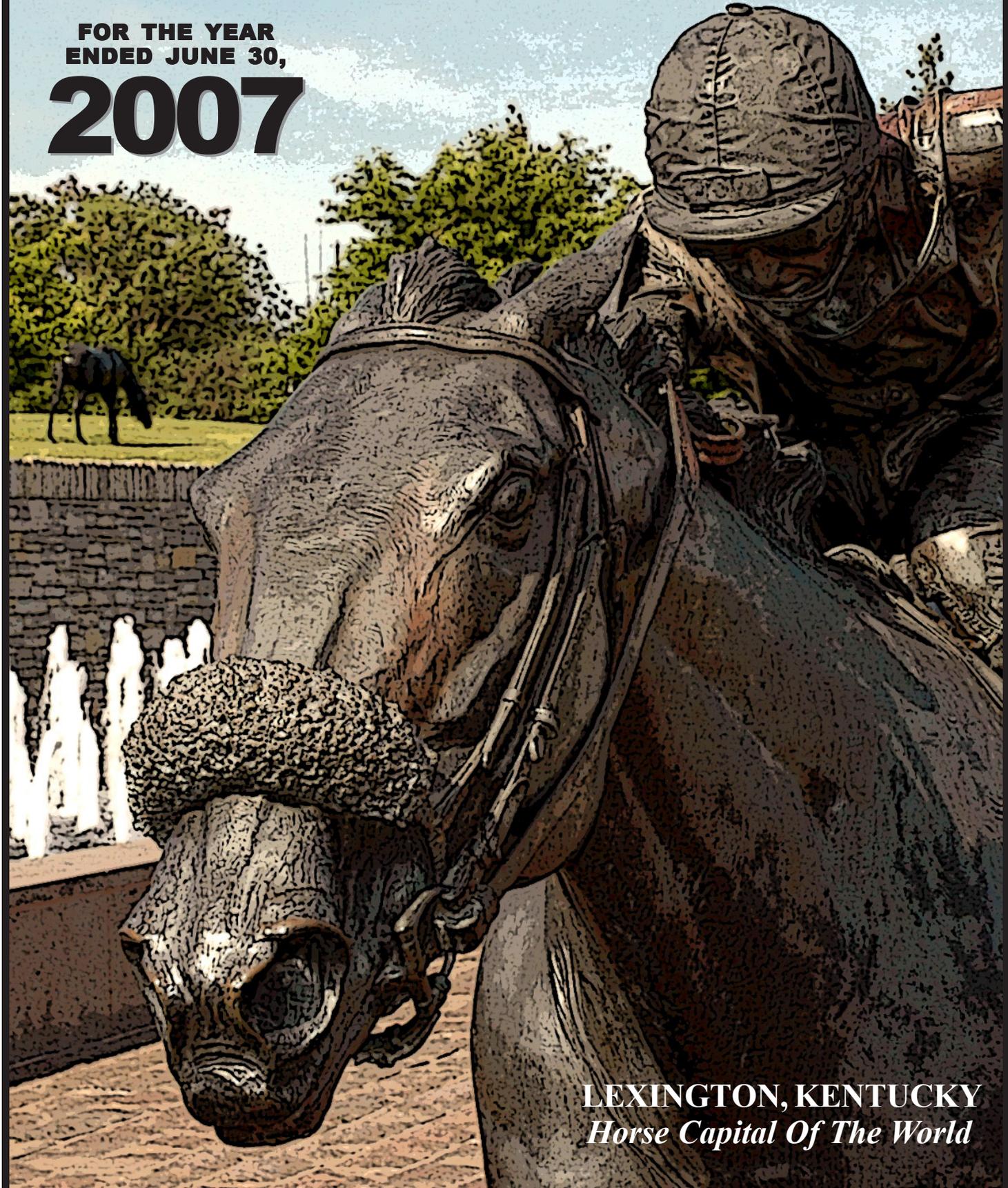


Lexington-Fayette Urban County Government  
**Comprehensive Annual Financial Report**

FOR THE YEAR  
ENDED JUNE 30,

**2007**

A bronze sculpture of a jockey riding a horse, with a fountain in the background. The sculpture is highly detailed, showing the texture of the horse's coat and the jockey's cap. The background features a fountain with several water jets and a stone wall.

LEXINGTON, KENTUCKY  
*Horse Capital Of The World*

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2007

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
LEXINGTON, KENTUCKY



PREPARED BY THE DEPARTMENT OF FINANCE AND ADMINISTRATION

*Paid for with Lexington-Fayette Urban County Government Funds*



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 Comprehensive Annual Financial Report  
 Year Ended June 30, 2007

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# INTRODUCTORY SECTION



**Jim Newberry, Mayor**

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

June 6, 2008

Dear Friend,

The Comprehensive Annual Financial Report for the Lexington-Fayette Urban County Government for the fiscal year ended June 30, 2007 conforms to the highest standards of financial reporting.

The 06-07 budget year began under the leadership of Mayor Teresa Ann Isaac, who presided over the drafting and approval of the 06-07 budget reflected in this document. My administration began in January, 2007. There was also considerable change in the make-up of the Urban County Council in this period of time. Six new members of the Council began their terms in 2007, including a new vice mayor.

The message from voters was one of change, and we are reorganizing government to reflect public priorities. During this period of transition we established a positive working relationship with the Urban County Council, ensured that basic government services were provided for citizens, worked to establish effective, efficient operation of government and increased accountability.

Our fundamental goal is to turn the Urban County Government battleship in a direction that will yield better results for its citizens. In my Inaugural Address, I described how, in the late 18<sup>th</sup> and early 19<sup>th</sup> Centuries, Lexington became known as the "Athens of the West" because of the hard work of our forefathers. I am confident that, with the assistance and support of the citizens of the 21<sup>st</sup> Century, Lexington can reclaim its place in history.

Sincerely,

A handwritten signature in cursive script that reads "Jim Newberry".

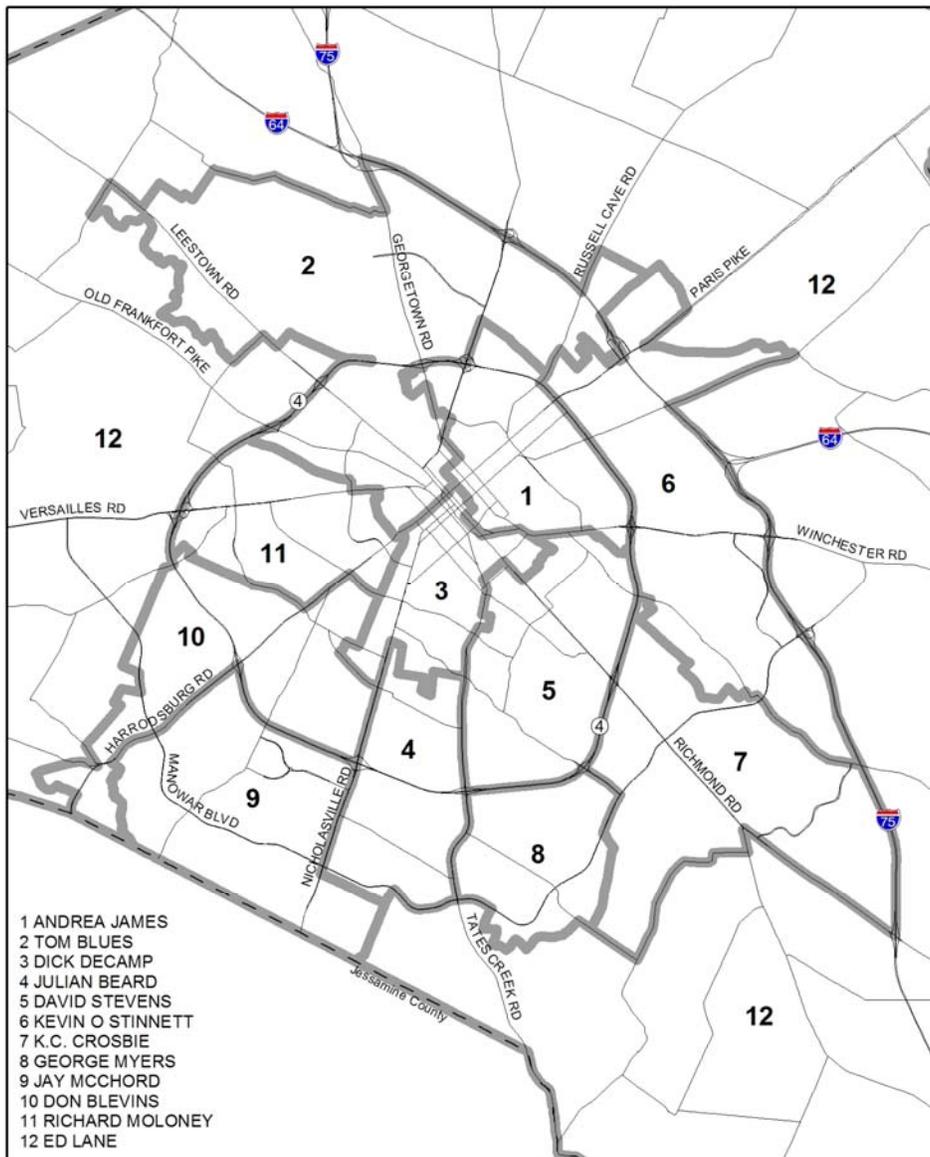
Jim Newberry  
Mayor

# ELECTED OFFICIALS

MAYOR  
Jim Newberry

COUNCILMEMBERS-AT-LARGE  
Jim Gray – Vice Mayor  
Charles W. Ellinger, II  
Linda S. Gorton

## DISTRICT COUNCILMEMBERS





Mayor Jim Newberry

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
Department of Finance & Administration

June 6, 2008

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

Dear Mayor and Members of the Urban County Council:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Lexington-Fayette Urban County Government (the Government) for the fiscal year ended June 30, 2007. The CAFR was prepared in accordance with Generally Accepted Accounting Principles (GAAP) and the reporting standards of the Governmental Accounting Standards Board (GASB). The CAFR includes all funds of the Government and component units.

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

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

State statute and the Charter of the Government both require an independent financial audit be conducted annually. The accounting firm of Mountjoy & Bressler, LLP performed the audit for the fiscal year ended June 30, 2007. The goal of the independent audit was to provide reasonable assurance that the financial

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

statements of the Government for the fiscal year ended June 30, 2007 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 unqualified opinion that the Government's financial statements for the fiscal year ended June 30, 2007 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component in the financial section of this report.

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

### ***PROFILE OF THE GOVERNMENT***

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

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

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

The Urban County Government has 3,353 authorized full-time positions. Of these positions, 1,656, or 49%, are employed in the Divisions of Police, Fire and Emergency Services or Community Corrections. The next largest division in terms of number of employees is the Division of Solid Waste with 264 employees representing seven percent of total employees.

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

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

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

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

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

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

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

## ***SIGNIFICANT EVENTS***

### ***New Administration***

A new mayor and six new members of council, including the vice mayor, were elected in November 2006. Additionally, two former council members acquired new roles, one moving from at-large to a district representative and a second moving from a district representative to at-large. All took office on January 1, 2007.

Mayor Jim Newberry brought with him an acting CAO, new commissioners for every department, a new chief of staff and new personnel for other appointed positions.

In late January 2007, the mayor, key staff and council members met in a retreat to chart the course for the new administration. The result of that collaboration was the development of Six Pillars of Progress for Lexington: improving our environment, building our economy, developing a shared vision for our community's future, planning with more innovation, communicating better and governing more effectively and efficiently.

### ***Enforcement Action by U.S. Environmental Protection Agency***

Like many other cities in the country, Lexington has been cited by the U.S. Environmental Protection Agency (EPA) for violations of the Clean Water Act. At June 30, 2007, we continued to negotiate with EPA on fines and remedial obligations that will be required of our city as part of a Consent Decree.

### ***STARS (Superior Technology Application & Reporting System)***

The Government began implementation of STARS (Superior Technology Application & Reporting System) in January 2006. STARS is a comprehensive implementation of various PeopleSoft® modules. The goal of the STARS is to integrate all information systems and business processes. When the new administration arrived in January 2007, implementation of the financials module was very close to failure. A new implementer was brought on board to help remedy the problems with initial implementation and assist in data clean up. Having salvaged the financials module, the implementation of the project will proceed through fiscal year 2008 and fiscal year 2009. The business processes to be integrated include general ledger, purchasing, accounts payable, accounts receivable, billing, budgeting, projects and grants, treasury, human resources management, payroll, time & labor, benefits and work orders. STARS replaced an older legacy mainframe. The Government will use STARS to improve processes and reporting, eliminate duplicate data entry, and promote sharing of information between departments.

### ***World Equestrian Games***

On December 6, 2005 the Federation Equestre Internationale announced that the 2010 World Equestrian Games (WEG) would be held at the Kentucky Horse Park in Lexington-Fayette County. The WEG serve as the world championships in the seven horse sport disciplines of jumping, dressage, eventing, four-in-hand driving, endurance, vaulting and reining. The event will be held over a three-week period in September 2010 and is expected to draw an estimated 600,000 visitors to the region. The event is expected to provide a tremendous economic infusion for Lexington. Officials from the Government are working with state and event officials to coordinate the site and regional preparedness for the event. Government officials immediately formed a multi-divisional planning group to identify local government infrastructure and program initiatives that are required and desired to accommodate the event.

### ***Other***

Other initiatives were undertaken but were not yet complete as of June 30, 2007, as follows:

- A clean-up campaign was undertaken by the Division of Code Enforcement to rid our medians and rights of way of illegal signs. Also, the Division issued hundreds of notices of violation related to safety and clean-up in trailer parks;
- The Summer Youth Employment program involved 184 young people in 2007 compared to 120 in 2006. The length of the program was increased as was LFUCG financial support. The program involved 80 different companies compared to 40 in 2006. Placements were focused on our horse, healthcare and high tech industries, places where young people may find jobs with a bright future; and,
- LFUCG worked toward the goal of making Lexington the most bike friendly community in Kentucky by planning a bike summit and proposing new bikes and trails in the 2008 budget recommended to the council.

### ***FACTORS AFFECTING FINANCIAL CONDITION***

Following is a brief discussion of factors affecting the financial condition of the Government. Additional detailed information and discussion of the Government's financial condition can be found in the Management Discussion and Analysis beginning on page 15.

### ***Local Economy***

The Lexington-Fayette County area experienced moderate economic growth in fiscal year 2007, much of this occurring in the last quarter of the year. The unemployment rate in Fayette County was 4.6% in June 2007, down slightly from 4.9% in June 2006. These rates are below the national and state rates of 4.7% and 5.5% respectively. Employment, as measured by a household survey, which is by place of residence, increased from 143,804 to 146,446 an increase of 1.8% through June 2007. Employment data measured by place of work paints a similar picture. Average monthly employment in Fayette County increased from 138,128 for the first calendar quarter of 2006 to 142,197 by the first calendar quarter of 2007, or 3.0%.

The service and trade sectors are the primary sources of employment and income in Fayette County. The service sector, which is dominated by jobs in the professional services such as legal and medical services, accounted for 42% of Fayette County jobs. The Fayette County area is the retail center for the Lexington-Fayette MSA. Also, the convergence of two major highways, Interstates 75 and 64, makes it ideally suited for the location of wholesale trade facilities. These factors account for the strength of the utilities, trade and transportation sector, which is the second largest source of employment and accounts for 17% of jobs. A stabilizing characteristic of the Lexington economy is its share of employment in the government sector, of which the University of Kentucky is the largest component. This sector employed 17% of the workforce. Finally, the finance, insurance, and real estate sector is the fourth largest source of employment accounting for 7% of employment.

### ***Budget Control and Financial Management***

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

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

### ***Long-Term Financial Policies***

The Government annually adopts a six-year Capital Improvement Plan as a component 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 impact on annual operating costs. 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. Finally, the Government has adopted a long-term goal to increase the balance of the economic contingency fund.

### ***Cash Management and Investment Policy***

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

### ***Self Insurance and Risk Management***

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

Workers' compensation, property and casualty, and general liability insurance programs are administered by the Division of Risk Management within the Department of Administrative Services. The Government reduces financial risks by purchasing reinsurance. Administration of these programs is combined with a risk management program designed to identify potential exposures to loss and reduce or eliminate risk or losses. Premiums are paid from other funds (the General Fund, the Urban Services Fund and the Sanitary Sewer Fund) in proportion to risk exposure associated with the personnel and physical assets of each fund. As of June 30, 2007, the Insurance and Risk Management Fund had a net asset deficit of \$11,435,437. This deficit will be addressed through increased appropriations in future years.

The Health, Dental, and Vision Care Insurance Fund is another self insurance fund that is administered by a third party. This fund had no net assets at June 30, 2007.

### ***Retirement Funds***

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

The County Employees' Retirement System is the retirement system for the majority of Government personnel and is the system for all new Government employees except police and firefighters. Sworn employees in the Division of Community Corrections participate in the hazardous duty plan; all other employees participate in the non-hazardous duty plan. CERS is a cost sharing multi-employer public employee retirement system administered by the Commonwealth of Kentucky. Participating employers contribute 13.19% of an employee's salary in the non-hazardous duty plan and 28.21% in the hazardous duty plan. Employees contribute 5% to the non-hazardous duty plan and 8.0% to the hazardous duty plan. Employees are subject to FICA, and the Government matches this contribution.

The Policemen's and Firefighters' Retirement Fund is the retirement system for all police and firefighters. The PFRF currently includes 833 retirees and beneficiaries and 1,064 active employees. Employees are required to contribute 11% of their salary. The Government's contribution was 25%. As of June 30, 2007, the actuarial value of assets was \$397.7 million and the estimated total actuarial accrued liability was \$627.9 million, reflecting a funding ratio of 63.3%. This is a complete pension fund and members are not subject to Social Security Insurance withholding. However, members hired after April 1, 1986 are subject to the Medicare portion of Social Security Insurance.

The City Employees' Pension Fund was the retirement system of the City of Lexington. When the city and county merged in 1974 it became a closed plan. On June 30, 2007, there was one active member and 123 retirees and beneficiaries. The Government contributed 17.5% of the employee's salary while the employee contributed 8.5%. As of June 30, 2007, the actuarial value of assets was \$28.8 million, and the estimated actuarial accrued liability of \$26.0 million reflects a funding ratio of 110.4%. This is a complete pension fund and members are not subject to the Social Security Insurance.

In August 1999 the Government began paying single coverage health insurance premiums for retirees who had maintained participation in the Government health insurance plan. In fiscal year 2007, 630 retirees of the PFRF received this benefit for a total cost of \$2.3 million; and 25 retirees of the CEPF received this benefit for a total cost to the Government of \$76.8 thousand.

#### ***AWARDS AND ACKNOWLEDGEMENTS***

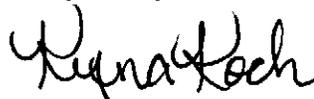
For the fourteenth consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lexington-Fayette Urban County Government for its comprehensive annual financial report for the fiscal year ended June 30, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government finance reports.

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

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

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

Respectfully submitted,



Kyna Koch

Commissioner of Finance and Administration

# 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, 2006

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



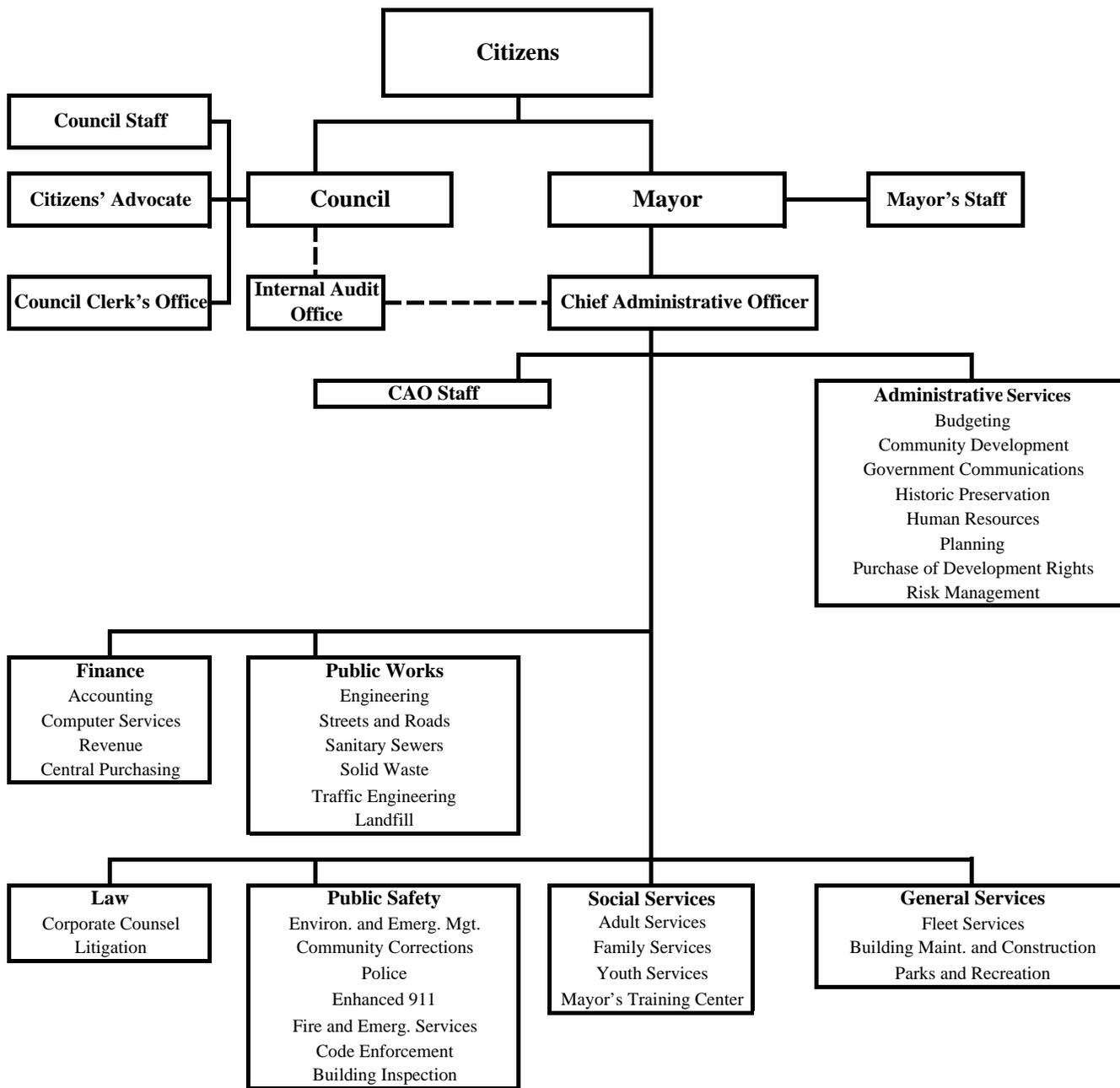
*Oliver S. Cox*

President

*Jeffrey R. Emer*

Executive Director

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
ORGANIZATIONAL CHART**



## DIRECTORY OF GOVERNMENT OFFICIALS

### Office of the Mayor

Chief Administrative Officer  
Economic Development

Charlie Boland, Acting  
Vacant

### Administrative Services

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

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

### Finance

Accounting  
Central Purchasing  
Computer Services  
Revenue

Kyna Koch, Commissioner  
Lois Vogel, CPA, Director  
Brian W. Marcum, Director  
Michael J. Nugent, Director  
William T. O'Mara, Director

### General Services

Building Maintenance & Construction  
Fleet Services  
Parks and Recreation

Kimra Cole, Commissioner  
Wayne T. Wilson, Director  
Richard Murray, Director  
Chuck O. Ellis, Director

### Law

Corporate Counsel  
Litigation

Logan Askew, Commissioner  
Barbara B. Sledd, Director  
Leslye Mercer Bowman, Director

### Public Safety

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

Tim Bennett, Commissioner  
Dewey L. Crowe, Director  
David K. Jarvis, Director  
Ronald L. Bishop, Director  
David S. Lucas, Director  
Patricia Dugger, Director  
Robert Hendricks, Chief  
Anthony Beatty, Chief

### Public Works

Engineering  
Sanitary Sewers  
Solid Waste  
Streets and Roads  
Traffic Engineering

Don Kelly, P.E., Commissioner  
Marwan Rayan, Director  
Charles Martin, Director  
Michael Robinson, Director  
Howard McMillen, Director  
R.D. Herrington, Director

### Social Services

Adult Services  
Family Services  
Mayor's Training Center  
Youth Services

Marlene Helm, Ed.D., Commissioner  
Cheryl D. Lewis, Director  
J.D. Sabharwal, Director  
Arnold Gaither, Director  
William Kendrick, Director

## FINANCIAL SECTION

## Report of Independent Accountants

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Lexington-Fayette Urban County Government (the Government) as of and for the year ended June 30, 2007, which collectively comprise the Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lexington Transit Authority, Lexington Airport Board, Lexington Public Library, Fayette County Health Department, the Lexington Convention and Visitors Bureau, Carnegie Literacy Center, and the Lexington Center Corporation which represent 99 percent of the assets and 98 percent of the revenues as of and for the year ended June 30, 2007 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 amounts included for the Lexington Transit Authority, Lexington Airport Board, Lexington Public Library, Fayette County Health Department, the Lexington Convention and Visitors Bureau, Carnegie Literacy Center, and the Lexington Center Corporation is based solely on the reports of the other auditors.

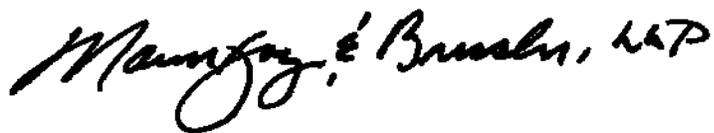
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and Urban Services Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 5, 2008 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 the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 15 through 29 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Government's basic financial statements. The introductory section on pages 1 through 12, combining and individual funds statements and schedules on pages 101 through 130, and the statistical section on pages 135 through 158 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards on pages 109 through 111 is presented for purposes of additional analysis as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations, and is also not a required part of the basic financial statements of the Government. The combining and individual nonmajor fund financial statements, budgetary comparison schedules and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Manning & Bruehl, LLP". The signature is written in a cursive, flowing style.

Lexington, Kentucky  
June 5, 2008

## 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 Urban County Government's financial performance for the fiscal year ended June 30, 2007. 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 Commissioner of Finance Letter of Transmittal (which can be found preceding this narrative on page 3) and the financial statements immediately following the analysis.

### FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

#### Government – Wide Highlights

- The assets of the Urban County Government exceeded its liabilities at fiscal year ended June 30, 2007 by \$1.31 billion (net assets). Governmental activities' unrestricted net assets were \$30.81 million, a decrease of \$19.58 million from the previous fiscal year. These assets may be used to meet the ongoing financial obligations of the Urban County Government. Business-Type activities held a balance of \$14.02 million in unrestricted net assets, an increase of \$2.94 million from the previous fiscal year. This increase in net assets held by Business-Type activities is due in part to significant reductions in the long-term liabilities of the Landfill Fund.
- The Urban County Government's total net assets decreased \$1.46 million from the previous fiscal year. This reduction in total net assets reflects a decrease in the value of depreciable capital assets held by the Urban County Government coupled with growth among payables and accrued liabilities, unearned revenue, and compensated absences.
- Net assets of Governmental Activities decreased \$8.52 million, while net assets of Business-Type activities increased \$7.06 million from the previous year.

#### Fund Highlights

- As of June 30, 2007, the Urban County Government's governmental funds reported combined ending fund balances of \$101.45 million, a decrease of \$4.69 million from the previous fiscal year. Of this total amount, \$12.82 million was reserved for encumbrances and the balance of approximately \$88.63 million was unreserved. The unreserved, undesignated fund balance of \$42.88 million reflects funding available to the Urban County Government for spending.
- The General Fund, the primary operating fund of the Urban County Government, held an unreserved, undesignated fund balance of \$15.71 million, or 6% of General Fund revenues. The economic contingency designation, which is available for spending in the event of an economic downturn or unforeseen event, held a balance of \$11.89 million.
- The 2007 Bond Projects fund and the Public Works capital projects fund were created during FY 2007 to account for new capital projects which the Urban County Government intends to bond in FY 2009.

#### Long-Term Debt

- At fiscal year ended June 30, 2007, Governmental Activities debt decreased \$12.78 million. Decreases in long-term General Obligation debt held by the Urban County Government can be attributed to payment on current issues and bond refinancing. Business-Type activity debt decreased \$4.26 million due to the payment of outstanding Revenue Bonds and Mortgage Revenue Bonds.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the finances of the Lexington-Fayette Urban County Government. The basic financial statements are comprised of three elements, 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 the reader with a broad overview of the Urban County Government's finances in a manner similar to 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 Urban County 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 Assets* and the *Statement of Activities*.

The *Statement of Net Assets* reflects the financial position of the Urban County Government at fiscal year ended June 30, 2007. Accordingly, the Urban County Government's net assets, the difference between assets (what the citizens own) and liabilities (what the citizens owe) are one way to determine the financial condition of the Urban County Government. Over time, increases or decreases in net assets is one indicator of whether the financial health of the Urban County Government is improving or deteriorating. However, additional factors such as changes in the Urban County 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 Urban County Government.

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

Both of the Government-Wide Financial Statements divide the Urban County 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 Urban County Government. The Business-Type activities of the Urban County Government include the operations of various Enterprise Funds, including sanitary sewer services, landfill and disposal costs, and leases and operating costs for public facilities related to debt issues.
3. Discretely Presented Component Units – The Urban County Government includes ten separate legal entities in its reports. Although legally separate and possessing independent qualities, the Urban County 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 Urban County 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 Urban County 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 Urban County 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 Urban County 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 Urban County 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 Urban County 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 an accounting device used to accumulate and allocate costs internally among the various functions of the Urban County Government. The Urban County 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; therefore, 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 statements but the fund statements provide more detail. The Urban County Government considers the Sanitary Sewer Fund, the Public Facilities Corporation Fund, the Public Parking Corporation Fund and the Landfill Fund to be its major proprietary funds.

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 Statement because the resources of those funds are not available to support the programs of the Urban County Government. The accounting used for the fiduciary funds is similar to that used for proprietary funds. The Urban County 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 Assets

Net assets may serve as a useful indicator of a government's financial position. Table 1 below, shows the Urban County Government's combined net assets (Governmental and Business-Type activities) totaled \$1.31 billion as of June 30, 2007. This reflects a decrease of \$1.46 million from the previous fiscal year. This decrease is due in part to a reduction in capital assets held by the Urban County Government attributable to depreciation. Infrastructure elements for governmental activities accumulated \$30.52 million in depreciation from the previous fiscal year. Additionally, current liabilities increased due to an increase in the accounts payable balance at year end.

The largest proportion of the Urban County Government's net assets, \$1.21 billion, is invested in capital assets (e.g. land, infrastructures, buildings and improvements and equipment), and minus any related debt, which is still outstanding and used to acquire those assets. The Urban County 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 Assets**  
**For Years As Stated**  
**(in thousands)**

	Total Net Assets		
	FY 2007	FY 2006	Change
<b>ASSETS</b>			
Current and other assets	\$229,422	\$214,678	\$14,744
Capital assets	1,451,343	1,464,046	(12,703)
Total assets	1,680,765	1,678,724	2,041
<b>LIABILITIES</b>			
Current and other liabilities	63,052	42,288	20,764
Long-term liabilities	302,774	320,035	(17,261)
Total Liabilities	365,826	362,323	3,503
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	1,210,278	1,209,851	427
Restricted for:			
Capital Projects	47,340	32,837	14,503
Debt Service	5,053	5,222	(169)
Depreciation	1,988	2,160	(172)
Grants	314	235	79
Maintenance and Operations	5,138	4,621	517
Unrestricted	44,828	61,475	(16,647)
Total net assets	\$1,314,939	\$1,316,401	(\$1,462)

\*Numbers may not total due to rounding

Approximately \$59.83 million, or 5% of total net assets, are subject to external restrictions regarding their use. Restricted net assets of governmental funds 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 the net assets of Governmental Activities totaled \$1.02 billion, a decrease of \$8.52 million from the previous fiscal year. Of these net assets, \$965.68 million, or 95%, 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 Assets**  
**For Years As Stated**  
**(in thousands)**

<b>Governmental Activities</b>			
	<b>FY 2007</b>	<b>FY 2006</b>	<b>Change</b>
<b>ASSETS</b>			
Current and other assets	\$143,768	\$131,683	\$12,085
Capital assets	1,107,054	1,116,863	(9,809)
Total assets	1,250,822	1,248,546	2,276
<b>LIABILITIES</b>			
Current and other liabilities	54,135	34,438	19,697
Long-term liabilities	180,277	189,176	(8,899)
Total Liabilities	234,412	223,614	10,798
<b>NET ASSETS</b>			
Invested in capital assets			
net of related debt	965,684	964,033	1,651
Restricted for:			
Capital Projects	19,605	10,274	9,331
Debt Service			
Depreciation			
Grants	314	235	79
Maintenance and Operations			
Unrestricted	30,807	50,390	(19,583)
Total net assets	\$1,016,410	\$1,024,932	(\$8,522)

\*Numbers may not total due to rounding

Table 3 shows the net assets of Business-Type activities totaled \$298.53 million at the end of Fiscal Year 2007, an increase of \$7.06 million from the previous fiscal year. Of these net assets, \$244.59 million, or 82%, is invested in capital assets, minus related debt outstanding used to acquire those assets. The Urban County 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 Assets**  
**For Years As Stated**  
**(in thousands)**

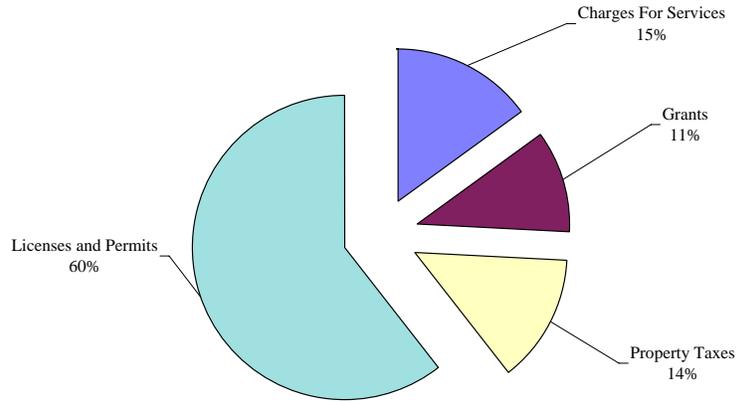
<b>Business-type Activities</b>			
	<b>FY 2007</b>	<b>FY 2006</b>	<b>Change</b>
<b>ASSETS</b>			
Current and other assets	\$85,654	\$82,994	\$2,660
Capital assets	344,289	347,183	(2,894)
Total assets	429,943	430,177	(234)
<b>LIABILITIES</b>			
Current and other liabilities	8,917	7,851	1,066
Long-term liabilities	122,497	130,857	(8,360)
Total Liabilities	131,414	138,708	(7,294)
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	244,594	245,818	(1,224)
Restricted for:			
Capital Projects	27,735	22,563	5,172
Debt Service	5,053	5,223	(170)
Depreciation	1,988	2,159	(171)
Grants			
Maintenance and Operations	5,138	4,621	517
Unrestricted	14,021	11,085	2,936
Total net assets	\$298,529	\$291,469	\$7,060

\*Numbers may not total due to rounding

### **Governmental Activities**

As indicated in Chart 1, the Urban County Government depends upon four significant categories as sources of revenue to fund its Governmental Activities. A clear majority, 60%, of the Urban County Government's revenue is provided through licenses and permits. This category includes fees placed on Employee Withholdings, Business Returns, Insurance Premiums, and Franchise Fees. Charges for Services, 15%, surpassed Property Taxes, 14%, at the end of Fiscal Year 2007 as the second largest contributing category to governmental activity revenues. Federal and state grant funding represented 11% of Governmental Activities revenues, comprising the fourth category.

**Chart 1**  
**Distribution of Governmental Activity Revenues**



As indicated by Table 4, revenues from Governmental Activities, net of transfers, totaled \$348.59 million, an increase of 6% from the previous fiscal year. Licenses and permits totaled \$210.69 million, representing 60% 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 2.5% on the net profits of businesses operating in the Lexington-Fayette County area. Licenses and permits increased by \$12.84 million, or 6.5% from the previous fiscal year. This is due in part to increases in revenue realized through the occupational license fee. The second largest category of governmental revenues, Charges for Services, totaled \$52.23 million representing 15% of total revenues. Charges for Services increased by \$11.13 million over the previous fiscal year, an increase of 27%. Property taxes accounted for \$47.79 million, or 14% of total revenues. Property taxes increased \$2.9 million from the previous fiscal year, up 6.5%. Federal and state grant funding totaled \$37.25 million, 11% of total governmental activity revenues, an increase of approximately \$341,000 from the previous fiscal year.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$52,228	\$41,095	\$47,072	\$50,784	\$99,300	\$91,879
Operating Grants and Contributions	31,988	19,298			31,988	19,298
Capital Grants and Contributions	3,138	15,350			3,138	15,350
General revenues:						
Property taxes	47,792	44,890			47,792	44,890
Licenses and permits	210,699	197,857			210,699	197,857
Grants and unrestricted contributions	2,127	2,264			2,127	2,264
Other general revenues	3,927	5,179	2,619	2,747	6,546	7,926
Total revenues	<u>351,899</u>	<u>325,933</u>	<u>49,691</u>	<u>53,531</u>	<u>401,590</u>	<u>379,464</u>
<b>Program expenses</b>						
General Government	23,928	21,978			23,928	21,978
Administrative Services	34,446	27,674			34,446	27,674
Health, Dental and Vision Insurance	13,301	14,740			13,301	14,740
Finance	10,464	6,629			10,464	6,629
Public Works	68,896	93,200			68,896	93,200
Public Safety other	11,938	8,363			11,938	8,363
Police	56,981	56,588			56,981	56,588
Fire and Emergency Services	53,242	47,469			53,242	47,469
Community Corrections	29,028	28,540			29,028	28,540
Social Services	15,494	13,379			15,494	13,379
General Services	10,855	18,494			10,855	18,494
Parks and Recreation	19,428	16,740			19,428	16,740
Law	2,115	1,947			2,115	1,947
Outside Agencies	0	179			0	179
Interest on Long-Term Debt	6,378	6,291			6,378	6,291
Debt Service - Other	1,056	1,041			1,056	1,041
Sanitary Sewer System			26,704	24,553	26,704	24,553
Public Facilities			10,445	12,175	10,445	12,175
Public Parking			511	909	511	909
Landfill			1,651	1,392	1,651	1,392
Right of Way			307	292	307	292
Extended School Program			1,968	1,579	1,968	1,579
Prisoners' Account System			1,274	1,363	1,274	1,363
Enhanced 911			3,058	2,108	3,058	2,108
LexVan Program			62	35	62	35
Small Business Development			0	9	0	9
Total expenses	<u>357,550</u>	<u>363,252</u>	<u>45,980</u>	<u>44,415</u>	<u>403,530</u>	<u>407,667</u>
Increase (Decrease) in Net Assets before Transfers	(5,651)	(37,319)	3,711	9,116	(1,940)	(28,203)
Transfers	(3,308)	670	3,308	(670)	0	0
Increase in Net Assets	(8,959)	(36,649)	7,019	8,446	1,940	(28,203)
Prior Period Adjustment	437	137	41	20	478	157
Retroactive Reporting of Infrastructure		902,067			0	902,067
Net Assets, July 1	1,024,932	159,377	291,469	283,003	1,316,401	442,380
Net Assets, June 30	<u>\$1,016,410</u>	<u>\$1,024,932</u>	<u>\$298,529</u>	<u>\$291,469</u>	<u>\$1,314,939</u>	<u>\$1,316,401</u>

\*Numbers may not total due to rounding.

Total expenses of Governmental Activities were \$357.55 million, a decrease of \$5.70 million from the previous fiscal year. This 1.6% decrease in program expenses reflects the commitment of the Urban County Government to deliver services in a cost effective manner. The largest categorical program expense was that of Public Safety, which is segmented into four key areas:

- Police
- Fire and Emergency Services
- Community Corrections
- Public Safety Other (including Administration, Building Inspection, Code Enforcement, Enhanced-911, and Environmental and Emergency Management)

For accounting and budgeting purposes, the Urban County Government recognizes the duties of Police, Fire and EMS, and Community Corrections as separate divisions and does not represent them as one line item. This permits administrators to manage the resources of the Urban County Government in a prudent manner by specifying the allocation and use of such resources among these categories. Therefore, in order to obtain a consistent and thorough measure of the level of spending by the Department of Public Safety, one must consider total expenditures among the aforementioned categories. Although total expenses declined Public Safety did experience an increase in expenses largely due to the significant personnel costs of the area. Please see the Budgetary Highlights section for more detail.

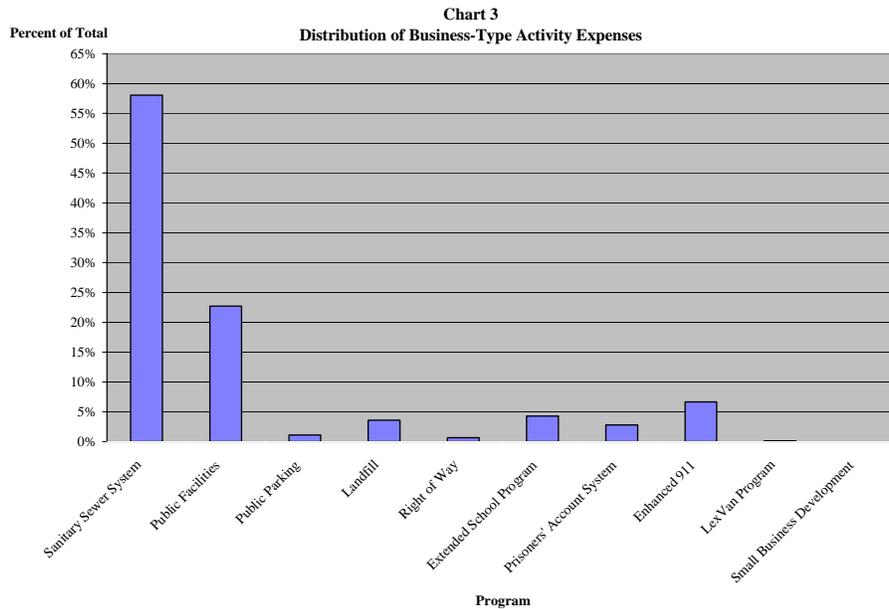
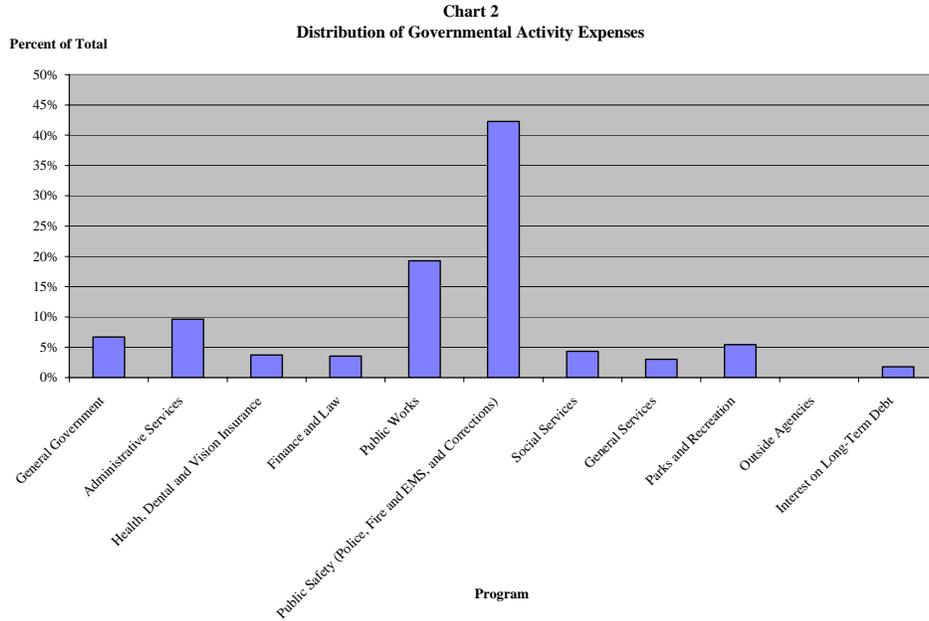
During Fiscal Year 2007 Infrastructure depreciation decreased by over \$28 million from 2006. This was due to Fiscal Year 2006 containing additional depreciation costs related to the capitalizing of Infrastructure items for the first time on the Urban County Government’s financial statements.

Table 5 further explains the expenses of these divisions. At the end of Fiscal Year 2007, the expenses of these divisions totaled \$151.18 million, or 42% of the Urban County Government’s total expenditures. Expense for police activities was the largest expenditure at \$56.98 million, or 16% of total expenses. Police activities were followed by Fire and Emergency Services, which totaled \$53.24 million, or 15% of total expenses. Community Corrections expenses totaled \$29.02 million and accounted for 8% of total expenses incurred by the Urban County Government at the end of the fiscal year.

**TABLE 5**  
**Lexington-Fayette Urban County Government**  
**Public Safety Expenses and Related Charges for Services**  
**For fiscal year ended June 30, 2007**  
**(dollar amounts in thousands)**

	<u>Expenses</u>	<u>Percent of Total LFUCG Expenditures</u>	<u>Charges for Services</u>
Police	\$56,981	16%	\$310
Fire and Emergency Services	53,242	15%	4,167
Community Corrections	29,028	8%	6,956
Public Safety Other	11,938	3%	2,419
Total Public Safety	<u>\$151,189</u>	<u>42%</u>	<u>\$13,852</u>

\*Numbers may not total due to rounding.



## Business-Type Activities

Revenues for Business-Type activities totaled \$49.69 million at fiscal year ended June 30, 2007, down \$3.84 million from the previous fiscal year. Charges for services comprise 95% of total revenues realized by Business-Type activities. Expenses for Business-Type activities totaled \$45.97 million in 2007, an increase of \$1.56 million from the prior year. The largest program among these activities is the Sanitary Sewer system, which utilized \$26.70 million at the end of the fiscal year, representing 58% of all Business-Type expenses. Public Facilities, a corporation established to finance the acquisition of government facilities, utilized \$10.44 million, representing 23% of all Business-Type expenses.

## **FUNDS OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**

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

### **Governmental Funds**

The Urban County Government's total governmental funds for the year ended June 30, 2007 reflect a combined ending fund balance of \$101.45 million, a decrease of \$4.69 million from the previous fiscal year. Of this amount, \$66.50 million is unreserved and undesignated. The remainder is designated for special purposes or reserved for encumbrances.

At the end of Fiscal Year 2007, the fund balance held by the General Fund totaled \$42.44 million, an increase of \$4.55 million, or 12%, from the previous fiscal year. Of this total, unreserved, undesignated fund balance totaled \$15.71 million, or 6% of General Fund revenues. This reflects a decrease of \$2.02 million from the previous fiscal year. Unreserved, but designated fund balance totaled \$22.09 million, or 8% of General Fund revenues. The designations include:

- \$11.89 million designated for economic contingency in the event the Urban County Government as an economic contingency to act as a cushion in the event of an economic downturn.
- \$9.63 million reflects compliance with GAAP recognition of license fees collected within one month of the end of the fiscal year. The Government has chosen not to recognize these revenues on a budgetary basis.
- \$556,400 for the 27<sup>th</sup> payroll that will occur in 2017.

The Urban Services Fund is used to finance solid waste collection, streetlights, and street cleaning services for properties within designated property tax districts. At the end of the fiscal year, the Urban Services Fund held a total fund balance of \$28.56 million, an increase of \$4.83 million over the prior fiscal year. Unreserved, undesignated fund balance totaled \$26.85 million and reflects 80% of Urban Services Fund revenues. Revenues of the Urban Services Fund increased \$2.04 million from the prior fiscal year due to increases in Charges for Services and Taxes allocated to the Urban Services Fund.

The Federal and State Grants Fund held a balance of \$313,460 for fiscal year ended June 30, 2007, an increase of \$78,157 from the previous fiscal year. This fund balance represents grant revenues received, but not spent, that are restricted for specific activities. Capital expenditures within the Federal and State Grants Fund totaled \$10.15 million. This reflects an increase of investment in capital infrastructure as compared to the previous fiscal year. During the 2007 Fiscal Year, the Urban County Government was awarded approximately \$1.30 million in grant funding designated to offset costs of extending sewer lines to citizens not connected to the sewer system. The Property Development Rights (PDR) program of the Urban County Government received \$2.1 million designated for the conservation of horse farms throughout Fayette County. In addition, \$3.10 million was awarded to the Urban County Government by the Kentucky Department of Transportation for various transportation-related projects in Fayette County.

### **Proprietary Funds**

The Urban County Government's proprietary funds statements provide the same type of information found in the government-wide financial statements, but in more detail. Total net assets for the Urban County Government's proprietary funds totaled \$298.92 million as of June 30, 2007, an increase of \$ 7.06 million, or 2% from the previous fiscal year.

The Sanitary Sewer Fund held total net assets of \$206.36 million, an increase of \$869,098 over the prior year. Of the total net assets held by the Sanitary Sewer Fund, \$37.31 million is restricted under bond covenants for maintenance, depreciation, capital improvements and debt service. Unrestricted net assets totaled \$9.18 million.

The Public Facilities Corporation (PFC) was created by the Government to act as an agency and instrumentality of the Government to finance and operate public projects. The net assets of the Public Facilities Corporation were \$49.54 million, a decrease of \$2.39 million from the prior year.

The Public Parking Corporation (PPC) was created in a similar fashion to the PFC. The Public Parking Corporation, an agency and authority of the Urban County Government, was established to acquire, finance, and operate public parking facilities for the Urban County Government. The net assets of the Public Parking Corporation totaled \$14.84 million, an increase of \$113,899 from the prior year.

At fiscal year ended June 30, 2007, the total net assets of the Landfill Fund held a balance of \$23.92 million, an increase of \$6.95 million from the prior fiscal year resulting in a 41% increase. Phases III and IV of the landfill closure process have been completed, hence the \$3.44 million balance in unrestricted net assets. In prior years, unrestricted net assets carried a deficit due to the impending costs associated with landfill closure and maintenance. However, as these phases are undertaken and completed they reduce the outstanding liability of landfill closure and post-closure costs. Accordingly, they are recognized as construction projects in progress, a non-current asset.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund is the primary operating fund of the Urban County 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 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.

For fiscal year ended June 30, 2007, General Fund revenues totaled \$264.75 million, an increase of 9% from the previous fiscal year. Total revenues were \$11.56 million above the final budgeted amount. This increase in actual revenue is the result of greater than expected revenue growth among all revenue categories, specifically the categories of licenses and permits and charges for services. Actual net profits taxes ("Business Returns") were \$3.44 million more than the anticipated level for Fiscal Year 2007 with a total of \$30.44 million. Employee withholdings also generated more revenue than anticipated, with actual revenue surpassing the budgeted amount by \$1.31 million, with a total of \$143.47 million.

The General Fund revenue category "Charges for Services" increased by \$1.21 million from the previous fiscal year, surpassing the anticipated Fiscal Year 2007 budgeted amount by \$4.05 million. Revenues collected through Charges for Services totaled \$22.22 million at the end of Fiscal Year 2007. Significant increases were present among the following sources: Detention Center Fees, Excess Fees, Emergency Medical Services Fees, District Court Jail Fees, Rental/Lease Income, and Developer Landscape Fees. However, decreases in other revenue sources offset much of the revenue gained. For example, actual building permit fees for Fiscal Year 2007 decreased by \$802,683 from the previous year. This decrease is notable as the sub-prime mortgage crisis was beginning to unfold at approximately the same time, the end of the fourth quarter of Fiscal Year 2007.

General Fund tax revenue increased approximately \$994,000 from the previous fiscal year, up 6%, totaling \$18.15 million. In Fiscal Year 2007, property tax sources (Realty, Personalty, and Motor Vehicle) increased across the board. Realty property taxes increased 7% from the previous fiscal year to \$15.45 million; personalty taxes increased by 6% from the previous fiscal year to \$1.43 million; and motor vehicle taxes increased 16% to \$1.64 million. These increases in property taxes signify a second year of continued growth in assessments and newly constructed properties within the Urban County Government.

Income from investments totaled \$2.97 million, an increase of \$1.49 million over the previous year. This reflects a higher rate of return on the Urban County Government's investments.

General Fund expenditures of the Urban County Government totaled \$259.82 million, an increase of \$16.37 million, or 7% over the previous year. Expenditures were \$14.38 million below the final budgeted amount. Personnel expenditures accounted for 67% of General Fund expenditures and this category accounted for the largest increase among all expenditures, approximately \$8.53 million over the prior year. Personnel cost increases resulted from a 3.8% pay increase for most non-sworn personnel, continuation of the step-pay system for non-bargaining public safety personnel, continuation of collective bargaining agreements for sworn personnel, a 2.21% increase in the non-hazardous County Employee Retirement System contribution rate, and a 2% increase in the contribution rate to the Police and Firefighter Retirement Fund. Personnel expenditures from the divisions of Police, Fire and Emergency Services, and Community Corrections account for 63% of total personnel expenditures paid by the Urban County Government. Personnel expenditures among these divisions increased \$1.84 million, up 2% from the previous fiscal year. Transfers from other funds increased by \$4.6 million and includes a \$2 million transfer to various capital project funds.

## CAPITAL ASSETS

This is the second year the Urban County Government has reported all capital assets, including infrastructure, pursuant to GASB 34. The Urban County Government's investment in capital assets totaled \$1.45 billion as of June 30, 2007. This investment includes land, buildings, equipment, park facilities, roads, bridges, and sewer systems. For Governmental Activities, the recorded investments totaled \$1.11 billion. Governmental activity assets decreased by \$10.25 million over the prior year. The assets of Business-Type activities totaled \$344.29 million, a decrease of \$2.93 million from the previous fiscal year. This year's major changes in capital assets included:

- The recording of infrastructure for Governmental activities totaled \$864.88 million and decreased \$18.51 million from the previous fiscal year.
  - Roads totaled \$863.5 million and increased by \$9.5 million
  - Equipment and Furniture totaled \$23.5 million and increased by \$3 million
  - Stormwater systems increased by \$1.6 million to \$89.7 million
- The Purchase of Development Rights program acquired \$4.7 million in conservation easements. Construction in Progress totaled \$15.9 million.
- Capital Assets for Business-Type activities decreased by \$2.9 million. Depreciation exceeded additions by \$2.3 million.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006*	2007	2006*	2007	2006*
Land	\$41,683	\$40,765	\$47,078	\$45,382	\$88,761	\$86,147
Purchase of Development Rights	47,750	43,033			47,750	43,033
Buildings and Improvements	100,380	103,957	77,784	81,796	178,164	185,753
Vehicles, Equipment and Furniture	30,059	26,893	2,439	1,945	32,498	28,838
Land and Leasehold Improvements	6,432	6,465	22,145	24,183	28,577	30,648
Infrastructure	864,886	883,310	186,743	188,916	1,051,629	1,072,226
Construction in Progress	15,863	12,877	8,100	4,999	23,963	17,876
Total	<u>\$1,107,053</u>	<u>\$1,117,300</u>	<u>\$344,289</u>	<u>\$347,221</u>	<u>\$1,451,342</u>	<u>\$1,464,521</u>

\*Restated

Additional information on the Government's capital assets activity can be found in note 3B beginning on 73 of the report.

## 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 Urban County 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 Urban County 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 Urban County Government enters into automatically annually renewable lease agreements with the corporations whereby lease payments from the Government, combined with revenues generated by the operation of the facilities, are sufficient to meet debt service obligations. The underlying security for the bonds is the annually renewable lease agreements and the underlying mortgages on the property. Revenue bonds, where only the revenues from the operation of the facilities are pledged as security for the bonds, are issued to finance improvements to the sanitary sewer system.

At the end of Fiscal Year 2007, the Urban County Government had \$251.09 million in bonds and notes outstanding. Governmental activities debt decreased by \$12.78 million. Payment of principal, coupled with refinancing outstanding debt, provided the basis for the decrease of the Urban County Government's long-term debt. Business-Type activity debt fell by \$4.26 million due to the payment of principal on outstanding debt. The Urban County Government did not issue any new GO debt in Fiscal Year 2007.

Despite the recent legal changes that provide for the issuance of GO debt, legal limits remain on the total amount of GO indebtedness that may be incurred. The Kentucky Constitution provides that the total principal amount of GO debt cannot exceed 10% of the value of taxable property in the county, or \$2.4 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 \$171.3 million.

**TABLE 7**  
**Lexington-Fayette Urban County Government**  
**Summary of Outstanding Debt**  
**For Years As Stated**  
**(in thousands)**

	<u>Governmental</u>		<u>Business-type Activities</u>		<u>Total Primary</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
General Obligation Bonds, Notes, Leases	\$142,805	\$154,760			\$142,805	\$154,760
Mortgage Revenue Bonds			68,885	69,625	68,885	69,625
Condemnation Notes		750			0	750
Lease Revenue Notes		73			0	73
Revenue Bonds			39,400	42,915	39,400	42,915
Total	<u>\$142,805</u>	<u>\$155,583</u>	<u>\$108,285</u>	<u>\$112,540</u>	<u>\$251,090</u>	<u>\$268,123</u>

\*Numbers may not total due to rounding

The Urban County 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 Urban County 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 Urban County Government's long-term debt can be found in note 3D beginning on page 77 of the report.

## **NEXT YEAR'S BUDGET**

The Fiscal Year 2008 budget for the Urban County Government for all funds combined, net of interfund transfers, is \$456.69 million. Significant initiatives in the budget include:

- A commitment to employee compensation by providing a 3.9% pay increase for civilian employees
- Continuation of the ten-step pay system for sworn personnel in Police and Fire (including a 5% change in the scale and other benefits negotiated by the bargaining groups)
- An increase of 2.98% in the pension rate of the non-Hazardous CERS pension rate
- Continued funding for implementing PeopleSoft information systems for both financial and human resource applications
- Addition of 50 sworn Police Officers
- Addition of two Internal Auditors and one Deputy Director of Internal Audit
- Addition of a Chief Information Officer
- Continued commitment of \$2 million for the Purchase of Development Rights program
- A \$2.58 million increase in the Urban County Government's self-insurance fund

Funding for these initiatives was derived from a projected 7% increase in general fund revenues.

## **REQUESTS FOR INFORMATION**

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



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# **BASIC FINANCIAL STATEMENTS**

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF NET ASSETS**  
**June 30, 2007**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>ASSETS</b>				
Cash	\$33,509,101	\$10,006,300	\$43,515,401	\$16,195,871
Investments	52,368,323	25,136,897	77,505,220	7,238,761
Receivables (net)	25,596,758	6,647,026	32,243,784	3,895,151
Due from Other Governments	9,813,978	0	9,813,978	1,913,507
Due from Component Units	550,693	0	550,693	255,865
Internal Balances	0	11,166,306	11,166,306	
Due from Primary Government	0	0	0	669,453
Inventories	1,134,945	28,353	1,163,298	607,783
Prepaid Items	310,409	5,626,344	5,936,753	2,054,057
Pension Assets	0	0	0	346,360
Restricted Assets:				
Investments	20,484,288	27,042,621	47,526,909	25,348,053
Other	0	0	0	476,869
Capital Assets:				
Non-depreciable	105,296,382	55,177,282	160,473,664	53,004,850
Depreciable (Net)	1,001,757,458	289,111,241	1,290,868,699	168,481,954
Other Assets	0	0	0	2,113,282
<b>Total Assets</b>	<b>1,250,822,335</b>	<b>429,942,370</b>	<b>1,680,764,705</b>	<b>282,601,816</b>
<b>LIABILITIES</b>				
Accounts, Contracts Payable and Accrued Liabilities	17,086,993	1,944,717	19,031,710	4,529,909
Interest Payable	1,117,915	1,525,156	2,643,071	63,649
Internal Balances	11,166,306	0	11,166,306	
Due to Pension Trust Fund	955	0	955	
Due to Component Units	661,119	0	661,119	255,865
Due to Primary Government	0	0	0	559,028
Unearned Revenue and Other	5,012,639	572,395	5,585,034	745,178
Claims Liabilities	19,089,002	0	19,089,002	
Liabilities Payable from Restricted Assets:				
Accounts, Contracts and Retainage Payable	0	193,372	193,372	762,450
Bonds and Notes Payable	0	3,685,000	3,685,000	1,300,000
Interest Payable	0	996,456	996,456	96,014
Non-Current Liabilities:				
Due Within One Year:				
Bonds and Notes Payable	16,740,000	690,000	17,430,000	2,714,420
Compensated Absences	2,590,341	271,538	2,861,879	387,887
Capital Lease Obligations	0	0	0	6,966
Landfill Closure and Postclosure Care Costs	0	5,846,184	5,846,184	
Due in More Than One Year:				
Unearned Revenue and Other	0	110,490	110,490	
Bonds and Notes Payable	126,065,000	103,910,000	229,975,000	79,608,831
Compensated Absences	16,181,604	630,882	16,812,486	845,936
Capital Lease Obligations	0	0	0	7,489
Landfill Closure and Postclosure Care Costs	0	11,037,494	11,037,494	
Unfunded Pension Liability	18,700,600	0	18,700,600	
<b>Total Liabilities</b>	<b>\$234,412,474</b>	<b>\$131,413,684</b>	<b>\$365,826,158</b>	<b>\$91,883,622</b>

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

	<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>NET ASSETS</b>				
Investment in Capital Assets, net of related debt	\$965,683,982	\$244,593,588	\$1,210,277,570	\$150,963,491
Restricted for:				
Governmental and Program Funds	0	0	0	902,159
Fees	0	0	0	424,296
Capital Projects	19,605,039	27,735,125	47,340,164	
Debt Service	0	5,052,846	5,052,846	11,795,196
Depreciation	0	1,988,230	1,988,230	
Pension	0	0	0	291,376
Endowments	0	0	0	108,335
Grants	313,461	0	313,461	
Maintenance and Operations	0	5,138,075	5,138,075	
Unrestricted	30,807,379	14,020,822	44,828,201	26,233,341
<b>Total Net Assets</b>	<b>\$1,016,409,861</b>	<b>\$298,528,686</b>	<b>\$1,314,938,547</b>	<b>\$190,718,194</b>

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, 2007**

Function/Program Activities	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		Component Units
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	
<b>Primary Government:</b>							
Governmental Activities:							
General Government	\$23,927,771	\$8,708,357	\$7,085,694	\$447,554	(\$7,686,166)		(\$7,686,166)
Administrative Services	34,445,260	7,167,050	5,701,812	0	(21,576,398)		(21,576,398)
Health, Dental and Vision Insurance	13,301,058	13,297,984	0	0	(3,074)		(3,074)
Finance	10,464,204	1,233,796	0	291,140	(8,939,268)		(8,939,268)
Public Works	68,896,198	1,304,217	8,643,786	1,576,140	(57,372,055)		(57,372,055)
Public Safety	11,937,598	2,419,149	805,054	128,193	(8,585,202)		(8,585,202)
Police	56,980,657	309,799	3,560,886	695,353	(52,414,619)		(52,414,619)
Fire and Emergency Services	53,242,082	4,166,741	2,122,909	0	(46,952,432)		(46,952,432)
Community Corrections	29,028,326	6,955,537	0	1	(22,072,788)		(22,072,788)
Social Services	15,493,804	2,071,456	3,579,273	0	(9,843,075)		(9,843,075)
General Services	10,855,412	0	415	0	(10,854,997)		(10,854,997)
Parks and Recreation	19,428,046	4,520,111	488,235	0	(14,419,700)		(14,419,700)
Law	2,115,341	475	0	0	(2,114,866)		(2,114,866)
Outside Agencies	0	0	0	0	0		0
Interest on Long-Term Debt	6,378,169	0	0	0	(6,378,169)		(6,378,169)
Debt Service - Other	1,056,289	73,448	0	0	(982,841)		(982,841)
<b>Total governmental activities</b>	<b>357,550,215</b>	<b>52,228,120</b>	<b>31,988,064</b>	<b>3,138,381</b>	<b>(270,195,650)</b>	<b>0</b>	<b>(270,195,650)</b>
Business-type Activities:							
Sanitary Sewer System	26,703,501	26,199,037	0	0	(504,464)		(504,464)
Public Facilities	10,444,503	5,390,398	0	0	(5,054,105)		(5,054,105)
Public Parking	511,198	593,995	0	0	82,797		82,797
Landfill	1,651,318	7,870,493	0	0	6,219,175		6,219,175
Right of Way	307,012	413,705	0	0	106,693		106,693
Extended School Program	1,967,573	2,220,509	0	0	252,936		252,936
Prisoners' Account System	1,273,913	1,950,786	0	0	676,873		676,873
Enhanced 911	3,057,919	2,383,332	0	0	(674,587)		(674,587)
LexVan Program	62,228	26,609	0	0	(35,619)		(35,619)
Small Business Development	0	23,384	0	0	23,384		23,384
<b>Total business-type activities</b>	<b>45,979,165</b>	<b>47,072,248</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,093,083</b>	<b>1,093,083</b>
<b>Total primary government</b>	<b>\$403,529,380</b>	<b>\$99,300,368</b>	<b>\$31,988,064</b>	<b>\$3,138,381</b>	<b>(270,195,650)</b>	<b>1,093,083</b>	<b>(269,102,567)</b>

**Component Units:**

Lexington Center Corporation	\$17,229,877	\$12,564,269	\$948,000	\$0				(3,717,608)
Lexington Airport Board	16,528,550	13,623,909	0	18,540,593				15,635,952
Fayette County Department of Health	22,735,803	7,092,916	8,858,964	0				(6,783,923)
Nonmajor component units	37,682,884	3,887,927	5,244,088	421,942				(28,128,927)
<b>Total component units</b>	<u>\$94,177,114</u>	<u>\$37,169,021</u>	<u>\$15,051,052</u>	<u>\$18,962,535</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(22,994,506)</u>

**General Revenues:**

Property Taxes			47,791,867	0	47,791,867	38,496,109
Licenses Fees - Wages and Net Profits Taxes			210,698,736	0	210,698,736	
Grants and Contributions Not Restricted to Specific Programs:						
Community Development Block Grant			2,126,818	0	2,126,818	
Payment from Lexington-Fayette Urban County Government			0	0	0	2,283,240
Income on Investments			6,121,269	2,802,634	8,923,903	1,835,462
Net Change in Fair Value of Investments			0	0	0	12,343
Gain (Loss) on Sale of Capital Assets			(1,041,367)	(183,523)	(1,224,890)	
Conveyance of Asset			(2,116,880)	0	(2,116,880)	2,697,831
Miscellaneous			963,926	0	963,926	748,937
Transfers			(3,308,054)	3,308,054	0	
<b>Total General Revenues and Transfers</b>			<u>261,236,315</u>	<u>5,927,165</u>	<u>267,163,480</u>	<u>46,073,922</u>
Change in Net Assets			(8,959,335)	7,020,248	(1,939,087)	23,079,416
Net Assets, July 1			1,024,931,771	291,469,178	1,316,400,949	167,649,938
Prior Period Adjustment			437,425	39,260	476,685	(11,160)
Net Assets, June 30			<u>\$1,016,409,861</u>	<u>\$298,528,686</u>	<u>\$1,314,938,547</u>	<u>\$190,718,194</u>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2007**

	<u>General</u>	<u>Urban Services</u>	<u>Federal and State Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Current Cash	\$25,328,618	\$362	\$4,370,109	\$2,575,210	\$32,274,299
Current Investments	12,968,260	23,000,000	20,000	8,880,064	44,868,324
Receivables :					
Local Contributions	0	0	3,668	0	3,668
Loans	0	0	4,601,659	0	4,601,659
License Fees	12,379,718	0	0	0	12,379,718
Other	4,069,228	191,285	0	10,087,564	14,348,077
Less Allowance for Uncollectible Amount:	(1,376,359)	0	(4,601,659)	0	(5,978,018)
Due from Other Governments	0	0	9,813,978	0	9,813,978
Internal Balances	127,622	7,039,466	0	0	7,167,088
Due from Component Units	550,693	0	0	0	550,693
Inventories	1,134,945	0	0	0	1,134,945
Restricted Investments	0	1,503	0	20,482,785	20,484,288
<b>Total Assets</b>	<u>\$55,182,725</u>	<u>\$30,232,616</u>	<u>\$14,207,755</u>	<u>\$42,025,623</u>	<u>\$141,648,719</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts and Contracts Payable	\$3,158,876	\$1,454,829	\$1,261,804	\$3,208,072	\$9,083,581
Accrued Payroll & Related Liabilities:	7,694,002	217,593	86,424	786	7,998,805
Internal Balances	0	0	8,768,496	8,669,770	17,438,266
Due to Pension Trust Fund	955	0	0	0	955
Due to Component Units	661,119	0	0	0	661,119
Unearned Revenue and Other	1,232,225	342	3,777,571	2,500	5,012,638
<b>Total Liabilities</b>	<u>12,747,177</u>	<u>1,672,764</u>	<u>13,894,295</u>	<u>11,881,128</u>	<u>40,195,364</u>
Fund Balances:					
Reserved for:					
Encumbrances	4,637,101	1,661,414	0	6,521,413	12,819,928
Unreserved:					
Designated for Payroll	556,400	45,700			602,100
Designated for Economic Contingency	11,894,147	0	0	0	11,894,147
Designated for Working Capital	9,634,602	0	0	0	9,634,602
Undesignated	15,713,298	26,852,738	313,460	0	42,879,496
Undesignated, reported in Special Revenue Funds:	0	0	0	8,770,810	8,770,810
Undesignated, reported in Capital Projects Funds	0	0	0	14,852,272	14,852,272
<b>Total Fund Balances</b>	<u>42,435,548</u>	<u>28,559,852</u>	<u>313,460</u>	<u>30,144,495</u>	<u>101,453,355</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$55,182,725</u>	<u>\$30,232,616</u>	<u>\$14,207,755</u>	<u>\$42,025,623</u>	<u>\$141,648,719</u>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
GOVERNMENTAL FUNDS  
June 30, 2007**

Fund balances - total governmental funds:		\$101,453,355
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental capital assets	1,294,561,563	
Less accumulated depreciation	<u>(187,507,723)</u>	1,107,053,840
Certain charges related to the issuance of debt were expended in this year, but will be amortized over the life of the debt, and therefore are deferred in the government wide statement		
		310,409
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	(142,805,000)	
Accrued interest payable	(1,117,915)	
Compensated absences	(18,771,945)	
Unfunded pension liability	<u>(18,700,600)</u>	(181,395,460)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
		(11,040,221)
Internal Balances due to non-governmental activities funds related to items listed above		<u>27,938</u>
Net assets of governmental activities:		<u><u>\$1,016,409,861</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, 2007**

	<u>General</u>	<u>Urban Services</u>	<u>Federal and State Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
License Fees and Permits	\$214,665,674	\$1,095,200	\$0	\$0	\$215,760,874
Taxes	18,150,819	29,641,048	0	0	47,791,867
Charges for Services	22,215,574	12,610	0	122,717	22,350,901
Fines and Forfeitures	57,192	0	0	0	57,192
Intergovernmental	2,133,350	0	21,412,799	8,873,326	32,419,475
Exactions	0	0	0	1,584,199	1,584,199
Grant Match	0	0	2,178,329	0	2,178,329
Property Sales	465,537	319,536	0	0	785,073
Income on Investments	2,971,942	1,227,125	82,545	1,456,333	5,737,945
Other	4,088,217	1,438,649	1,439,451	294,140	7,260,457
<b>Total Revenues</b>	<u>264,748,305</u>	<u>33,734,168</u>	<u>25,113,124</u>	<u>12,330,715</u>	<u>335,926,312</u>
<b>EXPENDITURES</b>					
Current:					
General Government	3,957,115	1,978,655	467,888	303,237	6,706,895
Administrative Services	15,120,623	1,460,675	5,479,122	3,371,318	25,431,738
Finance	7,786,009	11,935	0	2,092,518	9,890,462
Public Works	11,733,363	21,279,032	640,902	1,204,343	34,857,640
Public Safety	10,958,899	0	723,200	8,880	11,690,979
Police	49,307,230	0	2,718,415	257,611	52,283,256
Fire and Emergency Services	49,358,502	0	2,091,454	36,621	51,486,577
Community Corrections	27,303,928	0	0	0	27,303,928
Social Services	10,629,725	0	2,717,346	0	13,347,071
General Services	10,060,241	57,046	0	1,417	10,118,704
Parks and Recreation	17,515,453	370,432	35,917	0	17,921,802
Law	2,064,825	0	0	0	2,064,825
Outside Agencies	15,613,480	0	0	0	15,613,480
Debt Service:					
Principal	18,399,360	185,640	0	212,661	18,797,661
Interest and Other	6,207,218	13,190	0	319,471	6,539,879
Other Debt Service	1,054,883	0	0	0	1,054,883
Capital:					
Equipment	1,016,759	2,447,102	1,215,195	7,273,666	11,952,722
Acquisitions and Construction	1,911,254	423,185	8,930,968	13,643,754	24,909,161
<b>Total Expenditures</b>	<u>259,998,867</u>	<u>28,226,892</u>	<u>25,020,407</u>	<u>28,725,497</u>	<u>341,971,663</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>4,749,438</u>	<u>5,507,276</u>	<u>92,717</u>	<u>(16,394,782)</u>	<u>(6,045,351)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	829,769	0	0	2,916,268	3,746,037
Transfers Out	(5,579,570)	(681,891)	(14,560)	(778,070)	(7,054,091)
Refunding of Debt	0	0	0	(54,415,352)	(54,415,352)
Issuance of Debt	4,547,473	0	0	54,535,485	59,082,958
<b>Total Other Financing Sources (Uses)</b>	<u>(202,328)</u>	<u>(681,891)</u>	<u>(14,560)</u>	<u>2,258,331</u>	<u>1,359,552</u>
<b>Net Change in Fund Balances</b>	4,547,110	4,825,385	78,157	(14,136,451)	(4,685,799)
<b>Fund Balances, July 1</b>	<u>37,888,438</u>	<u>23,734,467</u>	<u>235,303</u>	<u>44,280,946</u>	<u>106,139,154</u>
<b>Fund Balances, June 30</b>	<u>\$42,435,548</u>	<u>\$28,559,852</u>	<u>\$313,460</u>	<u>\$30,144,495</u>	<u>\$101,453,355</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  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2007**

Net change in fund balances - total governmental funds (\$4,685,799)

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	37,385,947	
Less current year depreciation	<u>(43,680,271)</u>	(6,294,324)

The net effect of various miscellaneous transactions involving capital assets (i.e. Sales, trade-ins, and donations) is to increase net assets. (3,943,322)

Internal Balances related to transfer of capital assets 19,145

Bond proceeds provide current financial resources for government funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds exceeded repayments

Issuance of Debt	(58,905,000)	
Refinancing Loss / Discount / Premium	(1,588,177)	
Principal payments	<u>73,213,012</u>	12,719,835

Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds

Amortization of current year bond (discounts) premiums	(15,836)	
Change in Unfunded Pension Liability	(1,117,603)	
Change in accrued interest payable	161,710	
Change in compensated absences	<u>(2,760,391)</u>	(3,732,120)

Internal service funds are used by management to charge self-insurance to individual funds.

The net expense of the internal service funds is reported with governmental funds. (3,042,750)

Change in net assets of governmental activities (\$8,959,335)

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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Adjustments</u>	<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Budget Basis</u>	<u>Budget Basis</u>	<u>Final Budget</u>
<b>REVENUES</b>						
Licenses and Permits:						
Employee Withholdings	\$142,160,000	\$142,160,000	\$143,474,476	\$0	\$143,474,476	\$1,314,476
Business Returns	27,000,000	27,000,000	30,436,951	0	30,436,951	3,436,951
Individual Returns	135,000	135,000	135,667	0	135,667	667
Insurance Premiums	21,500,000	21,500,000	20,773,103	0	20,773,103	(726,897)
Bond Deposits	2,000	2,000	1,678	0	1,678	(322)
Regulated License Fee	838,300	838,300	869,442	0	869,442	31,142
Franchise Fee	14,164,670	14,164,670	15,007,419	0	15,007,419	842,749
Bank Franchise Fee	950,000	950,000	1,095,200	0	1,095,200	145,200
Vehicle License	220,000	220,000	222,487	0	222,487	2,487
Deed Tax Fee	1,700,000	1,700,000	1,912,041	0	1,912,041	212,041
Contractor Registration Fee	180,000	180,000	471,562	0	471,562	291,562
Filing Fee - Planning & Zoning	240,000	240,000	176,671	0	176,671	(63,329)
Animal License	40,000	40,000	40,525	0	40,525	525
Hotel - Motel License Fee	0	0	48,452	0	48,452	48,452
<b>Total Licenses and Permits</b>	<b>209,129,970</b>	<b>209,129,970</b>	<b>214,665,674</b>	<b>0</b>	<b>214,665,674</b>	<b>5,535,704</b>
Taxes:						
Realty Taxes	15,060,000	15,267,000	15,448,311	0	15,448,311	181,311
Personalty Taxes	1,374,000	1,554,000	1,434,606	0	1,434,606	(119,394)
PSC Taxes	918,000	633,000	524,334	0	524,334	(108,666)
Property Tax Discount	(279,000)	(286,000)	(285,034)	0	(285,034)	966
Property Tax Commission	(699,000)	(715,000)	(733,386)	0	(733,386)	(18,386)
Delinquent - Realty & Personal	50,000	50,000	23,597	0	23,597	(26,403)
Motor Vehicle Ad Valorem Tax	1,477,000	1,478,000	1,644,027	0	1,644,027	166,027
County Clerk Com - Mtr Veh	(61,460)	(59,000)	(51,630)	0	(51,630)	7,370
Supplementary Tax Bills	9,000	9,000	5,264	0	5,264	(3,736)
Omitted Tax	70,000	70,000	134,280	0	134,280	64,280
Improvement Assessment Taxes	0	0	6,450	0	6,450	6,450
<b>Total Taxes</b>	<b>17,918,540</b>	<b>18,001,000</b>	<b>18,150,819</b>	<b>0</b>	<b>18,150,819</b>	<b>149,819</b>
Charges for Services:						
Detention Center	3,698,500	3,742,080	5,891,154	0	5,891,154	2,149,074
Building Permits	1,208,000	1,208,000	941,171	0	941,171	(266,829)
Park Land Acquisition	590,000	590,000	65,359	0	65,359	(524,641)
EMS	3,615,000	3,615,000	4,166,741	0	4,166,741	551,741
Golf Course Collections	3,285,000	3,285,000	3,172,967	0	3,172,967	(112,033)
Parks & Recreation Programs	1,311,000	1,410,000	1,065,578	0	1,065,578	(344,422)
District Court Jail Fees	500,000	500,000	1,004,060	0	1,004,060	504,060
Ground Leases	0	0	85,312	0	85,312	85,312
Rent Or Lease Income	121,900	121,900	356,773	0	356,773	234,873
Animal Shelter Collections	25,000	25,000	35,631	0	35,631	10,631
Accident Report Sales	12,000	12,000	13,008	0	13,008	1,008
Developer Landscape Fees	30,000	30,000	319,940	0	319,940	289,940
Administrative Collection Fees	114,000	114,000	9,775	0	9,775	(104,225)
Computer Services Fees	50,000	50,000	51,299	0	51,299	1,299
Domestic Relations Collection	26,000	26,000	17,964	0	17,964	(8,036)
Adult Probation Fees	60,000	60,000	76,273	0	76,273	16,273
Lexington Store	99,000	2,000	4,409	0	4,409	2,409
Excess Fees And Collections	2,800,000	3,290,000	4,750,360	0	4,750,360	1,460,360
Parking - Monthly Rental	0	0	8,503	0	8,503	8,503
Parking - Fines	79,870	79,870	179,297	0	179,297	99,427
<b>Total Charges for Services</b>	<b>17,625,270</b>	<b>18,160,850</b>	<b>22,215,574</b>	<b>0</b>	<b>22,215,574</b>	<b>4,054,724</b>
<b>Fines and Forfeitures</b>	<b>70,000</b>	<b>70,000</b>	<b>57,192</b>	<b>0</b>	<b>57,192</b>	<b>(12,808)</b>
<b>Intergovernmental</b>	<b>2,592,560</b>	<b>3,538,078</b>	<b>2,133,350</b>	<b>0</b>	<b>2,133,350</b>	<b>(1,404,728)</b>
<b>Property Sales</b>	<b>1,100,000</b>	<b>1,100,000</b>	<b>465,537</b>	<b>0</b>	<b>465,537</b>	<b>(634,463)</b>

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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Adjustments</u>	<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Budget Basis</u>	<u>Budget Basis</u>	<u>Final Budget</u>
<b>Investments</b>	\$920,000	\$920,000	\$2,971,942	\$0	\$2,971,942	\$2,051,942
Other Income:						
Premiums	0	0	(872)	0	(872)	(872)
Casualty Loss Recoveries	0	0	(3,040)	0	(3,040)	(3,040)
Contributions	0	255,003	278,143	0	278,143	23,140
Penalties And Interest	900,000	900,000	1,059,199	0	1,059,199	159,199
School Board Tax Fee	12,000	12,000	12,000	0	12,000	0
Tourist Commission Fee	25,000	25,000	23,915	0	23,915	(1,085)
Payment in Lieu of Taxes	45,000	45,000	35,987	0	35,987	(9,013)
Miscellaneous	772,200	1,030,641	2,682,885	0	2,682,885	1,652,244
<b>Total Other Income</b>	<u>1,754,200</u>	<u>2,267,644</u>	<u>4,088,217</u>	<u>0</u>	<u>4,088,217</u>	<u>1,820,573</u>
<b>Total Revenues</b>	<u>251,110,540</u>	<u>253,187,542</u>	<u>264,748,305</u>	<u>0</u>	<u>264,748,305</u>	<u>11,560,763</u>
<b>EXPENDITURES</b>						
General Government:						
Council Office	2,019,650	2,451,318	2,109,666	1,434	2,111,100	340,218
Office of the Mayor	2,010,970	2,403,439	1,964,875	399,601	2,364,476	38,963
Special Programs	837,010	1,165,047	937,291	138,761	1,076,052	88,995
Board of Elections	478,110	383,870	384,947	(14,964)	369,983	13,887
Clerk of the Urban County Council	695,850	878,191	748,078	87,682	835,760	42,431
County Attorney	478,010	478,010	477,513	0	477,513	497
Coroner	722,500	666,146	650,713	(13,118)	637,595	28,551
Property Valuation Administrator	220,000	220,000	220,000	0	220,000	0
Contingency	(9,600,160)	4,330,640	0	0	0	4,330,640
Circuit Judges	238,660	241,084	240,950	0	240,950	134
County Court Clerk	403,700	409,637	306,384	(10,840)	295,544	114,093
Citizens' Advocate	172,000	170,616	167,773	1,654	169,427	1,189
Commonwealth Attorney	47,710	47,710	46,565	39	46,604	1,106
County Judge Executive	17,810	15,800	15,777	0	15,777	23
Indirect Cost Allocation	(4,316,580)	(4,316,580)	(3,769,412)	0	(3,769,412)	(547,168)
Prior year encumbrance				(43,348)	(43,348)	43,348
<b>Total General Government</b>	<u>(5,574,760)</u>	<u>9,544,928</u>	<u>4,501,120</u>	<u>546,901</u>	<u>5,048,021</u>	<u>4,496,907</u>
Administrative Services:						
Office of the Chief Administrative Officer	1,786,500	876,728	785,081	19,049	804,130	72,598
Human Resources	2,924,630	2,815,519	2,671,611	89,942	2,761,553	53,966
Planning	2,214,740	1,981,305	1,930,392	(1,717)	1,928,675	52,630
Government Communications	1,264,580	1,331,224	1,320,701	33,169	1,353,870	(22,646)
Community Development	979,290	948,953	790,649	28,518	819,167	129,786
Budgeting	541,940	553,903	558,878	(89)	558,789	(4,886)
Internal Audit Office	383,750	342,670	337,337	3,801	341,138	1,532
Purchase of Development Rights	298,740	309,149	272,902	448	273,350	35,799
Risk Management	6,704,560	6,545,737	6,185,829	135,353	6,321,182	224,555
Historic Preservation	386,020	352,438	356,238	4,255	360,493	(8,055)
Prior year encumbrance				(245,858)	(245,858)	245,858
<b>Total Administrative Services</b>	<u>17,484,750</u>	<u>16,057,626</u>	<u>15,209,618</u>	<u>66,871</u>	<u>15,276,489</u>	<u>781,137</u>
Department of Finance:						
Computer Services	4,365,830	4,715,206	3,989,821	299,036	4,288,857	426,349
Revenue	2,456,390	2,300,285	2,121,988	(6,337)	2,115,651	184,634
Finance Administration	579,300	660,714	579,292	50,009	629,301	31,413
Accounting	711,260	700,763	712,110	3,837	715,947	(5,184)
Central Purchasing	463,560	410,527	416,027	(7,147)	408,880	1,647
Prior year encumbrance			0	(412,654)	(412,654)	412,654
<b>Total Finance</b>	<u>8,576,340</u>	<u>8,787,495</u>	<u>7,819,238</u>	<u>(73,256)</u>	<u>7,745,982</u>	<u>1,041,513</u>
Department of Public Works:						
Engineering	4,106,250	5,442,857	4,043,326	463,129	4,506,455	936,402
Streets and Roads	3,941,540	3,789,451	3,781,817	14,518	3,796,335	(6,884)
Traffic Engineering	3,802,080	4,052,810	3,842,349	45,491	3,887,840	164,970
Solid Waste	0	4,655	4,492	0	4,492	163
Public Works Administration	625,920	814,055	661,835	88,630	750,465	63,590
Prior year encumbrance			0	(1,173,933)	(1,173,933)	1,173,933
<b>Total Public Works</b>	<u>12,475,790</u>	<u>14,103,828</u>	<u>12,333,819</u>	<u>(562,165)</u>	<u>11,771,654</u>	<u>2,332,174</u>

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

continued

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON**  
**GENERAL FUND**  
**For the Year Ended June 30, 2007**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Adjustments</b>	<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>GAAP Basis</b>	<b>Budget Basis</b>	<b>Budget Basis</b>	<b>Final Budget</b>
<b>Department of Public Safety:</b>						
Police	\$52,764,800	\$48,659,761	\$49,740,354	\$336,342	\$50,076,696	(\$1,416,935)
Fire & Emergency Services	49,525,340	49,775,800	50,015,692	39,282	50,054,974	(279,174)
Community Corrections	29,697,350	27,612,994	27,358,948	296,076	27,655,024	(42,030)
Public Safety Administration	3,853,160	3,875,121	3,559,389	842	3,560,231	314,890
Building Inspection	2,758,770	2,526,917	2,559,729	6,775	2,566,504	(39,587)
Code Enforcement	1,668,800	1,555,505	1,549,154	(34,078)	1,515,076	40,429
Environmental & Emergency Management	661,110	915,533	660,591	73,193	733,784	181,749
Enhanced 911	874,550	3,589,346	2,709,543	27,360	2,736,903	852,443
Prior year encumbrance			0	(766,802)	(766,802)	766,802
<b>Total Public Safety</b>	<b>141,803,880</b>	<b>138,510,977</b>	<b>138,153,400</b>	<b>(21,010)</b>	<b>138,132,390</b>	<b>378,587</b>
<b>Department of Social Services:</b>						
Youth Services	3,013,820	2,721,519	2,559,093	(3,658)	2,555,435	166,084
Family Services	5,393,560	5,394,768	4,480,295	(8,080)	4,472,215	922,553
Adult Services	1,307,610	1,404,039	1,263,303	(29,431)	1,233,872	170,167
Mayor's Training Center	1,265,020	1,234,922	1,233,682	4,695	1,238,377	(3,455)
Social Services Administration	1,304,730	1,347,623	1,172,276	15,608	1,187,884	159,739
Prior year encumbrance			0	(69,917)	(69,917)	69,917
<b>Total Social Services</b>	<b>12,284,740</b>	<b>12,102,871</b>	<b>10,708,649</b>	<b>(90,783)</b>	<b>10,617,866</b>	<b>1,485,005</b>
<b>Department of General Services:</b>						
Parks and Recreation	18,427,050	19,768,831	17,650,829	444,826	18,095,655	1,673,176
Building Maintenance	4,594,230	4,741,816	4,703,565	21,106	4,724,671	17,145
Fleet Services	3,119,570	2,869,434	2,568,654	(11,856)	2,556,798	312,636
General Services Administration	2,861,770	3,380,787	2,999,308	211,160	3,210,468	170,319
Prior year encumbrance			0	(268,830)	(268,830)	268,830
<b>Total General Services</b>	<b>29,002,620</b>	<b>30,760,868</b>	<b>27,922,356</b>	<b>396,406</b>	<b>28,318,762</b>	<b>2,442,106</b>
<b>Department of Law:</b>						
Law	2,141,800	2,245,321	2,074,320	62,181	2,136,501	108,820
Prior year encumbrance			0	(354,493)	(354,493)	354,493
<b>Total Law</b>	<b>2,141,800</b>	<b>2,245,321</b>	<b>2,074,320</b>	<b>(292,312)</b>	<b>1,782,008</b>	<b>463,313</b>
<b>Outside Agencies:</b>						
Commerce Lexington	90,490	240,490	240,490	0	240,490	0
Downtown Arts Center	128,250	128,250	128,250	0	128,250	0
Downtown Lexington Corporation	50,000	50,000	50,000	0	50,000	0
World Trade Center	105,000	105,000	105,000	0	105,000	0
Community Development Agencies	277,750	353,169	352,426	0	352,426	743
Social Service Agencies	1,688,210	2,027,125	1,806,840	(86,577)	1,720,263	306,862
Lexington Center Corporation	675,000	675,000	675,000	0	675,000	0
Public Works Agencies	2,680	3,127	3,127	0	3,127	0
Airport Board	50,000	50,000	50,000	0	50,000	0
Lexington Public Library	11,648,180	11,741,422	11,741,422	0	11,741,422	0
Explorium of Lexington	237,500	237,500	237,580	0	237,580	(80)
Carnegie Literacy Center	53,500	53,500	43,465	0	43,465	10,035
Downtown Development Authority	179,880	354,880	179,880	0	179,880	175,000
Prior year encumbrance			0	(62,094)	(62,094)	62,094
<b>Total Outside Agencies</b>	<b>15,186,440</b>	<b>16,019,463</b>	<b>15,613,480</b>	<b>(148,671)</b>	<b>15,464,809</b>	<b>554,654</b>
<b>Debt Service:</b>						
Principal	17,725,200	18,399,360	18,399,360	0	18,399,360	0
Interest	6,645,980	6,645,980	6,207,218	0	6,207,218	438,762
Other Debt Service	1,021,560	1,021,560	1,056,289	0	1,056,289	(34,729)
<b>Total Debt Service</b>	<b>25,392,740</b>	<b>26,066,900</b>	<b>25,662,867</b>	<b>0</b>	<b>25,662,867</b>	<b>404,033</b>
<b>Total Expenditures</b>	<b>258,774,340</b>	<b>274,200,277</b>	<b>259,998,867</b>	<b>(178,019)</b>	<b>259,820,848</b>	<b>14,379,429</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(7,663,800)</b>	<b>(21,012,735)</b>	<b>4,749,438</b>	<b>178,019</b>	<b>4,927,457</b>	<b>25,940,192</b>

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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Adjustments</u>	<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Budget Basis</u>	<u>Budget Basis</u>	<u>Final Budget</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Debt Proceeds (net of bond refunding)	\$0	\$0	\$4,547,473	\$0	\$4,547,473	\$4,547,473
Transfers In	786,140	931,750	829,769	0	829,769	(101,981)
Transfers Out	0	(3,105,858)	(5,579,570)	0	(5,579,570)	(2,473,712)
<b>Total Other Financing Sources (Uses)</b>	<u>786,140</u>	<u>(2,174,108)</u>	<u>(202,328)</u>	<u>0</u>	<u>(202,328)</u>	<u>1,971,780</u>
<b>Net Change in Fund Balances</b>	(6,877,660)	(23,186,843)	4,547,110	178,019	4,725,129	27,911,972
<b>Fund Balance, July 1</b>	<u>7,000,000</u>	<u>26,603,460</u>	<u>37,888,438</u>	<u>(11,284,978)</u>	<u>26,603,460</u>	<u>0</u>
<b>Fund Balance, June 30</b>	<u>\$122,340</u>	<u>\$3,416,617</u>	<u>\$42,435,548</u>	<u>(\$11,106,959)</u>	<u>\$31,328,589</u>	<u>\$27,911,972</u>

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

**Expenditures:**

Total expenditures from the budgetary comparison schedule \$259,820,848

Differences - Budget to GAAP:

Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but the year the supplies are received for financial reporting purposes. 178,019

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds \$259,998,867

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**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Adjustments</b>	<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>GAAP Basis</b>	<b>Budget Basis</b>	<b>Budget Basis</b>	<b>Final Budget</b>
<b>REVENUES</b>						
Licenses and Permits:						
Bank Franchise Fee	\$950,000	\$950,000	\$1,095,200		\$1,095,200	\$145,200
<b>Total Licenses and Permits</b>	<u>950,000</u>	<u>950,000</u>	<u>1,095,200</u>	<u>0</u>	<u>1,095,200</u>	<u>145,200</u>
Taxes:						
Realty Taxes	29,695,000	29,979,000	30,283,683		30,283,683	304,683
Insurance Taxes Capital	2,400	0	0		0	0
PSC Taxes	246,000	246,000	196,807		196,807	(49,193)
Property Tax Discount	(505,000)	(510,000)	(507,550)		(507,550)	2,450
Property Tax Commission	(350,000)	(350,000)	(365,982)		(365,982)	(15,982)
Delinquent - Realty & Personal	6,000	6,000	23,575		23,575	17,575
Supplementary Tax Bills	10,000	10,000	10,428		10,428	428
Omitted Tax	0	0	87		87	87
<b>Total Taxes</b>	<u>29,104,400</u>	<u>29,381,000</u>	<u>29,641,048</u>	<u>0</u>	<u>29,641,048</u>	<u>260,048</u>
Charges for Services:						
Rent Or Lease Income	0	0	4,500		4,500	4,500
Dumpster Permit Fees	4,000	4,000	8,110		8,110	4,110
<b>Total Charges for Services</b>	<u>4,000</u>	<u>4,000</u>	<u>12,610</u>	<u>0</u>	<u>12,610</u>	<u>8,610</u>
<b>Property Sales</b>	<u>142,000</u>	<u>142,000</u>	<u>319,536</u>		<u>319,536</u>	<u>177,536</u>
<b>Investments</b>	<u>770,000</u>	<u>770,000</u>	<u>1,227,125</u>		<u>1,227,125</u>	<u>457,125</u>
Other Income:						
Contributions	0	16,260	16,260		16,260	0
Penalties And Interest	80,000	80,000	38,141		38,141	(41,859)
Miscellaneous	800,000	800,000	1,384,248		1,384,248	584,248
<b>Total Other Income</b>	<u>880,000</u>	<u>896,260</u>	<u>1,438,649</u>	<u>0</u>	<u>1,438,649</u>	<u>542,389</u>
<b>Total Revenues</b>	<u>31,850,400</u>	<u>32,143,260</u>	<u>33,734,168</u>	<u>0</u>	<u>33,734,168</u>	<u>1,590,908</u>
<b>EXPENDITURES</b>						
General Government:						
Contingency	760,700	1,260,700	0		0	1,260,700
Indirect Cost Allocation	2,552,320	2,406,890	1,978,655		1,978,655	428,235
<b>Total General Government</b>	<u>3,313,020</u>	<u>3,667,590</u>	<u>1,978,655</u>	<u>0</u>	<u>1,978,655</u>	<u>1,688,935</u>
Administrative Services:						
Human Resources	14,000	14,762	9,061	(978)	8,083	6,679
Government Communications	463,900	465,270	447,108	0	447,108	18,162
Risk Management	1,457,350	1,080,000	1,080,000	0	1,080,000	0
<b>Total Administrative Services</b>	<u>1,935,250</u>	<u>1,560,032</u>	<u>1,536,169</u>	<u>(978)</u>	<u>1,535,191</u>	<u>24,841</u>
Department of Finance:						
Finance Administration	129,710	26,660	11,935	1,217	13,152	13,508
<b>Total Finance</b>	<u>129,710</u>	<u>26,660</u>	<u>11,935</u>	<u>1,217</u>	<u>13,152</u>	<u>13,508</u>
Department of Public Works:						
Streets and Roads	984,340	986,179	1,048,018	(501)	1,047,517	(61,338)
Traffic Engineering	3,801,000	5,115,173	4,042,705	729,879	4,772,584	342,589
Sanitary Sewers	0	0	(5,664)	0	(5,664)	5,664
Solid Waste	22,870,060	25,494,615	17,774,644	(1,624,982)	16,149,662	9,344,953
Public Works Administration	55,000	55,000	34,549	(146,292)	(111,743)	166,743
<b>Total Public Works</b>	<u>27,710,400</u>	<u>31,650,967</u>	<u>22,894,252</u>	<u>(1,041,896)</u>	<u>21,852,356</u>	<u>9,798,611</u>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON**  
**FULL URBAN SERVICES DISTRICT FUND**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Adjustments</u>	<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Budget Basis</u>	<u>Budget Basis</u>	<u>Final Budget</u>
Department of General Services:						
Parks and Recreation	\$521,620	\$422,437	\$370,432	(\$114)	\$370,318	\$52,119
Building Maintenance	151,600	157,171	51,766	(185)	51,581	105,590
Fleet Services	422,500	1,475,233	1,178,805	(230,035)	948,770	526,463
General Services Administration	10,500	10,500	6,048	(5,366)	682	9,818
<b>Total General Services</b>	<u>1,106,220</u>	<u>2,065,341</u>	<u>1,607,051</u>	<u>(235,700)</u>	<u>1,371,351</u>	<u>693,990</u>
Debt Service:						
Principal	185,640	185,640	185,640		185,640	0
Interest	13,190	13,190	13,190		13,190	0
<b>Total Debt Service</b>	<u>198,830</u>	<u>198,830</u>	<u>198,830</u>	<u>0</u>	<u>198,830</u>	<u>0</u>
<b>Total Expenditures</b>	<u>34,393,430</u>	<u>39,169,420</u>	<u>28,226,892</u>	<u>(1,277,357)</u>	<u>26,949,535</u>	<u>12,219,885</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>(2,543,030)</u>	<u>(7,026,160)</u>	<u>5,507,276</u>	<u>1,277,357</u>	<u>6,784,633</u>	<u>13,810,793</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers Out	0	(674,440)	(681,891)		(681,891)	(7,451)
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>(674,440)</u>	<u>(681,891)</u>	<u>0</u>	<u>(681,891)</u>	<u>(7,451)</u>
<b>Net Change in Fund Balances</b>	<u>(2,543,030)</u>	<u>(7,700,600)</u>	<u>4,825,385</u>	<u>1,277,357</u>	<u>6,102,742</u>	<u>13,803,342</u>
<b>Fund Balance, July 1</b>	<u>12,089,750</u>	<u>21,124,924</u>	<u>23,734,467</u>	<u>(2,609,543)</u>	<u>21,124,924</u>	<u>0</u>
<b>Fund Balance, June 30</b>	<u>\$9,546,720</u>	<u>\$13,424,324</u>	<u>\$28,559,852</u>	<u>(\$1,332,186)</u>	<u>\$27,227,666</u>	<u>\$13,803,342</u>

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

**Expenditures:**

Total expenditures from the budgetary comparison schedule \$26,949,535

Differences - Budget to GAAP:

Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but the year the supplies are received for financial reporting purposes.

1,277,357

Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds

\$28,226,892

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2007**

	<b>Business-type Activities</b>					<b>Total</b>	<b>Governmental Activities Internal Service Funds</b>
	<b>Enterprise Funds</b>						
	<b>Sanitary Sewer System</b>	<b>Public Facilities Corporation</b>	<b>Public Parking Corporation</b>	<b>Landfill</b>	<b>Other Enterprise Funds</b>		
<b>ASSETS</b>							
Current Assets:							
Cash	\$633,395	\$759,893	\$0	\$4,645,645	\$3,967,367	\$10,006,300	\$1,234,801
Investments	8,795,706	158,335	0	15,800,000	382,856	25,136,897	7,500,000
Receivables:							
User Fees Receivable	1,266,710	0	0	545,413	0	1,812,123	0
Other Receivables	5,011,640	0	0	285,360	49,739	5,346,739	241,654
Less Allowance for Uncollectible Accounts	(62,659)	0	0	(399,438)	(49,739)	(511,836)	0
Internal Balances	10,219,850	1,074,345	401,095	0	0	11,695,290	0
Inventories	28,353	0	0	0	0	28,353	0
Restricted Investments:							
Reserved for Maintenance and Operation	5,138,075	0	0	0	0	5,138,075	0
Reserved for Sinking Fund	4,681,456	60	0	0	0	4,681,516	0
<b>Total Current Assets</b>	<b>35,712,526</b>	<b>1,992,633</b>	<b>401,095</b>	<b>20,876,980</b>	<b>4,350,223</b>	<b>63,333,457</b>	<b>8,976,455</b>
Non-Current Assets:							
Restricted Investments:							
Reserved for Construction & Capital Acquisitions	7,671,686	0	0	0	0	7,671,686	0
Reserved for Depreciation	1,970,000	0	0	0	0	1,970,000	0
Reserved for Debt Service	6,781,928	0	799,416	0	0	7,581,344	0
Capital Assets:							
Land	1,319,335	32,578,646	7,985,094	5,194,637	0	47,077,712	0
Land Improvements	89,666	25,982,759	3,110,639	16,505,870	0	45,688,934	0
Buildings	1,670,289	117,087,772	9,827,037	64,815	0	128,649,913	0
Sewer Plants	160,472,142	0	0	0	0	160,472,142	0
Sewer Lines	135,988,102	0	0	0	0	135,988,102	0
Leasehold Improvements	0	2,137,090	0	0	0	2,137,090	0
Vehicles, Equipment, and Furniture	7,210,146	3,356,323	277,756	48,235	2,216,236	13,108,696	145,816
Less Accumulated Depreciation	(115,599,971)	(70,335,133)	(5,516,943)	(3,656,723)	(1,824,866)	(196,933,636)	(145,816)
Construction in Progress	5,531,708	238,766	0	2,329,096	0	8,099,570	0
Unamortized Bond Costs	417,747	5,051,965	156,632	0	0	5,626,344	0
<b>Total Non-Current Assets</b>	<b>213,522,778</b>	<b>116,098,188</b>	<b>16,639,631</b>	<b>20,485,930</b>	<b>391,370</b>	<b>367,137,897</b>	<b>0</b>
<b>Total Assets</b>	<b>249,235,304</b>	<b>118,090,821</b>	<b>17,040,726</b>	<b>41,362,910</b>	<b>4,741,593</b>	<b>430,471,354</b>	<b>8,976,455</b>

**LIABILITIES**

## Current Liabilities:

Accounts, Contracts and Retainage Payable	721,924	287,980	2,026	552,392	127,669	1,691,991	4,608
Accrued Payroll	167,517	0	0	3,899	81,310	252,726	0
Internal Balances	0	0	0	0	133,767	133,767	1,318,282
Claims Payable	0	0	0	0	0	0	19,089,002
Bonds Payable	0	0	690,000	0	0	690,000	0
Interest Payable	0	1,483,708	41,448	0	0	1,525,156	0
Other	392,730	53,253	0	0	126,412	572,395	0
Compensated Absences	271,294	0	0	103	141	271,538	0
Landfill Closure and Postclosure Care Costs	0	0	0	5,846,184	0	5,846,184	0
Payable from Restricted Investments:							
Accounts, Contracts and Retainage Payable	193,372	0	0	0	0	193,372	0
Bonds Payable	3,685,000	0	0	0	0	3,685,000	0
Interest Payable	996,456	0	0	0	0	996,456	0
<b>Total Current Liabilities</b>	<b>6,428,293</b>	<b>1,824,941</b>	<b>733,474</b>	<b>6,402,578</b>	<b>469,299</b>	<b>15,858,585</b>	<b>20,411,892</b>

## Non-Current Liabilities

Unearned Revenues & Other	110,490	0	0	0	0	110,490	0
Bonds Payable	35,715,000	66,725,000	1,470,000	0	0	103,910,000	0
Compensated Absences	625,622	0	0	926	4,334	630,882	0
Landfill Closure and Postclosure Care Costs	0	0	0	11,037,494	0	11,037,494	0
<b>Total Non-Current Liabilities</b>	<b>36,451,112</b>	<b>66,725,000</b>	<b>1,470,000</b>	<b>11,038,420</b>	<b>4,334</b>	<b>115,688,866</b>	<b>0</b>
<b>Total Liabilities</b>	<b>42,879,405</b>	<b>68,549,941</b>	<b>2,203,474</b>	<b>17,440,998</b>	<b>473,633</b>	<b>131,547,451</b>	<b>20,411,892</b>

**NET ASSETS**

Invested in Capital Assets, net of related debt	159,863,468	49,373,188	14,479,632	20,485,930	391,370	244,593,588	
Restricted for:						0	
Capital Projects	16,219,400	407,365	0	0	0	16,626,765	0
Capital Projects - Construction	9,710,762	0	0	0	0	9,710,762	0
Capital Projects - Park Acquisition	0	1,397,598	0	0	0	1,397,598	0
Debt Service	4,273,272	0	779,574	0	0	5,052,846	0
Depreciation	1,970,000	18,230	0	0	0	1,988,230	0
Maintenance and Operations	5,138,075	0	0	0	0	5,138,075	0
Unrestricted (Deficit)	9,180,922	(1,655,501)	(421,954)	3,435,982	3,876,590	14,416,039	(11,435,437)
<b>Total Net Assets</b>	<b>\$206,355,899</b>	<b>\$49,540,880</b>	<b>\$14,837,252</b>	<b>\$23,921,912</b>	<b>\$4,267,960</b>	<b>298,923,903</b>	<b>(\$11,435,437)</b>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

(395,217)

Net Assets of Business-type Activities

\$298,528,686

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2007**

	Business-type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Public Parking Corporation	Landfill	Other Enterprise Funds		
<b>Operating Revenues</b>							
User Charges	\$24,014,195	\$0	\$0	\$7,604,416	\$0	\$31,618,611	\$32,244,075
Fees	1,629,573	0	0	266,077	4,630,451	6,526,101	0
Exactions	513,539	0	0	0	0	513,539	0
Licenses & Permits	0	0	0	0	413,705	413,705	0
Rental Income	0	4,463,961	588,199	0	0	5,052,160	0
Parking Revenues	0	261,096	5,796	0	0	266,892	0
Theater Revenues	0	703,782	0	0	0	703,782	0
Gross Profit-Commissary	0	0	0	0	822,429	822,429	0
Other	41,731	10,000	0	0	1,151,740	1,203,471	0
<b>Total Operating Revenues</b>	<b>26,199,038</b>	<b>5,438,839</b>	<b>593,995</b>	<b>7,870,493</b>	<b>7,018,325</b>	<b>47,120,690</b>	<b>32,244,075</b>
<b>Operating Expenses</b>							
Treatment Plant	7,259,708	0	0	0	0	7,259,708	0
Collection System	4,236,199	0	0	0	0	4,236,199	0
Property Management	0	1,448,859	149,158	0	0	1,598,017	0
Theater Management	0	646,070	0	0	0	646,070	0
Landfill	0	0	0	301,479	0	301,479	0
Right of Way	0	0	0	0	303,471	303,471	0
Extended School Program	0	0	0	0	1,522,019	1,522,019	0
Prisoners' Account	0	0	0	0	749,057	749,057	0
Inmate Trust Account	0	0	0	0	434,542	434,542	0
Enhanced 911	0	0	0	0	3,012,906	3,012,906	0
LexVan Program	0	0	0	0	62,228	62,228	0
Small Business Development	0	0	0	0	0	0	0
Administration	6,786,349	0	0	428,467	431,311	7,646,127	0
Depreciation	6,361,511	5,803,380	301,407	925,958	157,171	13,549,427	0
Claims and Benefit Payments	0	0	0	0	0	0	35,676,846
<b>Total Operating Expenses</b>	<b>24,643,767</b>	<b>7,898,309</b>	<b>450,565</b>	<b>1,655,904</b>	<b>6,672,705</b>	<b>41,321,250</b>	<b>35,676,846</b>
<b>Operating Income (Loss)</b>	<b>1,555,271</b>	<b>(2,459,470)</b>	<b>143,430</b>	<b>6,214,589</b>	<b>345,620</b>	<b>5,799,440</b>	<b>(3,432,771)</b>

<b>Non-Operating Revenues (Expenses)</b>							
Income on Investments	1,892,713	27,439	38,930	742,326	101,225	2,802,633	383,326
Interest Expense and Fiscal Agent Fees	(1,987,413)	(2,344,981)	0	0	0	(4,332,394)	0
Amortization of Bond Costs	(65,627)	(140,274)	(60,632)	0	0	(266,533)	0
Bond Refunding	0	0	0	0	0	0	0
Sale of Capital Assets	(118,901)	(151,055)	(14,300)	0	0	(284,256)	0
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(279,228)</u>	<u>(2,608,871)</u>	<u>(36,002)</u>	<u>742,326</u>	<u>101,225</u>	<u>(2,080,550)</u>	<u>383,326</u>
<b>Income (Loss) Before Contributions and Transfers</b>	1,276,043	(5,068,341)	107,428	6,956,915	446,845	3,718,890	(3,049,445)
Transfers In	533,401	2,642,064	0	0	1,047,050	4,222,515	0
Transfers Out	(910,455)	0	0	(4,007)	0	(914,462)	0
<b>Change in Net Assets</b>	898,989	(2,426,277)	107,428	6,952,908	1,493,895	7,026,943	(3,049,445)
<b>Net Assets - July 1</b>	205,486,801	51,926,003	14,723,353	16,967,939	2,753,604		(8,385,992)
<b>Prior Period Adjustment</b>	(29,891)	41,154	6,471	1,065	20,461		
<b>Net Assets - June 30</b>	<u>\$206,355,899</u>	<u>\$49,540,880</u>	<u>\$14,837,252</u>	<u>\$23,921,912</u>	<u>\$4,267,960</u>		<u>(\$11,435,437)</u>

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Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds  
Change in net assets of business-type activities

(6,695)  
\$7,020,248

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, 2007**

	Business-type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Public Parking Corporation	Landfill	Other Enterprise Funds		
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>							
<b>Cash Flows from Operating Activities:</b>							
Receipts from Customers	\$25,679,155	\$5,023,749	\$597,520	\$7,817,357	\$7,024,346	\$46,142,127	\$11,192,529
Receipts from Interfund Services Provided	0	513,400	0	0	0	513,400	21,051,547
Repayments of Loans						0	
Payments to Suppliers	(21,047,002)	(543,169)	41,353	(1,829,366)	(2,555,349)	(25,933,533)	(377,717)
Payments to Employees	(8,503,007)	0	0	(221,603)	(3,691,794)	(12,416,404)	0
Payments for Interfund Services Used	(2,962,413)	(36,130)	0	(59,495)	(210,669)	(3,268,707)	0
Payments for Claims						0	(32,343,899)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>(6,833,267)</u>	<u>4,957,850</u>	<u>638,873</u>	<u>5,706,893</u>	<u>566,534</u>	<u>5,036,883</u>	<u>(477,540)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>							
Transfers In	533,401	2,642,064	0	0	1,047,050	4,222,515	0
Transfers Out	(910,455)	0	0	(4,007)	0	(914,462)	0
<b>Net Cash Flows from Noncapital Financing Activities</b>	<u>(377,054)</u>	<u>2,642,064</u>	<u>0</u>	<u>(4,007)</u>	<u>1,047,050</u>	<u>3,308,053</u>	<u>0</u>
<b>Cash Flows from Capital and Related Activities:</b>							
Additions to Property, Plant and Equipment	(5,005,664)	(2,302,146)	(19,252)	(2,527,931)	(134,316)	(9,989,309)	0
Proceeds on Refinancing of Bond		66,725,000				66,725,000	
Capitalization of Bond Refunding		(3,920,392)				(3,920,392)	
Principal Paid on Bonds	(3,515,000)	(65,325,000)	(655,000)	0	0	(69,495,000)	0
Interest and Fiscal Agent Fees Paid on Bonds	(2,070,320)	(1,690,647)	(11,874)	0	0	(3,772,841)	0
Sale of Capital Assets	24,512	(109,378)	0	0	0	(84,866)	0
<b>Net Cash Flows from Capital and Related Activities</b>	<u>(10,566,472)</u>	<u>(6,622,563)</u>	<u>(686,126)</u>	<u>(2,527,931)</u>	<u>(134,316)</u>	<u>(20,537,408)</u>	<u>0</u>
<b>Cash Flows from Investing Activities:</b>							
Purchases of Investments	(979,815)	(992,454)	(22,284)		(10,025)	(2,004,578)	
Proceeds from Sales and Maturities of Investments	1,022,460	0	30,607	4,583	6,686	1,064,336	0
Income on Investments	1,892,713	27,439	38,930	742,326	101,225	2,802,633	383,326
<b>Net Cash Flows from Investing Activities</b>	<u>1,935,358</u>	<u>(965,015)</u>	<u>47,253</u>	<u>746,909</u>	<u>97,886</u>	<u>1,862,391</u>	<u>383,326</u>

<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(15,841,435)	12,336	0	3,921,864	1,577,154	(10,330,081)	(94,214)
Cash and Cash Equivalents at Beginning of Year	16,474,830	747,557	0	723,781	2,390,213	20,336,381	1,329,015
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$633,395</u>	<u>\$759,893</u>	<u>\$0</u>	<u>\$4,645,645</u>	<u>\$3,967,367</u>	<u>\$10,006,300</u>	<u>\$1,234,801</u>

**Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:**

<b>Operating Income (Loss)</b>	<u>\$1,555,271</u>	<u>(\$2,459,470)</u>	<u>\$143,430</u>	<u>\$6,214,589</u>	<u>\$345,620</u>	<u>\$5,799,440</u>	<u>(\$3,432,771)</u>
<b>Adjustments Not Affecting Cash:</b>							
Depreciation	6,361,511	5,803,380	301,407	925,958	157,171	13,549,427	0
Allowance for Bad Debts	4,354	0	0	55,884	(23,384)	36,854	0
<b>(Increase) Decrease in Assets:</b>							
Accounts Receivable	(101,380)	0	0	(10,208)	0	(111,588)	0
Other Receivables	(394,158)	98,310	3,525	(42,928)	6,021	(329,230)	(103,576)
Inventories	(7,948)	0	0	0	0	(7,948)	0
<b>Increase (Decrease) in Liabilities:</b>							
Accounts Payable	(121,394)	(21,179)	(31,973)	446,446	(103,170)	168,730	(377,717)
Accrued Payroll	21,947	0	0	(485)	40,770	62,232	0
Claims Payable						0	1,487,002
Due to Other Funds	(14,175,106)	1,548,809	226,009	2,100,395	117,641	(10,182,252)	1,949,522
Unearned Revenue	(24,345)	0	0	0	0	(24,345)	0
Other Liabilities	(21,294)	(12,000)	(3,525)	(3,962,367)	24,134	(3,975,052)	0
Compensated Absences	69,275	0	0	(20,391)	1,731	50,615	0
<b>Total Adjustments</b>	<u>(8,388,538)</u>	<u>7,417,320</u>	<u>495,443</u>	<u>(507,696)</u>	<u>220,914</u>	<u>(762,557)</u>	<u>2,955,231</u>
<b>Net Cash Provided by (Used In) Operating Activities</b>	<u>(\$6,833,267)</u>	<u>\$4,957,850</u>	<u>\$638,873</u>	<u>\$5,706,893</u>	<u>\$566,534</u>	<u>\$5,036,883</u>	<u>(\$477,540)</u>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2007**

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash	\$343,173	\$768,785
Receivables:		
Accounts Receivable	2,481,472	33,898
Less Allowance for Uncollectible Accounts	0	(33,898)
Due from Other Funds	955	0
<b>Total Receivables</b>	<b>2,482,427</b>	<b>0</b>
Investments, at Fair Value:		
Debt Securities		
US Agencies	42,277,897	0
US Treasuries	4,275,262	0
US Treasury Strips	1,370,416	0
Municipal Obligations	19,503,540	0
International Bonds	2,781,781	0
Corporate Debt	64,611,204	0
Money Market Mutual Funds	9,132,576	0
Repurchase Agreements	30,591,214	0
Other Investments		
Equity Mutual Funds	69,826,411	0
Equity Securities - Domestic	131,167,769	0
Equity Securities - International	93,515,075	0
<b>Total Investments</b>	<b>469,053,145</b>	<b>0</b>
<b>Total Assets</b>	<b>\$471,878,745</b>	<b>\$768,785</b>
<b>LIABILITIES</b>		
Accounts Payable	345,584	0
Securities Lending Transactions	33,091,214	0
Due to Other Funds	0	0
Payable to Property Owners	0	718,785
Debt Service	0	50,000
<b>Total Liabilities</b>	<b>\$33,436,798</b>	<b>\$768,785</b>
<b>NET ASSETS</b>		
Net Assets Held in Trust for Pension Benefits	\$438,441,947	\$0

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2007**

	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$14,156,218
Employer - Administration	2,434,551
Plan Members	6,618,609
Other	164,795
<b>Total Contributions</b>	<b>23,374,173</b>
Income on Investments:	
Net Change in Fair Value of Investments	34,108,142
Interest	9,136,339
Dividends	8,533,341
<b>Total Income on Investments</b>	<b>51,777,822</b>
Less Investment Expense	1,598,131
<b>Net Income on Investments</b>	<b>50,179,691</b>
Income from Securities Lending Activities:	
Securities Lending Income	1,211,439
Securities Lending Expenses	
Borrower Rebates	1,089,695
Management Fees	48,678
<b>Total Securities Lending Expenses</b>	<b>1,138,373</b>
<b>Net Income on Securities Lending Activities</b>	<b>73,066</b>
<b>Total Additions</b>	<b>73,626,930</b>
<b>DEDUCTIONS</b>	
Benefit Payments	32,919,765
Refunds of Contributions	193,609
Administrative Expense	123,465
<b>Total Deductions</b>	<b>33,236,839</b>
<b>Net Increase</b>	40,390,091
<b>Net Assets, July 1</b>	<b>398,051,856</b>
<b>Net Assets, June 30</b>	<b>\$438,441,947</b>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
**June 30, 2007**

	<u>Lexington Center Corporation</u>	<u>Lexington Airport Board</u>	<u>Fayette County Department of Health</u>	<u>Nonmajor Component Units</u>	<u>Total</u>
<b>ASSETS</b>					
Cash	\$763,983	\$3,650,477	\$1,567,908	\$10,213,503	\$16,195,871
Investments		3,966,000		3,272,761	7,238,761
Receivables:					
Accounts Receivable	752,926	1,541,508	1,073,936	630,887	3,999,257
Other				145,682	145,682
Less Allowance for Uncollectible Accounts	(38,756)	(211,032)			(249,788)
Due from Component Units	255,865				255,865
Due from Primary Government	221,110			448,343	669,453
Due from Other Governments				1,913,507	1,913,507
Inventories			81,317	526,466	607,783
Prepaid Items		270,926	116,889	1,666,242	2,054,057
Pension Assets				346,360	346,360
Restricted Current Assets:					
Investments	2,176,876	16,758,750		302,862	19,238,488
Other	265,997	210,872			476,869
Restricted Non-Current Investments	6,109,565				6,109,565
Bond Issuance Costs-Net of Accumulated Amortization		1,617,996			1,617,996
Other		63,530			63,530
Capital Assets:					
Non-depreciable	11,678,784	32,915,931		8,410,135	53,004,850
Depreciable (Net)	60,110,931	82,839,227	3,738,943	21,792,853	168,481,954
Other Assets	431,756				431,756
<b>Total Assets</b>	<u>82,729,037</u>	<u>143,624,185</u>	<u>6,578,993</u>	<u>49,669,601</u>	<u>282,601,816</u>
<b>LIABILITIES</b>					
Accounts, Contracts Payable and Accrued Liabilities	315,733	1,650,068	514,969	2,049,139	4,529,909
Interest Payable	63,649				63,649
Due to Primary Government				559,028	559,028
Due to Component Units				255,865	255,865
Unearned Revenues and Other	433,951			311,227	745,178
Liabilities Payable from Restricted Assets:					
Accounts Payable		762,450			762,450
Bonds and Notes Payable		1,300,000			1,300,000
Interest Payable		96,014			96,014
Non-Current Liabilities:					
Due Within One Year					
Compensated Absences				387,887	387,887
Bonds and Notes Payable	2,600,000			114,420	2,714,420
Capital Lease Obligations				6,966	6,966
Due in More Than One Year					
Compensated Absences			716,960	128,976	845,936
Bonds and Notes Payable	30,722,117	44,532,461	1,015,000	3,339,253	79,608,831
Capital Lease Obligations				7,489	7,489
<b>Total Liabilities</b>	<u>34,135,450</u>	<u>48,340,993</u>	<u>2,246,929</u>	<u>7,160,250</u>	<u>91,883,622</u>
<b>NET ASSETS</b>					
Investment in Capital Assets, net of related debt	38,467,598	82,030,262	3,738,943	26,726,688	150,963,491
Restricted for:					
Governmental and Program Funds		100,000	473,750	328,409	902,159
Fees			424,296		424,296
Debt Service	6,109,565	5,685,631			11,795,196
Pension				291,376	291,376
Endowments				108,335	108,335
Unrestricted	4,016,424	7,467,299	(304,925)	15,054,543	26,233,341
<b>Total Net Assets</b>	<u>\$48,593,587</u>	<u>\$95,283,192</u>	<u>\$4,332,064</u>	<u>\$42,509,351</u>	<u>\$190,718,194</u>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**For the Year Ended June 30, 2007**

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	Total
<b>Lexington Center Corporation</b>									
Lexington Center Operations	\$11,017,300	\$12,564,269	\$948,000		\$2,494,969			\$2,494,969	
Depreciation	4,612,244				(4,612,244)			(4,612,244)	
Interest on Long-term Debt	1,600,333				(1,600,333)			(1,600,333)	
Total Lexington Center Corporation	17,229,877	12,564,269	948,000	0	(3,717,608)			(3,717,608)	
<b>Lexington Airport Board</b>									
Airport Operations	9,177,640	13,623,909		18,540,593		22,986,862		22,986,862	
Depreciation	6,402,654					(6,402,654)		(6,402,654)	
Interest on Long-term Debt	948,256					(948,256)		(948,256)	
Total Lexington Airport Board	16,528,550	13,623,909	0	18,540,593		15,635,952		15,635,952	
<b>Fayette County Department of Health</b>									
Department of Health Operations	22,192,455	7,092,916	8,858,964				(6,240,575)	(6,240,575)	
Depreciation	543,348						(543,348)	(543,348)	
Total Fayette County Department of Health	22,735,803	7,092,916	8,858,964				(6,783,923)	(6,783,923)	
<b>Nonmajor component units</b>	37,682,884	3,887,927	5,244,088	421,942			(28,128,927)	(28,128,927)	
Total component units	\$94,177,114	\$37,169,021	\$15,051,052	\$18,962,535				(22,994,506)	
<b>General Revenues:</b>									
Taxes					2,391,477		6,299,302	29,805,330	38,496,109
Payment from Lexington-Fayette Urban County Government					675,000			1,608,240	2,283,240
Conveyance of Assets								2,697,831	2,697,831
Income on Investments					398,769	701,058	145,128	590,507	1,835,462
Net Change in Fair Value of Investments								12,343	12,343
Miscellaneous								748,937	748,937
Total General Revenues					3,465,246	701,058	6,444,430	35,463,188	46,073,922
Change in Net Assets					(252,362)	16,337,010	(339,493)	7,334,261	23,079,416
Net Assets, July 1					48,845,949	78,946,182	4,682,717	35,175,090	167,649,938
Prior Period Adjustment							(11,160)	0	(11,160)
Net Assets, June 30					\$48,593,587	\$95,283,192	\$4,332,064	\$42,509,351	\$190,718,194

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
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LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2007

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**Governmental Fund Type**

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

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

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

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Proprietary Fund Type

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

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

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

Governmental Fund Type

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

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

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

The Carnegie Literacy Center, Inc. (Carnegie Center) provides adult literacy programs in Fayette County. This entity provides critical services to the citizens of Fayette County on behalf of the Government. The board consists of twelve members, eight members appointed by the Government and four members appointed by the Lexington Public Library Board.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

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Proprietary Fund Type

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.

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

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

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

Parking Authority of Lexington was established to centralize all public parking functions in 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.

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

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

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The Valley View Ferry Authority is a legally separate entity that operates and maintains the Ferry on the Kentucky River at Valley View. The board consists of seven members, two appointed by the Lexington-Fayette Urban County 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 \$15,000 to support the Ferry's operations in fiscal year 2007.

**D. Basic Financial Statements**

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

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interest on long-term debt is recorded when due and (2) compensated absences are accounted for as expenditures of the period used.

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

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

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

**E. Basis of Presentation**

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

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

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

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

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The focus of proprietary fund measurement is upon the determination of operating income, changes in net assets, financial position, and cash flows, which is similar to businesses. All assets and all liabilities associated with the operation of these funds are included on the balance sheet. The Government reports the following major proprietary funds:

The Sanitary Sewer System Fund accounts for the construction activities, operation and maintenance, and the payment of principal and interest for the bond issues of the Government's sanitary sewer system. (See further description on page 81.)

The Public Facilities Corporation Fund accounts for the acquisition, construction and operation of government owned facilities. (See further description on page 82.)

The Public Parking Corporation Fund accounts for the construction and operation of government owned parking facilities. (See further description on page 82.)

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

Additionally, the Government reports the following fund types:

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

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

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

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

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**F. Budgetary Control and Encumbrances**

Budget Policy - The Urban County Council annually approves the budget ordinance for all operating funds of the Government except for the Federal and State Grants special revenue funds and the capital projects funds, which adopt project-length budgets. Additional special revenue funds which are not budgeted include the debt service fund, the Industrial Revenue Bond Fund, Police Confiscated Funds, and the Public Safety Fund. Budgets are adopted on a basis consistent with generally accepted accounting principles 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 reappropriated at the beginning of each fiscal year. The Council made several supplemental budgetary appropriations throughout fiscal year 2007. The net effect of these supplemental appropriations was an increase of \$15,425,937 in the General Fund and an increase of \$4,775,990 in the Urban Services Fund, which included reappropriations of encumbrances from prior years.

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

In governmental funds, encumbrances outstanding at year-end are reported on the GAAP basis as "reserved for encumbrances" in the fund equity section of the appropriate fund balance sheet as they do not constitute expenditures or liabilities. Encumbrances are not recorded in the financial statements for proprietary fund types and Pension Trust Funds. However, the purchase orders outstanding at June 30, 2007 for these funds are as follows:

Sanitary Sewer System	\$4,184,826
Public Facilities Corporation	105,150
Public Parking Corporation	9,653
Landfill	3,141,471
Right of Way	712
Extended School Program	1,158
Enhanced 911	991,114

**G. Assets, Liabilities, and Fund Equity**

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

Receivables - Receivables are amounts due representing revenues earned or accrued in the current period. Allowances for uncollectible loans in the Federal and State Grants have been established at 100% because of the nature of the individual projects and terms of the loans. Accounts receivable from other governments include

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the Year Ended June 30, 2007

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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 of year end.

Property taxes for fiscal year 2007 were levied on September 14, 2006, on the assessed valuation of property located in Fayette County as of the preceding January 1, the lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

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

Per Kentucky statute, the county sheriffs are responsible for collection of property taxes. 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 projected uncollectable balance of the revenues earned or accrued that have been included in Accounts Receivable at year end. An Allowance is taken on Receivable balances based on historically bad debt experience related to the nature of each receivable balance.

Interfund Receivables - During the course of its operations, the Government has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of June 30, 2007, balances of interfund amounts receivable or payable have been recorded as “internal balances”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

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

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

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, traffic signals, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Expenditures for items having a useful life greater than one

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

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year and having a cost greater than \$5,000 for equipment and \$25,000 for land, buildings, and related improvements are capitalized. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value and recorded as donations at the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Construction in progress represents construction projects for capital assets that have not yet been placed in service. Property, plant, and equipment of the Government are depreciated using the straight-line method over the following estimated useful lives:

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

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

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

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

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

Long-term liabilities include the following:

- Principal outstanding on general obligation bonds, general obligation notes, and revenue bonds.
- Unfunded pension liability is the Net Pension Obligation for the Policemen's and Firefighters' Retirement Fund and the City Employees' Pension Fund.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

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- Landfill closure and postclosure care liability is the estimated total current cost to place a final cover on the Government's landfill sites and to perform certain maintenance and monitoring functions for thirty years after closure.

Unearned revenues – The Government defers revenue recognition in connection with resources that have been received but not yet earned. At the end of fiscal year 2007, industrial revenue bond fees received but not earned totaling \$2,500 have been deferred.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated by outside parties for a specific future use. Designated fund balances represent tentative plans for future use of financial resources and include \$602,100 for the twenty-seventh payroll, \$11,894,147 for economic contingencies, and \$9,634,602 for working capital.

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

#### **H. Revenues, Expenditures and Expenses**

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

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

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

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

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

Compensated absences are recorded when payable rather than when earned.

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

#### **NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

##### **A. Compliance with Finance Related Legal and Contractual Provisions**

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the Year Ended June 30, 2007

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**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, 2007:

	Excess Expenditures
<b>General Fund:</b>	
Government Communications	22,646
Budgeting	4,886
Historic Preservation	8,055
Accounting	15,184
Streets and Roads	6,884
Police	1,416,935
Fire & Emergency Services	279,174
Community Corrections	42,030
Building Inspection	39,587
Mayor's Training Center	3,455
Outside Agency Explorium	80
<b>Urban Services Fund:</b>	
Streets and Roads	61,338

Excess expenditures over appropriations were funded by available fund balances.

**C. Fund Deficits**

Capital Projects Funds – The Local Economic Assistance – Coal Severance Fund and the Purchase of Development Rights Fund had deficit fund balances of \$24,683 and \$3,913,804 respectively. These deficits are a result of incurring costs before the collection of fees and the issuance of bonds that will fund these projects.

Internal Service Funds - The Insurance and Risk Management Fund’s net assets had a deficit totaling \$11,435,437. This deficit is a result of higher than expected claims expenses and incurred but not reported estimates in fiscal year 2007. Funding for the Insurance and Risk Management Fund’s deficit will be accomplished through appropriations in future years.

**D. Prior Period Adjustments**

A new accounting system was implemented July 1, 2006 which included a new capital asset accounting module. The conversion of all capital assets into the new system resulted in the following increases (decreases) in fund balances:

General Fund	\$437,425
Sanitary Sewer System	(29,891)
Public Facilities Corporation	41,154
Public Parking Corporation	6,471
Landfill	1,065
Extended School Program	(2,260)
Enhanced 911	22,721

Lexington-Fayette Urban County Department of Health – As a result of Medicare cost report settlement and correction to program revenue and various expenses, the beginning net assets of the Board of Health were decreased by \$11,160.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the Year Ended June 30, 2007

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**NOTE 3.      DETAIL NOTES ON ALL FUNDS**

**A.   Cash, Investments, and Securities Lending**

The Government’s bank balances at June 30, 2007 are entirely insured or collateralized with securities held by the Government’s agent in the Government’s name. In accordance with Kentucky Revised Statute (KRS) 66.480 and the Government’s investment policy, the Government is allowed to invest in obligations of the U.S. Treasury and U.S. agencies and instrumentalities, repurchase agreements, bankers’ acceptances, commercial paper, obligations of the Commonwealth of Kentucky and its agencies and instrumentalities, shares of mutual funds, or interest bearing deposits of insured national or state banks. In addition, the Pension Trust Funds are allowed to invest in equity securities, corporate bonds and international stocks listed as American Depository Receipts (ADR). Investments of the Government as of June 30, 2007 are summarized and categorized in the following table:

**Primary Government (except Fiduciary Funds)**

<u>Investment Type</u>	<u>Investment Maturities</u>	
	<u>Fair Value</u>	<u>Less Than 1Year</u>
Money Market Mutual Funds	\$124,979,273	\$124,979,273
Certificates of Deposits	52,856	52,856
Total Investments	\$125,032,129	\$125,032,129

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the Year Ended June 30, 2007

Investments of the PFRF as of June 30, 2007 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>
<b>Debt Securities</b>					
US Agencies	\$34,834,486		\$784,206	\$4,678,679	\$29,371,601
US Treasuries	1,155,700			1,155,700	
Municipal Obligations	19,503,540		1,192,828	4,077,556	14,233,156
International Bonds	2,344,868		174,067	2,112,001	58,800
Corporate Debt	61,676,510	3,972,828	10,023,147	19,708,971	27,971,564
Money Market Mutual Funds	8,304,051	8,304,051			
Repurchase Agreements	30,591,214	30,591,214			
	<u>158,410,369</u>	<u>\$42,868,093</u>	<u>\$12,174,248</u>	<u>\$31,732,907</u>	<u>\$71,635,121</u>
<b>Other Investments</b>					
Equity Mutual Funds	69,826,411				
Equity Securities - Domestic	119,029,298				
Equity Securities - International	<u>93,195,017</u>				
	<u>\$440,461,095</u>				

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

<u>Asset Class</u>	<u>Target Allocation</u>
US Large Cap Value Equities	15.0%
US Large Cap Growth Equities	10.0%
US Small Cap Value Equities	15.0%
International Growth Equities	10.0%
International Value Equities	10.0%
Real Estate	<u>10.0%</u>
<b>Total Equities</b>	<u>70.0%</u>
US Broad Market Fixed Income	25.0%
US High Yield Fixed Income	<u>5.0%</u>
<b>Total Fixed Income</b>	<u>30.0%</u>
<b>Total Plan</b>	<u>100.0%</u>

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

Investment Type	Fair Value	Quality Ratings									
		AAA	AA	A	BBB	BB	B	CCC	CC	D	NR
Debt Securities											
US Agencies	\$34,834,486	\$34,834,486									
US Treasuries	1,155,700	1,155,700									
Municipal Obligations	19,503,540	19,054,869							448,671		
International Bonds	2,344,868				118,839	639,510	1,484,944	101,575			
Corporate Debt	61,676,510	10,065,708	2,221,180	18,835,205	1,537,560	7,696,764	15,265,695	4,582,591	71,750	517,087	882,970
	<u>\$119,515,104</u>	<u>\$65,110,763</u>	<u>\$2,221,180</u>	<u>\$18,835,205</u>	<u>\$1,656,399</u>	<u>\$8,336,274</u>	<u>\$16,750,639</u>	<u>\$5,132,837</u>	<u>\$71,750</u>	<u>\$517,087</u>	<u>\$882,970</u>

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

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

Per the agreement, the retirement fund has authorized the lending of domestic bonds and securities in return for collateral. Collateral for loaned securities may be in the form of cash, securities issued or guaranteed by the United States Government or its agencies, or irrevocable letters of credit. The broker/dealer collateralizes their borrowing to 102% of the security value, plus accrued interest. If the broker/dealer fails to return the security upon request, then the agent will utilize the collateral to replace the security loaned. 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, 2007, the securities loaned in the portfolio did not have credit risk, and the fair value of securities on loan is \$33,091,214.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

Investments of the CEPF as of June 30, 2007 are summarized and categorized in the following table:

**City Employees Pension Fund**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More Than 10</u>
Debt Securities					
US Agencies	\$7,443,411		\$3,185,078	\$507,142	\$3,751,191
US Treasuries	3,119,562		693,678	1,586,944	838,940
US Treasury Strips	1,370,416			848,323	522,093
International Bonds	436,913	74,629	103,768	214,244	44,272
Corporate Debt	2,934,694	347,937	1,344,980	493,321	748,456
Money Market Mutual Funds	828,525	828,525			
	<u>16,133,521</u>	<u>\$1,251,091</u>	<u>\$5,327,504</u>	<u>\$3,649,974</u>	<u>\$5,904,952</u>
Other Investments					
Equity Securities - Domestic	12,138,471				
Equity Securities - International	<u>320,058</u>				
	<u>\$28,592,050</u>				

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

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

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Quality Ratings</u>					
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>NR</u>
Debt Securities							
US Agencies	\$7,443,411	\$7,443,411					
US Treasuries	3,119,562	3,119,562					
US Treasury Strips	1,370,416	1,370,416					
International Bonds	436,913		54,780	207,960	174,173		
Corporate Debt	2,934,694	855,749	790,745	536,096	517,106	20,210	214,788
	<u>\$15,304,996</u>	<u>\$12,789,138</u>	<u>\$845,525</u>	<u>\$744,056</u>	<u>\$691,279</u>	<u>\$20,210</u>	<u>\$214,788</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the Year Ended June 30, 2007

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Investments of Component Units as of June 30, 2007 are summarized in the following tables:

**Lexington Airport Board**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>
		Maximum weighted average
US Treasuries Money Market Fund	\$7,134,750	maturity of 90 days
Government National Mortgage Association	7,607,000	February 16, 2032
Federal National Mortgage Association	3,966,000	May 1, 2036
Federal Home Loan Bank Bonds	<u>2,017,000</u>	August 15, 2007
Total Investments	<u><u>\$20,724,750</u></u>	

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

Credit Risk – The Airport does not have a formal policy on credit risk.

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

**All Other Component Units**

	<u>Category</u>			Reported Amount/ Fair Value
	<u>1</u>	<u>2</u>	<u>3</u>	
U.S. Government and Government Agency Obligations	\$2,756,203			\$2,756,203
Investments not subject to categorization:				
Certificates of Deposit				2,859,780
Money Market Funds				<u>6,246,081</u>
Total Investments				<u><u>\$11,862,064</u></u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2007 was as follows:

	<b>Primary Government</b>			
	<b>Beginning Balance, Restated *</b>	<b>Additions</b>	<b>Deletions / Adjustments</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Non-Depreciable Assets:				
Land	\$40,131,768	\$3,333,530	(\$1,782,667)	\$41,682,631
Land Related to Infrastructure	632,512		(632,512)	0
Purchase of Development Rights	43,032,814	4,717,619		47,750,433
Construction in Progress	12,876,767	2,248,109	738,442	15,863,318
Depreciable Assets:				
Buildings	126,943,529	2,350,587	(2,934,264)	126,359,852
Vehicles, Equipment and Furniture *	87,803,376	12,550,332	(9,047,366)	91,306,342
Land and Leasehold Improvements *	11,627,732	1,132,468	(137,068)	12,623,132
Infrastructure *	947,045,178	12,917,600	(1,046,950)	958,915,828
Sewer Lines	0	573,771	(520,615)	53,156
Sewer Plants	0	345,251	(181,345)	163,906
<b>Totals at historical cost</b>	<b>1,270,093,676</b>	<b>40,169,267</b>	<b>(15,544,345)</b>	<b>1,294,718,598</b>
Less accumulated depreciation for:				
Buildings *	(22,986,080)	(3,717,618)	724,314	(25,979,384)
Vehicles, Equipment and Furniture *	(60,909,539)	(8,409,141)	8,071,347	(61,247,333)
Land and Leasehold Improvements *	(5,162,720)	(1,035,712)	7,084	(6,191,348)
Infrastructure *	(63,735,060)	(30,515,086)	6,166	(94,243,980)
Sewer Lines	0	(664)		(664)
Sewer Plants	0	(2,049)		(2,049)
<b>Total accumulated depreciation</b>	<b>(152,793,399)</b>	<b>(43,680,270)</b>	<b>8,808,911</b>	<b>(187,664,758)</b>
<b>Governmental activities capital assets, net</b>	<b>\$1,117,300,277</b>	<b>(\$3,511,003)</b>	<b>(\$6,735,434)</b>	<b>\$1,107,053,840</b>
<b>Business-type Activities:</b>				
Non-Depreciable Assets:				
Land	\$45,381,552	\$1,696,160		\$47,077,712
Construction in Progress	4,999,834	803,070	2,296,666	8,099,570
Depreciable Assets:				
Buildings	128,133,092	549,134	(32,313)	128,649,913
Vehicles, Equipment and Furniture *	12,506,362	1,373,264	(770,930)	13,108,696
Land and Leasehold Improvements	47,429,051	2,328,069	(1,931,096)	47,826,024
Sewer Lines	133,484,093	2,938,047	(434,038)	135,988,102
Sewer Plants	159,275,354	1,515,198	(318,410)	160,472,142
<b>Totals at historical cost</b>	<b>531,209,338</b>	<b>11,202,942</b>	<b>(1,190,121)</b>	<b>541,222,159</b>
Less accumulated depreciation for:				
Buildings *	(46,336,766)	(4,528,984)		(50,865,750)
Vehicles, Equipment and Furniture *	(10,560,736)	(708,823)	600,358	(10,669,201)
Land and Leasehold Improvements *	(23,246,295)	(2,448,946)	13,823	(25,681,418)
Sewer Lines	(39,305,624)	(2,600,338)		(41,905,962)
Sewer Plants	(64,537,845)	(3,273,460)		(67,811,305)
<b>Total accumulated depreciation</b>	<b>(183,987,266)</b>	<b>(13,560,551)</b>	<b>614,181</b>	<b>(196,933,636)</b>
<b>Business-type activities capital assets, net</b>	<b>\$347,222,072</b>	<b>(\$2,357,609)</b>	<b>(\$575,940)</b>	<b>\$344,288,523</b>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
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Depreciation expense was charged to functions/programs of the primary government as follows:

**Governmental activities:**

General Government	\$531,966
Administrative Services	473,868
Finance	339,866
Public Works	33,847,366
Public Safety	198,511
Police	2,190,246
Fire and Emergency Services	1,576,392
Law	16,711
Community Corrections	1,667,583
Social Services	425,147
General Services	1,073,587
Parks and Recreation	1,212,225
Outside Agencies	126,802
<b>Total additions to accumulated depreciation - governmental activities</b>	<u><u>\$43,680,270</u></u>

**Business-type activities:**

Sanitary Sewers	\$6,361,411
Public Facilities	5,803,380
Public Parking	301,407
Landfill	937,181
Right of Way	3,541
Extended School Program	14,243
Prisoners' Account System	90,314
Enhanced 911	49,074
<b>Total depreciation expense - business-type activities</b>	<u><u>\$13,560,551</u></u>

**Discretely Presented Component Units**

	<b>Beginning</b>		<b>Ending</b>
	<b>Balance</b>	<b>Additions</b>	<b>Deletions</b>
	<b>Balance</b>	<b>Additions</b>	<b>Balance</b>
Non-Depreciable Assets:			
Land	\$19,617,986	\$234,495	\$19,852,481
Construction in Progress	35,310,145	20,661,370	(23,280,048)
Other	460,902		460,902
Depreciable Assets:			
Buildings and Improvements	211,761,639	27,970,464	(60,136)
Vehicles, Equipment and Furniture	43,211,903	1,508,394	(595,000)
Land and Leasehold Improvements	33,434,770	82,307	33,517,077
<b>Totals at historical cost</b>	<b>343,797,345</b>	<b>50,457,030</b>	<b>(23,935,184)</b>
<b>Less accumulated depreciation</b>	<b>(135,194,314)</b>	<b>(14,286,094)</b>	<b>648,021</b>
<b>Component unit activities</b>			
<b>capital assets, net</b>	<b>\$208,603,031</b>	<b>\$36,170,936</b>	<b>(\$23,287,163)</b>
	<b>\$221,486,804</b>		

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the Year Ended June 30, 2007

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Construction Commitments

The Government has active construction projects as of June 30, 2007. The projects include improvements to major roadways, government buildings, sanitary sewer and stormwater systems, and parks improvements. At year end, the Government had the following commitments on construction contracts:

<u>Project</u>	<u>Remaining Commitment</u>
Renovations to government buildings	\$464,383
Parks improvements	444,449
Land Improvements	3,534,956
Roadway Improvements	5,294,271
Sanitary Sewer Improvements	2,556,160
Storm sewers	725,394
Total	<u><u>\$13,019,613</u></u>

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

**C. Interfund Receivables, Payables, and Transfers**

The principal purpose of the Government's interfund transfers is indicative of funding for capital projects or subsidies of various Government operations and reallocation of special revenues. Due to our practice of cash management by concentrating the Government's funds interfund balances exist as of June 30, 2007. In addition, Federal and State Grants revenues are based on reimbursable expenditures. The composition of interfund balances as of June 30, 2007, is as follows:

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

Interfund Receivables and Payables:

<u>Receivable (Payable) Fund</u>	<u>Payable (Receivable) Fund</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Federal and State Grants	General	(\$8,768,496)	
Federal and State Grants	Sanitary Sewer System	1,798	
General	Federal and State Grants	8,768,496	
General	General	(3,774,941)	
	Governmental Activities		
General	Internal Service Funds	1,713,500	(395,217)
General	Other Enterprise Funds	135,057	
General	Other Governmental Funds	12,630,352	
General	Public Facilities Corporation	(1,075,635)	
General	Public Parking Corporation	(401,095)	
General	Sanitary Sewer System	(10,240,797)	
General	Urban Services	(7,410,746)	
Governmental Activities			
Internal Service Funds	General	(1,318,282)	
Other Enterprise Funds	General		(133,767)
Other Governmental Funds	General	(8,855,411)	
Other Governmental Funds	Sanitary Sewer System	19,148	
Other Governmental Funds	Urban Services	185,640	
Public Facilities Corporation	General		1,074,345
Public Parking Corporation	General		401,095
Sanitary Sewer System	Federal and State Grants		(1,798)
Sanitary Sewer System	General		4,616,462
Sanitary Sewer System	Other Governmental Funds		(19,148)
Sanitary Sewer System	Sanitary Sewer System		5,624,334
Urban Services	General	7,410,746	
Urban Services	Other Governmental Funds	(185,640)	
		<u>(\$11,166,306)</u>	<u>\$11,166,306</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

Due to / from related to Component Units activities:

<u>Receivable (Payable) Entity</u>	<u>Payable (Receivable) Entity</u>	<u>Due to Primary Government from Component Units</u>	<u>Due from Primary Government to Component Units</u>	<u>Due to Component unit from Component Unit</u>
Primary government - General Fund	Component unit - Explorium of Lexington	\$147,995		
Primary government - General Fund	Component unit - Carnegie Literacy Center	66,701		
Primary government - General Fund	Component unit - Downtown Development Authority	30,758		
Primary government - General Fund	Component unit - Lexington Transit Authority	305,239		
Primary government - General Fund	Component unit - Lexington Convention and Visitor's Bureau		(563,227)	
Primary government - General Fund	Component unit - Lexington Center Corporation		(97,892)	
Component unit - Lexington Convention and Visitor's Bureau	Component unit - Lexington Center Corporation			(255,865)
		<u>\$550,693</u>	<u>(\$661,119)</u>	<u>(\$255,865)</u>

Interfund transfers:

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

	<u>Transfer (In)/Out:</u>				<u>Total</u>
	<u>General</u>	<u>Major Proprietary</u>	<u>Nonmajor Governmental</u>	<u>Non- Major Proprietary</u>	
General		(\$183,625)		\$1,047,050	\$863,425
Urban Services	594,881		87,010		681,891
Federal and State Grants	12,621		1,939		14,560
Nonmajor Governmental	(1,962,149)	(87,100)			(2,049,249)
Total	<u>(\$1,354,647)</u>	<u>(\$270,725)</u>	<u>\$88,949</u>	<u>\$1,047,050</u>	<u>(\$489,373)</u>

**D. Long-term Debt**

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

**Primary Government**

**Bonds Payable, Notes Payable, Compensated Absences Liability, Landfill Closure  
& Postclosure Care Costs, and Unfunded Pension Liability  
June 30, 2007**

Purpose of Issue	Original Issue	Interest Rates	Final Maturity	Amount Outstanding
<b>Governmental Activities</b>				
Bonds, Notes, Loans, and Leases:				
General Obligation, Series 1999A	\$67,115,000	4.25% - 4.75%	May-2024	\$4,660,000
General Obligation, Series 1999B	3,570,000	4.75% - 5.60%	Nov-2019	2,710,000
General Obligation, Series 2000A	8,460,000	5.13% - 5.63%	Feb-2020	6,410,000
General Obligation, Series 2000D	10,675,000	4.25% - 5.00%	Dec-2010	4,865,000
General Obligation, Series 2000E	9,335,000	4.30% - 5.25%	Dec-2020	7,385,000
General Obligation, Series 2001B	7,635,000	3.00% - 4.63%	Dec-2021	6,220,000
General Obligation, Series 2002B	2,330,000	3.00% - 4.00%	May-2012	1,255,000
General Obligation, Series 2002C	4,570,000	3.00% - 4.70%	Dec-2022	3,465,000
General Obligation, Series 2003B	1,455,000	2.00% - 3.00%	May-2010	645,000
General Obligation, Series 2003A	19,185,000	2.00% - 3.13%	Feb-2011	7,280,000
General Obligation, Series 2004B	2,350,000	2.00% - 4.00%	May-2011	1,400,000
General Obligation, Series 2004C	9,640,000	2.50% - 4.75%	Jul-2024	8,960,000
General Obligation, Series 2005A	5,365,000	3.00%	Apr-2008	1,840,000
General Obligation, Series 2005B	2,830,000	3.00% - 3.38%	Apr-2012	2,080,000
General Obligation, Series 2005C	4,490,000	3.00% - 4.20%	Jun-2025	4,020,000
General Obligation, Series 2006A	14,390,000	4.00%	May-2011	10,985,000
General Obligation, Series 2006B	10,310,000	4.00% - 4.50%	Jun-2026	9,530,000
General Obligation, KLC Series 2000	360,000	3.97%	May-2012	225,000
General Obligation, Series 2006C	2,055,000	3.50% - 4.20%	Nov-2026	2,055,000
General Obligation, Series 2006D	56,850,000	4.00% - 4.25%	May-2024	56,815,000
<b>Total Bonds, Notes and Loans</b>	<u>\$242,970,000</u>			<u>142,805,000</u>
Other Liabilities:				
Compensated Absences				18,771,945
Unfunded Pension Liability				18,700,600
<b>Total Other Liabilities</b>				<u>37,472,545</u>
<b>Total Governmental Activities</b>				<u>\$180,277,545</u>
<b>Business-Type Activities</b>				
Bonds, Notes and Loans:				
Sanitary Sewer, Series 1996	\$14,860,000	4.50% - 5.00%	Jul-2009	\$1,565,000
Public Parking, Series 1998	7,260,000	1.00% - 4.80%	Feb-2010	2,160,000
Sanitary Sewer, Series 2001A	25,150,000	4.00% - 5.00%	Jul-2021	23,025,000
Sanitary Sewer, Series 2001B	16,860,000	4.00% - 5.50%	Jul-2012	14,810,000
Public Facilities, Series 2006	66,725,000	3.88% - 4.25%	Oct-2031	66,725,000
<b>Total Bonds, Notes and Loans</b>	<u>\$130,855,000</u>			<u>108,285,000</u>
Other Liabilities:				
Compensated Absences				902,420
Landfill Closure & Postclosure Care Costs				16,883,678
<b>Total Other Liabilities</b>				<u>17,786,098</u>
<b>Total Business-type Activities</b>				<u>\$126,071,098</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2007, was as follows:

<b>Long-Term Liabilities</b>					
<b>For the Year Ended June 30, 2007</b>					
	Balance			Balance	Due Within
	<u>06/30/2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>06/30/2007</u>	<u>One Year</u>
<b>Governmental Activities</b>					
Bonds, Notes, Loans, and Leases					
General Obligation Bonds, Notes & Leases	\$154,760,000	\$58,905,000	\$70,860,000	\$142,805,000	\$16,740,000
Bond Anticipation Note	750,000		750,000	0	
Lease Revenue Notes Payable	72,661		72,661	0	
<b>Total Bonds, Notes and Loans</b>	<u>155,582,661</u>	<u>58,905,000</u>	<u>71,682,661</u>	<u>142,805,000</u>	<u>16,740,000</u>
Other Liabilities					
Compensated Absences	16,011,554	2,760,391		18,771,945	2,590,341
Unfunded Pension Liability	17,582,997	1,117,603		18,700,600	
<b>Governmental Activities Long-term Liabilities</b>	<u>\$189,177,212</u>	<u>\$62,782,994</u>	<u>\$71,682,661</u>	<u>\$180,277,545</u>	<u>\$19,330,341</u>
<b>Business-type Activities</b>					
Bonds, Notes and Loans					
Revenue Bonds	\$42,915,000		\$3,515,000	\$39,400,000	\$3,685,000
Mortgage Revenue Bonds	69,625,000	66,725,000	67,465,000	68,885,000	690,000
<b>Total Bonds, Notes and Loans</b>	<u>112,540,000</u>	<u>66,725,000</u>	<u>70,980,000</u>	<u>108,285,000</u>	<u>4,375,000</u>
Other Liabilities					
Compensated Absences	851,806	50,614		902,420	271,538
Landfill Closure & Postclosure Care Costs	20,846,045		3,962,367	16,883,678	5,846,184
<b>Business-type Activities Long-term Liabilities</b>	<u>\$134,237,851</u>	<u>\$66,775,614</u>	<u>\$74,942,367</u>	<u>\$126,071,098</u>	<u>\$10,492,722</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. For the governmental activities, compensated absences are generally liquidated by the General Fund and the Urban Services Fund.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

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

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

Fiscal Year	Governmental	Business-type Activities			Total Primary Government
	Activities General Obligation Bonds, Notes & Leases	Revenue Bonds	Mortgage Revenue Bonds	Total	
2008	\$16,740	\$3,685	\$690	\$4,375	\$21,115
2009	13,760	3,855	1,725	5,580	19,340
2010	11,350	4,040	2,580	6,620	17,970
2011	11,600	4,255	1,900	6,155	17,755
2012	7,165	4,480	1,970	6,450	13,615
2013 - 2017	33,965	10,310	11,110	21,420	55,385
2018 - 2022	34,230	8,775	13,565	22,340	56,570
2023 - 2027	13,995		16,645	16,645	30,640
2028 - 2032			18,700	18,700	18,700
Total	142,805	39,400	68,885	108,285	251,090
Less Payable Within					
One Year	16,740	3,685	690	4,375	21,115
Long Term Principal Due After One Year	\$126,065	\$35,715	\$68,195	\$103,910	\$229,975

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

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

Fiscal Year	Governmental Activities		Business-type Activities			
	General Obligation Bonds, Notes & Leases		Revenue Bonds		Mortgage Revenue Bonds	
	Interest	Principal	Interest	Principal	Interest	Principal
2008	\$5,847	\$16,740	\$1,906	\$3,685	\$3,595	\$690
2009	5,232	13,760	1,726	3,855	2,786	1,725
2010	4,679	11,350	1,529	4,040	2,697	2,580
2011	4,226	11,600	1,314	4,255	2,589	1,900
2012	3,788	7,165	1,087	4,480	2,514	1,970
2013 - 2017	14,636	33,965	3,176	10,310	11,324	11,110
2018 - 2022	7,189	34,230	1,141	8,775	8,867	13,565
2023 - 2027	1,018	13,995			5,783	16,645
2028 - 2032					1,979	18,700
Total	\$46,615	\$142,805	\$11,879	\$39,400	\$42,134	\$68,885

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the Year Ended June 30, 2007

**Component Units**

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

**Summary of Principal Requirements**

Fiscal Year	Lexington Center Corporation	Lexington Airport Board	Fayette County Board of Health	Nonmajor Component Units	Total
2008	\$2,600,000	\$1,300,000	\$0	\$114,420	\$4,014,420
2009	2,386,332	1,475,000	90,000	93,197	4,044,529
2010	2,286,362	1,350,000	95,000	70,369	3,801,731
2011	2,155,907	1,725,000	100,000	73,184	4,054,091
2012	2,030,925	1,600,000	105,000	76,141	3,812,066
2013 - 2017	9,879,350	7,950,000	625,000	435,611	18,889,961
2018 - 2022	12,000,000	7,675,000	0	555,665	20,230,665
2023- 2027	0	9,275,000	0	703,870	9,978,870
2028 - 2032	0	9,750,000	0	878,147	10,628,147
2033 - 2035	0	3,950,000	0	453,069	4,403,069
Total	<u>33,338,876</u>	<u>46,050,000</u>	<u>1,015,000</u>	<u>3,453,673</u>	<u>83,857,549</u>
Less Payable Within One Year	2,600,000	1,300,000	0	114,420	4,014,420
Less Refinancing Loss/Premium- Discount	<u>16,759</u>	<u>217,539</u>	<u>0</u>	<u>0</u>	<u>234,298</u>
Long Term Principal Due After One Year	<u>\$30,722,117</u>	<u>\$44,532,461</u>	<u>\$1,015,000</u>	<u>\$3,339,253</u>	<u>\$79,608,831</u>

**General Description of the Government's Bonds and Notes Payable**

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

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- Each month to the Sinking Fund, 1/6 of the next interest payment and 1/12 of the next principal payment and, if necessary, 1/24th of the required Debt Service Reserve which is the 125% of the average annual debt service on the 1996 and 2001 Series A and B Bonds, and any parity bonds until the Debt Service Reserve equals the requirement.
- Pay, as they accrue, the proper and necessary costs of operating, maintaining and insuring the System as set out in the "Current Expenses" contained in the annual budget and to accumulate and maintain an amount sufficient to pay said costs for three months.
- Each month to the Depreciation Fund, 1/24th of the required Depreciation Reserve (defined as 5% of the outstanding bonds or such larger amount as required by an Independent Consulting Engineer) until the required Depreciation Reserve has been accumulated.
- To the Capital Projects Fund any surpluses after the Sinking Fund, Debt Service Reserve and Depreciation Fund are fully funded and the Revenue and Operations Account contains an amount sufficient to operate, maintain and insure the System for three full months.

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

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

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

The Public Facilities Corporation issued the \$66,725,000 Mortgage Revenue Refunding Bonds, Series 2006, to refund the \$62,825,000 total principal remaining on the Series 1998 bonds. The refunded bonds were issued to finance a court facility that includes a Circuit Court Building, a District Court Building, and an adjoining parking garage. The Government entered into a sublease with the Administrative Office of the Court (AOC) of the Commonwealth of Kentucky which provides for lease payments based on the percentage of space occupied by AOC functions in the courthouses and the AOC share of costs of the parking garage. The resulting AOC sublease payments will account for approximately 89% of the debt service payments; the remaining debt service payments will be paid by the Government.

The Public Parking Corporation (PPC) was created to act as an agency and instrumentality of the Government in the acquisition and financing of public parking projects. Debt issued by the PPC is collateralized by the properties and lease payments from the Government. The Government leases the properties from the PPC for amounts sufficient to pay the bond principal and interest maturities and to operate, insure, and maintain the properties. Upon payment of the outstanding bonds, title to the properties will be conveyed to the Government. The lease agreements are renewable annually, and the likelihood of the leases not being renewed is remote.

The Public Parking Corporation issued the \$7,260,000 Refunding Bonds, Series of 1998, to refund the \$6,655,000 total principal remaining on the 1990 bonds and to reduce interest rates on the debt. The refunded bonds were

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

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issued to finance the construction of a downtown transit center, parking garage and the Martin Luther King Boulevard construction project. The Transit Center is a central location for users of the public transportation system, or LexTran, to transfer from one bus route to another. A parking garage is on top of the Transit Center. In addition, structural support is designed to accommodate future construction above the parking garage. The Martin Luther King Boulevard realignment project remedied the problem of a cross street that did not properly align with East Main Street.

The bond indenture requires a debt service reserve in the amount of the outstanding maximum annual debt service requirement. As of June 30, 2007, the required reserve of \$774,934 was over funded by \$4,640 resulting in a reserve of \$779,574. The monies in the debt service reserve are available to pay annual debt service in the event there are insufficient funds in the bond fund.

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

1. \$67,115,000, Series 1999A, to finance the construction of and equipment for a new community corrections facility. The facility is comprised of approximately 415,000 gross square feet holding approximately 1,280 inmates with future expansion to approximately 2,000 inmates. These bonds were partially refunded in November 2006 with the Series 2006D refunding bonds and have an outstanding principal of \$4,660,000.
2. \$3,570,000, Series 1999B, to pay for the construction of a branch library that is located on the corner of Laredo Drive and Tates Creek Road in Lexington, Kentucky.
3. \$8,460,000, Series 2000A, to finance the acquisition of and improvements to the Picadome Golf Course facility (formerly known as the Campbell House Golf Course) and improvements to existing golf courses. The Picadome Golf Course facility is situated on approximately 103 acres in southcentral Lexington and includes an 18-hole course, a pro shop, a swimming pool, a tennis court, and a clubhouse.
4. \$10,675,000, Series 2000D, to finance the construction of various storm water improvements.
5. \$9,335,000, Series 2000E, to finance the improvement and renovation of the Tates Creek and Douglass swimming pools, and the acquisition, improvement and renovation of buildings for use as government office space.
6. \$7,635,000, Series 2001B, to finance the Purchase of Development Rights Program (PDR), a program to purchase conservation easements in Fayette County. This program is one component of an overall rural land use plan to preserve and manage the unique agricultural, rural and natural lands of Fayette County. The PDR program purchases and/or accepts donations of conservation easements from rural property owners in exchange for removal of future development rights from rural land.
7. \$2,330,000, Series 2002B, to finance the acquisition, installation, and renovation of the Government Center, including replacement of the elevators and the HVAC system.
8. \$4,570,000, Series 2002C, to finance the construction of various stormwater improvements and two lanes of a four-lane boulevard.
9. \$1,455,000, Series 2003B, to finance the acquisition and installation of certain fire equipment, including fire pumps and fire aerial units.
10. \$19,185,000, Refunding Series 2003A, to refund the \$18,760,000 principal outstanding on the PFC 1993 Refunding Bonds.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

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11. \$2,350,000, Series 2004B, to finance the purchase of fire trucks and a public safety radio system.
12. \$9,640,000, Series 2004C, to finance the costs associated with the acquisition, construction, and equipping a day treatment facility; the acquisition, renovation and equipping of a multi-use facility; and the acquisition of rights of way and construction of road improvements.
13. \$5,365,000, Series 2005A, to finance the acquisition of certain equipment and vehicles including a fiber network, police cars, dump trucks and other vehicles and equipment for the benefit of numerous departments of the Government.
14. \$2,830,000, Series 2005B, to finance the acquisition and installation of certain fire equipment including fire engines, EMS units, fire aerial units and other equipment.
15. \$4,490,000, Series 2005C, to finance the costs of the Purchase of Development Rights Program, renovating and upgrading space in two government office buildings, and making structural repairs to two parking garages owned and operated by the Government.
16. \$14,390,000, Series 2006A to finance acquisition of certain equipment and vehicles, acquiring an integrated financial and human resources information system and various park improvements.
17. \$10,310,000, Series 2006B to finance stormwater improvements, neighborhood redevelopment projects, Bluegrass Aspendale Parkway, Veterans Park fire station and police cars.
18. \$2,055,000, Series 2006C to finance the costs of the Purchase of Development Rights Program.
19. \$56,850,000, Refunding Series 2006D, to refund the Public Facilities Corporation Series 1995 bonds for \$2,500,000 in principal amount and to partially refund the 1999 General Obligation Bonds, Series 1999A aggregating \$52,885,000 in principal. The refunding resulted in annual debt service savings of approximately \$139,000 per year.

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

Landfill Closure and Postclosure Care Cost - State and federal laws and regulations require the Government to place final covers on its landfills and to perform certain maintenance and monitoring functions at the Haley Pike landfill for thirty years. Since the operations of the Government's landfill is accounted for in an Enterprise Fund, the accrued liability for these costs are reported in the Landfill Fund as required by GASB 18, Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs. The \$16,883,678 liability reported at June 30, 2007 is based on the use of 97.46% of the estimated capacity of the Haley Pike landfill and 100% of the Old Frankfort Pike landfill. The Government will recognize this cost as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2007. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**E. Net Assets**

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

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

Issue	Amount Outstanding	Reserve	Unamortized Balances	Unspent Proceeds	Net Related Debt
<b>Capital Assets - Governmental</b>					
1999 Detention Center	\$4,660,000				\$4,660,000
1999B Tates Creek Library	2,710,000				2,710,000
2000 KLC	225,000		3,821	2,043	219,136
2000A Picadome Golf Course	6,410,000				6,410,000
2000D Storm Water Projects	4,865,000				4,865,000
2000E KU Building and Pool	7,385,000				7,385,000
2001B Purchase of Development Rights	6,220,000		107,323		6,112,677
2002B HVAC Government Center	1,255,000		(6,087)		1,261,087
2002C EAMP/Storm Water Projects	3,465,000		55,281	516,187	2,893,532
2003A Public Facilities Projects	7,280,000		53,291	3,069	7,223,640
2003B 2003 Go Series Notes	645,000		(4,779)	16,960	632,819
2004B Public Safety	1,400,000		(11,648)	49,915	1,361,733
2004C Multi-Purpose Project	8,960,000		148,460	191,411	8,620,129
2005A Equipment Purchase	1,840,000			345,147	1,494,853
2005B Purchase of Fire Equipment	2,080,000		11,761		2,068,239
2005C Purchase of Development Rights	4,020,000		26,501		3,993,499
2006A Equipment Purchase	10,985,000		(85,135)		11,070,135
2006B Various Projects	9,530,000		67,427		9,462,573
2006C Purchase of Development Rights	2,055,000		38,158		2,016,842
2006D Refunding	56,815,000		(93,964)		56,908,964
Total Governmental	<u>\$142,805,000</u>	<u>\$0</u>	<u>\$310,410</u>	<u>\$1,124,732</u>	<u>\$141,369,858</u>
Net Capital Assets					<u>1,107,053,840</u>
Invested in Capital Assets, net of related debt					<u>\$965,683,982</u>
<b>Capital Assets - Proprietary</b>					
1996 Sanitary Sewers	\$1,565,000		\$47,599		\$1,517,401
2001A Sanitary Sewers	23,025,000	1,970,000	236,976	194,304	20,623,720
2001B Sanitary Sewers	14,810,000		133,173		14,676,827
1998 Public Parking	2,160,000	799,416	156,632		1,203,952
1995 Public Facilities	66,725,000		5,051,965		61,673,035
	<u>\$108,285,000</u>	<u>\$2,769,416</u>	<u>\$5,626,345</u>	<u>\$194,304</u>	<u>99,694,935</u>
Net Capital Assets					<u>344,288,523</u>
Invested in Capital Assets, net of related debt					<u>\$244,593,588</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the Year Ended June 30, 2007

Storm Water general obligation bonds account	\$441,073
Public Safety obligation bonds and notes account	583,197
Office Building and Pool general obligation bonds account	2,420
Various Purpose general obligation notes account	12,177,464
Golf Course general obligation bonds account	15,068
Equipment general obligation notes account	2,798,179
Purchase of Development Rights general obligation bonds account	1,891,192
Public Works general obligation notes account	2,551,047
Public Library Corporation general obligation bond account	23,145
Urban Service	1,503
Total restricted assets	<u>\$20,484,288</u>

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

Sanitary sewer system maintenance and operations account	\$5,138,075
Sanitary sewer revenue bond sinking fund account	4,681,456
Sanitary sewer revenue bonds construction account	7,671,686
Sanitary sewer depreciation account	1,970,000
Sanitary sewer debt service reserve account	6,781,928
Public Facilities revenue bonds sinking fund account	60
Public Parking Corporation debt service reserve account	799,416
Total restricted assets	<u>\$27,042,621</u>

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

**NOTE 4. SELF-INSURANCE PROGRAM**

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

Liability at June 30, 2005	\$550,162
Claims and changes in estimates - FY 2006	24,507,433
Claims paid FY 2006	<u>(24,675,270)</u>
Liability at June 30, 2006	382,325
Claims and changes in estimates - FY 2007	25,830,768
Claims paid FY 2007	<u>(26,235,485)</u>
Surplus at June 30, 2007	<u>(\$22,392)</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 Insurance and Risk Management Fund (the Fund), a self-insurance program

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

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

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

Annually, as of June 30, the Fund has a third party actuary review the claim histories for all claim years for which open claims are outstanding. The actuary projects the ultimate claim payment obligation (including the incurred but not reported claims) for each year's claim experience. The Government elected to establish the liability for these claims and loss expenses at their present value with a discount rate of 3.5%. As of June 30, 2007, the undiscounted estimated liability was \$22,584,000. The discounted estimated liability as of June 30, 2007 was \$19,089,002. Changes in the balances of claims liabilities during the past two years are as follows:

	Auto Liability and Physical Damage	General Liability	Property	Workmen's Compensation	Total
Liability at June 30, 2005	\$990,141	\$4,969,620	\$234,106	\$10,286,479	\$16,480,346
Claims and changes in estimates FY 2006	1,035,365	209,877	315,169	5,009,892	6,570,303
Claims paid FY 2006	(914,506)	(728,497)	(412,275)	(3,393,371)	(5,448,649)
Liability at June 30, 2006	1,111,000	4,451,000	137,000	11,903,000	17,602,000
Claims and changes in estimates FY 2007	2,380,861	2,853,550	541,751	5,152,200	10,928,362
Claims Incurred FY 2007	(2,530,861)	(2,333,550)	(559,751)	(4,017,198)	(9,441,360)
Liability at June 30, 2007	<u>\$961,000</u>	<u>\$4,971,000</u>	<u>\$119,000</u>	<u>\$13,038,002</u>	<u>\$19,089,002</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
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For the Year Ended June 30, 2007

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

**NOTE 5. CONTINGENT LIABILITIES**

**A. Litigation** - The Lexington-Fayette Urban County Government is party to numerous legal proceedings, many of which normally occur in government operations and will not involve any potential liability to the Government. The Government's Department of Law and the Division of Risk Management estimate that there are 121 pending cases in which there is a reasonably possible likelihood that the Government will incur some liability and estimate the aggregate potential liability for the cases covered by self-insurance at \$7,312,316.

On November 21, 2005, Mark Blankenship, et al filed suit in the Fayette County Circuit Court against LFUCG alleging improper calculation of overtime wages in violations of KRS 337.285, breach of an implied and /or express contract found in ordinances and policies to pay overtime in excess of 40 hours worked in accord with state wage and hour law, and failure to properly calculate amounts paid into pension funds in violation of KRS 67A.360 et seq. Plaintiffs are current and former firefighters of the Lexington-Fayette Urban County Government ("LFUCG"). For all three counts in the Complaint, Plaintiffs claim liquidated damages of twice the amount underpaid for LFUCG's alleged bad faith pursuant to KRS 337.385. There are currently 430 individual plaintiffs. LFUCG filed a motion for judgment on the pleadings, asking the court to dismiss the wage and hour and breach of contract claims based on sovereign immunity. The Court granted the motion and dismissed Plaintiffs' wage and hour and contract claims, leaving the pension fund claims. Plaintiffs filed an appeal to the Kentucky Court of Appeals but voluntarily dismissed it because the case is not ripe for appeal due to the one claim left alive. The appeal was dismissed on April 24, 2008 and we have yet to hear from the Plaintiffs about going forward. LFUCG intends to defend itself vigorously in this lawsuit.

On September 6, 2006, Justin Crawford and seven other current employees of the LFUCG Division of Community Corrections, together with one former employee, filed an action in the Fayette County Circuit Court against the LFUCG, alleging multiple types of violations of state and federal wage and hour laws. Plaintiffs filed the action as a putative class action under state law and a collective action under federal law. They seek compensatory damages in the form of unpaid wages, an equal amount in liquidated damages, contributions to the pension plan and attorney fees. On January 23, 2007, the court dismissed all of the state law claims on the basis that the LFUCG enjoyed sovereign immunity from suit under state law. On January 26, 2007, the court conditionally certified the case as a collective action under the federal Fair Labor Standards Act. Pursuant thereto, notices were sent to all current or former employees who hold or have held the ranks of Officer through Major and worked at the LFUCG Detention Center since September 6, 2003. These notices gave these individuals the opportunity to join the lawsuit as plaintiffs if they did so by May 22, 2007. The court later extended this deadline by thirty days. By the end of this "opt-in"

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NOTES TO FINANCIAL STATEMENTS (Continued)  
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period in June 2007, there were a total of 340 plaintiffs. About two-thirds of these plaintiffs are current employees. The court bifurcated the case between liability and damages. Trial upon the liability is scheduled for August 25, 2008, although the Court's discovery schedule will allow the parties to present only two liability issues on that date. The Court has not set a date with respect to the discovery or trial of other liability issues. In addition, by order dated May 28, 2008, the court granted: (1) the plaintiffs' motion to allow the meal break and exempt issues to proceed as collective actions involving subclasses of the conditionally certified class of plaintiffs; and (2) the plaintiffs' motion to voluntarily dismiss sixteen plaintiffs without prejudice. Also, on May 28, 2008, the LFUCG filed a motion to dismiss fifty-six (56) plaintiffs who failed to respond to written discovery and/or appear for properly noticed depositions. The LFUCG is scheduled to file a motion to decertify the case as a collective action involving subclasses on or before June 10, 2008. The LFUCG also intends to ask the court to dismiss all claims on liability before the trial. The LFUCG is vigorously defending the case.

On December 21, 2006, the Fayette Circuit Court issued an opinion on the case Tommy Puckett, et al vs. the Lexington Fayette Urban County Government that supports plaintiffs' position that the Board of Trustees of the Police and Firefighters' Retirement Fund has the authority to establish the full employer contribution requirement of the Government. The Government disagrees with this opinion and filed an appeal on December 28, 2006. On February 1, 2008 the Court of Appeals affirmed the decision of the Circuit Court. LFUCG filed a Motion for Discretionary Review on February 29, 2008. The motion is under submission to the Kentucky Supreme Court. The potential liability in the event of an adverse ruling on the appeal is reported as the net pension obligation in Note 9 D and, in the event funding is required, would be funded through the issuance of a long term pension bond issue.

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

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

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

Revenues from the operations of the LCC and proceeds from a statutorily dedicated transient room tax were sufficient to pay the debt service requirement in fiscal year 2007.

**C. Lexington-Fayette Urban County Airport Corporation (Airport Corporation)** - The Lexington-Fayette Urban County Airport Corporation is a nonprofit, nonstock corporate agency and instrumentality of the Lexington-Fayette Urban County Government and the Lexington-Fayette Urban County Airport Board (Airport Board). The Government and the Airport Board have entered into a joint and severable Contract Lease and Option Agreement

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

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that provides for leasing to the Bluegrass Airport from the Airport Corporation on an annual basis beginning October 1, 1976. The annual rental to be paid by the Government to the Airport Corporation is an amount equal to interest and principal on the bonds, plus costs of operating, maintaining and insuring the leased premises, less all receipts of the Airport Corporation that are not required to be otherwise applied. The agreement grants the Government the option to renew the lease for additional one-year periods through June 30, 2024, but the Government may elect not to renew the lease with written notice to the Airport Corporation. The Airport Corporation has had sufficient revenues to pay all debt service costs without a lease payment from the Government. The financial status is expected to remain the same.

On August 27, 2006, Comair Flight 5191 attempted to depart the Airport, bound for Atlanta, Georgia. It crashed on a farm situated adjacent to the western end of Runway 8/26. With one exception, all persons on board are reported to have died. Persons purporting to represent at least 24 of the occupants of Flight 5191 have notified the Airport they are considering or intend to make some form of claim against the Airport relating to Flight 5191. Dozens of lawsuits have arisen from the crash of Flight 5191. The Airport has been named as a third party defendant in some of the lawsuits and as a defendant in at least four pending lawsuits. At this time, management is unable to assess whether the likelihood of an unfavorable outcome of the lawsuits is either probable or remote.

**D. Lexington Cultural Center** - The Government proposed the development of a cultural center and entered into an agreement with the Commonwealth of Kentucky to provide financing for a portion of the project. The Commonwealth agreed to provide financing for the land acquisitions and related costs necessary for the project with the Government acting as the Commonwealth's agent to acquire the property under a Memorandum of Understanding dated 1990. The Commonwealth contributed \$9,635,114 for this project. A subsequent Memorandum of Understanding (MOU) and Mutual Releases between the Commonwealth of Kentucky and the Lexington-Fayette Urban County Government were signed January 22, 1997 to accommodate changes in the project scope. The Government has agreed to invest \$15,220,000 in various cultural projects, and as of June 30, 2007, the Government had contributed \$17,778,250; one project remains uncompleted. In addition, \$4,350,000 has been donated from private sources. Planning began on the last project, an African American cultural center, in fiscal year 2006. It is estimated that this project will involve additional commitment of at least \$2 million.

**E. Lexington Downtown Housing Fund, LLC** – On December 9, 2004 the Government approved 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 lease is 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 the DHL LLC. Under the loan program the DHL LLC makes loans to developers of approved projects. The loans made by the DHL LLC are funded in part by the sublease and in part from funds contributed or loaned from local participating banks. The interest on the loans is paid by the developers and the principal of the loans are subsequently repaid by the revenues from the project. In the event of default by the developer on the loan payment, the portion of the loan funded by the sublease would become an obligation of the Government. As of June 30, 2007 the total principal outstanding was \$1,000,000.

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

**G. Conduit Debt** - The Government has issued Industrial Revenue Bonds to provide financial assistance to private sector and nonprofit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector or nonprofit entity served by the bond issue. The Government is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

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accompanying financial statements. At June 30, 2007 the outstanding balance on conduit debt issues was \$212,873,285.

**NOTE 6. SPECIAL ASSESSMENT DEBT**

Neighborhood sewer projects are financed with Special Assessment Bonds. Special assessments are collected from the property owners as the individual installments become due and payable. Bonds totaling \$105,000 remained outstanding as of June 30, 2007. The Government is not liable for repayment but is only acting as agent for the property owners in collecting assessments, forwarding collections to paying agent and initiating foreclosure proceedings when necessary. The assets and liabilities related to these bonds are reported in an Agency Fund.

**NOTE 7. THE SINGLE AUDIT ACT**

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

**NOTE 8. SUBSEQUENT EVENTS**

The United States Environmental Protection Agency (EPA) and the Kentucky Environmental and Public Protection Cabinet ["KEPPC"] filed suit in federal court against LFUCG in 2006 alleging various violations of the Clean Water Act. Throughout 2007, the parties negotiated and signed a Consent Decree in February, 2008 which resolved the case. The Consent Decree has been lodged with the Court, but not yet approved. Once approved by the Court, LFUCG will be obligated to pay a fine of \$425,000 to EPA. Additionally, under the terms of the agreement LFUCG will be required to take numerous measures to improve its sanitary sewer and storm water sewer systems which must be completed in 11 to 13 years. It is estimated that the total cost to LFUCG may approximate \$500 million. Failure by LFUCG to comply with terms of the Consent Decree may result in the imposition of civil penalties.

On February 2, 2007 Kenney and Sarah Havard filed suit against Daniel Leddy, a LFUCG Police officer, relating to an accident that occurred when the Police Officer turned left in front of a bicyclist resulting in broken leg. On December 6, 2007 the LFUCG settled the claim with Kenny and Sarah Havard for \$550,000.

On May 1, 2007 the guardian for brain injured moped driver Christopher Mattingly filed suit against Dean Hammond, a LFUCG Police Officer, who rear-ended the moped driver. During October of 2007, LFUCG learned of the full extent of Mr. Mattingly's injuries and successfully mediated the claim resulting with a three million dollar settlement being paid. The insurance carrier paid \$2 million with LFUCG paying the remaining \$1 million.

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

**The Policemen's and Firefighters' Retirement Fund and The City Employees' Pension Fund**

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

The sworn personnel of the divisions of Police and Fire are eligible to participate in the Policemen's and Firefighters' Retirement Fund. Benefits vest in this fund after twenty years of service. Employees who retire with 20 years of credited service receive 2.5% of their average salary times years of service. Members may add unused sick leave to service credit and average annual salary for purposes of calculating retirement benefits. In addition, the plan includes post-retirement benefits where any retired member who has been retired one year or more, will have

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the Year Ended June 30, 2007

an annual increase to his pension payment of between 2% and 5%, as determined by the Board of Trustees. The PFRF also provides death and disability benefits.

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

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

Membership of each plan consisted of the following at June 30, 2007:

	Policemen's and Firefighters'	City Employees'
Inactive Plan Participants:		
Retirees and beneficiaries currently receiving benefits	833	123
Active Plan Participants:		
Vested	64	1
Nonvested	999	
Total	1,896	124

**B. Summary of Significant Accounting Policies and Plan Asset Matters**

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

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

**C. Contributions** - The contribution requirements and benefit provisions for the Policemen's & Firefighters' Pension Fund and City Employees' Pension Fund are established by state statute and Government ordinance. In fiscal year 2007, the Government contributed 25.0% 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:

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

**D. Supplemental Information**

*Schedule of Funding Progress*

Actuarial Accrued						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
<b><i>Policemen's and Firefighters' Pension Fund (3% COLA)</i></b>						
7/1/02	\$292,510,573	\$400,184,454	\$107,673,881	73.1%	\$41,309,602	260.7%
7/1/03	288,541,052	436,508,177	147,967,125	66.1%	40,622,159	364.3%
7/1/04	329,683,295	467,385,573	137,702,278	70.5%	40,316,319	341.6%
7/1/05	355,459,416	520,683,849	165,224,433	68.3%	51,726,085	319.4%
7/1/06	373,314,278	594,804,448	221,490,170	62.8%	57,192,876	387.3%
7/1/07	397,712,302	627,939,926	230,227,624	63.3%	57,717,156	398.9%
<b><i>City Employees' Pension Fund</i></b>						
7/1/02	28,017,121	28,174,544	157,423	99.4%	\$65,820	239.2%
7/1/03	28,240,266	28,753,053	512,787	98.2%	36,300	1,412.6%
7/1/04	28,029,752	28,318,018	288,266	99.0%	38,604	746.7%
7/1/05	27,763,875	27,945,979	182,104	99.3%	39,972	455.6%
7/1/06	27,003,663	27,598,776	595,113	97.8%	40,920	1,454.3%
7/1/07	28,801,253	26,081,614	(2,719,639)	110.4%	40,944	(6,642.3)%

***Annual Pension Cost and Net Pension Obligation***

	Policemen's and Firefighters' Pension Fund	City Employees' Pension Fund
Annual Required Contribution	\$17,541,055	\$69,527
Interest on net pension obligation	1,249,984	156,656
Adjustment to annual required contribution	<u>(1,157,392)</u>	<u>(228,776)</u>
Annual pension cost	17,633,647	(2,593)
Contributions made	<u>(16,506,722)</u>	<u>(6,729)</u>
Increase in net pension obligation	1,126,925	(9,322)
Net pension obligation beginning of year	<u>15,624,795</u>	<u>1,958,202</u>
Net pension obligation end of year	<u><u>\$16,751,720</u></u>	<u><u>\$1,948,880</u></u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the Year Ended June 30, 2007

***Three-Year Trend Information***

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Obligation
<b><i>Policemen's and Firefighters' Pension Fund</i></b>				
2005	\$12,629,414	\$11,689,068	92.6%	\$17,113,189
2006	12,625,784	14,114,178	111.8%	15,624,795
2007	17,633,647	16,506,722	93.6%	16,751,720
<b><i>City Employees' Pension Fund</i></b>				
2005	7,799	6,816	87%	2,018,242
2006	(53,056)	6,984	N/A	1,958,202
2007	(2,593)	6,729	N/A	1,948,880

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

	<u>Policemen's and Firefighters' Pension Fund</u>	<u>City Employees' Pension Fund</u>
Valuation date	July 1, 2006	July 1, 2007
Actuarial cost method	Entry Age Normal Funding	Entry Age Normal Funding
Amortization method	Level Percent of Payroll	Level Dollar - Open
Remaining amortization period	23 years	15 years
Asset valuation method	Market	Market
Actuarial assumptions:		
Investment rate of return	8.0%	8.0%
Projected salary increases	5.0%	5.0%
Projected benefit increases	3.0%	3.0%
Projected inflation rate	3.0%	4.0%

**E. Other Post Employment Benefit**

In August 1999, the Council passed an ordinance that authorized the Government to provide a health insurance benefit to the retirees of both retirement funds, effective July 1, 1999. All retirees who continue to participate in the Government's group health insurance plan are eligible for this benefit. The Government paid the premiums for single coverage on a pay-as-you-go basis. In fiscal year 2007, 630 retirees of the PFRF received this benefit for a total cost of \$2,301,631; and 25 retirees of the CEPF received this benefit for a total cost to the Government of \$76,766.

The GASB has issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, effective in fiscal year 2008, which establishes standards for the measurement, recognition, and display of other post employment benefits expense/expenditures, related liabilities and note disclosures in the financial statements. The above ordinance will be disclosed in fiscal year 2008; however LFUCG does not know the financial impact of such disclosure at this time.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

**F. Pension Plan Financial Statements**

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2007**

	<u>Pension Trust Funds</u>		
	<u>Policemen's and Firefighters' Retirement</u>	<u>City Employees' Pension</u>	<u>Total Pension Trust Funds</u>
<b>ASSETS</b>			
Cash	\$314,898	\$28,275	\$343,173
Receivables:			
Accounts Receivable	2,300,811	180,661	2,481,472
Less Allowance for Uncollectible Accounts	0	0	0
Due from Other Funds	0	955	955
<b>Total Receivables</b>	<u>2,300,811</u>	<u>181,616</u>	<u>2,482,427</u>
Investments, at Fair Value:			
Debt Securities			
US Agencies	34,834,486	7,443,411	42,277,897
US Treasuries	1,155,700	3,119,562	4,275,262
US Treasury Strips		1,370,416	1,370,416
Municipal Obligations	19,503,540		19,503,540
International Bonds	2,344,868	436,913	2,781,781
Corporate Debt	61,676,510	2,934,694	64,611,204
Money Market Mutual Funds	8,304,051	828,525	9,132,576
Repurchase Agreements	30,591,214		30,591,214
Other Investments			
Equity Mutual Funds	69,826,411		69,826,411
Equity Securities - Domestic	119,029,298	12,138,471	131,167,769
Equity Securities - International	93,195,017	320,058	93,515,075
<b>Total Investments</b>	<u>440,461,095</u>	<u>28,592,050</u>	<u>469,053,145</u>
<b>Total Assets</b>	<u>443,076,804</u>	<u>28,801,941</u>	<u>471,878,745</u>
<b>LIABILITIES</b>			
Accounts Payable	345,584	0	345,584
Securities Lending Transactions	33,091,214	0	33,091,214
Due to Other Funds	0	0	0
Payable to Property Owners	0	0	0
Debt Service	0	0	0
<b>Total Liabilities</b>	<u>33,436,798</u>	<u>0</u>	<u>33,436,798</u>
<b>NET ASSETS</b>			
Net Assets Held in Trust for Pension Benefits	<u>\$409,640,006</u>	<u>\$28,801,941</u>	<u>\$438,441,947</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2007**

	<u>Policemen's and Firefighters' Retirement</u>	<u>City Employees' Pension</u>	<u>Total</u>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$14,148,937	\$7,281	\$14,156,218
Employer - Administration	2,357,785	76,766	2,434,551
Plan Members	6,615,272	3,337	6,618,609
Other	164,795	0	164,795
<b>Total Contributions</b>	<u>23,286,789</u>	<u>87,384</u>	<u>23,374,173</u>
Income on Investments:			
Net Change in Fair Value of Investments	31,430,390	2,677,752	34,108,142
Interest	8,297,638	838,701	9,136,339
Dividends	8,309,967	223,374	8,533,341
<b>Total Income on Investments</b>	<u>48,037,995</u>	<u>3,739,827</u>	<u>51,777,822</u>
Less Investment Expense	104,435	0	104,435
<b>Net Income on Investments</b>	<u>47,933,560</u>	<u>3,739,827</u>	<u>51,673,387</u>
Income from Securities Lending Activities:			
Securities Lending Income	1,211,439	0	1,211,439
Securities Lending Expenses			
Borrower rebates	1,089,695	0	1,089,695
Management Fees	48,678	0	48,678
<b>Total Securities Lending Expenses</b>	<u>1,138,373</u>	<u>0</u>	<u>1,138,373</u>
<b>Net Income on Securities Lending Activities</b>	<u>73,066</u>	<u>0</u>	<u>73,066</u>
<b>Total Additions</b>	<u>71,293,415</u>	<u>3,827,211</u>	<u>75,120,626</u>
<b>DEDUCTIONS</b>			
Benefit Payments	30,963,391	1,956,374	32,919,765
Refunds of Contributions	193,609	0	193,609
Administrative Expense	1,544,602	72,559	1,617,161
<b>Total Deductions</b>	<u>32,701,602</u>	<u>2,028,933</u>	<u>34,730,535</u>
<b>Net Increase</b>	38,591,813	1,798,278	40,390,091
<b>Net Assets, July 1</b>	<u>371,048,193</u>	<u>27,003,663</u>	<u>398,051,856</u>
<b>Net Assets, June 30</b>	<u>\$409,640,006</u>	<u>\$28,801,941</u>	<u>\$438,441,947</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2007

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**G. The County Employees' Retirement System**

Plan Description - The Government contributes to the Commonwealth of Kentucky's County Employees' Retirement System (CERS). CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county and school board and any additional eligible local agencies electing to participate in the System. At June 30, 2007, there were 1,400 local governments participating in CERS, which provides for retirement, disability and death benefits. Beginning October 27, 1975, all eligible full time employees of the Government were required to participate in CERS. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

Funding Policy - For the year ended June 30, 2007, non-hazardous plan participating employees contributed 5% and hazardous plan participating employees contributed 8% of creditable compensation to CERS. Employer contribution rates, determined by the Board of Trustees of the Kentucky Retirement Systems, are intended to fund the CERS's normal cost on a current basis plus fund an amount equal to the amortization of unfunded past service costs over thirty years, using the level percentage of payroll method. Participating employers contributed 13.19% of members' non-hazardous compensation and 28.21% for hazardous compensation for the year ended June 30, 2007. The Government's contributions to CERS for the years ending June 30, 2007, 2006, and 2005 were \$12,692,747, \$10,351,993, and \$8,164,874 respectively, and were equal to the required contributions for each year.



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## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

### DEBT SERVICE FUND

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

### CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The **2006 Bond Projects** are for Storm water improvement projects, Police vehicles, and Park improvement projects.

The **2007 Bond Projects** are for parks projects, computer equipment, and building renovations and improvements.

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2007

	Special Revenue Funds								Capital Projects Funds					
	Local Economic Assistance								Total	Lexington Cultural Center	Storm Water Bond Projects	Public Safety		
	County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Mineral Severance	Coal Severance	Police Confiscated Funds	Police Confiscated State Funds	Public Safety Fund				Capital Projects	Reynolds Road Project	2001 Bond Projects
<b>ASSETS</b>														
Current Cash	\$0	\$0	\$98,469	\$0	\$0	\$0	\$0	\$0	\$98,469	\$4,077	\$0	\$147	\$2,283,913	\$0
Current Investments	600,000	6,500,000	0	200,000	0	50,000	0	0	7,350,000	330,882	0	29,023	0	0
Receivables :														
Other	0	0	0	0	0	5,691	0	314,885	320,576	0	0	0	0	0
Restricted Investments	0	0	0	0	0	0	0	0	0	0	441,073	583,197	0	2,420
<b>Total Assets</b>	<b>\$600,000</b>	<b>\$6,500,000</b>	<b>\$98,469</b>	<b>\$200,000</b>	<b>\$0</b>	<b>\$55,691</b>	<b>\$0</b>	<b>\$314,885</b>	<b>\$7,769,045</b>	<b>\$334,959</b>	<b>\$441,073</b>	<b>\$612,367</b>	<b>\$2,283,913</b>	<b>\$2,420</b>
<b>LIABILITIES AND FUND BALANCES</b>														
Liabilities:														
Accounts and Contracts Payable	\$138,067	\$681,313	\$0	\$5,548	\$0	\$8,115	\$1,476	\$2,912	\$837,431	\$11,245	\$10,642	\$24,347	\$35,248	\$3,699
Accrued Payroll & Related Liability:	0	786	0	0	0	0	0	0	786	0	0	0	0	0
Internal Balances	(806,274)	(2,204,542)	0	(203,256)	24,683	(454,841)	(272,569)	305,671	(3,611,128)	(581,477)	301,487	131,090	1,249,895	(43,094)
Unearned Revenue and Other	0	0	2,500	0	0	0	0	0	2,500	0	0	0	0	0
<b>Total Liabilities</b>	<b>(668,207)</b>	<b>(1,522,443)</b>	<b>2,500</b>	<b>(197,708)</b>	<b>24,683</b>	<b>(446,726)</b>	<b>(271,093)</b>	<b>308,583</b>	<b>(2,770,411)</b>	<b>(570,232)</b>	<b>312,129</b>	<b>155,437</b>	<b>1,285,143</b>	<b>(39,395)</b>
Fund Balances:														
Reserved for:														
Encumbrances	29,492	1,725,779	0	0	0	13,375	0	0	1,768,646	967	292,448	45,083	19,219	0
Unreserved:														
Undesignated, reported in Special Revenue Funds	1,238,715	6,296,664	95,969	397,708	(24,683)	489,042	271,093	6,302	8,770,810	0	0	0	0	0
Undesignated, reported in Capital Projects Funds	0	0	0	0	0	0	0	0	0	904,224	(163,504)	411,847	979,551	41,815
<b>Total Fund Balances (Deficits)</b>	<b>1,268,207</b>	<b>8,022,443</b>	<b>95,969</b>	<b>397,708</b>	<b>(24,683)</b>	<b>502,417</b>	<b>271,093</b>	<b>6,302</b>	<b>10,539,456</b>	<b>905,191</b>	<b>128,944</b>	<b>456,930</b>	<b>998,770</b>	<b>41,815</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$600,000</b>	<b>\$6,500,000</b>	<b>\$98,469</b>	<b>\$200,000</b>	<b>\$0</b>	<b>\$55,691</b>	<b>\$0</b>	<b>\$314,885</b>	<b>\$7,769,045</b>	<b>\$334,959</b>	<b>\$441,073</b>	<b>\$612,367</b>	<b>\$2,283,913</b>	<b>\$2,420</b>

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 COMBINING BALANCE SHEET, Continued  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2007

Capital Projects Funds

	2002 Bond Projects	2003 Bond Projects	Golf Course Bond Projects	Purchase of Development Rights	Equipment Lease Notes	Condemnation	2004 Bond Projects	2005 Bond Projects	2006 Bond Projects	2007 Bond Projects	Public Works	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total	Total Nonmajor Governmental Funds
<b>ASSETS</b>															
Current Cash	\$0	\$0	\$0	\$3,000	\$0	\$1,903	\$0	\$169	\$0	\$0	\$0	\$67,150	\$116,382	\$2,476,741	\$2,575,210
Current Investments	0	0	0	2,000	41,089	0	0	0	0	0	0	1,062,307	64,763	1,530,064	8,880,064
Receivables :															
Other	0	0	0	0	0	0	0	2,934	0	0	0	0	9,764,054	9,766,988	10,087,564
Restricted Investments	7,604	1,131,244	15,068	1,891,192	2,798,179	0	869,114	5,362,355	4,807,147	0	2,551,047	23,145	0	20,482,785	20,482,785
<b>Total Assets</b>	<b>\$7,604</b>	<b>\$1,131,244</b>	<b>\$15,068</b>	<b>\$1,896,192</b>	<b>\$2,839,268</b>	<b>\$1,903</b>	<b>\$869,114</b>	<b>\$5,365,458</b>	<b>\$4,807,147</b>	<b>\$0</b>	<b>\$2,551,047</b>	<b>\$1,152,602</b>	<b>\$9,945,199</b>	<b>\$34,256,578</b>	<b>\$42,025,623</b>
<b>LIABILITIES AND FUND BALANCES</b>															
Liabilities:															
Accounts and Contracts Payable	\$0	\$0	\$662	\$0	\$124,628	\$0	\$50,000	\$271,181	\$154,564	\$57,394	\$1,022,657	\$604,374	\$0	\$2,370,641	\$3,208,072
Accrued Payroll & Related Liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	786
Internal Balances	1,304	241,913	14,387	5,809,996	874,438	27,669	37,304	286,116	1,645,565	1,668,822	(715,903)	148,821	1,182,565	12,280,898	8,669,770
Unearned Revenue and Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2,500
<b>Total Liabilities</b>	<b>1,304</b>	<b>241,913</b>	<b>15,049</b>	<b>5,809,996</b>	<b>999,066</b>	<b>27,669</b>	<b>87,304</b>	<b>557,297</b>	<b>1,800,129</b>	<b>1,726,216</b>	<b>306,754</b>	<b>753,195</b>	<b>1,182,565</b>	<b>14,651,539</b>	<b>11,881,128</b>
Fund Balances:															
Reserved for:															
Encumbrances															
	0	157,232	0	0	222,219	0	188,532	180,735	102,163	2,995,920	502,890	0	45,359	4,752,767	6,521,413
Unreserved:															
Undesignated, reported in Special Revenue Funds															
	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8,770,810
Undesignated, reported in Capital Projects Funds															
	6,300	732,099	19	(3,913,804)	1,617,983	(25,766)	593,278	4,627,426	2,904,855	(4,722,136)	1,741,403	399,407	8,717,275	14,852,272	14,852,272
<b>Total Fund Balances (Deficits)</b>	<b>6,300</b>	<b>889,331</b>	<b>19</b>	<b>(3,913,804)</b>	<b>1,840,202</b>	<b>(25,766)</b>	<b>781,810</b>	<b>4,808,161</b>	<b>3,007,018</b>	<b>(1,726,216)</b>	<b>2,244,293</b>	<b>399,407</b>	<b>8,762,634</b>	<b>19,605,039</b>	<b>30,144,495</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$7,604</b>	<b>\$1,131,244</b>	<b>\$15,068</b>	<b>\$1,896,192</b>	<b>\$2,839,268</b>	<b>\$1,903</b>	<b>\$869,114</b>	<b>\$5,365,458</b>	<b>\$4,807,147</b>	<b>\$0</b>	<b>\$2,551,047</b>	<b>\$1,152,602</b>	<b>\$9,945,199</b>	<b>\$34,256,578</b>	<b>\$42,025,623</b>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2007**

	Special Revenue Funds								Debt Service	Capital Projects Funds					
	Local Economic Assistance								Fund	Lexington Cultural Center	Storm Water Bond Projects	Public Safety Capital Projects	Reynolds Road Project	2001 Bond Projects	
	County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Mineral Severance	Coal Severance	Police Confiscated Funds	Police Confiscated State Funds	Public Safety Fund	Total						Fayette County Detention Center Corporation
<b>REVENUES</b>															
Charges for Services	\$0	\$0	\$36,225	\$0	\$0	\$0	\$0	\$13,044	\$49,269	\$73,448	\$0	\$0	\$0	\$0	\$0
Intergovernmental	858,473	4,037,633	0	227,670	183,658	351,938	202,212	695,353	6,556,937	0	0	0	0	0	0
Exactions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Income on Investments	42,130	291,277	2,334	20,700	0	23,090	4,830	23,925	408,286	0	17,466	28,673	65,005	94,629	121
<b>Total Revenues</b>	<b>900,603</b>	<b>4,328,910</b>	<b>38,559</b>	<b>248,370</b>	<b>183,658</b>	<b>375,028</b>	<b>207,042</b>	<b>732,322</b>	<b>7,014,492</b>	<b>73,448</b>	<b>17,466</b>	<b>28,673</b>	<b>65,005</b>	<b>94,629</b>	<b>121</b>
<b>EXPENDITURES</b>															
Current:															
General Government	0	0	0	0	0	0	0	0	0	0	49,237	0	0	0	0
Administrative Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	497
Finance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Public Works	0	1,041,358	0	0	0	0	0	0	1,041,358	0	0	325,393	0	0	0
Public Safety	0	0	0	0	0	0	0	8,880	8,880	0	0	0	0	0	0
Police	0	0	0	0	0	240,705	16,906	0	257,611	0	0	0	0	0	0
Fire and Emergency Services	0	0	0	0	0	0	0	0	0	0	0	0	36,621	0	0
General Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Debt Service:															
Principal	0	0	0	0	0	0	0	0	0	72,661	0	0	0	0	0
Interest and Other	0	0	0	0	0	0	0	0	0	787	0	0	128,193	0	0
Capital:															
Equipment	0	0	0	0	0	332,297	400	0	332,697	0	0	0	858,769	498,993	0
Acquisitions and Construction	454,646	2,416,225	0	11,524	0	(106)	0	0	2,882,289	0	2,938	148,186	855,223	0	60,327
<b>Total Expenditures</b>	<b>454,646</b>	<b>3,457,583</b>	<b>0</b>	<b>11,524</b>	<b>0</b>	<b>572,896</b>	<b>17,306</b>	<b>8,880</b>	<b>4,522,835</b>	<b>73,448</b>	<b>52,175</b>	<b>473,579</b>	<b>1,878,806</b>	<b>498,993</b>	<b>60,824</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>445,957</b>	<b>871,327</b>	<b>38,559</b>	<b>236,846</b>	<b>183,658</b>	<b>(197,868)</b>	<b>189,736</b>	<b>723,442</b>	<b>2,491,657</b>	<b>0</b>	<b>(34,709)</b>	<b>(444,906)</b>	<b>(1,813,801)</b>	<b>(404,364)</b>	<b>(60,703)</b>
<b>OTHER FINANCING SOURCES (USES)</b>															
Transfers In	0	0	0	0	0	0	0	0	0	0	238	0	75,840	0	0
Transfers Out	0	0	0	0	0	0	0	(778,070)	(778,070)	0	0	0	0	0	0
Refunding of Debt	0	0	0	0	0	0	0	0	0	0	0	0	(54,415,352)	0	0
Issuance of Debt	0	0	0	0	0	0	0	0	0	0	0	0	54,543,545	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(778,070)</b>	<b>(778,070)</b>	<b>0</b>	<b>238</b>	<b>0</b>	<b>204,033</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>445,957</b>	<b>871,327</b>	<b>38,559</b>	<b>236,846</b>	<b>183,658</b>	<b>(197,868)</b>	<b>189,736</b>	<b>(54,628)</b>	<b>1,713,587</b>	<b>0</b>	<b>(34,471)</b>	<b>(444,906)</b>	<b>(1,609,768)</b>	<b>(404,364)</b>	<b>(60,703)</b>
<b>Fund Balances (Deficits), July 1</b>	<b>822,250</b>	<b>7,151,116</b>	<b>57,410</b>	<b>160,862</b>	<b>(208,341)</b>	<b>700,285</b>	<b>81,357</b>	<b>60,930</b>	<b>8,825,869</b>	<b>0</b>	<b>939,662</b>	<b>573,850</b>	<b>2,066,698</b>	<b>1,403,134</b>	<b>102,518</b>
<b>Fund Balances (Deficits), June 30</b>	<b>\$1,268,207</b>	<b>\$8,022,443</b>	<b>\$95,969</b>	<b>\$397,708</b>	<b>(\$24,683)</b>	<b>\$502,417</b>	<b>\$271,093</b>	<b>\$6,302</b>	<b>\$10,539,456</b>	<b>\$0</b>	<b>\$905,191</b>	<b>\$128,944</b>	<b>\$456,930</b>	<b>\$998,770</b>	<b>\$41,815</b>

Continued

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2007**

**Capital Projects Funds**

	2002 Bond Projects	2003 Bond Projects	Golf Course Bond Projects	Purchase of Development Rights	Equipment Lease Notes	Condemnation	2004 Bond Projects	2005 Bond Projects	2006 Bond Projects	2007 Bond Projects	Public Works	Public Library Corporation	Roads, Parks, Open Space, Storm Water	Total	Total Nonmajor Governmental Funds
<b>REVENUES</b>															
Charges for Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$122,717
Intergovernmental	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,316,389	\$0	\$0	\$2,316,389	\$8,873,326
Exactions	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$1,584,199	\$1,584,199	\$1,584,199	
Income on Investments	\$312	\$47,884	\$237	\$59,764	\$189,834	\$0	\$37,041	\$218,197	\$130,903	\$0	\$69,525	\$82,058	\$6,398	\$1,048,047	\$1,456,333
Other	\$0	\$0	\$0	\$3,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$291,140	\$0	\$294,140	\$294,140
<b>Total Revenues</b>	<b>\$312</b>	<b>\$47,884</b>	<b>\$237</b>	<b>\$62,764</b>	<b>\$189,834</b>	<b>\$0</b>	<b>\$37,041</b>	<b>\$218,197</b>	<b>\$130,903</b>	<b>\$0</b>	<b>\$2,385,914</b>	<b>\$373,198</b>	<b>\$1,590,597</b>	<b>\$5,242,775</b>	<b>\$12,330,715</b>
<b>EXPENDITURES</b>															
Current:															
General Government	0	254,000	0	0	0	0	0	0	0	0	0	0	0	303,237	303,237
Administrative Services	0	0	0	8,485	0	0	0	3,362,066	270	0	0	0	0	3,371,318	3,371,318
Finance	0	0	0	0	0	0	0	0	0	987,931	0	1,104,587	0	2,092,518	2,092,518
Public Works	0	(172,751)	0	0	0	0	0	0	(25,112)	0	35,455	0	0	162,985	1,204,343
Public Safety	0	0	0	0	0	0	0	0	0	0	0	0	0	0	8,880
Police	0	0	0	0	0	0	0	0	0	0	0	0	0	0	257,611
Fire and Emergency Services	0	0	0	0	0	0	0	0	0	0	0	0	0	36,621	36,621
General Services	0	0	0	0	1,417	0	0	0	0	0	0	0	0	1,417	1,417
Debt Service:															
Principal	0	0	0	0	0	0	0	0	0	0	0	140,000	0	140,000	212,661
Interest and Other	0	0	14,387	0	0	27,669	0	0	0	0	0	148,435	0	318,684	319,471
Capital:															
Equipment	0	0	0	0	4,818,925	0	0	184,765	363,783	215,734	0	0	0	6,940,969	7,273,666
Acquisitions and Construction	1,304	128,264	0	2,579,200	74,212	0	357,346	191,903	702,084	522,551	5,135,448	0	2,479	10,761,465	13,643,754
<b>Total Expenditures</b>	<b>1,304</b>	<b>209,513</b>	<b>14,387</b>	<b>2,587,685</b>	<b>4,894,554</b>	<b>27,669</b>	<b>357,346</b>	<b>3,738,734</b>	<b>1,041,025</b>	<b>1,726,216</b>	<b>5,170,903</b>	<b>1,393,022</b>	<b>2,479</b>	<b>24,129,214</b>	<b>28,725,497</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(992)</b>	<b>(161,629)</b>	<b>(14,150)</b>	<b>(2,524,921)</b>	<b>(4,704,720)</b>	<b>(27,669)</b>	<b>(320,305)</b>	<b>(3,520,537)</b>	<b>(910,122)</b>	<b>(1,726,216)</b>	<b>(2,784,989)</b>	<b>(1,019,824)</b>	<b>1,588,118</b>	<b>(18,886,439)</b>	<b>(16,394,782)</b>
<b>OTHER FINANCING SOURCES (USES)</b>															
Transfers In	0	0	0	0	0	0	0	840,190	0	0	2,000,000	0	0	2,916,268	2,916,268
Transfers Out	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(778,070)
Refunding of Debt	0	0	0	0	0	0	0	0	0	0	0	0	0	(54,415,352)	(54,415,352)
Issuance of Debt	0	0	0	0	0	0	0	0	(3,037,342)	0	3,029,282	0	0	54,535,485	54,535,485
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>840,190</b>	<b>(3,037,342)</b>	<b>0</b>	<b>5,029,282</b>	<b>0</b>	<b>0</b>	<b>3,036,401</b>	<b>2,258,331</b>
<b>Net Change in Fund Balances</b>	<b>(992)</b>	<b>(161,629)</b>	<b>(14,150)</b>	<b>(2,524,921)</b>	<b>(4,704,720)</b>	<b>(27,669)</b>	<b>(320,305)</b>	<b>(2,680,347)</b>	<b>(3,947,464)</b>	<b>(1,726,216)</b>	<b>2,244,293</b>	<b>(1,019,824)</b>	<b>1,588,118</b>	<b>(15,850,038)</b>	<b>(14,136,451)</b>
<b>Fund Balances (Deficits), July 1</b>	<b>7,292</b>	<b>1,050,960</b>	<b>14,169</b>	<b>(1,388,883)</b>	<b>6,544,922</b>	<b>1,903</b>	<b>1,102,115</b>	<b>7,488,508</b>	<b>6,954,482</b>	<b>0</b>	<b>0</b>	<b>1,419,231</b>	<b>7,174,516</b>	<b>35,455,077</b>	<b>44,280,946</b>
<b>Fund Balances (Deficits), June 30</b>	<b>\$6,300</b>	<b>\$889,331</b>	<b>\$19</b>	<b>(\$3,913,804)</b>	<b>\$1,840,202</b>	<b>(\$25,766)</b>	<b>\$781,810</b>	<b>\$4,808,161</b>	<b>\$3,007,018</b>	<b>(\$1,726,216)</b>	<b>\$2,244,293</b>	<b>\$399,407</b>	<b>\$8,762,634</b>	<b>\$19,605,039</b>	<b>\$30,144,495</b>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGETARY COMPARISON  
COUNTY AID PROGRAM**

	<b>Budgeted Amounts</b>		<b>Actual Amounts GAAP Basis</b>	<b>Adjustments Budget Basis</b>	<b>Actual Amounts Budget Basis</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>				
<b>REVENUES</b>						
Intergovernmental	\$547,520	\$564,450	\$858,473	\$0	\$858,473	\$294,023
Investments	0	0	42,130	0	42,130	42,130
<b>Total Revenues</b>	<u>547,520</u>	<u>564,450</u>	<u>900,603</u>	<u>0</u>	<u>900,603</u>	<u>336,153</u>
<b>EXPENDITURES</b>						
Department of Public Works:						
Streets and Roads	547,520	1,203,447	454,646		454,646	748,801
Public Works Administration	0	0	0	8,569	8,569	(8,569)
<b>Total Expenditures</b>	<u>547,520</u>	<u>1,203,447</u>	<u>454,646</u>	<u>8,569</u>	<u>463,215</u>	<u>740,232</u>
<b>Net Change in Fund Balances</b>	0	(638,997)	445,957	(8,569)	437,388	1,076,385
<b>Fund Balance, July 1</b>	0	784,189	822,250	(38,061)	784,189	0
<b>Fund Balance, June 30</b>	<u>\$0</u>	<u>\$145,192</u>	<u>\$1,268,207</u>	<u>(\$46,630)</u>	<u>\$1,221,577</u>	<u>\$1,076,385</u>

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

**Expenditures:**

Total expenditures from the budgetary comparison schedule	\$463,215
Differences - Budget to GAAP:	
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but the year the supplies are received for financial reporting purposes.	<u>(8,569)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$454,646</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON**  
**MUNICIPAL AID PROGRAM**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Adjustments</b>	<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>GAAP Basis</b>	<b>Budget Basis</b>	<b>Budget Basis</b>	<b>Final Budget</b>
<b>REVENUES</b>						
Intergovernmental	\$4,288,000	\$4,475,182	\$4,037,633	\$0	\$4,037,633	(\$437,549)
Investments	240,000	240,000	291,277	0	291,277	51,277
<b>Total Revenues</b>	<b>4,528,000</b>	<b>4,715,182</b>	<b>4,328,910</b>	<b>0</b>	<b>4,328,910</b>	<b>(386,272)</b>
<b>EXPENDITURES</b>						
Department of Public Works:						
Engineering	1,979,950	5,808,238	508,639	0	508,639	5,299,599
Streets and Roads	2,499,130	4,007,453	2,934,801	0	2,934,801	1,072,652
Traffic Engineering	44,070	48,071	14,143	0	14,143	33,928
Public Works Administration	0	0	0	182,532	182,532	(182,532)
<b>Total Public Works</b>	<b>4,523,150</b>	<b>9,863,762</b>	<b>3,457,583</b>	<b>182,532</b>	<b>3,640,115</b>	<b>6,223,647</b>
<b>Total Expenditures</b>	<b>4,523,150</b>	<b>9,863,762</b>	<b>3,457,583</b>	<b>182,532</b>	<b>3,640,115</b>	<b>6,223,647</b>
<b>Net Change in Fund Balances</b>	<b>4,850</b>	<b>(5,148,580)</b>	<b>871,327</b>	<b>(182,532)</b>	<b>688,795</b>	<b>5,837,375</b>
<b>Fund Balance, July 1</b>	<b>7,460</b>	<b>3,244,874</b>	<b>7,151,116</b>	<b>(3,906,242)</b>	<b>3,244,874</b>	<b>0</b>
<b>Fund Balance (Deficit), June 30</b>	<b>\$12,310</b>	<b>(\$1,903,706)</b>	<b>\$8,022,443</b>	<b>(\$4,088,774)</b>	<b>\$3,933,669</b>	<b>\$5,837,375</b>

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

**Expenditures:**

Total expenditures from the budgetary comparison schedule	\$3,640,115
Differences - Budget to GAAP:	
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but the year the supplies are received for financial reporting purposes.	(182,532)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$3,457,583</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON**  
**MINERAL SEVERANCE FUND**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Adjustments</u>	<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Budget Basis</u>	<u>Budget Basis</u>	<u>Final Budget</u>
<b>REVENUES</b>						
Intergovernmental	\$0	\$0	\$227,670	\$0	\$227,670	\$227,670
Investments	0	0	20,700	0	20,700	20,700
<b>Total Revenues</b>	<u>0</u>	<u>0</u>	<u>248,370</u>	<u>0</u>	<u>248,370</u>	<u>248,370</u>
<b>EXPENDITURES</b>						
Administrative Services:						
Community Development	0	2,820	0	0	0	2,820
<b>Total Administrative Services</b>	<u>0</u>	<u>2,820</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,820</u>
Department of Public Works:						
Sanitary Sewers	0	16,187	11,524	0	11,524	4,663
<b>Total Public Works</b>	<u>0</u>	<u>16,187</u>	<u>11,524</u>	<u>0</u>	<u>11,524</u>	<u>4,663</u>
<b>Total Expenditures</b>	<u>0</u>	<u>19,007</u>	<u>11,524</u>	<u>0</u>	<u>11,524</u>	<u>7,483</u>
<b>Net Change in Fund Balance</b>	0	(19,007)	236,846	0	236,846	255,853
<b>Fund Balance, July 1</b>	0	141,855	160,862	(19,007)	141,855	0
<b>Fund Balance, June 30</b>	<u>\$0</u>	<u>\$122,848</u>	<u>\$397,708</u>	<u>(\$19,007)</u>	<u>\$378,701</u>	<u>\$255,853</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON**  
**COAL SEVERANCE FUND**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Adjustments</u>	<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>GAAP Basis</u>	<u>Budget Basis</u>	<u>Budget Basis</u>	<u>Final Budget</u>
<b>REVENUES</b>						
Intergovernmental	\$0	\$0	\$183,658	\$0	\$183,658	\$183,658
<b>Total Revenues</b>	<u>0</u>	<u>0</u>	<u>183,658</u>	<u>0</u>	<u>183,658</u>	<u>183,658</u>
<b>Net Change in Fund Balances</b>	0	0	183,658	0	183,658	183,658
<b>Fund Balance (Deficit), July 1</b>	0	(208,341)	(208,341)	0	(208,341)	0
<b>Fund Balance (Deficit), June 30</b>	<u>\$0</u>	<u>(\$208,341)</u>	<u>(\$24,683)</u>	<u>\$0</u>	<u>(\$24,683)</u>	<u>\$183,658</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2007**

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2006	Revenue Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2007
<b>US Department of Labor:</b>						
Passed Through Commonwealth of Kentucky:						
WIA	17.258	6101	\$193,714	\$193,714	\$0	\$0
WIA	17.258	7010	0	0	116,620	116,620
WIA-Youth	17.259	6101	(18,634)	(18,634)	0	0
WIA-Youth	17.259	7010	0	0	91,033	91,033
<b>Total US Department of Labor</b>			175,080	175,080	207,653	207,653
<b>US Department of Health and Human Services:</b>						
Direct Programs:						
Healthy Tomorrows	93.110	6H17MC04353-02-01	11,908	46,822	34,914	0
Healthy Tomorrows	93.110	5H17MC04353-03-00	0	0	1,428	1,428
Drug Free Community	93.276	2H79SP12134-05	32,023	63,568	31,545	0
Runaway Youth	93.623	04CY0720/03	55,000	82,500	27,500	0
Runaway Youth	93.623	04CY0792/01	0	37,723	113,864	76,141
Passed through Commonwealth of Kentucky:						
Senior Citizens	93.044	AS-06-07-2015	0	82,603	82,603	0
Home Network	93.597	2005-2006-5000-01-R	(107,157)	16,120	123,277	0
Home Network	93.597	2006-2007-5000-01-R	0	144,790	93,632	(51,158)
Biterrorism	93.996	M-05150220	940	940	0	0
New Chance-Cab For Families	93.558	M-06069713	0	272,918	328,045	55,127
Peers Edu Peers-Cab For Families	93.558	M-06069713	0	25,000	25,000	0
Mentoring-Cab For Families	93.558	M-06069713	0	25,000	25,000	0
Local Governance-Cab For Families	93.558	M-06069713	0	57,900	57,900	0
<b>Total US Department of Health and Human Services</b>			(7,286)	855,884	944,708	81,538
<b>US Department of Transportation (Fund 3160):</b>						
Direct Programs:						
Passed through Commonwealth of Kentucky:						
Liberty Road/Todds Road	20.205	C-00021586	7,784	32,088	100,219	75,915
Liberty Road/Todds Road	20.205	C-04073306	18,363	31,479	13,116	0
Liberty Park Trail	20.219	M-03192191	0	0	50,000	50,000
Federal Highway Planning	20.205	C-03023888	20,600	20,600	0	0
Federal Highway Planning	20.205	C-05140005	119,067	119,067	0	0
Federal Highway Planning	20.205	0600002626	0	129,140	291,410	162,270
Rosenwald School	20.205	C-03093411	5,473	6,049	1,490	914
Courthouse Renovation	20.205	C-04668468	540	221,899	232,747	11,388
Loudon Avenue Project	20.205	C-02279716	200	42,804	140,724	98,120
Fiber Optic Cable Installation	20.205	C-03280798	7,079	54,199	53,533	6,413
Fiber Optic Cable Installation	20.205	C-04653593	3,032	174,463	196,725	25,294
Fiber Optic Cable Installation	20.205	C-06179870	0	102,445	151,337	48,892
Newtown Pike	20.205	C-00343167	136,271	404,345	612,345	344,271
Newtown Pike	20.205	C-01261650	16,761	0	0	16,761
Traffic Signal Installation	20.205	C-02262457	2,100	2,100	0	0
Traffic Signal Installation	20.205	C-03336343	21,731	41,528	24,568	4,771
Traffic Signal Installation	20.205	C-04257980	14,308	19,020	53,974	49,262
Traffic Signal Installation	20.205	C-05196959	0	23,976	23,976	0
Traffic Control	20.205	C-02269501	10,418	48,970	37,305	(1,247)
Traffic Control	20.205	C-03325196	42,082	111,492	78,659	9,249
Traffic Control	20.205	C-04258064	8,865	18,589	30,111	20,387
Traffic Control	20.205	P02-625-0600004655	0	0	4,377	4,377
Noise Abatement Project	20.205	C-03463993	92,159	449,947	434,885	77,097
Brighton East	20.205	C-05031709	0	146,044	163,787	17,743
Brighton East	20.205	C-03441165	0	0	37,200	37,200
Brighton East	20.205	C-00126131	3,194	188,182	184,988	0
Bicycle Coordinator Program	20.205	P02-628-0600003704	0	991	12,879	11,888
Bicycle Coordinator Program	20.205	C-04653677	14,578	14,578	0	0
Pedestrian Coordinator	20.205	C-05196988	8,772	41,920	33,148	0
Bike Projects	20.205	C-05139536	33,120	87,084	76,736	22,772
Bike Projects	20.205	C-99006967	7,096	7,096	0	0
Air Quality Planning	20.205	C-05196901	13,578	33,083	19,505	0
Air Quality Planning	20.205	0600004149	0	6,875	32,103	25,228
Pope House Project	20.205	C-01248155	0	33,064	51,254	18,190
West Hickman	20.205	C-04482975	0	0	29,740	29,740
Clays Mill Road	20.205	C-03328826	32,722	35,486	84,121	81,357
Clays Mill Road	20.205	C-03328686	24,685	25,417	1,567	835
Town Branch	20.205	C-03022850	0	11,160	12,360	1,200
Town Branch	20.205	C-02182950	10,938	8,101	0	2,837
Alumni Drive	20.205	C-05031745	43,757	49,350	2,360	(3,233)
Citation Boulevard	20.205	034-7229	79,248	186,923	117,755	10,080
Lex Van Passenger Van Program	20.205	C-06193519	0	95,530	95,530	0
MCSAP	20.218	M-05042656	37,314	66,839	29,525	0

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2007

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2006	Revenue Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2007
MCSAP	20.218	M-05042656	\$0	\$6,000	\$18,091	\$12,091
Mobility Office	20.505	PO2-625-0600004149	0	21,517	90,109	68,592
Mobility Office	20.505	C-05196816	31,174	39,469	8,295	0
Fed Transit Admin Section 5303	20.505	C-05366754	246	246	0	0
Fed Transit Admin Section 5303	20.505	G14MP03Z	0	22,367	40,000	17,633
Buckle Up Kentucky	20.600	K2-07-02	0	0	10,000	10,000
Buckle Up Kentucky	20.600	K2-06-02	13,531	13,531	0	0
Traffic Safety	20.600	PT-06-16	23,301	31,221	7,920	0
Traffic Safety	20.600	AL-07-25	0	0	17,306	17,306
Recreational Trails	20.219	KY 20060511-0737	0	0	2,994	2,994
<b>Total US Department of Transportation</b>			<u>904,087</u>	<u>3,226,274</u>	<u>3,710,774</u>	<u>1,388,587</u>
<b>US Department of Housing and Urban Development (Fund 3120):</b>						
Direct Programs:						
Community Dev Block Grant	14.218	B02MC210004	358,518	0	20,008	378,526
Community Dev Block Grant	14.218	B03MC210004	(63,380)	0	272,173	208,793
Community Dev Block Grant	14.218	B04MC210004	(468,899)	0	770,114	301,215
Community Dev Block Grant	14.218	B05MC210004	575,566	0	715,959	1,291,525
Community Dev Block Grant	14.218	B06MC210004	0	1,687,541	30,862	(1,656,679)
Emergency Shelter	14.231	S05MC210003	31,031	37,369	6,338	0
Emergency Shelter	14.231	S06MC210003	0	75,742	89,113	13,371
HOME	14.239	M02MC210201	112,170	0	167,721	279,891
HOME	14.239	M03MC210201	(31,521)	0	56,096	24,575
HOME	14.239	M04MC210201	407,357	0	295,524	702,881
HOME	14.239	M05MC210201	190,555	0	510,403	700,958
HOME	14.239	M06MC210201	0	1,390,998	465,468	(925,530)
Housing Opp for Pers with AIDS (HOPWA)	14.241	KY-H04-0001	101,160	338,228	297,062	59,994
<b>Total US Department of Housing and Urban Development</b>			<u>1,212,557</u>	<u>3,529,878</u>	<u>3,696,841</u>	<u>1,379,520</u>
<b>US Department of Agriculture (Fund 3100):</b>						
Direct Programs:						
Purchase of Development Rights (PDR)	10.913	73-5C16-4-242	36,022	36,022	0	0
Purchase of Development Rights (PDR)	10.913	73-5C16-6-042	0	149,281	2,138,418	1,989,137
Wildlife Habitat Incentive Program (WHIP)	10.914	72-5C16-4-A031	1,026	5,724	4,698	0
Passed through Commonwealth of Kentucky:						
Food Commodities-Social Services	10.550	034-0400	0	5,820	5,820	0
National School Lunch	10.555	034-038-999	1,508	9,247	7,739	0
National School Lunch	10.555	034-038-999	0	22,789	27,217	4,428
Child Care Food Program	10.558	034-L95-999	3,777	15,745	11,968	0
Child Care Food Program	10.558	034-L95-999	0	37,610	48,401	10,791
Summer Lunch	10.559	034-X75-999SU	25,158	242,186	217,028	0
Summer Lunch	10.559	034-X75-999SU	0	0	27,161	27,161
Urban Forestry	10.664	PON2-595-0600001446-1	0	0	9,335	9,335
Urban Forestry	10.664	M-05278134	4,131	8,486	4,356	1
<b>Total US Department of Agriculture</b>			<u>71,622</u>	<u>532,910</u>	<u>2,502,141</u>	<u>2,040,853</u>
<b>US Department of Interior (Fund 3130):</b>						
Passed through Commonwealth of Kentucky:						
USCGS	15.809	06ERAG0050	0	0	20,000	20,000
Historic Preservation	15.904	21-06-21520	0	0	8,350	8,350
Historic Preservation	15.904	21-05-20419	2,066	9,301	7,235	0
Raven Run Wetlands	15.623	KY-N11	0	0	6,039	6,039
<b>Total US Department of Interior</b>			<u>2,066</u>	<u>9,301</u>	<u>41,624</u>	<u>34,389</u>
<b>US Department of Justice (Fund 3140):</b>						
Direct Programs:						
Police Confiscated Funds	16.000	NA	(700,285)	351,938	493,217	(559,006)
Safe Havens	16.527	2005-CW-AX-0015	54,476	156,784	154,408	52,100
Local Law Enforcement Block Grant	16.592	2004-LB-BX-0510	(4,965)	0	4,965	0
Bulletproof Vests	16.607	05026556	2,720	2,720	0	0
Bulletproof Vests	16.607	06030613	2,320	2,320	0	0
Bulletproof Vests	16.607	06133999	0	0	10,962	10,962
Anti Gang Initiative	16.744	2006-PG-BX-0044	0	4,537	9,795	5,258
Arrest Policy	16.590	2006-WE-AX-0053	0	4,120	15,966	11,846
Project Safe Neighborhoods	16.609	2003-GP-CX-0547	24,369	24,369	0	0
Project Safe Neighborhoods	16.609	2003-GP-CX-0547	37,302	137,313	180,049	80,038
Project Safe Neighborhoods	16.609	2006-GP-CX-0069	0	1,199	1,199	0
Crime Data	16.710	31829	(16,465)	16,464	14,888	(18,041)
Crime Data	16.710	34095	0	9,888	0	(9,888)
Justice Assistance Grant	16.738	2005-DJ-BX-0225	26,923	106,671	140,506	60,758
Justice Assistance Grant	16.738	2006-DJ-BX-1069	0	32,440	35,440	3,000

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2007

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2006	Revenue Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2007
Passed through Commonwealth of Kentucky:						
Title V	16.548	2004-JP-FX-0044	\$0	\$3,291	\$14,545	\$11,254
Juv Accountability Block Grant	16.523	2004-JB-FX-0033 (101)	480	12,470	11,990	0
Juv Accountability Block Grant	16.523	2005-JB-FX-0012 (101)	0	3,021	5,832	2,811
Cold Case Squad	16.579	7113-N16-1/04	9,915	21,963	22,215	10,167
PALYEP	16.541	PALYEP-2006-07-KY065	0	0	7,125	7,125
Street Sales	16.579	5039-D-1/05	52,388	949		51,439
Street Sales	16.579	5136-D-2/06	0	0	72,028	72,028
Street Sales-Confiscated Funds	16.579	5136-D-2/06	0	18,241	18,241	0
Sexual Assault Nurse Examiner (SANE)	16.588	6712-VA1-7/05	3,242	39,258	36,016	0
Sexual Assault Nurse Examiner (SANE)	16.588	6751-VA1-7/06	0	3,429	12,544	9,115
<b>Total US Department of Justice</b>			<u>(507,580)</u>	<u>953,385</u>	<u>1,261,931</u>	<u>(199,034)</u>
<b>US Department of Homeland Security Office of Domestic Preparedness (Fund 3200):</b>						
Direct Programs:						
Assistance to Firefighters	97.044	EMW-2006-FG-09381	0	0	23,603	23,603
Cooperating Technical Partners	97.045	EMA-2003-GR-5389	1,981	1,981	0	0
Metro Medical Response System (MMRS)	97.071	M-05441953	5,199	57,769	69,045	16,475
Metro Medical Response System (MMRS)	97.071	EMW-2004-GR-0802	59,564	61,426	228,563	226,701
Passed through Commonwealth of Kentucky:						
Disaster Reimbursement-Ice Storm	83.548	DR 1454	1,904,387	145,622	0	1,758,765
Disaster Reimbursement-Hurricane Katrina	97.036	DR 3231	487,721	457,237	0	30,484
Hazard Mitigation Plan	97.039	M-03366348	750	947	197	0
Chemical Stockpile Emergency (CSEPP)	97.040	M-04687902	13,564	30,760	17,196	0
Chemical Stockpile Emergency (CSEPP)	97.040	M-05118118	6,131	11,892	23,893	18,132
Chemical Stockpile Emergency (CSEPP)	97.040	M-05374662	7,527	13,315	33,578	27,790
Chemical Stockpile Emergency (CSEPP)	97.040	PON2 0600002230	0	10,679	16,786	6,107
Central Kentucky Blood Center	97.067	PO2 094 0600004328	0	137,800	137,800	0
Emergency Management Assistance	97.042	M-05443535	11,018	16,061	5,043	0
Emergency Management Assistance	97.042	PON2 095 07000036181	0	0	27,632	27,632
State Homeland Security	97.067	M-05322309	327,926	670,035	342,109	0
State Homeland Security Sheriff	97.067	M-05322173	164,348	193,166	28,817	(1)
State Homeland Security COMM	97.067	PO2-094-0600003668	0	8,938	8,938	0
State Homeland Security Sheriff	97.067	PO2-094-0600003533	0	0	70,337	70,337
Sugarmill	97.039	PON2-095-0600003029-1	0	0	418	418
Chemical, Biological, Radiological (CBRNE)	97.078	M-05469384	20,870	20,870	0	0
<b>Total US Dept. of Homeland Security Office of Domestic Preparedness</b>			<u>3,010,986</u>	<u>1,838,498</u>	<u>1,033,955</u>	<u>2,206,443</u>
<b>National Oceanic &amp; Atmospheric Administration (Fund 3110):</b>						
Passed through Commonwealth of Kentucky:						
Bluegrass Pride	11.469	CW-04-03	5,120	5,120	0	0
<b>Total National Oceanic &amp; Atmospheric Administration</b>			<u>5,120</u>	<u>5,120</u>	<u>0</u>	<u>0</u>
<b>US Environmental Protection Agency (Fund 3170):</b>						
Passed through Commonwealth of Kentucky:						
Gainesway Retention Basin	66.460	MA-04184474	7,603	182,208	174,605	0
McConnell Springs Pond	66.460	MA-04180034	2,637	3,408	770	(1)
<b>Total US Environmental Protection Agency</b>			<u>10,240</u>	<u>185,616</u>	<u>175,375</u>	<u>(1)</u>
<b>US Department of Education (Fund 3180):</b>						
Direct Programs:						
21st Century Learning	84.287	M-04184935	41,800	69,357	27,557	0
21st Century Learning	84.287	M-06211440	0	22,392	124,304	101,912
<b>Total US Department of Education</b>			<u>41,800</u>	<u>91,749</u>	<u>151,861</u>	<u>101,912</u>
<b>Total Federal Financial Assistance</b>			<u>\$4,918,692</u>	<u>\$11,403,695</u>	<u>\$13,726,863</u>	<u>\$7,241,860</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, 2007

Grantor/Program Title	Grantor's Number	Grantor	Accrued or (Deferred) Revenue at July 1, 2006	Revenue Received	Expenditures	Accrued or (Deferred) Revenue at June 30, 2007
Animal Disposal	06-DA914	Kentucky Dept. of Agriculture	\$0	\$9,378	\$9,378	\$0
Aviation Museum	H090-1	Governor's Office for Local Development	0	0	42,437	42,437
Community Juvenile Justice	M-04235109	Kentucky Justice Cabinet	55,120	55,120	0	0
Community Juvenile Justice	M-06232589	Kentucky Justice Cabinet	0	113,204	158,834	45,630
Covehaven Cemetery	5015	Kentucky Office of the Governor	(25,000)	0	25,000	0
Day Treatment	M-04215988	Kentucky Dept. of Juvenile Justice	38,120	38,120	0	0
Day Treatment	M-06213289	Kentucky Dept. of Juvenile Justice	0	190,598	228,717	38,119
Disaster Reimbursement-Ice Storm	DR 1454	Kentucky Emergency Management Agency	304,702	23,299	0	281,403
Drug Control Supplemental	ODCP-1023-D/06	Kentucky Justice Cabinet	0	40,906	45,000	4,094
Emergency Medical Services	M-05089830	Kentucky Bd. Emergency Medical Services	(45)	(45)	0	0
Emergency Medical Services		Kentucky Bd. Emergency Medical Services	0	10,684	0	(10,684)
Family Care Center Technology Upgrade	H093-01	Governor's Office for Local Development	0	0	27,100	27,100
Federal Highway Planning	C-05140005	Kentucky Transportation Cabinet	7,441	7,441	0	0
Federal Highway Planning	0600002626	Kentucky Transportation Cabinet	0	8,071	18,213	10,142
Federal Highway Planning	C-03023888	Kentucky Transportation Cabinet	1,287	1,287	0	0
Fire Training Facility		Governor's Commission on Fire Protection	0	9,914	0	(9,914)
Fire Training Incentive	155	Kentucky Commission on Fire Protection	0	1,980,484	2,091,454	110,970
Fire Training Incentive	155	Kentucky Commission on Fire Protection	13,123	13,123	0	0
Hazard Mitigation Grant Prog. (HMGP) Lexington	DR-1388-006	Kentucky Emergency Management Agency	1,074	1,104	30	0
Kentucky Pride	NA	Kentucky Dept. Natural Resources	(72,967)	0	72,658	(309)
Kentucky Pride	NA	Kentucky Dept. Natural Resources	0	144,556	102,713	(41,843)
Law Enforcement Service Fee	LSF-675-L1-07	Kentucky Justice Cabinet	0	9,502	28,071	18,569
Law Enforcement Service Fee	LSF-644-L1-06	Kentucky Justice Cabinet	118	118	0	0
Local Area Dev. Area Fund	A834 (2006-a)	Kentucky Office of the Governor	(44)	(44)	0	0
National School Lunch	034-038-999	Kentucky Dept. Education	0	436	436	0
Newtown Pike Extension	C-01261650	Kentucky Transportation Cabinet	3,638	0	0	3,638
Newtown Pike Extension	C00343167	Kentucky Transportation Cabinet	34,068	101,086	153,086	86,068
North Elkhorn Pump	SX21067003	Kentucky Infrastructure Authority	0	0	499,651	499,651
Police Training Incentive	PT-105-03	Kentucky Law Enforcement Foundation	0	1,894,432	2,066,063	171,631
Police Training Incentive	PT-105-03	Kentucky Law Enforcement Foundation	264,343	264,343	0	0
Purchase of Development Rights (PDR)	A2006-0196	Kentucky Dept. Agriculture	0	350,000	0	(350,000)
Raven Run Acquisition	N/A	Kentucky Heritage Land Conservation Fund	0	341,500	216,910	(124,590)
SANE (Sexual Assault Treatment Project)	6712-VA1-7/05	Kentucky Justice Cabinet	2,640	5,600	2,960	0
SANE (Sexual Assault Treatment Project)	6751-VA1-7/06	Kentucky Justice Cabinet	0	0	3,840	3,840
State Homeland Security Police	PO2-079-0600003060-1	Kentucky Justice Cabinet	0	351,097	447,060	95,963
Street Sales Confiscated Funds	5039-D-1/05	Kentucky Justice Cabinet	0	24,755	24,755	0
Survivors II	N/A	Kentucky Office of the Governor	0	0	26,621	26,621
Todd/Liberty Transportation Improvement Pgm.	C-0021586	Kentucky Transportation Cabinet	1,946	8,022	25,055	18,979
Todds/Liberty Road Section II	C-04073306	Kentucky Transportation Cabinet	4,591	7,870	3,279	0
Transition Plus	M-06213289	Kentucky Dept. of Juvenile Justice	0	28,773	35,253	6,480
Transition Plus	M-04215988	Kentucky Dept. of Juvenile Justice	12,672	12,672	0	0
Unsewered Areas	SX21067001	Kentucky Infrastructure Authority	0	729,061	1,819,655	1,090,594
<b>Total State Financial Assistance</b>			<u>\$646,827</u>	<u>\$6,776,467</u>	<u>\$8,174,229</u>	<u>\$2,044,589</u>

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

## NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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

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

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**June 30, 2007**

	<u>Right of Way</u>	<u>Extended School Program</u>	<u>Prisoners' Account System</u>	<u>Enhanced 911</u>	<u>LexVan Program</u>	<u>Small Business Development</u>	<u>Total</u>
<b>ASSETS</b>							
Current Assets:							
Cash	\$191,274	\$930,005	\$1,488,323	\$1,177,719	\$58,305	\$121,741	\$3,967,367
Investments	0	0	0	300,000	50,000	32,856	382,856
Receivables:							
Other Receivables	0	0	0	0	0	49,739	49,739
Less Allowance for Uncollectible Accounts	0	0	0	0	0	(49,739)	(49,739)
<b>Total Current Assets</b>	<u>191,274</u>	<u>930,005</u>	<u>1,488,323</u>	<u>1,477,719</u>	<u>108,305</u>	<u>154,597</u>	<u>4,350,223</u>
Non-Current Assets:							
Vehicles, Equipment, and Furniture	56,652	159,234	326,827	1,673,523	0	0	2,216,236
Less Accumulated Depreciation	(3,541)	(92,987)	(229,251)	(1,499,087)	0	0	(1,824,866)
<b>Total Non-Current Assets</b>	<u>53,111</u>	<u>66,247</u>	<u>97,576</u>	<u>174,436</u>	<u>0</u>	<u>0</u>	<u>391,370</u>
<b>Total Assets</b>	<u>244,385</u>	<u>996,252</u>	<u>1,585,899</u>	<u>1,652,155</u>	<u>108,305</u>	<u>154,597</u>	<u>4,741,593</u>
<b>LIABILITIES</b>							
Current Liabilities:							
Accounts, Contracts and Retainage Payable	0	70,828	38,289	18,552	0	0	127,669
Accrued Payroll	7,241	36,478	0	37,591	0	0	81,310
Due to Other Funds	(2,984)	0	129,758	6,993	0	0	133,767
Other	0	0	126,412	0	0	0	126,412
Compensated Absences	0	141	0	0	0	0	141
<b>Total Current Liabilities</b>	<u>4,257</u>	<u>107,447</u>	<u>294,459</u>	<u>63,136</u>	<u>0</u>	<u>0</u>	<u>469,299</u>
Non-Current Liabilities							
Compensated Absences	0	4,334	0	0	0	0	4,334
<b>Total Non-Current Liabilities</b>	<u>0</u>	<u>4,334</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,334</u>
<b>Total Liabilities</b>	<u>4,257</u>	<u>111,781</u>	<u>294,459</u>	<u>63,136</u>	<u>0</u>	<u>0</u>	<u>473,633</u>
<b>NET ASSETS</b>							
Invested in Capital Assets, net of related debt	53,111	66,247	97,576	174,436	0	0	391,370
Unrestricted	187,017	818,224	1,193,864	1,414,583	108,305	154,597	3,876,590
<b>Total Net Assets</b>	<u>\$240,128</u>	<u>\$884,471</u>	<u>\$1,291,440</u>	<u>\$1,589,019</u>	<u>\$108,305</u>	<u>\$154,597</u>	<u>\$4,267,960</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended June 30, 2007**

	<b>Right of Way</b>	<b>Extended School Program</b>	<b>Prisoners' Account System</b>	<b>Enhanced 911</b>	<b>LexVan Program</b>	<b>Small Business Development</b>	<b>Total</b>
<b>Operating Revenues</b>							
Fees	\$0	\$2,220,510	\$0	\$2,383,332	\$26,609	\$0	\$4,630,451
Licenses & Permits	413,705	0	0	0	0	0	413,705
Gross Profit-Commissary	0	0	822,429	0	0	0	822,429
Other	0	0	1,128,357	0	0	23,383	1,151,740
<b>Total Operating Revenues</b>	<b>413,705</b>	<b>2,220,510</b>	<b>1,950,786</b>	<b>2,383,332</b>	<b>26,609</b>	<b>23,383</b>	<b>7,018,325</b>
<b>Operating Expenses</b>							
Right of Way	303,471	0	0	0	0	0	303,471
Extended School Program	0	1,522,019	0	0	0	0	1,522,019
Prisoners' Account	0	0	749,057	0	0	0	749,057
Inmate Trust Account	0	0	434,542	0	0	0	434,542
Enhanced 911	0	0	0	3,012,906	0	0	3,012,906
LexVan Program	0	0	0	0	62,228	0	62,228
Small Business Development Administration	0	431,311	0	0	0	0	431,311
Depreciation	3,541	15,534	89,023	49,073	0	0	157,171
<b>Total Operating Expenses</b>	<b>307,012</b>	<b>1,968,864</b>	<b>1,272,622</b>	<b>3,061,979</b>	<b>62,228</b>	<b>0</b>	<b>6,672,705</b>
<b>Operating Income (Loss)</b>	<b>106,693</b>	<b>251,646</b>	<b>678,164</b>	<b>(678,647)</b>	<b>(35,619)</b>	<b>23,383</b>	<b>345,620</b>
<b>Non-Operating Revenues (Expenses)</b>							
Income on Investments	6,042	25,601	18,213	36,612	5,984	8,773	101,225
<b>Total Non-Operating Revenues</b>	<b>6,042</b>	<b>25,601</b>	<b>18,213</b>	<b>36,612</b>	<b>5,984</b>	<b>8,773</b>	<b>101,225</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>112,735</b>	<b>277,247</b>	<b>696,377</b>	<b>(642,035)</b>	<b>(29,635)</b>	<b>32,156</b>	<b>446,845</b>
Transfers In	0	0	0	1,047,050	0	0	1,047,050
Transfers Out	0	0	0	0	0	0	0
<b>Change in Net Assets</b>	<b>112,735</b>	<b>277,247</b>	<b>696,377</b>	<b>405,015</b>	<b>(29,635)</b>	<b>32,156</b>	<b>1,493,895</b>
<b>Net Assets - July 1</b>	<b>127,393</b>	<b>609,484</b>	<b>595,063</b>	<b>1,161,283</b>	<b>137,940</b>	<b>122,441</b>	<b>2,753,604</b>
<b>Prior Period Adjustment</b>		<b>(2,260)</b>		<b>22,721</b>			<b>20,461</b>
<b>Net Assets - June 30</b>	<b>\$240,128</b>	<b>\$884,471</b>	<b>\$1,291,440</b>	<b>\$1,589,019</b>	<b>\$108,305</b>	<b>\$154,597</b>	<b>\$4,267,960</b>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended June 30, 2007**

	<b>Right of Way</b>	<b>Extended School Program</b>	<b>Prisoners' Account System</b>	<b>Enhanced 911</b>	<b>LexVan Program</b>	<b>Small Business Development</b>	<b>Total</b>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>							
<b>Cash Flows from Operating Activities:</b>							
Receipts from Customers	\$413,705	\$2,220,510	\$1,950,786	\$2,383,332	\$26,609	\$29,404	\$7,024,346
Payments to Suppliers	(10,499)	(271,105)	(1,189,079)	(1,046,318)	(18,610)	(19,738)	(2,555,349)
Payments to Employees	(294,873)	(1,461,950)	0	(1,934,971)	0	0	(3,691,794)
Payments for Interfund Services Used	0	(166,346)	0	(705)	(43,618)	0	(210,669)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>108,333</b>	<b>321,109</b>	<b>761,707</b>	<b>(598,662)</b>	<b>(35,619)</b>	<b>9,666</b>	<b>566,534</b>
<b>Cash Flows from Noncapital Financing Activities:</b>							
Transfers In				1,047,050			1,047,050
<b>Net Cash Flows from Noncapital Financing Activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,047,050</b>	<b>0</b>	<b>0</b>	<b>1,047,050</b>
<b>Cash Flows from Capital and Related Activities:</b>							
Additions to Property, Plant and Equipment	(56,651)	(197)	0	(77,468)	0	0	(134,316)
<b>Net Cash Flows from Capital and Related Activities</b>	<b>(56,651)</b>	<b>(197)</b>	<b>0</b>	<b>(77,468)</b>	<b>0</b>	<b>0</b>	<b>(134,316)</b>
<b>Cash Flows from Investing Activities:</b>							
Purchases of Investments	0	0	0	(2,934)		(7,091)	(10,025)
Proceeds from Sales and Maturities of Investments	0	4,993	1,289	0		404	6,686
Income on Investments	6,042	25,601	18,213	36,612	5,984	8,773	101,225
<b>Net Cash Flows from Investing Activities</b>	<b>6,042</b>	<b>30,594</b>	<b>19,502</b>	<b>33,678</b>	<b>5,984</b>	<b>2,086</b>	<b>97,886</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>57,724</b>	<b>351,506</b>	<b>781,209</b>	<b>404,598</b>	<b>(29,635)</b>	<b>11,752</b>	<b>1,577,154</b>
Cash and Cash Equivalents at Beginning of Year	133,550	578,499	707,114	773,121	87,940	109,989	2,390,213
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$191,274</b>	<b>\$930,005</b>	<b>\$1,488,323</b>	<b>\$1,177,719</b>	<b>\$58,305</b>	<b>\$121,741</b>	<b>\$3,967,367</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:</b>							
<b>Operating Income (Loss)</b>	<b>\$106,693</b>	<b>\$251,646</b>	<b>\$678,164</b>	<b>(\$678,647)</b>	<b>(\$35,619)</b>	<b>\$23,383</b>	<b>\$345,620</b>
<b>Adjustments Not Affecting Cash:</b>							
Depreciation	3,541	15,534	89,023	49,073	0	0	157,171
Allowance for Bad Debts						(23,384)	(23,384)
<b>(Increase) Decrease in Assets:</b>							
Other Receivables						6,021	6,021
<b>Increase (Decrease) in Liabilities:</b>							
Accounts Payable	(289)	43,788	(139,600)	(7,069)	0	0	(103,170)
Accrued Payroll	1,372	8,410	0	30,988	0	0	40,770
Due to Other Funds	(2,984)	0	109,986	6,993	0	3,646	117,641
Other Liabilities	0	0	24,134	0	0	0	24,134
Compensated Absences	0	1,731	0	0	0	0	1,731
<b>Total Adjustments</b>	<b>1,640</b>	<b>69,463</b>	<b>83,543</b>	<b>79,985</b>	<b>0</b>	<b>(13,717)</b>	<b>220,914</b>
<b>Net Cash Provided by (Used In) Operating Activities</b>	<b>\$108,333</b>	<b>\$321,109</b>	<b>\$761,707</b>	<b>(\$598,662)</b>	<b>(\$35,619)</b>	<b>\$9,666</b>	<b>\$566,534</b>

## **INTERNAL SERVICE FUNDS**

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

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

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2007**

	<u>Health Dental and Vision Care</u>	<u>Insurance and Risk Management</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash	\$76,537	\$1,158,264	\$1,234,801
Investments	0	7,500,000	7,500,000
Receivables:			
Other Receivables	0	241,654	241,654
<b>Total Current Assets</b>	<u>76,537</u>	<u>8,899,918</u>	<u>8,976,455</u>
 <b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	(22,392)	27,000	4,608
Due to Other Funds	98,929	1,219,353	1,318,282
Claims Payable:			
Reported	0	7,467,002	7,467,002
Incurred But Not Reported	0	11,622,000	11,622,000
<b>Total Current Liabilities</b>	<u>76,537</u>	<u>20,335,355</u>	<u>20,411,892</u>
<b>Total Liabilities</b>	<u>76,537</u>	<u>20,335,355</u>	<u>20,411,892</u>
<b>NET ASSETS</b>			
Unrestricted (Deficit)	<u>\$0</u>	<u>(\$11,435,437)</u>	<u>(\$11,435,437)</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2007**

	<u>Health, Dental and Vision Care Insurance</u>				<u>Insurance and Risk Management</u>	<u>Total</u>
	<u>Health</u>	<u>Dental</u>	<u>Vision Care</u>	<u>Total</u>		
<b>Operating Revenues</b>						
Premiums	\$23,902,792	\$2,005,602	\$324,016	\$26,232,410	\$6,011,665	\$32,244,075
<b>Total Operating Revenues</b>	<u>23,902,792</u>	<u>2,005,602</u>	<u>324,016</u>	<u>26,232,410</u>	<u>6,011,665</u>	<u>32,244,075</u>
<b>Operating Expenses</b>						
Claims and Benefit Payments	24,014,935	1,863,303	357,247	26,235,485	9,441,361	35,676,846
<b>Total Operating Expenses</b>	<u>24,014,935</u>	<u>1,863,303</u>	<u>357,247</u>	<u>26,235,485</u>	<u>9,441,361</u>	<u>35,676,846</u>
<b>Operating Income (Loss)</b>	(112,143)	142,299	(33,231)	(3,075)	(3,429,696)	(3,432,771)
<b>Non-Operating Revenues</b>						
Income on Investments	0	0	0	0	383,326	383,326
<b>Total Non-Operating Revenues</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>383,326</u>	<u>383,326</u>
<b>Change in Net Assets</b>	(112,143)	142,299	(33,231)	(3,075)	(3,046,370)	(3,049,445)
<b>Net Assets - July 1</b>	<u>(317,465)</u>	<u>333,250</u>	<u>(12,710)</u>	<u>3,075</u>	<u>(8,389,067)</u>	<u>(8,385,992)</u>
<b>Net Assets - June 30</b>	<u>(\$429,608)</u>	<u>\$475,549</u>	<u>(\$45,941)</u>	<u>(\$0)</u>	<u>(\$11,435,437)</u>	<u>(\$11,435,437)</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2007**

	<u>Health Dental and Vision Care</u>	<u>Insurance and Risk Management</u>	<u>Total</u>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>			
<b>Cash Flows from Operations:</b>			
Receipts from Customers	\$11,192,529	\$0	\$11,192,529
Receipts from Interfund Services Provided	14,936,306	6,115,241	21,051,547
Refunds from/(Payments) to Suppliers	(404,716)	26,999	(377,717)
Payments for Claims	(26,032,981)	(6,310,918)	(32,343,899)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>(308,862)</u>	<u>(168,678)</u>	<u>(477,540)</u>
<b>Cash Flows from Investing Activities:</b>			
Income on Investments	0	383,326	383,326
<b>Net Cash Flows from Investing Activities</b>	<u>0</u>	<u>383,326</u>	<u>383,326</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(308,862)	214,648	(94,214)
Cash and Cash Equivalents at Beginning of Year	<u>385,400</u>	<u>943,615</u>	<u>1,329,015</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$76,538</u>	<u>\$1,158,263</u>	<u>\$1,234,801</u>
<b>Reconciliation of Operating Loss to Net Cash Used In Operating Activities:</b>			
<b>Operating Income (Loss)</b>	<u>(\$3,075)</u>	<u>(\$3,429,696)</u>	<u>(\$3,432,771)</u>
<b>(Increase) Decrease in Assets:</b>			
Other Receivables	0	(103,577)	(103,577)
<b>Increase (Decrease) in Liabilities:</b>			
Accounts Payable	(404,718)	26,999	(377,719)
Due to Other Funds	98,931	1,850,593	1,949,524
Claims Payable	0	1,487,003	1,487,003
<b>Total Adjustments</b>	<u>(305,787)</u>	<u>3,261,018</u>	<u>2,955,231</u>
<b>Net Cash Provided by (Used In) Operating Activities</b>	<u>(\$308,862)</u>	<u>(\$168,678)</u>	<u>(\$477,540)</u>

## **FIDUCIARY FUNDS**

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

### **AGENCY FUNDS**

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

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

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF NET ASSETS**  
**AGENCY FUNDS**  
**For the Year Ended June 30, 2007**

	<u>Balance</u> <u>July 1, 2006</u>	<u>Balance</u> <u>June 30, 2007</u>
<b>NEIGHBORHOOD SEWER PROJECTS FUND</b>		
Cash and Short-Term Investments	\$140,653	\$115,990
Accounts Receivable	35,768	33,898
Allowance for Uncollectible Accounts	(35,768)	(33,898)
<b>Total Assets</b>	<u>\$140,653</u>	<u>\$115,990</u>
Payable to Property Owners	\$84,480	\$65,530
Interest Payable	673	460
Reserve for Bond Redemption	55,500	50,000
<b>Total Liabilities</b>	<u>\$140,653</u>	<u>\$115,990</u>
<b>JUVENILE AND ADULT PROBATION FUND</b>		
Cash	\$352,772	\$329,388
<b>Total Assets</b>	<u>\$352,772</u>	<u>\$329,388</u>
Accounts Payable	\$352,772	\$329,388
<b>Total Liabilities</b>	<u>\$352,772</u>	<u>\$329,388</u>
<b>DOMESTIC RELATIONS FUND</b>		
Cash	\$323,657	\$323,407
<b>Total Assets</b>	<u>\$323,657</u>	<u>\$323,407</u>
Accounts Payable	\$323,657	\$323,407
<b>Total Liabilities</b>	<u>\$323,657</u>	<u>\$323,407</u>
<b>TOTALS - AGENCY FUNDS</b>		
Cash and Short-Term Investments	\$817,082	\$768,785
Accounts Receivable	35,768	33,898
Allowance for Uncollectible Accounts	(35,768)	(33,898)
<b>Total Assets</b>	<u>\$817,082</u>	<u>\$768,785</u>
Liabilities	\$761,582	\$718,785
Reserve for Bond Redemption	55,500	50,000
<b>Total Liabilities</b>	<u>\$817,082</u>	<u>\$768,785</u>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
 SCHEDULE BY SOURCE  
 June 30, 2007**

**General Capital Assets:**

Land	\$41,682,631
Buildings	126,359,852
Vehicles, Equipment and Furniture	91,306,342
Land Improvements	11,579,735
Leasehold Improvements	1,043,397
Purchase of Development Rights	47,750,433
Infrastructure	958,915,828
Sewer Lines	53,156
Sewer Plants	163,906
Construction in Progress	15,863,318

<b>Total General Capital Assets</b>	<u><u>\$1,294,718,598</u></u>
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**Investment in General Capital Assets from:**

General Fund	\$1,195,104,289
Special Revenue Funds	92,766,884
Donations	6,847,425

<b>Total Investment in General Capital Assets</b>	<u><u>\$1,294,718,598</u></u>
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**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
For the Year Ended June 30, 2007**

<b>Function and Activity</b>	<b>General Capital Assets July 1, 2006, restated*</b>	<b>Additions</b>	<b>Deletions/ Adjustments</b>	<b>General Capital Assets June 30, 2007</b>
<b>General Government:</b>				
<b>Control:</b>				
Legislative	\$86,080	\$1,809	(\$14,442)	\$102,331
Executive	34,673,985	5,312,804	(88,514)	40,075,303
Constitutional Officers and Judicial	257,225	35,538	44,234	248,529
<b>Total Control</b>	<u>35,017,290</u>	<u>5,350,151</u>	<u>(58,722)</u>	<u>40,426,163</u>
<b>Staff Agencies:</b>				
Finance	3,726,100	698,601	266,893	4,157,808
Administrative Services	36,902,701	2,645,572	(544,956)	40,093,229
Law	63,108	31,051	2,795	91,364
General Services	62,363,668	7,029,688	(1,248,332)	70,641,688
Outside Agencies	7,351,525	0	2,716,081	4,635,444
<b>Total Staff Agencies</b>	<u>110,407,102</u>	<u>10,404,912</u>	<u>1,192,481</u>	<u>119,619,533</u>
<b>Total General Government</b>	145,424,392	15,755,063	1,133,759	160,045,696
Public Safety	114,107,219	4,535,587	10,709,305	107,933,501
Public Works*	1,002,688,815	19,609,381	3,639,259	1,018,658,937
Social Services	7,873,250	269,236	62,022	8,080,464
<b>Total General Capital Assets</b>	<u><u>\$1,270,093,676</u></u>	<u><u>\$40,169,267</u></u>	<u><u>\$15,544,345</u></u>	<u><u>\$1,294,718,598</u></u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**June 30, 2007**

<b>Function and Activity</b>	<b>Land</b>	<b>Buildings</b>	<b>Vehicles, Equipment and Furniture</b>	<b>Land and Leasehold Improvements</b>	<b>Purchase of Development Rights</b>	<b>Infrastructure, Sewer Lines, Sewer Plants</b>	<b>Construction in Progress</b>	<b>Total</b>
<b>General Government:</b>								
<b>Control:</b>								
Legislative	\$0	\$0	\$93,565	\$0	\$0	\$0	\$8,766	\$102,331
Executive	180,040	19,754,578	83,115	438,182	19,098,982	59,207	461,199	40,075,303
Constitutional Officers and Judicial	0	22,033	226,496	0	0	0	0	248,529
<b>Total Control</b>	<b>180,040</b>	<b>19,776,611</b>	<b>403,176</b>	<b>438,182</b>	<b>19,098,982</b>	<b>59,207</b>	<b>469,965</b>	<b>40,426,163</b>
<b>Staff Agencies:</b>								
Finance	0	167,200	3,908,254	0	0	82,354	0	4,157,808
Administrative Services	2,856,505	6,476,350	1,320,622	461,499	28,651,451	224,000	102,802	40,093,229
Law	0	0	91,364	0	0	0	0	91,364
General Services	30,328,690	18,745,319	15,198,339	7,866,156	0	(1,865,366)	368,550	70,641,688
Outside Agencies	0	4,242,122	335,484	57,838	0	0	0	4,635,444
<b>Total Staff Agencies</b>	<b>33,185,195</b>	<b>29,630,991</b>	<b>20,854,063</b>	<b>8,385,493</b>	<b>28,651,451</b>	<b>(1,559,012)</b>	<b>471,352</b>	<b>119,619,533</b>
<b>Total General Government</b>	<b>33,365,235</b>	<b>49,407,602</b>	<b>21,257,239</b>	<b>8,823,675</b>	<b>47,750,433</b>	<b>(1,499,805)</b>	<b>941,317</b>	<b>160,045,696</b>
Public Safety	1,201,028	64,430,547	40,282,651	49,400	0	951,473	1,018,402	107,933,501
Public Works*	6,621,757	6,196,889	28,636,509	3,672,954	0	959,681,222	13,849,606	1,018,658,937
Social Services	494,611	6,324,814	1,129,943	77,103	0	0	53,993	8,080,464
<b>Total General Fixed Assets</b>	<b>\$41,682,631</b>	<b>\$126,359,852</b>	<b>\$91,306,342</b>	<b>\$12,623,132</b>	<b>\$47,750,433</b>	<b>\$959,132,890</b>	<b>\$15,863,318</b>	<b>\$1,294,718,598</b>

## NONMAJOR COMPONENT UNITS

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

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

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

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

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

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

The **Parking Authority of Lexington** acts as an agency of the Government in the provision, maintenance and operation of parking facilities, structures, and meters along with the enforcement of non-moving traffic violations.

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
COMBINING STATEMENT OF NET ASSETS  
NONMAJOR COMPONENT UNITS  
June 30, 2007**

	<u>Lexington Transit Authority</u>	<u>Lexington Public Library</u>	<u>Lexington Convention and Visitors Bureau</u>	<u>Explorium of Lexington</u>
<b>ASSETS</b>				
Cash	\$7,643,202	\$1,549,726	\$320,838	\$779
Investments		1,859,780	1,000,000	1,089
Receivables:				
Accounts Receivable	85,832	37,359	495,696	
Other	71,014			
Due from Primary Government			440,008	
Due from Other Governments	1,913,507			
Inventories	511,511			14,955
Prepaid Items	1,468,582	161,695	33,453	
Pension Assets	291,374	54,986		
Restricted Current Assets:				
Investments				294,527
Capital Assets:				
Non-depreciable	3,500,397	4,909,738		
Depreciable (Net)	9,182,655	11,386,469	123,324	82,263
Total Assets	<u>24,668,074</u>	<u>19,959,753</u>	<u>2,413,319</u>	<u>393,613</u>
<b>LIABILITIES</b>				
Accounts, Contracts Payable and				
Accrued Liabilities	984,466	832,634	43,196	77,408
Due to Primary Government	305,239			147,995
Due to Component Units	0		255,865	
Unearned Revenues and Other	243,654		67,573	
Non-Current Liabilities:				
Due Within One Year				
Compensated Absences	102,085	271,190		
Bonds and Notes Payable	49,278	65,142		
Capital Lease Obligations			6,966	
Due in More Than One Year				
Compensated Absences	123,186			5,543
Bonds and Notes Payable	25,506	3,313,747		
Capital Lease Obligations			7,489	
Total Liabilities	<u>1,833,414</u>	<u>4,482,713</u>	<u>381,089</u>	<u>230,946</u>
<b>NET ASSETS</b>				
Investment in Capital Assets, net of related debt	12,608,268	12,917,318	108,869	82,263
Restricted for:				
Pension	291,376			
Endowments				100,000
Projects and Programs		278,051		
Unrestricted	9,935,016	2,281,671	1,923,361	(19,596)
Total Net Assets	<u>\$22,834,660</u>	<u>\$15,477,040</u>	<u>\$2,032,230</u>	<u>\$162,667</u>

<b>Carnegie Literacy Center</b>	<b>Downtown Development Authority</b>	<b>Parking Authority of Lexington</b>	<b>Nonmajor Component Units</b>
\$280,573 411,892	\$200	\$418,185	\$10,213,503 3,272,761
	12,000		630,887
74,668			145,682
8,335			448,343
			1,913,507
			526,466
2,512			1,666,242
			346,360
8,335			302,862
			8,410,135
8,172		1,009,970	21,792,853
<u>794,487</u>	<u>12,200</u>	<u>1,428,155</u>	<u>49,669,601</u>
29,639	22,830	58,966	2,049,139
75,036	30,758		559,028
			255,865
			311,227
	14,612		387,887
			114,420
			6,966
	247		128,976
			3,339,253
			7,489
<u>104,675</u>	<u>68,447</u>	<u>58,966</u>	<u>7,160,250</u>
		1,009,970	26,726,688
			291,376
8,335			108,335
50,358			328,409
631,119	(56,247)	359,219	15,054,543
<u>\$689,812</u>	<u>(\$56,247)</u>	<u>\$1,369,189</u>	<u>\$42,509,351</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
COMBINING STATEMENT OF ACTIVITIES  
NONMAJOR COMPONENT UNITS  
For the Year Ended June 30, 2007**

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Lexington Transit Authority</b>				
Transit Operations	\$15,069,953	\$1,934,912	\$3,926,491	\$316,942
Depreciation	1,363,863			
Total Lexington Transit Authority	<u>16,433,816</u>	<u>1,934,912</u>	<u>3,926,491</u>	<u>316,942</u>
<b>Lexington Public Library</b>				
Library Operations	12,630,512	707,080	427,408	105,000
Depreciation	688,762			
Total Lexington Public Library	<u>13,319,274</u>	<u>707,080</u>	<u>427,408</u>	<u>105,000</u>
<b>Lexington Convention and Visitors Bureau</b>				
Convention and Tourism Operations	5,491,783			
Depreciation	54,746			
Interest on Long-term Debt	2,263			
Total Lexington Convention and Visitors Bureau	<u>5,548,792</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Explorium of Lexington</b>				
Museum Operations	910,938	401,048	127,137	
Depreciation	40,102			
Total Explorium of Lexington	<u>951,040</u>	<u>401,048</u>	<u>127,137</u>	<u>0</u>
<b>Carnegie Literacy Center</b>				
Literacy Center Operations	537,874	89,851	739,630	
Total Carnegie Literacy Center	<u>537,874</u>	<u>89,851</u>	<u>739,630</u>	<u>0</u>
<b>Downtown Development Authority</b>				
Administration	204,497		23,422	
Downtown Master Plan	98,479			
Housing Tour	11,513			
Total Downtown Development Authority	<u>314,489</u>	<u>0</u>	<u>23,422</u>	<u>0</u>
<b>Parking Authority of Lexington</b>				
Parking Operations	556,987	755,036		
Depreciation	20,612			
Total Parking Authority of Lexington	<u>577,599</u>	<u>755,036</u>	<u>0</u>	<u>0</u>
Total nonmajor component units	<u>\$37,682,884</u>	<u>\$3,887,927</u>	<u>\$5,244,088</u>	<u>\$421,942</u>

**General Revenues:**

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

**Total General Revenues**

Change in Net Assets

Net Assets, July 1

Net Assets, June 30

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

<u>Lexington Transit Authority</u>	<u>Lexington Public Library</u>	<u>Lexington Convention and Visitors Bureau</u>	<u>Explorium of Lexington</u>	<u>Carnegie Literacy Center</u>	<u>Downtown Development Authority</u>	<u>Parking Authority of Lexington</u>	<u>Total Nonmajor Component Units</u>
(\$8,891,608)							(\$8,891,608)
<u>(1,363,863)</u>							<u>(1,363,863)</u>
<u>(10,255,471)</u>							<u>(10,255,471)</u>
	(11,391,024)						(11,391,024)
	<u>(688,762)</u>						<u>(688,762)</u>
	<u>(12,079,786)</u>						<u>(12,079,786)</u>
		(5,491,783)					(5,491,783)
		(54,746)					(54,746)
		<u>(2,263)</u>					<u>(2,263)</u>
		<u>(5,548,792)</u>					<u>(5,548,792)</u>
			(382,753)				(382,753)
			(40,102)				(40,102)
			<u>(422,855)</u>				<u>(422,855)</u>
				291,607			291,607
				<u>291,607</u>			<u>291,607</u>
					(181,075)		(181,075)
					(98,479)		(98,479)
					<u>(11,513)</u>		<u>(11,513)</u>
					<u>(291,067)</u>		<u>(291,067)</u>
						198,049	198,049
						<u>(20,612)</u>	<u>(20,612)</u>
						<u>177,437</u>	<u>177,437</u>
							<u>(28,128,927)</u>
13,253,015	11,741,422	4,810,893					29,805,330
			237,580		179,880	1,190,780	1,608,240
	2,697,831						2,697,831
359,518	148,180	55,278	8,528	19,003			590,507
			12,343				12,343
	13,496	727,688	7	6,774		972	748,937
<u>13,612,533</u>	<u>14,600,929</u>	<u>5,593,859</u>	<u>258,458</u>	<u>25,777</u>	<u>179,880</u>	<u>1,191,752</u>	<u>35,463,188</u>
3,357,062	2,521,143	45,067	(164,397)	317,384	(111,187)	1,369,189	7,334,261
19,477,598	12,955,897	1,987,163	327,064	372,428	54,940	0	35,175,090
<u>\$22,834,660</u>	<u>\$15,477,040</u>	<u>\$2,032,230</u>	<u>\$162,667</u>	<u>\$689,812</u>	<u>(\$56,247)</u>	<u>\$1,369,189</u>	<u>\$42,509,351</u>



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## STATISTICAL SECTION

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

Financial Trends: Tables 1 – 6

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

Revenue Capacity: Tables 7 – 12

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

Debt Capacity: Tables 13 – 17

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

Demographic & Economic Indicators: Tables 18 – 20

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.

Operating Information: Tables 21 – 23

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.



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TABLE 1

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

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Governmental Activities</b>					
Investment in Capital Assets, net of related debt	\$106,003,137	\$108,187,766	\$128,533,898	\$964,032,556	\$965,683,982
Restricted	2,238,907	1,253,571	1,316,495	10,509,131	19,918,500
Unrestricted	15,083,835	15,892,881	29,526,571	50,390,084	30,807,379
Total governmental activities net assets	<u>\$123,325,879</u>	<u>\$125,334,218</u>	<u>\$159,376,964</u>	<u>\$1,024,931,771</u>	<u>\$1,016,409,861</u>
<b>Business-type Activities</b>					
Investment in Capital Assets, net of related debt	\$224,820,344	\$245,267,827	\$243,680,021	\$245,818,433	\$244,593,588
Restricted	31,352,044	31,575,194	33,688,305	34,565,941	39,914,276
Unrestricted (deficit)	(6,993,925)	(204,318)	5,634,802	11,084,804	14,020,822
Total business-type activities net assets	<u>\$249,178,463</u>	<u>\$276,638,703</u>	<u>\$283,003,128</u>	<u>\$291,469,178</u>	<u>\$298,528,686</u>
<b>Primary Government</b>					
Investment in Capital Assets, net of related debt	\$330,823,481	\$353,455,593	\$372,213,919	\$1,209,850,989	\$1,210,277,570
Restricted	33,590,951	32,828,765	35,004,800	45,075,072	59,832,776
Unrestricted	8,089,910	15,688,563	35,161,373	61,474,888	44,828,201
Total primary government net assets	<u>\$372,504,342</u>	<u>\$401,972,921</u>	<u>\$442,380,092</u>	<u>\$1,316,400,949</u>	<u>\$1,314,938,547</u>

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

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

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Expenses</b>					
<b>Governmental Activities:</b>					
General Government	\$9,744,039	\$21,293,008	\$22,840,721	\$21,977,521	\$23,927,771
Administrative Services	24,993,517	18,938,746	23,522,220	27,674,322	34,445,260
Health, Dental and Vision Insurance	10,480,431	10,592,090	14,011,082	14,740,182	13,301,058
Finance	6,280,716	6,876,648	6,670,050	6,629,421	10,464,204
Public Works	37,484,504	33,960,939	35,320,695	93,199,722	68,896,198
Public Safety	7,078,379	7,232,363	9,001,079	8,363,244	11,937,598
Police	43,399,766	42,794,170	47,320,658	56,588,057	56,980,657
Fire and Emergency Services	36,207,002	36,841,543	39,390,542	47,469,043	53,242,082
Community Corrections	24,505,670	24,478,660	27,326,172	28,539,978	29,028,326
Social Services	8,931,694	9,070,442	10,579,394	13,379,478	15,493,804
General Services	12,854,362	16,242,299	16,998,086	18,493,537	10,855,412
Parks and Recreation	14,012,815	13,380,436	14,840,330	16,739,980	19,428,046
Law	1,824,518	1,642,220	2,041,719	1,946,786	2,115,341
Outside Agencies	32,704,463	27,718,643	267,976	178,667	0
Interest on Long-Term Debt	5,840,627	5,739,105	6,236,280	6,291,512	6,378,169
Debt Service - Other	5,957,246	6,444,538	1,261,204	1,040,970	1,056,289
Total governmental activities	<u>282,299,749</u>	<u>283,245,850</u>	<u>277,628,208</u>	<u>363,252,420</u>	<u>357,550,215</u>
<b>Business-type Activities:</b>					
Sanitary Sewer System	21,319,274	22,347,738	23,554,596	24,553,305	26,703,501
Public Facilities	13,568,097	13,500,561	12,121,284	12,175,005	10,444,503
Public Parking	967,952	941,821	891,857	909,544	511,198
Landfill	4,662,162	5,423,413	4,233,412	1,391,578	1,651,318
Right of Way	75,665	261,494	266,933	292,284	307,012
Extended School Program	1,230,845	1,387,203	1,452,385	1,578,873	1,967,573
Prisoners' Account System	1,053,084	1,360,709	1,472,693	1,363,204	1,273,913
Enhanced 911	2,650,745	2,300,114	2,112,518	2,107,592	3,057,919
LexVan Program		17,545	40,296	35,122	62,228
Small Business Development		108,343	3,562	8,838	0
Total business-type activities	<u>45,527,824</u>	<u>47,648,941</u>	<u>46,149,536</u>	<u>44,415,345</u>	<u>45,979,165</u>
Total primary government	<u>\$327,827,573</u>	<u>\$330,894,791</u>	<u>\$323,777,744</u>	<u>\$407,667,765</u>	<u>\$403,529,380</u>

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

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>Program Revenues</b>					
Governmental Activities:					
Charges for Services	\$35,905,736	\$33,999,515	\$41,277,818	\$41,095,215	\$52,228,120
Operating Grants and Contributions	22,330,711	33,101,398	20,838,959	19,297,952	31,988,064
Capital Grants and Contributions	12,607,442	13,256,243	12,970,715	15,349,943	3,138,381
Total governmental activities	<u>70,843,889</u>	<u>80,357,156</u>	<u>75,087,492</u>	<u>75,743,110</u>	<u>87,354,565</u>
Business-type Activities:					
Charges for Services	51,414,204	54,421,012	49,825,599	50,784,976	47,072,248
Operating Grants and Contributions	117,840	125,744			
Total business-type activities	<u>51,532,044</u>	<u>54,546,756</u>	<u>49,825,599</u>	<u>50,784,976</u>	<u>47,072,248</u>
Total primary government	<u>\$122,375,933</u>	<u>\$134,903,912</u>	<u>\$124,913,091</u>	<u>\$126,528,086</u>	<u>\$134,426,813</u>
<b>Net (Expense)/Revenue</b>					
Governmental activities	(\$211,455,860)	(\$202,888,694)	(\$202,540,716)	(\$287,509,310)	(\$270,195,650)
Business-type activities	6,004,220	6,897,815	3,676,063	6,369,631	1,093,083
Total primary government	<u>(\$205,451,640)</u>	<u>(\$195,990,879)</u>	<u>(\$198,864,653)</u>	<u>(\$281,139,679)</u>	<u>(\$269,102,567)</u>
<b>General Revenues and Other Changes in Net Assets</b>					
Governmental Activities:					
Property Taxes	\$40,127,166	\$41,964,425	\$43,189,707	\$44,889,961	\$47,791,867
Licenses and Permits	165,005,241	178,942,755	188,973,285	197,857,140	210,698,736
Grants and Contributions Not Restricted to Specific Programs:					
Community Development Block Grant	8,547,728	3,567,315	2,570,656	2,264,419	2,126,818
Income on Investments	804,561	507,868	1,839,509	3,395,527	6,121,269
Sale of Assets	1,617,773	457,849	523,841	956,340	(1,041,367)
Bond Refunding		(19,185,000)			
Miscellaneous	938,222	918,323	767,547	827,029	963,926
Conveyance of Asset Transfers	94,318	(1,136,353)	(1,281,083)	670,254	(3,308,054)
Total governmental activities	<u>217,135,009</u>	<u>206,037,182</u>	<u>236,583,462</u>	<u>250,860,670</u>	<u>261,236,315</u>
Business-type Activities:					
Income on Investments	977,186	662,485	1,397,929	2,728,854	2,802,634
Sale of Assets		3,587	9,350	17,819	(183,523)
Bond Refunding		18,760,000			
Transfers	(94,318)	1,136,353	1,281,083	(670,254)	3,308,054
Total business-type activities	<u>882,868</u>	<u>20,562,425</u>	<u>2,688,362</u>	<u>2,076,419</u>	<u>5,927,165</u>
Total primary government	<u>\$218,017,877</u>	<u>\$226,599,607</u>	<u>\$239,271,824</u>	<u>\$252,937,089</u>	<u>\$267,163,480</u>
<b>Change in Net Assets</b>					
Governmental activities	\$5,679,149	\$3,148,488	\$34,042,746	(\$36,648,640)	(\$8,959,335)
Business-type activities	6,887,088	27,460,240	6,364,425	8,446,050	7,020,248
Prior Period Adjustment - Government Activities <sup>(1)</sup>				902,203,447	437,425
Prior Period Adjustment-Business-type Activities		(1,140,149)		20,000	39,260
Total primary government	<u>\$12,566,237</u>	<u>\$29,468,579</u>	<u>\$40,407,171</u>	<u>\$874,020,857</u>	<u>(\$1,462,402)</u>

(1) The prior period adjustment in FY2006 includes \$902,066,962 retroactively reporting infrastructure due to the full implementation of GASB 34.

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

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Fund										
Reserved	\$3,849,506	\$3,750,230	\$5,592,934	\$5,865,274	\$4,595,676	\$6,345,782	\$3,473,224	\$4,940,741	\$4,845,381	\$4,637,101
Unreserved										
Designated for Economic Contingency	4,352,261	5,002,728	5,303,539	5,607,306	5,745,936	5,825,468	5,878,356	5,996,710	8,272,087	11,894,147
Designated for Payroll	845,590	1,229,957	1,684,209	2,241,726	2,859,554	2,890,562	3,300,418	4,260,723		556,400
Designated for Working Capital	6,691,313	7,459,448	7,148,324	7,575,459	4,757,915	3,600,360	3,864,830	3,394,250	7,036,780	9,634,602
Designated for Pay Adjustments							906,180			
Designated for Lexington Center Corp.	882,000	768,000	654,000	540,000						
Designated for Debt		528,234								
Undesignated	19,917,257	21,235,061	20,881,587	8,730,980	4,179,207	3,674,154	12,177,065	17,468,671	17,734,190	15,713,298
Total	<u>\$36,537,927</u>	<u>\$39,973,658</u>	<u>\$41,264,593</u>	<u>\$30,560,745</u>	<u>\$22,138,288</u>	<u>\$22,336,326</u>	<u>\$29,600,073</u>	<u>\$36,061,095</u>	<u>\$37,888,438</u>	<u>\$42,435,548</u>
Urban Services										
Reserved	\$615,173	\$2,782,958	\$798,108	\$2,069,789	\$3,525,288	\$3,031,240	\$1,419,156	\$3,796,313	\$2,963,095	\$1,661,414
Designated for Payroll	77,869	100,496	127,015	158,555	191,011	233,899	302,654	367,505		45,700
Undesignated	7,816,983	9,503,322	13,464,874	16,168,353	16,720,062	15,193,297	18,167,725	17,637,287	20,771,372	26,852,738
Total	<u>\$8,510,025</u>	<u>\$12,386,776</u>	<u>\$14,389,997</u>	<u>\$18,396,697</u>	<u>\$20,436,361</u>	<u>\$18,458,436</u>	<u>\$19,889,535</u>	<u>\$21,801,105</u>	<u>\$23,734,467</u>	<u>\$28,559,852</u>
All Other Governmental Funds										
Reserved	\$8,507,153	\$54,940,471	\$20,540,550	\$21,926,669	\$11,484,513	\$12,562,673	\$9,770,889	\$9,119,957	\$11,641,885	\$6,521,413
Undesignated, reported in:										
Special revenues funds	4,515,560	4,639,046	3,695,720	2,907,391	1,953,071	3,462,414	3,486,847	4,315,924	6,789,094	8,770,810
Capital projects funds	(2,197,499)	(4,333,995)	(4,425,450)	(3,221,473)	9,501,913	5,883,281	1,014,962	19,410,938	25,849,967	14,852,272
Federal and State Grants					1,294,046	1,169,455	329,493	514,983	235,303	313,460
Total	<u>\$10,825,214</u>	<u>\$55,245,522</u>	<u>\$19,810,820</u>	<u>\$21,612,587</u>	<u>\$24,233,543</u>	<u>\$23,077,823</u>	<u>\$14,602,191</u>	<u>\$33,361,802</u>	<u>\$44,516,249</u>	<u>\$30,457,955</u>

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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues</b>										
Licenses and Permits	\$129,379,308	\$140,106,975	\$150,863,316	\$156,766,735	\$160,717,826	\$165,274,588	\$179,533,692	\$189,786,177	\$198,653,467	\$215,760,874
Taxes	29,910,260	31,024,465	33,863,033	34,100,242	37,203,745	40,127,166	41,964,425	43,189,707	44,889,961	47,791,867
Charges for Services	11,242,630	15,123,431	13,455,129	16,236,396	20,404,416	20,489,827	20,449,154	21,561,092	20,648,157	22,350,901
Fines and Forfeitures	167,013	274,002	407,111	279,558	382,532	236,226	245,150	184,104	323,063	57,192
Local Contributions					2,325,000					
Intergovernmental	17,492,022	20,154,798	22,187,033	33,095,607	38,269,881	41,632,430	47,380,792	30,321,835	31,784,556	32,419,475
Exactions					561,670	1,754,136	1,754,558	4,767,468	2,823,892	1,584,199
Grant Match	2,863,309	3,686,128	3,085,475	3,938,607	2,271,624	2,766,839	2,450,210	2,025,396	2,256,329	2,178,329
Property Sales	468,842	185,177	1,122,090	448,380	87,186	138,315	457,849	523,841	956,340	785,073
Income on Investments	2,722,250	3,037,034	4,502,957	4,058,755	1,562,701	773,032	451,123	1,420,555	3,366,361	5,737,945
Other	3,101,936	2,868,964	3,289,571	4,356,229	3,554,903	5,667,056	4,230,933	5,544,293	5,787,271	7,260,457
<b>Total Revenues</b>	<b>197,347,570</b>	<b>216,460,974</b>	<b>232,775,715</b>	<b>253,280,509</b>	<b>267,341,484</b>	<b>278,859,615</b>	<b>298,917,886</b>	<b>299,324,468</b>	<b>311,489,397</b>	<b>335,926,312</b>
<b>Expenditures</b>										
General Government	8,642,971	5,730,821	6,110,943	6,638,002	9,869,176	9,552,502	21,330,624	9,812,520	8,635,249	6,706,895
Administrative Services	6,596,728	10,752,753	12,754,916	13,081,228	15,961,216	17,683,142	29,924,619	24,077,384	25,104,922	25,431,738
Finance	4,137,945	4,772,212	5,129,343	5,656,743	6,096,794	6,118,472	6,488,798	6,593,458	7,145,881	9,890,462
Public Works	25,534,121	30,380,578	31,857,753	35,092,859	40,375,022	42,235,913	36,175,381	41,247,381	40,430,609	34,857,640
Public Safety	65,350,273	71,592,929	78,803,752	90,116,892	98,744,205	103,806,458	106,315,766	118,307,014	137,232,016	142,764,740
Social Services	5,895,957	6,154,800	6,417,544	6,333,898	9,288,878	9,929,597	11,162,991	13,389,135	12,245,264	13,347,071
General Services	20,513,685	20,085,066	24,744,941	23,545,747	25,560,791	25,270,975	23,757,464	24,696,780	30,279,293	28,040,506
Law	1,205,675	1,309,346	1,587,512	1,552,463	1,576,323	1,879,329	1,630,466	1,861,769	1,575,637	2,064,825
Outside Agencies	19,840,591	22,145,267	22,633,574	23,672,691	31,840,555	32,513,602	27,557,006	18,876,456	15,846,048	15,613,480
Special Projects	14,974,707	17,970,485	19,617,032	28,490,679	2,044,329					
Debt Service:										
Principal	268	0	1,040,000	3,455,000	7,743,568	9,711,219	10,404,328	14,156,321	15,030,273	18,797,661
Interest and Other	13,087,421	12,428,666	16,280,100	15,429,992	14,348,596	11,914,692	12,150,607	7,634,836	7,384,493	7,594,762
Capital	2,081,315	22,603,640	56,106,029	23,009,888	22,324,958	22,168,069	17,883,186	12,927,159	21,389,866	36,861,883
<b>Total Expenditures</b>	<b>187,861,657</b>	<b>225,926,563</b>	<b>283,083,439</b>	<b>276,076,082</b>	<b>285,774,411</b>	<b>292,783,970</b>	<b>304,781,236</b>	<b>293,580,213</b>	<b>322,299,551</b>	<b>341,971,663</b>
Excess (Deficiency) of Revenues over (under) Expenditures	9,485,913	(9,465,589)	(50,307,724)	(22,795,573)	(18,432,927)	(13,924,355)	(5,863,350)	5,744,255	(10,810,154)	(6,045,351)
<b>Other Financing Sources (Uses)</b>										
Transfers In	2,469,541	1,195,900	2,558,258	3,260,939	810,599	2,620,303	1,820,461	5,719,846	6,807,387	3,746,037
Transfers Out	(3,476,155)	(3,472,376)	(2,095,188)	(5,704,885)	(2,194,686)	(3,666,134)	(2,956,814)	(7,000,929)	(6,137,133)	(7,054,091)
Property Sales						1,479,458				
Bond and Note Proceeds		66,113,187	19,753,684	22,371,699	15,415,000	10,490,000	6,590,000	22,325,000	24,700,000	59,082,958
Refunding of Debt										(54,415,352)
Bond Anticipation Note							445,187	304,813	7,599	
Premium (Discount) on Bonds Issued					(148,782)	65,121	183,730	39,218	210,968	
<b>Total Other Financing Sources (Uses)</b>	<b>(1,006,614)</b>	<b>63,836,711</b>	<b>20,216,754</b>	<b>19,927,753</b>	<b>13,882,131</b>	<b>10,988,748</b>	<b>6,082,564</b>	<b>21,387,948</b>	<b>25,588,821</b>	<b>1,359,552</b>
<b>Net Change in Fund Balances</b>	<b>\$8,479,299</b>	<b>\$54,371,122</b>	<b>(\$30,090,970)</b>	<b>(\$2,867,820)</b>	<b>(\$4,550,796)</b>	<b>(\$2,935,607)</b>	<b>\$219,214</b>	<b>\$27,132,203</b>	<b>\$14,778,667</b>	<b>(\$4,685,799)</b>
Debt Service as a percentage of noncapital expenditures	7.0%	6.1%	7.6%	7.5%	8.4%	8.0%	7.9%	7.8%	7.4%	8.7%

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

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues</b>										
Licenses and Permits	\$129,093,656	\$138,606,697	\$150,426,657	\$155,566,415	\$159,054,097	\$164,661,161	\$177,623,046	\$188,632,470	\$197,805,430	\$214,665,674
Taxes	12,731,743	12,977,902	13,904,666	12,513,674	13,539,941	14,547,490	15,729,458	17,731,787	17,156,666	18,150,819
Charges for Services	11,160,169	15,114,957	13,455,129	16,198,920	17,671,856	20,402,491	20,279,414	21,260,954	21,003,296	22,215,574
Fines and Forfeitures	167,013	274,002	407,111	279,558	382,532	236,226	245,150	184,104	323,063	57,192
Intergovernmental	1,481,534	1,406,255	1,662,247	1,786,032	1,941,787	2,079,144	3,693,236	2,418,670	2,465,624	2,133,350
Property Sales	453,324	168,381	1,011,609	367,425	33,617	1,479,458	438,709	516,536	349,715	465,537
Income on Investments	1,538,252	1,284,191	1,182,639	1,399,319	334,302	127,728	90,639	533,607	1,481,463	2,971,942
Other	1,562,961	1,398,893	1,654,839	1,847,097	1,711,660	1,483,755	1,138,913	1,873,064	1,743,395	4,088,217
<b>Total Revenues</b>	<b>158,188,652</b>	<b>171,231,278</b>	<b>183,704,897</b>	<b>189,958,440</b>	<b>194,669,792</b>	<b>205,017,453</b>	<b>219,238,565</b>	<b>233,151,192</b>	<b>242,328,652</b>	<b>264,748,305</b>
<b>Expenditures and Other</b>										
<b>Financing Sources (Uses)</b>										
General Government <sup>(2)</sup>	6,465,834	4,048,212	4,269,422	5,255,625	4,843,238	5,513,279	3,680,801	3,668,705	4,458,163	5,048,021
Administrative Services <sup>(1)</sup>	3,222,783	10,159,579	12,146,051	11,917,682	10,796,794	15,396,156	14,858,450	13,228,125	15,582,368	15,276,489
Finance	4,115,357	4,772,184	5,241,297	5,652,458	5,911,517	6,061,481	6,473,910	6,773,332	7,256,067	7,745,982
Public Works	8,953,334	11,644,306	12,481,138	14,176,205	11,954,671	11,377,147	10,706,996	12,389,534	12,637,417	11,771,654
Public Safety	65,067,419	71,509,758	78,610,088	90,125,329	92,178,648	94,704,416	99,730,690	111,767,425	131,079,150	138,132,390
Social Services <sup>(2)</sup>	5,991,328	6,105,080	6,374,415	6,397,213	6,244,601	6,590,974	7,871,084	9,143,767	9,274,916	10,617,866
General Services	18,913,261	19,968,701	21,249,518	22,107,660	21,735,067	22,410,805	21,644,848	24,917,618	25,299,456	28,318,762
Housing & Community Dev <sup>(1)</sup>	3,331,916									
Law	1,220,301	1,300,007	1,600,344	1,579,136	1,590,374	1,820,584	1,613,724	1,876,412	1,923,928	1,782,008
Outside Agencies	20,070,545	21,964,307	23,010,520	23,190,541	23,416,545	23,526,902	22,818,075	18,258,584	14,349,512	15,464,809
Debt Service	11,231,809	11,070,468	16,176,071	17,420,469	19,360,248	18,851,660	20,447,860	20,802,641	21,585,420	25,662,867
Other Financing (Sources) Uses	3,262,910	3,283,472	1,029,332	1,511,884	973,404	(1,981,067)	(479,708)	4,860,964	140,864	202,328
Residual Equity Transfers	1,828,255	2,638,332	1,757,346	2,027,561						
<b>Total Expenditures and Other Financing Sources (Uses)</b>	<b>153,675,052</b>	<b>168,464,406</b>	<b>183,945,542</b>	<b>201,361,763</b>	<b>199,005,107</b>	<b>204,272,337</b>	<b>209,366,730</b>	<b>227,687,107</b>	<b>243,587,261</b>	<b>260,023,176</b>
<b>Net Change in Fund Balance</b>	<b>\$4,513,600</b>	<b>\$2,766,872</b>	<b>(\$240,645)</b>	<b>(\$11,403,323)</b>	<b>(\$4,335,315)</b>	<b>\$745,116</b>	<b>\$9,871,835</b>	<b>\$5,464,085</b>	<b>(\$1,258,609)</b>	<b>\$4,725,129</b>

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

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

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

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

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Revenues</b>										
Sewer Service Charges	\$19,953,509	\$20,705,758	\$20,644,538	\$20,410,572	\$20,425,852	\$24,298,724	\$25,457,887	\$24,049,216	\$25,602,266	\$24,014,195
Sewer Tap on Fees	1,617,200	2,093,881	1,637,052	1,185,424	1,240,051	1,227,111	1,428,449	1,584,341	1,661,417	1,629,573
Exactions					195,672	826,960	878,035	1,974,660	1,160,296	513,539
Other Income	18,937	116,850	199,296	215,435	231,850	181,146	193,694	50,204	47,965	41,731
<b>Total Revenues</b>	<b>21,589,646</b>	<b>22,916,489</b>	<b>22,480,886</b>	<b>21,811,431</b>	<b>22,093,425</b>	<b>26,533,941</b>	<b>27,958,065</b>	<b>27,658,421</b>	<b>28,471,944</b>	<b>26,199,038</b>
<b>Operating Expenses</b>										
Treatment Plant	4,810,727	5,370,892	5,322,815	5,576,923	5,692,586	6,428,699	6,616,161	6,088,076	7,106,877	7,259,708
Collection System	2,685,817	2,694,955	2,879,393	2,988,797	3,001,129	3,048,143	3,179,687	3,485,272	3,760,098	4,236,199
Administration	3,719,330	3,665,749	3,715,358	4,024,325	3,557,429	3,931,198	4,656,945	6,002,433	5,959,400	6,786,349
Depreciation	4,978,938	5,073,118	5,281,504	5,649,147	5,764,369	5,908,134	6,291,982	6,373,506	6,225,299	6,361,511
<b>Total Operating Expenses</b>	<b>16,194,812</b>	<b>16,804,714</b>	<b>17,199,070</b>	<b>18,239,192</b>	<b>18,015,513</b>	<b>19,316,174</b>	<b>20,744,775</b>	<b>21,949,287</b>	<b>23,051,674</b>	<b>24,643,767</b>
Operating Income	5,394,834	6,111,775	5,281,816	3,572,239	4,077,912	7,217,767	7,213,290	5,709,134	5,420,270	1,555,271
Net Nonoperating Revenues/(Expenses)	(732,694)	(960,476)	(626,073)	556,461	(954,809)	(1,138,325)	(1,074,183)	(504,103)	555,560	(279,228)
Capital Contributions					913,305	117,312	88,944			
Transfers In							10,000	10,000	10,000	533,401
Transfers Out	(180,163)	(192,788)				(1,014)	(4,400)	(952)	(1,149,277)	(910,455)
<b>Net Income/Change in Net Assets</b>	<b>\$4,481,977</b>	<b>\$4,958,511</b>	<b>\$4,655,743</b>	<b>\$4,128,700</b>	<b>\$4,036,408</b>	<b>\$6,195,740</b>	<b>\$6,233,651</b>	<b>\$5,214,079</b>	<b>\$4,836,553</b>	<b>\$898,989</b>

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

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

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

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

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

TABLE 8

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
1998	\$26,940,017	\$26,993,769	100.2%	\$244,417	\$27,238,186	101.1%
1999	28,467,989	28,109,892	98.7%	219,905	28,329,797	99.5%
2000	31,037,271	30,855,685	99.4%	89,107	30,944,792	99.7%
2001	33,902,023	33,308,041	98.2%	221,065	33,529,106	98.9%
2002	37,350,328	36,419,100	97.5%	241,290	36,660,389	98.2%
2003	39,997,319	39,116,817	97.8%	490,377	39,607,194	99.0%
2004	41,930,263	40,877,962	97.5%	496,473	41,374,436	98.7%
2005	41,915,431	41,211,370	98.3%	1,429,648	42,641,018	101.7%
2006	44,526,763	44,342,484	99.6%	231,649	44,574,133	100.1%
2007	47,282,303	47,245,216	99.9%	47,172	47,292,388	100.0%

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	Urban Services			Total Direct	Fayette County School	Commonwealth of Kentucky	Extension Services	Soil & Water Conservation	Health Department	Lextran	
		Refuse	Street Lights	Street Cleaning								
1998	0.0810	0.1750	0.0311	0.0094	0.2965	0.5390	0.1570					0.9925
1999	0.0810	0.1750	0.0311	0.0094	0.2965	0.5460	0.1530					0.9955
2000	0.0810	0.1750	0.0311	0.0094	0.2965	0.5400	0.1480					0.9845
2001	0.0800	0.1750	0.0311	0.0094	0.2955	0.5320	0.1410					0.9685
2002	0.0790	0.1750	0.0311	0.0094	0.2945	0.5280	0.1360					0.9585
2003	0.0790	0.1750	0.0311	0.0094	0.2945	0.5280	0.1350					0.9575
2004	0.0800	0.1750	0.0260	0.0094	0.2904	0.5330	0.1330	0.0032	0.0004			0.9600
2005	0.0800	0.1600	0.0210	0.0094	0.2704	0.5350	0.1310	0.0032	0.0004	0.0280		0.9680
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	0.5380	0.1310	0.0031	0.0004	0.0280	0.0600	1.0309

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

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

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

TABLE 10

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

Name	2007			1998		
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Lexington Joint Venture	\$56,707,600	1	0.23%	46,389,000	3	0.34%
Lexmark International Inc.	56,228,400	2	0.23%			
Fourth Quarter Properties	53,562,800	3	0.22%			
Meijer Stores Ltd	35,473,300	4	0.15%			
Diamondrock Griffin	32,500,000	5	0.13%			
Ball Homes, Inc.	32,334,800	6	0.13%	47,866,200	2	0.35%
Weingarten Realty Inc.	31,474,900	7	0.13%			
Geneva Organization	30,100,000	8	0.12%			
Main Street EH LLC	29,200,000	9	0.12%			
Mid American Apts	26,228,000	10	0.11%			
IBM Information Products				93,263,700	1	0.68%
Bank One				34,550,600	4	0.25%
CHCK Inc.				30,470,300	5	0.22%
Griffin Gate Association				28,475,000	6	0.21%
Lexington Financial				26,800,000	7	0.20%
MCV Venture				24,800,000	8	0.18%
Humco, Inc.				24,771,200	9	0.18%
Bluegrass Building Partners				22,527,500	10	0.16%
Total	<u>\$383,809,800</u>		<u>1.57%</u>	<u>\$379,913,500</u>		<u>2.77%</u>

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

TABLE 11

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

Fiscal Year	LFUCG Direct Rate	Fayette County School	Total
1998	2.25%	0.50%	2.75%
1999	2.25%	0.50%	2.75%
2000	2.25%	0.50%	2.75%
2001	2.25%	0.50%	2.75%
2002	2.25%	0.50%	2.75%
2003	2.25%	0.50%	2.75%
2004	2.25%	0.50%	2.75%
2005	2.25%	0.50%	2.75%
2006	2.25%	0.50%	2.75%
2007	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 WITHHOLDERS  
 CURRENT YEAR AND NINE YEARS AGO

<u>Name</u>	<u>2007 Rank</u>	<u>1998 Rank</u>
University of Kentucky	1	1
Lexmark International	2	2
Fayette County Board of Education	3	3
Lexington-Fayette Urban County Government	4	4
St. Joseph Hospital	5	9
Baptist Healthcare	6	7
Ashland, Inc.	7	6
Department of Veterans Affairs	8	5
Lexington Clinic	9	
Commonwealth of Kentucky	10	
IBM Information Products		8
General Telephone South		10

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

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

Fiscal Year	Governmental Activities				Business-type Activities			Total Primary Government	% of Personal Income	Primary Government Debt Per Capita
	General Obligation Bonds, Notes, Leases	Mortgage Revenue Bonds	Lease Revenue Notes Payable	Bond Anticipation Notes	Revenue Bonds	Mortgage Revenue Bonds	Lease Revenue Notes			
1998		\$6,875,000	\$3,734,002		\$43,065,446	\$50,650,000	\$11,555,000	\$115,879,448	1.6%	\$454
1999	67,115,000	5,410,000	3,231,725		40,470,755	116,075,000	11,470,000	243,772,480	3.2%	942
2000	89,530,000	3,870,000	2,836,238		37,750,286	112,125,000	6,190,000	252,301,524	3.1%	966
2001	108,430,000	2,255,000	2,419,811		59,578,753	108,010,000	2,280,000	282,973,564	3.4%	1,075
2002	117,900,000	885,000	1,991,244		56,710,531	103,730,000		281,216,775	3.3%	1,063
2003	119,795,000	285,000	1,543,585		53,375,000	98,320,000		273,318,585	3.1%	1,021
2004	136,560,000		434,255		50,040,000	73,940,000		260,974,255	2.8%	968
2005	144,905,000		257,934	742,401	46,560,000	71,680,000		264,145,335	2.7%	970
2006	154,760,000		72,661	750,000	42,915,000	69,625,000		268,122,661	2.6%	972
2007	142,805,000				39,400,000	68,885,000		251,090,000	na	900

Note: Details regarding LFUCG outstanding debt can be found in the notes to the financial statements.  
See page 153 for personal income and population data.

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

TABLE 14

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

Fiscal Year	General Obligation Bonds	% of Assessed Value of Property	Per Capita
1999	\$67,115,000	0.48%	\$259
2000	89,530,000	0.58%	343
2001	108,430,000	0.63%	412
2002	117,900,000	0.65%	446
2003	119,795,000	0.63%	447
2004	136,560,000	0.68%	506
2005	144,905,000	0.69%	532
2006	154,760,000	0.68%	561
2007	142,805,000	0.59%	512

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

General obligation debt was not issued prior to fiscal year 1999.

See page 142 for property value data and page 153 for population data.

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, 2007

	<u>Principal Outstanding</u>
Kentucky Infrastructure, City of Lexington, and Lexington-Fayette Urban County Government Sewer Assessment Bonds	\$105,000
Lexington Center Corporation	
Refunding and Improvement Mortgage Revenue Bonds, Series 1993	13,338,876
Mortgage Revenue Bonds, Series 2001	20,000,000
Lexington-Fayette Urban County Government Airport Corporation	
First Mortgage Revenue Bonds, Series 1994	1,500,000
First Mortgage Revenue Bonds, Series 1998	15,500,000
First Mortgage Revenue Bonds, Series 2003	29,050,000
Fayette County School & Kentucky School Commission Bonds	210,014,167
Lexington-Fayette Urban County Department of Health	1,015,000
Subtotal, Overlapping Debt	<u>290,523,043</u>
LFUCG, Direct Debt	<u>251,090,000</u>
Total Direct and Overlapping Indebtedness	<u><u>\$541,613,043</u></u>

## Note

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.

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									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Assessed Value	\$15,999,859	\$16,192,228	\$17,497,199	\$19,282,719	\$20,201,673	\$23,345,884	\$23,309,575	\$24,588,044	\$26,883,680	\$24,309,339
Debt limit (10% of Assessed Value)	\$1,599,986	\$1,619,223	\$1,749,720	\$1,928,272	\$2,020,167	\$2,334,588	\$2,330,958	\$2,458,804	\$2,688,368	\$2,430,934
Total net debt applicable to limit		188,916	201,302	190,933	190,533	187,635	187,350	181,675	176,110	171,270
Legal debt margin	\$1,599,986	\$1,430,307	\$1,548,418	\$1,737,339	\$1,829,634	\$2,146,953	\$2,143,608	\$2,277,129	\$2,512,258	\$2,259,664
Total net debt applicable to the limit as a percentage of debt limit	0.00%	11.67%	11.50%	9.90%	9.43%	8.04%	8.04%	7.39%	6.55%	7.05%

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

TABLE 17

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

Fiscal Year	Sanitary Sewer System						Public Facilities Corporation					
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage				Principal	Interest	Coverage
1998	\$23,352	\$11,216	\$12,136	\$2,499	\$2,338	2.51	\$11,730	\$778	\$10,952	\$2,820	\$2,004	2.27
1999	24,305	11,732	12,573	2,595	2,230	2.61	11,381	855	10,526	2,950	1,880	2.18
2000	24,129	11,918	12,211	2,720	2,115	2.53	12,320	1,106	11,214	3,230	2,195	2.07
2001	23,668	12,590	11,078	2,842	1,993	2.29	10,210	1,024	9,186	3,360	2,053	1.70
2002	23,343	12,251	11,092	2,868	1,989	2.28	11,021	1,840	9,181	3,505	3,407	1.33
2003	27,196	13,408	13,788	3,336	2,725	2.27	11,183	2,328	8,855	4,580	4,733	0.95
2004	28,428	14,453	13,975	3,335	2,570	2.37	11,504	2,474	9,030	4,760	4,530	0.97
2005	28,701	15,576	13,125	3,480	2,414	2.23	6,943	2,479	4,464	1,365	3,473	0.92
2006	28,472	16,826	11,646	3,515	2,076	2.08	7,251	2,600	4,651	1,485	3,348	0.96
2007	26,199	18,282	7,917	3,685	1,906	1.42	5,439	2,095	3,344	0	3,495	0.96

Fiscal Year	Public Parking Corporation						Special Assessment Bonds			
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Special Assessment Collections	Debt Service		
				Principal	Interest	Coverage		Principal	Interest	Coverage
1998	\$1,498	\$288	\$1,210	\$565	\$562	1.07	\$592	\$1,134	\$185	0.45
1999	1,345	327	1,018	745	358	0.92	397	824	131	0.42
2000	1,396	315	1,081	720	368	0.99	336	446	92	0.62
2001	1,496	322	1,174	755	337	1.08	198	335	72	0.49
2002	1,298	317	981	775	303	0.91	49	355	56	0.12
2003	1,447	335	1,112	830	268	1.01	49	555	39	0.08
2004	1,563	306	1,257	860	229	1.15	46	45	14	0.78
2005	1,451	343	1,108	895	190	1.02	34	45	12	0.60
2006	1,304	387	917	655	129	1.17	29	50	9	0.49
2007	594	149	445	690	100	0.56	26	50	7	0.46

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

A reserve equal to the following year's debt service payment is maintained at all times for the special assessment bond debt.

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
1998	255,017	\$7,288,898	\$28,582	138,817	2,883	2.0%
1999	258,704	7,683,140	29,699	142,278	2,838	2.0%
2000	261,192	8,135,408	31,147	144,470	4,420	3.0%
2001	263,330	8,412,416	31,946	141,950	5,522	3.7%
2002	264,568	8,558,655	32,350	139,303	6,229	4.3%
2003	267,794	8,774,357	32,765	139,285	6,837	4.7%
2004	269,631	9,197,855	34,113	137,816	6,033	4.2%
2005	272,219	9,798,607	35,995	139,182	6,679	4.6%
2006	275,915	10,437,265	37,828	142,077	6,582	4.4%
2007	279,044	na	na	144,393	6,056	4.0%

Source: The Bureau of Labor Statistics

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

Year	Farm	Agricultural Service	Mining	Construction	Manufacturing	Transportation & Public Utilities	Wholesale Trade	Retail Trade	Finance, Insurance and Real Estate	Services	Government and Government Enterprises	Total Employment by Place of Work
1997	1,984	3,759	396	11,547	18,894	8,839	9,184	36,281	12,404	62,323	32,240	197,851
1998	1,793	3,949	392	11,900	19,301	9,211	9,331	36,650	12,455	63,440	32,605	201,027
1999	1,831	4,327	312	12,687	19,417	9,235	9,215	37,534	12,481	65,535	33,326	205,900
2000	1,805	4,506	308	13,076	19,142	9,225	9,177	38,238	12,768	66,775	35,434	210,454

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

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

Source: The Bureau of Economic Analysis

TABLE 20

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

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

Source: U.S. Census Bureau

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

Function/Program	Employees as of the Last Pay Period of the Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Administrative Services	141	134	147	149	145	150	140	139	143	145
General Government	84	86	88	89	96	94	67	64	70	74
Finance	81	90	86	91	99	100	94	90	98	94
General Services										
Parks and Recreation	141	137	156	161	166	169	172	180	187	183
Other	171	168	169	167	166	169	157	124	129	132
Law	17	17	18	19	19	20	19	18	19	21
Public Safety										
Fire and Emergency Services										
Firefighters and Officers	432	441	461	472	477	473	464	498	504	530
Civilians	32	33	40	40	42	40	38	39	37	23
Police										
Officers	439	428	451	459	488	469	471	472	527	534
Civilians	144	161	172	189	153	162	192	184	177	151
Community Corrections	209	236	300	336	342	347	371	383	357	376
Other	44	52	57	65	69	71	72	73	78	78
Public Works										
Solid Waste	188	210	220	228	225	238	236	217	221	211
Sanitary Sewers	118	114	113	121	119	121	129	125	130	135
Other	156	166	165	167	176	173	168	154	162	162
Social Services	143	149	158	150	147	156	163	160	174	169
	<u>2,540</u>	<u>2,622</u>	<u>2,801</u>	<u>2,903</u>	<u>2,929</u>	<u>2,952</u>	<u>2,953</u>	<u>2,920</u>	<u>3,013</u>	<u>3,018</u>

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

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

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Fire and Emergency Services</b>										
Emergency Medical Calls	22,589	23,134	24,102	24,743	25,901	28,345	27,750	28,698	28,772	30,087
False Calls	2,389	2,380	2,644	2,827	2,806	3,082	2,721	2,606	2,560	2,667
Fire Incidents	1,278	1,430	1,538	1,331	1,182	1,366	1,356	1,194	1,315	1,402
Good Intent Calls	na	1,112								
Hazardous Materials Calls	1,032	893	956	942	1,352	1,484	1,115	1,155	1,090	1,087
Other	na	129								
Rescues	na	517								
Rupture - Gas, Water, etc.	na	52								
Service Calls	1,047	1,126	1,096	1,211	1,201	1,065	985	1,022	1,128	1,161
<b>Police</b>										
Physical Arrests **	20,020	20,090	21,125	19,605	19,747	19,835	22,422	22,295	23,411	24,677
Parking Violations **	32,435	34,798	36,403	36,404	25,247	18,185	16,325	20,874	21,668	17,665
Traffic Violations **	70,157	73,486	73,298	62,141	59,059	57,351	67,115	66,954	67,487	75,014
<b>Parks and Recreation</b>										
Rounds of Golf	191,076	186,292	179,367	172,964	177,604	160,958	159,505	154,124	152,659	139,353
Pool Visits	300,208	283,589	288,208	225,522	233,689	209,408	180,417	180,619	199,496	198,181
<b>Building Inspection</b>										
Permits Issued *	10,715	12,112	12,699	11,768	12,533	19,172	19,875	20,514	20,719	16,620
Inspections	23,500	26,844	25,562	28,406	28,574	32,869	36,937	38,669	39,773	29,991
<b>Sanitary Sewers</b>										
Tap-on Inspections **	2,127	1,845	2,140	1,955	1,955	2,025	2,212	2,131	2,108	1,681
Average daily sewage treatment (mgd) **	36	36	33	36	40	43	48	51	38	42
<b>Solid Waste</b>										
Annual tons of refuse collected	na	na	na	150,622	154,178	157,121	157,618	156,347	152,969	154,637
Annual tons of recyclables collected	na	na	na	na	5,568	6,825	10,412	11,668	15,188	18,740
<b>Other Public Works</b>										
Street Resurfacing (miles)	28	25	31	25	21	19	21	23	16	40

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

\*\* Calendar Year

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

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

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Fire and Emergency Services										
Number of Fire Stations	19	19	19	21	21	21	21	21	22	23
Number of Engines	19	19	19	21	21	21	21	21	22	24
Number of Aerials	6	6	6	6	6	6	6	8	8	8
Number of EC Units	6	6	6	7	7	7	7	9	9	9
Number of Haz-Mat Units	3	3	3	3	3	3	3	3	3	3
Police										
Stations	2	2	2	3	3	3	3	3	3	3
Patrol Units	na	na	na	na	na	na	460	463	467	467
Parks and Recreation										
Acres of Parks	3,972	4,003	4,207	4,186	4,206	4,263	4,263	4,261	4,261	4,621
Number of Golf Courses	5	5	6	6	6	6	6	6	6	6
Number of Swimming Pools	14	14	12	13	12	10	8	10	10	10
Sanitary Sewers										
Treatment Capacity (mgd)	52	52	52	52	64	64	64	64	64	64
Solid Waste										
Collection Trucks	na	na	na	na	na	na	117	117	118	126
Other Public Works										
Streets (miles)	na	na	na	na	na	na	1,516	1,544	1,563	1,542
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	308	308	316	325	330	344	340	349	353	357

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