\$477,949,214	\$469,110,250
Total primary government										

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Program Revenues										
Governmental Activities:										
Charges for Services	\$33,999,515	\$41,277,818	\$3,103,058	\$8,708,357	\$14,562,857	\$14,300,517	\$13,541,123	\$15,644,382	\$15,086,569	\$23,141,015
General Government			1,577,237	7,167,050				1,000	1,603,453	559,050
Administrative Services			14,676,675	13,297,984				34,755,417	26,211,457	25,006,634
Health, Dental, and Vision					71,900		14,368			
Chief Information Officer										
Chief Development Officer										
Finance			866,815	1,233,796	1,526,545	4,385,600	3,807,077	3,145,043	2,511,142	2,413,363
Public Works			1,574,355	1,304,217	14,388,414	3,775,946	5,770,608	4,088,338		2,757,405
Environmental Quality & Public Works										240,168
Planning, Preservation, & Development*										1,857,059
Public Safety										1,942,297
Police			2,394,577	2,419,149	1,482,000	403,491	445,029	329,460	2,045,401	1,528,342
Fire and Emergency Services			1,088,235	309,799	614,408	2,031,643	2,007,988	2,402,840	1,528,342	1,942,297
Community Corrections			3,645,180	4,166,741	4,686,614	6,773,040	6,191,913	6,478,108	7,340,946	6,952,394
Environmental Quality			5,995,495	6,955,537	7,822,586	6,413,349	7,429,351	7,429,351	7,707,225	8,286,565
Social Services			355,936	2,071,456	2,155,407	1,265,393	1,850,487	2,406,997		
General Services			69,488	3,362,329	3,754,793	2,848,473	3,542,915	1,766,790	1,857,123	
Parks and Recreation			4,338,295	4,520,111	4,566,558	5,381,956	4,691,533	4,258,091	4,810,535	38,927
Law and Risk Management			1,145	475	2,935	21,528	34,444	18,217	35,293	36,944
Outside Agencies			923,420							
Debt Service - other			485,304	73,448						
Operating Grants and Contributions	33,101,398	20,838,959	19,297,952	31,988,064	17,500,905	13,251,883	20,192,672	13,849,522	14,139,426	13,065,758
Capital Grants and Contributions	13,256,243	12,970,715	15,349,943	3,138,381	7,838,458	10,276,393	10,434,599	7,078,729	8,316,236	6,272,539
Total governmental activities	80,357,156	75,087,492	75,743,110	87,354,565	95,223,281	98,020,529	104,974,788	105,547,184	96,078,664	98,573,466
Business-type Activities:										
Charges for Services	54,421,012	49,825,599	28,471,944	26,199,037	27,532,422	36,605,347	47,470,305	48,803,593	47,287,791	52,927,780
Sanitary Sewer System			7,251,009	5,900,398	6,337,836	6,841,271	6,405,531	7,157,088	7,156,666	5,830,285
Public Facilities			1,303,998	893,995	1,192,523	1,373,057	1,203,102	859,874	977,414	4,560
Public Parking			7,999,651	7,870,493	8,556,220	8,499,137	8,240,762	7,203,610	7,183,611	6,845,329
Landfill			412,292	413,705	310,950	403,771	479,012	483,196	419,676	392,466
Right of Way			1,494,955	2,220,509	2,203,771	1,808,121	2,097,145	2,038,391	2,338,243	2,379,571
Extended School Program			1,452,156	1,950,786	2,066,361	1,915,910	1,121,799	1,524,127	1,619,626	1,619,626
Prisoners' Account System			2,365,264	2,383,332	2,621,394	3,453,310	4,069,027	3,749,409	3,999,658	3,517,634
Enhanced 911			27,449	26,609	61,360	84,045	91,090	140,699	51,798	25,738
LexVan Program			6,258	23,384	188					
Small Business Development										
Water Quality	125,744					68,268	5,581,104	11,604,569	12,095,514	12,296,476
Operating Grants and Contributions	54,546,756	49,835,599	50,784,976	47,072,248	50,783,025	61,162,736	77,552,988	83,162,228	83,034,098	85,839,645
Total business-type activities	134,903,912	124,913,091	126,528,086	134,228,813	146,006,306	159,183,265	182,527,776	185,709,412	179,113,162	184,413,111
Net (Expense)/Revenue										
Governmental activities	(202,888,694)	(202,540,716)	(287,509,310)	(270,195,650)	(321,768,385)	(314,543,638)	(303,073,085)	(328,619,060)	(309,096,816)	(302,792,130)
Business-type activities	6,897,815	3,676,063	6,369,631	1,093,083	(12,918,863)	(1,949,148)	5,311,801	9,204,524	10,260,764	18,094,991
Total primary government	(195,990,879)	(198,864,653)	(281,139,679)	(269,102,567)	(334,687,248)	(316,492,786)	(297,761,284)	(319,414,536)	(298,836,052)	(284,697,139)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	41,964,425	43,189,707	44,889,961	47,791,867	51,455,185	54,301,749	51,143,199	52,548,109	52,860,840	53,597,311
Licenses and Permits	178,942,755	188,973,285	197,857,140	210,698,736	220,015,258	218,194,593	215,196,838	224,399,866	230,580,201	238,924,158
Grants and Contributions Not Restricted to Specific Programs:										
Community Development Block Grant	3,567,315	2,570,656	2,264,419	2,126,818	2,463,746	2,577,631	2,250,779	2,175,565	2,171,901	2,176,038
Income on Investments	507,868	1,839,509	3,395,527	6,121,269	3,582,709	804,510	300,149	129,839	589,967	(509,890)
Sale of Assets	457,849	523,841	956,340	(1,041,367)	457,516	641,460	(45,882)	2,300,242	311,259	283,406
Bond Refunding	(19,185,000)									
Miscellaneous	918,323	767,547	827,029	963,926						
Conveyance of Asset				(2,116,880)						
Transfers	(1,136,353)	(1,281,083)	670,254	(3,308,054)	(620,031)	617,876	1,737,854	1,249,888	(346,507)	(1,106,585)
Total governmental activities	206,037,182	216,586,462	220,860,670	261,236,315	277,354,383	277,137,819	270,582,937	282,803,509	286,167,661	293,564,435
Business-type Activities:										
Income on Investments	662,485	1,397,929	2,728,854	2,802,634	1,907,250	669,955	96,285	540,692	1,029,866	(215,314)
Sale of Assets	3,587	9,350	17,819	(183,523)	15,106	93,891	(401,697)	39,149	7,824	
Bond Refunding	18,760,000									
Transfers	1,136,353	1,281,083	(670,254)	3,308,054	620,031	(617,876)	(1,737,854)	(1,249,888)	346,507	(11,902,981)
Total business-type activities	20,562,425	2,688,362	2,076,419	5,927,165	2,542,387	2,773,885	(2,043,266)	(670,047)	1,384,197	(12,118,295)
Total primary government	226,599,607	239,274,824	222,937,089	267,163,480	279,896,770	279,911,704	268,539,671	282,133,462	287,551,858	281,446,140
Change in Net Position										
Governmental activities	3,148,488	34,042,746	(36,648,640)	(8,959,335)	(44,414,002)	(37,405,819)	(32,490,148)	(45,815,551)	(22,929,155)	(9,427,695)
Business-type activities	27,460,240	6,364,425	8,446,650	7,020,248	(10,376,476)	(1,803,178)	3,268,535	8,534,477	11,644,961	5,976,696
Prior Period Adjustment - Government Activities	(1,140,149)		902,203,447	457,425			(12,655,128)	225,143		(1,548,751)
Prior Period Adjustment-Business-type Activities			20,000	39,260						
Total primary government	\$29,468,579	\$40,407,171	\$874,020,857	\$81,462,402	(\$54,790,478)	(\$39,208,997)	(\$84,876,741)	(\$5,214,453)	(\$11,284,194)	(\$4,621,575)

*Planning, Preservation, & Development was added in FY13 and was previously included with Administration.
Source: Department of Finance, Lexington-Fayette Urban County Government

TABLE 3

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$3,473,224	\$4,940,741	\$4,845,381	\$4,637,101	\$5,254,246	\$12,177,430	\$12,019,893	\$0	\$0	\$0
Unreserved										
Designated for Economic Contingency	5,878,356	5,996,710	8,272,087	11,894,147	13,219,620	14,470,569	14,470,569			
Designated for Payroll	3,300,418	4,260,723		556,400	1,293,279	2,116,169	2,923,169			
Designated for Working Capital	3,864,830	3,394,250	7,036,780	9,634,602						
Designated for Pay Adjustments	906,180									
Undesignated	12,177,065	17,468,671	17,734,190	15,713,298	4,620,501	4,365,746	2,106,483	1,493,737	1,461,447	1,405,198
Nonspendable										
Restricted for:										
Energy Improvement Projects										408,227
Committed for:										
General Government								3,931,000		6,612,684
Economic Stabilization								18,200,738	18,482,971	23,290,466
Assigned to:										
Capital Projects									6,972,224	8,060,560
General Government									11,583,075	10,325,000
Urban Services									2,500,000	
Unassigned								562,360	3,265,872	4,309,677
Total	29,600,073	36,061,095	37,888,438	42,435,548	24,387,646	33,129,914	31,520,114	24,187,835	44,265,589	54,411,812
Urban Services										
Reserved	1,419,156	3,796,313	2,963,095	1,661,414	1,064,326	5,612,288	8,842,245			
Designated for Payroll	302,654	367,505	45,700	99,401	127,622	154,622	154,622			
Undesignated	18,167,725	17,637,287	20,771,372	26,852,738	31,935,168	28,237,751	16,986,960			
Nonspendable								4,031	604	175
Restricted for:										
Urban Service Projects								20,420,741	22,767,570	28,631,854
Energy Improvement Projects										10,383
Unassigned										
Total	19,889,535	21,801,105	23,734,467	28,559,852	33,098,895	33,977,661	25,983,827	20,424,772	22,768,174	28,642,412
All Other Governmental Funds										
Reserved	9,770,889	9,119,957	11,641,885	6,521,414	18,430,040	7,944,462	12,702,665			
Undesignated, reported in:										
Nonspendable								369	6,604	22,376
Restricted for:										
Public Works								10,357,176	8,238,721	9,032,953
Public Safety								3,117,402	2,812,852	1,659,378
Special Revenue Funds	3,486,847	4,315,924	6,789,094	8,770,810	9,269,371	12,137,914	13,742,070			
Capital Projects	1,014,962	19,410,938	25,849,967	14,852,272	(13,728,932)	6,138,952	36,272,857			
Grants Projects	329,493	514,983	235,503	313,460	119,184	100,842	116,485			
Committed for:										
General Government								410,544	447,605	
Assigned to:										
General Government								(974,484)	(370,103)	445,690
Unassigned										
Total	\$14,602,191	\$33,361,802	\$44,516,249	\$30,457,956	\$14,089,663	\$26,322,170	\$62,834,077	\$45,551,725	\$31,424,810	\$37,637,194

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

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

TABLE 4

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Licenses and Permits	\$179,533,692	\$189,786,177	\$198,653,467	\$215,760,874	\$224,874,954	\$222,841,928	\$219,586,264	\$228,816,452	\$235,226,117	\$243,655,298
Taxes	41,964,425	43,189,707	44,889,961	47,791,867	51,455,185	54,301,749	51,143,199	52,548,109	52,860,840	53,597,311
Charges for Services	20,449,154	21,561,092	20,648,157	22,350,901	21,357,602	22,073,405	21,182,005	24,158,224	26,262,822	26,365,849
Fines and Forfeitures	245,150	184,104	323,063	57,192	180,785	303,205	268,459	220,449	176,319	311,930
Local Contributions										
Intergovernmental	47,380,792	30,321,835	31,784,556	32,419,475	45,587,385	36,462,389	41,088,818	33,622,666	35,125,072	32,365,491
Excactions	1,754,558	4,767,468	2,823,892	1,584,199	1,282,254	379,575	601,993	96,613	129,603	532,410
Grant Match	2,450,210	2,025,396	2,256,329	1,789,521	2,734,433	2,619,353				
Property Sales	457,849	523,841	956,340	785,073	557,071	803,382	499,119	2,681,463	453,540	462,570
Income on Investments	451,123	1,420,555	3,366,361	5,737,945	3,582,709	804,510	300,149	129,839	589,902	(509,785)
Other	4,230,933	5,544,293	5,787,271	7,260,457	8,145,477	7,928,848	9,988,984	8,998,513	4,002,075	3,436,946
Total Revenues	298,917,886	293,324,468	311,489,397	335,926,312	358,732,943	348,633,424	347,278,343	351,272,328	354,826,290	360,218,020
Expenditures										
General Government	21,330,624	9,812,520	8,635,249	6,706,895	13,651,464	6,761,982	6,962,873	7,382,550	5,059,177	5,647,407
Administrative Services	29,924,619	24,077,384	25,104,922	25,431,738	1,845,175	3,213,262	1,098,505	1,209,504	19,612,467	10,370,972
Chief Information Officer					9,919,332	13,566,187	10,287,205	8,450,628		
Chief Development Officer									458,932	613,743
Finance	6,488,798	6,593,458	7,145,881	9,890,462	11,561,109	11,488,448	11,979,265	9,271,854	5,405,089	5,115,502
Public Works	36,175,381	41,247,381	40,430,609	34,857,640	23,013,365	24,708,831	22,514,826	21,858,996	36,315,403	37,037,311
Environmental Quality & Public Works										
Planning, Preservation, & Development*										
Public Safety	106,315,766	118,307,014	137,232,016	142,764,740	153,492,722	227,892,046	191,233,566	160,552,216	193,328,465	172,413,558
Social Services	11,162,991	13,389,135	12,245,264	13,347,071	12,006,737	11,623,944	9,615,423	8,402,054	7,804,749	8,222,664
Environmental Quality										
General Services	23,757,464	24,696,780	30,279,293	28,040,506	28,280,713	29,246,730	26,370,443	25,763,110	24,095,490	26,517,790
Law and Risk Management	1,630,466	1,861,769	1,575,637	2,064,825	23,551,596	10,851,780	9,327,861	10,237,207	3,571,448	3,994,327
Outside Agencies	27,557,006	18,876,456	15,846,048	15,613,480	20,090,648	19,236,209	18,123,297	19,244,315	20,571,727	20,260,096
Special Projects										
Debt Service:										
Principal	10,404,328	14,156,321	15,030,273	18,797,661	16,740,000	13,760,000	26,230,000	20,035,000	18,465,000	17,855,000
Interest and Other	12,150,607	7,634,836	7,384,493	7,594,762	6,907,518	5,495,982	9,409,512	13,703,243	12,927,929	13,108,740
Capital	17,883,186	12,927,159	21,389,866	36,861,883	47,475,384	45,435,689	70,941,523	49,010,038	29,785,796	28,336,917
Total Expenditures	304,781,236	293,580,213	322,299,551	341,971,663	387,977,104	444,357,758	434,492,756	377,664,929	377,401,672	353,153,928
Excess (Deficiency) of Revenues over (under) Expenditures	(5,863,350)	5,744,255	(10,810,154)	(6,045,351)	(29,244,161)	(95,724,334)	(87,214,413)	(26,392,601)	(22,575,382)	7,064,092
Other Financing Sources (Uses)										
Transfers In	1,820,461	5,719,846	6,807,387	3,746,037	1,375,483	4,238,345	6,723,504	3,843,657	18,102,675	7,226,272
Transfers Out	(2,956,814)	(7,000,929)	(6,137,133)	(7,054,091)	(2,008,473)	(3,620,469)	(4,985,650)	(3,773,123)	(18,493,131)	(7,822,695)
Property Sales										
Debt Proceeds (net of bond refunding)	6,590,000	22,325,000	24,700,000	4,667,606		116,960,000	119,515,000	19,720,000	37,275,000	21,177,299
Bond Anticipation Note	445,187	304,813	7,599							
Premium (Discount) on Bonds Issued	183,730	39,218	210,968							
Total Other Financing Sources (Uses)	6,082,564	21,387,948	25,588,821	1,359,552	(632,990)	117,577,876	114,122,686	15,210,279	30,869,623	16,031,851
Net Change in Fund Balances	\$219,214	\$27,132,203	\$14,778,667	\$(84,685,799)	\$(29,877,151)	\$21,853,542	\$26,908,273	\$(11,182,322)	\$8,294,241	\$23,095,943
Debt Service as a percentage of noncapital expenditures*	5.9%	7.8%	7.2%	8.3%	6.2%	4.5%	9.5%	10.2%	8.7%	9.1%

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

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

TABLE 5

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Licenses and Permits	\$177,623,046	\$188,632,470	\$197,805,430	\$214,665,674	\$223,622,531	\$221,612,009	\$218,333,096	\$227,486,734	\$233,898,045	\$242,304,633
Taxes	15,729,458	17,731,787	17,156,666	18,150,819	19,509,219	20,737,242	20,222,945	20,992,845	20,880,351	21,368,326
Charges for Services	20,279,414	21,260,954	21,003,296	22,215,574	21,313,927	21,965,618	21,002,080	24,084,059	23,879,484	24,202,174
Fines and Forfeitures	245,150	184,104	323,063	57,192	137,659	270,598	262,040	215,493	170,001	309,442
Intergovernmental	3,693,236	2,418,670	2,465,624	2,133,350	3,315,630	2,405,778	1,156,085	2,441,417	1,942,553	1,978,891
Property Sales	438,709	516,536	349,715	465,537	392,892	646,007	473,784	1,985,318	152,194	137,719
Income on Investments	90,639	533,607	1,481,463	2,971,942	1,827,694	288,720	62,901	(2,381)	390,823	(556,777)
Other	1,138,913	1,873,064	1,743,395	4,088,217	3,206,921	3,559,545	5,640,858	4,159,715	2,213,409	2,388,300
Total Revenues	219,238,565	233,151,192	242,328,652	264,748,305	273,326,473	271,485,517	267,153,789	281,363,200	283,526,860	292,132,708
Expenditures and Other Financing Sources (Uses)										
General Government	3,680,801	3,668,705	4,458,163	5,048,021	11,450,829	3,337,821	3,206,859	3,872,271	1,700,098	3,476,730
Administrative Services	14,858,450	13,228,125	15,582,368	15,276,489	1,081,760	1,052,574	1,098,505	1,209,504	15,973,425	8,112,087
Chief Information Officer					6,513,655	7,610,707	7,366,977	7,820,811		
Chief Development Officer										
Finance	6,473,910	6,773,332	7,256,067	7,745,982	7,955,937	9,057,361	8,297,391	7,936,589	5,387,968	163,743
Public Works	10,706,996	12,389,534	12,637,417	11,771,654	18,553,415	17,198,118	18,296,963	16,628,445	8,380,410	5,101,158
Environmental Quality & Public Works										
Planning, Preservation, & Development*										
Public Safety	99,730,690	111,767,425	131,079,150	138,132,390	146,778,076	219,175,755	183,918,587	154,017,726	187,071,884	167,821,104
Social Services	7,871,084	9,143,767	9,274,916	10,617,866	10,245,245	9,604,663	7,439,405	6,801,050	6,003,513	6,566,634
Environmental Quality										
General Services	21,644,848	24,917,618	25,299,456	28,318,762	28,032,856	28,401,996	26,464,121	25,414,155	24,165,031	26,774,613
Law	1,613,724	1,876,412	1,923,928	1,782,008	2,032,934	9,602,925	8,601,967	9,607,308	3,494,863	3,926,008
Outside Agencies	22,818,075	18,258,584	14,349,512	15,464,809	16,843,781	16,913,570	16,786,200	16,935,373	17,206,291	17,121,904
Debt Service	20,447,860	20,802,641	21,585,420	25,662,867	23,163,080	19,386,936	27,749,206	33,701,269	30,937,819	29,748,196
Other Financing (Sources) Uses	(479,708)	4,860,964	140,864	202,328	(685,501)	(78,652,384)	(40,465,809)	(3,207,654)	(37,031,128)	2,332,547
Residual Equity Transfers										
Total Expenditures and Other Financing Sources (Uses)	209,366,730	227,687,107	243,587,261	260,023,176	291,991,519	262,743,248	268,763,589	280,743,254	263,449,106	281,986,485
Net Change in Fund Balance	\$9,871,835	\$5,464,085	(\$1,258,609)	\$4,725,129	(\$18,665,046)	\$8,742,269	(\$1,609,800)	\$619,946	\$20,077,754	\$10,146,223

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

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

TABLE 6

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Sewer Service Charges	\$25,457,887	\$24,049,216	\$25,602,266	\$24,014,195	\$25,884,142	\$35,213,276	\$45,578,971	\$45,663,797	\$44,334,743	\$45,990,027
Sewer Tap on Fees	1,428,449	1,584,341	1,661,417	1,629,573	1,223,820	1,048,864	1,072,452	1,523,169	1,944,010	2,325,787
Exactions	878,035	1,974,660	1,160,296	513,539	343,998	198,914	287,677	885,730	150,120	4,002,945
Other Income	193,694	50,204	47,965	41,731	80,462	93,293	448,880	776,339	615,624	609,021
Total Revenues	27,958,065	27,658,421	28,471,944	26,199,038	27,532,422	36,554,347	47,387,980	48,849,035	47,044,497	52,927,780
Operating Expenses										
Treatment Plant	6,616,161	6,088,076	7,106,877	7,259,708	8,164,345	8,447,048	8,502,531	8,411,093	7,933,477	8,217,471
Collection System	3,179,687	3,485,272	3,760,098	4,236,199	5,411,212	4,427,863	4,297,166	5,544,184	5,064,273	4,405,020
Administration	4,656,945	6,002,433	5,959,400	6,786,349	15,083,099	14,325,685	18,974,390	18,243,183	17,142,578	16,216,619
Depreciation	6,291,982	6,373,506	6,225,299	6,361,511	6,417,656	6,393,816	7,113,944	7,214,960	7,299,442	7,683,896
Total Operating Expenses	20,744,775	21,949,287	23,051,674	24,643,767	35,076,312	33,594,412	38,888,031	39,413,420	37,439,770	36,523,006
Operating Income	7,213,290	5,709,134	5,420,270	1,555,271	(7,543,890)	2,959,935	8,499,949	9,435,615	9,604,727	16,404,774
Net Nonoperating Revenues/(Expenses)	(1,074,183)	(504,103)	555,560	(279,228)	(406,882)	(1,255,146)	(2,909,369)	(2,486,197)	(1,697,841)	(2,649,715)
Capital Contributions	88,944									
Transfers In	10,000	10,000	10,000	533,401	81,331	453,974	3,010,299	3,010,299	422,187	1,208,935
Transfers Out	(4,400)	(952)	(1,149,277)	(910,455)	(596,775)	(888,779)	(394,869)	(4,283,344)	(466,138)	(1,039,194)
Net Income/Change in Net Position	\$6,233,651	\$5,214,079	\$4,836,553	\$898,989	(\$8,466,216)	\$1,269,984	\$5,195,711	\$5,676,373	\$7,862,935	\$13,924,800

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

TABLE 7

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

Fiscal Year	Residential	Farms	Commercial	Oil, Mineral & Timber Rights	Tangible	Intangible	Total	Less Intangible	Total Taxable Assessed Value	Total Direct Tax Rate (Per \$100 of Assessed value)
2004	\$10,486,255	\$545,897	\$4,695,549	\$ 806	\$4,397,630	\$3,183,438	\$23,309,575	\$3,183,438	\$20,126,137	0.2904
2005	11,287,422	559,829	4,897,578	770	4,315,023	3,527,423	24,588,045	3,527,423	21,060,621	0.2704
2006	12,304,135	596,790	5,110,109	839	4,615,906	4,255,901	26,883,680	4,255,901	22,627,779	0.2704
2007	13,207,008	624,912	5,444,972	1,524	5,030,923		24,309,339		24,309,339	0.2704
2008	14,116,473	819,013	5,890,069	1,544	4,931,925		25,759,024		25,759,025	0.2694
2009	14,681,278	836,738	6,219,162	1,516	5,723,817		27,462,511		27,462,511	0.2535
2010	14,887,510	866,958	6,310,733	1,530	5,076,606		27,143,337		27,143,337	0.2535
2011	15,043,326	880,219	6,377,418	2,241	4,975,027		27,278,231		27,278,231	0.2535
2012	15,164,243	898,982	6,421,877	1,880	5,014,698		27,501,680		27,501,680	0.2535
2013	\$15,235,648	\$897,667	\$6,523,119	\$1,499	\$5,333,542		\$27,991,475		\$27,991,475	0.2535

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

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

TABLE 8

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2004	\$41,930,263	\$40,877,962	97.5%	\$1,052,301 *	\$41,930,263	100.0%
2005	41,915,431	41,211,370	98.3%	704,061 *	41,915,431	100.0%
2006	44,526,763	44,342,484	99.6%	184,279 *	44,526,763	100.0%
2007	47,282,303	47,245,216	99.9%	37,087 *	47,282,303	100.0%
2008	51,138,980	51,077,055	99.9%	61,925 *	51,138,980	100.0%
2009	53,823,142	53,779,117	99.9%	44,025 *	53,823,142	100.0%
2010	51,262,112	50,085,884	97.7%	1,176,228 *	51,262,112	100.0%
2011	52,264,220	51,732,977	99.0%	531,243 *	52,264,220	100.0%
2012	52,631,283	52,011,046	98.8%	592,495 *	52,603,541	99.9%
2013	\$53,136,159	\$52,567,908	98.9%	\$0	\$52,567,908	98.9%

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

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

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

TABLE 9

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

Fiscal Year	LFUCG Direct Rates					Overlapping Rates					Total		
	Urban Services			Total Direct	Fayette County School	Commonwealth of Kentucky		Extension Services	Soil & Water Conservation			Health Department	Lextran
	General	Refuse	Street Lights			Street Cleaning				Water			
2004	0.0800	0.1750	0.0260	0.0094	0.2904	0.5330	0.1330	0.0032	0.0004	0.0004			0.9600
2005	0.0800	0.1600	0.0210	0.0094	0.2704	0.5350	0.1310	0.0032	0.0004	0.0004	0.0280		0.9680
2006	0.0800	0.1600	0.0210	0.0094	0.2704	0.5380	0.1310	0.0031	0.0004	0.0004	0.0280	0.0600	1.0309
2007	0.0800	0.1600	0.0210	0.0094	0.2704	0.5410	0.1280	0.0031	0.0004	0.0004	0.0280	0.0600	1.0309
2008	0.0800	0.1590	0.0210	0.0094	0.2694	0.5940	0.1240	0.0031	0.0004	0.0004	0.0280	0.0600	1.0789
2009	0.0800	0.1590	0.0210	0.0094	0.2694	0.6050	0.1220	0.0032	0.0004	0.0004	0.0280	0.0600	1.0880
2010	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0004	0.0280	0.0600	1.0951
2011	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0004	0.0280	0.0600	1.0951
2012	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0004	0.0280	0.0600	1.0951
2013	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0004	0.0280	0.0600	1.0951

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

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

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

TABLE 10

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

Name	2013			2004		
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Fayette Mall SPE LLC	\$117,000,000	1	0.42%			
Fourth Quarter Properties	101,405,300	2	0.36%	\$70,956,500	1	0.35%
Lexmark International Inc.	55,806,600	3	0.20%	56,251,100	3	0.28%
Sir Forty 57 LLC	52,500,000	4	0.19%			
War Admiral Place LLC	44,970,900	5	0.16%			
Weingarten Realty Inc.	40,417,900	6	0.14%			
Fayette Plaza CMBS LLC	40,000,000	7	0.14%			
Beaumont Lexington	37,525,300	8	0.13%			
Mid American Apts LLC	37,400,000	9	0.13%			
Newtown Crossing II	37,000,000	10	0.13%			
Ball Realty Inc.				59,390,400	2	0.30%
Lexington Joint Venture*				50,463,800	4	0.25%
Meijer Stores Ltd				35,879,400	5	0.18%
W T Young Inc.				34,269,000	6	0.17%
Griffin Gate Association				26,700,000	7	0.14%
MCV Venture				26,500,000	8	0.13%
Wal Mart Real Estate				26,175,400	9	0.13%
Bluegrass Building Partners				25,100,000	10	0.12%
Total	\$564,026,000		2.01%	\$411,685,600		2.05%

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

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

TABLE 11

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

Fiscal Year	LFUCG Direct Rate	Fayette County School	Total
2004	2.25%	0.50%	2.75%
2005	2.25%	0.50%	2.75%
2006	2.25%	0.50%	2.75%
2007	2.25%	0.50%	2.75%
2008	2.25%	0.50%	2.75%
2009	2.25%	0.50%	2.75%
2010	2.25%	0.50%	2.75%
2011	2.25%	0.50%	2.75%
2012	2.25%	0.50%	2.75%
2013	2.25%	0.50%	2.75%

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

TABLE 12

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

Name	2013 Rank	2004 Rank
University of Kentucky	1	1
Fayette County Board of Education	2	3
Lexmark International	3	2
Lexington-Fayette Urban County Government	4	4
St. Joseph Hospital	5	5
Baptist Healthcare	6	6
Defense Finance & Acctg System	7	9
Ashland, Inc.	8	10
Lexington Clinic	9	
ACS Commercial Solutions/Xerox	10	
Commonwealth of Kentucky		8
IBM Information Products		7

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

TABLE 13

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

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	% of Personal Income	Primary Government Debt Per Capita
	General Obligation Bonds, Notes, Leases	Mortgage Revenue Bonds	Lease Revenue Notes Payable	Bond Anticipation Notes	Revenue Bonds	Mortgage Revenue Bonds	Notes Payable				
2004	\$136,560,000	\$0	\$434,255	\$0	\$50,040,000	\$73,940,000	\$0	\$260,974,255	2.8%	\$958 *	
2005	144,905,000		257,934	742,401	46,560,000	71,680,000		264,145,335	2.7%	959 *	
2006	154,760,000		72,661	750,000	42,915,000	69,625,000		268,122,661	2.5%	958 *	
2007	142,805,000				39,400,000	68,885,000		251,090,000	2.3%	886 *	
2008	126,065,000				35,715,000	68,195,000		229,975,000	2.0%	799 *	
2009	229,265,000				31,860,000	66,470,000		327,595,000	3.0%	1,120 *	
2010	308,355,000			8,000,000	64,565,000	63,890,000		444,810,000	3.9% *	1,499 *	
2011	303,865,000				60,055,000	61,990,000	15,105,027	441,015,027	3.7%	1,462	
2012	315,714,650				48,121,327	56,708,664	14,766,530	435,311,171	na	1,425	
2013	\$314,541,343	\$0	\$0	\$0	\$45,400,398	\$54,830,752	\$14,403,727	\$429,176,220	na	na	

* Updated in 2013

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

See table 18 for population data.

Personal income data for 2012 and 2013 not available at time of publication.

Population data for 2013 not available at time of publication.

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

TABLE 14

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

Fiscal Year	General Obligation	% of Assessed	Per Capita
	Bonds	Value of Property	
2004	\$136,560,000	0.68%	\$506
2005	144,905,000	0.69%	532
2006	154,760,000	0.68%	561
2007	142,805,000	0.59%	512
2008	126,065,000	0.49%	447
2009	229,265,000	0.83%	773
2010	308,355,000	1.14%	1,042
2011	303,865,000	1.11%	1,008
2012	315,714,650	1.15%	1,033
2013	\$314,541,343	1.12%	na

Notes: Details regarding LFUCG outstanding debt can be found in the notes to the financial statements.
 See table 7 for property value date and table 18 for population data.
 Population data for 2013 not available at time of publication.

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

TABLE 15

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF DIRECT AND OVERLAPPING INDEBTEDNESS
AS OF JUNE 30, 2013

	Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Overlapping Debt
Lexington Center Corporation			
Mortgage Revenue Bonds, Series 2008A	\$20,370,000	3.71%	\$756,453
Lexington-Fayette Urban County Government Airport Corporation			
Fixed Rate General Airport, Revenue and Refunding Bond 2009A (non-AMT)	31,880,000	4.24%	1,352,329
Variable Rate General Airport, Revenue and Refunding Bond 2009B (AMT)	5,400,000	4.24%	229,065
Fixed Rate General Airport, Revenue and Refunding Bond 2012A (AMT)	6,770,000	4.24%	287,179
Fixed Rate General Airport, Revenue and Refunding Bond 2012B (non-AMT)	11,230,000	4.24%	476,369
Fayette County School & Kentucky School Commission Bonds	297,289,528	100.00%	297,289,528
Lexington-Fayette Urban County Department of Health	\$515,000	100.00%	515,000
Subtotal, Overlapping Debt			300,905,923
LFUCG, Direct Debt			314,541,343
Total Direct and Overlapping Indebtedness			<u>\$615,447,266</u>

Notes

(1) 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.

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

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

TABLE 16

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assessed Value	\$23,309,575	\$24,588,044	\$26,883,680	\$24,309,339	\$25,759,025	\$27,462,511	\$27,143,337	\$27,278,231	\$27,501,680	\$27,991,475
Debt limit (10% of Assessed Value)	2,330,958	2,458,804	2,688,368	2,430,934	2,575,902	2,746,251	2,714,334	2,727,823	2,750,168	2,799,148
Total net debt applicable to limit	187,350	181,675	176,110	171,270	166,455	195,775	171,510	108,710	203,817	194,414
Legal debt margin	\$2,143,608	\$2,277,129	\$2,512,258	\$2,259,664	\$2,409,447	\$2,550,476	\$2,542,824	\$2,619,113	\$2,546,351	\$2,604,734
Total net debt applicable to the limit as a percentage of debt limit	8.04%	7.39%	6.55%	7.05%	6.46%	7.13%	6.32%	3.99%	7.41%	6.95%

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

TABLE 17

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

Fiscal Year	Sanitary Sewer System					Public Facilities Corporation					
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest				Principal	Interest	
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
2006	28,472	16,826	11,646	3,515	2,076	7,251	2,600	4,651	1,485	3,348	0.96
2007	26,199	18,282	7,917	3,685	1,906	5,439	2,095	3,344		3,495	0.96
2008	28,994	28,659	335	3,855	1,726	6,238	2,853	3,385	1,005	3,721	0.72
2009	37,049	27,201	9,848	3,855	1,706	6,841	2,681	4,160	1,005	2,716	1.12
2010	47,446	31,774	15,672	4,040	1,849	6,431	2,670	3,761	2,643	2,661	0.71
2011	49,383	32,198	17,185	4,510	2,608	7,159	2,789	4,370	1,900	2,570	0.98
2012	48,023	30,140	17,883	11,117	3,181	7,157	2,697	4,460	1,970	2,495	1.00
2013	\$52,769	\$28,839	\$23,930	\$3,413	\$2,400	\$5,830	\$2,305	\$3,525	\$2,050	\$2,416	0.79

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
2004	\$1,563	\$306	\$1,257	\$860	\$229	\$46	\$45	\$14	0.78	0.78
2005	1,451	343	1,108	895	190	34	45	12	0.60	0.60
2006	1,304	387	917	655	129	29	50	9	0.49	0.49
2007	594	149	445	690	100	26	50	7	0.46	0.46
2008	1,193	0	1,193	720	70	35	55	4	0.59	0.59
2009	1,383	580	803	720	70		50	1	0.00	0.00
2010	1,203	539	664	750	36					
2011	861	600	261							
2012	978	540	438							
2013	\$5	\$4	\$1							

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

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

TABLE 18

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

Fiscal Year	Population	Personal Income (Thousands)	Per Capita Personal Income	Civilian Labor Force		
				Employed	Unemployed	Unemployment Rate
2004	272,377 *	\$9,333,754	\$34,268	137,816	6,033	4.2%
2005	275,540 *	9,713,901	35,254	139,182	6,679	4.6%
2006	279,971 *	10,542,071	37,654	142,077	6,582	4.4%
2007	283,291 *	11,004,358	38,845	144,393	6,056	4.0%
2008	287,683 *	11,388,063	39,585	144,068	7,311	4.8%
2009	292,514 *	11,000,332 *	37,606 *	141,049	13,087	8.5%
2010	296,792 *	11,343,547 *	38,221 *	142,196	12,029	7.8%
2011	301,569	12,047,565	39,950	147,052	12,146	7.6%
2012	305,489	na	na	146,775	10,192	6.5%
2013	na	na	na	152,866	11,657	7.1%

* Updated in 2013

Note:

Personal Income and Per Capita Personal Income data for 2012 and 2013 not available at time of publication.

Population data for 2013 not available at time of publication.

Source: The Bureau of Economic Analysis

Source: U.S. Census Bureau

Source: The Bureau of Labor Statistics

TABLE 19

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

Name	2013			2004		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Kentucky	14,000	1	9.16%	n/a	n/a	n/a
Fayette County Public Schools	5,374	2	3.52%	n/a	n/a	n/a
KentuckyOne Health	3,000	3	1.96%	n/a	n/a	n/a
Lexington-Fayette Urban County Government	2,699	4	1.77%	n/a	n/a	n/a
Lexmark International	2,656	5	1.74%	n/a	n/a	n/a
Xerox	2,530	6	1.66%	n/a	n/a	n/a
Baptist Healthcare	2,496	7	1.63%	n/a	n/a	n/a
Wal-Mart	2,027	8	1.33%	n/a	n/a	n/a
Lockheed Martin	1,867	9	1.22%	n/a	n/a	n/a
Kroger	1,665	10	1.09%	n/a	n/a	n/a
	<u>38,314</u>		<u>25.06%</u>			

Note:
 First year of presentation for Employees and Percentage of Total City Employment was FY2010. This data is not available for FY2004.

Source: Lexington Chamber of Commerce

TABLE 20

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
1997	1,984	3,759	396	11,547	18,894	8,839	9,184	36,281	12,404	62,323	32,240	197,851
1998	1,793	3,949	392	11,900	19,301	9,211	9,331	36,650	12,455	63,440	32,605	201,027
1999	1,831	4,327	312	12,687	19,417	9,235	9,215	37,534	12,481	65,535	33,326	205,900
2000	1,805	4,506	308	13,076	19,142	9,225	9,177	38,238	12,768	66,775	35,434	210,454

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

Year	Farm	Forestry, Fishing and Related Activities	Mining	Construction	Manufacturing	Wholesale Trade, Transportation and Utilities	Information	Retail Trade	Finance, Insurance and Real Estate	Services	Government and Government Enterprises	Total Employment by Place of Work
2001	1,852	3,107	335	12,727	16,252	13,314	5,315	24,222	13,180	79,852	35,156	205,312
2002	1,821	2,924	339	11,478	14,993	12,860	5,075	23,878	13,259	81,320	34,208	202,155
2003	2,067	2,644	438	11,432	14,347	13,024	4,883	23,897	13,330	82,154	35,099	203,315
2004	2,000	2,484	452	11,524	14,174	12,621	4,367	23,831	13,978	85,688	34,607	205,726
2005	1,717	2,499	494	11,875	14,864	13,225	4,456	24,022	14,277	87,802	34,910	210,141
2006	1,708	2,882	589	11,980	15,034	13,083	4,445	24,091	15,129	89,795	36,138	214,874
2007	1,667	3,060	646	11,716	15,601	13,565	4,323	24,207	15,340	89,812	38,641	218,578

Source: The Bureau of Economic Analysis

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

Year	Construction	Education and Health Services	Financial Activities	Information	Leisure and Hospitality	Manufacturing	Natural Resources and Mining	Other Services	Professional and Business Services	Trade, Transportation and Utilities	Others	Total Employment by Place of Work
2008	7,723	21,035	8,583	5,086	19,427	14,929	2,260	4,941	23,700	34,320	110,466	252,470
2009	7,109	21,603	7,921	4,403	19,455	13,194	2,043	5,138	23,745	32,697	104,602	241,910
2010	6,937	21,477	8,046	4,628	20,176	12,882	2,170	5,383	22,186	30,782	104,273	238,940
2011	7,078	23,186	8,167	5,144	20,123	12,241	2,245	5,514	22,646	31,404	101,592	239,340
2012	6,733	24,230	7,994	5,393	20,313	12,325	2,059	5,348	27,491	35,039	147,031	293,956

Source: Bureau of Labor Statistics

TABLE 21

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

	1990 Census		2000 Census		2010 Census	
	Value	%	Value	%	Value	%
Population and Number of Households						
Population						
Under 18 years	50,416	22.4%	55,533	21.3%	62,633	21.2%
18 - 64 years	152,638	67.7%	178,805	68.6%	202,032	68.3%
65 years and over	22,312	9.9%	26,174	10.0%	31,138	10.5%
Total	<u>225,366</u>	100.0%	<u>260,512</u>	100.0%	<u>295,803</u>	100.0%
Number of Households	89,529		108,288		123,043	
Economic and Education						
Family Income						
Less than \$10,000	5,979	10.5%	3,587	5.6%	4,407	6.3%
\$10,000 - \$24,999	12,365	21.7%	8,947	14.1%	8,791	12.7%
\$25,000 - \$49,999	20,889	36.7%	17,124	26.9%	15,164	21.8%
\$50,000 - \$74,999	10,790	19.0%	14,759	23.2%	12,913	18.6%
\$75,000 or more	6,850	12.0%	19,231	30.2%	28,149	40.5%
Total Families	<u>56,873</u>	100.0%	<u>63,648</u>	100.0%	<u>69,424</u>	100.0%
Median Family Income	\$35,936		\$53,264		\$63,086	
Mean Family Income	\$44,467		\$52,261		\$76,373	
Per Capita Income	\$20,355		\$23,109		\$25,561	
School Enrollment						
Elementary/Secondary	32,858		36,938		43,918	
College	28,339		31,508		41,238	
Education for Individuals 25+ years of age						
Less than 9th grade	11,760	8.3%	8,539	5.1%	8,813	4.6%
High School, No Diploma	16,365	11.5%	15,213	9.1%	13,986	7.3%
High School Graduate	33,238	23.4%	37,448	22.4%	43,875	22.9%
College 1 - 3 years	37,299	26.2%	46,420	27.8%	54,796	28.6%
College 4 or more years	43,454	30.6%	59,615	35.6%	70,124	36.6%
Total	<u>142,116</u>	100.0%	<u>167,235</u>	100.0%	<u>191,595</u>	100.0%
Unemployment Rate	3.7%		1.8%		7.0%	

Source: U.S. Census Bureau

TABLE 22

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

Function/Program	2004	2005	2006	2007	2008*	2009	2010	2011	2012**	2013***
Administrative Services	140	139	143	145	77	89	91	86	129	94
General Government	67	64	70	74	77	48	73	70	66	66
Finance & Administration	94	90	98	94	104	108	103	94	68	65
General Services										
Parks and Recreation	172	180	187	183	180	145	138	132	140	139
Other	157	124	129	132	123	132	134	130	97	93
Planning, Preservation & Development										
Law	19	18	19	21	34	31	26	26	37	40
Public Safety										
Fire and Emergency Services										
Firefighters and Officers	464	498	504	530	512	504	522	520	500	520
Civilians	38	39	37	23	20	18	15	18	17	16
Police										
Officers	471	472	527	534	538	557	542	511	504	524
Civilians	192	184	177	151	117	77	102	93	127	126
Community Corrections	371	383	357	376	359	341	294	284	321	312
Other	72	73	78	78	99	101	75	79	81	80
Public Works & Development										
Public Works	236	217	221	211	221	218	244			
Solid Waste										
Sanitary Sewers	129	125	130	135				240		
Other	168	154	162	162						
Environmental Quality & Public Works										
Waste Management										
Water & Air Quality										
Other										
Social Services	163	160	174	169	137	128	113	99	94	96
	2,953	2,920	3,013	3,018	2,959	2,851	2,842	2,745	2,689	2,694

**The following Departmental reorganization took place in FY2008:

Human Resources and Community Development moved from Administrative Services to Finance & Administration

Risk Management moved from Administrative Services to Law

Historic Preservation, Planning and Purchase of Development Rights moved from Administrative Services to Public Works & Development

Computer Services moved from Finance & Administration to Administrative Services

Building Inspection moved from Public Safety to Public Works & Development

Solid Waste (Waste Management) and Sanitary Sewers (Water & Air Quality) moved from Public Works and Development to Environmental Quality

**The following Departmental reorganization took place in FY2012:

Communications, Enterprise Solutions, Information Technology and PeopleSoft moved from Chief Information Officer to Administrative Services

Historic Preservation, Planning and Purchase of Development Rights moved from Public Works to Administrative Services

Risk Management moved from Law to Administrative Services

Budgeting moved from Administrative Services to Finance

Chief Development Administration was created under Chief Development Officer

Office of Economic Development moved from General Government to Chief Development Officer

Community Development changed to Grants and Special Projects and moved from Finance to Administrative Services

Human Resources moved from Finance to Law

Environmental Quality and Public Works were merged to form Environmental Quality & Public Works

Police and Fire Pension moved from Public Safety to Finance

Building Inspection moved from Public Works to Public Safety

Community Corrections, Police and Fire and Emergency Services moved to Public Safety

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

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

TABLE 23

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

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Fire and Emergency Services										
Emergency Medical Calls	27,750	28,698	28,772	30,087	31,336	31,490	32,199	34,197	37,000	36,619
False Calls	2,721	2,606	2,560	2,667	2,804	2,715	2,653	2,870	2,673	2,585
Fire Incidents	1,356	1,194	1,315	1,402	1,322	1,301	1,129	1,337	1,564	1,293
Good Intent Calls	na	na	na	1,112	1,090	1,245	1,265	1,271	1,153	1,107
Hazardous Materials Calls	1,115	1,155	1,090	1,087	1,252	1,295	1,192	1,118	1,248	1,451
Other	na	na	na	129	109	134	62	79	60	44
Rescues	na	na	na	517	387	366	451	460	421	449
Rupture - Gas, Water, etc.	na	na	na	52	32	51	45	47	36	34
Service Calls	985	1,022	1,128	1,161	1,313	1,330	1,227	1,529	1,707	1,598
Police										
Physical Arrests	22,422	22,295	23,411	24,677	19,460	18,155	17,126	15,248	20,214	14,592
Parking Violations	16,325	20,874	21,668	17,665	8945	49,471	46,949	42,675	41,849	47,201
Traffic Violations	67,115	66,954	67,487	75,014	76,529	73,945	64,954	63,546	52,086	40,478
Parks and Recreation										
Rounds of Golf	159,505	154,124	152,659	139,353	141,776	122,153	107,565	89,291	95,382	96,607
Pool Visits	180,417	180,619	199,496	198,181	202,093	217,917	188,389	185,421	205,353	169,820
Building Inspection										
Permits Issued *	19,875	20,514	20,719	16,620	14,173	13,660	13,646	13,090	13,623	13,860
Inspections	36,937	38,669	39,773	29,991	27,650	29,404	28,915	24,563	23,957	24,518
Sanitary Sewers										
Tap-on Inspections	2,212	2,131	2,108	1,681	1,057	879	946	625	644	861
Average daily sewage treatment (mgd)	48	51	38	42	38	40	36	41	39	39
Solid Waste										
Annual tons of refuse collected	157,618	156,347	152,969	154,637	165,087	155,645	141,831	138,331	134,788	135,595
Annual tons of recyclables collected	10,412	11,668	15,188	18,740	18,355	20,190	18,831	20,402	21,834	22,446
Annual tons of yard waste collected							18,199	18,049	21,801	20,492
Other Public Works										
Street Resurfacing (miles)	21	23	16	40	38	35	30	15	28	22

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

TABLE 24

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

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Fire and Emergency Services										
Number of Fire Stations	21	21	22	23	23	23	23	23	23	23
Number of Engines	21	21	22	24	24	24	23	23	22	22
Number of Aerials	6	8	8	8	8	8	7	7	7	7
Number of EC Units	7	9	9	9	9	10	10	10	10	10
Number of Haz-Mat Units	3	3	3	3	3	3	2	2	2	2
Police										
Stations	3	3	3	3	3	3	3	3	3	3
Patrol Units	460	463	467	467	481	438	444	440	429	424
Parks and Recreation										
Acres of Parks	4,263	4,261	4,261	4,261	4,565	4,565	4,917	4,917	4,282	4,282
Number of Golf Courses	6	6	6	6	6	6	6	6	5	5
Number of Swimming Pools	8	10	10	10	9	9	9	9	7	7
Sanitary Sewers										
Treatment Capacity (mgd)	64	64	64	64	64	64	64	64	64	64
Solid Waste										
Collection Trucks	117	117	118	126	116	115	119	113	119	119
Other Public Works										
Streets (miles)	1516	1,544	1,563	1,542	1,589	1,599	1,628	1,634	1,636	1,638
Acres in County	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,762	182,762
Acres in Urban Services Area	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,618	54,618
Traffic Signals	340	349	353	357	363	367	376	380	382	376

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