



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2015



Cover by: Malcolm Stallons/Environmental Services

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
LEXINGTON, KENTUCKY



PREPARED BY THE DEPARTMENT OF FINANCE AND ADMINISTRATION

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 Year Ended June 30, 2015

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INTRODUCTORY SECTION



Lexington-Fayette Urban County Government
OFFICE OF THE MAYOR

Jim Gray
Mayor

November 17, 2015

Dear Citizen,

The Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015, reflects growing financial health, continued fiscal discipline and strong financial management.

- We are in our fourth year of budget surpluses.
- Savings realized by moving our employee health insurance toward a cost-of-service model compound, year over year, as do the cost-cutting changes to our pension system. Both are major factors in our budget every year.
- Our “Rainy Day Fund” now stands at a healthy 9.1% of the General Fund revenues.
- Cost controls and efficiencies have made it possible to continue to strengthen police, fire and emergency management, our most essential public services, through investments in additional personnel, equipment such as body cameras, vehicles and a new emergency management operations center.
- We have increased funding for social service agencies to overcome federal and state cuts in funding and to provide better protection for vulnerable citizens who need help.
- We are also planning aspirational capital investments to save our historic courthouse and to create Town Branch Commons, a park that will follow the path of Town Branch, Lexington’s original water source, through downtown.
- We continue our focus on growing jobs and attracting new businesses. Since 2011 our unemployment rate has been cut by more than half.

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

Sincerely,

A handwritten signature in black ink that reads "Jim Gray". The signature is written in a cursive, flowing style.

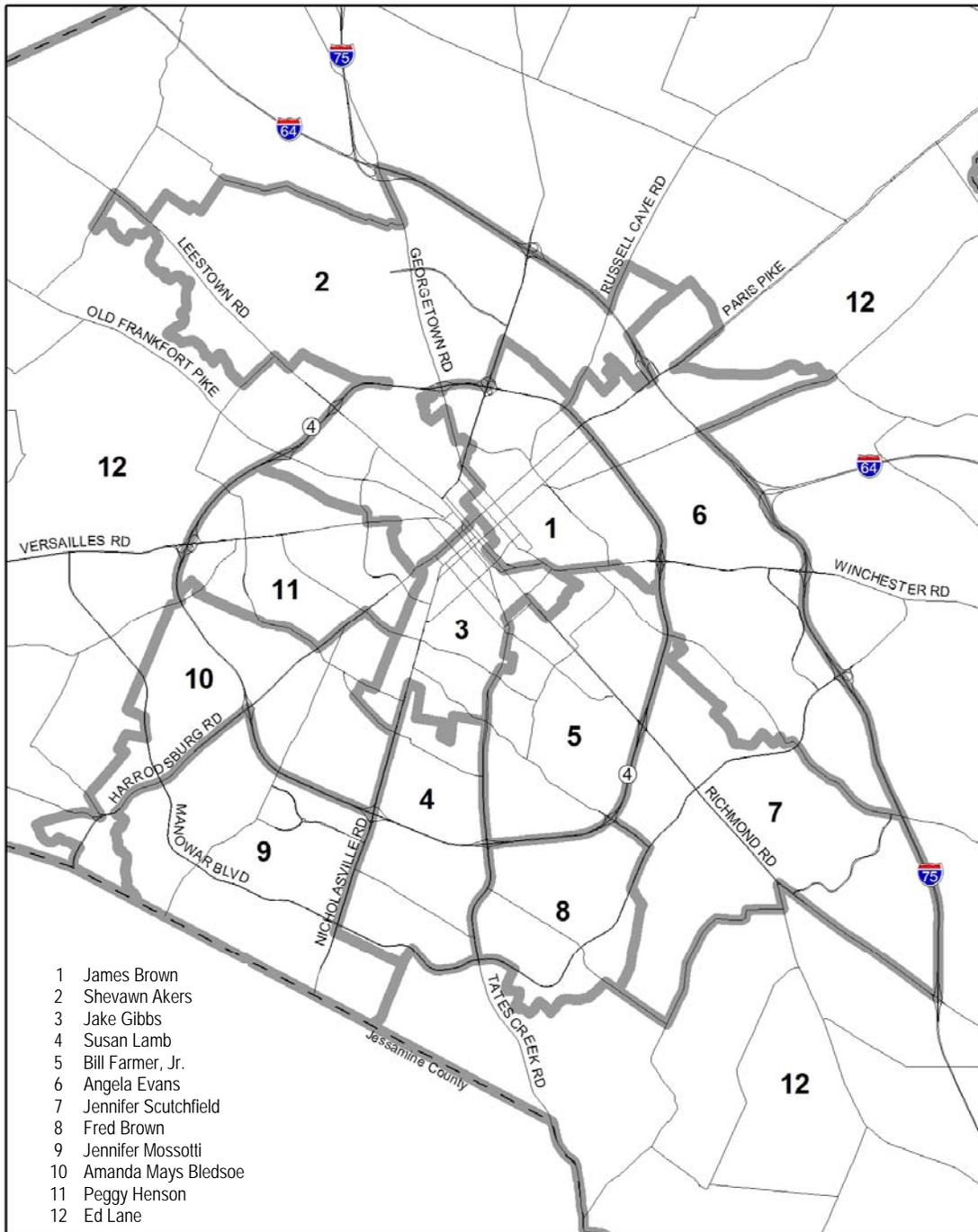
Jim Gray,
Mayor

ELECTED OFFICIALS

MAYOR
Jim Gray

COUNCILMEMBERS-AT-LARGE
Steve Kay – Vice Mayor
Richard Maloney
Kevin Stinnett

DISTRICT COUNCILMEMBERS





Lexington-Fayette Government
DEPARTMENT OF FINANCE

Jim Gray
Mayor

William O'Mara
Commissioner

November 17, 2015

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

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

As Commissioner of Finance, I present the Comprehensive Annual Financial Report (CAFR) of the Lexington-Fayette Urban County Government (the Government) (LFUCG) for the fiscal year ended June 30, 2015. The CAFR has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and the reporting standards of the Governmental Accounting Standards Board (GASB). The CAFR includes all funds of the Government and its component units.

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

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

State statute and the Charter of the Government both require that an independent financial audit be conducted annually. The accounting firm of Strothman and Company, PLLC performed the audit for the fiscal year ended June 30, 2015. 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, 2015 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, 2015, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component in the financial section of this report.

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

Profile of the Government (As of June 30, 2015)

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

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

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

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

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

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

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

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

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

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

Significant Events (as of November 17, 2015)

Infrastructure Highlights

- Lexington made a strong commitment to public safety in 2015 through a \$2.5 million purchase of new police and fire vehicles. An additional \$2.5 million was allocated for the relocation of a fire station and \$250,000 was spent to purchase land for a new fire station. Construction has begun on a new \$12.5 million public safety operations center that is scheduled to open in August 2016.
- Lexington's government owned facilities were approved by the Urban County Council to receive needed maintenance in 2015. Several buildings will receive new boilers and HVAC systems while others will receive roof improvements. The approximate cost of these projects is \$1.2 million. An architect and engineering selection has been made for the rehabilitation of the historic courthouse and the planning process has begun.
- In August 2013 Urban County Council unanimously approved the construction of a new senior citizens' center in Idle Hour Park on land already owned by the Government. As part of the fiscal year 2015 budget Urban County Council approved the Mayor's proposal of \$8 million to build the senior citizens' center. The total cost for the building and all furnishings is expected to be approximately \$13 million. Construction is active and ongoing. Aging services anticipates a May 2016 opening.

Accela Implementation Phase 2

In 2011 the Government agreed to a Consent Decree requiring various projects to repair sanitary and storm sewer systems and to improve wastewater treatment plants in order to be in compliance with the Federal Clean Water Act. The Government has successfully implemented Accela Asset Management, Mobile Office and GIS for purposes of tracking capital construction projects, establishing and monitoring work orders, mapping overflows, conducting field assessments of existing infrastructure and generating reports to the EPA.

Phase 2 was launched in August 2014, and is expanding within the Department of Planning, Preservation and Development to aid in tracking capacities of sanitary and storm sewer system infrastructure per the Capacity Assurance Program (CAP). Phase 2 targets additional EPA compliance needs, tracks new residential and commercial development, and facilitates online permit issuance. LFUCG will employ this technology to facilitate monitoring, managing and reporting of all future development per the EPA compliance requirements.

Phase 2 supports technology investments in Water Quality to provide streamlined services in the Divisions of Planning, Building Inspection and Engineering. The software will allow the government's planning activities to be visionary, help citizens and businesses apply for and track their permits online, and improve efficiency and transparency in these areas. Today, LFUCG staff is working closely with Accela to configure the new system, which will be a cloud-hosted enterprise solution; the expected release date is the summer of 2016.

Consent Decree

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

In fiscal year 2015, construction of the Blue Sky pump station was completed to replace the privately owned Blue Sky package treatment plant—a non-compliant wastewater plant that had been a serious environmental problem. The closure of the old Blue Sky package treatment plant and the construction of a new pump station was one of four (4) Supplemental Environmental Projects specifically required in the Consent Decree.

In fiscal year 2015, construction commenced on Phase I of the Town Branch Wet Weather Storage Tank—to date the cost for Phase I of this project has been less than the original engineering estimate. This project is one of 80 capital improvement projects identified in the Remedial Measures Plans (RMPs) intended to rehabilitate the sanitary sewer system to prevent recurring sanitary sewer overflows and unpermitted bypasses. The cost estimate for all the RMP capital projects is \$591 million, and LFUCG must complete the projects by December 2026. Last year, seven (7) RMP projects were completed, totaling approximately \$23 million, and another \$6 million was spent on upgrades at both treatment plants as identified in the RMPs.

While the RMPs outline structural changes required for Consent Decree compliance, the Capacity, Management, Operation and Maintenance (CMOM) Program is also a requirement of the Consent Decree. The CMOM Program outlines the operational changes that must be implemented. Since launching the Consent Decree, the Division of Water Quality has completed or implemented 150 required CMOM Program elements with four (4) remaining to be completed.

In fiscal year 2015, LFUCG's MS4 Storm water Permit was renewed. During the previous five-year permit term, LFUCG successfully complied with all the terms and conditions. To date, LFUCG has completed \$10 million of the \$30 million required in flooding improvements, and either has under contract or has identified another \$5 million in capital projects to mitigate flooding. To aid in the funding of Consent Decree projects, Council approved a two year, twelve percent rate increase that took effect July 1, 2015 and will remain through fiscal year 2017.

LEXserv Utility Billing

LEXserv continues to work with Greater Cincinnati Water Works to furnish billing services and collection of sewer fees, landfill fees, and water quality fees. The Government began calculating and assessing penalty and interest charges beginning October 1, 2013. The Government began water shut offs for nonpayment of LEXserv fees on June 10, 2014. Currently 21.3% of the LEXserv customers are paying their fees through the automated debit program that was launched in 2013. In August 2015, LFUCG kicked off a project to bring the billing and collection services in house with an anticipated go live in the first quarter of calendar year 2017.

LEXrev Occupational Licenses Fees

In August of 2015, the Division of Revenue implemented a new Tax Revenue system replacing an old Mainframe system. The new revenue system (LEXrev) will capture the revenue for Occupational License Fees (Net Profit and Payroll Withholding), Franchise Fees, Insurance Premium Tax and Hotel/Motel Tax. These revenues make up 80% of the General Fund Revenue.

Jail Management System

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

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

Corrections Upgrade

In December 2014, Council authorized \$3 million to improve the lighting and HVAC systems at the Fayette County Detention Center. The project was conducted under an energy savings performance contract whereby the service company guarantees that the savings produced by the project will exceed the cost of the project. The performance guarantee made the project eligible for financing using Qualified Energy Conservation Bonds. The improvements at the Detention Center are expected to avoid over 2 million kilowatt-hours of electricity and 12 million cubic feet of natural gas annually; a savings \$3.3 million over a 12 year period.

Compensation Study

The Government engaged Management Advisory Group International, Inc. to complete a comprehensive job classification and compensation study. The study included an in-depth analysis of all classified and unclassified Civil Service positions. Recommendations were made to the Urban County Council regarding the adoption of findings and were approved for implementation this fiscal year at a cost of \$3.5 million.

Strengthening Fiscal Management

Introduction

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

Local Economy

The unemployment rate in Fayette County was 4.1% in June 2015, down from 6.3% in June 2014. The June 2015 rate was below the state rate of 4.9%. Total employment is well above pre-2008 levels. Employment, as measured by a household survey, which is by place of residence, was 185,371 for the quarter ended December 31, 2014. By comparison, total employment was 179,300 for the quarter ended December 31, 2007.

Budget Control and Financial Management

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

The Urban County Council adopts a line-item budget ordinance and must approve all budget amendments moving money within the personnel category or from one category to another (personnel, operating, capital). Budgetary control

is maintained at the division level and is facilitated by the use of encumbrance accounting. As purchase orders are issued, corresponding amounts of divisional appropriations are reserved for later payment. Requests for disbursements which will result in an overrun of budgeted expenditures must be accompanied by a request for a budget amendment.

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

Long-Term Financial Policies

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

Cash Management and Investment Policy

The Department of Finance is responsible for the custody, investment and disbursement of all funds of the Government in accordance with the procedures and standards adopted by the Urban County Council. It is the policy of the Government to invest funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the Government. The Government's investments are governed by state statutes (KRS 66.480) and an investment policy approved by the Urban County Council. In fiscal year 2015 all funds were invested in either obligations of the United States and its agencies or instrumentalities, mutual funds comprised of those securities, repurchase agreements, collateralized Certificates of Deposit or commercial paper.

Awards and Acknowledgements

For the 23rd consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lexington-Fayette Government for its comprehensive annual financial report for the fiscal year ended June 30, 2014. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

Respectfully submitted,



William O'Mara, Commissioner
Department Of Finance



Government Finance Officers Association

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

Presented to

**Lexington-Fayette
Urban County Government
Kentucky**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

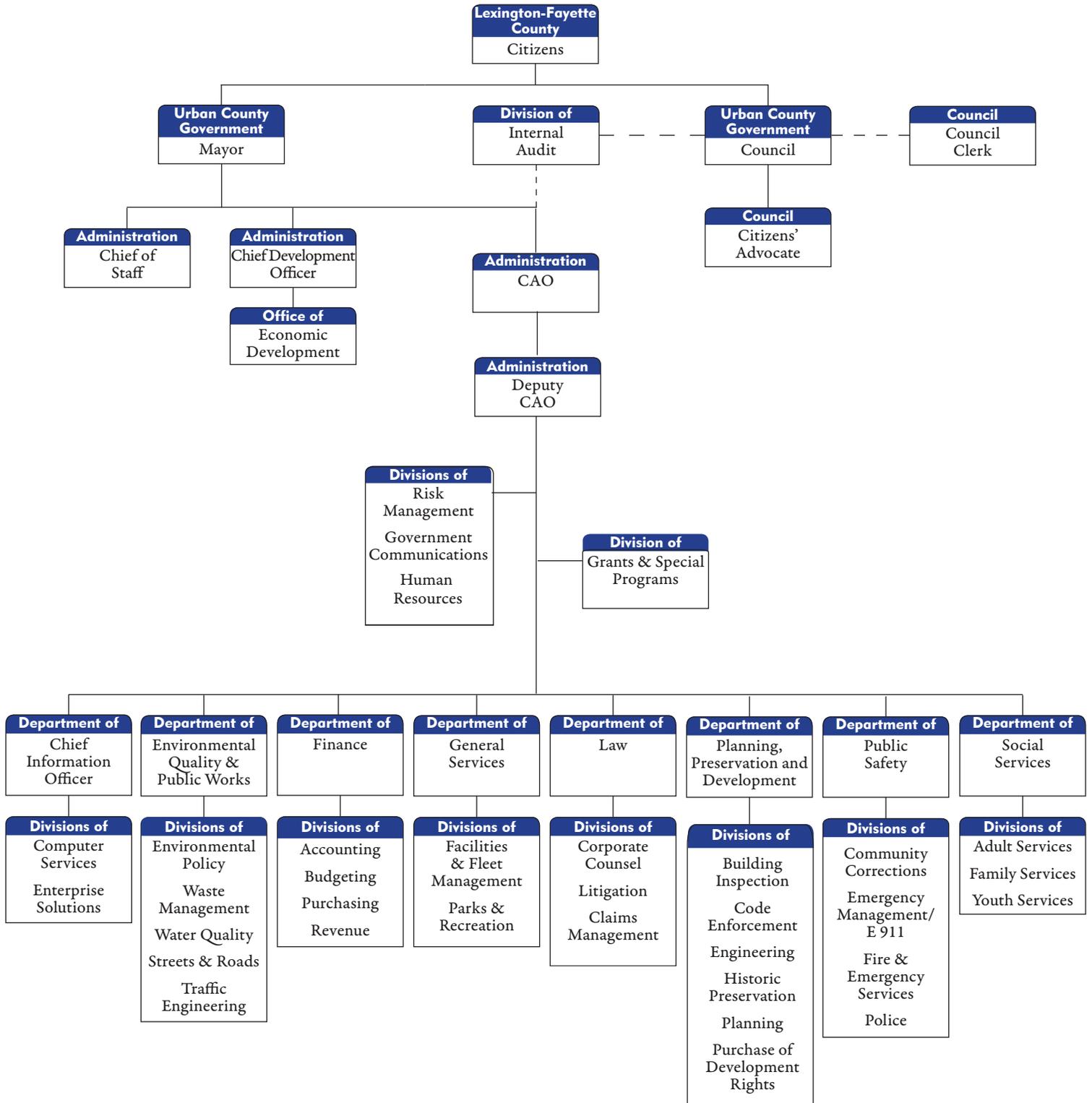
June 30, 2014

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
Government Communications
Human Resources

Chief Information Officer
Computer Services
Enterprise Solutions

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

Finance
Accounting and Payroll
Purchasing
Revenue
Budgeting

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

Law
Corporate Counsel
Litigation
Claims Management

Public Safety
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, Citizens' Advocate

Meredith Nelson, Council Clerk

Jim Gray, Mayor

Kevin Atkins

Bruce Sahli, Director

Sally Hamilton, Chief Administrative Officer
Irene Gooding, Director
Patrick R. Johnston, Director
Vacant
John Maxwell, Director

Aldona Valicenti, Chief Information Officer
Mike Nugent, Director
Chad Cottle, Director

Derek Paulsen, Commissioner
Chris King, Director
Elizabeth Overman, Program Manager
Bettie L. Kerr, Director
Brad Frazier, Director
Dewey Crowe, Director
David Jarvis, Director

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

David Holmes, Commissioner
Susan Plueger, Director
Charles H. Martin, Director
Tracey Thurman, Director
Albert Miller, Director
Mary (Dowell) Hoskins-Squier, Director

Janet Graham, Commissioner
Keith Horn
Vacant
Tom Sweeney

Ronnie Bastin, Commissioner
Rodney Ballard, Director
Patricia Dugger, Director of Emergency Management
Robert Stack, Director of Enhanced 911
Keith Jackson, Chief
Mark Barnard, Chief

Chris Ford, Commissioner
Connie Godfrey, Director
Joanna Rodes, Director
Stephanie Hong, Director

Geoff Reed, Commissioner
Jamshid Baradaran, Director
Brian Rogers, Director



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FINANCIAL SECTION



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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lexington-Fayette Urban County Government (the "Government"), as of and for the year ended June 30, 2015, 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 following entities:

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

Collectively, these entities represent 94%, 91% and 96%, respectively, of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the financial statements of the entities above, is based on the reports of the other auditors.

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

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

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

Opinions

In our opinion, based on our audit and the reports of 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter – Implementation of New GASB Accounting Standard

As discussed in Note D of the financial statements, the Government adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27* effective as of July 1, 2014. The implementation of this new accounting standard resulted in a restatement of prior year net position. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 16, 39, 162, and 163 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Government's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2015, on our consideration of the Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.

STROTHMAN AND COMPANY

Louisville, Kentucky
November 17, 2015

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, 2015. It is supplementary information required by the Governmental Accounting Standards Board (GASB) and is intended to provide a readable explanation of the information within the basic financial statements. It should be read in conjunction with the Letter of Transmittal (which can be found preceding this narrative on page 3) and the financial statements immediately following the analysis.

FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

Government–Wide Highlights

- The Government implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement replaced 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 No. 68 required the Government to recognize their long-term obligation for pension benefits as a liability for the first time. In addition, as a participant in a cost-sharing pension, the Government is reporting a net pension liability, and pension-related deferred inflows and outflows based on the proportionate share of the collective amounts for all governments in the plan. The Government's pension asset for the closed city plan totals \$18.53 million. The Government's unfunded pension liability totals \$232.32 million. Pension related deferred outflows and inflows total \$38.99 million and \$58.67 million, respectively.
- Total assets plus deferred outflows of resources of the Primary Government exceeded total liabilities and deferred inflows of resources by approximately \$847.33 million at the close of fiscal year 2015. This amount includes a deficit of approximately \$314.17 million in unrestricted net assets.
- Governmental Activities' net position was \$523.24 million at the end of fiscal year 2015. Of this amount, \$838.88 million was the net investment in capital assets. The net investment in capital assets comprises 160.32% of total net position.
- Business-Type Activities held a balance of \$324.09 million in net position. The unrestricted fund balance at June 30, 2015 is \$36.18 million, or 51.26% of Business-Type Activity expenses.

Fund Highlights

- As of June 30, 2015, the Government's governmental funds reported combined ending fund balances of \$159.86 million, an increase of \$29.93 million compared to the previous fiscal year. Of this total amount, \$75.84 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 \$4.27 million or 1.40% 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 \$41.29 million. The committed fund balance designation for economic stabilization held a balance of \$29.69 million, available for spending in the event of an economic downturn or unforeseen event. There are two categories of assigned fund balance; general government and capital

projects. Assignments for general government and capital projects represent planning for various projects. These assignments total \$34.95 million for fiscal year 2015.

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, 2015. Accordingly, the Government's net position, the difference between assets (what the citizens own) plus deferred outflows of resources and liabilities (what the citizens owe) 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, water quality, and leases and operating costs for public facilities related to debt issues.
3. **Discretely Presented Component Units** – The Government includes eight separate legal entities in its reports. Although legally separate and possessing independent qualities, the Government maintains financial accountability for these entities.

B. Fund Financial Statements

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

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

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

2. Proprietary funds – When the Government charges a fee for services which is intended to cover the cost of providing those services – whether to outside customers or 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 System Fund, the Public Facilities Corporation Fund, the Landfill Fund, and the Water Quality Fund as its major proprietary funds.

3. Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Government. Fiduciary funds are not reflected in the *Government-Wide Financial Statements* because the resources of those funds are not available to support the programs of the Government. The accounting used for the fiduciary funds is similar to that used for proprietary funds. The Government is 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 \$847.33 million as of June 30, 2015, an increase of \$50.15 million from the previous year. Total depreciation expense government wide was \$63.12 million.

The largest proportion of the Government's net position, \$1.07 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		
	<u>FY 2015</u>	<u>Restated FY 2014</u>	<u>Change</u>
ASSETS			
Current and other assets	\$372,736	\$364,367	\$8,369
Capital assets	<u>1,371,944</u>	<u>1,376,083</u>	<u>(4,139)</u>
Total assets	<u>1,744,680</u>	<u>1,740,450</u>	<u>4,230</u>
DEFERRED OUTFLOWS OF RESOURCES	47,041	0	47,041
LIABILITIES			
Current and other liabilities	80,606	70,233	10,373
Long-term liabilities	<u>805,113</u>	<u>873,029</u>	<u>(67,916)</u>
Total liabilities	<u>885,719</u>	<u>943,262</u>	<u>(57,543)</u>
DEFERRED INFLOWS OF RESOURCES	58,668	0	58,668
NET POSITION			
Net Investment in Capital Assets	1,066,702	1,082,988	(16,286)
Restricted for:			
Capital Projects	83,360	64,368	18,992
Energy Improvement Projects	879	746	133
Debt Service	4,731	9,833	(5,102)
Capital Replacement	382	2,192	(1,810)
Water Quality Incentive Program	5,243	4,548	695
Grants	211	1,262	(1,051)
Maintenance and Operations		7,306	(7,306)
Unrestricted	<u>(314,174)</u>	<u>(376,055)</u>	<u>61,881</u>
Total net position	<u>\$847,334</u>	<u>\$797,188</u>	<u>\$50,146</u>

Approximately \$94.81 million, or 11.19% of total net position, is subject to external restrictions regarding its use. Restricted amounts within Governmental Activities include fund balances of the general fund, the urban services fund and various special revenue funds. Please refer to the fund analysis beginning on page 25 for more information.

Table 2 indicates that the net position of Governmental Activities totaled \$523.24 million, or 41.55% of total assets, an increase of \$33.34 million from the previous year. Of this total, \$838.88 million is invested in capital assets (e.g. land, infrastructures, buildings and improvements, and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets.

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

	Governmental Activities		
	FY 2015	Restated FY 2014	Change
ASSETS			
Current and other assets	\$244,283	\$238,466	\$5,817
Capital assets	1,014,963	1,029,921	(14,958)
Total assets	<u>1,259,246</u>	<u>1,268,387</u>	<u>(9,141)</u>
DEFERRED OUTFLOWS OF RESOURCES	39,977		39,977
LIABILITIES			
Current and other liabilities	69,756	57,174	12,582
Long-term liabilities	649,227	721,310	(72,083)
Total liabilities	<u>718,983</u>	<u>778,484</u>	<u>(59,501)</u>
DEFERRED INFLOWS OF RESOURCES	56,997		56,997
NET POSITION			
Net Investment in Capital Assets	838,878	860,075	(21,197)
Restricted for:			
Capital Projects	33,754	20,133	13,621
Energy Improvement Projects	556	650	(94)
Debt Service	198		198
Grants	211	1,262	(1,051)
Maintenance and Operations			
Unrestricted	<u>(350,354)</u>	<u>(392,217)</u>	<u>41,863</u>
Total net position	<u>\$523,243</u>	<u>\$489,903</u>	<u>\$33,340</u>

Table 3 shows the net position of Business-Type Activities totaled \$324.09 million at the end of fiscal year 2015, an increase of \$16.81 million from the previous fiscal year. Of total net position, \$227.83 million, or 70.30%, 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)

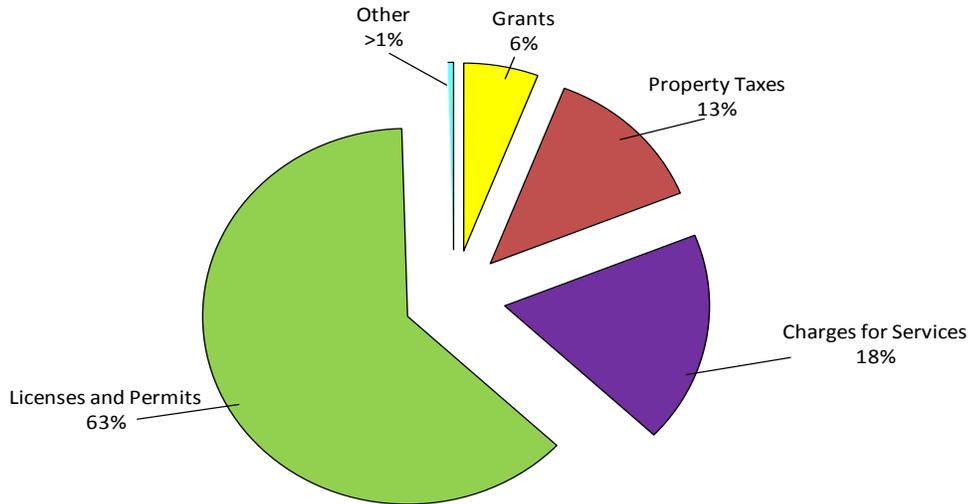
	Business-Type Activities		
	FY 2015	Restated FY 2014	Change
ASSETS			
Current and other assets	\$128,453	\$125,901	\$2,552
Capital assets	356,980	346,162	10,818
Total assets	<u>485,433</u>	<u>472,063</u>	<u>13,370</u>
DEFERRED OUTFLOWS OF RESOURCES	7,064		7,064
LIABILITIES			
Current and other liabilities	10,849	13,060	(2,211)
Long-term liabilities	155,885	151,718	4,167
Total liabilities	<u>166,734</u>	<u>164,778</u>	<u>1,956</u>
DEFERRED INFLOWS OF RESOURCES	1,671		1,671
NET POSITION			
Net Investment in Capital Assets	227,825	222,913	4,912
Restricted for:			
Capital Projects	49,606	44,235	5,371
Energy Improvement Projects	323	95	228
Debt Service	4,533	9,833	(5,300)
Capital Replacement	382	2,192	(1,810)
Water Quality Incentive Program	5,243	4,548	695
Maintenance and Operations		7,306	(7,306)
Unrestricted	36,180	16,163	20,017
Total net position	<u>\$324,092</u>	<u>\$307,285</u>	<u>\$16,807</u>

Governmental Activities

As indicated in Chart 1, the Government funds its Governmental Activities from revenue received from four significant categories. A clear majority, 63%, of the Government's revenue is provided through licenses and permits. This category included fees placed on employee withholdings, business returns, insurance premiums, and franchise fees. Charges for Services were 18%, which was the second largest contributing category to governmental

activity revenues. Revenues collected in this category included charges collected from the Detention Center, EMS charges, golf course collections, fees for building permits, and fees associated with parks and recreation programs. Property Taxes comprised 13% of governmental revenues just ahead of Federal and State grant funding which represents 6%. The remaining Other category represented miscellaneous revenues collected by the Government.

Chart 1
Distribution of Governmental Activity Revenues



As indicated by Table 4, revenues from Governmental Activities totaled \$424.93 million, which was an increase of \$20.63 million, or 5.14%, from the previous fiscal year. Licenses and permits totaled \$265.60 million, representing 62.50% 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 \$17.32 million, or 6.98% from the previous fiscal year. This is primarily due to increases in occupational license and insurance fees collected during the fiscal year of \$13.53 million and \$3.00 million, respectively. Property taxes increased slightly, by \$0.48 million, due to decreases in discounts and commissions. Charges for services increased by \$2.62 million from the previous fiscal year, or 3.52%, primarily due to an increase in EMS fees related to ambulatory services in Fayette County.

As noted on Table 4, total expenses of Governmental Activities were \$391.55 million; a decrease of \$36.90 million from the previous fiscal year. This is primarily due to deferred pension contributions of \$36.80 million. The remaining \$0.10 million was a slight decrease in operating expenditures.

Business-Type Activities

Also indicated on Table 4, revenues from Business-Type Activities decreased \$0.16 million from the previous fiscal year. Revenues collected for services provided by the Government increased \$1.46 million; this was offset by a decrease in other general revenues of \$1.62 million. Total expenses of Business-Type Activities decreased when compared to fiscal year 2014, by \$5.63 million. Primarily Sanitary Sewer and Landfill expenses decreased \$3.14 million and \$1.68 million, respectively. Other Business-Type Activities expenses decreased approximately \$0.82 million. The largest program among these activities is the Sanitary Sewer system, with expenses of \$41.21 million during the fiscal year, representing 58.38% of all Business-Type Activities expenses.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
Revenues						
Program Revenues:						
Charges for Services	\$77,152	\$74,532	\$87,980	\$86,520	\$165,132	\$161,052
Operating Grants and Contributions	15,087	15,108			15,087	15,108
Capital Grants and Contributions	8,191	9,201			8,191	9,201
General Revenues:						
Property Taxes	55,242	54,759			55,242	54,759
Licenses and Permits	265,596	248,272			265,596	248,272
Grants and Unrestricted Contributions	1,719	2,009			1,719	2,009
Other General Revenues	1,941	263	(595)	1,022	1,346	1,285
Total Revenues	<u>424,928</u>	<u>404,144</u>	<u>87,385</u>	<u>87,542</u>	<u>512,313</u>	<u>491,686</u>
Program Expenses						
General Government	25,482	27,347			25,482	27,347
Administrative Services*	7,433	5,689			7,433	5,689
Health, Dental, Vision, Workers Comp, General Insurance	25,001	24,894			25,001	24,894
Chief Development Officer	514	211			514	211
Chief Information Officer	8,401	7,235			8,401	7,235
Finance	14,049	15,494			14,049	15,494
Environmental Quality & Public Works	54,934	46,492			54,934	46,492
Planning, Preservation, & Development	42,416	48,971			42,416	48,971
Public Safety	12,593	11,018			12,593	11,018
Police	56,418	73,685			56,418	73,685
Fire and Emergency Services	56,832	71,590			56,832	71,590
Community Corrections	30,066	36,510			30,066	36,510
Social Services	10,964	10,905			10,964	10,905
General Services	11,827	10,999			11,827	10,999
Parks and Recreation	18,855	20,423			18,855	20,423
Law and Risk Management*	2,650	3,936			2,650	3,936
Interest on Long-Term Debt	13,116	13,054			13,116	13,054
Sanitary Sewer System			41,209	44,351	41,209	44,351
Public Facilities			8,830	8,895	8,830	8,895
Public Parking			67	265	67	265
Landfill			4,426	6,102	4,426	6,102
Right of Way			280	328	280	328
Extended School Program			1,951	2,055	1,951	2,055
Prisoners' Account System			1,253	1,844	1,253	1,844
Enhanced 911			2,638	2,515	2,638	2,515
CKY Network			1,308	451	1,308	451
Water Quality			8,619	9,408	8,619	9,408
Total Expenses	<u>391,551</u>	<u>428,453</u>	<u>70,581</u>	<u>76,214</u>	<u>462,132</u>	<u>504,667</u>
Increase (Decrease) in Net Position before Transfers	33,377	(24,309)	16,804	11,328	50,181	(12,981)
Transfers	(3)	(871)	3	871	0	0
Increase (Decrease) in Net Position	33,374	(25,180)	16,807	12,199	50,181	(12,981)
Net Position, July 1	489,869	809,408	307,285	310,937	797,154	1,120,345
Adjustment to Opening Net Position (Note 2.D)		(294,359)		(15,851)	0	(310,210)
Net Position, June 30	<u>\$523,243</u>	<u>\$489,869</u>	<u>\$324,092</u>	<u>\$307,285</u>	<u>\$847,335</u>	<u>\$797,154</u>

*The Division of Human Resources moved from Law and Risk Management to Administrative Services in fiscal year 2015

PERSONNEL COSTS

During the year, personnel related expenses for Police, Fire & Emergency Services, and Community Corrections, which are covered by collective bargaining agreements, decreased approximately \$27.26 million. Fire & Emergency Services, Police, and Community Corrections decreased by \$11.10 million, \$12.38 million, and \$4.05 million, respectively. Salary and wage costs, including benefits, for non-collective bargaining employees decreased 6.0%. See Chart 2 for more information on personnel costs for Governmental Activities during fiscal year 2015.

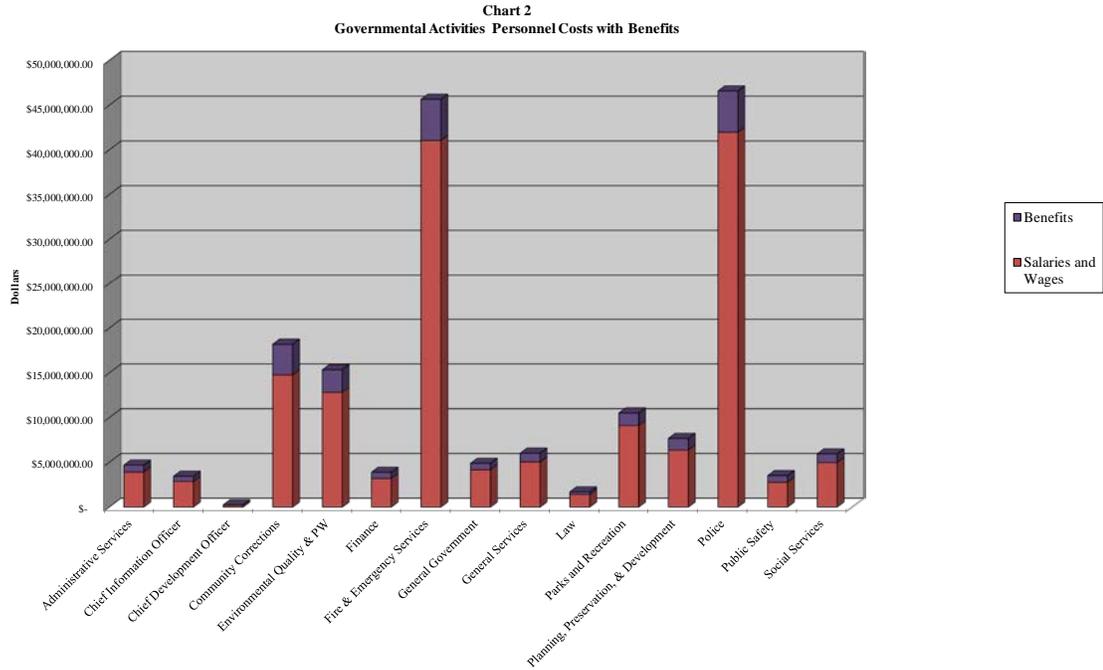
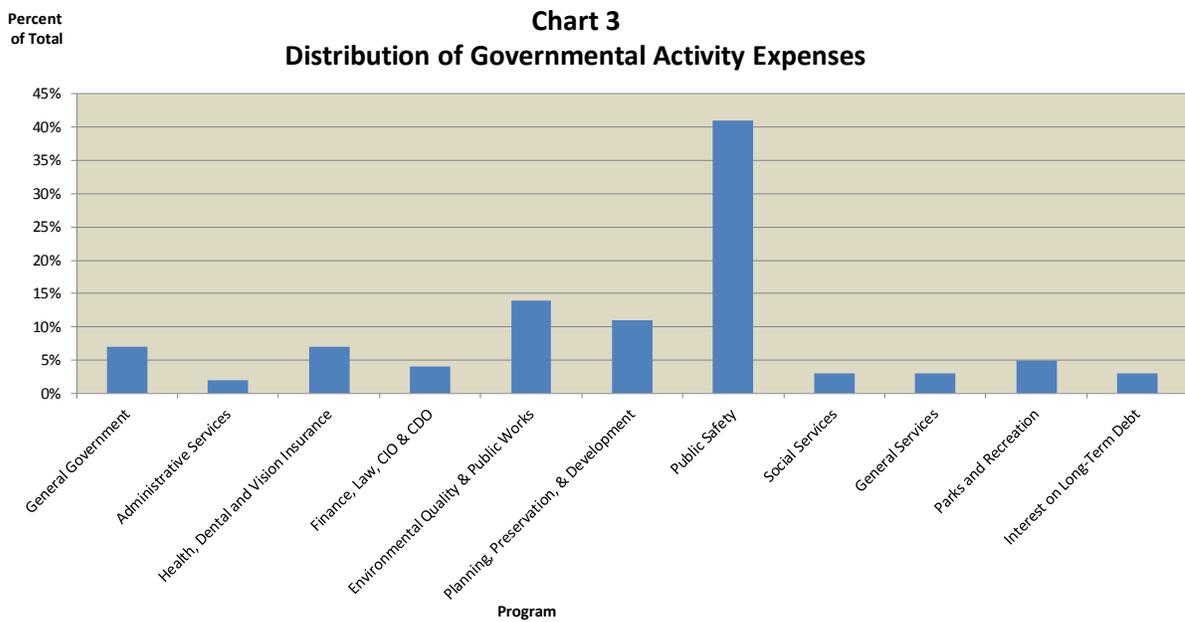


Chart 3 displays the distribution of total costs by governmental activity.



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, 2015 reflect a combined ending fund balance of \$159.86 million, an increase of \$29.93 million from the previous fiscal year. The Government reports fund balance as nonspendable, restricted, committed, assigned, or unassigned (refer to Note 1 to the financial statements for detailed information on the fund balance classifications). The increase is primarily due to proceeds from the issuance of bonds of \$30.85 million, offset by expenditures in excess of revenues of \$0.92 million.

The Government had \$4.27 million of unassigned fund balance available in the General Fund at June 30, 2015. Unassigned fund balance of the General Fund (the Government's main operating fund) represents approximately 1.40% of total general fund expenditures for fiscal year 2015. At the end of fiscal year 2015, the fund balance held by the General Fund totaled \$83.33 million, an increase of \$19.58 million, or 30.71%, from the previous fiscal year. This was primarily due to revenues in excess of expenditures of \$20.22 million, offset by other financing uses of \$0.64 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 \$31.40 million, an increase of \$1.52 million over the prior fiscal year. This increase is primarily due to expenditures in excess of revenues of \$0.79 million, offset by net transfers of \$2.31 million. Revenues of the Urban Services Fund increased by \$1.35 million or 3.70% compared to the prior fiscal year. Licenses and permits, taxes, charges for services and investments increased by \$0.04 million, \$0.56 million, \$0.21 million, \$0.53 million respectively, over fiscal year 2015. Expenditures increased slightly, \$0.88 million over the prior fiscal year.

The Federal and State Grants Fund held a balance of \$0.21 million for fiscal year ended June 30, 2015, a decrease of \$1.05 million over the prior fiscal year. This fund balance represents grant revenues received, but not spent, that are restricted for specific activities. During fiscal year 2012, an outstanding loan receivable balance was paid in full. The funding is being used for urban development projects.

The Other Governmental Funds primarily relate to costs associated with various capital bond projects. During fiscal year 2015, \$29.14 million was expended on these projects. Bonds in the amount of \$30.74 million were issued to reimburse these expenditures and cover any additional costs associated with the projects. An additional issuance of \$22.85 million fully 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 \$324.09 million as of June 30, 2015, an increase of \$16.81 million from the prior fiscal year. Revenues from charges for services increased \$1.460 million and total expenses decreased \$5.63 million when compared to the prior fiscal year.

The Sanitary Sewer System Fund held total net position of \$240.53 million, an increase of \$0.68 million over the prior year. Of the total net position held by the Sanitary Sewer System Fund, \$51.77 million is restricted by bond covenants for maintenance, capital replacement and projects, and debt service.

The Public Facilities Corporation was created by the Government to act as an agency and instrumentality of the Government to finance and operate public projects. The net position of the Public Facilities Corporation was \$23.82 million, a decrease of \$2.17 million from the prior fiscal year. Operating income during fiscal year 2015 was \$6.41 million. The decrease in net position is primarily due to non-operating expenses of \$2.42 million, offset by transfers in of \$0.25 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 \$18.94 million, an increase of \$0.92 million from the prior fiscal year. Revenues in excess of expenses primarily contributed to this increase.

As of June 30, 2015, the total net position of the Landfill Fund held a balance of \$30.87 million, an increase of \$2.00 million from the prior fiscal year, a 6.95% 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, 2015 the other enterprise funds held total net position of \$9.73 million, a decrease of \$1.65 million over the previous fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

For fiscal year 2015, General Fund revenues totaled \$324.50 million, an increase of 6.84% from the previous fiscal year. Total revenues were \$4.43 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 affected both employee withholdings and business returns. Total licenses and permits were \$2.61 million above the final budgeted amount. Investment returns were \$1.28 million above the final budgeted amount. Taxes collected, charges for services, property sales, and other income were \$1.58 million above the final budgeted amount. This was offset by intergovernmental revenues received under budget by \$1.04 million.

General Fund expenditures of the Government totaled \$304.28 million, a decrease of \$12.44 million, or 4.26% over the previous fiscal year. Expenditures were \$12.16 million below the final budgeted amount. Operating expenditures were \$6.65 million below the final budgeted amount. Personnel expenditures, accounting for 63.2% of General Fund expenditures, were \$4.80 million below the final budgeted amount. Divisions with collective bargaining agreements had personnel expenditures \$0.32 million under the final budgeted amount. Personnel expenditures from these divisions account for 43.7% of the General Fund expenditures. Please see Table 5 below for more details regarding the distribution of General Fund personnel costs and the changes from prior year.

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

<u>Departments</u>	<u>2015</u>	<u>2014</u>	<u>Change</u>	<u>% Change</u>	<u>% General Fund Expenditures</u>
Non-Collective Bargaining Divisions					
Administrative Services *	\$4,185	\$2,464	\$1,721	69.8%	1.4%
Chief Development Officer	181	169	12	7.1%	0.1%
Chief Information Officer	3,815	3,613	202	5.6%	1.3%
Department of Finance	4,345	4,256	89	2.1%	1.4%
Department of General Services	6,547	6,280	267	4.3%	2.2%
Department of Law *	1,893	3,149	(1,256)	-39.9%	0.6%
Department of Public Safety	3,361	3,341	20	0.6%	1.1%
Department of Social Services	5,438	5,157	281	5.4%	1.8%
Department of Environmental Quality & PW	4,373	3,895	478	12.3%	1.4%
Department of Planning, Preservation & Dev	7,926	7,049	877	12.4%	2.6%
General Government	5,548	5,016	532	10.6%	1.8%
Parks and Recreation	11,784	11,490	294	2.6%	3.9%
Total Non-Collective Bargaining Divisions	59,396	55,879	3,517	6.3%	19.5%
Divisions with Collective Bargaining					
Police	55,505	55,146	359	0.7%	18.2%
Community Corrections	22,657	22,038	619	2.8%	7.4%
Fire and Emergency Services	54,784	51,497	3,287	6.4%	18.0%
Total Collective Bargaining Divisions	132,946	128,681	4,265	3.3%	43.7%
Total Personnel Costs with Benefits	\$192,342	\$184,560	\$7,782	4.2%	63.2%

* The Division of Human Resources moved from the Department of Law to Administrative Services in FY15

CAPITAL ASSETS

The Government's capital assets totaled \$1.37 billion as of June 30, 2015, details of which are in Note 3.B. to the financial statements. This investment includes land, buildings, equipment, park facilities, roads, bridges, and sewer systems. For Governmental Activities, the net investment in capital assets totaled \$838.88 million. Governmental Activities net investment in capital assets decreased by \$21.20 million from the prior fiscal year. The net investment in capital assets of Business-Type Activities totaled \$227.57 million, an increase of \$4.66 million over the previous fiscal year.

This year's major changes in capital assets included:

- Governmental Activities total capital assets decreased by \$14.96 million compared to the previous fiscal year. The decrease was primarily due to depreciation of \$49.53 million and asset retirements of \$1.23 million, respectively, offset by capital additions of \$35.80 million. Infrastructure assets decreased by \$20.22 million, primarily due to depreciation of \$33.33 million, offset by capital additions of \$13.11 million. Infrastructure includes roads, bridges, storm water, fiber optics, traffic signals and similar items. In addition, construction in progress decreased \$6.97 from the previous fiscal year. Vehicles, equipment and furniture increased by \$9.35 million.
- Capital assets for Business-Type Activities increased by \$10.82 million. The overall increase was primarily due to infrastructure, sewer lines/plants increasing by \$13.39 million. The increase represents

several projects underway related to the Government's Remedial Measures Plan, filed with the Environmental Protection Agency. Additional information can be found in Note 5.B. to the financial statements. This was offset primarily by a decrease in buildings of \$3.54 million. Other asset categories had a net increase of \$0.98 million.

- Infrastructure assets totaled \$677.51 million in the Governmental Activities and \$205.64 million in Business-Type Activities. The overall decrease from the previous year in infrastructure assets totaled \$6.84 million. The decrease was primarily due to depreciation of \$40.15 million, offset by net additions and reclassifications of \$33.31 million.

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

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Primary Government</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$59,696	\$57,777	\$41,699	\$41,543	\$101,395	\$99,320
Purchase of Development Rights *	75,191	75,460			75,191	75,460
Intangibles	5,752	4,527	1,043	1,228	6,795	5,755
Buildings	91,026	92,958	40,829	44,373	131,855	137,331
Vehicles, Equipment and Furniture	39,204	29,853	9,614	8,102	48,818	37,955
Land and Leasehold Improvements	14,329	12,812	9,709	10,417	24,038	23,229
Infrastructure and Sewer Lines/Plants	677,512	697,738	205,635	192,249	883,147	889,987
Construction in Progress	30,060	37,029	40,278	40,208	70,338	77,237
Developments in Progress	22,193	21,767	8,174	8,042	30,367	29,809
Total	<u>\$1,014,963</u>	<u>\$1,029,921</u>	<u>\$356,981</u>	<u>\$346,162</u>	<u>\$1,371,944</u>	<u>\$1,376,083</u>

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

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

DEBT ADMINISTRATION

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

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

At the end of fiscal year 2015, the Government had \$451.79 million in bonds and notes outstanding; Governmental Activities' debt increased by \$12.60 million and total debt increased by \$18.50 million. The increase in debt for Governmental Activities resulted primarily from the issuance of GO bonds totaling \$30.74 million, offset by

principal payments, bond refunding and amortized bond costs in the current fiscal year on outstanding debt of \$20.48 million. In addition, \$2.34 million was reclassified from bond discounts and premiums to deferred amount on bond refunding. The Business-Type Activities debt increased \$5.91 million primarily from note payable proceeds of \$9.85 million, offset by principal payments and amortized bond costs of \$3.94 million.

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 \$2.96 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 \$382.50 million.

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

	Governmental		Business-Type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds, Notes, Leases	\$322,637	\$310,041	\$36,969	\$27,785	\$359,606	\$337,826
Mortgage Revenue Bonds			53,625	52,873	53,625	\$52,873
Revenue Bonds			38,561	42,591	38,561	\$42,591
Total	\$322,637	\$310,041	\$129,155	\$123,249	\$451,792	\$433,290

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

NEXT YEAR’S BUDGET

The Lexington-Fayette Urban County Government Fiscal Year 2016 Budget, for all funds combined, net of interfund transfers, is \$609,797 million. Significant initiatives in the budget include:

- A commitment of \$102.26 million for storm sewer projects and programs as required by the Environmental Protection Agency Consent Decree.
- GO bonds were approved as part of the fiscal year 2016 budget for \$59.29 million. The bonds will fund projects for Information Technology infrastructure improvements, old courthouse renovations, streets and roads projects, and local parks.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
June 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash	\$51,821,128	\$55,092,856	\$106,913,984	\$28,456,828
Investments	98,777,875	60,502,132	159,280,007	7,337,106
Receivables (Net)	26,623,828	7,827,587	34,451,415	3,374,824
Due from Other Governments	7,448,966		7,448,966	6,363,590
Due from Fiduciary Funds	4,061,996		4,061,996	
Due from Component Units	77,512		77,512	
Due from Primary Government				1,546,685
Other Current Assets				759,788
Inventories and Prepaid Expenses	2,654,446	133,394	2,787,840	644,755
Net Pension Asset	18,534,988		18,534,988	
Restricted Assets:				
Cash				23,535,718
Receivables (Net)				443,375
Grants Receivable				4,195,890
Investments	33,727,666	4,896,378	38,624,044	24,060,656
Other				46,556
Capital Assets:				
Non-depreciable	190,244,238	90,378,577	280,622,815	61,359,528
Depreciable (Net)	824,719,258	266,601,885	1,091,321,143	204,728,020
Other Assets	555,000		555,000	10,593,562
Total Assets	\$1,259,246,901	\$485,432,809	\$1,744,679,710	\$377,446,881
DEFERRED OUTFLOWS OF RESOURCES				
Deferred Amount on Bond Refunding	\$3,172,267	\$4,878,936	\$8,051,203	\$109,172
Changes of assumptions				709,517
Differences between projected and actual earnings on pension plan				140,758
Contributions subsequent to measurement date	36,804,363	2,185,091	38,989,454	4,417,784
Total Deferred Outflows of Resources	\$39,976,630	\$7,064,027	\$47,040,657	\$5,377,231
LIABILITIES				
Accounts, Contracts Payable and Accrued Liabilities	\$27,304,214	\$6,701,857	\$34,006,071	\$10,095,802
Interest Payable	4,206,085	556,932	4,763,017	22,366
Internal Balances	1,212,589	(1,212,589)		
Due to Component Units	1,546,685		1,546,685	
Due to Primary Government				77,512
Unearned Revenue and Other	5,657,634	76,219	5,733,853	21,397
Claims Liabilities	29,829,709		29,829,709	
Liabilities Payable from Restricted Assets:				
Accounts, Contracts and Retainage Payable		1,743,450	1,743,450	4,542,465
Bonds and Notes Payable		2,909,389	2,909,389	
Interest Payable		74,243	74,243	1,187,013
Non-Current Liabilities:				
Due Within One Year:				
Bonds and Notes Payable	22,010,000	2,371,612	24,381,612	5,756,020
Compensated Absences	3,237,843	485,664	3,723,507	555,271
Landfill Closure and Postclosure Care Costs		437,093	437,093	
Due in More Than One Year:				
Unearned Revenue and Other	4,622,933		4,622,933	715,878
Bonds and Notes Payable	300,626,652	123,874,357	424,501,009	105,655,000
Compensated Absences	19,889,605	1,031,221	20,920,826	904,814
Landfill Closure and Postclosure Care Costs		12,280,708	12,280,708	
Unfunded Other Post Retirement Benefit Liability	81,924,516		81,924,516	
Unfunded Pension Liability	216,915,496	15,403,926	232,319,422	71,529,725
Total Liabilities	\$718,983,961	\$166,734,082	\$885,718,043	\$201,063,263
DEFERRED INFLOWS OF RESOURCES				
Differences between expected and actual experience	\$0	\$0	\$0	\$78,573
Differences between projected and actual earnings on pension plan	56,996,837	1,670,773	58,667,610	1,781,050
Total Deferred Inflows of Resources	\$56,996,837	\$1,670,773	\$58,667,610	\$1,859,623

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
June 30, 2015

	<u>Primary Government</u>			<u>Component Units</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	
NET POSITION				
Net Investment in Capital Assets	\$838,877,310	\$227,825,104	\$1,066,702,414	\$161,329,138
Restricted for:				
Governmental and Program Funds				248,756
Capital Projects	33,754,253	49,606,055	83,360,308	4,244,477
Energy Improvement Projects	555,919	323,015	878,934	
Debt Service	198,175	4,532,778	4,730,953	25,337,254
Capital Replacement		381,810	381,810	
Water Quality Incentive Program		5,243,248	5,243,248	
Grants	210,880		210,880	
Unrestricted (Deficit)	(350,353,804)	36,179,971	(314,173,833)	(11,258,399)
Total Net Position	<u>\$523,242,733</u>	<u>\$324,091,981</u>	<u>\$847,334,714</u>	<u>\$179,901,226</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, 2015

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	\$25,480,664	\$19,035,778	\$53,924	\$0	(\$6,390,962)	\$0	\$0
Administrative Services	7,433,487	351,158	2,246,367		(4,835,962)		(4,835,962)
Health, Dental, and Vision	25,000,892	25,000,892					
Chief Development Officer	513,854	76,504			(437,350)		(437,350)
Chief Information Officer	8,401,242	3,821			(8,397,421)		(8,397,421)
Finance	14,049,319	1,912,603			(12,136,716)		(12,136,716)
Environmental Quality & Public Works	54,933,912	3,140,243	412,440	1,402,618	(49,978,611)		(49,978,611)
Planning, Preservation, & Development	42,415,735	2,709,381	946,534	6,441,885	(32,317,935)		(32,317,935)
Public Safety	12,593,479	247,994	3,502,902		(8,842,583)		(8,842,583)
Police	56,418,416	1,640,754	3,166,539	157,694	(51,453,429)		(51,453,429)
Fire and Emergency Services	56,832,342	8,211,753	3,355,112		(45,265,477)		(45,265,477)
Community Corrections	30,066,104	8,574,892	7,175		(21,484,037)		(21,484,037)
Social Services	10,964,083	1,804,885	1,396,126	185,922	(7,577,150)		(7,577,150)
General Services	11,827,132	97,971			(11,729,161)		(11,729,161)
Parks and Recreation	18,854,526	4,327,985	351	2,566	(14,523,624)		(14,523,624)
Law and Risk Management	2,650,481	15,013			(2,635,468)		(2,635,468)
Interest on Long-Term Debt	13,116,151				(13,116,151)		(13,116,151)
Total Governmental Activities	391,551,819	77,151,627	15,087,470	8,190,685	(291,122,037)	0	(291,122,037)
Business-Type Activities:							
Sanitary Sewer System	41,207,716	52,007,762			10,800,046		10,800,046
Public Facilities	8,829,979	6,405,783			(2,424,196)		(2,424,196)
Public Parking	66,994				(66,994)		(66,994)
Landfill	4,426,038	7,211,864			2,785,826		2,785,826
Right of Way	280,214	475,126			194,912		194,912
Extended School Program	1,951,359	2,229,896			278,537		278,537
Prisoners' Account System	1,253,423	1,227,415			(26,008)		(26,008)
Enhanced 911	2,638,373	3,810,087			1,171,714		1,171,714
CKY Network	1,307,829	1,269,890			(37,939)		(37,939)
Water Quality	8,618,921	13,341,859			4,722,938		4,722,938
Total Business-Type Activities	70,580,846	87,979,682	0	0	17,398,836	0	17,398,836
Total Primary Government	\$462,132,665	\$165,131,309	\$15,087,470	\$8,190,685	(\$291,122,037)	\$17,398,836	(\$273,723,201)

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

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	\$21,326,593	\$15,926,923	\$648,000	\$0				(\$4,751,670)
Lexington Airport Board	22,494,309	18,702,971		8,515,529				4,724,191
Fayette County Department of Health	16,520,295	3,438,459	6,067,661					(7,014,175)
Parking Authority of Lexington	3,270,144	3,728,393						458,249
Nonmajor Component Units	47,292,751	3,606,548	6,012,362	3,399,592				(34,274,249)
Total Component Units	\$110,904,092	\$45,403,294	\$12,728,023	\$11,915,121	\$0	\$0	\$0	(\$40,857,654)
General Revenues:								
Property Taxes					\$55,241,837	\$0	\$55,241,837	\$47,538,499
Licenses Fees - Wages and Net Profits Taxes					265,596,253		265,596,253	
Grants and Contributions Not Restricted to Specific Programs:								
Community Development Block Grant					1,719,372		1,719,372	417,684
Income on Investments					1,941,282	(604,800)	1,336,482	57,502
Net Change in Fair Value of Investments						10,168	10,168	(132,044)
Gain (Loss) on Sale of Capital Assets								(660,134)
Miscellaneous								(1,250)
Debt Issuance Costs								345,456
Payment to Lexington-Fayette Urban County Government								
Transfers					(2,546)	2,546		
Total General Revenues and Transfers					324,496,198	(592,086)	323,904,112	47,565,713
Change in Net Position					33,374,161	16,806,750	50,180,911	6,708,059
Net Position, Beginning					799,006,784	324,359,930	1,123,366,714	240,401,022
Adjustment to Opening Net Position (Note 2.D.)					(309,138,212)	(17,074,699)	(326,212,911)	(67,207,855)
Net Position, Beginning - Restated					489,868,572	307,285,231	797,153,803	173,193,167
Net Position, Ending					\$523,242,733	\$324,091,981	\$847,334,714	\$179,901,226

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015**

	<u>General</u>	<u>Urban Services</u>	<u>Federal and State Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash	\$35,936,938	\$1,957,399	\$678,596	\$9,453,099	\$48,026,032
Investments	68,563,771	21,675,111		8,538,993	98,777,875
Receivables:					
Loans			2,995,001		2,995,001
License Fees	18,013,911				18,013,911
Other	11,224,561	170,624		1,910,534	13,305,719
Less Allowance for Uncollectible Amounts	(4,953,211)		(2,995,001)		(7,948,212)
Due from Other Governments			7,448,966		7,448,966
Due from Component Units	77,512				77,512
Due from Fiduciary Funds	4,061,996				4,061,996
Due from Other Funds		9,809,953		3,566,167	13,376,120
Inventories and Prepaid Items	2,064,127	2,735		106,066	2,172,928
Restricted Investments			28,454	33,699,212	33,727,666
Total Assets	<u>\$134,989,605</u>	<u>\$33,615,822</u>	<u>\$8,156,016</u>	<u>\$57,274,071</u>	<u>\$234,035,514</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts and Contracts Payable	\$7,475,885	\$1,788,105	3,120,975.76	\$5,933,684	\$18,318,650
Accrued Payroll & Related Liabilities	7,279,336	430,654	104,303	388	7,814,681
Due to Other Funds	34,417,354		1,767,866	4,653,140	40,838,360
Due to Component Units	1,546,685				1,546,685
Unearned Revenue and Other	939,295		2,951,991	1,766,348	5,657,634
Total Liabilities	<u>51,658,555</u>	<u>2,218,759</u>	<u>7,945,136</u>	<u>12,353,560</u>	<u>74,176,010</u>
Fund Balances:					
Nonspendable	2,064,127	2,735		106,066	2,172,928
Restricted for:					
Public Works				8,202,688	8,202,688
Public Safety	198,175			1,529,730	1,727,905
Capital Projects				33,754,253	33,754,253
Grants Projects			210,880		210,880
Urban Services		31,391,398			31,391,398
Energy Improvement Projects	552,989	2,930			555,919
Committed for:					
General Government	11,606,932				11,606,932
Economic Stabilization	29,685,851				29,685,851
Assigned to:					
General Government	14,500,000			1,327,774	15,827,774
Capital Projects	20,449,635				20,449,635
Unassigned	4,273,341				4,273,341
Total Fund Balances	<u>83,331,050</u>	<u>31,397,063</u>	<u>210,880</u>	<u>44,920,511</u>	<u>159,859,504</u>
Total Liabilities and Fund Balances	<u>\$134,989,605</u>	<u>\$33,615,822</u>	<u>\$8,156,016</u>	<u>\$57,274,071</u>	<u>\$234,035,514</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, 2015**

Total Fund balances - Governmental Funds		\$159,859,504
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	1,534,845,137	
Less accumulated depreciation	<u>(519,881,641)</u>	1,014,963,496
The net pension asset is not an available resource and, therefore, is not reported in the funds.		
		18,534,988
Other long-term assets are not available to pay for expenditures in the current period and, therefore, are not reported in the funds.		
Other assets		555,000
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes payable	(322,636,652)	
Unearned revenue and other	(4,622,933)	
Interest payable	(4,206,085)	
Compensated absences	(23,127,448)	
Unfunded pension liability and other post retirement benefits	<u>(298,840,012)</u>	(653,433,130)
Loss on debt refunding has been deferred in the Statement of Net Position (see Note 1.G.)		3,172,267
Contributions to the pension plan have been deferred in the Statement of Net Position		36,804,363
Investment earnings on pension plan assets have been deferred in the Statement of Net Position		(56,996,837)
Internal balances due to non-governmental activities related to items listed above		<u>(216,918)</u>
Net Position of Governmental Activities		<u><u>\$523,242,733</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, 2015

	<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	\$269,928,753	\$1,425,690	\$0	\$0	\$271,354,443
Taxes	21,826,464	33,415,373			55,241,837
Charges for Services	25,633,499	2,363,975		39,161	28,036,635
Fines and Forfeitures	234,615	1,011			235,626
Intergovernmental	797,537	57,929	24,997,526	9,157,724	35,010,716
Exactions				2,074,477	2,074,477
Property Sales	318,536	188,163		23,071	529,770
Income on Investments	1,564,895	314,828	24,912	36,666	1,941,301
Other	4,198,344	86,635	681,722	278,208	5,244,909
Total Revenues	<u>324,502,643</u>	<u>37,853,604</u>	<u>25,704,160</u>	<u>11,609,307</u>	<u>399,669,714</u>
EXPENDITURES					
Current:					
General Government	4,067,607	2,173,717	65,656		6,306,980
Administrative Services	5,577,433	587,982	1,266,458		7,431,873
Chief Development Officer	267,683		95,969	174,334	537,986
Chief Information Officer	7,455,552	58,257			7,513,809
Finance	5,203,676	21,760		370	5,225,806
Environmental Quality & Public Works	9,466,847	30,498,529	417,884	4,329	40,387,589
Planning, Preservation, & Development	9,384,123		1,037,555	14,673	10,436,351
Public Safety	9,351,389		852,045	329,035	10,532,469
Police	63,035,706		3,267,447	472,312	66,775,465
Fire and Emergency Services	63,938,496		3,288,499		67,226,995
Community Corrections	32,674,401		7,175		32,681,576
Social Services	6,821,502		1,600,503		8,422,005
General Services	7,269,065	321,398			7,590,463
Parks and Recreation	18,531,448		17,327		18,548,775
Law	2,315,205	10,593		518,959	2,844,757
Outside Agencies	19,540,760		4,083,047		23,623,807
Debt Service:					
Principal	19,863,117	759,603		227,280	20,850,000
Interest	12,107,629	179,240		32,781	12,319,650
Other Debt Service				238,483	238,483
Capital:					
Equipment	4,947,327	3,549,143	470,527	6,934,657	15,901,654
Acquisitions and Construction	2,460,270	482,408	12,058,830	20,188,966	35,190,474
Total Expenditures	<u>304,279,236</u>	<u>38,642,630</u>	<u>28,528,922</u>	<u>29,136,179</u>	<u>400,586,967</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,223,407	(789,026)	(2,824,762)	(17,526,872)	(917,253)
OTHER FINANCING SOURCES (USES)					
Issuance of Debt				27,145,000	27,145,000
Premium on Bonds				3,731,553	3,731,553
Discount on Bonds				(134,397)	(134,397)
Issuance of Refunding Debt, par				19,845,000	19,845,000
Issuance of Refunding Debt, premium				3,003,988	3,003,988
Payment to Refunded Debt Escrow Agent				(22,747,669)	(22,747,669)
Transfers In	16,923,189	2,332,050	2,064,718		21,319,957
Transfers Out	(17,567,051)	(26,255)	(291,176)	(3,431,637)	(21,316,119)
Total Other Financing Sources (Uses)	<u>(643,862)</u>	<u>2,305,795</u>	<u>1,773,542</u>	<u>27,411,838</u>	<u>30,847,313</u>
Net Change in Fund Balances	19,579,545	1,516,769	(1,051,220)	9,884,966	29,930,060
Fund Balances, Beginning	<u>63,751,505</u>	<u>29,880,294</u>	<u>1,262,100</u>	<u>35,035,545</u>	<u>129,929,444</u>
Fund Balances, Ending	<u>\$83,331,050</u>	<u>\$31,397,063</u>	<u>\$210,880</u>	<u>\$44,920,511</u>	<u>\$159,859,504</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, 2015**

Net change in fund balances - Governmental Funds \$29,930,060

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditure for capital assets	35,372,480	
Less current year depreciation	<u>(49,532,296)</u>	(14,159,816)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position. (1,230,455)

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

Exaction fees		433,449
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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	(27,145,000)	
Issuance of refunding debt	(19,845,000)	
Premium on bonds	(3,731,553)	
Premium on refunding bonds	(3,003,988)	
Discount on bonds	134,397	
Loss on refunding	1,312,669	
Principal payment to refunded bond escrow agent	21,435,000	
Principal payments	<u>20,850,000</u>	(9,993,475)

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.

Amortization of current year bond (discounts) premiums	839,389	
Amortization of current year bond refunding losses	(269,568)	
Change in unfunded other post retirement benefit liability	(7,758,178)	
Contributions to the pension plan subsequent to the measurement date	36,804,364	
Unearned revenue and other	(30,762)	
Change in accrued interest payable	(796,501)	
Change in compensated absences	<u>(80,722)</u>	<u>28,708,022</u>

Internal Service Funds are used by management to charge self-insurance to individual funds. The net expense of the Internal Service Funds is reported within Governmental Activities. (313,624)

Change in net assets of Governmental Activities \$33,374,161

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
GENERAL FUND
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive (Negative)
REVENUES				
Licenses and Permits:				
Employee Withholdings	\$174,750,000	\$174,750,000	\$175,837,683	\$1,087,683
Business Returns	35,175,000	35,500,000	37,025,266	1,525,266
Individual Returns			344	344
Insurance Premiums	27,000,000	27,000,000	28,350,714	1,350,714
Bond Deposits	3,000	3,000		(3,000)
Regulated License Fee	800,780	800,780	851,820	51,040
Franchise Fee	21,500,000	25,600,000	23,530,426	(2,069,574)
Bank Franchise Fee	1,400,000	1,400,000	1,425,690	25,690
Vehicle License	200,000	200,000	213,260	13,260
Deed Tax Fee	1,400,000	1,500,000	1,996,364	496,364
Registration Fee	360,000	360,000	472,625	112,625
Filing Fee - Planning & Zoning	125,000	125,000	137,707	12,707
Animal License	45,000	45,000	46,030	1,030
Certificates of Occupancy	10,000	10,000	9,020	(980)
Hotel - Motel License Fee	28,000	28,000	31,804	3,804
Total Licenses and Permits	262,796,780	267,321,780	269,928,753	2,606,973
Taxes:				
Realty Taxes	18,657,000	18,582,000	18,544,588	(37,412)
Personal Taxes	1,619,000	1,639,000	1,687,916	48,916
PSC Taxes	737,000	752,000	724,934	(27,066)
Property Tax Discount	(354,000)	(344,000)	(359,693)	(15,693)
Property Tax Commission	(862,000)	(860,000)	(878,512)	(18,512)
Delinquent - Realty & Personal	53,000	53,000	201,557	148,557
Motor Vehicle Ad Valorem Tax	1,709,000	1,707,000	1,701,013	(5,987)
County Clerk Com - Motor Vehicle	(68,000)	(68,000)	(51,229)	16,771
Supplementary Tax Bills	3,500	3,500	6,180	2,680
Omitted Tax	100,000	100,000	249,710	149,710
Total Taxes	21,594,500	21,564,500	21,826,464	261,964
Charges for Services:				
Accident Report Sales	90,000	90,000	123,710	33,710
Administrative Collection Fees	16,000	16,000	12,329	(3,671)
Adult Probation Fees	80,000	80,000	83,813	3,813
Animal Shelter Collections	18,000	18,000	18,550	550
Building Permits	1,211,050	1,211,050	1,394,647	183,597
Computer Services Fees			3,868	3,868
Detention Center	7,160,450	7,757,450	7,696,719	(60,731)
Developer Landscape Fees	5,500	5,500	2,030	(3,470)
District Court Jail Fees	400,000	400,000	83,326	(316,674)
Domestic Relations Collection	2,100	2,100	1,093	(1,007)
Downtown Arts Center			41,749	41,749
EMS	6,500,000	6,640,000	8,132,172	1,492,172
Excess Fees and Collections	4,100,000	4,100,000	3,624,195	(475,805)
Golf Course Collections	2,815,380	2,815,380	2,498,643	(316,737)
Park Land Acquisition	185,000	185,000	239,345	54,345
Parks & Recreation Programs	1,152,080	1,152,080	958,367	(193,713)
Rent or Lease Income	683,100	683,100	718,943	35,843
Total Charges for Services	24,418,660	25,155,660	25,633,499	477,839
Fines and Forfeitures	214,000	214,000	234,615	20,615
Intergovernmental	1,842,700	1,842,700	797,537	(1,045,163)
Property Sales	90,000	90,000	318,536	228,536
Investments	280,000	280,000	1,564,895	1,284,895
Other Income:				
Contributions		135,978	158,010	22,032
Other Income			1,746	1,746
Penalties and Interest	1,632,000	1,732,000	1,488,177	(243,823)
School Board Tax Fee	15,000	15,000	13,836	(1,164)
Payment in Lieu of Taxes	30,000	30,000	82,715	52,715
Miscellaneous	471,450	1,691,682	2,453,860	762,178
Total Other Income	2,148,450	3,604,660	4,198,344	593,684
Total Revenues	313,385,090	320,073,300	324,502,643	4,429,343

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-Positive</u> <u>(Negative)</u>
EXPENDITURES				
General Government:				
Council Office	2,752,000	2,744,752	2,517,595	(227,157)
Office of the Mayor	1,321,440	1,324,299	1,366,190	41,891
Special Programs	730,980	901,044	776,003	(125,041)
Board of Elections	1,051,790	1,051,790	1,022,267	(29,523)
Clerk of the Urban County Council	514,390	523,576	470,609	(52,967)
County Attorney	851,310	851,310	851,310	
Coroner	968,880	962,002	979,230	17,228
Property Valuation Administrator	335,400	335,400	335,400	
Contingency	7,205,700	3,001,652		(3,001,652)
Circuit Judges	335,970	335,970	315,229	(20,741)
County Court Clerk	106,880	104,380	61,230	(43,150)
Citizens' Advocate	43,340	43,340	22,128	(21,212)
Commonwealth Attorney	202,040	202,040	196,915	(5,125)
County Judge Executive	20,750	20,750	15,790	(4,960)
Indirect Cost Allocation	(5,376,000)	(5,376,000)	(4,820,558)	555,442
Total General Government	11,064,870	7,026,305	4,109,338	(2,916,967)
Administrative Services:				
Office of the Chief Administrative Officer	1,037,940	1,280,504	1,363,666	83,162
Government Communications	905,140	901,426	883,691	(17,735)
Grants & Special Projects	496,100	500,564	463,299	(37,265)
Human Resources	2,531,090	2,476,258	2,384,496	(91,762)
Internal Audit Office	592,740	592,740	522,408	(70,332)
Total Administrative Services	5,563,010	5,751,492	5,617,560	(133,932)
Chief Development Officer				
Chief Development Officer	324,460	323,086	267,683	(55,403)
Total Chief Development Officer	324,460	323,086	267,683	(55,403)
Chief Information Officer				
Office of the CIO	870,630	857,685	1,616,196	758,511
Computer Services	5,817,290	5,502,348	5,481,981	(20,367)
Enterprise Solutions	1,165,990	1,071,311	1,114,906	43,595
Total Chief Information Officer	7,853,910	7,431,344	8,213,083	781,739
Department of Finance:				
Accounting	1,391,160	1,387,289	1,396,187	8,898
Office of Policy and Budget	530,900	503,814	480,377	(23,437)
Central Purchasing	582,560	579,360	551,755	(27,605)
Revenue	2,286,040	2,436,040	2,213,661	(222,379)
Finance Administration	737,410	737,410	708,489	(28,921)
Total Finance	5,528,070	5,643,913	5,350,469	(293,444)
Division of Environmental Quality & Public Works:				
Environmental Quality & PW Admin	247,970	237,159	335,132	97,973
Division of Environmental Policy	506,640	1,300,525	1,261,566	(38,959)
Streets & Roads	4,260,270	4,624,541	4,328,660	(295,881)
Traffic Engineering	3,627,340	3,810,686	3,889,566	78,880
Total Environmental Quality & Public Works	8,642,220	9,972,911	9,814,924	(157,987)
Department of Planning, Preservation, & Development:				
Building Inspection	2,200,280	2,198,280	2,082,044	(116,236)
Code Enforcement	1,977,270	1,949,371	1,804,603	(144,768)
Engineering	1,634,830	1,913,050	1,937,953	24,903
Planning, Preservation, & Dev	387,190	777,806	761,023	(16,783)
Historic Preservation	373,630	373,151	358,445	(14,706)
Planning	2,018,550	2,294,702	2,436,614	141,912
Purchase of Development Rights	177,600	177,600	159,790	(17,810)
Total Planning, Preservation & Development	8,769,350	9,683,960	9,540,472	(143,488)
Department of Public Safety:				
Police	65,623,640	68,176,441	65,592,007	(2,584,434)
Fire & Emergency Services	63,034,420	63,036,519	64,549,257	1,512,738
Community Corrections	34,044,360	35,118,364	33,282,247	(1,836,117)
Public Safety Administration	5,191,570	5,191,570	6,135,504	943,934
DEEM/Enhanced 911	3,668,700	3,604,619	3,251,785	(352,834)
Total Public Safety	171,562,690	175,127,513	172,810,800	(2,316,713)
Department of Social Services:				
Youth Services	2,224,950	2,158,553	2,041,336	(117,217)
Family Services	2,660,750	2,627,547	2,434,098	(193,449)
Adult Services	1,294,750	1,309,287	1,199,545	(109,742)
Social Services Administration	1,291,390	1,199,186	1,146,523	(52,663)
Total Social Services	7,471,840	7,294,573	6,821,502	(473,071)

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, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive (Negative)
EXPENDITURES, continued				
Department of General Services:				
Parks and Recreation	20,272,470	20,708,267	19,655,669	(1,052,598)
Fleet and Facilities Management	9,341,310	10,728,034	6,281,346	(4,446,688)
General Services Administration	2,176,230	2,097,362	1,969,680	(127,682)
Total General Services	31,790,010	33,533,663	27,906,695	(5,626,968)
Department of Law:				
Law	2,232,690	2,200,611	2,315,205	114,594
Total Law	2,232,690	2,200,611	2,315,205	114,594
Outside Agencies:				
Commerce Lexington	457,000	342,750	457,000	114,250
Downtown Lexington Corporation	42,710	32,033	42,710	10,677
Environmental Commission	5,910	5,910	4,396	(1,514)
World Trade Center	100,000	100,000	100,000	
Grants & Special Projects Agencies	832,290	831,633	830,248	(1,385)
Social Service Agencies	2,759,550	3,029,239	2,990,785	(38,454)
Lexington Public Library	14,014,130	14,081,582	14,081,581	(1)
Explorium of Lexington	183,500	222,000	222,000	
Carnegie Literacy Center	95,060	95,060	72,102	(22,958)
Downtown Development Authority	388,950	571,923	579,937	8,014
Lyric Theatre	160,000	120,000	160,000	40,000
Total Outside Agencies	19,039,100	19,432,130	19,540,759	108,629
Debt Service:				
Principal	21,571,730	19,813,120	19,863,117	49,997
Interest	13,163,870	13,207,068	12,107,629	(1,099,439)
Total Debt Service	34,735,600	33,020,188	31,970,746	(1,049,442)
Total Expenditures	314,577,820	316,441,689	304,279,236	(12,162,453)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,192,730)	3,631,611	20,223,407	16,591,796
OTHER FINANCING SOURCES (USES)				
Transfers In	230,000	16,921,387	16,923,189	1,802
Transfers Out	963,590	(16,291,711)	(17,567,051)	(1,275,340)
Total Other Financing Sources	1,193,590	629,676	(643,862)	(1,273,538)
Net Change in Fund Balances	860	4,261,287	19,579,545	15,318,258
Fund Balance, Beginning	500,000	500,000	63,751,505	63,251,505
Fund Balance, Ending	\$500,860	\$4,761,287	\$83,331,050	\$78,569,763

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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
REVENUES				
Licenses and Permits:				
Bank Franchise Fee	\$1,400,000	\$1,400,000	\$1,425,690	\$25,690
Total Licenses and Permits	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,425,690</u>	<u>25,690</u>
Taxes:				
Realty Taxes	33,907,000	33,811,000	33,760,926	(50,074)
PSC Taxes	227,000	236,000	281,599	45,599
Property Tax Discount	(576,000)	(575,000)	(597,377)	(22,377)
Property Tax Commission	(350,000)	(350,000)	(350,000)	
Delinquent - Realty & Personal	200,000	200,000	318,355	118,355
Supplementary Tax Bills	10,000	10,000	1,870	(8,130)
Total Taxes	<u>33,418,000</u>	<u>33,332,000</u>	<u>33,415,373</u>	<u>83,373</u>
Charges for Services:				
Rent or Lease Income	4,000	4,000	4,000	
Commodities	1,900,000	1,900,000	2,346,470	446,470
Dumpster Permit Fees	11,900	11,900	13,505	1,605
Total Charges for Services	<u>1,915,900</u>	<u>1,915,900</u>	<u>2,363,975</u>	<u>448,075</u>
Property Sales	165,000	165,000	188,163	23,163
Fines and Forfeitures	3,000	3,000	1,011	(1,989)
Intergovernmental	70,620	70,620	57,929	(12,691)
Investments	40,000	40,000	314,828	274,828
Other Income:				
Penalties and Interest	100,000	100,000	73,138	(26,862)
Miscellaneous	7,000	7,000	13,497	6,497
Total Other Income	<u>107,000</u>	<u>107,000</u>	<u>86,635</u>	<u>(20,365)</u>
Total Revenues	<u>37,119,520</u>	<u>37,033,520</u>	<u>37,853,604</u>	<u>820,084</u>
EXPENDITURES				
General Government:				
Contingency	601,300	601,300		(601,300)
Indirect Cost Allocation	2,412,000	2,412,000	2,173,717	(238,283)
Total General Government	<u>3,013,300</u>	<u>3,013,300</u>	<u>2,173,717</u>	<u>(839,583)</u>
Administrative Services:				
Government Communications	1,251,100	569,070	583,303	14,233
Human Resources	5,630	5,630	4,679	(951)
Total Administrative Services	<u>1,256,730</u>	<u>574,700</u>	<u>587,982</u>	<u>13,282</u>
Department of CIO:				
Computer Services	112,460	154,522	58,257	(96,265)
Total CIO	<u>112,460</u>	<u>154,522</u>	<u>58,257</u>	<u>(96,265)</u>
Department of Finance:				
Finance	21,760	21,760	21,760	
Total Finance	<u>21,760</u>	<u>21,760</u>	<u>21,760</u>	<u>0</u>
Division of Environmental Quality & Public Works:				
Waste Management	26,786,770	26,236,419	22,876,279	(3,360,140)
Division of Environmental Policy	782,600	786,788	737,554	(49,234)
Environmental Quality	250,060	236,324	251,730	15,406
Streets & Roads	1,913,420	1,908,246	1,891,178	(17,068)
Traffic Engineering	6,039,670	6,155,602	5,786,022	(369,580)
Total Environmental Quality & Public Works	<u>35,772,520</u>	<u>35,323,379</u>	<u>31,542,763</u>	<u>(3,780,616)</u>
Department of General Services:				
Fleet and Facilities Management	4,279,530	2,855,689	3,308,715	453,026
Total General Services	<u>4,279,530</u>	<u>2,855,689</u>	<u>3,308,715</u>	<u>453,026</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, 2015

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
EXPENDITURES, continued				
Department of Law:				
Law	10,520	10,520	10,593	73
Total Law	<u>10,520</u>	<u>10,520</u>	<u>10,593</u>	<u>73</u>
Debt Service:				
Principal	759,600	759,600	759,603	3
Interest	179,240	179,240	179,240	
Total Debt Service	<u>938,840</u>	<u>938,840</u>	<u>938,843</u>	<u>3</u>
Total Expenditures	<u>45,405,660</u>	<u>42,892,710</u>	<u>38,642,630</u>	<u>(4,250,080)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,286,140)	(5,859,190)	(789,026)	5,070,164
OTHER FINANCING SOURCES (USES)				
Transfers In	2,329,120	2,332,050	2,332,050	
Transfers Out	(22,660)	(33,520)	(26,255)	7,265
Total Other Financing Sources (Uses)	<u>2,306,460</u>	<u>2,298,530</u>	<u>2,305,795</u>	<u>7,265</u>
Net Change in Fund Balances	(5,979,680)	(3,560,660)	1,516,769	5,077,429
Fund Balance, Beginning	<u>22,500,000</u>	<u>22,500,000</u>	<u>29,880,294</u>	<u>7,380,294</u>
Fund Balance, Ending	<u>\$16,520,320</u>	<u>\$18,939,340</u>	<u>\$31,397,063</u>	<u>\$12,457,723</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, 2015

	Business-Type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds		
Cash	\$25,732,907	\$1,598,941	\$7,632,074	\$16,781,758	\$3,347,176	\$55,092,856	\$3,795,096
Investments	33,313,237	290,755	24,002,367	1,458,625	1,437,148	60,502,132	
Receivables:							
User Fees Receivable	9,803,861		1,682,307	2,079,095		13,565,263	
Other Receivables	525,178	78,721	62,518	920	415,362	1,082,699	257,409
Less Allowance for Uncollectible Accounts	(4,808,499)		(989,093)	(986,916)	(35,867)	(6,820,375)	
Inventories and Prepaid Expenses	59,939		1,800		71,655	133,394	481,518
Due from Other Funds		925,564			4,492,843	5,418,407	26,466,569
Restricted Investments:							
Reserved for Sinking Fund	4,532,778					4,532,778	
Total Current Assets	69,159,401	2,893,981	32,390,173	19,335,282	9,728,317	133,507,154	31,000,592
Non-Current Assets:							
Restricted Investments:							
Reserved for Construction & Capital Acquisitions	20					20	
Reserved for Capital Replacement	339,580			24,000		363,580	
Capital Assets:							
Land	1,825,534		5,194,637	1,700,550	400,000	41,699,367	
Land Improvements	254,476		16,575,426	157,788	3,207,206	45,791,604	
Buildings	3,490,720		219,445		55,351	121,328,104	
Sewer Plants	165,405,564					165,405,564	
Sewer Lines	195,680,909		410,356	4,906,727		200,997,992	
Leasehold Improvements		2,137,090				2,137,090	
Vehicles, Equipment, and Furniture	16,273,728		125,330	35,432	3,348,186	22,871,279	
Intangibles	2,074,580			228,455	1,382,184	3,754,500	
Less Accumulated Depreciation	(171,158,614)		(10,442,310)	(431,541)	(5,118,928)	(295,456,877)	
Construction in Progress	39,540,750			737,318		40,278,068	
Developments in Progress	8,173,771					8,173,771	
Total Non-Current Assets	261,901,018	72,727,432	12,082,884	7,358,729	3,273,999	357,344,062	0
Total Assets	331,060,419	75,621,413	44,473,057	26,694,011	\$13,002,316	490,851,216	31,000,592
Deferred outflows of resources:							
Deferred Amount on Bond Refunding	\$2,083,866	\$0	\$0	\$0	\$0	\$4,878,936	
Contributions subsequent to measurement date	1,224,291		74,876	480,290	405,634	2,185,091	
Total Deferred Outflows of Resources	3,308,157	2,795,070	74,876	480,290	405,634	7,064,027	0
Total Assets and Deferred Outflows of Resources:	\$334,368,576	\$78,416,483	\$44,547,933	\$27,174,301	\$13,407,950	\$497,915,243	\$31,000,592

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

Current Assets:	
Cash	\$25,732,907
Investments	33,313,237
Receivables:	
User Fees Receivable	9,803,861
Other Receivables	525,178
Less Allowance for Uncollectible Accounts	(4,808,499)
Inventories and Prepaid Expenses	59,939
Due from Other Funds	925,564
Restricted Investments:	
Reserved for Sinking Fund	4,532,778
Total Current Assets	69,159,401
Non-Current Assets:	
Restricted Investments:	
Reserved for Construction & Capital Acquisitions	20
Reserved for Capital Replacement	339,580
Capital Assets:	
Land	1,825,534
Land Improvements	254,476
Buildings	3,490,720
Sewer Plants	165,405,564
Sewer Lines	195,680,909
Leasehold Improvements	2,137,090
Vehicles, Equipment, and Furniture	16,273,728
Intangibles	2,074,580
Less Accumulated Depreciation	(171,158,614)
Construction in Progress	39,540,750
Developments in Progress	8,173,771
Total Non-Current Assets	261,901,018
Total Assets	331,060,419
Deferred outflows of resources:	
Deferred Amount on Bond Refunding	\$2,083,866
Contributions subsequent to measurement date	1,224,291
Total Deferred Outflows of Resources	3,308,157
Total Assets and Deferred Outflows of Resources:	\$334,368,576

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2015

	Business-Type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	
LIABILITIES						
Current Liabilities:						
Accounts, Contracts and Retainage Payable	\$4,354,828	\$422,270	\$287,431	\$765,584	\$227,134	\$6,057,247
Accrued Payroll	327,666		20,217	134,905	161,822	644,610
Due to Other Funds	3,345,215		53,518	1,024,003		4,422,736
Claims Payable						
Bonds Payable		2,310,000		61,612		2,371,612
Interest Payable		553,227		3,705		556,932
Unearned Revenue and Other	76,219					76,219
Compensated Absences	375,249		1,663	67,847	40,905	485,664
Landfill Closure and Postclosure Care Costs			437,093			437,093
Payable from Restricted Investments:						
Accounts, Contracts and Retainage Payable	1,743,450					1,743,450
Bonds and Notes Payable	2,909,389					2,909,389
Interest Payable	74,243					74,243
Total Current Liabilities	13,206,259	3,285,497	799,922	2,057,656	429,861	19,779,195
Non-Current Liabilities:						
Bonds and Notes Payable	70,202,061	51,315,000		2,357,296		123,874,357
Compensated Absences	865,653		14,965	67,847	82,756	1,031,221
Landfill Closure and Postclosure Care Costs			12,280,708			12,280,708
Unfunded Pension Liability	8,630,817		527,850	3,385,875	2,859,384	15,403,926
Total Non-Current Liabilities	79,698,531	51,315,000	12,823,523	5,811,018	2,942,140	152,590,212
Total Liabilities	\$92,904,790	\$54,600,497	\$13,623,445	\$7,868,674	\$3,372,001	\$172,369,407
Deferred Inflows of Resources						
Differences between projected and actual earnings on pension plan	\$936,133	\$0	\$57,253	\$367,246	\$310,141	\$1,670,773
Total Deferred Inflows of Resources	936,133	0	57,253	367,246	310,141	1,670,773
Total Liabilities & Deferred Inflows of Resource	\$93,840,923	\$54,600,497	\$13,680,698	\$8,235,920	\$3,682,142	\$174,040,180
NET POSITION						
Net Investment in Capital Assets	\$188,449,968	\$19,102,431	\$12,082,885	\$4,915,821	\$3,273,999	\$227,825,104
Restricted for:						
Capital Projects	46,898,048					46,898,048
Capital Projects - Park Acquisition		2,708,007				2,708,007
Debt Service	4,532,778					4,532,778
Capital Replacement	339,580	18,230		24,000		381,810
Energy Improvement Projects	307,279		15,736			323,015
Water Quality Incentive Program		1,987,318	18,768,614	8,755,312	6,451,809	5,243,248
Unrestricted	\$240,527,653	\$23,815,986	\$30,867,235	\$18,938,381	\$9,725,808	35,963,053
Total Net Position						\$0
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						216,918
Net Assets of Business-Type Activities						\$324,091,981

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Business-Type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	
OPERATING REVENUES						
User Charges	\$46,845,571	\$0	\$6,639,576	\$13,134,239	\$0	\$66,619,386
Fees	2,482,245	439,662	238,937	57	7,309,504	10,470,405
Exactions	426,085					426,085
License Fees and Permits					475,126	475,126
Rental Income		5,275,428				5,275,428
Theater Revenues		673,163				673,163
Gross Profit - Commissary					1,220,696	1,220,696
Other	2,297,116	17,530	333,351	211,171	7,088	2,866,256
Total Operating Revenues	52,051,017	6,405,783	7,211,864	13,345,467	9,012,414	88,026,545
OPERATING EXPENSES						
Treatment Plant	7,318,958					7,318,958
Collection System	4,187,968					4,187,968
Property Management		1,826,598				1,826,598
Theater Management		609,561				609,561
Landfill			2,411,804			2,411,804
Right of Way					276,535	276,535
Extended School Program					1,716,528	1,716,528
Prisoners' Account					203,993	203,993
Inmate Trust Account					1,049,430	1,049,430
Enhanced 911					2,343,378	2,343,378
CKY Network					1,307,829	1,307,829
Administration	20,119,458		1,374,820	8,233,038	232,276	29,959,592
Depreciation	8,471,363	3,974,391	639,414	134,369	368,223	13,587,760
Claims and Benefit Payments						
Total Operating Expenses	40,097,747	6,410,550	4,426,038	8,367,407	7,498,192	66,799,934
Operating Income (Loss)	11,953,270	(4,767)	2,785,826	4,978,060	1,514,222	(360,487)

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	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	(610,746)	25	3,872	1,308	741	(604,800)
Interest Expense and Fiscal Agent Fees	(1,162,379)	(2,247,340)		(40,454)		(3,450,173)
Amortization of Bond Costs	52,410	(172,089)				(119,679)
Gain (Loss) on Sale of Capital Assets	10,168			(211,060)		(200,892)
Total Non-Operating Revenues (Expenses)	(1,710,547)	(2,419,404)	3,872	(250,206)	741	(4,375,544)
Income (Loss) Before Contributions and Transfers	10,242,723	(2,424,171)	2,789,698	4,727,854	1,514,963	(360,487)
Transfers In	6,230	253,384	3,170		178,550	441,334
Transfers Out	354		(203,170)	(57,222)	(178,750)	(438,788)
Change in Net Position	10,249,307	(2,170,787)	2,589,698	4,670,632	1,514,763	(360,487)
Net Position, Beginning	239,845,296	25,986,773	28,862,640	18,020,870	11,380,570	360,487
Adjustment to Opening Net Position (Note 2.D.)	(9,566,950)		(585,103)	(3,753,121)	(3,169,525)	
Net Position, Beginning - Restated	230,278,346	25,986,773	28,277,537	14,267,749	8,211,045	360,487
Net Position, Ending	\$240,527,653	\$23,815,986	\$30,867,235	\$18,938,381	\$9,725,808	\$0

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
Change in net assets of Business-Type Activities

(46,863)
\$16,806,750

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, 2015

	Business-Type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	
Increase (Decrease) in Cash and Cash Equivalents:						
Cash Flows from Operating Activities:						
Receipts from Customers	\$49,650,261	\$2,403,736	\$6,665,280	\$12,965,332	\$9,053,991	\$80,738,600
Receipts from Employees and Other Sources						\$0
Receipts from Interfund Services Provided						28,736,657
Payments to Suppliers	(25,330,608)	3,997,175	(3,155,007)	(2,008,714)	(4,831,934)	3,997,175
Payments to Employees	(5,713,982)	(2,067,735)	(630,766)	(4,002,107)	(3,692,019)	(37,393,998)
Payments for Interfund Services Used	(2,112,018)		(104,338)	(704,021)	(238,763)	(14,038,874)
Payments for Claims						(3,159,140)
						(34,689,358)
Net Cash Provided by (Used in) Operating Activities	16,493,653	4,333,176	2,775,169	6,250,490	291,275	30,143,763
Cash Flows from Noncapital Financing Activities:						
Transfers In	6,230	253,384	3,170		178,550	441,334
Transfers Out	354		(203,170)	(57,222)	(178,550)	(438,588)
Net Cash Provided by (Used in) Noncapital Financing Activities	6,584	253,384	(200,000)	(57,222)	0	2,746
Cash Flows from Capital and Related Financing Activities:						
Purchase of Capital Assets	(23,025,933)	(124,220)	(44,042)	(1,009,597)	(323,534)	(24,527,326)
Proceeds from Note Payable	9,306,403			544,910		9,851,313
Principal Paid on Bonds	(2,067,184)	(2,215,000)		(60,398)		(4,342,582)
Interest and Fiscal Agent Fees Paid on Bonds	(1,917,408)	(2,247,340)		(40,454)		(4,205,202)
Proceeds on Sale of Capital Assets	51,699					51,699
Net Cash Used in Capital and Related Financing Activities	(17,652,423)	(4,586,560)	(44,042)	(565,539)	(323,534)	(23,172,098)
Cash Flows from Investing Activities:						
Purchase of Investments	(4,706,932)	(25)	(3,872)	(575,967)	(441)	(5,287,237)
Income on Investments	261,270	25	3,872	26,350	740	292,257
Net Cash Flows Provided by Investing Activities	(4,445,662)	0	0	(549,617)	299	(4,994,980)
Net Increase (Decrease)	(5,597,848)	0	2,531,127	5,078,112	(31,960)	1,979,431
Cash at Beginning of Year	31,330,755	1,598,941	5,100,947	11,703,646	3,379,136	53,113,425
Cash at End of Year	\$25,732,907	\$1,598,941	\$7,632,074	\$16,781,758	\$3,347,176	\$55,092,856

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2015

	Business-Type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds		
Operating Income (Loss)	\$11,953,270	(\$4,767)	\$2,785,826	\$4,978,060	\$1,514,222	\$21,226,611	(\$360,487)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:							
Depreciation	8,471,363	3,974,391	639,414	134,369	368,223	13,587,760	
Allowance for Bad Debts	1,084,870		286,907	282,764		1,654,541	
(Increase) Decrease in Assets:							
Accounts Receivable	(1,799,484)		(314,534)	(379,215)		(2,493,233)	
Other Receivables	(214,456)	(4,872)	(32,050)	(920)	41,609	(210,689)	(136,970)
Inventories and Prepaid Expenses	296,608		433	4,241	(34,752)	266,530	(146,988)
Due from Other Funds		178,589	8,819	576,985	(1,257,190)	(492,797)	(1,537,585)
Developments in Progress	(131,602)					(131,602)	
(Increase) Decrease in Deferred Outflows:							
Contributions subsequent to measurement date	(1,224,291)		(74,876)	(480,290)	(405,634)	(2,185,091)	
Increase (Decrease) in Liabilities:							
Accounts Payable	(325,435)	211,864	51,125	68,240	17,859	23,653	824,026
Accrued Payroll	54,350		3,528	20,211	26,310	104,399	809,004
Claims Payable							
Due to Other Funds	(1,518,269)		53,518	1,024,003		(440,748)	
Unearned Revenue	(255,214)		(200,000)		(32)	(455,246)	
Other Liabilities	(615)	(22,029)	(436,160)	(802)		(459,606)	
Compensated Absences	102,558		3,219	22,844	20,660	149,281	
Total Adjustments	4,540,383	4,337,943	(10,657)	1,272,430	(1,222,947)	8,917,152	(188,513)
Net Cash Provided by (Used In) Operating Activities	\$16,493,653	\$4,333,176	\$2,775,169	\$6,250,490	\$291,275	\$30,143,763	(\$549,000)

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	Pension Trust Funds	Agency Funds
ASSETS		
Cash and Cash Equivalents	\$7,282,822	\$675,251
Inventories and Prepaid Expenses		
Receivables:		
Interest Receivable	1,514,490	
Less Allowance for Uncollectible Accounts		331
Other Receivables		
Investments, at Fair Value:		
Debt Securities:		
US Agencies	26,911,440	
US Government Obligations	28,210,339	
Municipal Obligations	3,164,381	
International Bonds	15,365,249	
Corporate Debt	81,026,325	
Repurchase Agreements	7,317,821	
Other Investments:		
Equity Mutual Funds	286,232,616	
Equity Real Estate	66,906,173	
Equity Securities - Domestic	90,086,230	
Equity Securities - International	62,388,464	
Total Investments	667,609,038	0
Total Assets	\$676,406,350	\$675,582
LIABILITIES		
Accounts Payable and Accrued Expenses	\$127,983	\$0
Securities Lending Transactions	7,317,821	
Due to Other Funds	4,061,996	
Payable to Others		675,582
Total Liabilities	\$11,507,800	\$675,582
NET POSITION		
Amounts Held in Trust for Pension Benefits	\$664,898,550	\$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, 2015

	Pension Trust Funds
ADDITIONS	
Contributions:	
Employer	\$22,623,681
Employer - Administration	4,473,405
Plan Members	9,881,338
Other	81,355
Total Contributions	37,059,779
Investment Income:	
Net Change in Fair Value of Investments	9,031,371
Interest	7,673,202
Dividends	3,940,981
Total Investment Income	20,645,554
Less Investment Expense	3,009,601
Net Investment Income	17,635,953
Income from Securities Lending Activities:	
Securities Lending Income	49,425
Securities Lending Expenses:	
Borrower Rebates	(101,532)
Management Fees	60,801
Total Securities Lending Expenses (Income)	(40,731)
Net Income on Securities Lending Activities	90,156
Total Additions	54,785,888
DEDUCTIONS	
Benefit Payments	56,258,135
Administrative Expense	693,531
Total Deductions	56,951,666
Net Increase	(2,165,778)
Net Position, Beginning	667,064,328
Net Position, Ending	\$664,898,550

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET POSITION
COMPONENT UNITS
June 30, 2015

	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Parking Authority of Lexington	Nonmajor Component Units	Total
ASSETS						
Cash	\$721,704	\$3,578,827	\$6,579,160	\$2,625,646	\$14,951,491	\$28,456,828
Investments		3,785,949			3,551,157	7,337,106
Receivables:						
Accounts Receivable	1,112,942	1,869,342	169,112		98,263	3,249,659
Other		9,672		966	155,629	166,267
Less Allowance for Uncollectible Accounts	(41,102)					(41,102)
Due from Primary Government	326,745				1,219,940	1,546,685
Due from Other Governments					6,363,590	6,363,590
Other Current Assets	317,668	442,120				759,788
Inventories and Prepaid Expenses			15,013		629,742	644,755
Restricted Current Assets:						
Cash		8,470,617			15,065,101	23,535,718
Accounts Receivable		443,375				443,375
Investments	5,746,445	11,469,536		477,532	511,143	18,204,656
Grants Receivable		4,195,890				4,195,890
Other		46,556				46,556
Restricted Non-Current Investments	5,856,000					5,856,000
Capital Assets:						
Non-depreciable	14,139,057	18,529,604		7,585,094	21,105,773	61,359,528
Depreciable (Net)	36,713,868	123,539,301	2,602,125	11,142,514	30,730,212	204,728,020
Other Assets	107,907		2,029,503		8,456,152	10,593,562
Total Assets	65,001,234	176,380,789	11,394,913	21,831,752	102,838,193	377,446,881
DEFERRED OUTFLOWS OF RESOURCES						
Deferred amount on bond refunding	\$109,172	\$0	\$0	\$0	\$0	\$109,172
Changes of assumptions					709,517	709,517
Differences between projected and actual earnings on pension plan					140,758	140,758
Contributions subsequent to measurement date			3,433,792		983,992	4,417,784
Total Deferred Outflows of Resources	109,172	0	3,433,792	0	1,834,267	5,377,231
Total Assets and Deferred Outflows of Resources	\$65,110,406	\$176,380,789	\$14,828,705	\$21,831,752	\$104,672,460	\$382,824,112
LIABILITIES						
Accounts, Contracts Payable and Accrued Liabilities	\$955,685	\$2,164,124	\$1,086,194	\$403,589	\$5,486,210	\$10,095,802
Interest Payable					22,366	22,366
Due to Primary Government				19,709	57,803	77,512
Unearned Revenue and Other			11,600	5,781	4,016	21,397
Liabilities Payable from Restricted Assets:						
Accounts Payable		4,542,465				4,542,465
Interest Payable		1,187,013				1,187,013
Non-Current Liabilities:						
Due Within One Year						
Compensated Absences				10,543	544,728	555,271
Bonds and Notes Payable	2,075,000	1,700,000	130,000	369,807	1,481,213	5,756,020
Due in More Than One Year						
Compensated Absences			603,512	10,543	290,759	904,814
Bonds and Notes Payable	14,371,599	56,135,550	145,000	4,877,401	30,125,450	105,655,000
Other		715,878				715,878
Unfunded Pension Liability			61,259,339		10,270,386	71,529,725
Total Liabilities	\$17,402,284	\$66,445,030	\$63,235,645	\$5,697,373	\$48,282,931	\$201,063,263
DEFERRED INFLOWS OF RESOURCES						
Differences between expected and actual experience	\$0	\$0	\$0	\$0	\$78,573	\$78,573
Differences between projected and actual earnings on pension plan			629,600		1,151,450	1,781,050
Total Deferred Inflows of Resources	0	0	629,600	0	1,230,023	1,859,623
Total Liabilities and Deferred Inflows of Resources	\$17,402,284	\$66,445,030	\$63,865,245	\$5,697,373	\$49,512,954	\$202,922,886
NET POSITION						
Net Investment in Capital Assets	\$34,515,498	\$79,901,225	\$2,327,125	\$13,480,400	\$31,104,890	\$161,329,138
Designated for:						
PALEX garage maintenance reserve				42,321		42,321
Restricted for:						
Governmental and Program Funds			34,723		214,033	248,756
Capital Projects		4,195,890		48,587		4,244,477
Debt Service	5,856,000	19,032,735		448,519		25,337,254
Unrestricted	7,336,624	6,805,909	(51,398,388)	2,114,552	23,840,583	(11,300,720)
Total Net Position	\$47,708,122	\$109,935,759	(\$49,036,540)	\$16,134,379	\$55,159,506	\$179,901,226

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, 2015

	Program Revenues					Net (Expenses) Revenue and Changes in Net Assets				
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Parking Authority of Lexington	Nonmajor Component Units	Total	
Lexington Center Corporation										
Lexington Center Operations	\$15,970,062	\$648,000	\$0	\$604,861					\$604,861	
Depreciation	4,649,868			(4,649,868)					(4,649,868)	
Interest on Long-Term Debt	706,663			(706,663)					(706,663)	
Total Lexington Center Corporation	21,326,593	648,000	0						(4,751,670)	
Lexington Airport Board										
Airport Operations	10,971,550		8,515,529		\$16,246,950				16,246,950	
Depreciation	9,365,655				(9,365,655)				(9,365,655)	
Interest on Long-Term Debt	2,157,104				(2,157,104)				(2,157,104)	
Total Lexington Airport Board	22,494,309	0	8,515,529						4,724,191	
Fayette County Department of Health										
Department of Health Operations	16,149,920	6,067,661				(\$6,643,800)			(6,643,800)	
Depreciation	321,861					(321,861)			(321,861)	
Interest on Long-Term Debt	48,514					(48,514)			(48,514)	
Total Fayette County Department of Health	16,520,295	6,067,661	0						(7,014,175)	
Parking Authority of Lexington										
Parking Operations	2,585,641						\$1,142,752		1,142,752	
Depreciation	684,503						(684,503)		(684,503)	
Total Parking Authority of Lexington	3,270,144	0	0						458,249	
Nonmajor Component Units										
Total Component Units	47,292,751	6,012,362	3,399,592	(\$4,751,670)	\$4,724,191	(\$7,014,175)	\$458,249	(\$34,274,249)	(34,274,249)	
	\$110,904,092	\$45,403,294	\$12,728,023						(\$40,857,654)	
General Revenues:										
Taxes				\$3,180,362					\$3,180,362	
Payment from/(to) Lexington-Fayette Urban County Government						\$7,637,686	\$0	\$36,720,451	\$47,538,499	
Income on Investments				25,140	322,630	1,113	(43,494)	388,950	345,456	
Net Change in Fair Value of Investments					57,502		212	68,589	417,684	
Gain (Loss) on Sale of Capital Assets				(58,693)	(8,700)	(10,692)	(30,046)	(23,913)	57,502	
Issuance of Debt					(1,250)				(1,250)	
Miscellaneous										
Total General Revenues				3,146,809	370,182	7,628,107	36,825	(696,959)	(660,134)	
Change in Net Position				(1,604,861)	5,094,373	613,932	421,746	2,182,869	6,708,059	
Net Position, Beginning				49,312,983	104,841,386	7,579,356	15,712,633	62,954,664	240,401,022	
Adjustment to Opening Net Position (Note 2.D.)						(57,229,828)		(9,978,027)	(67,207,855)	
Net Position, Beginning-Restated				49,312,983	104,841,386	(49,650,472)	15,712,633	52,976,637	173,193,167	
Net Position, Ending				\$47,708,122	\$109,935,759	(\$49,036,540)	\$16,134,379	\$55,159,506	\$179,901,226	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
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LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

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

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

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

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

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

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

The Lexington Center Corporation (LCC) is a non-profit, non-stock corporate agency and instrumentality of the Government. The purpose of the LCC is to plan, finance, develop and operate a convention, trade show, performing arts venue and sports facility. The thirteen-member board is appointed by the Mayor and approved by the Urban County Council. The Government has statutory authority to impose a transient room tax, not exceeding two percent 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, 2015

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 2015.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

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, 2015

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, funds collected from noncustodial parents for child support and disbursed to the custodial parents, and funds managed by the Government on behalf of adults who are unable to manage their own money.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Government's sewer, landfill 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, 2015

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 2015. The net effect of these supplemental appropriations was an increase of \$1,857,619 in the General Fund and an decrease of \$2,512,950 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 2015, 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 2014 were levied on August 28, 2014 on the assessed valuation of property located in Fayette County as of the preceding January 1, the lien date.

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

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

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

Interfund Transactions – During the course of its operations, the Government has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2015, balances of interfund amounts receivable or payable have been recorded as “due to/from other funds”. These accounts are eliminated on the government-wide Statement of Net Position. Any residual balances outstanding between the Governmental Activities and Business-Type Activities are reported in the government-wide financial statements as “internal balances.”

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

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

Payments made to vendors for goods and services that will benefit periods beyond June 30, 2015 are recorded in assets as prepaid items under the consumption method.

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

Restricted Assets – Restricted assets are liquid assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. Certain proceeds of revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet and statement of net position since their use is limited by applicable bond indentures. The other restricted assets are required to be maintained until the related bonds mature. The Construction and Capital Acquisitions account is used to report proceeds of 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

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

Various purpose general obligation notes account	\$33,501,036
Federal Grants and Contracts	28,454
Debt Service on QECB Bond	198,175
Total restricted assets	<u>\$33,727,666</u>

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

Sanitary sewer reserve for construction and capital acquisition	\$20
Sanitary sewer revenue bond sinking fund account	4,532,778
Sanitary sewer capital replacement account	363,580
Total restricted assets	<u>\$4,896,378</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 60. 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

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

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

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

Long-term liabilities include the following:

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

G. Deferred Inflows of Resources and Deferred Outflows of Resources

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

Deferred Outflows – include the differences between reacquisition price and the net carrying amount of refunded debt obligations that is recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. In addition, it includes contributions to pension plans made subsequent to the Government’s measurement date of June 30, 2014.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2015

H. Net Position/Fund Balances

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

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

Restricted Net Position – represents amounts that are restricted 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:

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, 2015.

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, 2015.

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

Committed for:	
27th Payroll	7,300,769
Affordable Housing & Homelessness Intervention	3,054,536
Economic Stabilization	29,685,851
Social Services	709,839
Special Programs	541,788
Committed Fund Balance	\$41,292,783

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.

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

- 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. Amounts classified as assigned have gone before the Government’s Urban County Council subsequent to June 30, 2015 for approval through ordinance.

Assigned for:	General Fund	Non Major Funds
Administrative Services	27,166	
Chief Information Officer	650,000	
Environmental Quality & Public Works	532,312	
General Government	10,027,500	1,327,774
General Services	2,486,418	
Law	11,500,000	
Parks and Recreation	1,612,715	
Public Safety	8,113,523	
Assigned Fund Balance	\$34,949,635	\$1,327,774

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.

I. Use of Estimates

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

J. Revenues

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

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

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

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

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The liability was measured at June 30, 2014.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

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

B. Excess of Expenditures over Appropriations - The following divisions, in funds that have budgets adopted annually, had excess expenditures over appropriations for the fiscal year ended June 30, 2015:

	Excess Expenditures
General Fund:	
Accounting	\$8,898
Chief Administrative Officer	83,162
Chief Information Officer	758,511
Coroner	17,228
Environmental Quality & Public Works Admin.	97,973
Engineering	24,903
Enterprise Solutions	43,595
Fire & Emergency Services	1,512,738
Law	114,594
Office of the Mayor	41,891
Planning	141,912
Public Safety Administration	943,934
Traffic Engineering	78,880
 Urban Services Fund:	
Environmental Quality	15,406
Fleet and Facilities Management	453,026
Government Communications	14,233
Law	73

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

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

C. Fund Deficits

Proprietary funds – the Extended School Program had a fund deficit of \$411,333 as a result of the prior period adjustment for the unfunded pension liability.

D. Prior Period Adjustments

Primary Government

Capital assets for Governmental Activities on the government-wide Statement of Net Position were decreased by \$1,036,245 in fiscal year 2015 for purchase of development rights retirements in the prior fiscal year.

In 2015, the Government adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. These statements required the Government to record the excess of the total pension liability over the fiduciary net position of the pension plan as a net pension liability on the Statement of Net Position. The beginning net position for governmental activities was decreased by \$308,101,967. The beginning net position for business-type activities was decreased by \$17,074,699. Total beginning net position for governmental activities was decreased by \$325,176,666 to reflect the beginning net pension liability and deferred inflows related to the net pension liability.

Component Units

During 2015, the Board of Health’s net position was increased \$15,040 to recognize grant activity revenues from the prior fiscal year. In addition, the Board of Health implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which addresses financial reporting for state and local government employers whose employees are provided with pensions through pension plans that are covered under Statement No. 67, *Financial Reporting for Pension Plans*. The restatement of beginning net position is as follows:

	2015
Net position, at beginning of year	\$7,579,356
Change in prior year payroll accrual	171,471
Beginning net pension liability	(57,416,339)
Net position, at beginning of year, as restated	\$(49,665,512)

In 2015, the Authority adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* – an amendment of GASB Statement No. 68. These statements required the Authority to record the excess of the total pension liability over the fiduciary net position of the pension plan as a net pension liability on the Statement of Net Position. The change in accounting for pensions, as discussed in Note 8, resulted in a restatement at July 1, 2014:

	<u>As Previously Reported</u>	<u>As Restated</u>	<u>GASB 68 Adjustment</u>
Statement of Net Position:	\$826,307	\$0	\$826,307
Net pension asset		971,971	971,971
Net pension liability		949,967	949,967
Deferred outflows		85,716	85,716
Statement of Revenues, Expenses and Changes in Net Position:			
Net position	\$35,602,986	\$34,668,959	\$934,027

The beginning net position for governmental activities for the Lexington Public Library for fiscal year 2014 was restated to implement GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* – an amendment of GASB Statement No. 27 and record the beginning net pension liability. The balance was decreased by

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\$7,456,000. The net position for June 30, 2013 was not restated as the information was not available to allow the restatement of the 2014 financial statements as the retirement plan did not measure the pension liability as of June 30, 2013 as such, only the liability has been restated as of June 30, 2014.

The beginning net position for the Lexington Convention and Visitors Bureau for fiscal year 2014 was restated for the adoption of GASB Statement No. 68, as amended by GASB Statement No. 71. It has been decreased by \$1,588,000.

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. Cash, Investments and Securities Lending

Primary Government

The Government's bank balances at June 30, 2015 are entirely insured by the Federal Deposit Insurance Corporation (FDIC) and/or collateralized with securities held by the Government's agent in the Government's name. In accordance with Kentucky Revised Statute (KRS) 66.480 and the Government's investment policy, the Government is allowed to invest in the following:

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

In addition, the Pension Trust Funds are allowed to invest in equity securities, corporate bonds and international stocks listed as American Depository Receipts (ADR). Investments of the Government as of June 30, 2015 are summarized and categorized in the following table:

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June 30, 2015

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1 Year</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More Than 10</u>
Money Market Mutual Funds	\$159,877,764	\$159,877,764	\$0	\$0	\$0
Certificates of Deposit	9,118,091	1,494,886	2,826,982	3,662,491	1,133,732
Commercial Paper	197,681	197,681			
U.S. Government Agency Obligations	28,710,515		7,896,991	15,963,344	4,850,180
Total Investments	<u>\$197,904,051</u>	<u>\$161,570,331</u>	<u>\$10,723,973</u>	<u>\$19,625,835</u>	<u>\$5,983,912</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.

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

Pension Trust Funds

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

Investments of the PFRF as of June 30, 2015 are summarized and categorized in the following table:

Policemen's and Firefighters' Retirement Fund					
<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More Than 10</u>
Debt Securities					
US Agencies	\$26,389,967	\$0	\$2,405,537	\$3,533,732	\$20,450,698
US Government Obligations	25,047,052		13,311,427	4,478,110	7,257,515
Municipal Obligations	3,164,381	111,308	2,100,270		952,803
International Bonds	15,365,249	720,598	9,531,474	4,400,416	712,761
Corporate Debt	71,873,849	2,058,991	34,737,932	28,107,463	6,969,463
Repurchase Agreements	7,317,821	7,317,821			
	<u>149,158,319</u>	<u>\$10,208,718</u>	<u>\$62,086,640</u>	<u>\$40,519,721</u>	<u>\$36,343,240</u>
Other Investments					
Equity Mutual Funds	270,584,162				
Equity Real Estate	66,906,173				
Equity Securities - Domestic	90,086,230				
Equity Securities - International	62,388,464				
	<u>\$639,123,348</u>				

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

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

Asset Class	Target Allocation
Passive Large Cap Core	10%
Active Large Cap Growth	7.5%
Active Large Cap Value	7.5%
Small Cap Equity	15%
International Growth Equities	9.25%
International Value Equities	9.25%
Emerging Markets	4.5%
Total Equities	63.0%
US Core Fixed Income	15.5%
US High Yield Fixed Income	7.5%
Total Fixed Income	23.0%
Real Estate	9.0%
Real Return	5.0%
Total Plan	100.0%

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

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

	Debt Securities by Investment Type						Total	%
	US Agencies	US Government Obligations	Municipal Obligations	International Bonds	Corporate Debt			
Quality Ratings:								
AAA	\$0	\$0	\$1,525,197	\$0	\$2,714,143	\$4,239,340	3%	
AA	6,506,699	14,145,294	1,049,501	3,690,956	4,169,467	29,561,917	21%	
A			589,683	1,803,308	13,560,178	15,953,169	11%	
BBB				1,720,307	12,706,118	14,426,425	10%	
BB				3,699,153	17,055,293	20,754,446	15%	
B				4,298,762	14,139,033	18,437,795	13%	
CCC				152,763	2,851,831	3,004,594	2%	
NR	19,883,268	10,901,758			4,677,786	35,462,812	25%	
	<u>\$26,389,967</u>	<u>\$25,047,052</u>	<u>\$3,164,381</u>	<u>\$15,365,249</u>	<u>\$71,873,849</u>	<u>\$141,840,498</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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

securities with one issuer. The US Core Fixed Income manager may not invest more than 5% of the outstanding securities with one issuer nor invest more than 5% of the portfolio's assets in the outstanding securities of one issuer, except for Treasury and Agency securities. The US High Yield Fixed Income manager may not invest more than the greater of 1.5 times the index weight, or 20% of the portfolio, in any one industry. The US High Yield Fixed Income manager may not invest more than 5% of the Plan's assets in the outstanding securities of any one issuer.

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

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

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

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, 2015, the securities loaned in the portfolio did not have credit risk, and the fair value of securities on loan is \$7,317,821. Investments of the CEPF as of June 30, 2015 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	\$521,473	\$0	\$521,473	\$0	\$0
US Government Obligations	3,163,287				3,163,287
Corporate Debt	9,152,476	214,434	5,174,859	3,763,183	
	<u>12,837,236</u>	<u>\$214,434</u>	<u>\$5,696,332</u>	<u>\$3,763,183</u>	<u>\$3,163,287</u>
Other Investments:					
Equity Mutual Funds	15,648,454				
	<u>\$28,485,690</u>				

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

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

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	20%
International Equity	10%
Fixed Income	70%
	100%

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

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

Debt Securities by Investment Type

	US		Corporate	Total	%
	US Agencies	Government	Debt		
Quality Ratings:					
AAA	\$521,473	\$3,163,287	\$3,619,244	\$7,304,004	57%
AA			5,285,295	5,285,295	41%
NR			247,937	247,937	2%
	\$521,473	\$3,163,287	\$9,152,476	\$12,837,236	100%

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	\$18,409,928
Investments not subject to categorization:	
Certificates of Deposit	9,808,745
Money Market Funds	3,179,089
Total Investments	\$31,397,762

As of June 30, 2015, LCC had \$581,581 and \$0 in deposits and investments, respectively that were uninsured and uncollateralized.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

B. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$58,813,098	\$1,823,767	(\$940,962)	\$59,695,903
Purchase of Development Rights *	74,423,775	767,124		75,190,899
Intangibles	3,104,387			3,104,387
Construction in Progress	37,028,890	20,321,282	(27,290,512)	30,059,660
Developments in Progress	21,766,543	426,865	(19)	22,193,389
Depreciable Assets:				
Buildings	146,728,703	2,743,142	(183,527)	149,288,318
Intangibles	8,867,212	2,401,412		11,268,624
Vehicles, Equipment and Furniture	108,821,495	17,949,289	(3,617,727)	123,153,057
Land and Leasehold Improvements	30,260,136	3,679,479		33,939,615
Infrastructure	1,005,766,176	10,206,959	(7,980)	1,015,965,155
Sewer Lines	8,084,452	2,685,761		10,770,213
Sewer Plants		215,917		215,917
Totals at Historical Cost	<u>1,503,664,867</u>	<u>63,220,997</u>	<u>(32,040,727)</u>	<u>1,534,845,137</u>
Less Accumulated Depreciation For:				
Buildings	(53,770,570)	(4,537,540)	45,899	(58,262,211)
Intangibles	(7,444,741)	(1,023,689)	(152,726)	(8,621,156)
Vehicles, Equipment and Furniture	(78,968,148)	(8,475,170)	3,494,048	(83,949,270)
Land and Leasehold Improvements	(17,448,543)	(2,162,035)		(19,610,578)
Infrastructure	(315,492,114)	(33,139,708)	7,980	(348,623,842)
Sewer Lines	(620,430)	(191,654)		(812,084)
Sewer Plants		(2,499)		(2,499)
Total Accumulated Depreciation	<u>(473,744,546)</u>	<u>(49,532,296)</u>	<u>3,395,201</u>	<u>(519,881,641)</u>
Governmental Activities Capital Assets, Net	<u>\$1,029,920,321</u>	<u>\$13,688,701</u>	<u>(\$28,645,527)</u>	<u>\$1,014,963,496</u>
Business-Type Activities:				
Non-Depreciable Assets:				
Land	\$41,542,641	\$156,726	\$0	\$41,699,367
Construction in Progress	40,207,845	21,941,962	(21,871,739)	40,278,068
Developments in Progress	8,042,170	131,677	(76)	8,173,771
Intangibles	455,826			455,826
Depreciable Assets:				
Buildings	120,843,771	484,332		121,328,103
Intangibles	3,362,721	88,678	(152,725)	3,298,674
Vehicles, Equipment and Furniture	20,354,305	3,201,198	(684,224)	22,871,279
Land and Leasehold Improvements	47,832,663	96,030		47,928,693
Infrastructure	8,154,533	2,161,665		10,316,198
Sewer Lines	174,778,060	15,903,731		190,681,791
Sewer Plants	163,269,363	2,136,201		165,405,564
Totals at Historical Cost	<u>628,843,898</u>	<u>46,302,200</u>	<u>(22,708,764)</u>	<u>652,437,334</u>
Less Accumulated Depreciation For:				
Buildings	(76,470,421)	(4,028,381)		(80,498,802)
Intangibles	(2,590,102)	(274,090)	152,726	(2,711,466)
Vehicles, Equipment and Furniture	(12,252,790)	(1,664,785)	659,976	(13,257,599)
Land and Leasehold Improvements	(37,415,512)	(804,043)		(38,219,555)
Infrastructure	(727,830)	(190,474)		(918,304)
Sewer Lines	(63,112,052)	(3,495,262)		(66,607,314)
Sewer Plants	(90,113,107)	(3,130,725)		(93,243,832)
Total Accumulated Depreciation	<u>(282,681,814)</u>	<u>(13,587,760)</u>	<u>812,702</u>	<u>(295,456,872)</u>
Business-Type Activities Capital Assets, Net	<u>\$346,162,084</u>	<u>\$32,714,440</u>	<u>(\$21,896,062)</u>	<u>\$356,980,462</u>

* Restated beginning balance due to prior period adjustment

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

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

Governmental Activities:

General Government	\$624,432
CIO	356,786
Administrative Services	510,278
Finance	428,584
Public Safety	1,207,503
Environmental Quality & Public Works	4,951,250
Police	817,880
Fire and Emergency Services	1,349,369
Law	1,082
Community Corrections	1,740,630
Social Services	224,640
General Services	3,730,618
Parks and Recreation	1,093,384
Planning, Preservation & Development	32,495,860
Total depreciation expense - Governmental Activities	<u><u>\$49,532,296</u></u>

Business-Type Activities:

Sanitary Sewer System	\$8,471,363
Public Facilities Corporation	3,974,391
Public Parking Corporation	66,994
Landfill	639,414
Right of Way	3,679
Extended School Program	2,555
Prisoners' Account System	
Enhanced 911	294,995
Water Quality	134,369
Total depreciation expense - Business-Type Activities	<u><u>\$13,587,760</u></u>

Discretely Presented Component Units

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Non-Depreciable Assets:				
Land	\$32,646,836	\$0	(\$450,000)	\$32,196,836
Construction in Progress	7,303,765	25,596,643	(6,355,948)	26,544,460
Other	3,963,267	1,925	(1,346,958)	2,618,234
Depreciable Assets:				
Buildings and Improvements	321,142,989	6,208,544	(35,513)	327,316,020
Vehicles, Equipment and Furniture	59,844,274	3,843,854	(2,336,141)	61,351,987
Land and Leasehold Improvements	66,613,246	499,699	(262,527)	66,850,418
Intangibles	60,455			60,455
Totals at Historical Cost	<u>491,574,832</u>	<u>36,150,665</u>	<u>(10,787,087)</u>	<u>516,938,410</u>
Less Accumulated Depreciation	<u>(233,922,569)</u>	<u>(19,212,972)</u>	<u>2,284,679</u>	<u>(250,850,862)</u>
Component Unit Activities				
Capital Assets, Net	<u><u>\$257,652,263</u></u>	<u><u>\$16,937,693</u></u>	<u><u>(\$8,502,408)</u></u>	<u><u>\$266,087,548</u></u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

Construction Commitments

The Government has active construction projects as of June 30, 2015. The projects include improvements to major roadways, government buildings, sanitary sewer and stormwater systems. At June 30, 2015, the Government had the following commitments on construction contracts:

Project	Commitment
Buildings	\$8,746,423
Capital Repairs and Maintenance	8,956,361
Land Improvements	2,112,486
Sanitary Sewer Collection System	24,918,333
Sanitary Sewer Treatment System	622,875
Storm Drainage	790,231
Street Resurfacing Maintenance	2,054,074
Streets and Roadways	9,990,403
Street Lighting	132
Traffic Control and Markings	1,192,271
	\$59,383,589

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, 2015. In addition, Federal and State Grants revenues are based on reimbursable expenditures.

The composition of interfund balances as of June 30, 2015, is as follows:

Fund Description	Due from (to) General Fund
Sanitary Sewer System	(\$3,345,215)
Public Facilities Corporation	925,564
Water Quality	(1,024,003)
Landfill	(53,518)
Other Enterprise Funds	4,492,843
Total due from Proprietary Funds	995,671
Urban Service	9,809,953
Federal and State Grants	(1,767,866)
Other Governmental Funds	(1,086,973)
Internal Service Funds	26,466,569
Total due from General Fund	\$34,417,354

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

Receivable Entity	Payable Entity	Amount
Primary government - General fund	Component unit - Downtown Development Authority	\$57,803
Primary government - General fund	Component unit - Parking Authority	19,709
Total		<u>77,512</u>
Component unit - Lexington Convention and Visitor's Bureau	Primary government - General fund	1,219,940
Component unit - Lexington Center Corporation	Primary government - General fund	326,745
Total		<u>\$1,546,685</u>

Interfund Transfers:

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

	General	Urban Services	Fed St Grants	Non Major Governmental	Total Governmental	Sanitary Sewer	Public Facilities Corp	Landfill	Water Quality	Non Major Proprietary	Total Proprietary
General		\$2,329,120	\$993,255	(\$3,082,310)	\$240,065	\$0	\$253,384	(\$200,000)	\$0	\$0	\$53,384
Urban Services	(2,329,120)		23,325		(2,305,795)						
Fed St Grants	(993,255)	(23,325)		(349,327)	(1,365,907)	6,584			(57,222)		(50,638)
Non-Major Governmental	3,082,310		349,327		3,431,637					(200)	(200)
Public Facilities Corp	(253,384)				(253,384)						
Landfill	200,000				200,000						
Water Quality			57,222		57,222						
Grand Total	(\$293,449)	\$2,305,795	\$1,423,129	(\$3,431,637)	\$3,838	\$6,584	\$253,384	(\$200,000)	(\$57,222)	(\$200)	\$2,546

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.

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

Primary Government

Bonds payable, notes payable, compensated absences, landfill closure and postclosure care costs, and unfunded pension liabilities at June 30, 2015 are as follows:

	Purpose of Issue	Original Issue	Interest Rates	Final Maturity	Amount Outstanding	Due Within One Year
					E	C
Governmental Activities						
Bonds, Notes, Loans, and Leases:						
General Obligation, Series 2006B	Blvd/Stormwater/Fire Station/Cars	10,310,000	4.00% - 4.50%	1-Jun-2026	\$785,000	\$785,000
General Obligation, Series 2006C	Purchase of Development Rights	2,055,000	3.50% - 4.20%	1-Nov-2026	190,000	95,000
General Obligation, Series 2006D	Refunding	56,850,000	4.00% - 4.25%	1-May-2024	36,365,000	3,740,000
General Obligation, Series 2009A	PDR /Building Renovation/CIP	24,830,000	2.25% - 5.00%	1-Feb-2029	4,890,000	1,580,000
Pension Obligation, Series 2009B	Police/Fire Pension Fund	70,610,000	3.50% - 6.00%	1-Apr-2029	55,325,000	2,795,000
General Obligation, Series 2010B	Refunding of 1999B and 2000A	7,735,000	1.00% - 3.00%	1-Sep-2019	4,035,000	770,000
General Obligation, Series 2010C	Refunding of 2000E	6,635,000	1.00% - 3.00%	1-Dec-2020	3,760,000	590,000
Pension Obligation, Series 2010D	Police/Fire Pension Fund	35,825,000	.95%-5.45%	1-Jun-2030	29,340,000	1,410,000
General Obligation, Series 2010F	CIP projects	6,305,000	1.00%-2.90%	1-Dec-2016	2,435,000	1,305,000
General Obligation, Series 2010H	Refunding of 2001B	4,465,000	1.00%-3.80%	1-Dec-2021	3,440,000	450,000
Pension Obligation, Series 2012A	Police/Fire Pension Fund	31,000,000	2.50% - 4.00%	1-Oct-2032	28,630,000	1,230,000
General Obligation, Series 2012B	Refunding of 2002C and 2004C	6,275,000	2.00% - 4.00%	1-Jul-2024	6,230,000	155,000
General Obligation, Series 2012C	CIP projects	3,455,000	1.50% - 3.00%	1-Jul-2017	2,215,000	725,000
General Obligation, Series 2013A	Road Resurfacing	11,275,000	2.00% - 5.00%	1-Oct-2023	9,565,000	890,000
General Obligation, Series 2013B	Refunding of 2004,2005C,2006B	\$6,005,000	2.00% - 4.00%	1-Jul-2025	5,880,000	660,000
General Obligation, Series 2013C	CIP projects	\$17,035,000	3.00% - 4.00%	1-Oct-2033	16,440,000	615,000
General Obligation, Series 2014A	Refunding of 2010A	\$55,925,000	3.00% - 5.00%	1-Sep-2030	52,375,000	3,525,000
General Obligation, Series 2014B	CIP projects	\$24,245,000	3.25%-5.00%	1-Jan-2035	24,245,000	690,000
General Obligation, Series 2014C	QECB Detention Center	\$2,900,000	3.25%	1-Jun-2027	2,900,000	
General Obligation, Series 2015A	Refunding of 2006C ,2009A,2010G	\$19,845,000	3.00% - 5.00%	1-Oct-2028	19,845,000	
					<u>13,746,652</u>	
Total Bonds, Notes and Loans Payable					322,636,652	22,010,000
Other Liabilities:						
Compensated Absences					23,127,448	3,237,843
Unfunded Other Post Employment Benefit Liability					81,924,516	
Unfunded Pension Liability					<u>216,915,496</u>	
Total Other Liabilities					321,967,460	3,237,843
Total Governmental Activities					\$644,604,112	\$25,247,843
Business-Type Activities						
Bonds, Notes and Loans:						
Sanitary Sewer, Series 2014A Refunding	Refunding	\$24,190,000	3.00% - 5.00%	1-Sep-2030	\$24,190,000	\$0
Sanitary Sewer, Series 2014B Refunding	Refunding	\$10,410,000	5.00%	1-Sep-2019	10,410,000	2,290,000
Public Facilities, Series 2006	Refunding	66,725,000	3.88% - 4.25%	1-Oct-2031	53,625,000	2,310,000
Radcliffe road A209-09	SRF Loan	113,523	2.00%	1-Jun-2030	89,617	5,178
KIA Streetscape A209-8	SRF Loan	1,254,980	2.00%	1-Dec-2030	1,014,477	56,434
So. Elkhorn A09-01	SRF Loan	\$14,045,119	2.00%	1-Dec-2031	11,977,623	619,389
Wolf Run A10-08	SRF Loan	\$8,373,431	2.00%	1-Dec-2035	8,373,431	
A13-002 Bob-O-Link	SRF Loan	\$2,561,209	1.75%	1-Nov-2033	2,561,209	
A13-003 East Lake	SRF Loan	\$743,414	1.75%	1-Dec-2033	743,414	
A13-003 Century Hills	SRF Loan	\$1,263,740	1.75%	1-Dec-2033	1,263,740	
A13-003 West Hickman Trk A	SRF Loan	\$2,918,296	1.75%	1-Dec-2033	2,918,296	
A13-003 Woodhill Trk	SRF Loan	\$221,265	1.75%	1-Dec-2033	221,265	
A13-18 E2A	SRF Loan	\$4,677,793	1.75%	1-Dec-2033	4,677,793	
A13-007 AW PH3	SRF Loan	\$329,060	1.75%	1-Dec-2033	629,060	
A13-007 IDLHR N	SRF Loan	\$620,324	1.75%	1-Dec-2033	620,324	
A13-002 Wolf Run Trk	SRF Loan	\$452,195	1.75%	1-Nov-2033	452,195	
A13-002 Wolf Run WWS	SRF Loan	\$283,614	1.75%	1-Nov-2033	283,614	
A12-016 Blue Sky	SRF Loan	\$1,077,401	2.00%	1-Mar-2035	1,077,401	
A13-007 Walhampton Rogers	SRF Loan	\$65,430	1.75%	1-Dec-2033	65,430	
Premiums and Discounts					<u>3,961,469</u>	
Total Bonds, Notes and Loans Payable					129,155,358	5,281,001
Other Liabilities:						
Compensated Absences					1,516,885	485,664
Landfill Closure & Postclosure Care Costs					12,717,801	437,093
Unfunded Pension Liability					<u>15,403,926</u>	
Total Other Liabilities					29,638,612	922,757
Total Business-Type Activities					\$158,793,970	\$6,203,758

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

Changes in Long-Term Liabilities

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds, Notes, Loans, and Leases:					
General and Pension Obligation Bonds	\$304,185,000	\$46,990,000	(\$42,285,000)	\$308,890,000	\$22,010,000
Net of Bond Premiums and Discounts*	8,197,210	6,601,145	(1,051,703)	13,746,652	
Total Bonds, Notes, and Loans Payable	<u>312,382,210</u>	<u>53,591,145</u>	<u>(43,336,703)</u>	<u>322,636,652</u>	<u>22,010,000</u>
Other Liabilities:					
Compensated Absences	23,046,726	1,065,158	(984,436)	23,127,448	3,237,843
Unfunded Other Post Employment Benefit Liability	74,166,338	7,758,178		81,924,516	
Unfunded Pension Liability**	216,915,496			216,915,496	
Total Governmental Activities Long-Term Liabilities	<u>\$626,510,770</u>	<u>\$62,414,481</u>	<u>(\$44,321,139)</u>	<u>\$644,604,112</u>	<u>\$25,247,843</u>
Business-Type Activities					
Bonds, Notes and Loans:					
Revenue Bonds	\$43,480,000	\$34,600,000	(\$43,480,000)	\$34,600,000	\$2,290,000
Mortgage Revenue Bonds	55,840,000		(2,215,000)	53,625,000	2,310,000
Notes and Loans	27,785,157	9,851,314	(667,582)	36,968,889	681,001
Bonds, Notes, and Loans Payable	127,105,157	44,451,314	(46,362,582)	125,193,889	5,281,001
Net of Bond Premiums and Discounts*	(889,192)	4,176,437	674,223	3,961,469	
Total Bonds, Notes, and Loans Payable	<u>126,215,965</u>	<u>48,627,751</u>	<u>(45,688,358)</u>	<u>129,155,358</u>	<u>5,281,001</u>
Other Liabilities:					
Compensated Absences	1,367,604	235,990	(86,709)	1,516,885	485,664
Landfill Closure and Postclosure Care Costs	13,153,961		(436,160)	12,717,801	437,093
Unfunded Pension Liability**	15,403,926			15,403,926	
Total Business-Type Activities Long-Term Liabilities	<u>\$156,141,456</u>	<u>\$48,863,741</u>	<u>(\$46,211,227)</u>	<u>\$158,793,970</u>	<u>\$6,203,758</u>

* Deferred amounts of losses on bond refundings were re-categorized from Bond Discounts to Deferred Outflows. The amount re-categorized for Governmental Activities totaled \$2,341,379. The amount re-categorized for Business-Type Activities totaled \$2,967,159. For all activities the total amount re-categorized was \$5,308,638.

** A prior period adjustment was made to comply with GASB Stmt No. 68. The Government implemented the statement during fiscal year 2015. The beginning net position for governmental activities was decreased by \$308,101,967. The beginning net position for business-type activities was decreased by \$17,074,699. Total beginning net position for governmental activities was decreased by \$325,176,666 to reflect the beginning net pension liability and deferred inflows related to the net pension liability.

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, 2015

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

Fiscal Year	Governmental Activities		Business-Type Activities					
	General Obligation Bonds, Notes and Loans		Revenue Bonds, Notes and Loans		Mortgage Revenue Bonds		Total Primary Government	
	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal
2016	\$13,779,172	\$22,010,000	\$2,293,193	\$2,971,001	\$2,178,869	\$2,310,000	\$18,251,233	\$27,291,001
2017	12,984,023	20,435,000	2,161,995	4,068,434	2,084,569	2,405,000	17,230,587	26,908,434
2018	12,167,100	21,085,000	2,003,387	4,233,399	1,986,469	2,500,000	16,156,957	27,818,399
2019	10,785,548	21,095,000	1,837,639	4,394,133	1,884,369	2,605,000	14,507,556	28,094,133
2020	9,905,570	20,910,000	1,664,483	4,570,656	1,778,168	2,705,000	13,348,222	28,185,656
2021 - 2025	35,594,221	100,235,000	5,872,136	20,124,986	7,107,585	15,325,000	48,573,942	135,684,986
2026 - 2030	14,470,299	79,885,000	2,974,913	19,577,229	3,551,194	18,295,000	20,996,405	117,757,229
2031 - 2036	1,854,363	23,235,000	723,181	11,629,051	321,299	7,480,000	2,898,843	42,344,051
Total	<u>\$111,540,295</u>	<u>308,890,000</u>	<u>\$19,530,927</u>	<u>71,568,889</u>	<u>\$20,892,522</u>	<u>53,625,000</u>	<u>\$151,963,745</u>	<u>434,083,889</u>
Less principal payable within one year		<u>22,010,000</u>		<u>2,971,001</u>		<u>2,310,000</u>		<u>27,291,001</u>
Long term principal due after one year		<u>\$286,880,000</u>		<u>\$68,597,888</u>		<u>\$51,315,000</u>		<u>\$406,792,888</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	
2016	\$2,075,000	\$1,700,000	\$130,000	\$369,807	\$1,481,213	\$5,756,020
2017	2,160,000	2,000,000	145,000	375,580	1,479,055	6,159,635
2018	2,245,000	2,100,000		4,501,821	1,535,962	10,382,783
2019	2,340,000	2,200,000			1,647,444	6,187,444
2020	2,435,000	2,300,000			1,638,213	6,373,213
2021-2025	5,175,000	12,525,000			9,030,459	26,730,459
2026-2030		13,480,000			1,539,002	15,019,002
2031-2035		14,565,000			581,915	15,146,915
2036-2039		3,310,000			0	3,310,000
2040-2045					12,673,400	
Total	<u>16,430,000</u>	<u>54,180,000</u>	<u>275,000</u>	<u>5,247,208</u>	<u>31,606,663</u>	<u>107,738,871</u>
Less payable within one year	<u>2,075,000</u>	<u>1,700,000</u>	<u>130,000</u>	<u>369,807</u>	<u>1,481,213</u>	<u>5,756,020</u>
Less refinancing loss/premium- discount	<u>(16,599)</u>	<u>(3,655,550)</u>				<u>(3,672,149)</u>
Long term principal due after one year	<u>\$14,371,599</u>	<u>\$56,135,550</u>	<u>\$145,000</u>	<u>\$4,877,401</u>	<u>\$30,125,450</u>	<u>\$105,655,000</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
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Fiscal Year	Interest					Total
	Lexington Center Corporation	Lexington Airport Board	Fayette County Board of Health	Parking Authority of Lexington	Nonmajor Component Units	
2016	\$601,468	\$2,323,488	\$7,599	\$78,712	\$804,999	\$3,816,266
2017	517,215	2,258,358	600	72,939	777,268	3,626,380
2018	428,265	2,174,358		61,712	749,479	3,413,814
2019	335,615	2,086,358			635,582	3,057,555
2020	239,165	1,971,488			646,110	2,856,763
2021-2025	136,864	8,022,420			2,405,572	10,564,856
2026-2030	27,720	4,683,420			1,256,754	5,967,894
2031-2035		1,465,125			1,111,597	2,576,722
2036-2039		198,282			925,629	1,123,911
Total	\$2,286,312	\$25,183,297	\$8,199	\$213,363	\$9,312,990	\$37,004,161

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). In October of 2014 the 2009A bonds were fully refunded through the issuance of the 2014A Tax-Exempt Sewer System Revenue Refunding Bonds. The Government received a subsidy for the year ended June 30, 2015 of \$255,214.
2. \$13,860,000 of Sewer System Refunding Revenue Bonds Series 2010A, issued at a premium, and 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. In October of 2014 the 2010A bonds were refunded through the issuance of the 2014B Taxable- Sewer System Revenue Refunding Bonds
3. \$24,190,000 of Tax-Exempt Sewer System Revenue Refunding Bonds, Series 2014A, issued at a premium, and payable annually in principal installments ranging from \$500,000 to 3,095,000 plus interest over 13 years, to fully refund the Sewer System Revenue Bonds, Series 2009A, (Taxable Build America Bonds). The refunding provided for a cumulative savings of 1,119,864 over the life of the bonds and a net present value savings of 1,317,979 or 4.352% including the escrow of the partial BAB subsidy from the Sewer System Revenue Bonds, Series 2009A.
4. \$10,410,000 of Taxable Sewer System Revenue Refunding Bonds, Series 2014B, issued at a premium and payable annually in principal installments ranging from \$1,005,000 to 2,540,000 plus interest over 5 years to fully refund the Sewer System Refunding Revenue Bonds Series 2010A. The issue resulted in a net present value loss of \$(284,163) or (2.420)%. However this issue was refunded in conjunction with the Tax-Exempt Sewer System Revenue Refunding Bonds, Series 2014A to provide the Government the opportunity to update the bond ordinances for current and future Sewer bond issues, see below section on the updates to the Sewer System Bond Ordinances.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

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

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

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

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

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

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

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

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 for 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. The Capital Replacement Reserve Fund requirement is \$43,020 annually for 10 years.
4. KIA A10-08 issued in the amount of \$10,500,000 for the upgrade and expansion of the Wolf Run pump station. As of June 30, 2015, the Government had received only a partial draw of \$8,373,431 with the remaining balance of \$2,126,569 to be requested in fiscal year 2016. Until the remaining balance is requested the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government. The Capital Replacement Reserve Fund requirement is \$26,250 annually for 10 years.
5. KIA Loan A13-002 issued in the amount of \$13,674,302 for the upgrades to the Bob-O-Link Trunk Line, Wolf Run Trunk Line and the Wolf Run Storage Tank Capacity Upgrade. As of June 30, 2015, the Government had received only a partial draw of \$3,297,018 with the remaining balance of \$10,377,283 to be requested in fiscal years 2016 and 2017. Until the remaining balance is requested the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government. The Capital Replacement Reserve Fund requirement is \$35,000 annually for 10 years.
6. KIA Loan A13-003 issued in the amount of \$10,194,421 for the upgrades to the Eastlake Trunk Line, Century Hills Trunk Line, West Hickman Trunk Line and the Woodhill Trunk Line. As of June 30, 2015, the Government had received only a partial draw of \$5,146,714 with the remaining balance of \$5,047,707 to be requested in fiscal year 2016. Until the remaining balance is requested the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government. The Capital Replacement Reserve Fund requirement is \$25,000 annually for 10 years.
7. KIA Loan A13-007 issued in the amount of \$4,657,640 for the upgrades to the Storm Water Systems of Anniston Wickland, Idlehour, Walhampton Rogers and Perimeter Park Neighborhoods. As of June 30, 2015,

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

the Government had received only a partial draw of \$1,534,131 with the remaining balance of \$3,123,509 to be requested in fiscal year 2015. Until the remaining balance is requested the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government. The Capital Replacement Reserve Fund requirement is \$12,000 annually for 10 years.

8. KIA Loan A13-18 issued in the amount of \$6,000,000 for the upgrades to the Expansion Area 2A Wastewater System. As of June 30, 2015, the Government had received only a partial draw of \$4,677,793 with the remaining balance of \$1,322,207 to be requested in fiscal year 2016. Until the remaining balance is requested the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government. The Capital Replacement Reserve Fund requirement is \$15,000 annually for 10 years.
9. Kia Loan A12-16 issued in the amount of \$1,930,000 for the acquisition and conversion to a pump station of the Blue Sky Wastewater Treatment plant. As of June 30, 2015, the Government had received only a partial draw of \$1,077,401 with the remaining balance of \$852,599 to be requested in fiscal year 2016. Until the remaining balance is requested the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government. The Capital Replacement Reserve Fund requirement is \$4,825 annually for 10 years.

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. \$9,640,000, 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.
2. \$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.
3. \$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.
4. \$2,055,000, Series 2006C, issued at par and payable annually in principal installments ranging from \$70,000 to \$145,000 plus interest over 20 years, to finance the costs of the Purchase of Development Rights Program. Of the outstanding balance, \$1,505,859 was partially refunded through the issuance of Series 2015A leaving a remaining balance of \$190,000.

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NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

5. \$56,850,000, Refunding Series 2006D, to refund the Public Facilities Corporation Series 1995 bonds for \$2,500,000 in principal and to partially refund the 1999 General Obligation Bonds, Series 1999A. Issued at a premium and payable annually in principal installments ranging from \$35,000 to \$4,680,000 plus interest over 18 years. The refunding provided for a cumulative savings of \$2,372,454 over the life of the bonds resulting in net present value savings of \$1,756,185 or 3.319% of the refunded principal.
6. \$24,830,000, Series 2009A, issued at a premium and payable annually in principal installments ranging from \$745,000 to \$1,725,000 plus interest over 20 years, to finance the cost of the Purchase of Development Rights Program, Street Resurfacing, Bluegrass Aspendale improvements and other various construction projects. Of the outstanding balance \$15,043,284 was refunded through the issuance of Series 2015A leaving a remaining balance of \$4,890,000.
7. \$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.
8. \$7,735,000, Series 2010B, General Obligation Refunding Bonds, for refunding the Series 1999B and 2000A General Obligation Bonds. Issued at a discount and payable annually in principal installments ranging from \$715,000 to \$850,000 plus interest over 10 years. The refunding provided for a cumulative savings of \$1,394,276 over the life of the bonds resulting in a net present value savings of \$1,189,304 or 15.376% of the refunded principal.
9. \$6,635,000, Series 2010C, General Obligation Refunding Bonds, for refunding the Series 2000E General Obligation Bonds. Issued at a discount and payable annually in principal installments ranging from \$60,000 to \$675,000 plus interest over 12 years. The refunding provided for a cumulative savings of \$675,874 over the life of the bonds resulting in net present value savings of \$593,504 or 8.945% of the refunded principal.
10. \$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.
11. \$6,305,000, Series 2010F, Various Purpose General Obligation Public Projects Build America Bonds, issued at a discount and payable annually in principal installments ranging from \$45,000 to \$1,305,000 plus interest over 5 years, to finance the acquisition of various equipment for Divisions within the Government including but not limited to Computer Services, Public Safety, Parks and Recreation and Waste Management. The 2010F Bonds were issued under the guidelines provided under the ARRA. Under the Guidelines set forth in the ARRA, the Government is eligible to apply for an interest subsidy payment from the United States Treasury of 35% for BABs. The Government received a subsidy for the year ending June 30, 2015 of \$27,860.
12. \$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, Planning, Preservation and Development, and Environmental Quality and Public Works. 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, 2015 of \$162,274. The 2010G bonds were fully refunded as part of the 2015A Various Purpose Refunding Bonds. The Government received a subsidy for the year ending June 30, 2015 of \$81,137.
13. \$4,465,000, Series 2010H, General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2001B. Issued at a discount and payable in annual principal payments ranging from

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- \$30,000 to \$540,000 plus interest over 12 years. The refunding provided for a cumulative savings of \$150,459 over the life of the bonds resulting in a net present value savings of \$126,407 or 3.028% of the refunded principal.
14. \$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 .
 15. \$6,275,000, Series 2012B, General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2002C and the General Obligation Bond Series 2004C. Issued at a discount and payable in annual principal payments ranging from \$20,000 to \$825,000 plus interest over 12 years. The refunding provided for a cumulative savings of \$597,633 over the life of the bonds resulting in net present value savings of \$545,403 or 8.759% of the refunded principal.
 16. \$3,455,000, Series 2012C, Various Purpose General Obligation notes to finance various projects including construction, acquisition and installation of various projects including but not limited to street and sidewalk improvements, safety equipment, various park and recreation improvements and other equipment and vehicles for the benefit of numerous Departments of the Government. Issued at a premium and payable in annual principal payments ranging from \$530,000 to \$750,000 plus interest over 5 years.
 17. \$11,275,000, Series 2013A, Various Purpose General Obligation Bonds to finance various street and highway improvements including the rehabilitation and paving of existing roads and streets throughout Lexington, Fayette County, Kentucky. Issued at a premium and payable in annual principal payments ranging from \$845,000 to \$1,265,000 plus interest over 10 years.
 18. \$6,005,000, Series 2013B, Various Purpose General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2004C, General Obligation Bond Series 2005C and General Obligation Bond Series 2006B. Issued at a premium and payable annually in principal installments ranging from \$40,000 to \$925,000 plus interest over 13 years. The refunding provided for a cumulative savings of \$402,579 over the life of the bonds resulting in net present value savings of \$293,222 or 5.103% of the refunded principal.
 19. \$17,035,000, Series 2013C, Various Purpose General Obligation Bonds to finance various projects for Departments within the Government, including but not limited to communications and computer equipment and other equipment, traffic engineering equipment, police and fire equipment, police and fire vehicles, and golf carts, remodeling and renovation of public safety buildings, Kentucky Theatre, maintenance building, fire stations, street and sidewalk improvements, various park projects and improvements, HVAC system maintenance and weather and emergency systems upgrades. Issued at a premium and payable in annual principal payments ranging from \$595,000 to \$1,195,000 plus interest over 20 years.
 20. \$55,925,000, Series 2014A, Various Purpose General Obligation Refunding Bonds, for refunding the General Obligation Bond Series 2010A Build America Bonds. Issued at a premium and payable annually in principal installments ranging from \$2,325,000 to \$4,220,000 plus interest over 17 years. The refunding provided for a cumulative savings of \$2,214,916 over the life of the bonds resulting in net present value savings of \$2,437,443 or 4.35% of the refunded principal.
 21. \$24,245,000 Series 2014B, Various Purpose General Obligation Bonds to finance various projects for Departments within the Government, including but not limited to financing managed email solution/exchange, storage area network, new tax revenue system, procurement website upgrade, Accela software, network infrastructure remediation, police patrol transport wagon, general repairs, life safety, autos vehicle replacement, pothole patcher, public safety ops/Lexcall center, sidewalk and catch basin repair, sidewalks, jail management system, public safety radio system, roof repair and replacement, HVAC repair and replacement, infrastructure improvements, Shillito multipurpose sports fields, Carver Center improvements, dugout

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- replacement, aquatics improvements, Kentucky Theatre concession renovation, fire training tower, land acquisition and fire station design #24 and relocation of fire station #2, providing funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights, and construction of a new senior center. Issued at a premium and payable in annual principal payments ranging from \$690,000 to 1,830,000 plus interest over 20 years.
22. \$2,900,000 Series 2014C, Energy Conservation General Obligation Bonds-Federally Taxable Qualified Energy Conservation Bonds to finance energy conservation measures and other qualifying projects at the Fayette County Detention Center including, but not limited to, LED lighting retrofits, chiller plant optimization, intake HVAC retrofit, inner ring HVAC retrofits, constant-volume reheat fan reset, controls upgrade, demand controlled ventilation, Variable-Air-Volume (VAV) box occupancy controls, energy efficient motors, demand controlled ventilation, kitchen hoods and install new walk-in refrigeration. Issued at Par with annual sinking fund payments of \$196,441 and a 70% interest subsidy with a final maturity of 12 years.
23. \$19,845,000, Series 2015A, Various Purpose General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2006C, General Obligation Bond Series 2009A and full refunding of Series 2010G, Various Purpose General Obligation Public Projects Recovery Zone Economic Development Bonds. Issued at a premium and payable annually in principal installments ranging from \$1,080,000 to \$2,985,000 plus interest over 14 years. The refunding provided for a cumulative savings of \$1,118,502 over the life of the bonds resulting in net present value savings of \$849,671 or 4.281% 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, 2015 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, 2013	\$0
Claims and changes in estimates	27,970,275
Claims paid	<u>(27,970,275)</u>
Surplus at June 30, 2014	0
Claims and changes in estimates	28,736,657
Claims paid	<u>(28,736,657)</u>
Surplus at June 30, 2015	<u>\$0</u>

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

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

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

Annually, as of June 30, the Fund has a third party actuary review the claim histories for all claim years for which open claims are outstanding. The actuary projects the ultimate claim payment obligation (including the IBNR claims) for each year's claim experience. The Government elected to establish the liability for these claims and loss expenses at their present value with a discount rate of 3.5%. As of June 30, 2015 the undiscounted estimated liability was \$34,654,020. The discounted estimated liability as of June 30, 2015 was \$28,903,790. 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, 2013	\$3,978,854	\$9,503,148	\$139,875	\$14,884,320	\$28,506,197
Claims and changes in estimates FY14	1,375,494	4,915	1,049,178	6,630,619	9,060,206
Claims paid 2014	<u>(2,111,833)</u>	<u>(893,898)</u>	<u>(1,002,291)</u>	<u>(5,904,676)</u>	<u>(9,912,698)</u>
Liability at June 30, 2014	3,242,515	8,614,165	186,762	15,610,263	27,653,705
Claims and changes in estimates FY15	2,817,826	(1,887,366)	1,101,835	7,968,705	10,001,000
Claims Incurred FY 2015	<u>(1,864,752)</u>	<u>418,951</u>	<u>(1,053,407)</u>	<u>(6,251,707)</u>	<u>(8,750,915)</u>
Liability at June 30, 2015	<u>\$4,195,589</u>	<u>\$7,145,750</u>	<u>\$235,190</u>	<u>\$17,327,261</u>	<u>\$28,903,790</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	1,000,000	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, 2015 the Government has accrued approximately \$11,300,000 for potential liabilities for the cases covered by self-insurance (See Note 4.B.) and approximately \$4,500,000 in the General Fund in the Government-Wide Financial Statements for matters not covered by the self-insurance program.

In 2005, a case was filed by multiple firefighters alleging that their overtime wages, pension contributions and benefits were not calculated accurately. They seek compensatory damages and attorneys’ fees. The Government filed a Motion for Judgment on the Pleadings on state wage and hour claims, and the Motion was granted by the Fayette Circuit Court. The Court granted the Government’s motion to make the judgment final and appealable, and the Plaintiffs appealed to the Court of Appeals. The Court of Appeals 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 2012. Contributions shall decrease in the amount of \$100,000 each successive fiscal year beginning in 2013, with a final contribution of \$48,000 in 2021.

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

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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, 2015, 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 \$5,316,235 at June 30, 2015 and \$2,291,000 at June 30, 2014.

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 contaminates and these costs are generally expensed as incurred. Future costs for existing conditions are not readily determinable and are not reflected in the financial statements.

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

F. Lexington Public Library – The Library is a non-profit, non-stock corporate agency and instrumentality of the Government. The Lexington Public Library Board of Trustees is a defendant in a lawsuit filed by the Library’s former Director, for contract damages associated with her 2009 termination by the Board. This matter came before an American Arbitration Association panel that on May 17, 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 Lexington Public Library Board of Trustee’s legal counsel presented to the Fayette Circuit Court arguments and memoranda supporting the Board’s position that the Arbitration Panel exceeded its authority under Kentucky law.

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

Through cancelable lease and sublease agreements, the Library is leasing the Tates Creek Branch from the Corporation for an annual rental equal to the annual debt service on the bonds. As of June 30, 2015 the Library is committed to fund a total of \$2,078,518 through fiscal year 2020 for this purpose.

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

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term note receivable in the amount of \$405,000 due from Lexington Centercourt on June 13, 2019. The Government anticipates the amount to be paid in full.

H. 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, 2015, there were 26 series of Industrial Revenue Bonds outstanding with an aggregate amount payable of approximately \$195,966,979

To provide for the construction of a hospital facility, the PFC issued Lease Revenue Bonds, Series 2011A (Eastern State Hospital Project). The bonds are a special limited obligation of the PFC, payable solely from and secured by a pledge of rentals to be received from a lease agreement between the PFC and the Commonwealth of Kentucky. The bonds do not constitute a debt or pledge of the faith and credit of the PFC or the Government, and accordingly have not been reported in the accompanying financial statements. At June 30, 2015, the Lease Revenue Bonds outstanding total approximately \$130,080,000.

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, 2015 were as follows:

General Fund	\$6,082,292
Urban Service Fund	4,016,682
Nonmajor Governmental Funds	\$19,555,006

Encumbrances are not recorded in the financial statements for proprietary fund types and Pension Trust Funds. However, the purchase orders outstanding at June 30, 2015 for these funds are as follows:

Sanitary Sewer Sys	\$31,718,302
Public Facilities C	1,003
Water Quality	4,531,337
Landfill	121,542
Nonmajor Enterpri	\$371,775

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K. Tax abatements – The Government participates in the Commonwealth of Kentucky’s Tax Increment Financing (TIF) program. For a full disclosure of the program requirements, please see KRS Chapters 65 and 154. Any inducements offered under the TIF program are negotiated by the Cabinet for Economic Development officials and presented as a recommendation to the Kentucky Economic Development Finance Authority for approval. There are three state participation programs available. State participation is limited to a specific project within a blighted urban redevelopment or vacant land with 5,000 seat arena development area. Only the tax revenues generated within the footprint of the specific identified project are included in the increment. The tax abatements were granted to development areas that meet two of seven specified blight/deterioration conditions established in KRS 65.7049(3), such as abandonment or deterioration of structures, presence of environmentally contaminated land, and inadequate or deteriorating public infrastructure. Abatements are obtained through application by the property owner, including proof that the improvements have been made. The state specifies a percentage reduction of up to 100% of incremental property taxes and occupational license taxes or fees for up to 30 years.

As of June 30, 2015, the Government has property tax abatement agreements through two programs available for specific projects designated to be within the blighted redevelopment areas as follows (dollars in thousands):

- *Commonwealth Participation Program for Real Property Ad Valorem Tax Revenues* – The TIF has not been activated, and there is no impact on the Government’s revenues. Participation requirements include a positive impact on the Commonwealth as certified by a qualified independent consultant; a minimum capital investment of \$10 million; not more than 20 percent of the approved project costs or 20 percent of the finished square footage shall be devoted to retail; and pledged revenues shall not exceed 100 percent of approved public infrastructure costs. The Government has pledged 80% of its revenues for realty, business returns, and employee withholdings for 20 years. As of June 20, 2015, one state abatement agreement has been entered into with a local business.
- *Commonwealth Participation Program for Mixed Use Redevelopment in Blighted Urban Areas* – The Government’s revenues for realty, business returns, and employee withholdings will be reduced by an estimated \$42,015 for tax credits related to fiscal year 2015 under an agreement entered into by the state in the next fiscal year. Projects must meet several qualifications for mixed use and blighted/deteriorated conditions. Participation requirements include being a new economic activity in the Commonwealth; having a positive impact on the Commonwealth; a minimum capital investment of at least \$20 million but not over \$200 million; and recovery of up to 100 percent of approved public infrastructure costs, and costs related to land preparation, demolition and clearance up to 20 years. The Government has pledged 80% of its revenues for realty, business returns, and employee withholdings for 20 years. As of June 20, 2015, four state abatement agreements have been entered into with local businesses.

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

On July 23, 2015, the Government entered into KIA Loan agreement A13-015, issued in the amount of \$31,801,000 for the design and construction of Phase 1 of a multi-phase wastewater storage facility at the Town Branch Wastewater Treatment Plant. As of September 2, 2015, the Government has received a partial draw of \$10,230,538 with the remaining balance of \$21,570,462 to be requested in fiscal years 2016 and 2017. Until the remaining

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balance is requested the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government. The Capital Replacement Reserve Fund requirement is \$80,000 annually for 10 years.

On September 8, 2015, the Urban County Council approved the issuance of General Obligation bonds with a par value of \$24.86 million. The bonds will fund various capital projects.

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

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

A. Plan Descriptions

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

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

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

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

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, 2014:

	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

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

C. Contributions

The contribution requirements and benefit provisions for the PFRF and CEPF are established by state statute and Government ordinance. In fiscal year 2014, the Government contributed 36.53% to the PFRF and 17.5% to the CEPF. Administrative costs were financed by a combination of additional contributions as well as investment income. The required contribution rates are shown in the following table:

	PFRF	CEPF
Required Contribution Rates:		
Government	36.53%	17.5%
Plan Member	12.0%	8.5%

D. Net Pension Liability

The Government's net pension liability/(asset) was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. Additional information as of the latest actuarial valuation is presented in the following table.

	Policemen's and Firefighters' Pension Fund	City Employees' Pension Fund
Valuation date	July 1, 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 8.A. on page 94	3.0%
Inflation	3.0%	N/A

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

Changes in the Net Pension Liability (Asset)

	PFRF			CEPF		
	<u>Increase (Decrease)</u>			<u>Increase (Decrease)</u>		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a)-(b)
Balances at 6/30/2013	\$738,343,325	\$556,723,810	\$181,619,515	\$12,970,313	\$28,029,242	(\$15,058,929)
Changes for the year:						
Service Cost	15,273,403		15,273,403			
Interest	53,365,849		53,365,849	852,811		852,811
Differences between expected and actual experience						
Contributions-employer		27,636,473	(27,636,473)			
Contributions-employee		9,730,115	(9,730,115)			
Net investment income		96,386,758	(96,386,758)		4,356,048	(4,356,048)
Benefit payments, including refunds of employee contributions	(53,597,352)	(53,597,352)		(1,574,594)	(1,574,594)	
Administrative expense		(598,923)	598,923		(27,178)	27,178
Other changes						
Net changes	<u>15,041,900</u>	<u>79,557,071</u>	<u>(64,515,171)</u>	<u>(721,783)</u>	<u>2,754,276</u>	<u>(3,476,059)</u>
Balances at 6/30/2014	\$753,385,225	\$636,280,881	\$117,104,344	\$12,248,530	\$30,783,518	(\$18,534,988)

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
CEPF's net pension liability (asset)	\$(17,762,884)	\$(18,534,988)	\$(19,223,127)

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
PFRF's net pension liability	\$204,857,383	\$117,104,344	\$43,586,400

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 June 30, 2015

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

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

CEPF

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$0	\$1,960,050
Total	\$0	\$1,960,050

PFRF

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$0	\$44,210,868
Total	\$0	\$44,210,868

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

Year ended June 30:

2016	\$490,013
2017	490,013
2018	490,013
2019	490,013

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

Year ended June 30:

2016	\$11,052,717
2017	11,052,717
2018	11,052,717
2019	11,052,717

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 2015, 870 retirees of the PFRF received this benefit for a total cost of \$4,418,856; and 16 retirees of the CEPF received this benefit for a total cost to the Government of \$54,549.

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, 2015

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	3,337,485
Adjustment to annual required contribution	<u>3,025,074</u>
Annual OPEB cost (expense)	13,573,605
Contributions made	<u>(5,815,427)</u>
Increase in net OPEB obligation	7,758,178
Net OPEB obligation, beginning of year	<u>74,166,338</u>
Net OPEB obligation, end of year	\$81,924,516

The Government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the two preceding fiscal years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2013	\$13,501,140	40.6%	\$64,980,406
2014	13,534,911	32.1%	74,166,338
2015	13,573,605	42.8%	81,824,516

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, 2014 the liability was \$195,064,091. The annual required contribution to fund this liability over a period of 30 years is \$16,301,497. These figures represent the amount needed to provide benefits for 870 current retirees and beneficiaries and 1,097 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, 2015

The actuarial assumptions used for the calculations are listed below.

Valuation date	July 1, 2014
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)
7/1/10		\$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%
7/1/14		\$195,064,091	\$195,064,091	0.00%	\$63,248,485	308.4%

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

F. Pension Plan Financial Statements

STATEMENT OF NET POSITION

June 30, 2015

	<u>PFRF</u>	<u>CEPF</u>	<u>Total Pension Trust Funds</u>
ASSETS			
Cash and Cash Equivalents	\$5,392,668	\$1,890,154	\$7,282,822
Receivables:			
Interest Receivable	1,451,979	62,511	1,514,490
Investments, at Fair Value:			
Debt Securities:			
US Agencies	26,389,967	521,473	26,911,440
US Government Obligations	25,047,052	3,163,287	28,210,339
Municipal Obligations	3,164,381		3,164,381
International Bonds	15,365,249		15,365,249
Corporate Debt	71,873,849	9,152,476	81,026,325
Repurchase Agreements	7,317,821		7,317,821
Other Investments:			
Equity Mutual Funds	270,584,162	15,648,454	286,232,616
Equity Real Estate	66,906,173		66,906,173
Equity Securities - Domestic	90,086,230		90,086,230
Equity Securities - International	62,388,464		62,388,464
Total Investments	<u>639,123,348</u>	<u>28,485,690</u>	<u>667,609,038</u>
Total Assets	<u>\$645,967,995</u>	<u>\$30,438,355</u>	<u>\$676,406,350</u>
LIABILITIES			
Accounts Payable and Accrued Expenses	\$126,498	\$1,485	\$127,983
Securities Lending Transactions	7,317,821		7,317,821
Due to Other Funds	3,807,958	254,038	4,061,996
Total Liabilities	<u>\$11,252,277</u>	<u>\$255,523</u>	<u>\$11,507,800</u>
NET POSITION			
Amounts Held in Trust for Pension Benefits	<u>\$634,715,718</u>	<u>\$30,182,832</u>	<u>\$664,898,550</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

STATEMENT OF CHANGES IN NET POSITION
June 30, 2015

	<u>PFRF</u>	<u>CEPF</u>	<u>Total Pension Trust Funds</u>
ADDITIONS			
Contributions:			
Employer	\$22,623,680.80	\$0	\$22,623,681
Employer - Administration	4,418,856	54,549	4,473,405
Plan Members	9,881,338		9,881,338
Other	81,355		81,355
Total Contributions	<u>37,005,230</u>	<u>54,549</u>	<u>37,059,779</u>
Investment Income:			
Net Change in Fair Value of Investments	9,532,542	(501,171)	9,031,371
Interest	6,616,476	1,056,726	7,673,202
Dividends	3,561,819	379,162	3,940,981
Total Investment Income	<u>19,710,837</u>	<u>934,717</u>	<u>20,645,554</u>
Less Investment Expense	2,973,017	36,584	3,009,601
Net Investment Income	<u>16,737,820</u>	<u>898,133</u>	<u>17,635,953</u>
Income from Securities Lending Activities:			
Securities Lending Income	49,425		49,425
Securities Lending Expenses:			
Borrower Rebates	(101,532)		(101,532)
Management Fees	60,801		60,801
Total Securities Lending Expenses (Income)	<u>(40,731)</u>	<u>0</u>	<u>(40,731)</u>
Net Income on Securities Lending Activities	<u>90,156</u>	<u>0</u>	<u>90,156</u>
Total Additions	<u>53,833,206</u>	<u>952,682</u>	<u>54,785,888</u>
DEDUCTIONS			
Benefit Payments	54,733,194	1,524,941	56,258,135
Administrative Expense	665,175	28,356	693,531
Total Deductions	<u>55,398,369</u>	<u>1,553,297</u>	<u>56,951,666</u>
Net Increase	(1,565,163)	(600,615)	(2,165,778)
Net Position, Beginning	<u>636,280,881</u>	<u>30,783,447</u>	<u>667,064,328</u>
Net Position, Ending	<u>\$634,715,718</u>	<u>\$30,182,832</u>	<u>\$664,898,550</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

G. The County Employees' Retirement System

Plan description – The Government contributes to the Commonwealth of Kentucky's County Employees' Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county and school board and any additional eligible local agencies electing to participate in the System. At June 30, 2014, there were over 1,400 local government agencies participating in CERS, which provides for retirement, disability and death benefits. Beginning October 27, 1975, all eligible full-time employees of the Government were required to participate in CERS.

Contributions – Nonhazardous covered employees are required to contribute 5 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 17.67 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 34.31 percent.

The contribution requirements and the amounts contributed to CERS were \$16,354,078, \$16,161,747, and \$16,625,248 respectively for the years ended June 30, 2015, 2014 and 2013.

Benefits provided – 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.

Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 2, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

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

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

At June 30, 2015, the Government reported a liability of \$115,215,078 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Government's proportion of the net pension liability was based on a projection of the Government's long term share of contributions to the

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

pension plan relative to the projected contributions of all participating governmental agencies, actuarially determined. At June 30, 2014, the Government's portion of nonhazardous and hazardous was 2.71 percent and 2.28 percent, respectively.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments		\$12,496,692
Government contributions subsequent to the measurement date	\$16,347,021	
Total	\$16,347,021	\$12,496,692

\$16,347,021 reported as deferred outflows of resources related to pensions resulting from Government contributions subsequent to the measurement date will be recognized as a reductions of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2015	\$3,124,274
2016	3,124,274
2017	3,124,274
2018	3,124,274

The Schedule of Deferred Inflows and Outflows, and Pension Expense include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule does not include deferred outflows/inflows of resources for change in the Government's proportionate share of contributions or contributions made subsequent to the measurement date. The net pension liability as of June 30, 2014, is based on the June 30, 2014, actuarial valuation for the first year of implementation. As a result, there are no differences between expected and actual experience or changes in assumption subject to amortization. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed four year period.

The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.75%, net of pension plan investment expense, including inflation
Projected salary increases	4.5%, average, including inflation
Inflation	3.5%

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions from the Government will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

The rates of mortality for the period after service retirement are according to the 1983 Group Annuity Mortality Table for retired members and beneficiaries as of June 30, 2006 and the 1994 Group Annuity Table for all other members. The Group Annuity Mortality Table set forward five years is used for the period after disability retirement.

The long-term expected return on plan assets is reviewed as part of the regular experience studies prepared every five years for KRS. The most recent analysis, performed for the period covering fiscal years 2005 through 2008, is outlined in a report dated August 25, 2009. Several factors are considered in evaluating the long-term rate of return assumption including long term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense, and inflation) were developed by the investment consultant for each major asset class (See chart below). These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	30.00%	8.45%
International equity	22.00%	8.85%
Emerging market equity	5.00%	10.50%
Private equity	7.00%	11.25%
Real estate	5.00%	7.00%
Core US fixed income	10.00%	5.25%
High yield US fixed income	5.00%	7.25%
Non US fixed income	5.00%	5.50%
Commodities	5.00%	7.75%
TIPS	5.00%	5.00%
Cash	1.00%	3.25%
	100.00%	

The long-term expected rate of return on pension plan investments was established by the KRS Board of Trustees as 7.75 percent based on a blending of the factors described above.

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Nonhazardous	\$114,379,930	\$87,790,184	\$62,657,111
Hazardous	35,876,118	27,424,894	20,249,114
CERS's net pension liability	\$150,256,048	\$115,215,078	\$82,906,225

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2015

Payable to the Pension Plan

At June 30, 2015, the CERS reported a payable of \$2,437,623 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2015.

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

NOTE 9. RECENT GASB PRONOUNCEMENTS

The GASB has issued several reporting standards that will become effective for FY 2016 and later year financial statements. Statement No. 72, *Fair Value Measurement and Application*, provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements.

Statement No. 73 includes amendments to certain provisions of a previously issued Statement related to disclosures for defined contribution retirement plans.

Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, provides guidance for measuring the present value of the projected benefits to be provided to employees that is attributed to those employees' past periods of service.

Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles ("GAAP") for State and Local Governments*, addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

The Government has not yet determined the effect, if any, that the adoption of these Statements may have 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 **Property & Evidence Fund** accounts for monies collected from prisoners. Once the case has been adjudicated through the court system, money is distributed as ordered.

The **Lexington Jobs Fund** was established as a local economic development program to promote employment growth. All program loan payments and collections remain within the fund.

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

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

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

CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

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

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

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

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

The **2016 Bond Projects** will fund projects and infrastructure improvements for departments within the Government including but not limited to Chief Information Officer, General Services, Public Safety, and Planning, Preservation & Development.

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, 2015

	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	2015 Bond Projects	QECB Bond Projects	2016 Bond Projects	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	
ASSETS											
Current Cash	\$76,575	\$0	\$0	\$0	\$1,381,778	\$0	\$0	\$0	\$487,361	\$3,321,217	\$5,271,239
Current Investments									311,454		659,768
Receivables:											
Other			14,257		518,123	518,123		64,107		51,676	1,152,029
Inventories and Prepaid Items		554,387									1,910,534
Due from Other Funds		3,339,225	588,999	406,790	5,127,092	21,449,847	1,044,575			106,066	106,066
Restricted Investments	1,343,331									878,069	3,566,167
Total Assets	<u>\$1,419,906</u>	<u>\$3,893,612</u>	<u>\$588,999</u>	<u>\$421,047</u>	<u>\$7,026,993</u>	<u>\$22,059,779</u>	<u>\$1,044,575</u>	<u>\$862,922</u>	<u>\$3,372,893</u>	<u>\$41,766,383</u>	<u>\$57,274,071</u>
LIABILITIES AND FUND BALANCES											
Liabilities:											
Accounts and Contracts Payable	\$0	\$23,594	\$4,229	\$11,036	\$1,154,086	\$2,095,444	\$296,690	\$0	\$0	\$0	\$3,585,079
Accrued Payroll & Related Liabilities											0
Due to Other Funds	1,233,136		488,093	37,485	755,967	546,768	49,700	43,562	644,979	644,979	4,310,165
Unearned Revenue and Other			10,820								10,820
Total Liabilities	<u>1,233,136</u>	<u>23,594</u>	<u>503,142</u>	<u>48,521</u>	<u>1,910,053</u>	<u>2,642,212</u>	<u>346,390</u>	<u>43,562</u>	<u>644,979</u>	<u>644,979</u>	<u>7,906,064</u>
Fund Balances:											
Nonspendable											106,066
Restricted for:											
Public Works				14,257		91,809					0
Public Safety											0
Capital Projects	186,770	3,870,018	85,857	358,269	5,116,940	19,325,758	698,185	819,360	2,727,914	2,727,914	33,754,253
Assigned											0
Total Fund Balances	<u>186,770</u>	<u>3,870,018</u>	<u>85,857</u>	<u>372,526</u>	<u>5,116,940</u>	<u>19,417,567</u>	<u>698,185</u>	<u>819,360</u>	<u>2,727,914</u>	<u>33,860,319</u>	<u>44,920,511</u>
Total Liabilities and Fund Balances	<u>\$1,419,906</u>	<u>\$3,893,612</u>	<u>\$588,999</u>	<u>\$421,047</u>	<u>\$7,026,993</u>	<u>\$22,059,779</u>	<u>\$1,044,575</u>	<u>\$862,922</u>	<u>\$3,372,893</u>	<u>\$41,766,383</u>	<u>\$57,274,071</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	Special Revenue Funds										Capital Projects Funds						
	Local Economic Assistance										Lexington Cultural Center	2003 Bond Projects	Equipment Lease Notes				
	County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Mineral Severance	Coal Severance	Property & Evidence	Lexington Jobs Fund	Police Confiscated Funds	Police Confiscated State Funds	Public Safety Fund				Total			
REVENUES																	
Charges for Services	\$0	\$0	\$36,375	\$0	\$0	\$0	\$2,786	\$0	\$0	\$0	\$39,161	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental	1,051,742	6,786,045		297,273	67,505			406,703	57,097	271,756	8,938,121						
Property Sales								4,105	18,966		23,071						
Income on Investments	35	621		12		427		92			1,187	61		410			
Total Revenues	1,051,777	6,786,666	36,375	297,285	67,505	427	2,786	410,900	76,063	271,756	9,001,540	61		410			0
EXPENDITURES																	
Current:																	
Chief Development Officer							174,334				174,334						
Finance											0						
Environmental Quality & Public Works											0						
Planning, Preservation, & Development											14,673					1,849	
Public Safety		14,673									0						
Police								349,820	122,492		472,312						
Parks and Recreation											0						
Debt Service:											0						
Principal											0						
Interest											0						
Other Debt Service											0						
Capital:											0						
Equipment								69,471	65,593		135,064						
Acquisitions and Construction											8,705,063						
Total Expenditures	1,078,199	6,967,110	0	519,047	140,707	0	174,334	419,291	188,085	271,756	9,501,446	61		85,839			0
Excess (Deficiency) of Revenues over (under) Expenditures	(26,422)	(195,117)	36,375	(221,762)	(73,202)	427	(171,548)	(8,391)	(112,022)	271,756	(499,906)	61		(85,429)			0
OTHER FINANCING SOURCES (USES)																	
Transfers Out																	
Issuance of Debt											(3,272,953)						
Premium on Bonds											0						
Discount on Bonds											0						
Issuance of Refunding Debt, par											0						
Payment to Refunded Debt Escrow Agent											0						
Total Other Financing Sources (Uses)	0	(3,072,953)	0	0	0	0	0	0	0	(200,000)	(3,272,953)	0		0			0
Net Change in Fund Balances	(26,422)	(3,268,070)	36,375	(221,762)	(73,202)	427	(171,548)	(8,391)	(112,022)	71,756	(3,772,859)	61		(85,429)			0
Fund Balances (Deficits), Beginning	2,342,901	8,629,939	169,350	721,084	391,817	25	1,000,000	8,391	578,144	991,400	14,833,051	41,472		233,902			323,682
Fund Balances (Deficits), Ending	\$2,316,479	\$5,361,869	\$205,725	\$499,322	\$318,615	\$452	\$828,452	\$0	\$466,122	\$1,063,156	\$11,060,192	\$41,533		\$148,473			\$323,682

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, Continued
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2015

	2007, 2008, & 2009	2010 Bond Projects	2011 & 2012 Bond Projects	2013 Bond Projects	2014 Bond Projects	2015 Bond Projects	QECB Bond Projects	2016 Bond Projects	Public Library Corporation	Roads, Parks, Open Space, Storm Water	Total	Total Nonmajor Governmental Funds
REVENUES												
Charges for Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$39,161
Intergovernmental		219,603									219,603	9,157,724
Exactions										2,074,477	2,074,477	2,074,477
Property Sales										0	0	23,071
Other									278,208	278,208	278,208	278,208
Income on Investments	1,601	5,983	675	1,245	6,835	13,281	3,001	0	55	2,332	35,479	36,666
Total Revenues	1,601	225,586	675	1,245	6,835	13,281	3,001	0	278,263	2,076,809	2,607,767	11,609,307
EXPENDITURES												
Current:												
Chief Development Officer												174,334
Finance									370		370	370
Environmental Quality & Public Works	2,480										4,329	4,329
Planning, Preservation, & Development											0	14,673
Public Safety			74,908			254,127					329,035	329,035
Police											0	472,312
Parks and Recreation						518,959					518,959	518,959
Debt Service:												
Principal									227,280		227,280	227,280
Interest									32,781		32,781	32,781
Other Debt Service				1,500		165,660		21,498			238,483	238,483
Capital:												
Equipment	72,130	348,964	67,810	74,705	418,618	5,817,366					6,799,593	6,934,657
Acquisitions and Construction	44,612	1,026,654	41,770	847,675	5,571,938	1,704,391	2,162,873				11,483,903	20,188,966
Total Expenditures	119,222	1,375,618	184,488	922,380	5,992,056	8,460,503	2,184,371	49,825	260,431	0	19,634,733	29,136,179
Excess (Deficiency) of Revenues over (under) Expenditures	(117,621)	(1,150,032)	(183,813)	(921,135)	(5,985,221)	(8,447,222)	(2,181,370)	(49,825)	17,832	2,076,809	(17,026,966)	(17,526,872)
OTHER FINANCING SOURCES (USES)												
Transfers Out	(158,684)										(158,684)	(3,431,637)
Issuance of Debt						24,245,000	2,900,000				27,145,000	27,145,000
Premium on Bonds						3,731,553					3,731,553	3,731,553
Discount on Bonds						(113,952)	(20,445)				(134,397)	(134,397)
Issuance of Refunding Debt, par								19,845,000			19,845,000	19,845,000
Issuance of Refunding Debt, premium								3,003,988			3,003,988	3,003,988
Payment to Refunded Debt Escrow Agent								(22,747,669)			(22,747,669)	(22,747,669)
Total Other Financing Sources (Uses)	(158,684)	0	0	0	0	27,862,601	2,879,555	101,319	0	0	30,684,791	27,411,838
Net Change in Fund Balances	(276,305)	(1,150,032)	(183,813)	(921,135)	(5,985,221)	19,415,379	698,185	51,494	17,832	2,076,809	13,657,825	9,884,966
Fund Balances (Deficits), Beginning	463,075	5,020,050	269,670	1,293,661	11,102,161	2,188			801,528	651,105	20,202,494	35,035,545
Fund Balances (Deficits), Ending	\$186,770	\$3,870,018	\$85,857	\$372,526	\$5,116,940	\$19,417,567	\$698,185	\$51,494	\$819,360	\$2,727,914	\$33,860,319	\$44,920,511

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/15

<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, 2014</u>	<u>Revenue Received</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2015</u>
US Department of Agriculture:						
Direct Programs:						
Child Care Food Program	10.558	11475	\$3,680	\$16,622	\$12,942	\$0
Child Care Food Program	10.558	11475		42,199	45,261	3,062
Purchase of Development Rights (PDR)	10.913	68-5C16-11-128	890,221	1,273,021	382,800	
Total US Department of Agriculture			893,901	1,331,842	441,003	3,062
US Department of Housing and Urban Development:						
Direct Programs:						
Community Dev Block Grant	14.218	B12MC210004	363,208	808,333	445,125	
Community Dev Block Grant	14.218	B13MC210004		1,149,742	903,507	(246,235)
Community Dev Block Grant	14.218	B14MC210004			370,740	370,740
Emergency Solutions	14.231	E12MC210003	796	796		
Emergency Solutions	14.231	E13MC210003	24,626	83,245	58,619	
Emergency Solutions	14.231	E14MC210003		87,889	100,540	12,651
HOME	14.239	M11MC210201	188,228	705,512	517,284	
HOME	14.239	M12MC210201		401,096	401,096	
HOME	14.239	M13MC210201		444,506	249,571	(194,935)
HOME	14.239	M14MC210201			258,863	258,863
Housing Opp for Pers with AIDS (HOPWA)	14.241	KY-H11-0012	103,439	592,486	491,557	2,510
Housing Opp for Pers with AIDS (HOPWA)	14.241	KY-H14-0011			165,575	165,575
Total US Department of Housing and Urban Development			680,297	4,273,605	3,962,477	369,169
US Department of Justice:						
Direct Programs:						
Police Confiscated Funds	16.000	NA	(1,084,874)	334,855	419,290	(1,000,439)
Safe Havens	16.527	2010-CW-AX-K013	38,956	78,132	39,176	
Safe Havens	16.527	2013-FL-AX-K011	2,123	91,931	145,370	55,562
Arrest Policy	16.590	2011-WE-AX-0011	29,857	83,925	85,237	31,169
SCAAP	16.606	2011-AP-BX-0370	(10)		10	
SCAAP	16.606	2012-AP-BX-0690	(62,666)		7,165	(55,501)
SCAAP	16.606	2013-AP-BX-0161	(53,662)			(53,662)
SCAAP	16.606	2014-AP-BX-0607		34,405		(34,405)
Project Safe Neighborhoods	16.609	2011-GP-BX-0027	17,216	38,961	21,745	
Cops Hire	16.710	2011ULWX0015	3,947	311,622	482,482	174,807
National PAL Mentoring Program	16.726	2013-JU-FX-0024	3,367	4,906	10,032	8,493
Lex-Fayette Co Detention Center (PREA)	16.735	2010-RP-BX-K001	5,142	5,142		
Justice Assistance Grant	16.738	2011-DJ-BX-3120	(37,715)		37,715	
Justice Assistance Grant	16.738	2012-DJ-BX-0432	(5,661)		5,661	
Justice Assistance Grant	16.738	2013-DJ-BX-0325	(25,989)		24,065	(1,924)
Justice Assistance Grant	16.738	2014-DJ-BX-0578		213,624	53,359	(160,265)
Passed through Commonwealth of Kentucky:						
Juv Accountability Block Grant	16.523	JABG-2013-LFUCG St-00007		743	743	
Juv Accountability Block Grant	16.523	JABG-2014-LFUCG St-00006	8,377	10,158	2,147	366
Juv Accountability Block Grant	16.523	JABG-2015-LFUCG St-00005		13,171	14,841	1,670
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2013-LFUCG-ST-0033	8,506	27,206	18,700	
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2014-LFUCG-ST-0038		4,204	15,742	11,538
Street Sales (Confiscated Funds)	16.738	2013-JAG-LFUCG-STRE-0094		63,674	63,674	
Street Sales	16.738	2013-JAG-LFUCG-STRE-0094	27,912	27,912		
Street Sales (Confiscated Funds)	16.738	2014-JAG-LFUCG-STRE-0105		6,759	6,759	
Street Sales	16.738	2014-JAG-LFUCG-STRE-0105		25,348	49,991	24,643
Total US Department of Justice			(1,125,174)	1,376,678	1,503,904	(97,948)
US Department of Labor:						
Passed through Commonwealth of Kentucky:						
WIA	17.259	14-006Y	7,474	12,875	5,401	
WIA	17.259	15-006Y		47,178	75,229	28,051
Total US Department of Labor			7,474	60,053	80,630	28,051

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/15

<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, 2014</u>	<u>Revenue Received</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2015</u>
US Department of Transportation:						
Direct Programs:						
Passed through Commonwealth of Kentucky:						
Air Quality Planning	20.205	1300006289	18,279	18,279		
Air Quality Planning	20.205	1500000012		35,854	52,882	17,028
Bicycle and Pedestrian Planning	20.205	1300006289	16,562	16,562		
Bicycle and Pedestrian Planning	20.205	1500000012		33,327	52,800	19,473
Brighton East	20.205	1000001796	17,864		51,784	69,648
Citation Boulevard	20.205	C-05396856		(9,316)	302,684	312,000
Clays Mill Road	20.205	C-03328686	1,803,923	2,910,398	1,784,925	678,450
Congestion Management	20.205	1300006289	24,045	24,045		
Congestion Management	20.205	1500000012		30,119	62,395	32,276
Distracted Driving-Supplemental	20.205	PO2-625-14000051191	29,984	29,984		
Distracted Driving	20.205	PO2-625-15000040641			26,527	26,527
Federal Highway Planning	20.205	1300004307	140,145	140,145		
Federal Highway Planning	20.205	1400005555		280,094	361,600	81,506
Fiber Optic Cable Installation	20.205	PO2-628-1300002569	20,800	314,560	293,760	
Gainesway Trail CMAQ Project	20.205	PO2-628-0700013794	14,053	14,053	2,566	2,566
Grimes Mill Bridge	20.205	C-05354512	129,227	129,227		
Intelligent Transpor. System (ITS)	20.205	PO2-625-1300000653	163,008	163,008		
Intelligent Transpor. System (ITS)	20.205	PO2-625-1400003771	2,236	283,721	457,598	176,113
Intelligent Transpor. System (ITS)	20.205	PO2-625-1500000357			16,524	16,524
Legacy Trail Enhancements	20.205	PO2-625-1200003879	5,131	404,358	481,816	82,589
Legacy Trail Phase III	20.205	PO2-628-1400005764		16,306	62,114	45,808
Lexington Traffic	20.205	PO2-625-1200001306	20,925	55,760	75,685	40,850
Liberty Road/Todds Road	20.205	C-00021586	(135,052)	(185,561)		50,509
Liberty Road/Todds Road	20.205	C-04073306	(10,522)	829,346	863,417	23,549
Loudon Avenue Sidewalk Project	20.205	PO2-628-1100001626	602	9,949	14,384	5,037
Man O' War & Alumni Intersection Project	20.205	PO2-625-1400004868		19,640	42,482	22,842
Man O' War & Pink Pigeon Intersection Project	20.205	PO2-625-1400004867		9,297	20,111	10,814
Man O' War & Richmond Intersection Project	20.205	PO2-625-1400004869		3,724	8,056	4,332
Newtown Pike	20.205	C-00343167	21,326	11,651	11,651	21,326
Newtown Pike Supplement #1	20.205	C-00343167	37,598	193,415	190,828	35,011
Newtown Pike Supplement #2	20.205	C-00343167	410,252	1,070,442	886,806	226,616
Polo Club Boulevard Project	20.205	PO2-625-1300001036	17,619	17,619	24,279	24,279
Rose Street Bike Lanes	20.205	C-01099430		5,876	19,245	13,369
Share The Road	20.205	PO2-628-0900022380	8,400	20,169	11,769	
Southland	20.205	PO2-628-1100001374	2,135	190,254	188,885	766
South Limestone Streetscape	20.205	PO2-628-1100004324		227,933	634,736	406,803
Tates Creek Sidewalks	20.205	PO2-628-1300001250	337,800	337,800	40,750	40,750
Town Branch	20.205	PO2-628-1200004353			500	500
Mobility Office	20.205	MA-1300006289	39,805	39,805		
Mobility Office	20.205	MA-1500000012		53,097	97,665	44,568
MCSAP	20.218	No Number	42,827	57,033	14,206	
MCSAP	20.218	No Number			5,460	5,460
Tact	20.218	No Number		8,453	10,692	2,239
Brighton Rail Trail Phase 4	20.219	RTP 484-13			5,274	5,274
Cool Trail	20.219	1000003084	23,374			23,374
Fed Transit Admin Section 5303	20.505	KY-80-0004-00	15,945	15,945		
Fed Transit Admin Section 5303	20.505	1500002152		26,460	48,400	21,940
Traffic Safety	20.601	K8-14-04	8,524	8,524		
Traffic Safety	20.601	M5-15-21		38,481	78,419	39,938
Traffic Safety Speed Program	20.600	PT-14-28	213	760	547	
Traffic Safety Speed Program	20.600	PT-15-27		2,053	18,693	16,640
Traffic Safety Click It or Ticket Enforcement	20.602	K2-14-19	4,128	4,128		
Traffic Safety Impaired Driving Enforcement	20.601	K8-14-19		3,150	3,150	
Transit Planning	20.205	PO2-625-1500000669		120,000	120,000	
Total US Department of Transportation			3,231,157	8,029,927	7,446,065	2,647,295
US Environmental Protection Agency						
Direct Programs:						
Passed through Commonwealth of Kentucky:						
Brownfield Assessment Project	66.818	BF-95461610-0	126,449	188,044	61,595	
Wolf Run	66.460	C9994861-09	69	4,886	30,760	25,943
Wolf Run	66.460	PON2 129 1400000015	187	1,184	997	
Wolf Run	66.458	A10-08 SWR	383,555	401,222	17,667	
Blue Sky	66.458	A12-16 SWR		1,077,401	1,077,401	
Century Hills	66.458	A13-003 SWR	90,928	741,466	650,538	
East Lake	66.458	A13-003 SWR	105,808	206,635	100,827	
West Hickman Trunk	66.458	A13-003 SWR		2,918,296	3,087,168	168,872
Woodhill Trunk	66.458	A13-003 SWR		221,265	329,386	108,121
Anniston Wickland PH3	66.458	A13-007 WQ	276,437	276,437		
Idle Hour	66.458	A13-007 WQ		203,043	203,043	
Walhampton	66.458	A13-007 WQ		65,430	284,747	219,317
Town Branch WWS	66.458	A13-15 SWR			6,890,602	6,890,602
E2A	66.458	A13-18 SWR	746,739	1,513,157	1,352,930	586,512
Bob-O-Link	66.458	A13-002 SWR	195,512	1,491,152	1,295,640	
Wolf Run WWS	66.458	A13-002 SWR		283,614	463,668	180,054
Wolf Run TrunkA	66.458	A13-002 SWR		452,195	452,195	
Total US Environmental Protection Agency			1,925,684	10,045,427	16,299,164	8,179,421
US Department of Health and Human Services:						
Passed through Commonwealth of Kentucky:						
Senior Citizens	93.044	AS-2013-2014-2015	18,884	18,884		
Senior Citizens	93.044	AS-2014-2015-2016		127,506	127,506	
New Chance-Cab For Families	93.558	PON2 736 1200001514				
Home Network	93.597	2011-2012-PUBLIC-R	(10,863)		10,863	
Home Network	93.597	2012-1013-PUBLIC-R	(292,975)		292,975	
Home Network	93.597	2013-1014-PUBLIC-R	(286,340)	61,570	18,788	(329,122)
Home Network	93.597	2014-2015-PUBLIC-R		288,900		(288,900)
Total US Department of Health and Human Services			(571,294)	496,860	450,132	(618,022)

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/15

<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, 2014</u>	<u>Revenue Received</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2015</u>
US Department of Homeland Security Office of Domestic Preparedness:						
Passed through Commonwealth of Kentucky:						
Hazard Mitigation Grant Prog.(HMGP_Lafayette)	97.039	PON209512000039332		1,687	211,802	210,115
Chemical Stockpile Emergency (CSEPP)	97.040	PON209512000005372	4,439	175,955	2,513,657	2,342,141
Chemical Stockpile Emergency (CSEPP)	97.040	PO209513000036521	259,014	501,521	248,618	6,111
Chemical Stockpile Emergency (CSEPP)	97.040	PO209514000033041	116,376	395,953	581,645	302,068
Emergency Management Assistance	97.042	PON209514000003351	18,879	86,437	67,558	
Emergency Management Assistance	97.042	PON209515000006541		17,473	69,679	52,206
State Homeland Dive	97.067	PO2 094 1400002977 1		18,371	18,371	
State Homeland Medic	97.067	PO2 094 1500003704 1			20,000	20,000
State Homeland Police	97.067	PO2 094 1400003000 2		70,239	70,239	
State Homeland Police	97.067	PO2 094 1500002474 1		22,378	22,378	
State Homeland Fire	97.067	PO2 094 1500002472 1			70,000	70,000
Metro Medical Response System (MMRS)	97.067	PO2 094 1200003498 4	10,306	10,306		
Staffing for Adequate Fire & Emerg Response	97.083	EMW-2011-FH-00445	761,007	1,747,593	986,587	
Total US Dept. of Homeland Security Office of Domestic Preparedness			<u>1,170,021</u>	<u>3,047,913</u>	<u>4,880,534</u>	<u>3,002,641</u>
US Election Assistance Commission						
Passed through Commonwealth of Kentucky:						
Help America Vote	90.401	N/A	53,800	53,800		
Total US Department of Energy			<u>53,800</u>	<u>53,800</u>	<u>0</u>	<u>0</u>
Total Federal Financial Assistance			<u>\$6,265,865</u>	<u>\$28,716,105</u>	<u>\$35,063,909</u>	<u>\$12,613,669</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, 2015**

Grantor/Program Title	Grantor's Number	Grantor	Accrued or (Deferred) Revenue at July 1, 2014	Revenue Received	Expenditures	Accrued or (Deferred) Revenue at June 30, 2015
Bluesky	SX21067007	Kentucky Infrastructure Authority	\$0	\$16,954	\$16,954	\$0
Day Treatment	PON252313000023611	Kentucky Dept. of Juvenile Justice	18,138	18,138		
Day Treatment	PON252314000028721	Kentucky Dept. of Juvenile Justice		199,522	217,660	18,138
Economic Development-Belcan Engineer.	N/A	Kentucky Cabinet Economic Development	(234,000)			(234,000)
Economic Development-Bingham McCutche	N/A	Kentucky Cabinet Economic Development		450,000		(450,000)
Economic Development-Tiffany	N/A	Kentucky Cabinet Economic Development		4,200		(4,200)
Emergency Medical Services	N/A	Kentucky Bd. Emergency Medical Service		9,870	9,870	
Energy Savings Performance Contract-FCDI Expansion	PON211214000010591 SX21067006	Kentucky Dept. Local Government	204,945	204,945	100,000	100,000
Federal Highway Planning	1300004307	Kentucky Infrastructure Authority	8,759	8,759		
Federal Highway Planning	1400005555	Kentucky Transportation Cabinet		17,506	22,600	5,094
Fire Training Incentive	155	Kentucky Transportation Cabinet		2,250,284	2,250,284	
Green Acres	SX21067103	Kentucky Commission on Fire Protection	30	660,466	692,466	32,030
Hazard Mitigation Grant Prog.(HMG_P_Lafa	PON209512000039332	Kentucky Infrastructure Authority		270	33,908	33,638
Home Network	2013-1014-PUBLIC-R	Kentucky Emergency Management Agenc	(84,593)	9,040		
Home Network	2014-2015-PUBLIC-R	Lexington Fayette County Health Dept		53,200	93,633	(53,200)
Isaac Murphy Memorial Garden	PO2-625-1000004542	Lexington Fayette County Health Dept		6,561	7,361	800
Kentucky Pride	N/A	Kentucky Transportation Cabinet	(68,353)		68,353	
Kentucky Pride	N/A	Kentucky Dept. Natural Resources		148,956	54,822	(94,134)
KY Pride Household Hazardous Waste Mgr	N/A	Kentucky Energy & Environmental Cabin		80,500	80,500	
LPS Settlement	N/A	Kentucky Division of Waste Management	(699,926)		231,883	(468,043)
Law Enforcement Service Fee	LSF-2013-LFUCG-Stre-00226	Kentucky Office of the Attorney General	7,384	7,384		
Law Enforcement Service Fee	LSF-2014-LFUCG-Stre-00257	Kentucky Justice Cabinet		84,823	94,072	9,249
Legacy Trail Enhancements	PO2-625-1200003879	Kentucky Justice Cabinet	1,250	41,867	120,454	79,837
Liberty Road/Todds Road	C-0021586	Kentucky Transportation Cabinet	(33,365)	(45,992)		12,627
Liberty Road/Todds Road	C-04073306	Kentucky Transportation Cabinet	(2,628)	207,337	215,854	5,889
Newtown Pike Extension	C00343167	Kentucky Transportation Cabinet	5,331	2,913	2,913	5,331
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation	185,812	185,812		
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation		1,958,110	2,137,323	179,213
SANE3 (Sexual Assault Treatment Project)	VAWA-2010-LFUCG ST-00132	Kentucky Law Enforcement Foundation	1,800	(1,800)	(1,800)	
SANE3 (Sexual Assault Treatment Project)	VAWA-2011-LFUCG-ST-00220	Kentucky Justice Cabinet	2,200		(2,200)	
SANE3 (Sexual Assault Treatment Project)	VAWA-2012-LFUCG-ST-00296	Kentucky Justice Cabinet	7,000	7,000		
SANE3 (Sexual Assault Treatment Project)	VAWA-2013-LFUCG-ST-00334	Kentucky Justice Cabinet	4,800	200	5,200	9,800
SANE3 (Sexual Assault Treatment Project)	VAWA-2014-LFUCG-ST-00383	Kentucky Justice Cabinet		4,200	4,200	4,200
Senior Citizens	AS-2014-2015-2016	Bluegrass Area Development District		34,966	65,108	30,142
Tates Creek Rd/Lansdowne Dr Traffic Sig	N/A	Kentucky Justice Cabinet	97,400	4,000	4,000	97,400
Waste Tire	N/A	Kentucky Transportation Cabinet				
		Kentucky Energy & Environmental Cabin				
Total State Financial Assistance			<u>(\$578,016)</u>	<u>\$6,627,591</u>	<u>\$6,525,418</u>	<u>(\$680,189)</u>

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

NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
June 30, 2015

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
ASSETS								
Current Assets:								
Cash	\$476,279	\$500	\$273,714	\$1,355,392	\$93,920	\$132,084	\$1,015,287	\$3,347,176
Investments				1,401,375		35,773		1,437,148
Receivables:								
Other Receivables	30,363	30,733		275,142	43,257	35,867		415,362
Less Allowance for Uncollectible Accounts						(35,867)		(35,867)
Due from Other Funds	784,689	692,983	553,802	1,897,495	179,409	1,954	382,511	4,492,843
Inventories and Prepaid Expenses				67,761	3,894			71,655
Total Current Assets	<u>1,291,331</u>	<u>724,216</u>	<u>827,516</u>	<u>4,997,165</u>	<u>320,480</u>	<u>169,811</u>	<u>1,397,798</u>	<u>9,728,317</u>
Non-Current Assets:								
Land							400,000	400,000
Land Improvements		10,000					3,197,206	3,207,206
Buildings							55,351	55,351
Vehicles, Equipment, and Furniture	56,651	119,219	143,647	3,028,669				3,348,186
Intangibles				1,382,184				1,382,184
Less Accumulated Depreciation	(55,458)	(103,389)	(143,247)	(3,242,602)			(1,574,232)	(5,118,928)
Total Non-Current Assets	<u>1,193</u>	<u>25,830</u>	<u>400</u>	<u>1,168,251</u>	<u>0</u>	<u>0</u>	<u>2,078,325</u>	<u>3,273,999</u>
Total Assets	<u>\$1,292,524</u>	<u>\$750,046</u>	<u>\$827,916</u>	<u>\$6,165,416</u>	<u>\$320,480</u>	<u>\$169,811</u>	<u>\$3,476,123</u>	<u>\$13,002,316</u>
Deferred outflows of resources:								
Contributions subsequent to measurement date	\$34,542	\$138,953	\$0	\$232,112	\$27	\$0	\$0	\$405,634
Total Deferred Outflows of Resources	<u>34,542</u>	<u>138,953</u>	<u>0</u>	<u>232,112</u>	<u>27</u>	<u>0</u>	<u>0</u>	<u>405,634</u>
Total Assets and Deferred Outflows of Resources	<u>\$1,327,066</u>	<u>\$888,999</u>	<u>\$827,916</u>	<u>\$6,397,528</u>	<u>\$320,507</u>	<u>\$169,811</u>	<u>\$3,476,123</u>	<u>\$13,407,950</u>
LIABILITIES								
Current Liabilities:								
Accounts, Contracts and Retainage Payable	\$2,016	\$56,518	\$106,591	\$53,942	\$8,067	\$0	\$0	\$227,134
Accrued Payroll	9,234	87,647		64,769	172			161,822
Compensated Absences	9,114	1,336		30,455				40,905
Total Current Liabilities	<u>20,364</u>	<u>145,501</u>	<u>106,591</u>	<u>149,166</u>	<u>8,239</u>	<u>0</u>	<u>0</u>	<u>429,861</u>
Non-Current Liabilities:								
Compensated Absences	9,114	43,187		30,455				82,756
Unfunded Pension Liability	243,510	979,566		1,636,308				2,859,384
Total Non-Current Liabilities	<u>252,624</u>	<u>1,022,753</u>	<u>0</u>	<u>1,666,763</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,942,140</u>
Total Liabilities	<u>\$272,988</u>	<u>\$1,168,254</u>	<u>\$106,591</u>	<u>\$1,815,929</u>	<u>\$8,239</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,372,001</u>
Deferred inflows of resources:								
Differences between projected and actual earnings on pension plan	\$26,412	\$106,248	\$0	\$177,481	\$0	\$0	\$0	\$310,141
Total Deferred Inflows of Resources	<u>26,412</u>	<u>106,248</u>	<u>0</u>	<u>177,481</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>310,141</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$299,400</u>	<u>\$1,274,502</u>	<u>\$106,591</u>	<u>\$1,993,410</u>	<u>\$8,239</u>	<u>\$0</u>	<u>\$0</u>	<u>\$3,682,142</u>
NET POSITION								
Net Investment in Capital Assets	\$1,193	\$25,830	\$400	\$1,168,251	\$0	\$0	\$2,078,325	\$3,273,999
Restricted for:								
Capital Projects								0
Unrestricted (Deficits)	1,026,473	(411,333)	720,925	3,235,867	312,268	169,811	1,397,798	6,451,809
Total Net Position	<u>\$1,027,666</u>	<u>(\$385,503)</u>	<u>\$721,325</u>	<u>\$4,404,118</u>	<u>\$312,268</u>	<u>\$169,811</u>	<u>\$3,476,123</u>	<u>\$9,725,808</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2015

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
Operating Revenues								
User Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fees		2,229,527		3,810,087	1,269,890			7,309,504
License Fees and Permits	475,126							475,126
Gross Profit - Commissary			1,220,696					1,220,696
Other		369	6,719					7,088
Total Operating Revenues	<u>475,126</u>	<u>2,229,896</u>	<u>1,227,415</u>	<u>3,810,087</u>	<u>1,269,890</u>	<u>0</u>	<u>0</u>	<u>9,012,414</u>
Operating Expenses								
Right of Way	276,535							276,535
Extended School Program		1,716,528						1,716,528
Prisoners' Account			203,993					203,993
Inmate Trust Account			1,049,430					1,049,430
Enhanced 911				2,343,378				2,343,378
CKY Network					1,307,829			1,307,829
Administration		232,276						232,276
Depreciation	3,679	2,555	0	294,995			66,994	368,223
Total Operating Expenses	<u>280,214</u>	<u>1,951,359</u>	<u>1,253,423</u>	<u>2,638,373</u>	<u>1,307,829</u>	<u>0</u>	<u>66,994</u>	<u>7,498,192</u>
Operating Income (Loss)	194,912	278,537	(26,008)	1,171,714	(37,939)	0	(66,994)	1,514,222
Non-Operating Revenues (Expenses)								
Income on Investments				261		480		741
Total Non-Operating Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>261</u>	<u>0</u>	<u>480</u>	<u>0</u>	<u>741</u>
Income (Loss) Before Contributions and Transfers	194,912	278,537	(26,008)	1,171,975	(37,939)	480	(66,994)	1,514,963
Transfers In					178,550			178,550
Transfers Out			(200)	(178,550)				(178,750)
Change in Net Position	194,912	278,537	(26,208)	993,425	140,611	480	(66,994)	1,514,763
Net Position, Beginning	1,102,676	421,774	747,533	5,224,482	171,657	169,331	3,543,117	11,380,570
Net Position, Beginning - Restated	(269,922)	(1,085,814)		(1,813,789)				(3,169,525)
Net Position, Ending	<u>\$1,027,666</u>	<u>(\$385,503)</u>	<u>\$721,325</u>	<u>\$4,404,118</u>	<u>\$312,268</u>	<u>\$169,811</u>	<u>\$3,476,123</u>	<u>\$9,725,808</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2015

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
Increase (Decrease) in Cash and Cash Equivalents:								
Cash Flows from Operating Activities:								
Receipts from Customers	\$444,763	\$2,199,678	\$1,227,415	\$3,955,502	\$1,226,633	\$0	\$0	\$9,053,991
Payments to Suppliers	(148,686)	(456,241)	(1,238,617)	(1,565,315)	(1,422,775)	(300)		(4,831,934)
Payments to Employees	(292,446)	(1,489,926)	(1,909,583)	(1,909,583)	(64)			(3,692,019)
Payments for Interfund Services Used	(3,631)	(231,728)	(3,404)	(3,404)				(238,763)
Net Cash Provided by (Used in) Operating Activities	<u>0</u>	<u>21,783</u>	<u>(11,202)</u>	<u>477,200</u>	<u>(196,206)</u>	<u>(300)</u>	<u>0</u>	<u>291,275</u>
Cash Flows from Noncapital Financing Activities:								
Transfers In				(178,550)	178,550			178,550
Transfers Out				(178,550)				(178,550)
Net Cash Flows Provided by (Used in) Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>(178,550)</u>	<u>178,550</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities:								
Purchases of Capital Assets		(24,885)		(298,649)				(323,534)
Net Cash Flows from Capital and Related Financing Activities	<u>0</u>	<u>(24,885)</u>	<u>0</u>	<u>(298,649)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(323,534)</u>
Cash Flows Provided by Investing Activities:								
Purchases of Investments				(260)		(181)		(441)
Income on Investments				260		480		740
Net Cash Flows Provided by (Used in) Investing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>299</u>	<u>0</u>	<u>299</u>
Net Increase (Decrease)	<u>0</u>	<u>(3,102)</u>	<u>(11,202)</u>	<u>1</u>	<u>(17,656)</u>	<u>(1)</u>	<u>0</u>	<u>(31,960)</u>
Cash at Beginning of Year	<u>476,279</u>	<u>3,602</u>	<u>284,916</u>	<u>1,355,391</u>	<u>111,576</u>	<u>132,085</u>	<u>1,015,287</u>	<u>3,379,136</u>
Cash at End of Year	<u>\$476,279</u>	<u>\$500</u>	<u>\$273,714</u>	<u>\$1,355,392</u>	<u>\$93,920</u>	<u>\$132,084</u>	<u>\$1,015,287</u>	<u>\$3,347,176</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:								
Operating Income (Loss)	\$194,912	\$278,537	(\$26,008)	\$1,171,714	(\$37,939)	\$0	(\$66,994)	\$1,514,222
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:								
Depreciation	3,679	2,555	0	294,995			66,994	368,223
(Increase) Decrease in Assets:								
Other Receivables	(30,363)	(30,218)	32	145,415	(43,257)			41,609
Inventories and Prepaid Expenses			150	(31,008)	(3,894)			(34,752)
Due from Other Funds	(136,709)	(74,152)	10,546	(937,247)	(119,328)	(300)		(1,257,190)
(Increase) Decrease in Deferred Outflows:								
Contributions subsequent to measurement date	(34,542)	(138,953)		(232,112)	(27)			(405,634)
Increase (Decrease) in Liabilities:								
Accounts Payable	873	(30,597)	4,110	35,406	8,067			17,859
Accrued Payroll	1,684	12,703	(32)	11,751	172			26,310
Unearned Revenues & Other								(32)
Compensated Absences	466	1,908		18,286				20,660
Total Adjustments	<u>(194,912)</u>	<u>(256,754)</u>	<u>14,806</u>	<u>(694,514)</u>	<u>(158,267)</u>	<u>(300)</u>	<u>66,994</u>	<u>(1,222,947)</u>
Net Cash Provided by (Used In) Operating Activities	<u>\$0</u>	<u>\$21,783</u>	<u>(\$11,202)</u>	<u>\$477,200</u>	<u>(\$196,206)</u>	<u>(\$300)</u>	<u>\$0</u>	<u>\$291,275</u>

INTERNAL SERVICE FUNDS

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

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

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 June 30, 2015**

	Health, Dental and Vision Care	Insurance and Risk Management	Total
ASSETS			
Current Assets:			
Cash	\$66,000	\$3,729,096	\$3,795,096
Due from Other Funds	1,455,404	25,011,165	26,466,569
Receivables	23,998	233,411	257,409
Inventories and Prepaid Expenses	481,518		481,518
Total Current Assets	\$2,026,920	\$28,973,672	\$31,000,592
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$1,101,000	\$69,883	\$1,170,883
Claims Payable:			
Reported		13,569,981	13,569,981
Incurred But Not Reported	925,920	15,333,808	16,259,728
Total Current Liabilities	2,026,920	28,973,672	31,000,592
Total Liabilities	\$2,026,920	\$28,973,672	\$31,000,592
NET POSITION			
Unrestricted	\$0	\$0	\$0

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES, & CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2015

	Health, Dental and Vision Care Insurance			Total	Insurance and Risk Management	Total
	Health	Dental	Vision Care		Total	
Operating Revenues						
Premiums	\$26,470,418	\$2,105,992	\$160,247	\$28,736,657	\$9,170,313	\$37,906,970
Total Operating Revenues	<u>26,470,418</u>	<u>2,105,992</u>	<u>160,247</u>	<u>28,736,657</u>	<u>9,170,313</u>	<u>37,906,970</u>
Operating Expenses						
Claims and Benefit Payments	23,698,373	2,110,477	158,712	25,967,562	9,530,800	35,498,362
Operating Supplies and Expense	2,769,095			2,769,095		2,769,095
Total Operating Expenses	<u>26,467,468</u>	<u>2,110,477</u>	<u>158,712</u>	<u>28,736,657</u>	<u>9,530,800</u>	<u>38,267,457</u>
Operating Income (Loss)	2,950	(4,485)	1,535	0	(360,487)	(360,487)
Change in Net Position	<u>2,950</u>	<u>(4,485)</u>	<u>1,535</u>	<u>0</u>	<u>(360,487)</u>	<u>(360,487)</u>
Net Position, Beginning	<u>421,872</u>	<u>(437,526)</u>	<u>15,654</u>	<u>0</u>	<u>360,487</u>	<u>360,487</u>
Net Position, Ending	<u><u>\$424,822</u></u>	<u><u>(\$442,011)</u></u>	<u><u>\$17,189</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2015**

	<u>Health, Dental and Vision Care</u>	<u>Insurance and Risk Management</u>	<u>Total</u>
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operating Activities:			
Receipts from Employees and Other Sources	\$28,736,657	\$0	\$28,736,657
Receipts from Interfund Services Provided	(821,373)	8,317,131	7,495,758
Refunds from/(Payments to) Suppliers	(2,055,642)	(36,415)	(2,092,057)
Payments for Claims	(26,408,642)	(8,280,716)	(34,689,358)
Net Cash Used in Operating Activities	<u>(549,000)</u>	<u>0</u>	<u>(549,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(549,000)	0	(549,000)
Cash at Beginning of Year	<u>615,000</u>	<u>3,729,096</u>	<u>4,344,096</u>
Cash at End of Year	<u><u>\$66,000</u></u>	<u><u>\$3,729,096</u></u>	<u><u>\$3,795,096</u></u>
Reconciliation of Operating Income to Net Cash Used In Operating Activities:			
Operating Income	\$0	(\$360,487)	(\$360,487)
Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities:			
(Increase) Decrease in Assets:			
Due from Other Funds	(801,569)	(736,016)	(1,537,585)
Other Receivables	(19,804)	(117,166)	(136,970)
Inventories and Prepaid Expenses	(146,988)		(146,988)
Increase (Decrease) in Liabilities:			
Accounts Payable	860,441	(36,415)	824,026
Claims Payable	(441,080)	1,250,084	809,004
Total Adjustments	<u>(549,000)</u>	<u>360,487</u>	<u>(188,513)</u>
Net Cash Provided by Operating Activities	<u><u>(\$549,000)</u></u>	<u><u>\$0</u></u>	<u><u>(\$549,000)</u></u>

FIDUCIARY FUNDS

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

AGENCY FUNDS

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

The **Juvenile 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 Years as Stated**

	Balance June 30, 2014	Balance June 30, 2015
NEIGHBORHOOD SEWER PROJECTS FUND		
Cash and Short-Term Investments	\$714	\$714
Accounts Receivable		
Allowance for Uncollectible Accounts		
Total Assets	\$714	\$714
Payable to Property Owners	\$714	\$714
Total Liabilities	\$714	\$714
JUVENILE AND ADULT PROBATION FUND		
Cash	\$329,563	\$335,335
Total Assets	\$329,563	\$335,335
Accounts Payable	\$329,563	\$335,335
Total Liabilities	\$329,563	\$335,335
DOMESTIC RELATIONS FUND		
Cash	\$314,277	\$313,946
Accounts Receivable		331
Total Assets	\$314,277	\$314,277
Accounts Payable	\$314,277	\$314,277
Total Liabilities	\$314,277	\$314,277
REPRESENTATIVE PAYEE FUND		
Cash	\$28,416	\$25,256
Total Assets	\$28,416	\$25,256
Accounts Payable	\$28,416	\$25,256
Total Liabilities	\$28,416	\$25,256
TOTALS - AGENCY FUNDS		
Cash and Short-Term Investments	\$672,970	\$675,251
Accounts Receivable		331
Total Assets	\$672,970	\$675,582
Liabilities	\$672,970	\$675,582
Total Liabilities	\$672,970	\$675,582

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2015

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2015</u>
NEIGHBORHOOD SEWER PROJECTS FUND				
Cash and Short-Term Investments	\$714	\$0	\$0	\$714
Total Assets	<u>\$714</u>	<u>\$0</u>	<u>\$0</u>	<u>\$714</u>
Payable to Property Owners	\$714	\$0	\$0	\$714
Total Liabilities	<u>\$714</u>	<u>\$0</u>	<u>\$0</u>	<u>\$714</u>
JUVENILE AND ADULT PROBATION FUND				
Cash	\$329,563	\$47,635	\$41,863	\$335,335
Total Assets	<u>\$329,563</u>	<u>\$47,635</u>	<u>\$41,863</u>	<u>\$335,335</u>
Accounts Payable	\$329,563	47,634.56	41,862.59	\$335,335
Total Liabilities	<u>\$329,563</u>	<u>\$47,635</u>	<u>\$41,863</u>	<u>\$335,335</u>
DOMESTIC RELATIONS FUND				
Cash	\$314,277	\$0	\$331	\$313,946
Accounts Receivable		331		331
Total Assets	<u>\$314,277</u>	<u>\$331</u>	<u>\$331</u>	<u>\$314,277</u>
Accounts Payable	\$314,277			\$314,277
Due to Other Funds		331	331	
Total Liabilities	<u>\$314,277</u>	<u>\$0</u>	<u>\$0</u>	<u>\$314,277</u>
REPRESENTATIVE PAYEE FUND				
Cash	\$28,416	\$191,234	\$194,394	\$25,256
Total Assets	<u>\$28,416</u>	<u>\$191,234</u>	<u>\$194,394</u>	<u>\$25,256</u>
Accounts Payable	\$28,416	\$191,234	\$194,394	\$25,256
Total Liabilities	<u>\$28,416</u>	<u>\$191,234</u>	<u>\$194,394</u>	<u>\$25,256</u>
TOTALS - AGENCY FUNDS				
Cash and Short-Term Investments	\$672,970	\$239,200	\$236,588	\$675,251
Accounts Receivable		331		331
Total Assets	<u>\$672,970</u>	<u>\$239,531</u>	<u>\$236,588</u>	<u>\$675,582</u>
Liabilities	\$672,970	\$238,869	\$236,257	\$675,582
Total Liabilities	<u>\$672,970</u>	<u>\$238,869</u>	<u>\$236,257</u>	<u>\$675,582</u>

NONMAJOR COMPONENT UNITS

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

The **Lexington Public Library** provides educational, informational and recreational 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, 2015

	Lexington Transit Authority	Lexington Public Library	Lexington Convention and Visitors Bureau
ASSETS			
Cash	\$6,543,490	\$5,957,944	\$2,077,064
Investments		3,551,157	
Receivables:			
Accounts Receivable	63,481		34,782
Other	115,726	39,903	
Due from Primary Government			1,219,940
Due from Other Governments	6,363,590		
Inventories and Prepaid Expenses	396,817	32,996	199,929
Restricted Current Assets:			
Cash	13,197,729		1,867,372
Investments			511,143
Restricted Non-Current Investments			
Capital Assets:			
Non-depreciable	12,871,391	8,212,730	21,652
Depreciable (Net)	13,887,003	16,687,288	155,921
Other Assets	8,355,000	101,152	
Total Assets	\$61,794,227	\$34,583,170	\$6,087,803
DEFERRED OUTFLOWS OF RESOURCES			
Changes of assumptions	\$709,517	\$0	
Differences between projected and actual earnings on pension plan	140,758		
Contributions subsequent to measurement date	194,606	653,251	136,135
Total Deferred Outflows of Resources	1,044,881	653,251	136,135
Total Assets and Deferred Outflows of Resources	\$62,839,108	\$35,236,421	\$6,223,938
LIABILITIES			
Accounts, Contracts Payable and Accrued Liabilities	\$3,931,628	\$1,285,589	\$223,258
Interest Payable		22,366	
Due to Primary Government			
Unearned Revenue and Other		501	3,515
Non-Current Liabilities:			
Due Within One Year:			
Compensated Absences	173,187	311,312	48,200
Bonds and Notes Payable	832,575	648,638	
Due in More Than One Year:			
Compensated Absences	288,119		
Bonds and Notes Payable	21,136,575	8,988,875	
Unfunded Pension Liability	1,640,386	7,227,000	1,403,000
Total Liabilities	\$28,002,470	\$18,484,281	\$1,677,973
DEFERRED INFLOWS OF RESOURCES			
Differences between expected and actual experience	\$78,573	\$0	
Differences between projected and actual earnings on pension plan		807,000	344,450
Total Deferred Inflows of Resources	78,573	807,000	344,450
Total Liabilities and Deferred Inflows of Resource	\$28,081,043	\$19,291,281	\$2,022,423
NET POSITION			
Net Investment in Capital Assets	\$15,664,812	\$15,262,505	\$177,573
Restricted for:			
Governmental and Program Funds		214,033	
Unrestricted	19,093,253	468,602	4,023,942
Total Net Position	\$34,758,065	\$15,945,140	\$4,201,515

Downtown Development Authority	Total Nonmajor Component Units
\$372,993	\$14,951,491 3,551,157
	98,263 155,629 1,219,940 6,363,590 629,742
	15,065,101 511,143
	21,105,773 30,730,212 8,456,152
<u>\$372,993</u>	<u>\$102,838,193</u>
\$0	\$709,517
	140,758 983,992
<u>0</u>	<u>1,834,267</u>
<u>\$372,993</u>	<u>\$104,672,460</u>
\$45,735	\$5,486,210 22,366
57,803	57,803 4,016
12,029	544,728 1,481,213
2,640	290,759 30,125,450 10,270,386
<u>\$118,207</u>	<u>\$48,282,931</u>
\$0	\$78,573
	1,151,450
<u>0</u>	<u>1,230,023</u>
<u>\$118,207</u>	<u>\$49,512,954</u>
\$0	\$31,104,890
254,786	214,033 23,840,583
<u>\$254,786</u>	<u>\$55,159,506</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF ACTIVITIES
NONMAJOR COMPONENT UNITS
For the Year Ended June 30, 2015**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Lexington Transit Authority				
Transit Operations	\$23,680,360	\$2,861,717	\$5,380,336	\$3,067,239
Depreciation	2,923,493			
Total Lexington Transit Authority	<u>26,603,853</u>	<u>2,861,717</u>	<u>5,380,336</u>	<u>3,067,239</u>
Lexington Public Library				
Library Operations	12,949,745	744,831	299,314	105,000
Depreciation	1,293,667			
Interest on Long-Term Debt	345,855			
Total Lexington Public Library	<u>14,589,267</u>	<u>744,831</u>	<u>299,314</u>	<u>105,000</u>
Lexington Convention and Visitors Bureau				
Convention and Tourism Operations	5,558,467		332,712	
Depreciation	69,445			
Total Lexington Convention and Visitors Bureau	<u>5,627,912</u>	<u>0</u>	<u>332,712</u>	<u>0</u>
Downtown Development Authority				
Downtown Design Center	471,719			227,353
Total Downtown Development Authority	<u>471,719</u>	<u>0</u>	<u>0</u>	<u>227,353</u>
Total Nonmajor Component Units	<u>\$47,292,751</u>	<u>\$3,606,548</u>	<u>\$6,012,362</u>	<u>\$3,399,592</u>
General Revenues:				
Taxes				
Payment from/to Lexington-Fayette Urban County Government				
Income on Investments				
Gain (Loss) on Sale of Capital Assets				
Miscellaneous				
Total General Revenues				
Change in Net Position				
Net Position, Beginning				
Adjustment to Opening Net Position (Note 2.D.)				
Net Position, Beginning - Restated				
Net Position, Ending				

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

Lexington Transit Authority	Lexington Public Library	Lexington Convention and Visitors Bureau	Downtown Development Authority	Total Nonmajor Component Units
(\$12,371,068)				(\$12,371,068)
(2,923,493)				(2,923,493)
				<u>(15,294,561)</u>
	(\$11,800,600)			(11,800,600)
	(1,293,667)			(1,293,667)
	(345,855)			(345,855)
				<u>(13,440,122)</u>
		(\$5,225,755)		(5,225,755)
		(69,445)		(69,445)
				<u>(5,295,200)</u>
			(\$244,366)	(244,366)
				<u>(244,366)</u>
<u>(\$15,294,561)</u>	<u>(\$13,440,122)</u>	<u>(\$5,295,200)</u>	<u>(\$244,366)</u>	<u>(\$34,274,249)</u>
\$16,232,703	\$14,081,581	\$6,406,167	\$0	\$36,720,451
			388,950	388,950
108	63,449	4,729	303	68,589
(23,265)		(648)		(23,913)
(825,879)	114,899	14,021		(696,959)
<u>15,383,667</u>	<u>14,259,929</u>	<u>6,424,269</u>	<u>389,253</u>	<u>36,457,118</u>
<u>89,106</u>	<u>819,807</u>	<u>1,129,069</u>	<u>144,887</u>	<u>2,182,869</u>
35,602,986	22,581,333	4,660,446	109,899	62,954,664
(934,027)	(7,456,000)	(1,588,000)		(9,978,027)
<u>34,668,959</u>	<u>15,125,333</u>	<u>3,072,446</u>	<u>109,899</u>	<u>52,976,637</u>
<u>\$34,758,065</u>	<u>\$15,945,140</u>	<u>\$4,201,515</u>	<u>\$254,786</u>	<u>\$55,159,506</u>

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.

Pension Information: Tables 25 – 29

These schedules present information to help readers understand the financial performance and trends of the Government's pension plans over time. The Government participates in both Single Employer and multi-employer cost sharing pension plans. The Government's Single Employer Plans, the Police and Firefighters' Retirement Fund (PFRF) and the City Employee Retirement Plan (CEPF) are presented together on Tables 25 – 27. The Government's County Employees' Retirement System (CERS), a multi-employer cost sharing plan, has information presented on Tables 28 – 29.

TABLE 1

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Investment in Capital Assets, net of related debt	\$964,032,556	\$965,683,982	\$963,823,728	\$934,789,342	\$920,938,945	\$921,236,876	\$899,350,344	\$877,691,469	\$860,074,409	\$838,877,310
Restricted	10,509,131	19,918,500	2,241,711	6,255,432	(31,494,181)	32,640,718	20,289,131	26,895,407	22,045,314	34,719,227
Unrestricted (Deficit)	50,390,084	30,807,379	5,930,420	(6,454,734)		(110,023,238)	(98,714,274)	(94,638,121)	(83,112,939)	(350,353,804)
Total governmental activities net position	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	799,006,784	523,242,733
Business-type Activities										
Investment in Capital Assets, net of related debt	245,818,433	244,593,588	239,407,215	254,269,159	239,666,463	209,276,568	217,434,369	217,313,258	222,913,279	227,825,104
Restricted	34,565,941	39,914,276	24,129,422	24,680,839	35,249,098	50,637,360	57,712,759	66,194,803	68,209,300	60,086,906
Unrestricted (Deficit)	11,084,804	14,020,822	24,615,573	7,399,034	14,702,006	33,023,663	29,435,424	27,429,362	33,237,351	36,179,971
Total business-type activities net position	291,469,178	298,528,686	288,152,210	286,349,032	289,617,567	292,937,591	304,582,552	310,937,423	324,359,930	324,091,981
Primary Government										
Investment in Capital Assets, net of related debt	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	1,082,987,688	1,066,702,414
Restricted	45,075,072	59,832,776	26,371,133	30,936,271	3,754,917	83,278,078	78,001,890	93,090,210	90,254,614	94,806,133
Unrestricted (Deficit)	61,474,888	44,828,201	30,545,993	944,300	14,702,006	(76,999,575)	(69,278,850)	(67,208,759)	(49,875,588)	(314,173,833)
Total primary government net position	\$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	\$1,123,366,714	\$847,334,714

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

TABLE 2

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental Activities:										
General Government	\$21,977,521	\$23,927,771	\$30,660,951	\$22,706,306	\$22,726,537	\$24,197,239	\$22,985,046	\$23,692,990	\$26,973,537	\$25,480,664
Administrative Services	27,674,322	34,445,260	3,832,639	3,315,306	1,299,382	1,386,040	21,143,480	11,761,053	5,342,699	7,433,487
Health, Dental and Vision Insurance	14,740,182	13,301,058	14,564,306	25,824,211	26,711,492	34,755,417	26,211,457	25,006,634	24,893,545	25,000,892
Chief Information Officer			11,216,315	14,522,324	9,161,677	9,713,226		6,983,029	6,983,029	8,401,242
Chief Development Officer							470,018	620,665	192,555	513,854
Finance	6,629,421	10,464,204	12,376,624	13,378,819	24,047,223	28,515,655	19,357,661	14,744,087	16,726,346	14,049,319
Public Works	93,199,722	68,896,198	71,695,702	62,907,588	61,841,096	63,671,436	80,559,723	83,878,537	45,339,718	54,933,912
Environmental Quality & Public Works								3,767,295	47,343,980	42,415,735
Planning, Preservation, & Development*								14,666,437	10,776,283	12,593,479
Public Safety	8,363,244	11,937,598	26,717,271	13,145,251	11,259,687	11,162,765	13,042,036	69,945,322	69,822,219	56,418,416
Police	56,588,057	56,980,657	63,533,856	69,507,685	70,694,372	71,714,415	68,164,371	62,781,239	67,689,682	56,832,342
Fire and Emergency Services	47,469,043	53,242,082	58,497,360	66,077,180	63,116,000	67,106,441	66,413,015	62,781,239	67,689,682	56,832,342
Community Corrections	28,539,978	29,028,326	30,686,297	30,670,339	30,894,261	31,104,781	31,286,365	32,631,937	34,000,937	30,066,104
Building Inspection										
Environmental Quality	13,379,478	15,493,804	16,392,173	14,719,158	11,836,703	10,672,881	9,780,945	10,194,745	10,478,516	10,964,083
Social Services	18,493,537	10,855,412	11,531,344	13,944,835	14,629,238	14,242,698	10,041,709	10,898,533	10,551,162	11,827,132
General Services	16,739,980	19,428,046	21,961,714	19,955,406	18,320,506	19,064,298	19,386,251	19,653,677	19,693,483	18,854,526
Parks and Recreation	1,946,786	2,115,341	12,593,109	10,803,413	9,301,249	10,227,268	3,497,483	4,006,240	3,811,867	2,650,481
Law and Risk Management	178,667									
Outside Agencies										
Special Projects										
Interest on Long-Term Debt	6,291,512	6,378,169	5,727,995	6,357,236	10,692,416	13,131,617	12,835,920	13,116,205	13,053,635	13,116,151
Debt Service - Other	1,040,970	1,056,289	1,056,179							
Total governmental activities	363,252,420	357,550,215	416,991,666	412,564,167	408,047,873	434,166,244	405,175,480	401,365,596	413,673,193	391,551,819
Business-type Activities:										
Sanitary Sewer System	24,553,305	26,703,501	36,565,069	35,438,026	41,453,360	42,472,580	40,124,346	39,014,016	43,664,387	41,207,716
Public Facilities	12,175,005	10,444,503	11,359,294	10,971,103	10,806,267	10,741,225	10,333,320	9,419,886	8,895,507	8,829,979
Public Parking	909,544	511,198	463,177	1,012,399	927,900	906,926	847,894	84,866	265,226	66,994
Landfill	1,391,578	1,651,318	7,250,365	6,209,619	6,641,801	6,581,625	5,271,593	4,099,770	6,060,197	4,426,038
Right of Way	292,284	307,012	333,723	299,598	313,383	312,770	298,896	284,470	308,683	280,214
Extended School Program	1,578,873	1,967,573	2,081,422	2,333,357	2,456,874	2,207,310	2,339,148	2,198,555	1,977,394	1,951,359
Prisoners' Account System	1,363,204	1,273,913	1,724,224	1,628,156	1,421,523	1,287,139	1,373,473	1,393,543	1,844,393	1,253,423
Enhanced 911	2,107,592	3,057,919	3,870,267	3,314,149	3,634,032	3,083,806	2,973,088	2,930,379	2,384,796	2,638,373
CKY Network	35,122	62,228	54,347	63,502	57,644	84,242	29,307	10,668	450,919	1,307,829
Small Business Development	8,838									
Water Quality				1,841,975	4,528,403	6,280,081	9,182,669	8,308,501	9,139,302	8,618,921
Total business-type activities	44,415,345	45,979,165	63,701,888	63,111,884	72,241,187	73,957,704	72,773,734	67,744,654	74,990,804	70,580,846
Total primary government	\$407,667,765	\$403,529,380	\$480,693,554	\$475,676,051	\$480,289,060	\$508,123,948	\$477,949,214	\$469,110,250	\$488,663,997	\$462,132,665

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Program Revenues										
Governmental Activities:										
Charges for Services	\$3,103,058	\$8,708,357	\$14,562,857	\$14,300,517	\$13,541,123	\$15,644,382	\$15,086,369	\$23,141,015	\$17,046,255	\$19,035,778
General Government	1,577,237	7,167,050	14,564,306	25,824,211	26,711,492	34,755,417	1,603,453	559,050	367,363	351,158
Administrative Services	14,676,675	13,297,984	77,900	56,344	14,368	20,876	26,211,457	25,006,634	24,893,545	25,000,892
Health, Dental, and Vision									4,271	3,821
Chief Information Officer									6,281	76,504
Chief Development Officer									3,358,781	1,912,603
Finance	866,815	1,233,796	1,526,545	4,385,600	3,807,077	3,145,043	2,511,142	2,413,363	2,681,977	3,140,243
Public Works	1,574,355	1,304,217	14,388,414	3,775,946	5,770,608	4,088,338	2,912,917	2,757,405	2,245,228	2,709,381
Environmental Quality & Public Works									64,898	247,994
Planning, Preservation, & Development*									2,039,209	1,640,754
Public Safety	2,394,577	2,419,149	1,482,000	403,491	445,029	329,460	2,045,401	1,857,059	7,036,029	8,211,753
Police	1,088,235	309,799	614,408	2,031,643	2,007,988	2,402,840	1,528,342	1,942,297	2,039,209	2,039,209
Fire and Emergency Services	3,645,180	4,166,741	4,686,614	6,773,040	6,191,913	6,478,108	7,340,946	6,952,394	7,036,029	8,211,753
Community Corrections	5,995,495	6,955,537	7,822,586	6,413,349	6,319,484	7,429,351	7,707,225	8,286,565	9,161,315	8,574,892
Environmental Quality										
Social Services	355,936	2,071,456	3,362,329	3,754,793	2,848,473	2,406,997	1,766,790	1,857,123	1,703,695	1,804,885
General Services	69,488	71,059	71,059	104,442	113,498	97,898	63,132	28,827	4,155	97,971
Parks and Recreation	4,338,295	4,520,111	4,566,558	5,381,956	4,691,533	4,258,091	4,810,535	4,156,325	3,869,990	4,327,985
Law and Risk Management	1,145	475	2,935	21,528	34,444	18,217	35,293	36,944	49,006	15,013
Outside Agencies	923,420									
Debt Service - other	485,304	73,448								
Operating Grants and Contributions	19,297,952	31,988,064	17,500,905	13,251,883	20,192,672	13,849,522	14,139,426	13,065,758	15,108,425	15,087,470
Capital Grants and Contributions	15,349,943	3,138,381	7,838,458	10,276,393	10,434,599	7,078,729	8,316,236	6,272,539	9,200,572	8,190,685
Total Governmental Activities	75,743,110	87,354,565	95,223,281	98,020,529	104,974,788	105,547,184	96,078,664	98,573,466	98,840,995	100,429,782
Business-Type Activities:										
Charges for Services										
Sanitary Sewer System	28,471,944	26,199,037	27,532,422	36,605,347	47,470,305	48,803,593	47,287,791	52,927,780	50,480,049	52,007,762
Public Facilities	7,251,009	5,390,398	6,237,836	6,841,271	6,405,531	7,157,088	7,156,666	5,830,285	6,375,794	6,405,783
Public Parking	1,303,998	593,995	1,192,523	1,373,037	1,203,102	859,874	977,414	4,560		
Landfill	7,999,651	7,870,493	8,556,220	8,499,137	8,240,762	7,203,610	7,183,611	6,845,329	7,064,989	7,211,864
Right of Way	412,292	413,705	310,950	403,771	479,012	483,196	419,676	392,466	520,812	475,126
Extended School Program	1,494,955	2,220,509	2,203,771	1,808,121	2,097,145	2,038,391	2,338,243	2,379,751	2,202,171	2,229,896
Prisoners' Account System	1,452,156	1,950,786	2,066,361	2,026,429	1,915,910	1,121,799	1,524,127	1,619,626	2,372,285	1,227,415
Enhanced 911	2,365,264	2,383,332	2,621,394	3,453,310	4,069,027	3,749,409	3,999,658	3,517,634	4,273,106	3,810,087
CKY Network	27,449	26,609	61,360	84,045	91,090	140,699	51,798	25,738	111,576	1,269,890
Small Business Development	6,258	23,384	188							
Water Quality	50,784,976	47,072,248	50,783,025	68,268	5,581,104	11,604,569	12,095,514	12,296,476	13,119,524	13,341,859
Total Business-Type Activities	126,528,086	134,426,813	146,006,306	159,183,265	182,527,776	188,709,412	179,113,162	184,413,111	185,361,301	188,409,464
Total Primary Government										
Net (Expense)/Revenue										
Governmental Activities	(287,509,310)	(270,195,650)	(321,768,385)	(314,543,638)	(303,073,085)	(328,619,060)	(309,096,816)	(302,792,130)	(314,832,198)	(291,122,037)
Business-Type Activities	6,369,631	1,093,083	(12,918,863)	(1,949,148)	5,311,801	9,204,524	10,260,764	18,094,991	11,529,502	17,398,836
Total Primary Government	(281,139,679)	(269,102,567)	(334,687,248)	(316,492,786)	(297,761,284)	(319,414,536)	(298,836,052)	(284,697,139)	(303,302,696)	(273,723,201)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Property Taxes	44,889,961	47,791,867	51,455,185	54,301,749	51,143,199	52,548,109	52,860,840	53,597,311	54,759,199	55,241,837
Licenses and Permits	197,857,140	210,698,736	220,015,258	218,194,593	215,196,838	224,399,866	230,580,201	238,924,158	248,271,270	265,596,253
Grants and Contributions Not Restricted to Specific Programs:										
Community Development Block Grant	2,264,419	2,126,818	2,463,746	2,577,631	2,250,779	2,175,565	2,171,901	2,176,035	2,009,120	1,719,372
Income on Investments	3,395,527	6,121,269	3,582,709	804,510	300,149	129,839	589,967	(509,890)	263,242	1,941,282
Sale of Assets	956,340	(1,041,367)	457,516	641,460	(45,882)	2,300,242	311,259	283,406		
Bond Refunding										
Miscellaneous	827,029	963,926								
Conveyance of Asset		(2,116,880)								
Transfers	670,254	(3,308,054)	(620,031)	617,876	1,737,854	1,249,888	(346,507)	(1,106,585)	(871,447)	(2,546)
Total Governmental Activities	250,860,670	261,236,315	277,354,383	277,137,819	270,582,937	282,803,509	286,167,661	293,364,435	304,431,384	324,496,198
Business-Type Activities:										
Income on Investments	2,728,854	2,802,634	1,907,250	669,955	96,285	540,692	1,029,866	(215,314)	1,021,558	(604,800)
Sale of Assets	17,819	(183,523)	15,106	93,891	(401,697)	39,149	7,824			10,168
Bond Refunding										
Transfers	(670,254)	3,308,054	620,031	(617,876)	(1,737,854)	(1,249,888)	346,507	(11,902,981)	871,447	2,546
Total Business-Type Activities	2,076,419	5,927,165	2,542,387	145,970	(2,043,266)	(670,047)	1,384,197	(12,118,295)	1,893,005	(592,086)
Total Primary Government	252,937,089	267,163,480	279,896,770	277,283,789	268,539,671	282,133,462	287,551,858	281,246,140	306,324,389	323,904,112
Change in Net Position										
Governmental activities	(36,648,640)	(8,959,335)	(44,414,002)	(37,405,819)	(32,490,148)	(45,815,551)	(22,929,155)	(9,427,695)	(10,400,814)	33,374,161
Business-type activities	8,446,050	7,020,248	(10,376,476)	(1,803,178)	3,268,535	8,534,477	11,644,961	5,976,696	13,422,507	16,806,750
Prior Period Adjustment - Government Activities	902,203,447	437,425		(12,655,128)		225,143		(1,548,751)	(541,157)	(309,138,212)
Prior Period Adjustment-Business-Type Activities	20,000	39,260		(5,214,453)		378,175				(17,074,699)
Total Primary Government	\$874,020,857	(\$1,462,402)	(\$54,790,478)	(\$39,208,997)	(\$41,876,741)	(\$42,270,384)	(\$11,284,194)	(\$4,621,575)	\$2,480,536	(\$276,032,000)

*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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Fund										
Reserved	\$4,845,381	\$4,637,101	\$5,254,246	\$12,177,430	\$12,019,893	\$0	\$0	\$0	\$0	\$0
Unreserved										
Designated for Economic Contingency	8,272,087	11,894,147	13,219,620	14,470,569	14,470,569					
Designated for Payroll		536,400	1,293,279	2,116,169	2,923,169					
Designated for Working Capital	7,036,780	9,634,602								
Designated for Pay Adjustments										
Undesignated	17,734,190	15,713,298	4,620,501	4,365,746	2,106,483	1,493,737	1,461,447	1,405,198	1,627,367	2,064,127
Nonspendable										
Restricted for:										
Public Safety										198,175
Energy Improvement Projects								408,227	636,874	552,989
Committed for:										
General Government						3,931,000				11,606,932
Economic Stabilization						18,200,738				29,685,851
Assigned to:										
Capital Projects							6,972,224	8,060,560	8,137,251	20,449,635
General Government							11,583,075	10,325,000	12,700,000	14,500,000
Urban Services							2,500,000			
Unassigned						562,360	3,265,872	4,309,677	4,176,646	4,273,341
Total	37,888,438	42,435,548	24,387,646	33,129,914	31,520,114	24,187,835	44,265,589	54,411,812	63,751,505	83,331,050
Urban Services										
Reserved	2,963,095	1,661,414	1,064,326	5,612,288	8,842,245					
Designated for Payroll		45,700	99,401	127,622	154,622					
Undesignated	20,771,372	26,852,738	31,935,168	28,237,751	16,986,960					
Nonspendable						4,031	604	175	11,112	2,735
Restricted for:										
Urban Service Projects						20,420,741	22,767,570	28,631,854	29,855,868	31,391,398
Energy Improvement Projects								10,383	13,314	2,930
Unassigned										
Total	23,734,467	28,559,852	33,098,895	33,977,661	25,983,827	20,424,772	22,768,174	28,642,412	29,880,294	31,397,063
All Other Governmental Funds										
Reserved	11,641,885	6,521,414	18,430,040	7,944,462	12,702,665					
Undesignated, reported in:										
Nonspendable						369	6,604	22,376	77,859	106,066
Restricted for:										
Public Works						10,357,176	8,238,721	9,032,953	11,534,007	8,202,688
Public Safety						3,117,402	2,812,852	1,659,378	1,569,569	1,529,730
Special Revenue Funds	6,789,094	8,770,810	9,269,371	12,137,914	13,742,070					
Capital Projects	25,849,967	14,852,272	(13,728,932)	6,138,952	36,272,857	32,094,257	19,027,031	25,214,697	20,133,026	33,754,253
Grants Projects	235,303	313,460	119,184	100,842	116,485	546,461	1,262,100	1,262,100	1,262,100	210,880
Committed for:										
General Government						410,544	447,605			
Assigned to:										
General Government						(974,484)	(370,103)	445,690	1,721,084	1,327,774
Unassigned										
Total	\$44,516,249	\$30,457,956	\$14,089,663	\$26,322,170	\$62,834,077	\$45,551,725	\$31,424,810	\$37,637,194	\$36,297,645	\$45,131,391

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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Licenses and Permits	\$198,653,467	\$215,760,874	\$224,874,954	\$222,841,928	\$219,586,264	\$228,816,452	\$235,226,117	\$243,655,298	\$253,581,959	\$271,354,443
Taxes	44,889,961	47,791,867	51,455,185	54,301,749	51,143,199	52,548,109	52,860,840	53,597,311	54,759,199	55,241,837
Charges for Services	20,648,157	22,350,901	21,357,602	22,073,405	21,182,005	24,158,224	26,262,822	26,365,849	26,797,087	28,036,635
Fines and Forfeitures	323,063	57,192	180,785	303,205	268,459	220,449	176,319	311,930	258,112	235,626
Local Contributions										
Intergovernmental	31,784,556	32,419,475	45,587,385	36,462,389	41,088,818	33,622,666	35,125,072	32,365,491	38,199,741	35,010,716
Exactions	2,823,892	1,584,199	1,282,254	379,575	601,993	96,613	129,603	532,410	486,643	2,074,477
Grant Match	2,256,329	2,178,329	1,709,521	2,734,433	2,619,353					
Property Sales	956,340	785,073	557,071	803,382	499,119	2,681,463	453,540	462,570	181,052	529,770
Income on Investments	3,366,361	5,737,945	3,582,709	804,510	300,149	129,839	589,902	(509,785)	263,298	1,941,301
Other	5,787,271	7,260,457	8,145,477	7,928,848	9,988,984	8,998,513	4,002,075	3,436,946	4,067,219	5,244,909
Total Revenues	311,489,397	335,926,312	358,732,943	348,633,424	347,278,343	351,272,328	354,826,290	360,218,020	378,594,310	399,669,714
Expenditures										
General Government	8,635,249	6,706,895	13,651,464	6,761,982	6,962,873	7,382,550	5,059,177	5,647,407	5,678,539	6,306,980
Administrative Services	25,104,922	25,431,738	1,845,175	3,213,262	1,098,505	1,209,504	19,612,467	10,370,972	5,014,372	7,431,873
Chief Information Officer			9,919,332	13,566,187	10,287,205	8,450,628			6,018,607	7,513,809
Chief Development Officer							458,932	613,743	190,339	537,986
Finance	7,145,881	9,890,462	11,561,109	11,488,448	11,979,265	9,271,854	5,405,089	5,115,502	5,020,225	5,225,806
Public Works	40,430,609	34,857,640	23,013,365	24,708,831	22,514,826	21,858,996				
Environmental Quality & Public Works							36,315,403	37,037,311	36,407,046	40,387,589
Planning, Preservation, & Development*								3,659,901	8,670,017	10,436,351
Public Safety	137,232,016	142,764,740	153,492,722	227,892,046	191,233,566	160,552,216	193,328,465	172,413,558	173,507,393	177,216,505
Social Services	12,245,264	13,347,071	12,006,737	11,623,944	9,615,423	8,402,054	7,804,749	8,222,664	8,196,041	8,422,005
Environmental Quality			19,441,341	21,076,668	20,398,457	22,544,214				
General Services	30,279,293	28,040,506	28,280,713	29,246,730	26,370,443	25,763,110	24,095,490	26,517,790	24,348,481	26,139,238
Law and Risk Management	1,575,637	2,064,825	23,551,596	10,851,780	9,327,861	10,237,207	3,571,448	3,994,327	4,035,393	2,844,757
Outside Agencies	15,846,048	15,613,480	20,090,648	19,236,209	18,123,297	19,244,315	20,571,727	20,260,096	24,739,506	23,623,807
Special Projects										
Debt Service:										
Principal	15,030,273	18,797,661	16,740,000	13,760,000	26,230,000	20,035,000	18,465,000	17,855,000	21,925,000	20,850,000
Interest and Other	7,384,493	7,594,762	6,907,518	5,495,982	9,409,512	13,703,243	12,927,929	13,108,740	13,667,645	12,558,133
Capital	21,389,866	36,861,883	47,475,384	45,435,689	70,941,523	49,010,038	29,785,796	28,336,917	48,815,941	51,092,128
Total Expenditures	322,299,551	341,971,663	387,977,104	444,357,758	434,492,756	377,664,929	377,401,672	353,153,928	386,234,545	400,586,967
Excess (Deficiency) of Revenues over (under) Expenditures	(10,810,154)	(6,045,351)	(29,244,161)	(95,724,334)	(87,214,413)	(26,392,601)	(22,575,382)	7,064,092	(7,640,235)	(917,253)
Other Financing Sources (Uses)										
Transfers In	6,807,387	3,746,037	1,375,483	4,238,345	6,723,504	3,843,657	18,102,675	7,226,272	28,308,895	21,319,957
Transfers Out	(6,137,133)	(7,054,091)	(2,008,473)	(3,620,469)	(4,985,650)	(3,773,123)	(18,493,131)	(7,822,695)	(29,163,490)	(21,316,119)
Property Sales										
Debt Proceeds (net of bond refunding)	24,700,000	4,667,606		116,960,000	119,515,000	19,720,000	37,275,000	21,177,299	78,350,131	49,993,988
Bond Anticipation Note	7,599									
Premium (Discount) on Bonds Issued	210,968				(7,130,168)	(4,580,255)	(6,014,921)	(4,549,025)	(60,617,275)	(19,150,513)
Total Other Financing Sources (Uses)	25,588,821	1,359,552	(632,990)	117,577,876	114,122,686	15,210,279	30,869,623	16,031,851	16,878,261	30,847,313
Net Change in Fund Balances	\$14,778,667	(\$4,685,799)	(\$29,877,151)	\$21,853,542	\$26,908,273	(\$11,182,322)	\$8,294,241	\$23,095,943	\$9,238,026	\$29,930,060
Debt Service as a percentage of noncapital expenditures*	7.2%	8.3%	6.2%	4.5%	9.5%	10.2%	8.7%	9.1%	10.1%	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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Licenses and Permits	\$197,805,430	\$214,665,674	\$223,622,531	\$221,612,009	\$218,333,096	\$227,486,734	\$233,898,045	\$242,304,633	\$252,196,981	\$269,928,753
Taxes	17,156,666	18,150,819	19,509,219	20,737,242	20,222,945	20,992,845	20,880,351	21,368,326	21,899,738	21,826,464
Charges for Services	21,003,296	22,215,574	21,313,927	21,965,618	21,002,080	24,084,059	23,879,484	24,202,174	24,643,221	25,633,499
Fines and Forfeitures	323,063	57,192	137,659	270,598	262,040	215,493	170,001	309,442	257,039	234,615
Intergovernmental	2,465,624	2,133,350	3,315,630	2,405,778	1,156,085	2,441,417	1,942,553	1,978,891	1,720,761	797,537
Property Sales	349,715	465,537	392,892	646,007	473,784	1,985,318	152,194	137,719	56,688	318,536
Income on Investments	1,481,463	2,971,942	1,827,694	288,720	62,901	(2,381)	390,823	(556,777)	432,454	1,564,895
Other	1,743,395	4,088,217	3,206,921	3,559,545	5,640,858	4,159,715	2,213,409	2,388,300	2,509,949	4,198,344
Total Revenues	242,328,652	264,748,305	273,326,473	271,485,517	267,153,789	281,363,200	283,526,860	292,132,708	303,716,831	324,502,643
Expenditures and Other										
Financing Sources (Uses)										
General Government	4,458,163	5,048,021	11,450,829	3,337,821	3,206,859	3,872,271	1,700,098	3,476,730	3,664,554	4,109,338
Administrative Services	15,582,368	15,276,489	1,081,760	1,052,574	1,098,505	1,209,504	15,973,425	8,112,087	2,656,141	5,617,560
Chief Information Officer			6,513,655	7,610,707	7,366,977	7,820,811			6,018,605	8,213,083
Chief Development Officer			7,955,937	9,057,361	8,297,391	7,936,589	158,932	163,743	182,074	267,683
Finance	7,256,067	7,745,982	7,955,937	9,057,361	8,297,391	7,936,589	5,387,968	5,101,158	5,022,088	5,350,469
Public Works	12,637,417	11,771,654	18,553,415	17,198,118	18,296,963	16,628,445	8,380,410	8,103,750	7,366,215	9,814,924
Environmental Quality & Public Works										
Planning, Preservation, & Development*										
Public Safety	131,079,150	138,132,390	146,778,076	219,175,755	183,918,587	154,017,726	187,071,884	167,821,104	165,631,441	172,810,800
Social Services	9,274,916	10,617,866	10,245,245	9,604,663	7,439,405	6,801,050	6,003,513	6,566,634	6,633,883	6,821,502
Environmental Quality			2,025,452	53,206	3,217	6,407				
General Services	25,299,456	28,318,762	28,032,856	28,401,996	26,464,121	25,414,155	24,165,031	26,774,613	29,847,860	27,906,695
Law	1,923,928	1,782,008	20,032,934	9,602,925	8,601,967	9,607,308	3,494,863	3,926,008	3,974,171	2,315,205
Outside Agencies	14,349,512	15,464,809	16,843,781	16,913,570	16,786,200	16,935,373	17,206,291	17,121,904	18,935,337	19,540,759
Debt Service	21,585,420	25,662,867	23,163,080	19,386,936	27,749,206	33,701,269	30,937,819	29,748,196	34,160,768	31,970,746
Other Financing (Sources) Uses	140,864	202,328	(685,501)	(78,652,384)	(40,465,809)	(3,207,654)	(37,031,128)	2,332,547	2,541,672	643,862
Residual Equity Transfers										
Total Expenditures and Other	243,587,261	260,023,176	291,991,519	262,743,248	268,763,589	280,743,254	263,449,106	281,986,485	294,377,138	304,923,098
Financing Sources (Uses)										
Net Change in Fund Balance	(\$1,258,609)	\$4,725,129	(\$18,665,046)	\$8,742,269	(\$1,609,800)	\$619,946	\$20,077,754	\$10,146,223	\$9,339,693	\$19,579,545

*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									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Sewer Service Charges	\$25,602,266	\$24,014,195	\$25,884,142	\$35,213,276	\$45,578,971	\$45,663,797	\$44,334,743	\$45,990,027	\$46,577,092	\$46,845,571
Sewer Tap on Fees	1,661,417	1,629,573	1,223,820	1,048,864	1,072,452	1,523,169	1,944,010	2,325,787	2,013,656	2,482,245
Exactions	1,160,296	513,539	343,998	198,914	287,677	885,730	150,120	4,002,945	801,569	426,085
Other Income	47,965	41,731	80,462	93,293	448,880	776,339	615,624	609,021	1,155,128	2,297,116
Total Revenues	28,471,944	26,199,038	27,532,422	36,554,347	47,387,980	48,849,035	47,044,497	52,927,780	50,547,445	52,051,017
Operating Expenses										
Treatment Plant	7,106,877	7,259,708	8,164,345	8,447,048	8,502,531	8,411,093	7,933,477	8,217,471	7,935,854	7,318,958
Collection System	3,760,098	4,236,199	5,411,212	4,427,863	4,297,166	5,544,184	5,064,273	4,405,020	4,461,052	4,187,968
Administration	5,959,400	6,786,349	15,083,099	14,325,685	18,974,390	18,243,183	17,142,578	16,216,619	20,773,379	20,119,458
Depreciation	6,225,299	6,361,511	6,417,656	6,393,816	7,113,944	7,214,960	7,299,442	7,683,896	8,047,827	8,471,363
Total Operating Expenses	23,051,674	24,643,767	35,076,312	33,594,412	38,888,031	39,413,420	37,439,770	36,523,006	41,218,112	40,097,747
Operating Income	5,420,270	1,555,271	(7,543,890)	2,959,935	8,499,949	9,435,615	9,604,727	16,404,774	9,329,333	11,953,270
Net Nonoperating Revenues/(Expenses)	555,560	(279,228)	(406,882)	(1,255,146)	(2,909,369)	(2,486,197)	(1,697,841)	(2,649,715)	(1,451,967)	(1,710,547)
Capital Contributions										
Transfers In	10,000	533,401	81,331	453,974		3,010,299	422,187	1,208,935	88,369,088	6,230
Transfers Out	(1,149,277)	(910,455)	(596,775)	(888,779)	(394,869)	(4,283,344)	(466,138)	(1,039,194)	(88,351,969)	354
Net Income/Change in Net Position	\$4,836,553	\$898,989	(\$8,466,216)	\$1,269,984	\$5,195,711	\$5,676,373	\$7,862,935	\$13,924,800	\$7,894,485	\$10,249,307

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)
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
2014	15,299,695	899,945	6,757,308	1,127	5,395,493		28,353,568		28,353,568	0.2535
2015	\$15,741,024	\$919,466	\$7,162,151	\$1,080	\$5,793,103		\$29,616,824		\$29,616,824	0.2535

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		Collections in Subsequent Years		Total Collections to Date	
		Amount	% of Levy	Amount	% of Levy	Amount	% of Levy
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%	620,237	*	52,631,283	100.0%
2013	53,136,159	52,567,908	98.9%	568,251	*	53,136,159	100.0%
2014	\$53,598,026	\$53,147,356	99.2%	450,670	*	53,598,026	100.0%
2015	\$54,798,187	\$53,072,141	96.9%	\$199,771		\$53,271,912	97.2%

Note: Data provided by the Sheriff's Tax Settlement Report
 *Corrected to reflect collections to date by fiscal year of levies

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

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

Fiscal Year	LFUCG Direct Rates					Overlapping Rates					Total		
	General	Refuse	Urban Services		Total Direct	Fayette County School	Commonwealth of Kentucky	Extension Services	Soil & Water			Health Department	Lextran
			Street Lights	Street Cleaning					Conservation	Water			
2006	0.0800	0.1600	0.0210	0.0094	0.2704	0.5380	0.1310	0.0031	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	0.0280	0.0600	1.0309	
2008	0.0800	0.1590	0.0210	0.0094	0.2694	0.5940	0.1240	0.0031	0.0004	0.0280	0.0600	1.0789	
2009	0.0800	0.1590	0.0210	0.0094	0.2694	0.6050	0.1220	0.0032	0.0004	0.0280	0.0600	1.0880	
2010	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0280	0.0600	1.0951	
2011	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0280	0.0600	1.0951	
2012	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0280	0.0600	1.0951	
2013	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0280	0.0600	1.0951	
2014	0.0800	0.1431	0.0210	0.0094	0.2535	0.6740	0.1220	0.0033	0.0004	0.0280	0.0600	1.1412	
2015	0.0800	0.1431	0.0210	0.0094	0.2535	0.6960	0.1220	0.0034	0.0005	0.0280	0.0600	1.1634	

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	2015			2006		
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Hap Property Owner, LP	\$185,700,000	1	0.63%			
Fayette Mall SPE LLC	117,000,000	2	0.40%			
Inland American Lodging LLC	55,000,000	3	0.19%			
Sir Forty 57 LLC	50,000,000	4	0.17%			
War Admiral Place LLC	49,022,200	5	0.17%			
Lexmark International Inc.	48,898,600	6	0.17%	56,526,300	2	0.25%
Weingarten Realty Inc.	46,272,500	7	0.16%	32,624,900	8	0.14%
Student Housing - Angliana LLC	40,815,000	8	0.14%			
Fayette Plaza CMBS LLC	40,000,000	9	0.14%			
Beaumont Lexington LLC	37,525,300	10	0.13%	26,228,000	10	0.12%
Fourth Quarter Properties				78,062,600	1	0.34%
Lexington Joint Venture*				50,468,800	3	0.22%
Ball Realty Inc.				38,268,700	4	0.17%
Meijer Stores Ltd				35,890,400	5	0.16%
Diamondrock Griffin				33,900,000	6	0.15%
W T Young Inc.				33,549,700	7	0.15%
Main Street EH LLC				29,200,000	9	0.13%
Total	\$670,233,600		2.26%	\$414,719,400		1.83%

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

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

TABLE 11

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

Fiscal Year	LFUCG Direct		Fayette County School	Total
	Rate			
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%
2014	2.25%	0.50%		2.75%
2015	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	2015 Rank	2006
University of Kentucky	1	1
Lexmark International	2	2
Fayette County Board of Education	3	3
Lexington-Fayette Urban County Government	4	4
Defense Finance & Acctg System	5	9
Baptist Healthcare	6	6
St. Joseph Hospital	7	5
Ashland, Inc.	8	10
Lexington Clinic	9	8
Lockheed Martin	10	
Commonwealth of Kentucky		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	Bond Notes	Revenue Bonds	Mortgage Revenue Bonds	Notes Payable	Revenue Bonds	Notes Payable			
2006	\$154,760,000	\$0	\$72,661	\$750,000	\$750,000	\$42,915,000	\$69,625,000	\$0	\$268,122,661	2.5%	\$958		
2007	142,805,000					39,400,000	68,885,000		251,090,000	2.2%	886		
2008	126,065,000					35,715,000	68,195,000		229,975,000	2.0%	799		
2009	229,265,000					31,860,000	66,470,000		327,595,000	2.9%	1,120		
2010	308,355,000			8,000,000	8,000,000	64,565,000	63,890,000		444,810,000	3.8%	1,499		
2011	303,865,000					60,055,000	61,990,000	15,105,027	441,015,027	3.6%	1,462		
2012	315,714,650					48,121,327	56,708,664	14,766,530	435,311,171	3.4%	1,425		
2013	314,541,343					45,400,398	54,830,752	14,403,727	429,176,220	3.3% *	1,391		
2014	310,040,731					42,590,809	52,872,841	27,785,157	433,289,538	na	1,394		
2015	\$322,636,652	\$0	\$0	\$0	\$0	\$38,561,469	\$53,625,000	\$36,968,889	\$451,792,010	na	na		

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

See table 18 for population data.

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

Population data for 2015 not available at time of publication.

* Updated in 2015

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

TABLE 14

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

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

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

See Table 7 for property value date and Table 18 for population data. Population data for 2015 not available at time of publication.

* Updated in 2015

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

TABLE 15

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF DIRECT AND OVERLAPPING INDEBTEDNESS
AS OF JUNE 30, 2015

	Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Overlapping Debt
Lexington Center Corporation			
Mortgage Revenue Bonds, Series 2008A	\$16,430,000	3.75%	\$615,936
Lexington-Fayette Urban County Government Airport Corporation			
Fixed Rate General Airport, Revenue and Refunding Bond 2009A (non-AMT)	30,780,000	4.40%	1,355,019
Variable Rate General Airport, Revenue and Refunding Bond 2009B (AMT)	5,400,000	4.40%	237,723
Fixed Rate General Airport, Revenue and Refunding Bond 2012A (AMT)	6,770,000	4.40%	298,034
Fixed Rate General Airport, Revenue and Refunding Bond 2012B (non-AMT)	11,230,000	4.40%	494,375
Fayette County School & Kentucky School Commission Bonds	464,245,000	100.00%	464,245,000
Lexington-Fayette Urban County Department of Health	\$275,000	100.00%	275,000
Subtotal, Overlapping Debt			<u>467,521,087</u>
LFUCG, Direct Debt			<u>322,636,652</u>
Total Direct and Overlapping Indebtedness			<u><u>\$790,157,739</u></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

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Assessed Value	\$26,883,680	\$24,309,339	\$25,759,025	\$27,462,511	\$27,143,337	\$27,278,231	\$27,501,680	\$27,991,475	\$28,353,568	\$29,616,824
Debt limit (10% of Assessed Value)	2,688,368	2,430,934	2,575,902	2,746,251	2,714,334	2,727,823	2,750,168	2,799,148	2,835,357	2,961,682
Total net debt applicable to limit	176,110	171,270	166,455	195,775	171,510	108,710	203,817	194,414	200,820	171,917
Legal debt margin	\$2,512,258	\$2,259,664	\$2,409,447	\$2,550,476	\$2,542,824	\$2,619,113	\$2,546,351	\$2,604,734	\$2,634,537	\$2,789,765
Total net debt applicable to the limit as a percentage of debt limit	6.55%	7.05%	6.46%	7.13%	6.32%	3.99%	7.41%	6.95%	7.08%	5.80%

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

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

Fiscal Year	Sanitary Sewer System				Public Facilities Corporation			
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Coverage	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Coverage
2006	\$28,472	\$16,826	\$11,646	2.08	\$7,251	\$2,600	\$4,651	0.96
2007	26,199	18,282	7,917	1.42	5,439	2,095	3,344	0.96
2008	28,994	28,659	335	0.06	6,238	2,853	3,385	0.72
2009	37,049	27,201	9,848	1.77	6,841	2,681	4,160	1.12
2010	47,446	31,774	15,672	2.66	6,431	2,670	3,761	0.71
2011	49,383	32,198	17,185	2.41	7,159	2,789	4,370	0.98
2012	48,023	30,140	17,883	1.25	7,157	2,697	4,460	1.00
2013	52,769	28,839	23,930	4.12	5,830	2,305	3,525	0.79
2014	51,542	33,170	18,372	3.14	6,376	2,111	4,265	0.96
2015	\$51,440	\$31,626	\$19,814	4.97	\$6,406	\$2,436	\$3,970	0.89

Fiscal Year	Public Parking Corporation				Special Assessment Bonds			
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Coverage	Special Assessment Collections	Principal	Debt Service Interest	Coverage
2006	\$1,304	\$387	\$917	1.17	\$29	\$50	\$9	0.49
2007	594	149	445	0.56	26	50	7	0.46
2008	1,193	0	1,193	1.51	35	55	4	0.59
2009	1,383	580	803	1.02		50	1	0.00
2010	1,203	539	664	0.84				
2011	861	600	261					
2012	978	540	438					
2013	5	4	1					
2014								
2015	\$0	\$0	\$0					

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

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

TABLE 18

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

Fiscal Year	Population	Personal Income (Thousands)	Per Capita Personal Income	Civilian Labor Force		
				Employed	Unemployed	Unemployment Rate
2006	279,971	\$10,717,436 *	\$38,281 *	142,077	6,582	4.4%
2007	283,291	11,171,024 *	39,433 *	144,393	6,056	4.0%
2008	287,683	11,510,358 *	40,011 *	144,068	7,311	4.8%
2009	292,514	11,257,500 *	38,485 *	141,049	13,087	8.5%
2010	296,708 *	11,599,386 *	39,094 *	142,196	12,029	7.8%
2011	301,313 *	12,266,149 *	40,709 *	147,052	12,146	7.6%
2012	305,252 *	12,813,542 *	41,977 *	146,775	10,192	6.5%
2013	308,428	13,062,972 *	42,353 *	152,866	11,657	7.1%
2014	310,797 *	na	na	148,833	9,938	6.3%
2015	na	na	na	161,674	6,879	4.1%

* Updated in 2015

Note:

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

Population data for 2015 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	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Kentucky	13,250	1	8.20%	n/a	n/a	n/a
Fayette County Public Schools	5,427	2	3.36%	n/a	n/a	n/a
Xerox	3,000	3	1.86%	n/a	n/a	n/a
Lexington-Fayette Urban County Government	2,821	4	1.74%	n/a	n/a	n/a
KentuckyOne Health	2,450	5	1.52%	n/a	n/a	n/a
Baptist Healthcare	2,443	6	1.51%	n/a	n/a	n/a
Lexmark International	2,300	7	1.42%	n/a	n/a	n/a
Wal-Mart	2,027	8	1.25%	n/a	n/a	n/a
Veterans Medical Center	1,565	9	0.97%	n/a	n/a	n/a
Amazon	1,300	10	0.80%	n/a	n/a	n/a
	<u>36,583</u>		<u>22.63%</u>			

Note:

First year of presentation for Employees and Percentage of Total City Employment was FY2010. This data is not available for FY2006.

Source: Lexington Chamber of Commerce

TABLE 20

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

Year	Agricultural			Mining	Construction	Manufacturing	Transportation &		Wholesale Trade	Retail Trade	Finance, Insurance and Real Estate		Services	Government and Government Enterprises		Total Employment by Place of Work
	Farm	Service	Forestry, Fishing and Related Activities				Public Utilities	Trade			Trade	Real Estate		Government Enterprises		
1997	1,984	3,759	3,107	396	11,547	18,894	8,839	9,184	36,281	12,404	62,323	32,240	197,851			
1998	1,793	3,949	2,924	392	11,900	19,301	9,211	9,331	36,650	12,455	63,440	32,605	201,027			
1999	1,831	4,327	2,644	312	12,687	19,417	9,235	9,215	37,534	12,481	65,535	33,326	205,900			
2000	1,805	4,506	2,484	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	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
	Farm	Activities	Wholesale Trade, Transportation and Utilities				Trade	Real Estate			Government Enterprises					
2001	1,852	3,107	13,314	335	12,727	16,252	13,314	5,315	24,222	13,180	79,852	35,156	205,312			
2002	1,821	2,924	12,860	339	11,478	14,993	12,860	5,075	23,878	13,259	81,320	34,208	202,155			
2003	2,067	2,644	13,024	438	11,432	14,347	13,024	4,883	23,897	13,330	82,154	35,099	203,315			
2004	2,000	2,484	12,621	452	11,524	14,174	12,621	4,367	23,831	13,978	85,688	34,607	205,726			
2005	1,717	2,499	13,225	494	11,875	14,864	13,225	4,456	24,022	14,277	87,802	34,910	210,141			
2006	1,708	2,882	13,083	589	11,980	15,034	13,083	4,445	24,091	15,129	89,795	36,138	214,874			
2007	1,667	3,060	13,565	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	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	Total Employment by Place of Work
	Construction	Services	Health Services					Resources and Mining	Business Services		Others			
2008	7,723	21,035	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	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	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	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	24,230	7,994	5,393	20,313	12,325	2,059	5,348	27,491	35,039	147,031	293,956	
2013	7,097	23,796	23,796	7,851	5,030	21,128	12,210	1,919	5,317	32,405	35,614	152,599	304,966	
2014	7,541	23,518	23,518	7,662	5,316	22,282	12,230	2,000	4,923	30,587	37,211	153,350	306,620	

Source: Bureau of Labor Statistics

TABLE 21

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

	1990 Census		2000 Census		2010 Census	
	Value	%	Value	%	Value	%
Population and Number of Households						
Population						
Under 18 years	50,416	22.4%	55,533	21.3%	62,633	21.2%
18 - 64 years	152,638	67.7%	178,805	68.6%	202,032	68.3%
65 years and over	22,312	9.9%	26,174	10.0%	31,138	10.5%
Total	<u>225,366</u>	100.0%	<u>260,512</u>	100.0%	<u>295,803</u>	100.0%
Number of Households	89,529		108,288		123,043	
Economic and Education						
Family Income						
Less than \$10,000	5,979	10.5%	3,587	5.6%	4,407	6.3%
\$10,000 - \$24,999	12,365	21.7%	8,947	14.1%	8,791	12.7%
\$25,000 - \$49,999	20,889	36.7%	17,124	26.9%	15,164	21.8%
\$50,000 - \$74,999	10,790	19.0%	14,759	23.2%	12,913	18.6%
\$75,000 or more	6,850	12.0%	19,231	30.2%	28,149	40.5%
Total Families	<u>56,873</u>	100.0%	<u>63,648</u>	100.0%	<u>69,424</u>	100.0%
Median Family Income	\$35,936		\$53,264		\$63,086	
Mean Family Income	\$44,467		\$52,261		\$76,373	
Per Capita Income	\$20,355		\$23,109		\$25,561	
School Enrollment						
Elementary/Secondary	32,858		36,938		43,918	
College	28,339		31,508		41,238	
Education for Individuals 25+ years of age						
Less than 9th grade	11,760	8.3%	8,539	5.1%	8,813	4.6%
High School, No Diploma	16,365	11.5%	15,213	9.1%	13,986	7.3%
High School Graduate	33,238	23.4%	37,448	22.4%	43,875	22.9%
College 1 - 3 years	37,299	26.2%	46,420	27.8%	54,796	28.6%
College 4 or more years	43,454	30.6%	59,615	35.6%	70,123	36.6%
Total	<u>142,116</u>	100.0%	<u>167,235</u>	100.0%	<u>191,594</u>	100.0%
Unemployment Rate	3.7%		1.8%		7.0%	

Source: U.S. Census Bureau

TABLE 22

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

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Administrative Services	143	145	77	89	91	86	129	94	47	49
General Government	70	74	77	48	73	70	66	66	67	69
Chief Information Officer									44	52
Finance & Administration	98	94	104	108	103	94	68	65	69	70
General Services										
Parks and Recreation	187	183	180	145	138	132	140	139	138	144
Other	129	132	123	132	134	130	97	93	98	102
Planning, Preservation & Development								39	128	137
Law	19	21	34	31	26	26	37	40	39	42
Public Safety										
Fire and Emergency Services										
Firefighters and Officers	504	530	512	504	522	520	500	520	566	560
Civilians	37	23	20	18	15	18	17	16	16	18
Police										
Officers	527	534	538	557	542	511	504	524	542	518
Civilians	177	151	117	77	102	93	127	126	122	112
Community Corrections	357	376	359	341	294	284	321	312	330	298
Other	78	78	99	101	75	79	81	80	68	74
Public Works & Development										
Solid Waste	221	211	221	218	244					
Sanitary Sewers	130	135								
Other	162	162				240				
Environmental Quality & Public Works										
Waste Management			208	199	206	196	508	484	451	453
Water & Air Quality			135	145	149	151				
Other			18	10	15	16				
Social Services	174	169	137	128	113	99	94	96	96	98
	3,013	3,018	2,959	2,851	2,842	2,745	2,689	2,694	2,821	2,796

The following Departmental reorganization took place in FY2008:

Human Resources and Community Development moved from Administrative Services to Finance & Administration; Risk Management moved from Administrative Services to Law; Historic Preservation, Planning and Purchase of Development Rights moved from Administrative Services to Public Works & Development; Computer Services moved from Finance & Administration to Administrative Services; Building Inspection moved from Public Safety to Public Works & Development; Solid Waste (Waste Management) and Sanitary Sewers (Water & Air Quality) moved from Public Works and Development to Environmental Quality.

The following Departmental reorganization took place in FY2012:

Communications, Enterprise Solutions, Information Technology and PeopleSoft moved from Chief Information Officer to Administrative Services; Historic Preservation, Planning and Purchase of Development Rights moved from Public Works to Administrative Services; Risk Management moved from Law to Administrative Services; Budgeting moved from Administrative Services to Finance; Chief Development Administration was created under Chief Development Officer; Office of Economic Development moved from General Government to Chief Development Officer; Community Development changed to Grants and Special Projects and moved from Finance to Administrative Services; Human Resources moved from Finance to Law; Environmental Quality and Public Works were merged to form Environmental Quality & Public Works; Police and Fire Pension moved from Public Safety to Finance; Building Inspection moved from Public Works to Public Safety; Community Corrections, Police and Fire and Emergency Services moved to Public Safety.

Planning, Preservation, & Development was added in FY2013 and was previously included with Administrative Services.

The following Departmental reorganization took place in FY2014:

Division of Engineering moved from Environmental Quality & Public Works to Planning, Preservation & Development; Division of Code Enforcement and Division of Building Inspection moved from Public Safety to Planning, Preservation & Development; Computer Services & Division of Enterprise Solutions moved from Administrative Services to Chief Information Officer.

The following Departmental reorganization took place in FY2015:

The Division of Human Resources moved from Law and Risk Management to Administrative Services

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fire and Emergency Services										
Emergency Medical Calls	28,772	30,087	31,336	31,490	32,199	34,197	37,000	36,619	37,971	42,151
False Calls	2,560	2,667	2,804	2,715	2,653	2,870	2,673	2,585	2,983	3,077
Fire Incidents	1,315	1,402	1,322	1,301	1,129	1,337	1,564	1,293	1,226	1,249
Good Intent Calls	na	1,112	1,090	1,245	1,265	1,271	1,153	1,107	1,108	1,180
Hazardous Materials Calls	1,090	1,087	1,252	1,295	1,192	1,118	1,248	1,451	1,686	1,766
Other	na	129	109	134	62	79	60	44	54	40
Rescues	na	517	387	366	451	460	421	449	443	462
Rupture - Gas, Water, etc.	na	52	32	51	45	47	36	34	31	35
Service Calls	1,128	1,161	1,313	1,330	1,227	1,529	1,707	1,598	2,209	1,968
Police										
Physical Arrests	23,411	24,677	19,460	18,155	17,126	15,248	20,214	14,592	13,773	17,442
Parking Violations	21,668	17,665	8,945	49,471	46,949	42,675	41,849	47,201	46,709	43,055
Traffic Violations	67,487	75,014	76,529	73,945	64,954	63,546	52,086	40,478	48,193	44,795
Parks and Recreation										
Rounds of Golf	152,659	139,353	141,776	122,153	107,565	89,291	95,382	96,607	90,410	91,407
Pool Visits	199,496	198,181	202,093	217,917	188,389	185,421	205,353	169,820	142,062	145,911
Building Inspection										
Permits Issued	20,719	16,620	14,173	13,660	13,646	13,090	13,623	13,860	16,141	15,363
Inspections	39,773	29,991	27,650	29,404	28,915	24,563	23,957	24,518	23,262	21,909
Sanitary Sewers										
Tap-on Inspections	2,108	1,681	1,057	879	946	625	644	861	897	930
Average daily sewage treatment (mgd)	38	42	38	40	36	41	39	39	42	41
Solid Waste										
Annual Tons of Refuse Collected	152,969	154,637	165,087	155,645	141,831	138,331	134,788	135,595	137,728	138,714
Annual Tons of Recyclables Collected	15,188	18,740	18,355	20,190	18,831	20,402	21,834	22,446	22,583	22,509
Annual Tons of Yard Waste Collected					18,199	18,049	21,801	20,492	19,984	21,609
Other Public Works										
Street Resurfacing (miles)	16	40	38	35	30	15	28	22	27	27

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	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fire and Emergency Services										
Number of Fire Stations	22	23	23	23	23	23	23	23	23	23
Number of Engines	22	24	24	24	23	23	22	22	22	22
Number of Aerials	8	8	8	8	7	7	7	7	7	7
Number of EC Units	9	9	9	10	10	10	10	10	10	11
Number of Haz-Mat Units	3	3	3	3	2	2	2	2	2	2
Police										
Stations	3	3	3	3	3	3	3	3	3	3
Patrol Units	467	467	481	438	444	440	429	424	424	430
Parks and Recreation										
Acres of Parks	4,261	4,261	4,565	4,565	4,917	4,917	4,282	4,282	4,282	4,282
Number of Golf Courses	6	6	6	6	6	6	5	5	5	5
Number of Swimming Pools	10	10	9	9	9	9	7	7	7	7
Sanitary Sewers										
Treatment Capacity (mgd)	64	64	64	64	64	64	64	64	64	64
Solid Waste										
Collection Trucks	118	126	116	115	119	113	119	119	116	118
Other Public Works										
Streets (miles)	1,563	1,542	1,589	1,599	1,628	1,634	1,636	1,638	1,641	1,652
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	353	357	363	367	376	380	382	376	378	365

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

TABLE 25

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

	Fiscal Year	
	2014	City
Total pension liability		
Service cost	\$15,273,403	\$0
Interest	53,365,849	852,811
Changes of benefit terms		
Differences between expected and actual experience		
Changes of assumptions		
Benefit payments, including refunds of member contributions	(53,597,352)	(1,574,594)
Net change in total pension liability	<u>15,041,900</u>	<u>(721,783)</u>
Total pension liability-beginning	738,343,325	12,970,313
Total pension liability-ending (a)	<u>\$753,385,225</u>	<u>\$12,248,530</u>
Plan fiduciary net position		
Contributions-employer	27,636,473	
Contributions-member	9,730,115	
Net investment income	96,386,758	4,356,048
Benefit payments, including refunds of member contributions	(53,597,352)	(1,574,594)
Administrative Expense	(598,923)	(27,178)
Other		
Net change in plan fiduciary net position	<u>79,557,071</u>	<u>2,754,276</u>
Plan fiduciary net position-beginning	556,723,810	28,029,242
Plan fiduciary net position-ending (b)	<u>\$636,280,881</u>	<u>\$30,783,518</u>
Net pension liability-ending (a) - (b)	<u>\$117,104,344</u>	<u>(\$18,534,988)</u>
Plan fiduciary net position as a percentage of the total pension liability	84.46%	251.32%
Covered-employee payroll	\$63,248,485	\$0
Net pension liability as a percentage of covered-employee payroll	185.15%	0.00%

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

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

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

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

	Fiscal Year													
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014				
Actuarially determined contribution	Police & Fire \$12,629,414	City \$21,275	Police & Fire \$17,541,055	City \$69,527	Police & Fire \$26,980,795	City \$0	Police & Fire \$28,689,989	City \$0	Police & Fire \$30,665,280	City \$0	Police & Fire \$22,322,068	City \$0	Police & Fire \$23,217,413	City \$0
Contributions in relation to the actuarially determined contribution	11,689,068	6,816	16,506,722	6,729	18,791,796	7,116	84,023,573	7,864	49,469,806	2,632	14,408,809	47,585,689	23,217,413	
Contribution deficiency (excess)	\$940,346	(\$6,816)	(\$1,422,334)	\$14,291	\$8,188,999	(\$7,116)	(\$55,333,584)	(\$7,864)	(\$18,804,526)	(\$2,632)	\$13,808,129	(\$16,920,409)	\$0	
Covered - employee payroll	\$51,726,085	\$57,192,876	\$57,717,156	\$61,368,960	\$65,765,448	\$42,972	\$65,765,448	\$43,416	\$60,512,412	\$0	\$64,258,162	\$54,595,799	\$62,455,725	\$63,248,485
Contributions as a percentage of covered-employee payroll	22.60%	24.68%	28.60%	30.62%	127.76%	16.56%	127.76%	18.11%	81.75%	NA	22.42%	87.16%	35.74%	36.71%

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

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

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

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

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

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

TABLE 28

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

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

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

Source: Kentucky Retirement Systems

TABLE 29
 LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 SCHEDULE OF THE GOVERNMENT'S CONTRIBUTIONS
 LAST TEN FISCAL YEARS

	2014
Contractually required contribution	\$15,852,724
Contribution in relation to the contractually required contribution	16,161,747
Contribution deficiency (excess)	(\$309,023)
Government's covered-employee payroll	72,558,727
Contributions as a percentage of covered-employee payroll	22.27%

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

Source: Kentucky Retirement Systems
