



Lexington-Fayette Urban County Government

***Comprehensive Annual Financial Report***  
***For the year ended June 30, 2008***



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2008

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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## TABLE OF CONTENTS

### LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT Comprehensive Annual Financial Report Year Ended June 30, 2008

#### INTRODUCTORY SECTION

Mayor's Letter of Transmittal.....	1
Elected Officials .....	2
Commissioner of Finance and Administration Letter of Transmittal .....	3
GFOA Certificate of Achievement for Excellence in Financial Reporting .....	10
Organizational Chart.....	11
Directory of Government Officials.....	12

#### FINANCIAL SECTION

Independent Auditor's Report .....	13
Management Discussion and Analysis .....	15
Basic Financial Statements .....	31
Government-wide Financial Statements	
Statement of Net Assets .....	32
Statement of Activities .....	34
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet .....	36
Reconciliation of the Balance Sheet to the Statement of Net Assets Governmental Funds.....	37
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	38
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	39
Statement of Revenues, Expenditures and Changes in Fund Balance Budgetary Comparison General Fund.....	40
Statement of Revenues, Expenditures and Changes in Fund Balances Budgetary Comparison Full Urban Services District Fund .....	44
Proprietary Fund Financial Statements	
Statement of Net Assets .....	46
Statement of Revenues, Expenses, and Changes in Net Assets .....	48
Statement of Cash Flows .....	50
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets.....	52
Statement of Changes in Fiduciary Net Assets .....	53
Component Units Financial Statements	
Statement of Net Assets.....	54
Statement of Activities .....	55
Notes to Financial Statements .....	56
Combining and Individual Funds Statements and Schedules	
Combining Balance Sheet Nonmajor Governmental Funds.....	102
Combining Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Governmental Funds.....	104
Schedule of Revenues, Expenditures, and Changes in Fund Balances Budgetary Comparison	
County Aid Program.....	106
Municipal Aid Program .....	107
Mineral Severance Fund .....	108

Coal Severance Fund .....	109
Schedule of Expenditures of Federal Awards .....	110
Schedule of Expenditures of State Awards .....	113
Combining Statement of Net Assets Nonmajor Enterprise Funds .....	115
Combining Statement of Revenues, Expenses, and Changes in Net Assets Nonmajor Enterprise Funds.....	116
Combining Statement of Cash Flows Nonmajor Enterprise Funds .....	117
Combining Statement of Net Assets Internal Service Funds.....	119
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets Internal Service Funds.....	120
Combining Statement of Cash Flows Internal Service Funds .....	121
Combining Statement of Net Assets Agency Funds.....	123
Capital Assets Used in the Operation of Governmental Funds	
Schedule by Source .....	125
Schedule of Changes by Function and Activity.....	126
Schedule by Function and Activity.....	127
Combining Statement of Net Assets Nonmajor Component Units .....	130
Combining Statement of Activities Nonmajor Component Units .....	132

## STATISTICAL SECTION

Net Assets .....	137
Changes in Net Assets.....	138
Fund Balances, Governmental Funds.....	140
Changes in Fund Balances, Governmental Funds.....	141
Changes in Fund Balance, General Fund .....	142
Sanitary Sewer System, Summary of Revenues and Expenses.....	143
Net Assessed Value – Real, Tangible & Intangible Property.....	144
Property Tax Levies and Collections .....	145
Direct and Overlapping Property Tax Rates .....	146
Principal Property Tax Payers.....	147
Direct and Overlapping License Fee Rates .....	148
Ten Major Occupational Withholders.....	149
Ratios of Outstanding Debt by Type.....	150
Ratios of General Bonded Debt Outstanding.....	151
Schedule of Direct and Overlapping Indebtedness .....	152
Legal Debt Margin Information .....	153
Revenue Bond Coverage.....	154
Demographic and Economic Statistics.....	155
Employment by Industry, Fayette County .....	156
U.S. Census Bureau Statistics .....	157
LFUCG Employees by Function/Program.....	158
Operating Indicators by Function/Program.....	159
Capital Asset Statistics by Function/Program .....	160

## INTRODUCTORY SECTION



**Jim Newberry, Mayor**

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

December 5, 2008

Dear Friend,

The Comprehensive Annual Financial Report for the Lexington-Fayette Urban County Government for the fiscal year ended June 30, 2008, conforms to the highest standards of financial reporting.

The report reflects our city's focus on priorities set by the administration and Council. Those priorities include the environment, community vision, economic development, innovative planning, more effective internal and external communication, and more efficient, cost-effective government.

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. As this report demonstrates, with the assistance and support of the citizens of the 21<sup>st</sup> Century, Lexington is working hard to reclaim its place in history.

Sincerely,

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

Jim Newberry  
Mayor

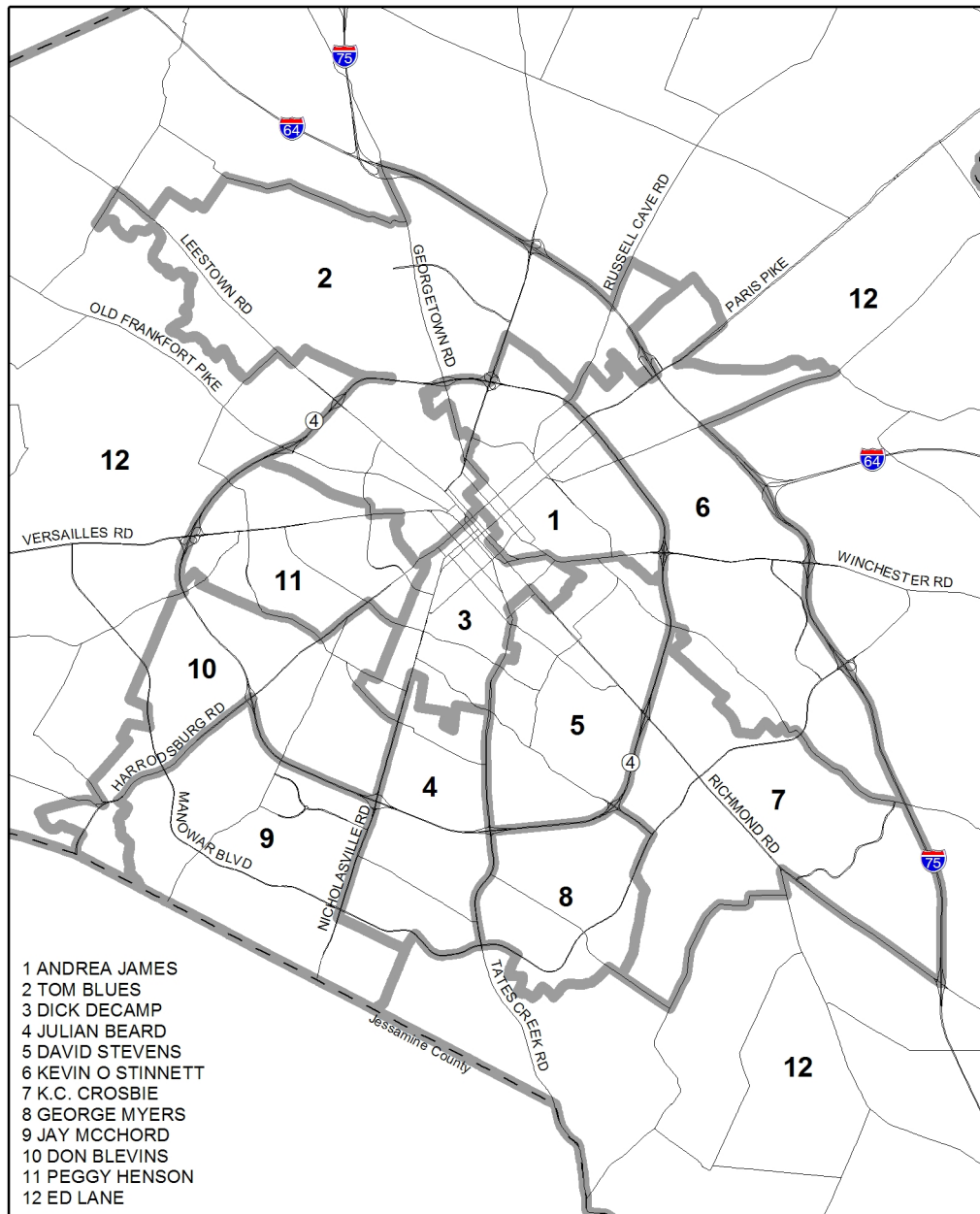
## ELECTED OFFICIALS

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

December 5, 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, 2008. 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 Division of Accounting with assistance from staff in the Department of Finance and Administration. These entities are responsible for both the accuracy of the data presented and the completeness and fairness of the presentation. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to protect the Government's assets from loss, theft or misuse and to compile sufficient reliable information for preparation of the financial statements in conformance with GAAP. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of internal controls should not exceed the benefits likely to be derived from their use and that such cost-benefit evaluation requires estimates and judgment by management.

State statute and the Charter of the Government both require an independent financial audit be conducted annually. The accounting firm of Mountjoy & Bressler, LLP performed the audit for the fiscal year ended June 30, 2008. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Government for the fiscal year ended June 30, 2008 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

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

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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, 2008 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 will be available in the Government's separately issued Single Audit Report. As of the date of the issuance of this report the audit is not yet completed.

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

Lexington-Fayette Urban County Government (LFUCG) 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.

A major reorganization of government was effected July 1, 2007 and in that structure the Mayor is assisted in the administration of the government by three senior advisors and seven department commissioners who are appointed by the Mayor with the approval of the Urban County Council. This senior leadership team is responsible for administering programs and implementing policies. Each department is divided into divisions that are managed by division directors who are civil service employees.

The Senior Advisor for Management is a new position effective with the reorganization of July 1, 2007. This advisor is charged with the responsibility of providing supervision, direction and management to the seven departments of the Urban County Government. He insures that policies established by the Mayor, Council and Charter are followed and develops programs to meet current and future organizational and community needs. Additionally, the Offices of Internal Audit and Economic Development report to the Senior Advisor for Management.

The Senior Advisor for Policy and Budget, also a new position, heads the Division of Budgeting and all the duties thereof including working with the Mayor and other executive leadership to prepare the annual operating budget and Capital Improvement Plan the Mayor recommends each year to the Council. The office then works with the council as they review the Mayor's recommendations and ultimately authorize revenue and expenditure levels for government for the fiscal year. The office also monitors the spending of the various departments throughout the fiscal year and ensures all units stay within the expenditure levels adopted by council.

The Senior Advisor/CIO is a new position in the reorganization charged with providing leadership to all of government in technology and communications. The Office has two divisions, Computer Services (moved from the Department of Finance) and Government Communications (moved from the Department of Administrative Services). Computer Services provides mainframe and microcomputer support, database development and information services to LFUCG and some outside agencies. Government Communications prepares and distributes information about the city in a variety of ways including LexCall (a one-stop for city hall telephone services), GTV3 (the city's cable television network) and the city's website.

The Department of Finance and Administration (renamed from Department of Finance in the reorganization) includes the divisions of Accounting, Central Purchasing, Revenue, Community Development (new to the department), and Human Resources (new to the department). This department is responsible for the custody, investment and disbursement of all funds; debt management; retirement fund administration; and, coordination of the annual financial audit and publication of the CAFR. The department also manages all purchases, hiring of employees, benefits administration and serves as a central clearinghouse for all state and federal grants.

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, and Code Enforcement. Readers should be familiar with the services provided by Corrections, Police and Fire but may not be as familiar with the other divisions. In the remaining divisions services provided include emergency communications and management, disaster preparedness, inspections of properties for code violations and management of nuisance issues such as high weeds and junked vehicles.

The Department of Public Works and Development (renamed from Department of Public Works in the reorganization) is responsible for providing a wide range of public services in the Divisions of Building Inspection (new to the department), Engineering, Historic Preservation (new to the department), Planning (new to the department), Streets, Roads and Forestry (renamed in the reorganization) and Traffic Engineering. These units of government issue permits for any structure that is built, moved, added to or structurally altered, provide overall growth management framework for the community, are responsible for the maintenance of all county roads and operate and maintain the city's computerized traffic signal system. The Purchase of Development Rights (PDR) program is also part of this department. PDR seeks to conserve Fayette County farmland by purchasing conservation easements.

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

The Department of General Services includes the divisions of Fleet Services, Building Maintenance and Construction, and Parks and Recreation. The Division of Fleet Services handles acquisition, maintenance and repair of more the 2,100 vehicles and pieces of equipment owned by LFUCG. Building Maintenance and Construction maintains the city's primary buildings as well as minor renovations. The Division of Parks and Recreation operates 102 parks consisting of more than 4,500 acres with green space areas, 6 golf courses, 6 community centers and 9 aquatic facilities. In addition, the Commissioner's Office oversees the management of the Urban County Government telephone system, utilities and parking garages.

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. The Division of Risk Management (new to the department in the reorganization) administers risk and insurance programs, including the city's self-insured property and casualty insurance plans.

The Department of Environmental Quality was established as a new department in the July 1, 2007 reorganization, in part as a reaction to the impending Consent Decree with the U.S. Environmental Protection Agency (EPA) (to be discussed later in this document). The Department was created by reassigning select employees from existing divisions including Engineering, Planning, Risk Management, and Environmental and Emergency Management to the new department as well as all of the employees in the Divisions of Sanitary Sewers and Solid Waste. The department consolidates environmental functions together under one umbrella, allowing LFUCG to take a more streamlined, focused and effective approach to protecting the environment. The Divisions in the new department are Environmental Policy (new), Water and Air Quality (formerly Sanitary Sewers) and Waste Management (formerly Solid Waste).

## ***SIGNIFICANT EVENTS***

### ***Reorganization of Government***

All of the aforementioned changes are seen as a much needed mechanism to efficiently and effectively administer to the broad range of duties and services provided by the government. Primary among the moves was the distribution of divisions that formerly comprised the Department of Administrative Services and reported to the Chief Administrative Officer (CAO), a position the Newberry administration has chosen not to fill. Those divisions include Budgeting, Community Development, Government Communications, Historic Preservation, Human Resources, Internal Audit, Planning and Risk Management.

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

On February 19, 2008 the Urban County Council approved a Consent Decree (a legal agreement) with the U.S. Environmental Protection Agency (EPA) and the Commonwealth of Kentucky requiring Lexington to fix problems with its storm and sanitary sewer systems within the next 11-13 years. The agreement requires the study, design and implementation of numerous construction projects to repair sewer pipes and to improve wastewater treatment plants. It also requires Lexington to guard against future problems.

It is projected that meeting the requirements of the Consent Decree will cost Lexington citizens approximately \$250-300 million over the next 11-13 years, including a \$425,000 fine levied by the U.S. EPA (the fine is still in litigation). Increases in the Sanitary Sewer User fee and the creation of a storm water fee will be used to pay the bill. With the increase in the sanitary sewer fee effective May 1, 2008, the average sanitary sewer residential household bill increased by approximately \$5 a month, from \$10 to \$15. A second \$5 increase in the monthly sanitary sewer fee will be effective May 1, 2009. Even with these increases, Lexington's rates remain comparable or below those of most surrounding cities and those of many cities of comparable size around the country. The cost of the storm water fee is still being calculated.

### ***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 with the goal of integrating all information systems and business processes. When the new administration arrived in January 2007, implementation of the financial 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. That effort went well into fiscal year 2008 and provides integration of general ledger, purchasing, accounts payable, accounts receivable and budgeting.

### ***Project Synergy***

In the second half of fiscal year 2008 a decision was made to continue implementation of PeopleSoft® modules. Because of the numerous problems associated with the initial implementation, a new project was launched, Project Synergy, with many new team members and project ownership. The Commissioner of Finance and Administration was named Executive Sponsor, who along with the Chief Information Officer, project managers from LFUCG and the contractor, and the President of the contracting firm comprise the Executive Committee. The Committee, along with business and technical team members are guiding the government through the implementation of additional modules, now referred to as Phase II. Cash Management went live successfully on July 1, 2008. Planning for implementation of the Human Capital Management (HCM) and Projects, Grants and Contracts modules began in the fourth quarter of fiscal year 2008 and continues into 2009. Phases III and IV will also begin in fiscal year 2009.

### ***Destination 2040***

Destination 2040, an effort to develop a common sense of direction for our community's future, was undertaken in fiscal year 2008 but will not be complete until fiscal year 2009. Destination 2040 is organized around a root question that grows out of a realistic look at the tough choices we need to make together: "How will we protect all that we value while continuing to grow as a community?" The effort hopes to achieve widespread community agreement on how to respond to this question if Lexington-Fayette County is to move into the top tier of the world's great places to live and work.

## ***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 unemployment rate in Fayette County was 5.4% in June 2008, up more than 17% from the 4.6% unemployment in June 2007. The June 2008 rate is below the national and state rates of 5.5% and 6.3% respectively. Employment as measured by a household survey, which is by place of residence, decreased from 146,446 to 145,326 a decrease of less than 1% through June 2008. For the fiscal year, average monthly employment in Fayette County fell to a low of 141,878 in March 2008 but rebounded to the 145,326 level by June.

### ***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 moving money within the personnel category or from one category to another (personnel, operating, capital). Budgetary control is maintained at the division level and is facilitated by the use of encumbrance accounting. As purchase

orders are issued, corresponding amounts of 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, a policy explained in greater detail in the Management Discussion and Analysis.

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

The Department of Finance and Administration 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 Law. 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. During FY 2008 the council funded 100% of the deficit which had accumulated through June 30, 2007.

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, 2008.

### ***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 16.17% of an employee's salary in the non-hazardous duty plan and 33.87% 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.



As discussed in the notes on page 93, the Policemen's and Firefighters' Retirement Fund is the retirement system for all police and firefighters. Employees are required to contribute 11% of their salary. The Government's contribution was 26% July through December 2007 and 27% January through June 2008.

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, 2008, there was one active member and 118 retirees and beneficiaries. The Government contributed 17.5% of the employee's salary while the employee contributed 8.5%.

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

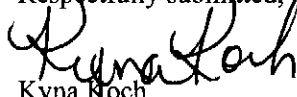
For the 15<sup>th</sup> consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lexington-Fayette Urban County Government for its comprehensive annual financial report for the fiscal year ended June 30, 2007. 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 and Administration 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, 2007

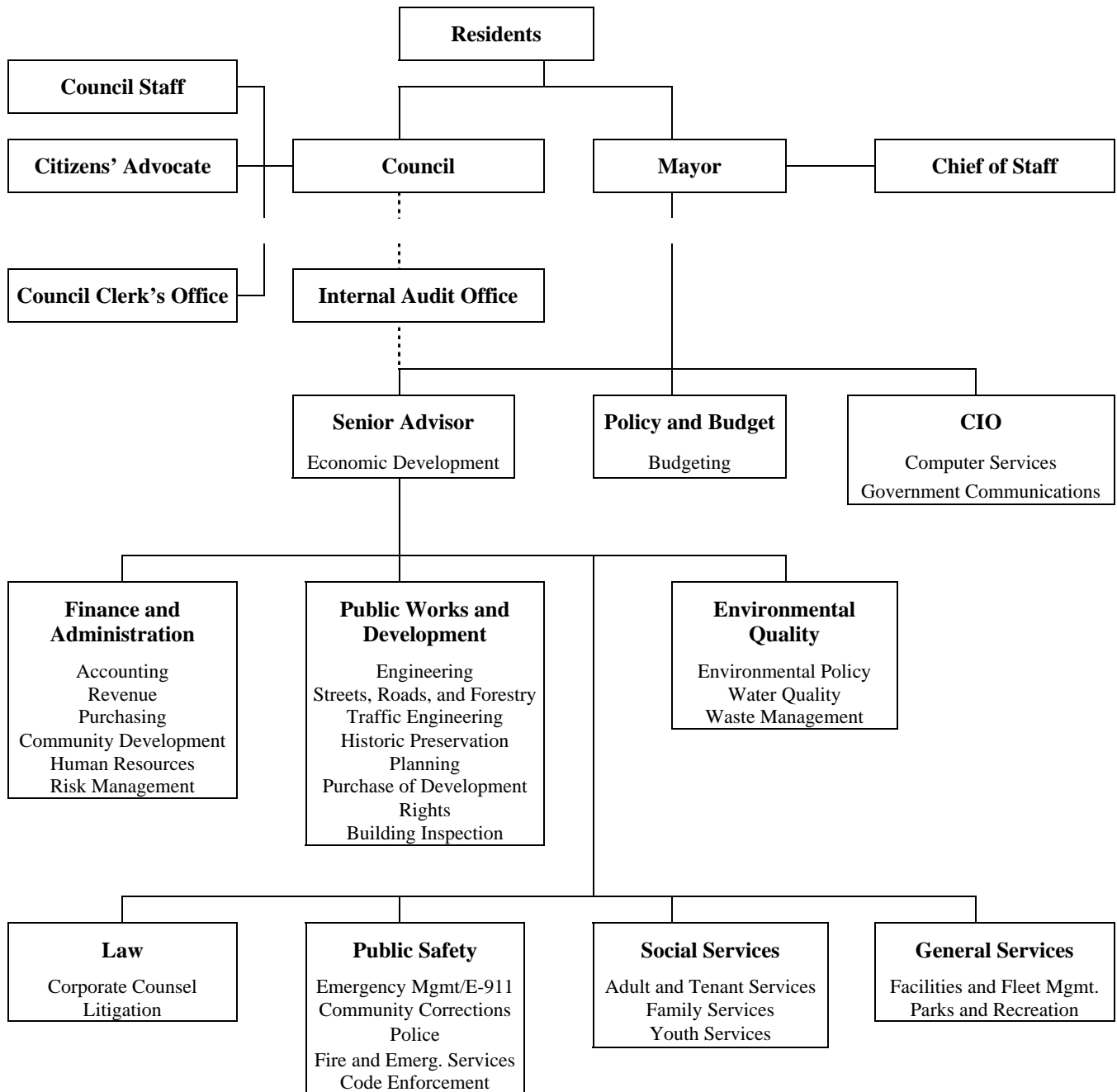
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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



President

Executive Director

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
ORGANIZATIONAL CHART



## DIRECTORY OF GOVERNMENTAL OFFICIALS

### ***Council Office***

Citizens' Advocate Office  
Council Clerk's Office

### ***Office of the Mayor***

### ***Office of Policy and Budget***

Budgeting

### ***Office of the Chief Information Officer***

Computer Services  
Government Communications

### ***Office of the Senior Advisor***

Office of Economic Development

### ***Internal Audit***

### ***Finance and Administration***

Accounting  
Purchasing  
Revenue  
Community Development  
Human Resources  
Risk Management

### ***Public Works and Development***

Engineering  
Streets, Roads, and Forestry  
Traffic Engineering  
Historic Preservation  
Building Inspection  
Planning  
Purchase of Development Rights

### ***Environmental Quality***

Environmental Policy  
Water Quality  
Waste Management

### ***Law***

Corporate Counsel  
Litigation

### ***Public Safety***

Code Enforcement  
Community Corrections  
Emergency Management/E911  
Fire and Emergency Services  
Police

### ***Social Services***

Adult and Tenant Services  
Family Services  
Youth Services

### ***General Services***

Facilities and Fleet Management

Parks and Recreation

### ***Rebecca Langston, Council Administrator***

Joan Beck, Citizens' Advocate  
Susan Lamb, Council Clerk

### ***Jim Newberry, Mayor***

### ***Vacant, Senior Advisor – Policy and Budget***

James E. Deaton, Director

### ***Rama Dhuwaraha, Senior Advisor - CIO***

Mike Nugent, Director  
David L. Sullivan, Director

### ***Joseph Kelly, Senior Advisor***

Anthony Wright, Director

### ***Bruce Sahli, Director***

### ***Kyna Koch, Commissioner***

Mary Fister-Tucker, Director  
Brian Marcum, Director  
William O'Mara, Director  
Paula King, Director  
Michael Allen, Director  
Patrick Johnson, Director

### ***Don Kelly, Commissioner***

Marwan Rayan, Director  
Leo McMillen, Director  
Ron Herrington, Director  
Bettie L. Kerr, Director  
Dewey Crowe, Director  
Chris King, Director  
Billy Van Pelt, Program Manager

### ***Cheryl Taylor, Commissioner***

Vacant, Director  
Charles H. Martin, Director  
Steve Feese, Director

### ***Logan Askew, Commissioner***

Barbara Sledd, Deputy Commissioner  
Leslye Bowman, Director

### ***Tim Bennett, Commissioner***

David Jarvis, Director  
Ronald L. Bishop, Director  
Patricia L. Dugger, Director, and David Lucas, Director  
Robert Hendricks, Chief  
Ronnie Bastin, Chief

### ***Marlene Helm, Commissioner***

Cheryl Talbert, Director  
Vacant, Director  
William Kendrick, Director

### ***Kimra Cole, Commissioner***

Vacant, Director  
Richard Murray, Director Fleet Management  
Jerry Hancock, 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, 2008, which collectively comprise the Government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Government's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Lexington Transit Authority, Lexington Airport Board, Lexington Public Library, Fayette County Health Department, the Lexington Convention and Visitors Bureau, and the Lexington Center Corporation which represent 99 percent of the assets and 99 percent of the revenues as of and for the year ended June 30, 2008 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, 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 the 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.

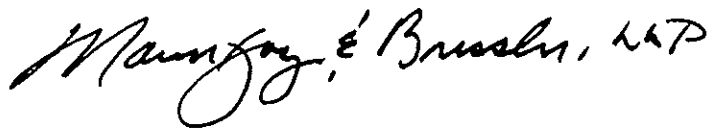
In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government as of June 30, 2008, 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 December 4, 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 important for 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, budgetary comparisons and other schedules on pages 102 through 109 and 115 through 133, and the statistical section on pages 137 through 160 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 110 through 112 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, capital asset 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. 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, reading "Manning & Bruns, LLP". The signature is written in a cursive, flowing style.

Lexington, Kentucky  
December 4, 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, 2008. It is supplementary information required by the Governmental Accounting Standards Board (GASB) and is intended to provide a readable explanation of the information within the basic financial statements. It should be read in conjunction with the Letter of Transmittal (which can be found preceding this narrative on page 3) and the financial statements immediately following the analysis.

### **FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT**

#### **Government – Wide Highlights**

The assets of the Urban County Government exceeded its liabilities at the close of the fiscal year by \$1.26 billion (net assets).

- Governmental Activities' net assets were \$971.99 million, a decrease of \$44.41 million from the previous fiscal year. This reduction in total net assets reflects a \$20.3 million decrease in the value of depreciable capital assets held by the Urban County Government and a \$22.07 million increase in unfunded liabilities related to the Police and Fire Pension plan and Other Post Retirement Benefits (OPEB).
- Business-Type Activities held a balance of \$288.15 million in net assets, a decrease of \$10.38 million from the previous fiscal year. This reduction in total net assets also reflects a \$6.58 million decrease in the value of capital assets held by the Urban County Government.

#### **Fund Highlights**

- As of June 30, 2008, the Urban County Government's governmental funds reported combined ending fund balances of \$71.58 million, a decrease of \$29.88 million from the previous fiscal year. Of this total amount, \$24.75 million was reserved for encumbrances and the balance of approximately \$46.83 million was unreserved. The unreserved, undesignated fund balance of \$36.67 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 \$4.62 million, or 1.7% 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 \$13.22 million.
- During the fiscal year ended June 30, 2008, the government funded the FY 07 Internal Service fund deficit in the amount of \$11.4 million. The funding of this deficit, which had accumulated over many years, and the FY 08 activity accounts for a \$15.72 million decrease in the Governmental Funds and a \$2.81 million decrease in the Business Type Activities balance.
- The 2008 Bond Projects fund was created during FY 2008 to account for new capital projects which the Urban County Government intends to bond in FY 2009. Additionally, as of June 30, 2007 the government had undertaken projects in the 2007 Bond Projects fund, 2008 Bond Projects fund, and the Purchase of Development Rights projects fund which it intends to bond in FY 2009. Starting these projects prior to bonding has resulted in a decrease in the total Governmental fund balance of \$19.17 million.

## Long-Term Debt

- At fiscal year end June 30, 2008, Governmental Activities debt decreased \$16.74 million. Decreases in long-term General Obligation debt held by the Urban County Government can be attributed to payment on current issues. Business-Type activity debt decreased \$4.38 million due to the payment of outstanding Revenue Bonds and Mortgage Revenue Bonds. No new debt was issued during FY 2008.

## 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. Three key elements comprise the basic financial statements, including:

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

### A. Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide 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, 2008. 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 nine 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 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; hence, they have been included with Governmental Activities in the *Government-Wide Financial Statements*.

The proprietary funds are reported in the same way that all activities are reported in the government-wide 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 as its major proprietary funds.

3. Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the Government-Wide Financial Statements because the resources of those funds are not available to support the programs of the 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. In Table 1 below, the Urban County Government's combined net assets (Governmental and Business-Type Activities) totaled \$1.26 billion as of June 30, 2008. This reflects a decrease of \$54.79 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 \$30.75 million in depreciation from the previous fiscal year which accounts for the largest category of assets held by the general government. Total depreciation expense government wide was \$57.18 million.

The largest proportion of the Urban County Government's net assets, \$1.20 billion, is invested in capital assets (e.g. land, infrastructures, buildings and improvements and equipment), 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)**

	<b>Total Net Assets</b>		
	<b><u>FY 2008</u></b>	<b><u>FY 2007</u></b>	<b><u>Change</u></b>
<b>ASSETS</b>			
Current and other assets	\$192,751	\$ 229,422	\$ (36,671)
Capital assets	<u>1,424,430</u>	<u>1,451,343</u>	<u>(26,913)</u>
Total assets	<u>1,617,181</u>	<u>1,680,765</u>	<u>(63,584)</u>
<b>LIABILITIES</b>			
Current and other liabilities	52,247	63,052	(10,805)
Long-term liabilities	<u>304,786</u>	<u>302,774</u>	<u>2,012</u>
Total liabilities	<u>357,033</u>	<u>365,826</u>	<u>(8,793)</u>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	1,203,231	1,210,278	(7,047)
Restricted for:			
Capital Projects	13,781	47,340	(33,559)
Debt Service	4,852	5,053	(201)
Depreciation	1,804	1,988	(184)
Grants	119	314	(195)
Maintenance and Operations	5,815	5,138	677
Unrestricted	<u>30,546</u>	<u>44,828</u>	<u>(14,282)</u>
Total net assets	<u><u>\$1,260,148</u></u>	<u><u>\$1,314,939</u></u>	<u><u>(\$54,791)</u></u>

\*Numbers may not total due to rounding

Approximately \$26.37 million, or 2.1% 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 24 for more information.

Table 2 indicates that the net assets of Governmental Activities totaled \$972 million, a decrease of \$44.41 million from the previous fiscal year. Again, this decrease is largely attributable to depreciation expense. Of these net assets, \$963.82 million, or 99%, 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 2008</b>	<b>FY2007</b>	<b>Change</b>
<b>ASSETS</b>			
Current and other assets	\$116,282	\$143,768	(\$27,486)
Capital assets	1,086,719	1,107,054	(20,335)
Total assets	1,203,001	1,250,822	(47,821)
<b>LIABILITIES</b>			
Current and other liabilities	45,400	54,135	(8,735)
Long-term liabilities	185,606	180,277	5,329
Total liabilities	231,006	234,412	(3,406)
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	963,824	965,684	(1,860)
Restricted for:			
Capital Projects	2,123	19,605	(17,482)
Debt Service			
Depreciation			
Grants	119	314	(195)
Maintenance and Operations			
Unrestricted	5,930	30,807	(24,877)
Total net assets	\$971,996	\$1,016,410	(\$44,414)

\*Numbers may not total due to rounding

Table 3 shows the net assets of Business-Type Activities totaled \$288.15 million at the end of Fiscal Year 2008, a decrease of \$10.38 million from the previous fiscal year. Of these net assets, \$239.41 million, or 83%, 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)**

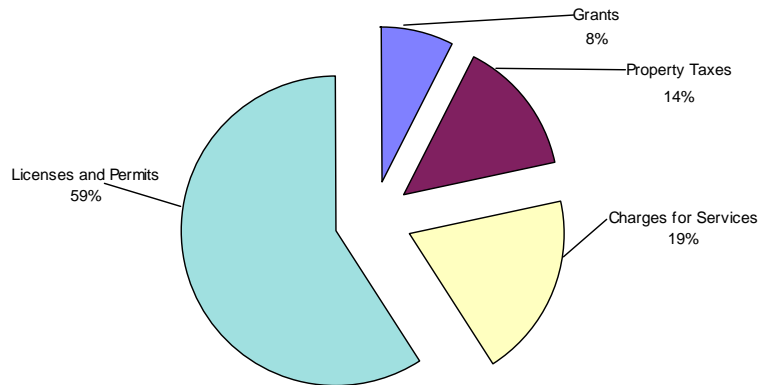
	<b>Business-Type Activities</b>		
	<b>FY 2008</b>	<b>FY2007</b>	<b>Change</b>
<b>ASSETS</b>			
Current and other assets	\$76,469	\$85,654	(\$9,185)
Capital assets	337,711	344,288	(6,577)
Total assets	414,180	429,942	(15,762)
<b>LIABILITIES</b>			
Current and other liabilities	6,847	8,916	(2,069)
Long-term liabilities	119,181	122,497	(3,316)
Total liabilities	126,028	131,413	(5,385)
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	239,407	244,594	(5,187)
Restricted for:			
Capital Projects	11,658	27,735	(16,077)
Debt Service	4,852	5,053	(201)
Depreciation	1,804	1,988	(184)
Grants			
Maintenance and Operations	5,815	5,138	677
Unrestricted	24,616	14,021	10,595
Total net assets	\$288,152	\$298,529	(\$10,377)

\*Numbers may not total due to rounding

### Governmental Activities

As indicated in Chart 1, the Urban County Government funds its Governmental Activities from revenue received from four significant categories. A clear majority, 59%, 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 were 19%, which was the second largest contributing category to governmental activity revenues. Revenues collected in this category include charges collected from the Detention Center, EMS charges, golf course collections, fees for building permits, and fees associated with parks and recreation programs. Property Taxes comprised of 14% of governmental revenues just ahead of Federal and state grant funding which represents the remaining 8%.

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



As indicated by Table 4, revenues from Governmental Activities, net of transfers, totaled \$373.197 million which was an increase of 6.05% from the previous fiscal year. Licenses and permits totaled \$220.02 million, representing 59% of total revenues. As stated earlier, this category includes Employee Withholdings in the form of an occupational license fee (OLF). This fee is comprised of an assessment of 2.25% on the total wages received by individuals employed in Lexington-Fayette County and an assessment of 2.25% on the net profits of businesses operating in the Lexington-Fayette County area. Licenses and permits increased by \$9.32 million, or 4.4% from the previous fiscal year. This is due in part to increases in revenue realized through the occupational license fee which were a result of increased earnings realized by individuals employed in Fayette County. Property taxes increased \$3.7 million from the previous fiscal year, up 7.7% which was largely due to the increase in assessed tax values and new development. Charges for Services increased largely due to state funds received for Public Works related projects, increased Medicaid revenue and increased Detention Center revenues.

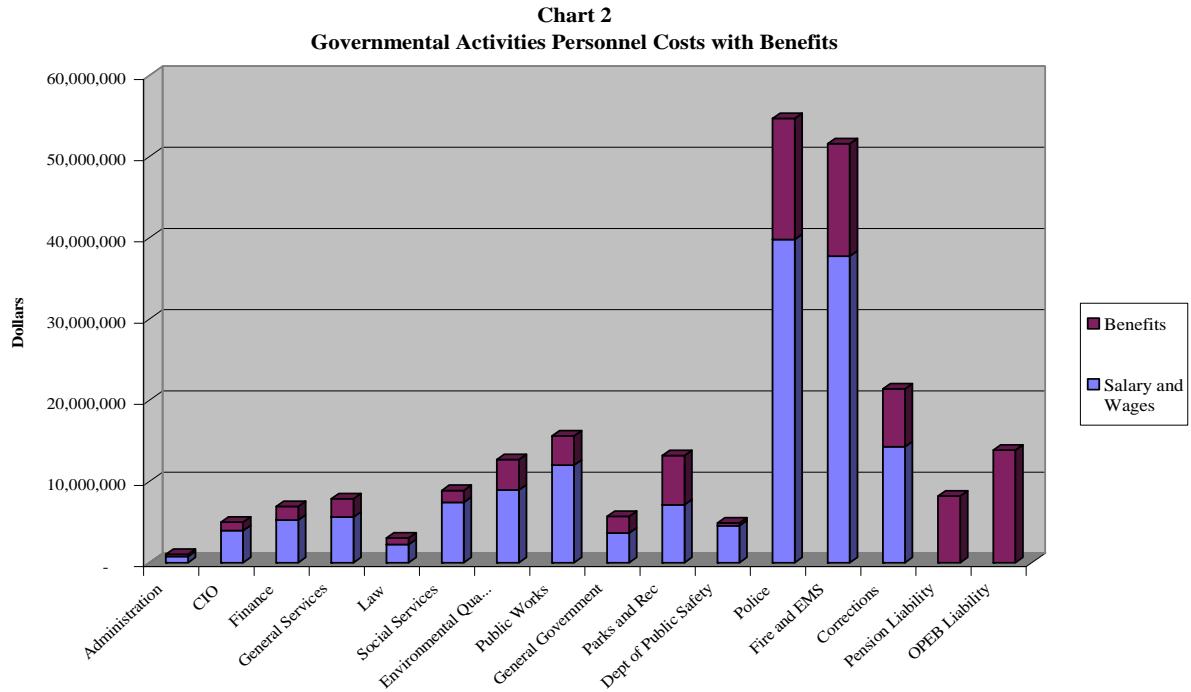
**TABLE 4**  
**Lexington-Fayette Urban County Government**  
**Summary of Statement of Activities**  
**For Year as Stated**  
**(in thousands)**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2008</b>	<b>2007**</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007**</b>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$69,884	\$52,228	\$50,783	\$47,072	\$120,667	\$99,300
Operating Grants and Contributions	17,501	31,988			17,501	31,988
Capital Grants and Contributions	7,838	3,138			7,838	3,138
General revenues:						
Property taxes	51,455	47,792			51,455	47,792
Licenses and permits	220,015	210,699			220,015	210,699
Grants and unrestricted contributions	2,464	2,127			2,464	2,127
Other general revenues	4,040	3,927	1,922	2,619	5,963	6,546
Total revenues	<u>373,197</u>	<u>351,899</u>	<u>52,705</u>	<u>49,691</u>	<u>425,903</u>	<u>401,590</u>
<b>Program expenses</b>						
General Government	30,661	31,193			30,661	31,193
Administrative Services	3,833	3,605			3,833	3,605
Health, Dental, Vision, Workers Comp,						
General Insurance	14,564	13,301			14,564	13,301
Chief Information Officer	11,216	9,166			11,216	9,166
Finance	12,376	11,233			12,376	11,233
Public Works	71,696	54,190			71,696	54,190
Public Safety other	26,717	9,504			26,717	9,504
Police	63,534	56,981			63,534	56,981
Fire and Emergency Services	58,497	53,242			58,497	53,242
Community Corrections	30,686	29,028			30,686	29,028
Environmental Quality	23,948	19,418			23,948	19,418
Social Services	16,392	16,016			16,392	16,016
General Services	11,531	10,855			11,531	10,855
Parks and Recreation	21,962	19,754			21,962	19,754
Law	12,593	12,630			12,593	12,630
Interest on Long-Term Debt	5,728	6,378			5,728	6,378
Debt Service - Other	1,056	1,056			1,056	1,056
Sanitary Sewer System			36,565	26,704	36,565	26,704
Public Facilities			11,359	10,444	11,359	10,444
Public Parking			463	511	463	511
Landfill			7,250	1,651	7,250	1,651
Right of Way			334	307	334	307
Extended School Program			2,081	1,968	2,081	1,968
Prisoners' Account System			1,724	1,274	1,724	1,274
Enhanced 911			3,870	3,058	3,870	3,058
LexVan Program			54	62	54	62
Total expenses	<u>416,991</u>	<u>357,550</u>	<u>63,702</u>	<u>45,979</u>	<u>480,693</u>	<u>403,529</u>
Increase (Decrease) in Net Assets before						
Transfers	(43,794)	(5,651)	(10,997)	3,712	(54,789)	(1,939)
Transfers	<u>(620)</u>	<u>(3,308)</u>	<u>620</u>	<u>3,308</u>	<u>0</u>	<u>0</u>
Increase (Decrease) in Net Assets	<u>(44,414)</u>	<u>(8,959)</u>	<u>(10,376)</u>	<u>7,020</u>	<u>(54,789)</u>	<u>(1,939)</u>
Prior Period Adjustment	0	437	0	39	0	476
Net Assets, July 1	<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>
Net Assets, June 30	<u>\$971,996</u>	<u>\$1,016,410</u>	<u>\$288,152</u>	<u>\$298,528</u>	<u>\$1,260,149</u>	<u>\$1,314,938</u>

\*\* restated to reflect organizational changes in FY 08

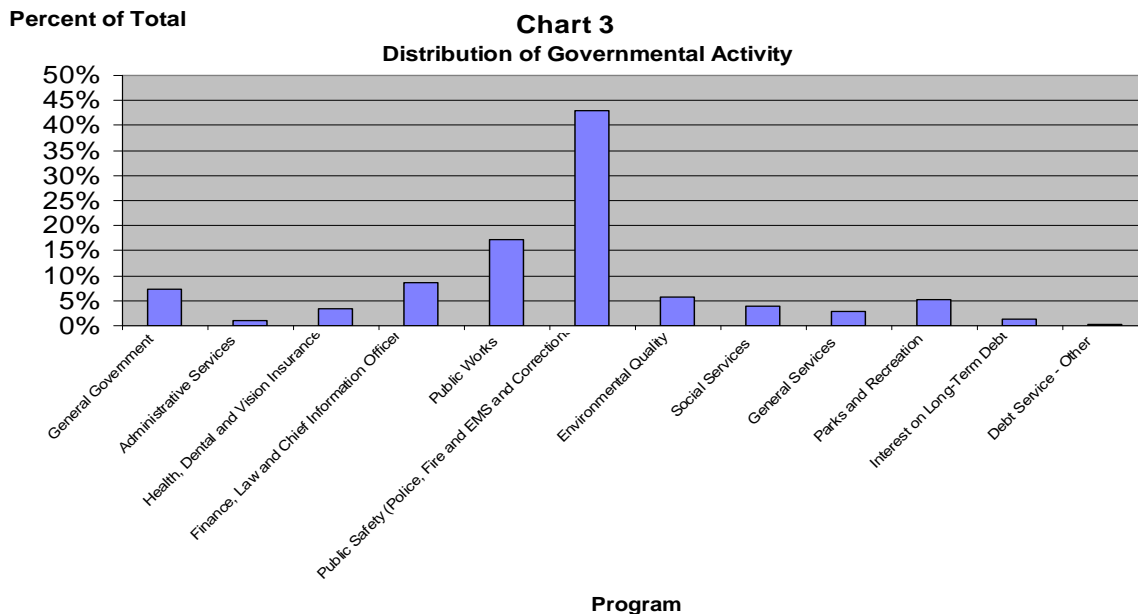
\*Numbers may not total due to rounding.

Total expenses of Governmental Activities were \$416.99 million; an increase of \$59.44 million from the previous fiscal year, \$37.39 million of this increase was due to increased personnel related expenses. During the year salary and wages in Police, Fire, and Community Corrections which are covered by collective bargaining agreements increased \$7.4 million with benefit expenses paid related to the payroll in these divisions increasing \$5.1 million. In addition to this \$5.1 million increase the government incurred benefit expenses related to the unfunded pension liabilities and post employment health insurance liabilities for the Police and Fire retirement plan which resulted in an increase of \$22 million in benefit costs. The Government also experienced an increase in benefit costs related to non-collective bargaining employees. Salary and Wage costs excluding benefits, for non-collective bargaining employees actually decreased 1%. Please see Chart 2 for more information on personnel costs for Governmental Activities during FY 08.



In addition to personnel related costs, \$17.5 million of the increase was incurred in FY 08 for Public Works; \$10.5 of the increase was related to street resurfacing maintenance projects. A focus on improving the buildings and equipment owned by the government resulted in an increase in non-capital repair and maintenance related expenses from prior year totaling over \$2.3 million. Costs related to actual claims for Health, Dental and Vision increased over \$1.26 million from prior year.

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



### Business-Type Activities

Revenues for Business-Type Activities totaled \$52.7 million at fiscal year ended June 30, 2008, up \$3 million from the previous fiscal year. Charges for services comprise 96% of total revenues realized by Business-Type Activities. Expenses for Business-Type Activities totaled \$63.7 million in 2008, an increase of \$17.7 million from the prior year. The largest program among these activities is the Sanitary Sewer system, which utilized \$36.56 million at the end of the fiscal year, representing 57% of all Business-Type expenses. The Sewer system expenses increased \$9.86 million from 2007; this increase was primarily in non-routine maintenance and repair items. As discussed in the footnotes on page 88, the government is actively correcting many Sewer and Storm water related problems as a result of an Environmental Protection Agency review. The Landfill also experienced an increase in expenditures during the fiscal year accounting of \$5.6 million; this increase was mostly related to landfill improvement 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, 2008 reflect a combined ending fund balance of \$71.57 million, a decrease of \$29.88 million from the previous fiscal year. \$32.21 million of the fund balance was unreserved and undesignated. The remainder was designated for special purposes or reserved for encumbrances.

At the end of Fiscal Year 2008, the fund balance held by the General Fund totaled \$24.39 million, a decrease of \$18.05 million, or 42%, from the previous fiscal year. Of this total, unreserved, undesignated fund balance

totaled \$4.62 million, or 1.7% of General Fund revenues. This reflects a decrease of \$11.09 million from the previous fiscal year. Unreserved, but designated fund balance totaled \$14.51 million, or 5% of General Fund revenues. The designations include:

- \$13.22 million designated for economic contingency to act as a cushion in the event of an economic downturn.
- \$1.29 million was designated for the 27<sup>th</sup> payroll that will occur in 2017.

In FY 2007 the General Fund maintained a designation for working capital in the amount of \$9.6 million; this reserve was eliminated during FY 2008 to help fund the accumulated deficit in the Internal Service fund which had grown to over \$11.4 million as of June 30, 2007.

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 \$33.10 million, an increase of \$4.54 million over the prior fiscal year. Unreserved, undesignated fund balance totaled \$31.93 million and reflects 96% of Urban Services Fund revenues. Revenues of the Urban Services Fund increased \$2.36 million from the prior fiscal year due to increases in Property Taxes allocated to the Urban Services Fund. This increase was a result of increased assessed tax values and new development.

The Federal and State Grants Fund held a balance of \$119,184 for fiscal year ended June 30, 2008, a decrease of \$194,276 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 \$11.51 million. This reflects an increase of \$1.36 million in capital infrastructure investments as compared to the previous fiscal year. During the 2008 Fiscal Year, the Urban County Government was awarded approximately \$2.5 million in grant funding designated to offset costs to mitigate congestion from the Lexington Horse Park into the downtown area. In addition, nearly \$1 million in grant funding was received for a tornado shelter to be built, to FEMA standards, to shelter residents of the Suburban Mobile Home Park. The Kentucky Department of Transportation awarded the Urban County Government \$3.6 million 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 \$288.15 million as of June 30, 2008, a decrease of \$10.77 million, or 3.6% from the previous fiscal year.

The Sanitary Sewer Fund held total net assets of \$197.89 million, a decrease of \$8.47 million over the prior year. Of the total net assets held by the Sanitary Sewer Fund, \$21.53 million is restricted under bond covenants for maintenance, depreciation, capital improvements and debt service. Unrestricted net assets totaled \$18.89 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 \$44.94 million, a decrease of \$4.60 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 \$15.60 million, an increase of \$760,836 from the prior year.

At fiscal year ended June 30, 2008, the total net assets of the Landfill Fund held a balance of \$25.54 million, an increase of \$1.62 million from the prior fiscal year resulting in a 6.8% increase. Landfill closure progress has resulted in a \$3.78 million balance in unrestricted net assets.



## **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 and expenditures.

For fiscal year ended June 30, 2008, General Fund revenues totaled \$273.33 million, an increase of 3% from the previous fiscal year. Total revenues were \$3.58 million above the final budgeted amount. This increase in actual revenue is the result of greater than expected revenue growth among most revenue categories, specifically the category of charges for services. The variance from budget in this category was due to increased inmate populations leading to increased collections in Detention Center Revenues which surpassed the budgeted amount by \$1.47 million, with a total of \$6.55 million, and District Court Jail Fees exceeding the budgeted revenue amount by \$580 thousand with a total of \$1.18 million for the year. Revenue from Franchise Fees was \$1.31 million more than the anticipated level for Fiscal Year 2008 with a total of \$15.82 million reflecting an increase in the basis of assessment.

As a result of covering expenditures in the current year that will not be bonded until FY 2009 and the general climate of the financial market, income from investments totaled \$1.83 million, a decrease of \$1.14 million from the previous year. Income from investments for Fiscal Year 2008 fell short of the budgeted amount by \$195 thousand.

General Fund expenditures of the Urban County Government totaled \$292.06 million, an increase of \$32.061 million, or 12.3% over the previous year. Expenditures were \$246 thousand below the final budgeted amount. Personnel expenditures accounted for 65.5% of General Fund expenditures and this category accounted for the largest increase among all expenditures, approximately \$15.8 million over the prior year. Personnel cost increases resulted from a 3.9% 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 2.98% increase in the non-hazardous County Employee Retirement System contribution rate, and a 1% increase in the contribution rate to the Police and Firefighter Retirement Fund through January 1, 2009 then increasing an additional percent. Personnel expenditures from divisions covered by the collective bargaining agreements account for 42% of the general fund expenditures. Please see the Table 5 below for more details regarding the distribution of general fund personnel cost and the changes from prior year.

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

<b>Departments</b>	<b>2008</b>	<b>2007*</b>	<b>Change</b>	<b>% Change</b>	<b>% General Fund Expenditures</b>
Non-Collective Bargaining Divisions					
Administrative Services	\$1,024	\$1,464	(\$440)	-30.1%	0.3%
Chief Information Officer	4,614	4,040	574	14.2%	1.6%
Department of Finance	6,457	5,707	750	13.1%	2.2%
Department of General Services	7,860	7,272	588	8.1%	2.7%
Department of Law	3,027	2,897	130	4.5%	1.0%
Department of Public Safety	4,717	4,682	35	0.7%	1.6%
Department of Social Services	7,047	8,034	(987)	-12.3%	2.4%
Department of Environmental Quality	1,441	53	1,388	2618.9%	0.5%
Department of Public Works & Development	14,071	14,126	(55)	-0.4%	4.8%
General Government	5,679	4,688	991	21.1%	1.9%
Parks and Recreation	12,868	12,197	671	5.5%	4.4%
Total Non-Collective Bargaining Divisions	<u>68,805</u>	<u>65,160</u>	<u>3,645</u>	<u>5.6%</u>	<u>23.5%</u>
Divisions with Collective Bargaining					
Police	52,013	45,806	6,207	13.6%	17.8%
Community Corrections	21,411	20,091	1,320	6.6%	7.3%
Fire and Emergency Services	<u>49,540</u>	<u>44,906</u>	<u>4,634</u>	<u>10.3%</u>	<u>16.9%</u>
Total Collective Bargaining Divisions	<u>122,964</u>	<u>110,803</u>	<u>12,161</u>	<u>11.0%</u>	<u>42.0%</u>
Total Personnel Costs with Benefits	<u>\$191,769</u>	<u>\$175,963</u>	<u>\$15,806</u>	<u>9.0%</u>	<u>65.5%</u>

\*2007 restated to reflect organizational changes in FY 08

The above schedule has been restated to reflect the organizational changes that occurred during FY 2008. Under the new organizational structure two new departments were formed, Chief Information Officer and Environmental Quality. In addition to the two new departments there was numerous divisions moved from one department to another impacting Administrative Services, Finance, Public Works, Public Safety, and Law.

## CAPITAL ASSETS

The Urban County Government's investment in capital assets totaled \$1.42 billion as of June 30, 2008. This investment includes land, buildings, equipment, park facilities, roads, bridges, and sewer systems. For Governmental Activities, the recorded investments totaled \$1.09 billion. Governmental activity assets decreased by \$20.34 million over the prior year. The assets of Business-Type Activities totaled \$337.71 million, a decrease of \$6.58 million from the previous fiscal year.

This year's major changes in capital assets included:

- The depreciation on infrastructure for Governmental Activities totaling \$30.7 million contributing in the net decrease in infrastructure from prior year of \$28.98 million. Infrastructure includes roads, bridges, storm water, fiber optics, traffic signals and similar items.
- The Purchase of Development Rights program acquired \$4.5 million in conservation easements.
- Capital Assets for Business-Type Activities decreased by \$6.6 million. Depreciation exceeded additions by \$6.55 million.
- Construction in Progress (CIP) totaled \$19.49 million in the Governmental Activities and \$10.71 million in Business Type Activities accounting for a total increase in CIP of \$6.23 million.

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

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total Primary Government</b>	
	<b>2008</b>	<b>2007 *</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007*</b>
Land	\$45,234	\$41,683	\$47,206	\$47,078	\$92,440	\$88,761
Purchase of Developmental Rights	52,260	47,750			52,260	47,750
Buildings and Improvements	99,972	100,380	73,772	77,784	173,744	178,164
Vehicles, Equipment and Furniture*	27,074	29,721	2,910	2,439	29,984	32,160
Land and Leasehold Improvements	6,442	6,432	20,096	22,145	26,538	28,577
Infrastructure*	836,248	865,224	183,021	186,743	1,019,269	1,051,967
Construction in Progress	19,490	15,863	10,706	8,100	30,196	23,963
Total	<u>\$1,086,719</u>	<u>\$1,107,053</u>	<u>\$337,711</u>	<u>\$344,289</u>	<u>\$1,424,430</u>	<u>\$1,451,342</u>

\*Restated to reflect the reclassification of traffic signals

Additional information on the Government's capital assets activity can be found in note 3B beginning on 74 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 annual renewable lease agreements automatically with the corporations whereby lease payments from the Government, combined with revenues generated by the operation of the facilities, are sufficient to meet debt service obligations. The underlying security for the bond is the annual lease agreements and the underlying mortgages on the property. Revenue bonds, where only the revenues from the operation of the facilities are pledged as security for the bonds, are issued to finance improvements to the sanitary sewer system.

At the end of Fiscal Year 2008, the Urban County Government had \$229.975 million in bonds and notes outstanding; Governmental Activities' debt decreased by \$16.74 million with total debt decreasing by \$21.12 million resulting from the payment of principal. The Urban County Government did not issue any new GO debt in Fiscal Year 2008.

Despite recent legal changes that provide for the issuance of GO debt, legal limits remain on the total amount of GO indebtedness that may be incurred. The Kentucky Constitution provides that the total principal amount of GO debt cannot exceed 10% of the value of taxable property in the county, or \$2.4 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 \$142.8 million.

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

	Governmental		Business-type Activities		Total Primary	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds, Notes, Leases	\$126,065	\$142,805			\$126,065	\$142,805
Mortgage Revenue Bonds			68,195	68,885	68,195	68,885
Revenue Bonds			35,715	39,400	35,715	39,400
Total	\$126,065	\$142,805	\$103,910	\$108,285	\$229,975	\$251,090

\*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 Lexington-Fayette Urban County Government Fiscal Year 2009, for all funds combined, net of interfund transfers, is \$507.927 million. Significant initiatives in the budget include:

- A commitment of \$69.8 million for storm sewer projects and programs as required by the U.S. Environmental Protection Agency Consent Decree
- A \$70 million bond issue to fund the unfunded accrued actuarial liability of the Police and Firemen’s Pension Fund
- Implementation of a ‘Living Wage’ for 24 employees at a cost of \$44,000
- A 2.3% increase in compensation for all non-bargaining unit employees
- Allocation of \$94 million for capital projects, including:
  - \$9.9 million for 800 MHz radio interoperability upgrade for the Departments of Police and Fire
  - \$6 million for the renovation of Lyric Theatre
  - \$5.5 million for the initiation and completion of Phase II of the PeopleSoft implementation
  - \$2.4 million for the Purchase of Development Rights program
  - \$1 million for bike trails
  - \$375,000 for water quality improvements at McConnell Springs

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, 2008**

	<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>ASSETS</b>				
Cash	\$12,758,279	\$19,938,998	\$32,697,277	\$7,928,023
Investments	56,592,982	18,477,197	75,070,179	10,811,566
Receivables (net)	31,355,645	7,488,053	38,843,698	5,013,705
Due from Other Governments	9,097,382	0	9,097,382	6,650,326
Due from Component Units	605,617	0	605,617	172,157
Due from Fiduciary Funds	507,876	0	507,876	0
Due from Primary Government	0	0	0	644,289
Inventories	1,170,605	5,671	1,176,276	776,873
Prepaid Items	300,864	5,291,687	5,592,551	1,901,076
Pension Assets	0	0	0	565,847
Restricted Assets:				
Investments	3,892,826	25,267,618	29,160,444	28,556,492
Other	0	0	0	671,435
Capital Assets:				
Non-depreciable	116,984,503	57,912,337	174,896,840	45,602,324
Depreciable (Net)	969,734,811	279,798,549	1,249,533,360	182,684,863
Other Assets	0	0	0	1,892,057
<b>Total Assets</b>	<b>1,203,001,390</b>	<b>414,180,110</b>	<b>1,617,181,500</b>	<b>293,871,033</b>
<b>LIABILITIES</b>				
Accounts, Contracts Payable and				
Accrued Liabilities	15,842,395	2,844,852	18,687,247	6,824,799
Interest Payable	994,571	709,101	1,703,672	91,397
Internal Balances	2,493,430	(2,493,430)	0	0
Due to Fiduciary Funds	322,684	0	322,684	0
Due to Component Units	644,289	0	644,289	179,755
Due to Primary Government	0	0	0	598,018
Unearned Revenue and Other	4,166,179	772,048	4,938,227	512,941
Claims Liabilities	20,936,031	0	20,936,031	0
Liabilities Payable from				
Restricted Assets:				
Accounts, Contracts and Retainage				
Payable	0	250,315	250,315	644,616
Bonds and Notes Payable	0	3,855,000	3,855,000	1,475,000
Interest Payable	0	909,525	909,525	154,500
Non-Current Liabilities:				
Due Within One Year:				
Bonds and Notes Payable	13,760,000	1,725,000	15,485,000	2,999,152
Compensated Absences	2,590,700	273,680	2,864,380	475,535
Capital Lease Obligations	0	0	0	7,490
Landfill Closure and				
Postclosure Care Costs	0	488,881	488,881	0
Due in More Than One Year:				
Unearned Revenue and Other	0	186,074	186,074	0
Bonds and Notes Payable	112,305,000	98,330,000	210,635,000	82,389,387
Compensated Absences	16,183,848	634,558	16,818,406	974,761
Landfill Closure and				
Postclosure Care Costs	0	17,542,296	17,542,296	0
Unfunded Other Post Retirement				
Benefit Liability	13,855,546	0	13,855,546	0
Unfunded Pension Liability	26,910,858	0	26,910,858	0
<b>Total Liabilities</b>	<b>\$231,005,531</b>	<b>\$126,027,900</b>	<b>\$357,033,431</b>	<b>\$97,327,351</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	\$963,823,728	\$239,407,215	\$1,203,230,943	\$155,358,336
Restricted for:				
Governmental and Program Funds	0	0	0	3,081,079
Fees	0	0	0	155,303
Capital Projects	2,122,527	11,657,882	13,780,409	0
Inventories	0	0	0	72,924
Debt Service	0	4,852,231	4,852,231	12,002,709
Depreciation	0	1,803,980	1,803,980	0
Pension	0	0	0	395,439
Endowments	0	0	0	100,000
Grants	119,184	0	119,184	0
Maintenance and Operations	0	5,815,329	5,815,329	0
Unrestricted	5,930,420	24,615,573	30,545,993	25,377,892
<b>Total Net Assets</b>	<b>\$971,995,859</b>	<b>\$288,152,210</b>	<b>\$1,260,148,069</b>	<b>\$196,543,682</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, 2008**

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	Total	
Primary Government:								
Governmental Activities:								
General Government	\$30,660,951	\$14,562,857	\$425,852	\$27,230	(\$15,645,012)		(\$15,645,012)	
Administrative Services	3,832,639	0	0	0	(3,832,639)		(3,832,639)	
Health, Dental, and Vision	14,564,306	14,564,306	0	0	0		0	
Chief Information Officer	11,216,315	77,900	0	0	(11,138,415)		(11,138,415)	
Finance	12,376,624	1,526,545	5,140,317	650,426	(5,059,336)		(5,059,336)	
Public Works	71,695,702	14,388,414	210,597	6,869,688	(50,227,003)		(50,227,003)	
Public Safety	26,717,271	1,482,000	915,678	0	(24,319,593)		(24,319,593)	
Police	63,533,856	614,408	3,126,031	220,174	(59,573,243)		(59,573,243)	
Fire and Emergency Services	58,497,360	4,686,614	2,375,097	0	(51,435,649)		(51,435,649)	
Community Corrections	30,686,297	7,822,586	93,414	0	(22,770,297)		(22,770,297)	
Environmental Quality	23,947,831	2,155,407	1,825,825	0	(19,966,599)		(19,966,599)	
Social Services	16,392,173	3,362,329	2,620,406	0	(10,409,438)		(10,409,438)	
General Services	11,531,344	71,059	0	0	(11,460,285)		(11,460,285)	
Parks and Recreation	21,961,714	4,566,558	767,688	70,940	(16,556,528)		(16,556,528)	
Law and Risk Management	12,593,109	2,935	0	0	(12,590,174)		(12,590,174)	
Interest on Long-Term Debt	5,727,995	0	0	0	(5,727,995)		(5,727,995)	
Debt Service - Other	1,056,179	0	0	0	(1,056,179)		(1,056,179)	
Total governmental activities	416,991,666	69,883,918	17,500,905	7,838,458	(321,768,385)	0	(321,768,385)	
Business-type Activities:								
Sanitary Sewer System	36,565,069	27,532,422	0	0		(9,032,647)	(9,032,647)	
Public Facilities	11,359,294	6,237,836	0	0		(5,121,458)	(5,121,458)	
Public Parking	463,177	1,192,523	0	0		729,346	729,346	
Landfill	7,250,365	8,556,220	0	0		1,305,855	1,305,855	
Right of Way	333,723	310,950	0	0		(22,773)	(22,773)	
Extended School Program	2,081,422	2,203,771	0	0		122,349	122,349	
Prisoners' Account System	1,724,224	2,066,361	0	0		342,137	342,137	
Enhanced 911	3,870,267	2,621,394	0	0		(1,248,873)	(1,248,873)	
LexVan Program	54,347	61,360	0	0		7,013	7,013	
Small Business Development	0	188	0	0		188	188	
Total business-type activities	63,701,888	50,783,025	0	0	0	(12,918,863)	(12,918,863)	
Total primary government	\$480,693,554	\$120,666,943	\$17,500,905	\$7,838,458	(\$321,768,385)	(\$12,918,863)	(\$334,687,248)	

**Component Units:**

Lexington Center Corporation	\$18,284,734	\$12,471,430	\$948,000	\$0				(\$4,865,304)
Lexington Airport Board	17,948,293	14,338,383	0	3,703,157				93,247
Fayette County Department of Health	24,460,758	8,353,747	9,813,638	0				(6,293,373)
Nonmajor component units	40,335,157	3,757,329	5,333,344	4,377,842				(26,866,642)
<b>Total component units</b>	<b>\$101,028,942</b>	<b>\$38,920,889</b>	<b>\$16,094,982</b>	<b>\$8,080,999</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(37,932,072)</b>

**General Revenues:**

Property Taxes	51,455,185	0	51,455,185	40,912,583
Licenses Fees - Wages and Net Profits Taxes	220,015,258	0	220,015,258	0
Grants and Contributions Not Restricted to Specific Programs:				
Community Development Block Grant	2,463,746	0	2,463,746	0
Income on Investments	3,582,709	1,907,250	5,489,959	1,411,864
Net Change in Fair Value of Investments	0	0	0	(8,276)
Gain (Loss) on Sale of Capital Assets	457,516	15,106	472,622	0
Miscellaneous	0	0	0	804,890
Payment from/to Lexington-Fayette Urban County Government	0	0	0	133,419
Transfers	(620,031)	620,031	0	0
<b>Total General Revenues and Transfers</b>	<b>277,354,383</b>	<b>2,542,387</b>	<b>279,896,770</b>	<b>43,254,480</b>
Change in Net Assets	(44,414,002)	(10,376,476)	(54,790,478)	5,322,408
Net Assets, July 1	1,016,409,861	298,528,686	1,314,938,547	190,028,382
Prior Period Adjustment				1,192,892
Net Assets, June 30	<b>\$971,995,859</b>	<b>\$288,152,210</b>	<b>\$1,260,148,069</b>	<b>\$196,543,682</b>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2008**

	<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	\$882,630	\$0	\$50	\$11,875,599	\$12,758,279
Current Investments	19,672,003	26,316,735	24,936	4,552,732	50,566,406
Receivables :					
Local Contributions	0	0	1,475	0	1,475
Loans	0	0	4,722,155	0	4,722,155
License Fees	15,161,972	0	0	0	15,161,972
Other	4,859,583	339,028	0	11,356,128	16,554,739
Less Allowance for Uncollectible Amounts	(1,512,996)	0	(4,722,155)	0	(6,235,151)
Due from Other Governments	0	0	9,097,382	0	9,097,382
Due from Component Units	605,617	0	0	0	605,617
Due from Fiduciary Funds	507,876	0	0	0	507,876
Inventories	1,170,605	0	0	0	1,170,605
Restricted Investments	0	0	0	3,892,826	3,892,826
<b>Total Assets</b>	<u>\$41,347,290</u>	<u>\$26,655,763</u>	<u>\$9,123,843</u>	<u>\$31,677,285</u>	<u>\$108,804,181</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts and Contracts Payable	\$3,656,616	\$738,490	\$1,681,465	\$2,557,833	\$8,634,404
Accrued Payroll & Related Liabilities	6,399,111	276,788	97,331	1,090	6,774,320
Internal Balances	5,057,374	(7,458,410)	3,941,754	15,145,383	16,686,101
Due to Fiduciary Funds	322,684	0	0	0	322,684
Due to Component Units	644,289	0	0	0	644,289
Unearned Revenue and Other	879,570	0	3,284,109	2,500	4,166,179
<b>Total Liabilities</b>	<u>16,959,644</u>	<u>(6,443,132)</u>	<u>9,004,659</u>	<u>17,706,806</u>	<u>37,227,977</u>
Fund Balances:					
Reserved for:					
Encumbrances	5,254,246	1,064,326	0	18,430,040	24,748,612
Unreserved:					
Designated for Payroll	1,293,279	99,401	0	0	1,392,680
Designated for Economic Contingency	13,219,620	0	0	0	13,219,620
Undesignated	4,620,501	31,935,168	119,184	0	36,674,853
Undesignated, reported in Special Revenue Funds	0	0	0	9,269,371	9,269,371
Undesignated, reported in Capital Projects Funds	0	0	0	(13,728,932)	(13,728,932)
<b>Total Fund Balances</b>	<u>24,387,646</u>	<u>33,098,895</u>	<u>119,184</u>	<u>13,970,479</u>	<u>71,576,204</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$41,347,290</u>	<u>\$26,655,763</u>	<u>\$9,123,843</u>	<u>\$31,677,285</u>	<u>\$108,804,181</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, 2008**

Fund balances - total governmental funds	\$71,576,204
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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	1,314,779,864	
Less accumulated depreciation	<u>(228,060,550)</u>	1,086,719,314

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	300,864
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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	(126,065,000)	
Accrued interest payable	(994,571)	
Compensated absences	(18,774,549)	
Unfunded pension liability and other post retirement benefits	<u>(40,766,404)</u>	(186,600,524)

Internal Balances due to non-governmental activities funds related to items listed above	<u>1</u>
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Net assets of governmental activities	<u><u>\$971,995,859</u></u>
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The accompanying notes are an integral part of the financial statements.

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2008**

	<b>General</b>	<b>Urban Services</b>	<b>Federal and State Grants</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
License Fees and Permits	\$223,622,531	\$1,252,423	\$0	\$0	\$224,874,954
Taxes	19,509,219	31,945,966	0	0	51,455,185
Charges for Services	21,313,927	9,550	0	34,125	21,357,602
Fines and Forfeitures	137,659	0	0	43,126	180,785
Intergovernmental	3,315,630	0	23,721,602	18,550,153	45,587,385
Exactions	0	0	0	1,282,254	1,282,254
Grant Match	0	0	1,709,521	0	1,709,521
Property Sales	392,892	158,729	0	5,450	557,071
Income on Investments	1,827,694	608,601	122,372	1,024,042	3,582,709
Other	3,206,921	2,120,170	2,366,903	451,483	8,145,477
<b>Total Revenues</b>	<u>273,326,473</u>	<u>36,095,439</u>	<u>27,920,398</u>	<u>21,390,633</u>	<u>358,732,943</u>
<b>EXPENDITURES</b>					
Current:					
General Government	11,645,157	1,551,682	453,033	1,592	13,651,464
Administrative Services	1,100,908	0	0	744,267	1,845,175
Chief Information Officer	5,897,974	387,539	0	3,633,819	9,919,332
Finance	7,848,388	23,159	3,688,603	959	11,561,109
Public Works	17,338,070	4,331,538	1,143,600	200,157	23,013,365
Public Safety	8,513,387	0	605,185	341,725	9,460,297
Police	55,757,311	0	2,962,427	511,090	59,230,828
Fire and Emergency Services	53,929,807	0	2,082,679	7,380	56,019,866
Community Corrections	28,688,317	0	93,414	0	28,781,731
Social Services	9,560,164	0	2,444,571	2,002	12,006,737
Environmental Quality	1,985,845	17,453,949	1,547	0	19,441,341
General Services	9,199,992	25,724	0	167,573	9,393,289
Parks and Recreation	18,390,309	413,889	83,226	0	18,887,424
Law and Risk Management	20,188,979	3,362,617	0	0	23,551,596
Outside Agencies	16,649,543	0	3,016,105	425,000	20,090,648
Debt Service:					
Principal	16,409,270	180,730	0	150,000	16,740,000
Interest and Other	5,697,631	10,813	0	142,895	5,851,339
Other Debt Service	1,056,179	0	0	0	1,056,179
Capital:					
Equipment	720,321	1,867,199	783,156	6,143,303	9,513,979
Acquisitions and Construction	1,482,324	1,307,020	10,725,715	24,446,346	37,961,405
<b>Total Expenditures</b>	<u>292,059,876</u>	<u>30,915,859</u>	<u>28,083,261</u>	<u>36,918,108</u>	<u>387,977,104</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>(18,733,403)</u>	<u>5,179,580</u>	<u>(162,863)</u>	<u>(15,527,475)</u>	<u>(29,244,161)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	739,320	0	5,163	631,000	1,375,483
Transfers Out	(53,819)	(640,537)	(36,576)	(1,277,541)	(2,008,473)
<b>Total Other Financing Sources (Uses)</b>	<u>685,501</u>	<u>(640,537)</u>	<u>(31,413)</u>	<u>(646,541)</u>	<u>(632,990)</u>
<b>Net Change in Fund Balances</b>	<u>(18,047,902)</u>	<u>4,539,043</u>	<u>(194,276)</u>	<u>(16,174,016)</u>	<u>(29,877,151)</u>
<b>Fund Balances, July 1</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>Fund Balances, June 30</b>	<u>\$24,387,646</u>	<u>\$33,098,895</u>	<u>\$119,184</u>	<u>\$13,970,479</u>	<u>\$71,576,204</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, 2008**

Net change in fund balances - total governmental funds (\$29,877,151)

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	22,627,143	
Less current year depreciation	<u>(43,540,411)</u>	(20,913,268)

The net effect of various miscellaneous transactions involving capital assets (i.e. Sales, trade-ins, and donations) is to increase net assets.		550,805
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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.

Principal payments	<u>16,740,000</u>	16,740,000
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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	(9,545)	
Change in unfunded pension liability and other post retirement benefits	(22,065,804)	
Change in accrued interest payable	123,344	
Change in compensated absences	<u>(2,603)</u>	(21,954,608)

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

The net expense of the internal service funds is reported with governmental funds.		<u>11,040,220</u>
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Change in net assets of governmental activities		<u><u>(\$44,414,002)</u></u>
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The accompanying notes are an integral part of the financial statements.

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON**  
**GENERAL FUND**  
**For the Year Ended June 30, 2008**

	<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:						
Employee Withholdings	\$149,705,920	\$149,705,920	\$148,475,743	\$0	\$148,475,743	(\$1,230,177)
Business Returns	32,044,080	32,044,080	31,131,789	0	31,131,789	(912,291)
Individual Returns	95,000	95,000	132,896	0	132,896	37,896
Insurance Premiums	22,500,000	22,500,000	23,542,069	0	23,542,069	1,042,069
Bond Deposits	2,000	2,000	500	0	500	(1,500)
Regulated License Fee	1,358,600	1,358,600	907,988	0	907,988	(450,612)
Franchise Fee	14,510,370	14,510,370	15,824,273	0	15,824,273	1,313,903
Bank Franchise Fee	1,160,000	1,160,000	1,253,119	0	1,253,119	93,119
Vehicle License	230,000	230,000	165,157	0	165,157	(64,843)
Deed Tax Fee	1,500,000	1,500,000	1,498,438	0	1,498,438	(1,562)
Contractor Registration Fee	944,000	944,000	355,610	0	355,610	(588,390)
Filing Fee - Planning & Zoning	200,000	200,000	163,292	0	163,292	(36,708)
Animal License	70,000	70,000	41,104	0	41,104	(28,896)
Hotel - Motel License Fee	0	0	130,553	0	130,553	130,553
<b>Total Licenses and Permits</b>	<b>224,319,970</b>	<b>224,319,970</b>	<b>223,622,531</b>	<b>0</b>	<b>223,622,531</b>	<b>(697,439)</b>
Taxes:						
Realty Taxes	16,119,000	16,259,260	16,685,631	0	16,685,631	426,371
Personalty Taxes	1,466,000	1,466,000	1,545,743	0	1,545,743	79,743
PSC Taxes	653,000	653,000	553,626	0	553,626	(99,374)
Property Tax Discount	(299,000)	(299,000)	(320,394)	0	(320,394)	(21,394)
Property Tax Commission	(748,000)	(748,000)	(789,118)	0	(789,118)	(41,118)
Delinquent - Realty & Personal	50,000	50,000	(1,894)	0	(1,894)	(51,894)
Motor Vehicle Ad Valorem Tax	1,472,000	1,472,000	1,383,738	0	1,383,738	(88,262)
Supplementary Tax Bills	7,000	7,000	5,058	0	5,058	(1,942)
Omitted Tax	75,000	75,000	446,829	0	446,829	371,829
<b>Total Taxes</b>	<b>18,795,000</b>	<b>18,935,260</b>	<b>19,509,219</b>	<b>0</b>	<b>19,509,219</b>	<b>573,959</b>
Charges for Services:						
Accident Report Sales	12,000	12,000	10,058	0	10,058	(1,942)
Administrative Collection Fees	100,000	100,000	10,079	0	10,079	(89,921)
Adult Probation Fees	75,000	75,000	88,888	0	88,888	13,888
Animal Shelter Collections	25,000	25,000	33,610	0	33,610	8,610
Building Permits	1,160,000	1,160,000	891,612	0	891,612	(268,388)
Computer Services Fees	45,000	45,000	81,090	0	81,090	36,090
Detention Center	5,086,000	5,086,000	6,553,141	0	6,553,141	1,467,141
Developer Landscape Fees	34,000	34,000	8,710	0	8,710	(25,290)
District Court Jail Fees	600,000	600,000	1,180,293	0	1,180,293	580,293
Domestic Relations Collection	26,000	26,000	17,610	0	17,610	(8,390)
EMS	4,125,000	4,125,000	4,643,654	0	4,643,654	518,654
Excess Fees And Collections	2,200,000	2,200,000	2,752,769	0	2,752,769	552,769
Golf Course Collections	3,364,000	3,364,000	3,248,310	0	3,248,310	(115,690)
Lexington Store	6,000	6,000	1,987	0	1,987	(4,013)
Park Land Acquisition	566,000	430,000	366,207	0	366,207	(63,793)
Parking	0	27,370	42,844	0	42,844	15,474
Parks & Recreation Programs	1,372,000	1,372,000	993,073	0	993,073	(378,927)
Rent Or Lease Income	112,000	112,000	389,992	0	389,992	277,992
<b>Total Charges for Services</b>	<b>18,908,000</b>	<b>18,799,370</b>	<b>21,313,927</b>	<b>0</b>	<b>21,313,927</b>	<b>2,514,557</b>
<b>Fines and Forfeitures</b>	<b>82,000</b>	<b>82,000</b>	<b>137,659</b>	<b>0</b>	<b>137,659</b>	<b>55,659</b>
<b>Intergovernmental</b>	<b>2,924,790</b>	<b>2,900,989</b>	<b>3,315,630</b>	<b>0</b>	<b>3,315,630</b>	<b>414,641</b>
<b>Property Sales</b>	<b>420,000</b>	<b>420,000</b>	<b>392,892</b>	<b>0</b>	<b>392,892</b>	<b>(27,108)</b>
<b>Investments</b>	<b>2,023,000</b>	<b>2,023,000</b>	<b>1,827,694</b>	<b>0</b>	<b>1,827,694</b>	<b>(195,306)</b>
Other Income:						
Assistance Repayment	0	359,560	282,133	0	282,133	(77,427)
Contributions	0	461,298	883,016	0	883,016	421,718
Penalties And Interest	900,000	900,000	1,375,303	0	1,375,303	475,303
School Board Tax Fee	12,000	12,000	4,000	0	4,000	(8,000)
Tourist Commission Fee	25,000	25,000	0	0	0	(25,000)
Payment in Lieu of Taxes	45,000	45,000	27,488	0	27,488	(17,512)
Miscellaneous	161,200	460,026	634,981	0	634,981	174,955
<b>Total Other Income</b>	<b>1,143,200</b>	<b>2,262,884</b>	<b>3,206,921</b>	<b>0</b>	<b>3,206,921</b>	<b>944,037</b>
<b>Total Revenues</b>	<b>268,615,960</b>	<b>269,743,473</b>	<b>273,326,473</b>	<b>0</b>	<b>273,326,473</b>	<b>3,583,000</b>

continued

The accompanying notes are an integral part of the financial statements

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON**  
**GENERAL FUND**  
**For the Year Ended June 30, 2008**

	<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>EXPENDITURES</b>						
General Government:						
Council Office	\$2,303,670	\$2,375,869	\$2,216,541	\$3,799	\$2,220,340	(\$155,529)
Office of the Mayor	2,381,105	2,207,504	2,517,680	(374,705)	2,142,975	(64,529)
Special Programs	1,266,882	1,346,495	1,219,669	(4,707)	1,214,962	(131,533)
Board of Elections	899,950	754,820	707,095	14,964	722,059	(32,761)
Clerk of the Urban County Council	729,440	738,825	830,833	(87,482)	743,351	4,526
County Attorney	728,760	728,760	728,760	0	728,760	0
Coroner	700,270	649,282	608,593	13,497	622,090	(27,192)
Property Valuation Administrator	350,000	350,000	350,000	0	350,000	0
Contingency	(10,945,140)	1,827,570	3,985,376	0	3,985,376	2,157,806
Circuit Judges	247,130	242,480	244,141	0	244,141	1,661
County Court Clerk	421,400	396,230	257,112	11,370	268,482	(127,748)
Citizens' Advocate	178,500	174,210	171,102	117	171,219	(2,991)
Commonwealth Attorney	68,960	60,982	48,436	419	48,855	(12,127)
County Judge Executive	18,090	21,040	19,979	0	19,979	(1,061)
Indirect Cost Allocation	(5,484,380)	(5,484,380)	(2,031,760)	0	(2,031,760)	3,452,620
<b>Total General Government</b>	<b>(6,135,363)</b>	<b>6,389,687</b>	<b>11,873,557</b>	<b>(422,728)</b>	<b>11,450,829</b>	<b>5,061,142</b>
Administrative Services:						
Office of the Chief Administrative Officer	0	0	14,651	(19,049)	(4,398)	(4,398)
Senior Advisor	266,570	143,050	102,448	0	102,448	(40,602)
Office of Policy and Budget	0	64,580	63,637	0	63,637	(943)
Budgeting	523,640	515,370	521,815	1,667	523,482	8,112
Internal Audit Office	667,790	573,790	398,357	(1,766)	396,591	(177,199)
<b>Total Administrative Services</b>	<b>1,458,000</b>	<b>1,296,790</b>	<b>1,100,908</b>	<b>(19,148)</b>	<b>1,081,760</b>	<b>(215,030)</b>
Chief Information Officer						
Government Communications	1,884,170	1,637,511	1,581,610	26,159	1,607,769	(29,742)
Computer Services	4,568,600	4,614,465	4,491,561	(46,717)	4,444,844	(169,621)
Chief Information Officer	800,000	507,899	201,011	260,031	461,042	(46,857)
<b>Total Chief Information Officer</b>	<b>7,252,770</b>	<b>6,759,875</b>	<b>6,274,182</b>	<b>239,473</b>	<b>6,513,655</b>	<b>(246,220)</b>
Department of Finance:						
Community Development	917,330	856,301	881,434	46,171	927,605	71,304
Accounting	794,020	893,120	912,212	(1,407)	910,805	17,685
Central Purchasing	508,650	458,800	459,536	7,147	466,683	7,883
Human Resources	3,355,430	2,919,770	2,790,087	(44,407)	2,745,680	(174,090)
Revenue	2,619,050	2,225,721	2,179,337	36,615	2,215,952	(9,769)
Finance Administration	711,000	705,528	666,441	22,771	689,212	(16,316)
<b>Total Finance</b>	<b>8,905,480</b>	<b>8,059,240</b>	<b>7,889,047</b>	<b>66,890</b>	<b>7,955,937</b>	<b>(103,303)</b>
Department of Public Works:						
Building Inspection	2,930,380	2,639,706	2,628,115	5,235	2,633,350	(6,356)
Historic Preservation	463,070	387,462	364,907	2,359	367,266	(20,196)
Engineering	3,871,380	3,140,080	3,025,232	(207)	3,025,025	(115,055)
Planning	2,788,140	2,460,260	1,988,414	376,480	2,364,894	(95,366)
Streets and Roads	5,129,120	4,887,421	4,959,776	(27,982)	4,931,794	44,373
Traffic Engineering	4,510,610	4,456,347	4,601,172	(63,016)	4,538,156	81,809
Public Works Administration	403,630	415,590	477,840	(84,586)	393,254	(22,336)
Purchase of Development Rights	302,550	300,310	296,374	3,302	299,676	(634)
<b>Total Public Works</b>	<b>20,398,880</b>	<b>18,687,176</b>	<b>18,341,830</b>	<b>211,585</b>	<b>18,553,415</b>	<b>(133,761)</b>
Department of Public Safety:						
Police	57,711,880	56,563,181	55,757,311	(22,349)	55,734,962	(828,219)
Fire & Emergency Services	54,579,620	53,272,480	53,982,837	(73,546)	53,909,291	636,811
Community Corrections	30,626,670	28,756,014	28,743,337	(166,862)	28,576,475	(179,539)
Public Safety Administration	3,867,220	3,870,675	3,864,075	448	3,864,523	(6,152)
Code Enforcement	1,777,090	1,634,313	1,503,378	38,477	1,541,855	(92,458)
Environmental & Emergency Management	753,220	765,320	687,825	(23,144)	664,681	(100,639)
Enhanced 911	3,806,140	2,665,770	2,513,649	(27,360)	2,486,289	(179,481)
<b>Total Public Safety</b>	<b>153,121,840</b>	<b>147,527,753</b>	<b>147,052,412</b>	<b>(274,336)</b>	<b>146,778,076</b>	<b>(749,677)</b>
Department of Social Services:						
Youth Services	3,194,790	2,755,862	2,440,419	259,585	2,700,004	(55,858)
Family Services	5,541,171	6,002,305	4,711,635	332,423	5,044,058	(958,247)
Adult Services	1,343,659	1,698,680	1,466,276	32,699	1,498,975	(199,705)
Mayor's Training Center	0	0	7,862	(4,695)	3,167	3,167
Social Services Administration	1,330,104	1,125,459	969,509	29,532	999,041	(126,418)
<b>Total Social Services</b>	<b>11,409,724</b>	<b>11,582,306</b>	<b>9,595,701</b>	<b>649,544</b>	<b>10,245,245</b>	<b>(1,337,061)</b>

continued

The accompanying notes are an integral part of the financial statements



**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON**  
**GENERAL FUND**  
**For the Year Ended June 30, 2008**

	<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>
Dept of Environmental Quality						
Division of Waste Management	\$0	(\$10,130)	(\$24,266)	\$0	(\$24,266)	(\$14,136)
Division of Water & Air Quality	627,260	1,508,184	1,614,664	(138,647)	1,476,017	(32,167)
Environmental Quality	93,280	174,110	169,451	1,651	171,102	(3,008)
Office of Compliance	340,720	399,026	371,044	31,555	402,599	3,573
<b>Total Environmental Quality</b>	<b>1,061,260</b>	<b>2,071,190</b>	<b>2,130,893</b>	<b>(105,441)</b>	<b>2,025,452</b>	<b>(45,738)</b>
Department of General Services:						
Parks and Recreation	20,454,720	19,201,345	18,428,177	(70,737)	18,357,440	(843,905)
Building Maintenance	5,414,730	5,067,028	4,330,870	389,831	4,720,701	(346,327)
Fleet Services	2,659,020	2,232,330	1,915,639	12,528	1,928,167	(304,163)
General Services Administration	3,470,020	3,211,768	3,118,200	(91,652)	3,026,548	(185,220)
<b>Total General Services</b>	<b>31,998,490</b>	<b>29,712,471</b>	<b>27,792,886</b>	<b>239,970</b>	<b>28,032,856</b>	<b>(1,679,615)</b>
Department of Law:						
Law	2,404,260	2,311,010	2,081,555	(27,550)	2,054,005	(257,005)
Risk Management	9,245,560	18,090,166	18,114,282	(135,353)	17,978,929	(111,237)
<b>Total Law</b>	<b>11,649,820</b>	<b>20,401,176</b>	<b>20,195,837</b>	<b>(162,903)</b>	<b>20,032,934</b>	<b>(368,242)</b>
Outside Agencies:						
Commerce Lexington	661,500	661,500	660,490	0	660,490	(1,010)
Downtown Arts Center	128,250	128,250	128,250	0	128,250	0
Downtown Lexington Corporation	60,000	60,000	60,000	0	60,000	0
World Trade Center	115,000	115,000	115,086	0	115,086	86
Community Development Agencies	406,250	406,250	375,210	0	375,210	(31,040)
Social Service Agencies	2,169,540	2,169,540	2,141,762	187,139	2,328,901	159,361
Lexington Center Corporation	50,000	50,000	50,000	0	50,000	0
Public Works Agencies	2,680	2,680	2,680	0	2,680	0
Airport Board	50,000	50,000	50,000	0	50,000	0
Lexington Public Library	12,267,790	12,408,050	12,408,049	0	12,408,049	(1)
Explorium of Lexington	237,500	237,500	340,210	1,269	341,479	103,979
Carnegie Literacy Center	53,500	53,500	42,170	5,830	48,000	(5,500)
Downtown Development Authority	285,640	285,640	275,636	0	275,636	(10,004)
<b>Total Outside Agencies</b>	<b>16,487,650</b>	<b>16,627,910</b>	<b>16,649,543</b>	<b>194,238</b>	<b>16,843,781</b>	<b>215,871</b>
Debt Service:						
Principal	16,409,270	16,409,270	16,409,270	0	16,409,270	(0)
Interest	7,402,710	5,901,427	5,697,631	0	5,697,631	(203,796)
Other Debt Service	1,004,000	1,004,000	1,056,179	0	1,056,179	52,179
<b>Total Debt Service</b>	<b>24,815,980</b>	<b>23,314,697</b>	<b>23,163,080</b>	<b>0</b>	<b>23,163,080</b>	<b>(151,617)</b>
<b>Total Expenditures</b>	<b>282,424,531</b>	<b>292,430,271</b>	<b>292,059,876</b>	<b>617,144</b>	<b>292,677,020</b>	<b>246,749</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(13,808,571)</b>	<b>(22,686,798)</b>	<b>(18,733,403)</b>	<b>(617,144)</b>	<b>(19,350,547)</b>	<b>3,336,251</b>
<b>OTHER FINANCING SOURCES</b>						
Transfers In	727,330	736,230	739,320	0	739,320	3,090
Transfers Out	(434,120)	(408,110)	(53,819)	0	(53,819)	354,291
<b>Total Other Financing Sources</b>	<b>293,210</b>	<b>328,120</b>	<b>685,501</b>	<b>0</b>	<b>685,501</b>	<b>357,381</b>
<b>Net Change in Fund Balances</b>	<b>(13,515,361)</b>	<b>(22,358,678)</b>	<b>(18,047,902)</b>	<b>(617,144)</b>	<b>(18,665,046)</b>	<b>3,693,632</b>
<b>Fund Balance, July 1</b>	<b>13,746,641</b>	<b>27,450,389</b>	<b>42,435,548</b>	<b>(4,637,101)</b>	<b>37,798,447</b>	<b>0</b>
<b>Fund Balance, June 30</b>	<b>\$231,280</b>	<b>\$5,091,711</b>	<b>\$24,387,646</b>	<b>(\$5,254,245)</b>	<b>\$19,133,401</b>	<b>\$3,693,632</b>

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

Total expenditures from the budgetary comparison schedule \$292,677,020

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.

(617,144)

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

\$292,059,876



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**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON**  
**FULL URBAN SERVICES DISTRICT FUND**  
**For the Year Ended June 30, 2008**

	<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	\$1,160,000	\$1,160,000	\$1,252,423	\$0	\$1,252,423	\$92,423
<b>Total Licenses and Permits</b>	<u>1,160,000</u>	<u>1,160,000</u>	<u>1,252,423</u>	<u>0</u>	<u>1,252,423</u>	<u>92,423</u>
Taxes:						
Realty Taxes	31,922,000	31,922,000	32,559,153	0	32,559,153	637,153
PSC Taxes	246,000	246,000	253,633	0	253,633	7,633
Property Tax Discount	(543,000)	(543,000)	(564,634)	0	(564,634)	(21,634)
Property Tax Commission	(350,000)	(350,000)	(350,000)	0	(350,000)	0
Delinquent - Realty & Personal	6,000	6,000	36,521	0	36,521	30,521
Supplementary Tax Bills	10,000	10,000	11,293	0	11,293	1,293
<b>Total Taxes</b>	<u>31,291,000</u>	<u>31,291,000</u>	<u>31,945,966</u>	<u>0</u>	<u>31,945,966</u>	<u>654,966</u>
Charges for Services:						
Rent Or Lease Income	0	0	4,000	0	4,000	4,000
Dumpster Permit Fees	6,000	6,000	5,550	0	5,550	(450)
<b>Total Charges for Services</b>	<u>6,000</u>	<u>6,000</u>	<u>9,550</u>	<u>0</u>	<u>9,550</u>	<u>3,550</u>
<b>Property Sales</b>	<u>120,000</u>	<u>120,000</u>	<u>158,729</u>	<u>0</u>	<u>158,729</u>	<u>38,729</u>
<b>Investments</b>	<u>1,333,000</u>	<u>1,333,000</u>	<u>608,601</u>	<u>0</u>	<u>608,601</u>	<u>(724,399)</u>
Other Income:						
Penalties And Interest	80,000	80,000	0	0	0	(80,000)
Miscellaneous	900,000	900,175	2,120,170	0	2,120,170	1,219,995
<b>Total Other Income</b>	<u>980,000</u>	<u>980,175</u>	<u>2,120,170</u>	<u>0</u>	<u>2,120,170</u>	<u>1,139,995</u>
<b>Total Revenues</b>	<u>34,890,000</u>	<u>34,890,175</u>	<u>36,095,439</u>	<u>0</u>	<u>36,095,439</u>	<u>1,205,264</u>
<b>EXPENDITURES</b>						
General Government:						
Contingency	(1,607,060)	1,375,000	438,686	0	438,686	(936,314)
Indirect Cost Allocation	3,417,660	3,417,660	1,112,996	0	1,112,996	(2,304,664)
<b>Total General Government</b>	<u>1,810,600</u>	<u>4,792,660</u>	<u>1,551,682</u>	<u>0</u>	<u>1,551,682</u>	<u>(3,240,978)</u>
Chief Information Officer						
Government Communications	449,210	452,900	440,872	3,835	444,707	(8,193)
<b>Total Chief Information Officer</b>	<u>449,210</u>	<u>452,900</u>	<u>440,872</u>	<u>3,835</u>	<u>444,707</u>	<u>(8,193)</u>
Department of Finance:						
Human Resources	14,000	14,000	8,485	1,381	9,866	(4,134)
Finance Administration	16,500	16,500	14,674	6,480	21,154	4,654
<b>Total Finance</b>	<u>30,500</u>	<u>30,500</u>	<u>23,159</u>	<u>7,861</u>	<u>31,020</u>	<u>520</u>
Department of Public Works:						
Streets and Roads	1,059,230	1,093,680	1,027,106	(56)	1,027,050	(66,630)
Traffic Engineering	3,816,000	5,217,360	3,611,909	(86,469)	3,525,440	(1,691,920)
Public Works Administration	8,000	8,000	8,153	(1,468)	6,685	(1,315)
<b>Total Public Works</b>	<u>4,883,230</u>	<u>6,319,040</u>	<u>4,647,168</u>	<u>(87,993)</u>	<u>4,559,175</u>	<u>(1,759,865)</u>
Dept of Environmental Quality						
Division of Waste Management	22,531,420	22,882,074	19,251,288	(511,888)	18,739,400	(4,142,674)
Environmental Quality	79,000	79,405	46,444	2,354	48,798	(30,607)
<b>Total Environmental Quality</b>	<u>22,610,420</u>	<u>22,961,479</u>	<u>19,297,732</u>	<u>(509,534)</u>	<u>18,788,198</u>	<u>(4,173,281)</u>
Department of General Services:						
Parks and Recreation	1,462,710	1,310,020	915,342	49,956	965,298	(344,722)
Building Maintenance	162,110	162,110	35,910	8,544	44,454	(117,656)
Fleet Services	883,000	883,000	449,834	(69,755)	380,079	(502,921)
<b>Total General Services</b>	<u>2,507,820</u>	<u>2,355,130</u>	<u>1,401,086</u>	<u>(11,255)</u>	<u>1,389,831</u>	<u>(965,299)</u>

continued

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON**  
**FULL URBAN SERVICES DISTRICT FUND**  
**For the Year Ended June 30, 2008**

	<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>
Department of Law:						
Risk Management	1,012,800	3,359,731	3,362,617	0	3,362,617	2,886
<b>Total Law</b>	<u>1,012,800</u>	<u>3,359,731</u>	<u>3,362,617</u>	<u>0</u>	<u>3,362,617</u>	<u>2,886</u>
Debt Service:						
Principal	180,730	180,730	180,730	0	180,730	0
Interest	10,810	10,810	10,813	0	10,813	3
<b>Total Debt Service</b>	<u>191,540</u>	<u>191,540</u>	<u>191,543</u>	<u>0</u>	<u>191,543</u>	<u>3</u>
<b>Total Expenditures</b>	<u>33,496,120</u>	<u>40,462,980</u>	<u>30,915,859</u>	<u>(597,086)</u>	<u>30,318,773</u>	<u>(10,144,207)</u>
<b>Excess (Deficiency) of Revenues over (under)</b>						
<b>Expenditures</b>	<u>1,393,880</u>	<u>(5,572,805)</u>	<u>5,179,580</u>	<u>597,086</u>	<u>5,776,666</u>	<u>11,349,471</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers Out	(612,420)	(636,840)	(640,537)	0	(640,537)	(3,697)
<b>Total Other Financing Sources (Uses)</b>	<u>(612,420)</u>	<u>(636,840)</u>	<u>(640,537)</u>	<u>0</u>	<u>(640,537)</u>	<u>(3,697)</u>
<b>Net Change in Fund Balances</b>	781,460	(6,209,645)	4,539,043	597,086	5,136,129	11,345,774
<b>Fund Balance, July 1</b>	<u>16,450,000</u>	<u>17,189,732</u>	<u>28,559,852</u>	<u>(1,661,414)</u>	<u>26,898,438</u>	<u>0</u>
<b>Fund Balance, June 30</b>	<u>\$17,231,460</u>	<u>\$10,980,087</u>	<u>\$33,098,895</u>	<u>(\$1,064,328)</u>	<u>\$32,034,567</u>	<u>\$11,345,774</u>

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

Total expenditures from the budgetary comparison schedule	\$30,318,773
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.	597,086
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$30,915,859</u>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2008**

49

Business-type Activities Enterprise Funds							
	Sanitary Sewer System	Public Facilities Corporation	Public Parking Corporation	Landfill	Other Enterprise Funds	Total	Governmental Activities Internal Service Funds
<b>ASSETS</b>							
Current Assets:							
Cash	\$8,706,044	\$1,439,154	\$320,327	\$5,977,683	\$3,495,790	\$19,938,998	\$0
Investments	3,003,941	139,510	0	15,266,777	66,969	18,477,197	6,026,576
Receivables:							
User Fees Receivable	1,783,893	0	0	499,123	0	2,283,016	0
Other Receivables	5,211,197	83,907	2,881	360,635	118,494	5,777,114	1,150,455
Less Allowance for Uncollectible Accounts	(60,885)	0	0	(461,453)	(49,739)	(572,077)	0
Inventories	5,671	0	0	0	0	5,671	0
Restricted Investments:							
Reserved for Maintenance and Operation	5,815,329	0	0	0	0	5,815,329	0
Reserved for Sinking Fund	4,764,525	0	0	0	0	4,764,525	0
<b>Total Current Assets</b>	<b>29,229,715</b>	<b>1,662,571</b>	<b>323,208</b>	<b>21,642,765</b>	<b>3,631,514</b>	<b>56,489,773</b>	<b>7,177,031</b>
Non-Current Assets:							
Restricted Investments:							
Reserved for Construction & Capital Acquisitions	8,030,252	0	0	0	0	8,030,252	0
Reserved for Depreciation	1,785,750	0	0	0	0	1,785,750	0
Reserved for Debt Service	4,079,311	0	792,451	0	0	4,871,762	0
Capital Assets:							
Land	1,448,111	32,578,646	7,985,094	5,194,637	0	47,206,488	0
Land Improvements	170,476	26,067,064	3,110,639	16,505,870	10,000	45,864,049	0
Buildings	1,670,289	117,092,982	10,342,967	64,815	0	129,171,053	0
Sewer Plants	160,472,142	0	0	0	0	160,472,142	0
Sewer Lines	138,165,643	0	0	0	0	138,165,643	0
Leasehold Improvements	0	2,137,090	0	0	0	2,137,090	0
Vehicles, Equipment, and Furniture	6,297,700	3,424,141	289,793	48,235	3,416,267	13,476,136	145,816
Less Accumulated Depreciation	(120,962,364)	(75,943,350)	(5,839,514)	(4,515,703)	(2,226,633)	(209,487,564)	(145,816)
Construction in Progress	6,022,637	216,259	1	4,466,952	0	10,705,849	0
Unamortized Bond Costs	352,119	4,843,568	96,000	0	0	5,291,687	0
<b>Total Non-Current Assets</b>	<b>207,532,066</b>	<b>110,416,400</b>	<b>16,777,431</b>	<b>21,764,806</b>	<b>1,199,634</b>	<b>357,690,337</b>	<b>0</b>
<b>Total Assets</b>	<b>236,761,781</b>	<b>112,078,971</b>	<b>17,100,639</b>	<b>43,407,571</b>	<b>4,831,148</b>	<b>414,180,110</b>	<b>7,177,031</b>

<b>LIABILITIES</b>							
Current Liabilities:							
Accounts, Contracts and Retainage Payable	1,151,631	406,997	3,857	487,892	478,488	2,528,865	433,672
Accrued Payroll	204,156	0	0	4,675	107,156	315,987	0
Internal Balances	(1,033,020)	(717,675)	(278)	(662,926)	(79,531)	(2,493,430)	(14,192,672)
Claims Payable	0	0	0	0	0	0	20,936,031
Bonds Payable	0	1,005,000	720,000	0	0	1,725,000	0
Interest Payable	0	680,129	28,972	0	0	709,101	0
Other	584,337	41,253	0	0	146,458	772,048	0
Compensated Absences	273,458	0	0	132	90	273,680	0
Landfill Closure and Postclosure Care Costs	0	0	0	488,881	0	488,881	0
Payable from Restricted Investments:							
Accounts, Contracts and Retainage Payable	250,315	0	0	0	0	250,315	0
Bonds Payable	3,855,000	0	0	0	0	3,855,000	0
Interest Payable	909,525	0	0	0	0	909,525	0
<b>Total Current Liabilities</b>	<b>6,195,402</b>	<b>1,415,704</b>	<b>752,551</b>	<b>318,654</b>	<b>652,661</b>	<b>9,334,972</b>	<b>7,177,031</b>
Non-Current Liabilities							
Unearned Revenues & Other	186,074	0	0	0	0	186,074	0
Bonds Payable	31,860,000	65,720,000	750,000	0	0	98,330,000	0
Compensated Absences	630,622	0	0	1,184	2,752	634,558	0
Landfill Closure and Postclosure Care Costs	0	0	0	17,542,296	0	17,542,296	0
<b>Total Non-Current Liabilities</b>	<b>32,676,696</b>	<b>65,720,000</b>	<b>750,000</b>	<b>17,543,480</b>	<b>2,752</b>	<b>116,692,928</b>	<b>0</b>
<b>Total Liabilities</b>	<b>38,872,098</b>	<b>67,135,704</b>	<b>1,502,551</b>	<b>17,862,134</b>	<b>655,413</b>	<b>126,027,900</b>	<b>7,177,031</b>
<b>NET ASSETS</b>							
Invested in Capital Assets, net of related debt	157,463,474	43,691,400	15,287,901	21,764,806	1,199,634	239,407,215	0
Restricted for:							
Capital Projects	1,677,761	407,365	0	0	0	2,085,126	0
Capital Projects - Construction	8,175,158	0	0	0	0	8,175,158	0
Capital Projects - Park Acquisition	0	1,397,598	0	0	0	1,397,598	0
Debt Service	4,079,311	0	772,920	0	0	4,852,231	0
Depreciation	1,785,750	18,230	0	0	0	1,803,980	0
Maintenance and Operations	5,815,329	0	0	0	0	5,815,329	0
Unrestricted (Deficit)	18,892,900	(571,326)	(462,733)	3,780,631	2,976,101	24,615,573	0
<b>Total Net Assets</b>	<b>\$197,889,683</b>	<b>\$44,943,267</b>	<b>\$15,598,088</b>	<b>\$25,545,437</b>	<b>\$4,175,735</b>	<b>\$288,152,210</b>	<b>\$0</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						0	
Net Assets of Business-type Activities						<u>\$288,152,210</u>	

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2008**

	Business-type Activities Enterprise Funds						
	Sanitary Sewer System	Public Facilities Corporation	Public Parking Corporation	Landfill	Other Enterprise Funds	Total	Governmental Activities Internal Service Funds
Operating Revenues							
User Charges	\$25,884,142	\$0	\$0	\$8,256,926	\$0	\$34,141,068	\$51,917,234
Fees	1,223,820	0	0	282,734	4,883,702	6,390,256	0
Exactions	343,998	0	0	0	0	343,998	0
Licenses & Permits	0	0	0	0	310,950	310,950	0
Rental Income	0	5,174,431	416,076	0	0	5,590,507	0
Parking Revenues	0	289,105	776,340	0	0	1,065,445	0
Theater Revenues	0	760,450	0	0	0	760,450	0
Gross Profit-Commissary	0	0	0	0	900,615	900,615	0
Other	80,462	13,850	107	16,560	1,168,757	1,279,736	0
Total Operating Revenues	27,532,422	6,237,836	1,192,523	8,556,220	7,264,024	50,783,025	51,917,234
Operating Expenses							
Treatment Plant	8,164,345	0	0	0	0	8,164,345	0
Collection System	5,411,212	0	0	0	0	5,411,212	0
Property Management	0	2,154,244	0	0	0	2,154,244	0
Theater Management	0	698,592	0	0	0	698,592	0
Landfill	0	0	0	5,968,782	0	5,968,782	0
Right of Way	0	0	0	0	326,641	326,641	0
Extended School Program	0	0	0	0	1,388,275	1,388,275	0
Prisoners' Account	0	0	0	0	666,386	666,386	0
Inmate Trust Account	0	0	0	0	990,607	990,607	0
Enhanced 911	0	0	0	0	3,512,230	3,512,230	0
LexVan Program	0	0	0	0	54,347	54,347	0
Administration	15,083,099	0	0	422,603	680,595	16,186,296	0
Depreciation	6,417,656	5,606,268	314,993	858,980	444,902	13,642,799	0
Claims and Benefit Payments	0	0	0	0	0	0	40,492,871
Total Operating Expenses	35,076,312	8,459,104	314,993	7,250,365	8,063,983	59,164,757	40,492,871
Operating Income (Loss)	(7,543,890)	(2,221,268)	877,530	1,305,855	(799,959)	(8,381,732)	11,424,363

<b>Non-Operating Revenues (Expenses)</b>							
Income on Investments	1,461,986	34,446	31,490	321,817	57,511	1,907,250	11,074
Interest Expense and Fiscal Agent Fees	(1,818,346)	(2,691,793)	(87,552)	0	0	(4,597,691)	0
Amortization of Bond Costs	(65,628)	(208,397)	(60,632)	0	0	(334,657)	0
Sale of Capital Assets	15,106	0	0	0	0	15,106	0
<b>Total Non-Operating Revenues (Expenses)</b>	<b>(406,882)</b>	<b>(2,865,744)</b>	<b>(116,694)</b>	<b>321,817</b>	<b>57,511</b>	<b>(3,009,992)</b>	<b>11,074</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(7,950,772)</b>	<b>(5,087,012)</b>	<b>760,836</b>	<b>1,627,672</b>	<b>(742,448)</b>	<b>(11,391,724)</b>	<b>11,435,437</b>
Transfers In	81,331	489,399	0	0	651,513	1,222,243	0
Transfers Out	(596,775)	0	0	(4,147)	(1,290)	(602,212)	0
<b>Change in Net Assets</b>	<b>(8,466,216)</b>	<b>(4,597,613)</b>	<b>760,836</b>	<b>1,623,525</b>	<b>(92,225)</b>	<b>(10,771,693)</b>	<b>11,435,437</b>
<b>Net Assets - July 1</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>(11,435,437)</b>
<b>Net Assets - June 30</b>	<b><u>\$197,889,683</u></b>	<b><u>\$44,943,267</u></b>	<b><u>\$15,598,088</u></b>	<b><u>\$25,545,437</u></b>	<b><u>\$4,175,735</u></b>		<b><u>\$0</u></b>

49

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

395,217  
(\$10,376,476)

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, 2008**

	Business-type Activities Enterprise Funds						
	Sanitary Sewer System	Public Facilities Corporation	Public Parking Corporation	Landfill	Other Enterprise Funds	Total	Governmental Activities Internal Service Funds
Increase (Decrease) in Cash and Cash Equivalents:							
Cash Flows from Operating Activities:							
Receipts from Customers	\$26,891,267	\$5,664,175	\$1,189,642	\$8,527,235	\$7,196,538	\$49,468,857	\$20,469,290
Receipts from Interfund Services Provided	0	489,754	0	0	0	489,754	15,087,053
Repayments of Loans	0	0	0	0	(1,269)	(1,269)	0
Payments to Suppliers	(8,518,099)	(3,192,727)	390,172	(5,678,098)	(3,269,805)	(20,268,557)	370,201
Payments to Employees	(9,236,008)	0	0	(208,809)	(4,032,903)	(13,477,720)	0
Payments for Interfund Services Used	(1,061,682)	0	0	(21,329)	(134,591)	(1,217,602)	0
Payments for Claims	0	0	0	0	0	0	(38,645,843)
Net Cash Provided by (Used in) Operating Activities	8,075,478	2,961,202	1,579,814	2,618,999	(242,030)	14,993,463	(2,719,299)
Cash Flows from Noncapital Financing Activities:							
Transfers In	81,331	489,399	0	0	651,513	1,222,243	0
Transfers Out	(596,775)	0	0	(4,147)	(1,290)	(602,212)	0
Net Cash Flows from Noncapital Financing Activities	(515,444)	489,399	0	(4,147)	650,223	620,031	0
Cash Flows from Capital and Related Activities:							
Additions to Property, Plant and Equipment	(2,356,274)	(134,826)	(527,968)	(2,137,857)	(1,253,167)	(6,410,092)	0
Principal Paid on Bonds	(3,685,000)	0	(690,000)	0	0	(4,375,000)	0
Interest and Fiscal Agent Fees Paid on Bonds	(1,818,346)	(2,691,793)	(87,552)	0	0	(4,597,691)	0
Sale of Capital Assets	39,076	0	0	0	0	39,076	0
Net Cash Flows from Capital and Related Activities	(7,820,544)	(2,826,619)	(1,305,520)	(2,137,857)	(1,253,167)	(15,343,707)	0
Cash Flows from Investing Activities:							
Purchases of Investments	(1,118,891)	0	0	0	(418)	(1,119,309)	0
Proceeds from Sales and Maturities of Investments	7,990,064	20,833	14,543	533,226	316,304	8,874,970	1,473,424
Income on Investments	1,461,986	34,446	31,490	321,817	57,511	1,907,250	11,074
Net Cash Flows from Investing Activities	8,333,159	55,279	46,033	855,043	373,397	9,662,911	1,484,498

<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>8,072,649</u>	<u>679,261</u>	<u>320,327</u>	<u>1,332,038</u>	<u>(471,577)</u>	<u>9,932,698</u>	<u>(1,234,801)</u>
Cash and Cash Equivalents at Beginning of Year	<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>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$8,706,044</u></u>	<u><u>\$1,439,154</u></u>	<u><u>\$320,327</u></u>	<u><u>\$5,977,683</u></u>	<u><u>\$3,495,790</u></u>	<u><u>\$19,938,998</u></u>	<u><u>\$0</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:</b>							
<b>Operating Income (Loss)</b>	<u>(\$7,543,890)</u>	<u>(\$2,221,268)</u>	<u>\$877,530</u>	<u>\$1,305,855</u>	<u>(\$799,959)</u>	<u>(\$8,381,732)</u>	<u>\$11,424,363</u>
<b>Adjustments Not Affecting Cash:</b>							
Depreciation	6,417,656	5,606,268	314,993	858,980	444,902	13,642,799	0
Allowance for Bad Debts	(1,774)	0	0	62,015	0	60,241	0
<b>(Increase) Decrease in Assets:</b>							
Accounts Receivable	(517,182)	0	0	46,290	0	(470,892)	0
Other Receivables	(199,557)	(83,907)	(2,881)	(75,275)	(68,755)	(430,375)	(849,937)
Inventories	22,682	0	0	0	0	22,682	0
<b>Increase (Decrease) in Liabilities:</b>							
Accounts Payable	486,650	119,018	1,831	(64,502)	348,086	891,083	370,201
Accrued Payroll	36,639	0	0	776	25,846	63,261	0
Claims Payable	0	0	0	0	0	0	1,847,028
Due to Other Funds	9,186,830	356,670	400,817	(662,926)	(213,298)	9,068,093	(15,510,954)
Unearned Revenue	75,584	0	0	0	0	75,584	0
Other Liabilities	104,676	(815,579)	(12,476)	1,147,499	22,781	446,901	0
Compensated Absences	7,164	0	0	287	(1,633)	5,818	0
<b>Total Adjustments</b>	<u>15,619,368</u>	<u>5,182,470</u>	<u>702,284</u>	<u>1,313,144</u>	<u>557,929</u>	<u>23,375,195</u>	<u>(14,143,662)</u>
<b>Net Cash Provided by (Used In) Operating Activities</b>	<u><u>\$8,075,478</u></u>	<u><u>\$2,961,202</u></u>	<u><u>\$1,579,814</u></u>	<u><u>\$2,618,999</u></u>	<u><u>(\$242,030)</u></u>	<u><u>\$14,993,463</u></u>	<u><u>(\$2,719,299)</u></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, 2008**

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash	\$309	\$720,202
Receivables:		
Accounts Receivable	2,511,580	17,770
Less Allowance for Uncollectible Accounts	0	(17,770)
Due from Other Funds	288,669	34,015
<b>Total Receivables</b>	<b>2,800,249</b>	<b>34,015</b>
Investments, at Fair Value:		
Debt Securities		
US Agencies	36,537,127	0
US Government Obligations	5,755,096	0
Municipal Obligations	27,089,363	0
International Bonds	3,872,914	0
Corporate Debt	64,071,987	0
Money Market Mutual Funds	2,825,973	0
Repurchase Agreements	18,545,360	0
Other Investments		
Equity Mutual Funds	49,516,610	
Equity Real Estate	41,777,043	0
Equity Securities - Domestic	106,683,898	0
Equity Securities - International	85,406,900	0
<b>Total Investments</b>	<b>442,082,271</b>	<b>0</b>
<b>Total Assets</b>	<b>\$444,882,829</b>	<b>\$754,217</b>
<b>LIABILITIES</b>		
Accounts Payable	1,635	0
Securities Lending Transactions	18,545,360	0
Due to Other Funds	507,876	0
Payable to Property Owners	0	704,217
Debt Service	0	50,000
<b>Total Liabilities</b>	<b>\$19,054,871</b>	<b>\$754,217</b>
<b>NET ASSETS</b>		
Net Assets Held in Trust for Pension Benefits	\$425,827,958	\$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, 2008**

	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$16,312,333
Employer - Administration	2,565,554
Plan Members	6,866,119
Other	104,389
<b>Total Contributions</b>	<b>25,848,395</b>
Income on Investments:	
Net Change in Fair Value of Investments	(19,989,345)
Interest	9,416,338
Dividends	8,981,229
<b>Total Loss on Investments</b>	<b>(1,591,778)</b>
Less Investment Expense	1,616,683
<b>Net Loss on Investments</b>	<b>(3,208,461)</b>
Income from Securities Lending Activities:	
Securities Lending Income	1,066,722
Securities Lending Expenses	
Borrower Rebates	870,085
Management Fees	78,648
<b>Total Securities Lending Expenses</b>	<b>948,733</b>
<b>Net Income on Securities Lending Activities</b>	<b>117,989</b>
<b>Total Additions</b>	<b>22,757,923</b>
<b>DEDUCTIONS</b>	
Benefit Payments	35,097,638
Refunds of Contributions	145,795
Administrative Expense	128,479
<b>Total Deductions</b>	<b>35,371,912</b>
<b>Net Decrease</b>	<b>(12,613,989)</b>
<b>Net Assets, July 1</b>	<b>438,441,947</b>
<b>Net Assets, June 30</b>	<b>\$425,827,958</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, 2008**

	<b>Lexington Center Corporation</b>	<b>Lexington Airport Board</b>	<b>Fayette County Department of Health</b>	<b>Nonmajor Component Units</b>	<b>Total</b>
<b>ASSETS</b>					
Cash	\$989,103	\$1,712,253	\$2,176,704	\$3,049,963	\$7,928,023
Investments		4,541,558		6,270,008	10,811,566
Receivables:					
Accounts Receivable	749,346	1,544,790	2,270,118	578,991	5,143,245
Other				103,977	103,977
Less Allowance for Uncollectible Accounts	(39,683)	(193,834)			(233,517)
Due from Component Units	172,157				172,157
Due from Primary Government	215,481			428,808	644,289
Due from Other Governments				6,650,326	6,650,326
Inventories			72,924	703,949	776,873
Prepaid Items		264,254	26,353	1,610,469	1,901,076
Pension Assets				565,847	565,847
Restricted Current Assets:					
Cash		361,075		1,327	362,402
Investments	1,958,345	17,622,138		2,720,640	22,301,123
Other	309,033				309,033
Restricted Non-Current Investments	6,255,369				6,255,369
Bond Issuance Costs-Net of Accumulated Amortization		1,490,261			1,490,261
Other		163			163
Capital Assets:					
Non-depreciable	12,147,028	18,450,271		15,005,025	45,602,324
Depreciable (Net)	55,991,134	97,845,699	4,530,396	24,317,634	182,684,863
Other Assets	401,633				401,633
<b>Total Assets</b>	<b>79,148,946</b>	<b>143,638,628</b>	<b>9,076,495</b>	<b>62,006,964</b>	<b>293,871,033</b>
<b>LIABILITIES</b>					
Accounts, Contracts Payable and					
Accrued Liabilities	646,251	2,400,866	1,183,409	2,594,273	6,824,799
Interest Payable	91,397				91,397
Due to Primary Government				598,018	598,018
Due to Component Units				179,755	179,755
Unearned Revenues and Other	386,439			126,502	512,941
Liabilities Payable from Restricted Assets:					
Accounts Payable		644,616			644,616
Bonds and Notes Payable		1,475,000			1,475,000
Interest Payable		154,500			154,500
Non-Current Liabilities:					
Due Within One Year					
Compensated Absences				475,535	475,535
Bonds and Notes Payable	2,600,000		90,000	309,152	2,999,152
Capital Lease Obligations				7,490	7,490
Due in More Than One Year					
Compensated Absences			820,052	154,709	974,761
Bonds and Notes Payable	28,800,929	43,067,934	925,000	9,595,524	82,389,387
<b>Total Liabilities</b>	<b>32,525,016</b>	<b>47,742,916</b>	<b>3,018,461</b>	<b>14,040,958</b>	<b>97,327,351</b>
<b>NET ASSETS</b>					
Investment in Capital Assets, net of related debt	36,737,233	84,680,217	4,530,396	29,410,490	155,358,336
Designated for:					
Inventories			72,924		72,924
Restricted for:					
Governmental and Program Funds		150,000	156,161	2,774,918	3,081,079
Fees			155,303		155,303
Debt Service	6,255,369	5,747,340			12,002,709
Pension				395,439	395,439
Endowments				100,000	100,000
Unrestricted	3,631,328	5,318,155	1,143,250	15,285,159	25,377,892
<b>Total Net Assets</b>	<b>\$46,623,930</b>	<b>\$95,895,712</b>	<b>\$6,058,034</b>	<b>\$47,966,006</b>	<b>\$196,543,682</b>

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, 2008**

		Program Revenues			Net (Expenses) Revenue and Changes in Net Assets				Total
		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	
	Expenses								
<b>Lexington Center Corporation</b>									
Lexington Center Operations	\$11,817,248	\$12,471,430	\$948,000		\$1,602,182				\$1,602,182
Depreciation	4,829,668				(4,829,668)				(4,829,668)
Interest on Long-term Debt	1,637,818				(1,637,818)				(1,637,818)
Total Lexington Center Corporation	18,284,734	12,471,430	948,000	0	(4,865,304)				(4,865,304)
<b>Lexington Airport Board</b>									
Airport Operations	10,073,715	14,338,383		3,703,157		7,967,825			7,967,825
Depreciation	7,059,965					(7,059,965)			(7,059,965)
Interest on Long-term Debt	814,613					(814,613)			(814,613)
Total Lexington Airport Board	17,948,293	14,338,383	0	3,703,157		93,247			93,247
<b>Fayette County Department of Health</b>									
Department of Health Operations	24,007,626	8,353,747	9,813,638				(5,840,241)		(5,840,241)
Depreciation	453,132						(453,132)		(453,132)
Total Fayette County Department of Health	24,460,758	8,353,747	9,813,638	0			(6,293,373)		(6,293,373)
<b>Nonmajor component units</b>	40,335,157	3,757,329	5,333,344	4,377,842				(26,866,642)	(26,866,642)
Total component units	\$101,028,942	\$38,920,889	\$16,094,982	\$8,080,999					(37,932,072)
General Revenues:									
Taxes					2,492,219		6,742,233	31,678,131	40,912,583
Payment from Lexington-Fayette Urban County Government					50,000			(520,944)	(470,944)
Transfer from Library Corporation								604,363	604,363
Income on Investments					353,428	519,273	84,218	454,945	1,411,864
Net Change in Fair Value of Investments								(8,276)	(8,276)
Miscellaneous								804,890	804,890
Total General Revenues					2,895,647	519,273	6,826,451	33,013,109	43,254,480
Change in Net Assets					(1,969,657)	612,520	533,078	6,146,467	5,322,408
Net Assets, July 1					48,593,587	95,283,192	4,332,064	41,819,539	190,028,382
Prior Period Adjustment							1,192,892		1,192,892
Net Assets, June 30					\$46,623,930	\$95,895,712	\$6,058,034	\$47,966,006	\$196,543,682

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS  
INDEX

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....	57
	A. Reporting Entity .....	57
	B. Related Organization .....	59
	C. Jointly Governed Organizations .....	60
	D. Basic Financial Statements .....	60
	E. Basis of Presentation .....	61
	F. Budgetary Control and Encumbrances .....	63
	G. Assets, Liabilities, and Fund Equity .....	63
	H. Revenues, Expenditures and Expenses .....	66
NOTE 2.	STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY .....	67
	A. Compliance With Finance Related Legal and Contractual Provisions .....	67
	B. Excess of Expenditures over Appropriations .....	67
	C. Fund Deficits .....	68
	D. Prior Period Adjustments .....	68
NOTE 3.	DETAIL NOTES ON ALL FUNDS .....	68
	A. Cash, Investments, and Securities Lending .....	68
	B. Capital Assets .....	74
	C. Interfund Receivables, Payables, and Transfers .....	76
	D. Long-term Debt .....	77
	E. Net Assets .....	84
NOTE 4.	SELF-INSURANCE PROGRAM .....	86
	A. Health, Dental, and Vision Care .....	86
	B. Insurance and Risk Management .....	87
NOTE 5.	CONTINGENT LIABILITIES .....	88
	A. Litigation .....	88
	B. Lexington Center Corporation .....	89
	C. Lexington-Fayette Urban County Airport Corporation .....	90
	D. Lexington Cultural Center .....	90
	E. Lexington Downtown Housing Fund, LLC .....	91
	F. Liens and Encumbrances .....	91
	G. Conduit Debt .....	91
	H. Transit Authority .....	91
NOTE 6.	SPECIAL ASSESSMENT DEBT .....	91
NOTE 7.	THE SINGLE AUDIT ACT .....	91
NOTE 8.	SUBSEQUENT EVENTS .....	92
NOTE 9.	DEFINED BENEFIT PENSION PLANS AND OTHER POST EMPLOYMENT BENEFIT .....	93
	A. Plan Descriptions .....	93
	B. Summary of Significant Accounting Policies and Plan Asset Matters .....	94
	C. Contributions .....	94
	D. Supplemental Information .....	94
	E. Other Post Employment Benefit .....	96
	F. Pension Plan Financial Statements .....	97
	G. The County Employees' Retirement System .....	99
NOTE 10.	RECENT GASB PRONOUNCEMENTS .....	99

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

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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, 2008

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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. In accordance with Statement No. 14 issued by the Governmental Accounting Standards Board (GASB), the Health Department is considered part of the reporting entity of the Lexington-Fayette Urban County Government.

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 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, 2008

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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. In addition, the Lexington-Fayette Urban County Council approves the annual budget for LexTran.

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. Parking Authority is financially dependent on the Lexington-Fayette Urban County Government for both Accounting and Administrative Services.

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.

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 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 Carnegie Literacy Center is not considered to be a component unit of the Government.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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

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

The Valley View Ferry Authority is a legally separate entity that operates and maintains the Ferry on the Kentucky River at Valley View. The board consists of seven members, two appointed by the Lexington-Fayette Urban County 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 2008.

**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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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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), insurance revenues and license fees. Major revenue sources not susceptible to accrual include charges for services (other than EMS), fines and forfeits and miscellaneous revenues. Such revenues are recorded as revenues when received because they are generally not measurable or available until actually received. Intergovernmental revenues received for specific purposes or projects are recognized when the applicable eligibility requirements are met. Revenues received before the eligibility requirements are met are reported as unearned revenue. Expenditures are recorded when the liability is incurred except: (1) principal and interest on long-term debt is recorded when due and (2) compensated absences are accounted for as expenditures of the period used.

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:

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include occupational license fees on wages and net profits, taxes and interest income.

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

#### **F. Budgetary Control and Encumbrances**

**Budget Policy** - The Urban County Council annually approves the budget ordinance for all operating funds of the Government except for the Federal and State Grants special revenue funds and the capital projects funds, which adopt project-length budgets. 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 2008. The net effect of these supplemental appropriations was an increase of \$10,005,740 in the General Fund and an increase of \$6,966,860 in the Urban Services Fund, which included reappropriations of encumbrances from prior years and the funding of prior year internal service fund deficit transfers.

**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, 2008 for these funds are as follows:

Sanitary Sewer System	\$18,313,899
Public Facilities Corporation	419,678
Public Parking Corporation	29,472
Landfill	392,805
Right of Way	4,788
Extended School Program	16,210
Enhanced 911	58,594

#### **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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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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 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 2008 were levied on September 10, 2007 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, 2008, 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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The Depreciation account is the resources set aside to provide reasonable reserves for renewals, replacements, improvements, extensions, extraordinary major repairs and contingencies in the operation of the Sanitary Sewer System. The Debt Service account is used to report resources set aside to prevent a default in payment of principal or interest on the bonds. The Sinking Fund account is the resources accumulated for debt service payments over the next twelve months.

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

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.



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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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.
- Unfunded Post-Retirement Health Benefits is the Net Retirement Health Benefit Obligation for the Policemen's and Firefighters' Retirement Fund and the City Employees' Pension Fund.
- Landfill closure and postclosure care liability 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 2008, 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 \$1,392,680 for the twenty-seventh payroll and \$13,219,620 for economic contingencies. In prior years management had designated a portion of the unreserved fund balance as a working capital reserve; this designation was eliminated in FY 2008.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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.

**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, 2008:

	Excess Expenditures	Budgeted Vacancy Credit	Excess Expenditures (Savings) without Vacancy Credit
<b>General Fund:</b>			
Clerk of the Urban County Council	4,526	12,937	(8,411)
Circuit Judges	1,661	4,650	(2,989)
Budgeting	8,112	10,270	(2,158)
Community Development	71,304	9,619	61,685
Accounting	17,685	52,670	(34,985)
Central Purchasing	7,883	49,850	(41,967)
Streets and Roads	44,373	103,422	(59,049)
Traffic Engineering	81,809	53,873	27,936
Fire & Emergency Services	636,811	1,325,090	(688,279)
Mayor's Training Center	3,167	198,066	(194,899)
Office of Compliance	3,573	6,060	(2,487)
<b>Urban Services Fund:</b>			
Risk Management	2,886		2,886
Finance Administration	4,654		4,654

Excess expenditures over appropriations were funded by available fund balances. Many of the excess expenditures in the General Fund are a result of the allocation of budgeted vacancies. Some departments did not have as much turnover in personnel as was budgeted resulting in excess expenditures. On the table above we have displayed the budget vacancy credit and the resulting budget to actual variance that would have been reported if the vacancy credit had been allocated according to the distribution of actual vacancies. Please note that only two divisions, Community Development and Traffic Engineering, are over budget in the general fund after taking into account the impact of the budgeted vacancy savings.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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**C. Fund Deficits**

Capital Projects Funds – The Purchase of Development Rights Fund, 2007 Bond Project, 2008 Bond Project and Condemnation had a deficit fund balance of \$5,691,007, \$3,945,472, \$9,538,204 and \$25,766 respectfully. The deficit is a result of incurring costs before the collection of fees and the issuance of bonds that will fund this project.

Special Revenue Funds – The Public Safety Fund had a deficit fund balance of \$11,904. The deficit is a result of incurring costs before the collection of fees.

Internal Service Funds - The Insurance and Risk Management Fund's net assets had a deficit totaling \$11,435,437 in fiscal year 2007. This deficit was a result of higher than expected claims expenses and incurred but not reported estimates through fiscal year 2007. Funding for the entire Insurance and Risk Management Fund's deficit was accomplished during fiscal year 2008 by increased appropriations from the General, Urban Service and Sewer System Funds.

**D. Prior Period Adjustments**

Lexington-Fayette Urban County Department of Health – Litigation with the State of Kentucky regarding Medicaid reimbursements for school health services for prior years was settled in fiscal year 2008. The Courts have ruled in favor of the Department of Health by order dated July 25, 2007 in the amount of \$1,192,892.

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

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

The Government's bank balances at June 30, 2008 are entirely insured or collateralized with a letter of credit or 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, 2008 are summarized and categorized in the following table:

**Primary Government (except Fiduciary Funds)**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>
		<u>Less Than One Year</u>
Money Market Mutual Funds	\$104,172,415	\$104,172,415
Certificates of Deposits	58,210	58,210
Total Investments	<u>\$104,230,625</u>	<u>\$104,230,625</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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

Investments of the PFRF as of June 30, 2008 are summarized and categorized in the following table:

**Policemen's and Firefighters' Retirement Fund**

		Investment Maturities (in years)			
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More Than 10</u>
Debt Securities					
US Agencies	\$26,606,614	\$1,540	\$782,190	\$498,841	\$25,324,043
US Government Obligations	1,228,670			1,228,670	
Municipal Obligations	27,089,363	252,575	745,330	3,549,521	22,541,937
International Bonds	3,457,252		610,002	2,847,250	
Corporate Debt	61,205,113	346,203	9,701,530	17,298,160	33,859,220
Money Market Mutual Funds	2,825,973	2,825,973			
Repurchase Agreements	18,545,360	18,545,360			
	140,958,345	<u>\$21,971,651</u>	<u>\$11,839,052</u>	<u>\$25,422,442</u>	<u>\$81,725,200</u>
Other Investments					
Equity Mutual Funds	49,516,610				
Equity Real Estate	41,777,043				
Equity Securities - Domestic	97,008,546				
Equity Securities - International	85,144,071				
	<u>\$414,404,615</u>				

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

Asset Class	Target Allocation
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	10.0%
Total Equities	<u>70.0%</u>
US Broad Market Fixed Income	25.0%
US High Yield Fixed Income	5.0%
Total Fixed Income	<u>30.0%</u>
Total Plan	<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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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.

**Debt Securities by Investment Type**

	US						
	US Agencies	Government Obligations	Municipal Obligations	International Bonds	Corporate Debt	Total	%
Quality Ratings							
AAA	\$26,606,614	\$1,228,670	\$7,913,358		\$7,541,731	\$43,290,373	36%
AA			8,209,687		1,064,440	9,274,127	8%
A			892,353		24,428,000	25,320,353	21%
BBB			252,575	33,208	3,743,316	4,029,099	3%
BB				2,041,037	9,033,491	11,074,528	9%
B				994,437	12,110,914	13,105,351	11%
CCC				141,770	3,108,804	3,250,574	3%
C				152,250		152,250	0%
D				94,550	140,546	235,096	0%
NR			9,821,390		33,871	9,855,261	8%
Fair Value	\$26,606,614	\$1,228,670	\$27,089,363	\$3,457,252	\$61,205,113	\$119,587,012	100%

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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, 2008, the securities loaned in the portfolio did not have credit risk, and the fair value of securities on loan is \$18,545,360.

Investments of the CEPF as of June 30, 2008 are summarized and categorized in the following table:

<b>City Employees Pension Fund</b>					
<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	\$9,930,513	\$1,018,245	\$224,142	\$1,717,017	\$6,971,109
US Government Obligations	4,526,426		1,818,499	1,531,928	1,175,999
International Bonds	415,662	10,020	200,226	144,709	60,707
Corporate Debt	2,866,874	255,861	1,334,031	581,402	695,580
	<u>17,739,475</u>	<u>\$1,284,126</u>	<u>\$3,576,898</u>	<u>\$3,975,056</u>	<u>\$8,903,395</u>
Other Investments					
Equity Securities - Domestic	9,675,352				
Equity Securities - International	<u>262,829</u>				
	<u>\$27,677,656</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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

**Debt Securities by Investment Type**

	US					
	US Agencies	Government Obligations	International Bonds	Corporate Debt	Total	%
Quality Ratings						
AAA	\$9,930,513	\$4,526,426		\$869,456	\$15,326,395	86%
AA				440,244	440,244	2%
A			190,676	863,434	1,054,110	6%
BBB			224,986	527,896	752,882	4%
BB				14,628	14,628	0%
NR				151,216	151,216	1%
Fair Value	\$9,930,513	\$4,526,426	\$415,662	\$2,866,874	\$17,739,475	100%

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

Investments of Component Units as of June 30, 2008 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	\$7,257,138	maturity of 90 days
Federal National Mortgage Association	4,541,558	September 1, 2033
Federal National Mortgage Association	8,079,000	March 1, 2036
Federal Home Loan Bank Bonds	2,286,000	July 15, 2024
Total Investments	<u>\$22,163,696</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.

**Transit Authority of the Lexington-Fayette Urban County Government**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (in days)</u>
Federal Home Loan Mortgage Corporation	\$749,100	21
Federal National Mortgage Association	747,225	59
Federal National Mortgage Association	744,975	98
Federal Home Loan Mortgage Corporation	766,010	165
Total Investments	<u>\$3,007,310</u>	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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Interest Rate Risk – The Transit Authority 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 Transit Authority does not have a formal policy on credit risk.

Concentration of Credit Risk – The investment policy limits the concentration of credit risk by imposing limitations on the investments acquired by the Transit Authority. The amount of money invested at any time in one or more of the categories of investments authorized by the policy shall not exceed twenty percent (20%) of the total amount of money invested by the Transit Authority. The Transit Authority also shall not purchase any investment authorized on a margin basis or through the use of any similar leveraging technique.

**All Other Component Units**

	Reported Amount/ Fair Value
U.S. Government and Government Agency Obligations	\$3,643,514
Investments not subject to categorization:	
Certificates of Deposit	3,261,567
Money Market Funds	10,012,611
Total Investments	<u>\$16,917,692</u>



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2008 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	\$41,682,631	\$3,551,525		\$45,234,156
Purchase of Development Rights	47,750,433	4,509,708		52,260,141
Construction in Progress	15,863,318	5,836,381	(2,209,493)	19,490,206
Depreciable Assets:				
Buildings	126,359,852	1,059,133	2,098,565	129,517,550
Vehicles, Equipment and Furniture *	89,810,356	5,590,979	(3,299,087)	92,102,248
Land and Leasehold Improvements	12,623,132	416,992	742,985	13,783,109
Infrastructure *	960,411,814	990,941	(290,728)	961,112,027
Sewer Lines	53,156	671,484	391,881	1,116,521
Sewer Plants	163,906			163,906
<b>Totals at historical cost</b>	<b>1,294,718,598</b>	<b>22,627,143</b>	<b>(2,565,877)</b>	<b>1,314,779,864</b>
Less accumulated depreciation for:				
Buildings	(25,979,384)	(3,526,164)	(40,357)	(29,545,905)
Vehicles, Equipment and Furniture	(60,089,099)	(8,150,418)	3,210,988	(65,028,529)
Land and Leasehold Improvements	(6,191,348)	(1,145,884)	(3,936)	(7,341,168)
Infrastructure	(95,402,214)	(30,745,112)	17,467	(126,129,859)
Sewer Lines	(664)	(11,225)	2,122	(9,767)
Sewer Plants	(2,049)	(3,273)		(5,322)
<b>Total accumulated depreciation</b>	<b>(187,664,758)</b>	<b>(43,582,076)</b>	<b>3,186,284</b>	<b>(228,060,550)</b>
<b>Governmental activities capital assets, net</b>	<b>\$1,107,053,840</b>	<b>(\$20,954,933)</b>	<b>\$620,407</b>	<b>\$1,086,719,314</b>
<b>Business-type Activities:</b>				
Non-Depreciable Assets:				
Land	\$47,077,712	\$128,776		\$47,206,488
Construction in Progress	8,099,570	4,272,000	(1,665,721)	10,705,849
Depreciable Assets:				
Buildings	128,649,913	5,210	515,930	129,171,053
Vehicles, Equipment and Furniture	13,108,696	1,528,757	(1,161,317)	13,476,136
Land and Leasehold Improvements	47,826,024	135,115	40,000	48,001,139
Sewer Lines	135,988,102	1,025,242	1,152,299	138,165,643
Sewer Plants	160,472,142			160,472,142
<b>Totals at historical cost</b>	<b>541,222,159</b>	<b>7,095,100</b>	<b>(1,118,809)</b>	<b>547,198,450</b>
Less accumulated depreciation for:				
Buildings	(50,865,750)	(4,519,821)	(13,769)	(55,399,340)
Vehicles, Equipment and Furniture	(10,669,201)	(1,010,972)	1,113,850	(10,566,323)
Land and Leasehold Improvements	(25,681,418)	(2,297,477)	73,629	(27,905,266)
Sewer Lines	(41,905,962)	(2,624,067)		(44,530,029)
Sewer Plants	(67,811,305)	(3,275,301)		(71,086,606)
<b>Total accumulated depreciation</b>	<b>(196,933,636)</b>	<b>(13,727,638)</b>	<b>1,173,710</b>	<b>(209,487,564)</b>
<b>Business-type activities capital assets, net</b>	<b>\$344,288,523</b>	<b>(\$6,632,538)</b>	<b>\$54,901</b>	<b>\$337,710,886</b>

\*Restated to reflect the reclassification of traffic signals

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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

**Governmental activities:**

General Government	\$630,660
Administrative Services	142,849
Chief Information Office	508,838
Finance	20,783
Public Works	31,487,677
Public Safety	195,654
Environmental Equality	2,115,805
Police	1,807,790
Fire and Emergency Services	1,735,168
Law	11,157
Community Corrections	1,662,862
Social Services	350,462
General Services	1,681,038
Parks and Recreation	1,189,668
<b>Total depreciation expense - governmental activities</b>	<u><u>\$43,540,411</u></u>

**Business-type activities:**

Sanitary Sewers	\$6,417,656
Public Facilities	5,606,268
Public Parking	314,993
Landfill	858,980
Right of Way	7,082
Extended School Program	12,552
Prisoners' Account System	67,231
Enhanced 911	358,037
<b>Total depreciation expense - business-type activities</b>	<u><u>\$13,642,799</u></u>

	<b>Discretely Presented Component Units</b>			
	<b>Beginning Balance, Restated *</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance</b>
Non-Depreciable Assets:				
Land *	\$19,617,986			\$19,617,986
Construction in Progress *	32,925,962	13,340,781	(20,743,308)	25,523,435
Other	460,902	1		460,903
Depreciable Assets:				
Buildings and Improvements	239,671,967	21,119,265	(1,177,115)	259,614,117
Vehicles, Equipment and Furniture *	44,085,578	7,634,078	(4,610,972)	47,108,684
Land and Leasehold Improvements	33,517,077	1,450,778	(164,550)	34,803,305
<b>Totals at historical cost</b>	<u>370,279,472</u>	<u>43,544,903</u>	<u>(26,695,945)</u>	<u>387,128,430</u>
<b>Less accumulated depreciation *</b>	<u>(148,800,840)</u>	<u>(14,839,012)</u>	<u>4,798,609</u>	<u>(158,841,243)</u>
<b>Component unit activities capital assets, net</b>	<u><u>\$221,478,632</u></u>	<u><u>\$28,705,891</u></u>	<u><u>(\$21,897,336)</u></u>	<u><u>\$228,287,187</u></u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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Construction Commitments

The Government has active construction projects as of June 30, 2008. 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:

Project	Remaining Commitment
Buildings	\$559,047
Capital Repairs & Maintenance	1,454,068
Land Improvements	1,273,084
Sanitary Sewer Collection System	13,044,714
Sanitary Sewer Treatment System	1,396,698
Storm Drainage	1,522,633
Street Resurfacing/Maintenance	3,184,542
Streets & Roadways	12,690,463
Traffic Control and Markings	271,075
Grand Total	<u>\$35,396,324</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, 2008. In addition, Federal and State Grants revenues are based on reimbursable expenditures. The composition of interfund balances as of June 30, 2008, is as follows:

Fund Description	Due from (to) General Fund	Due to Internal Service	Net Balance
Sanitary Sewer System	\$3,809,597	(\$2,776,577)	\$1,033,020
Public Facilities Corporation	\$717,675		717,675
Public Parking Corporation	\$278		278
Landfill	\$667,576	(4,650)	662,926
Other Enterprise Funds	110,534	(31,003)	79,531
Total due to Proprietary Funds			<u>\$2,493,430</u>
General Fund		(8,594,825)	
Urban Service	10,244,027	(2,785,617)	
Federal and State Grants	(3,941,754)		
Other Governmental Funds	(15,145,383)		
Total due to Internal Service Funds		<u>(\$14,192,672)</u>	
Internal Service Funds	<u>8,594,825</u>		
Total due from General Fund	<u>\$5,057,375</u>		

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

Receivable Entity	Payable Entity	Amount
Primary government - General fund	Component unit - Lexington Transit Authority	\$305,239
Primary government - General fund	Component unit - Explorium of Lexington	249,591
Primary government - General fund	Component unit - Downtown Development	43,188
Primary government - General fund	Component unit - Parking Authority of Lexington	7,599
Total		<u>\$605,617</u>

Component unit - Lexington Convention Visitors' Bureau	Primary government - General fund	428,808
Component unit - Lexington Center Corporation	Component unit - Lexington Convention Visitors' Bureau	215,481
Total		<u>\$644,289</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:

Transfers (In)/Out:								
	General	Urban Service	Federal and State Grants	Nonmajor Governmental	Total Governmental	Major Proprietary	Non- Major Proprietary	Total Proprietary
General	(\$685,501)	\$575,187	\$31,413	\$777,241	\$698,340	(\$53,820)	(\$644,520)	(\$698,340)
Urban Services		65,350		(65,350)				
Major Proprietary				(65,350)	(65,350)	65,350		65,350
Modified Accrual Transfers	(685,501)	640,537	31,413	646,541	632,990	11,530	(644,520)	(632,990)
Fixed Asset Transfers	1,644,773	382,110	(2,505,760)	465,917	(12,959)	18,662	(5,703)	12,959
Full Accrual Transfers	\$959,272	\$1,022,647	(\$2,474,347)	\$1,112,458	\$620,031	\$30,192	(\$650,223)	(\$620,031)

**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, 2008

**Primary Government**

**Bonds Payable, Notes Payable, Compensated Absences Liability, Landfill Closure  
& Postclosure Care Costs, and Unfunded Pension Liability  
June 30, 2008**

	Purpose of Issue	Original Issue	Interest Rates	Final Maturity	Amount Outstanding	Due Within One Year
<b>Governmental Activities</b>						
Bonds, Notes, Loans, and Leases:						
General Obligation, Series 1999A	Detention Facility Construction	\$67,115,000	4.25% - 4.75%	May-2024	\$2,385,000	\$2,385,000
General Obligation, Series 1999B	Branch Library Construction	3,570,000	4.75% - 5.60%	Nov-2019	2,560,000	155,000
General Obligation, Series 2000A	Golf Course Improvements	8,460,000	5.13% - 5.63%	Feb-2020	6,055,000	370,000
General Obligation, Series 2000D	Storm Water Improvements	10,675,000	4.25% - 5.00%	Dec-2010	3,735,000	1,185,000
General Obligation, Series 2000E	Building Purchase/Renovation and Pool Renovation	9,335,000	4.30% - 5.25%	Dec-2020	7,005,000	395,000
General Obligation, Series 2001B	Purchase of Development Rights	7,635,000	3.00% - 4.63%	Dec-2021	5,910,000	320,000
General Obligation, Series 2002B	Building Renovation	2,330,000	3.00% - 4.00%	May-2012	1,020,000	240,000
General Obligation, Series 2002C	Storm Water Improvements and Road Construction	4,570,000	3.00% - 4.70%	Dec-2022	3,165,000	305,000
General Obligation, Series 2003B	Purchase of Fire Equipment	1,455,000	2.00% - 3.00%	May-2010	435,000	215,000
General Obligation, Series 2003A	Refunding	19,185,000	2.00% - 3.13%	Feb-2011	3,975,000	1,700,000
General Obligation, Series 2004B	Public Safety	2,350,000	2.00% - 4.00%	May-2011	1,065,000	340,000
General Obligation, Series 2004C	Multi-Purpose Project	9,640,000	2.50% - 4.75%	Jul-2024	8,605,000	365,000
General Obligation, Series 2005B	Purchase of Fire Equipment	2,830,000	3.00% - 3.38%	Apr-2012	1,690,000	405,000
General Obligation, Series 2005C	Purchase of Development Rights /Building Renovation	4,490,000	3.00% - 4.20%	Jun-2025	3,770,000	255,000
General Obligation, Series 2006A	Equipment/ERP/Parks	14,390,000	4.00%	May-2011	7,395,000	3,730,000
General Obligation, Series 2006B	Blvd/Neighborhood/Stormwater/F ire Station/Cars	10,310,000	4.00% - 4.50%	Jun-2026	8,725,000	840,000
General Obligation, KLC Series 2000	Economic Development Project	360,000	3.97%	May-2012	185,000	40,000
General Obligation, Series 2006C	Purchase of Development Rights	2,055,000	3.50% - 4.20%	Nov-2026	1,985,000	75,000
General Obligation, Series 2006D	Refunding	56,850,000	4.00% - 4.25%	May-2024	56,400,000	440,000
<b>Total Bonds, Notes and Loans</b>		<u>\$237,605,000</u>			<u>126,065,000</u>	<u>13,760,000</u>
Other Liabilities:						
Compensated Absences					18,774,548	2,590,700
Unfunded Other Post Employment Benefit Liability					13,855,546	
Unfunded Pension Liability					26,910,858	-
<b>Total Other Liabilities</b>					<u>59,540,952</u>	<u>2,590,700</u>
<b>Total Governmental Activities</b>					<u>\$185,605,952</u>	<u>\$16,350,700</u>
<b>Business-Type Activities</b>						
Bonds, Notes and Loans:						
Sanitary Sewer, Series 1996	Refunding	\$14,860,000	4.50% - 5.00%	Jul-2009	\$805,000	\$805,000
Public Parking, Series 1998	Refunding	7,260,000	1.00% - 4.80%	Feb-2010	1,470,000	720,000
Sanitary Sewer, Series 2001A	Sewer Rehabilitation	25,150,000	4.00% - 5.00%	Jul-2021	21,640,000	1,435,000
Sanitary Sewer, Series 2001B	Refunding	16,860,000	4.00% - 5.50%	Jul-2012	13,270,000	1,615,000
Public Facilities, Series 2006	Refunding	66,725,000	3.88% - 4.25%	Oct-2031	66,725,000	1,005,000
<b>Total Bonds, Notes and Loans</b>		<u>\$130,855,000</u>			<u>103,910,000</u>	<u>5,580,000</u>
Other Liabilities:						
Compensated Absences					908,238	273,680
Landfill Closure & Postclosure Care Costs					18,031,177	488,881
<b>Total Other Liabilities</b>					<u>18,939,415</u>	<u>762,561</u>
<b>Total Business-type Activities</b>					<u>\$122,849,415</u>	<u>\$6,342,561</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2008, was as follows:

<b>Long-Term Liabilities</b>					
<b>For the Year Ended June 30, 2008</b>					
	Balance 06/30/2007	Additions	Reductions	Balance 06/30/2008	Due Within One Year
<b>Governmental Activities</b>					
Bonds, Notes, Loans, and Leases					
General Obligation Bonds, Notes & Leases	\$142,805,000		\$16,740,000	\$126,065,000	\$13,760,000
Bond Anticipation Note					
Lease Revenue Notes Payable					
<b>Total Bonds, Notes and Loans</b>	<u>142,805,000</u>		<u>16,740,000</u>	<u>126,065,000</u>	<u>13,760,000</u>
Other Liabilities					
Compensated Absences	18,771,945	666,926	664,323	18,774,548	2,590,700
Unfunded Other Post Employment Benefit Liability		13,855,546		13,855,546	
Unfunded Pension Liability	<u>18,700,600</u>	<u>8,289,151</u>	<u>78,893</u>	<u>26,910,858</u>	
<b>Governmental Activities Long-term Liabilities</b>	<u><u>\$180,277,545</u></u>	<u><u>\$22,811,623</u></u>	<u><u>\$17,483,216</u></u>	<u><u>\$185,605,952</u></u>	<u><u>\$16,350,700</u></u>
<b>Business-type Activities</b>					
Bonds, Notes and Loans					
Revenue Bonds	\$39,400,000		\$3,685,000	\$35,715,000	\$3,855,000
Mortgage Revenue Bonds	<u>68,885,000</u>		<u>690,000</u>	<u>68,195,000</u>	<u>1,725,000</u>
<b>Total Bonds, Notes and Loans</b>	<u>108,285,000</u>		<u>4,375,000</u>	<u>103,910,000</u>	<u>5,580,000</u>
Other Liabilities					
Compensated Absences	902,420	7,450	1,632	908,238	273,680
Landfill Closure & Postclosure Care Costs	<u>16,883,678</u>	<u>1,147,499</u>		<u>18,031,177</u>	<u>488,881</u>
<b>Business-type Activities Long-term Liabilities</b>	<u><u>\$126,071,098</u></u>	<u><u>\$1,154,949</u></u>	<u><u>\$4,376,632</u></u>	<u><u>\$122,849,415</u></u>	<u><u>\$6,342,561</u></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, 2008

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

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

Fiscal Year	Governmental Activities General Obligation Bonds, Notes & Leases	Business-type Activities			Total Primary Government
		Revenue Bonds	Mortgage Revenue Bonds	Total	
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	126,065	35,715	68,195	103,910	229,975
Less Payable Within One Year	13,760	3,855	1,725	5,580	19,340
Long Term Principal Due After One Year	\$112,305	\$31,860	\$66,470	\$98,330	\$210,635

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
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					1,978	18,700
Total	\$40,768	\$126,065	\$9,973	\$35,715	\$38,538	\$68,195

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

**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
2009	\$2,600,000	\$1,475,000	\$90,000	\$309,152	\$4,474,152
2010	2,384,564	1,350,000	95,000	295,905	4,125,469
2011	2,283,866	1,725,000	100,000	309,507	4,418,373
2012	2,152,501	1,600,000	105,000	323,013	4,180,514
2013	1,991,869	1,775,000	110,000	339,165	4,216,034
2014 - 2018	10,200,000	7,750,000	515,000	1,978,388	20,443,388
2019 - 2023	9,800,000	7,725,000		2,453,945	19,978,945
2024- 2028		9,875,000		2,814,783	12,689,783
2029 - 2033		9,425,000		906,569	10,331,569
2034 - 2035		2,050,000		174,249	2,224,249
Total	31,412,800	44,750,000	1,015,000	9,904,676	87,082,476
Less Payable Within One Year	2,600,000	1,475,000	90,000	309,152	4,474,152
Less Refinancing Loss/Premium- Discount	11,871	207,066	0	0	218,937
Long Term Principal Due After One Year	<u>\$28,800,929</u>	<u>\$43,067,934</u>	<u>\$925,000</u>	<u>\$9,595,524</u>	<u>\$82,389,387</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, 2008

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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 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.

As of June 30, 2008 the Sanitary Sewer System did not meet the required Debt Service Coverage of Net Operating Income of 1.25 times the required debt payments. As required by the bond covenant, the government took corrective action by enacting a 48% Sanitary Sewer rate increase for bills issued on or after May 1, 2008.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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

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

The bond indenture requires a debt service reserve in the amount of the outstanding maximum annual debt service requirement. As of June 30, 2008, the required reserve of \$772,920 was over funded by \$6,654 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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9. \$1,455,000, Series 2003B, to finance the acquisition and installation of certain fire equipment, including fire pumpers 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.
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 of a day treatment facility; the acquisition, renovation and equipping of a multi-use facility; and the acquisition of rights of way and construction of road improvements.
13. \$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.
14. \$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.
15. \$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.
16. \$10,310,000, Series 2006B, to finance stormwater improvements, neighborhood redevelopment projects, Bluegrass Aspendale Parkway, Veterans Park fire station and police cars.
17. \$2,055,000, Series 2006C, to finance the costs of the Purchase of Development Rights Program.
18. \$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 \$18,031,177 liability reported at June 30, 2008 is based on the use of 98.2% 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 2008. 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, 2008

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	\$2,385,000				\$2,385,000
1999B Tates Creek Library	2,560,000				2,560,000
2000 KLC	185,000		3,031	2,094	179,875
2000A Picadome Golf Course	6,055,000				6,055,000
2000D Storm Water Projects	3,735,000				3,735,000
2000E KU Building and Pool	7,005,000				7,005,000
2001B Purchase of Development Rights	5,910,000		99,828		5,810,172
2002B HVAC Government Center	1,020,000		10,309		1,009,691
2002C EAMP/Storm Water Projects	3,165,000		51,696	361,230	2,752,074
2003A Public Facilities Projects	3,975,000		20,395		3,954,605
2003B 2003 Go Series Notes	435,000		(3,177)	16,960	421,217
2004B Public Safety	1,065,000		(8,949)		1,073,949
2004C Multi-Purpose Project	8,605,000		139,727		8,465,273
2005A Equipment Purchase	0			338,890	(338,890)
2005B Purchase of Fire Equipment	1,690,000		8,821		1,681,179
2005C Purchase of Development Rights	3,770,000		24,424		3,745,576
2006A Equipment Purchase	7,395,000		(55,627)		7,450,627
2006B Various Projects	8,725,000		62,465	2,149,376	6,513,159
2006C Purchase of Development Rights	1,985,000		36,132		1,948,868
2006D Refunding	56,400,000		(88,211)		56,488,211
Total Governmental	<u>\$126,065,000</u>	<u>\$0</u>	<u>\$300,864</u>	<u>\$2,868,550</u>	<u>\$122,895,586</u>
Net Capital Assets					<u>1,086,719,314</u>
Invested in Capital Assets, net of related debt					<u>\$963,823,728</u>
<b>Capital Assets - Proprietary</b>					
1996 Sanitary Sewers	\$805,000		\$23,800		\$781,200
2001A Sanitary Sewers	21,640,000	1,785,750	220,049	(2,244,029)	21,878,230
2001B Sanitary Sewers	13,270,000		108,270		13,161,730
1998 Public Parking	1,470,000	772,920	96,001		601,079
2006 Public Facilities	66,725,000		4,843,568		61,881,432
	<u>\$103,910,000</u>	<u>\$2,558,670</u>	<u>\$5,291,688</u>	<u>(\$2,244,029)</u>	<u>98,303,671</u>
Net Capital Assets					<u>337,710,886</u>
Invested in Capital Assets, net of related debt					<u>\$239,407,215</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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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 asset's accounts in the governmental funds are as follows:

Storm Water general obligation bonds account	\$187,780
Public Safety obligation bonds and notes account	182,527
Office Building and Pool general obligation bonds account	342
Various Purpose general obligation notes account	2,023,034
Golf Course general obligation bonds account	912
Equipment general obligation notes account	1,474,184
Public Library Corporation general obligation bond account	24,047
Total restricted assets	<u><u>\$3,892,826</u></u>

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

Sanitary sewer system maintenance and operations account	\$5,815,329
Sanitary sewer revenue bond sinking fund account	4,764,525
Sanitary sewer revenue bonds construction account	8,030,252
Sanitary sewer depreciation account	1,785,750
Sanitary sewer debt service reserve account	4,079,311
Public Parking Corporation debt service reserve account	792,451
Total restricted assets	<u><u>\$25,267,618</u></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, 2006	\$382,325
Claims and changes in estimates - FY 2007	25,830,768
Claims paid FY 2007	<u>(26,235,485)</u>
Liability at June 30, 2007	(22,392)
Claims and changes in estimates - FY 2008	29,647,563
Claims paid FY 2008	<u>(29,625,171)</u>
Surplus at June 30, 2008	<u><u>\$0</u></u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

**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 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 (IBNR). The result of the process to estimate the claims liability is not exact 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, from subrogation and excess insurance policies, for example, are another component of the claims liability estimate.

Annually, as of June 30, the Fund has a third party actuary review the claim histories for all claim years for which open claims are outstanding. The actuary projects the ultimate claim payment obligation (including the 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, 2008, the undiscounted estimated liability was \$26,536,362. The discounted estimated liability as of June 30, 2008 was \$20,936,231. 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, 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	5,152,500	10,928,662
Claims paid FY 2007	(2,530,861)	(2,333,550)	(559,751)	(4,017,198)	(9,441,360)
Liability at June 30, 2007	961,000	4,971,000	119,000	13,038,302	19,089,302
Claims and changes in estimates FY 2008	4,261,927	3,324,113	808,125	4,320,464	12,714,629
Claims Incurred FY 2008	(4,084,078)	(2,706,007)	(700,214)	(3,377,401)	(10,867,700)
Liability at June 30, 2008	<u>\$1,138,849</u>	<u>\$5,589,106</u>	<u>\$226,911</u>	<u>\$13,981,365</u>	<u>\$20,936,231</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) 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  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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 108 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 \$8,557,390.

On December 21, 2006, the Fayette Circuit Court issued an opinion in 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 LFUCG. LFUCG disagreed 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.

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. LFUCG, EPA and KYEPPC have executed a Consent Decree which resolves this case. This settlement with EPA and KYEPPC, if approved by the court, will require LFUCG to undertake extensive studies, sewer improvement projects, and management plans to correct the problems that are alleged. The settlement will afford LFUCG up to 13 years to correct the problems. LFUCG has estimated that the cost of remedial measures would approach \$200 million over the life of the Consent Decree. LFUCG recently increased sanitary sewer rates to fund obligations under the Consent Decree and will adopt a storm water management fee. The District Court rejected the Consent Decree on the ground that the proposed fine for violations was excessive. EPA has appealed this issue to the Sixth Circuit Court of Appeals. In the meantime, LFUCG is proceeding with the remedial measures set forth in the Consent Decree.

On September 25, 2002 and January 13, 2003, unnamed plaintiffs filed two putative class actions against LFUCG and a number of individuals alleging that they were subjected to molestation, abuse, and other unlawful transactions by Ronald Berry when he was executive director of Micro-City Government, Inc., which was funded in part by LFUCG. Each plaintiff claimed that he or she was under the age of 18 when the unlawful acts occurred and that

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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each came into contact with Ronald Berry as a direct result of participation, formally or informally, in activities promoted, sponsored or conducted by Micro-City. The plaintiffs claimed that the defendants, who include current or former LFUCG officials, actively concealed knowledge of Berry's activities and failed to warn any participants in Micro-City activities of Berry's alleged patterns of conduct. Specifically, the plaintiffs alleged violations of 28 U.S.C. § 1983, 42 U.S.C. § 13981 (violence against women), 18 U.S.C. § 1964 (RICO); and 20 U.S.C. § 1687; allege that the defendants engaged in a conspiracy to violate their civil rights and denied them equal employment opportunities, neglected to prevent conspiracy, and engaged in sexual exploitation of children; and claim that the defendants are liable for common law negligence, intentional infliction of emotional distress, and breach of fiduciary duty. The plaintiffs sought a monetary judgment against the defendants in the amount of \$10 million for each plaintiff and member of the putative class; punitive damages; treble damages where allowed; and costs and attorneys fees. LFUCG and the individual defendants obtained final judgments from the Court dismissing the claims of all plaintiffs based on the applicable statutes of limitation and refusing to accept jurisdiction over the pendant state law claims given the dismissal of the federal claims. The plaintiffs appealed both judgments. The plaintiffs also sought to overcome LFUCG's statute of limitations defense by seeking to vacate the final judgments in two prior class actions which had been dismissed as settled in 2000 and 2002 (98-431-KSF and 00-166-KSF). The denials of those motions to vacate were also appealed. After briefing, all four appeals were consolidated for argument and decision. Subsequently, the Sixth Circuit issued an opinion and order finding that the original judgment in 98-431-KSF was void due to the trial court's failure to order class notice of the settlement and denial of class certification; and re-opening 98-431-KSF to permit the plaintiffs to intervene and receive the benefits of any tolling of the limitations periods they would have received had they intervened in this case when it was settled in 2000. *Doe v. Lexington-Fayette Urban County Government*, 407 F.3d 755 (6th Cir. 2005). In the same opinion, the Sixth Circuit dismissed the appeals in the 2002 and 2003 lawsuits as moot. After unsuccessful petitions for rehearing en banc and for certiorari to the U.S. Supreme Court, the Sixth Circuit's Mandate was issued and 98-431-KSF (this case) was re-opened. After the case was re-assigned to Judge Bertelsman, the plaintiffs filed a motion to amend their complaint to incorporate the complaints in their previous lawsuits and a motion seeking class certification. Ultimately, Judge Bertelsman postponed ruling on whether the case should or should not be certified as a class action, but instructed the plaintiffs to file amended complaints by December 22, 2006. The two groups of plaintiffs filed separate amended complaints, with one group naming the LFUCG and 14 of its present or former officers and employees as defendants. A total of approximately 150 plaintiffs were identified in the two amended complaints. In response to the amended complaints, a filing on behalf of the LFUCG was sent, moving to dismiss the claims against the individual defendants. That motion was granted on June 27, 2007. Thereafter, two additional motions were filed seeking the dismissal of all claims asserted against the LFUCG except the claims asserted pursuant to 42 U.S.C. 1983 and related statutes (the "civil rights claims"). The plaintiffs objected to the filing of those motions, and also moved the court to reconsider its order granting the dismissal of the individual defendants. A hearing was then held on September 14, 2007 to consider these pending motions and at that hearing, the court denied the plaintiff's motion to reconsider the dismissal of the individual defendants and ordered the plaintiffs to respond to the LFUCG's two additional motions to dismiss by December 16, 2007. The court further ordered that the parties complete discovery on the civil rights claims by May 14, 2008. The court ultimately granted the two motions to dismiss, which resulted in the only remaining claims being the civil rights claims against the LFUCG. After discovery ended on those claims on May 14, 2008, the LFUCG, on May 30, 2008, moved for summary judgment on the civil rights claims. The LFUCG followed that motion with a separate motion for summary judgment arguing that the claims are time barred. Both motions have been briefed and the Court has scheduled an oral argument thereon in early January 2009.

**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



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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June 30, 2022, 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 2008.

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

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 Runaway 8/26. With one exception, all persons on board 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. Claims against the Airport have been made on behalf of the pilot, the co-pilot, flight attendant and Comair. The Airport has notified its insurer and the insurer is providing the defense. An appeal of the Fayette Circuit Court's determination that the Airport is immune for suit for these claims is pending before the Kentucky Supreme Court. 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 in 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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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 passed ordinance 319-2004 approving a lease and sublease for the purpose of creating, enhancing and extending market-rate housing in downtown Lexington (“the Project”). The Ordinance authorized entering into one or more leases with the Kentucky League of Cities Funding Trust to enable the Government to finance the Project for an aggregate principal amount of \$2,000,000 outstanding at any one time. The 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 is 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, 2008 the total principal outstanding was \$750,000.

**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 unrelated to bond issues. Only a complete accurate title search of all properties would disclose such liens and encumbrances.

**G. Conduit Debt** - The Government has issued Industrial Revenue Bonds to provide financial assistance to private sector and nonprofit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector or nonprofit entity served by the bond issue. The Government is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2008 the outstanding balance on conduit debt issues was \$224,919,883.

**H. Transit Authority** - A component unit of the Lexington-Fayette Urban County Government, Transit Authority is responsible for all fuel costs incurred by the Red Cross in excess of \$1.50/gallon as part of the WHEELS contract it has with the Red Cross. This contract with the Red Cross expires on March 1, 2009.

**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 \$50,000 remained outstanding as of June 30, 2008. The Government is not liable for repayment and 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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**NOTE 8. SUBSEQUENT EVENTS**

The United States economy has seen a significant decline in economic activity that has impacted earnings on investments. Investments of the primary government are not at substantial risk as they are invested in money market mutual funds and certificates of deposit and insured by letters of credit. The Pension Trust Funds, however, are more volatile to these market changes as they are invested in securities and other exchanges that are susceptible to market volatility. As of October 31, 2008, the Policeman's and Firefighters' Pension fund had a loss on the change in the fair value of investments of \$86.6 million.

On December 4, 2008 the Government issued General Obligation Series 2008A bonds with a par value of \$13.565 million. These bonds will provide funding for the various general governmental projects. Over \$5.87 million of the \$13.565 million issue will be used to reimburse the general fund for monies spent on 2007 and 2008 Bond Projects during the FY 2007 and FY 2008 fiscal years.

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" 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. 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. On August 25, 2008, the court ruled in favor of the plaintiff. The parties agreed to mediate the case which was successful. The mediated settlement was entered as a judgment on October 23, 2008, and is now a final and non-appealable judgment. Under the judgment, LFUCG is required to make cash payments to the plaintiffs in the total amount of \$805,000, grant leave time totaling \$345,000 and to pay plaintiffs' attorneys fees in the amount of \$870,000. As a result, LFUCG has incurred approximately \$2.2 million in defense costs. These costs are included in the projected self insurance liabilities as of June 30, 2008.

Lexington-Fayette Urban County Department of Health, a component unit of the Lexington-Fayette Urban County Government, entered into a third amended lease on July 17, 2008 and a fourth amended lease on September 4, 2008 with DA Newtown LLC for additional space. The leases are effective thru December 31, 2014 and projected rent is as follows:

Thru 12/31/08 -	\$11,790/monthly
1/1/09 – 12/31/09 -	\$252,376 total
1/1/10 – 12/31/13 -	\$1,036,967 total
1/1/14 – 12/31/14 -	\$266,107 total

The Board of Transit Authority, a component unit of the Lexington-Fayette Urban County Government, on June 18, 2008 adopted a resolution to borrow \$4,000,000 under a tax anticipation note (series 2008) that is due June 30, 2009 to finance its working capital needs. The interest rate associated with the note is the Prime rate minus one-quarter of one percent.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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The Lexington Public Library, a component unit of the Lexington-Fayette Urban County Government, on September 22, 2008 sold the former Northside Branch building to the University of Kentucky for \$1.2 million. The proceeds have been earmarked to pay down the bond indebtedness.

The Foundation for the Lexington Public Library, a component unit of the Lexington-Fayette Urban County Government, withdrew \$85,000 from investments for operating purposes from July through October 2008. In addition, the fair market value of the Foundation's investments declined by approximately \$30,000 during the period of July through November 3, 2008.

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

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

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

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

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. The costs of administering the CEPF are financed by investment income.

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

Membership of each plan consisted of the following at June 30, 2008:

	<u>Policemen's and Firefighters'</u>	<u>City Employees'</u>
Inactive Plan Participants:		
Retirees and beneficiaries currently receiving benefits	848	118
Active Plan Participants:		
Vested	154	1
Nonvested	898	
Total	<u>1,900</u>	<u>119</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

**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. Benefits and refunds of both plans are recognized when due and payable in accordance with the terms of each plan. The financial statements are prepared on an accrual basis.

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

**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 2008, the Government contributed 26.0% to the PFRF the first six months and 27% for the remainder of the year. The Government contributed 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:

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

**D. Supplemental Information**

*Schedule of Funding Progress*

		Actuarial Accrued				
Actuarial	Actuarial Value	Liability (AAL)	Unfunded AAL	Funded	Covered	UAAL as a % of
Valuation	of Assets	- Entry Age	(UAAL)	Ratio	Payroll	Covered Payroll
Date	(a)	(b)	(b-a)	(a/b)	(c)	(b-a)/(c)
<b><i>Policemen's and Firefighters' Pension Fund (3% COLA)</i></b>						
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%
7/1/08	418,311,038	664,935,356	246,624,318	62.9%	61,368,960	401.9%
<b><i>City Employees' Pension Fund</i></b>						
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)%
7/1/08	27,299,997	22,917,270	(4,382,727)	119.1%	42,972	(10,199.0)%

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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

	Policemen's and Firefighters' Pension Fund	City Employees' Pension Fund
Annual Required Contribution	\$26,980,795	\$0
Interest on net pension obligation	1,340,138	155,910
Adjustment to annual required contribution	(1,239,986)	(227,687)
Annual pension cost	27,080,947	(71,777)
Contributions made	(18,791,796)	(7,116)
Increase (decrease) in net pension obligation	8,289,151	(78,893)
Net pension obligation beginning of year	16,751,720	1,948,880
Net pension obligation end of year	<u>\$25,040,871</u>	<u>\$1,869,987</u>

***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>				
2006	\$12,625,784	\$14,114,178	111.8%	\$15,624,795
2007	17,633,647	16,506,722	93.6%	16,751,720
2008	27,080,947	18,791,796	69.4%	25,040,871
<b><i>City Employees' Pension Fund</i></b>				
2006	(53,056)	6,984	N/A	1,958,202
2007	(2,593)	6,729	N/A	1,948,880
2008	(71,777)	7,116	N/A	1,869,987

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

	Policemen's and Firefighters' Pension Fund	City Employees' Pension Fund
Valuation date	July 1, 2008	July 1, 2008
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 Related Value	Market
Actuarial assumptions:		
Investment rate of return	8.0%	7.0%
Projected salary increases	5.0%	N/A
Cost-of-living adjustments	3.0%	3.0%
Inflation	3.0%	4.0%

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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**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 2008, 639 retirees of the PFRF received this benefit for a total cost of \$2,482,081; and 24 retirees of the CEPF received this benefit for a total cost to the Government of \$78,976.

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 Government completed an actuarial valuation of the future unfunded actuarial accrued liability of these benefits and it was determined that as of July 1, 2008 the liability was \$181,181,934. The annual required contribution to fund this liability over a period of 30 years is \$13,855,546. These figures represent the amount needed to provide benefits for 1,029 current retirees and beneficiaries and 1,053 active members. The actuarial assumptions used for the calculations are listed below.

Valuation date	July 1, 2008
Actuarial cost method	Projected unit credit
Amortization method	Level Percent of Pay, Open
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	4.5%
Medical cost trend rate*	11.0%
Ultimate trend rate	5.0%
Year of Ultimate trend rate	2014
* Includes inflation at	3.0%

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

**F. Pension Plan Financial Statements**

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2008**

	<b>Pension Trust Funds</b>		
	<b>Policemen's and Firefighters' Retirement</b>	<b>City Employees' Pension</b>	<b>Total Pension Trust Funds</b>
<b>ASSETS</b>			
Cash	\$0	\$309	\$309
Receivables:			
Accounts Receivable	2,381,672	129,908	2,511,580
Less Allowance for Uncollectible Accounts	0	0	0
Due from Other Funds	288,669	0	288,669
<b>Total Receivables</b>	<b>2,670,341</b>	<b>129,908</b>	<b>2,800,249</b>
Investments, at Fair Value:			
Debt Securities			
US Agencies	26,606,614	9,930,513	36,537,127
US Government Obligations	1,228,670	4,526,426	5,755,096
Municipal Obligations	27,089,363	0	27,089,363
International Bonds	3,457,252	415,662	3,872,914
Corporate Debt	61,205,113	2,866,874	64,071,987
Money Market Mutual Funds	2,825,973	0	2,825,973
Repurchase Agreements	18,545,360	0	18,545,360
Other Investments			
Equity Mutual Funds	49,516,610	0	49,516,610
Equity Real Estate	41,777,043	0	41,777,043
Equity Securities - Domestic	97,008,546	9,675,352	106,683,898
Equity Securities - International	85,144,071	262,829	85,406,900
<b>Total Investments</b>	<b>414,404,615</b>	<b>27,677,656</b>	<b>442,082,271</b>
<b>Total Assets</b>	<b>417,074,956</b>	<b>27,807,873</b>	<b>444,882,829</b>
<b>LIABILITIES</b>			
Accounts Payable	1,635	0	1,635
Securities Lending Transactions	18,545,360	0	18,545,360
Due to Other Funds	0	507,876	507,876
Payable to Property Owners	0	0	0
Debt Service	0	0	0
<b>Total Liabilities</b>	<b>18,546,995</b>	<b>507,876</b>	<b>19,054,871</b>
<b>NET ASSETS</b>			
Net Assets Held in Trust for Pension Benefits	\$398,527,961	\$27,299,997	\$425,827,958



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2008**

	<u>Policemen's and Firefighters' Retirement</u>	<u>City Employees' Pension</u>	<u>Total</u>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$16,305,217	\$7,116	\$16,312,333
Employer - Administration	2,486,578	78,976	2,565,554
Plan Members	6,862,663	3,456	6,866,119
Other	104,389	0	104,389
<b>Total Contributions</b>	<u>25,758,847</u>	<u>89,548</u>	<u>25,848,395</u>
Income on Investments:			
Net Change in Fair Value of Investments	(19,349,005)	(640,340)	(19,989,345)
Interest	8,579,542	836,796	9,416,338
Dividends	8,767,328	213,901	8,981,229
<b>Total Loss on Investments</b>	<u>(2,002,135)</u>	<u>410,357</u>	<u>(1,591,778)</u>
Less Investment Expense	1,566,811	49,872	1,616,683
<b>Net Loss on Investments</b>	<u>(3,568,946)</u>	<u>360,485</u>	<u>(3,208,461)</u>
Income from Securities Lending Activities:			
Securities Lending Income	1,066,722	0	1,066,722
Securities Lending Expenses			
Borrower rebates	870,085	0	870,085
Management Fees	78,648	0	78,648
<b>Total Securities Lending Expenses</b>	<u>948,733</u>	<u>0</u>	<u>948,733</u>
<b>Net Income on Securities Lending Activities</b>	<u>117,989</u>	<u>0</u>	<u>117,989</u>
<b>Total Additions</b>	<u>22,307,890</u>	<u>450,033</u>	<u>22,757,923</u>
<b>DEDUCTIONS</b>			
Benefit Payments	33,170,539	1,927,099	35,097,638
Refunds of Contributions	145,795	0	145,795
Administrative Expense	103,601	24,878	128,479
<b>Total Deductions</b>	<u>33,419,935</u>	<u>1,951,977</u>	<u>35,371,912</u>
<b>Net Increase (Decrease)</b>	(11,112,045)	(1,501,944)	(12,613,989)
<b>Net Assets, July 1</b>	<u>409,640,006</u>	<u>28,801,941</u>	<u>438,441,947</u>
<b>Net Assets, June 30</b>	<u><u>\$398,527,961</u></u>	<u><u>\$27,299,997</u></u>	<u><u>\$425,827,958</u></u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2008

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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, 2008, there were over 1,400 local government agencies participating in CERS, which provides for retirement, disability and death benefits. Beginning October 27, 1975, all eligible full-time employees of the Government were required to participate in CERS. CERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Kentucky Retirement Systems, Perimeter Park West, 1260 Louisville Road, Frankfort, KY 40601.

Funding Policy - For the year ended June 30, 2008, 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 16.17% of members' non-hazardous compensation and 33.87% for hazardous compensation for the year ended June 30, 2008. The Government's contributions to CERS for the years ending June 30, 2008, 2007, and 2006 were \$15,821,922, \$12,692,747, and \$10,351,993 respectively, and were equal to the required contributions for each year.

**NOTE 10. RECENT GASB PRONOUNCEMENTS**

Management has not currently determined what, if any, effect implementation of the following statements may have on the financial statement:

- GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations". This statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2007.
- GASB Statement No. 51, "Accounting and Financial Reporting for Intangible Assets." This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2009. This statement may have a material impact on the financial statements issued as of June 30, 2010.
- GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments" and 53, "Accounting and Financial Reporting for Derivative Instruments." The government does not believe that this statement will impact the financial statements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2008

## **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 **2008 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, 2008

	Special Revenue Funds									Capital Projects Funds					
	Local Economic Assistance														
	County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Mineral Severance	Coal Severance	Police Confiscated Funds	Police Confiscated State Funds	Public Safety Fund	Total	Lexington Cultural Center	Storm Water Bond Projects	Public Safety Capital Projects	Reynolds Road Project	2001 Bond Projects	2002 Bond Projects
ASSETS															
Current Cash	\$1,298,797	\$6,421,232	\$100,992	\$696,702	\$75,198	\$877,064	\$383,599	\$0	\$9,853,584	\$4,237	\$0	\$0	\$0	\$46,324	\$1,055
Current Investments	187,603	2,038,566	0	62,534	0	33,486	0	0	2,322,189	833,245	0	392,420	584,089	0	0
Receivables :															
Other	0	0	0	0	0	23,673	0	0	23,673	0	0	0	0	0	0
Restricted Investments	0	0	0	0	0	0	0	0	0	0	187,780	182,527	0	342	5,450
Total Assets	\$1,486,400	\$8,459,798	\$100,992	759,236	\$75,198	\$934,223	\$383,599	\$0	\$12,199,446	\$837,482	\$187,780	\$574,947	\$584,089	\$46,666	\$6,505
LIABILITIES AND FUND BALANCES															
Liabilities:															
Accounts and Contracts Payable	116,029	197,953	0	5,548	0	16,470	0	0	336,000	0	10,641	0	67,236	4,757	0
Accrued Payroll & Related Liability:	0	1,090	0	0	0	0	0	0	1,090	0	0	0	0	0	0
Internal Balances	0	0	0	0	0	0	0	11,904	11,904	0	0	0	0	0	0
Unearned Revenue and Other	0	0	2,500	0	0	0	0	0	2,500	0	0	0	0	0	0
Total Liabilities	116,029	199,043	2,500	5,548	0	16,470	0	11,904	351,494	0	10,641	0	67,236	4,757	0
Fund Balances:															
Reserved for:															
Encumbrances	13,474	2,429,845	0	0	0	135,262	0	0	2,578,581	373,657	262,986	3,391	5,581	0	0
Unreserved:															
Undesignated, reported in Special Revenue Funds	1,356,897	5,830,910	98,492	753,688	75,198	782,491	383,599	(11,904)	9,269,371	0	0	0	0	0	0
Undesignated, reported in Capital Projects Funds	0	0	0	0	0	0	0	0	0	463,825	(85,847)	571,556	511,272	41,909	6,505
Total Fund Balances (Deficits)	1,370,371	8,260,755	98,492	753,688	75,198	917,753	383,599	(11,904)	11,847,952	837,482	177,139	574,947	516,853	41,909	6,505
Total Liabilities and Fund Balances	\$1,486,400	\$8,459,798	\$100,992	\$759,236	\$75,198	\$934,223	\$383,599	\$0	\$12,199,446	\$837,482	\$187,780	\$574,947	\$584,089	\$46,666	\$6,505

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
COMBINING BALANCE SHEET, Continued  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2008

	Capital Projects Funds														
	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	2008 Bond Projects	Public Works	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total	Total Nonmajor Governmental Funds
ASSETS															
Current Cash	\$0	\$0	\$0	\$0	\$0	\$192,245	\$1,532,162	\$0	\$0	\$0	\$0	\$117,359	\$128,633	\$2,022,015	\$11,875,599
Current Investments	0	0	0	46,692	0	0	0	0	0	0	0	306,801	67,296	2,230,543	4,552,732
Receivables :															
Other	0	0	0	0	0	0	0	0	0	478,507.00	0	0	10,853,948	11,332,455	11,356,128
Restricted Investments	802,330	912	0	1,474,184	0	463,384	751,870	0	0	0	0	24,047	0	3,892,826	3,892,826
<b>Total Assets</b>	<b>\$802,330</b>	<b>\$912</b>	<b>\$0</b>	<b>\$1,520,876</b>	<b>\$0</b>	<b>\$655,629</b>	<b>\$2,284,032</b>	<b>\$0</b>	<b>\$0</b>	<b>\$478,507</b>	<b>\$0</b>	<b>\$448,207</b>	<b>\$11,049,877</b>	<b>\$19,477,839</b>	<b>\$31,677,285</b>
LIABILITIES AND FUND BALANCES															
Liabilities:															
Accounts and Contracts Payable	0	662	0	32,631	0	50,000	298,637	142,338	134,131.00	932,882.00	547,177	741	\$0	2,221,833	2,557,833
Accrued Payroll & Related Liability:	0	0	0	0	0	0	0	0	0	0	0	0	0	0	1,090
Internal Balances	0	0	5,691,007	0	25,766	0	0	(2,212,223)	3,811,341	9,083,829	(2,265,776)	(2)	999,537	15,133,479	15,145,383
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>0</b>	<b>662</b>	<b>5,691,007</b>	<b>32,631</b>	<b>25,766</b>	<b>50,000</b>	<b>298,637</b>	<b>(2,069,885)</b>	<b>3,945,472</b>	<b>10,016,711</b>	<b>(1,718,599)</b>	<b>739</b>	<b>999,537</b>	<b>17,355,312</b>	<b>17,706,806</b>
Fund Balances:															
Reserved for:															
Encumbrances	286,675	0	0	23,647	0	0	402,153	854,631	2,323,151	7,004,773	4,265,185	270	45,359	15,851,459	18,430,040
Unreserved:															
Undesignated, reported in Special Revenue Funds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	9,269,371
Undesignated, reported in Capital Projects Funds	515,655	250	(5,691,007)	1,464,598	(25,766)	605,629	1,583,242	1,215,254	(6,268,623)	(16,542,977)	(2,546,586)	447,198	10,004,981	(13,728,932)	(13,728,932)
<b>Total Fund Balances (Deficits)</b>	<b>802,330</b>	<b>250</b>	<b>(5,691,007)</b>	<b>1,488,245</b>	<b>(25,766)</b>	<b>605,629</b>	<b>1,985,395</b>	<b>2,069,885</b>	<b>(3,945,472)</b>	<b>(9,538,204)</b>	<b>1,718,599</b>	<b>447,468</b>	<b>10,050,340</b>	<b>2,122,527</b>	<b>13,970,479</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$802,330</b>	<b>\$912</b>	<b>\$0</b>	<b>\$1,520,876</b>	<b>\$0</b>	<b>\$655,629</b>	<b>\$2,284,032</b>	<b>\$0</b>	<b>\$0</b>	<b>\$478,507</b>	<b>\$0</b>	<b>\$448,207</b>	<b>\$11,049,877</b>	<b>\$19,477,839</b>	<b>\$31,677,285</b>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2008**

	Special Revenue Funds									Capital Projects Funds					
	County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Local Economic Assistance		Police Confiscated Funds	Police Confiscated State Funds	Public Safety Fund	Total	Lexington Cultural Center	Storm Water Bond Projects	Public Safety Capital Projects	Reynolds Road Project	2001 Bond Projects	2002 Bond Projects
				Mineral Severance	Coal Severance										
<b>REVENUES</b>															
Charges for Services	\$0	\$0	\$5,000	\$0	\$0	\$0	\$0	\$29,125	\$34,125	\$0	\$0	\$0	\$0	\$0	\$0
Fines and Forfeitures	0	0	0	0	0	43,126	0	0	43,126	0	0	0	0	0	0
Contributions	0	22,000	0	0	0	0	0	0	22,000	0	0	0	0	0	0
Intergovernmental	660,838	4,187,418	0	344,801	98,789	806,501	263,377	393,541	6,755,265	0	0	0	0	0	0
Exactions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Property Sales	0	0	0	0	0	5,450	0	0	5,450	0	0	0	0	0	0
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	138,343	0	0	0
Income on Investments	27,914	148,940	1,523	11,179	1,092	14,526	5,842	5,794	216,810	13,286	17,204	27,857	8,813	94	205
<b>Total Revenues</b>	<b>688,752</b>	<b>4,358,358</b>	<b>6,523</b>	<b>355,980</b>	<b>99,881</b>	<b>869,603</b>	<b>269,219</b>	<b>428,460</b>	<b>7,076,776</b>	<b>13,286</b>	<b>17,204</b>	<b>166,200</b>	<b>8,813</b>	<b>94</b>	<b>205</b>
<b>EXPENDITURES</b>															
Current:															
General Government	0	0	0	0	0	0	0	0	0	1,592	0	0	0	0	0
Administrative Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Finance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Chief Information Officer	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Public Works	0	204,286	0	0	0	0	0	0	204,286	0	(30,991)	0	0	0	0
Public Safety	0	0	0	0	0	0	0	53,125	53,125	0	0	0	0	0	0
Police	0	0	0	0	0	354,377	156,713	0	511,090	0	0	0	0	0	0
Fire and Emergency Services	0	0	0	0	0	0	0	0	0	0	0	7,380	0	0	0
Social Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
General Services	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Outside Agencies	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	0	0	0	0	0	0
Interest and Other	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Capital:															
Equipment	0	0	0	0	0	85,320	0	0	85,320	0	0	40,803	490,730	0	0
Acquisitions and Construction	586,588	3,035,760	0	0	0	14,570	0	0	3,636,918	79,403	0	0	0	0	0
<b>Total Expenditures</b>	<b>586,588</b>	<b>3,240,046</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>454,267</b>	<b>156,713</b>	<b>53,125</b>	<b>4,490,739</b>	<b>80,995</b>	<b>(30,991)</b>	<b>48,183</b>	<b>490,730</b>	<b>0</b>	<b>0</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>102,164</b>	<b>1,118,312</b>	<b>6,523</b>	<b>355,980</b>	<b>99,881</b>	<b>415,336</b>	<b>112,506</b>	<b>375,335</b>	<b>2,586,037</b>	<b>(67,709)</b>	<b>48,195</b>	<b>118,017</b>	<b>(481,917)</b>	<b>94</b>	<b>205</b>
<b>OTHER FINANCING SOURCES (USES)</b>															
Transfers In	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Transfers Out	0	(880,000)	(4,000)	0	0	0	0	(393,541)	(1,277,541)	0	0	0	0	0	0
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(880,000)</b>	<b>(4,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(393,541)</b>	<b>(1,277,541)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>102,164</b>	<b>238,312</b>	<b>2,523</b>	<b>355,980</b>	<b>99,881</b>	<b>415,336</b>	<b>112,506</b>	<b>(18,206)</b>	<b>1,308,496</b>	<b>(67,709)</b>	<b>48,195</b>	<b>118,017</b>	<b>(481,917)</b>	<b>94</b>	<b>205</b>
<b>Fund Balances (Deficits), July 1</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>6,300</b>
<b>Fund Balances (Deficits), June 30</b>	<b>\$1,370,371</b>	<b>\$8,260,755</b>	<b>\$98,492</b>	<b>\$753,688</b>	<b>\$75,198</b>	<b>\$917,753</b>	<b>\$383,599</b>	<b>(\$11,904)</b>	<b>\$11,847,952</b>	<b>\$837,482</b>	<b>\$177,139</b>	<b>\$574,947</b>	<b>\$516,853</b>	<b>\$41,909</b>	<b>\$6,505</b>

Continued

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2008**

Capital Projects Funds															
	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	2008 Bond Projects	Public Works	Public Library Corporation	Roads, Parks, Open Space, Storm Water	Total	Total Nonmajor Governmental Funds
REVENUES															
Charges for Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	0	34,125
Fines and Forfeitures	0	0	0	0	0	0	0	0	0	0	0	0	0	0	43,126
Contributions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	22,000
Intergovernmental	0	0	0	0	0	0	0	0	0	0	11,794,888	0	0	11,794,888	18,550,153
Exactions	0	0	0	0	0	0	0	0	0	0	0	0	1,282,254	1,282,254	1,282,254
Property Sales	0	0	0	0	0	0	0	0	0	0	0	0	0	0	5,450
Miscellaneous	0	0	0	0	0	0	0	0	0	0	0	291,140	0	429,483	429,483
Income on Investments	37,556	231	68,716	97,388	0	28,853	176,484	169,734	0	0	104,842	48,775	7,194	807,232	1,024,042
Total Revenues	\$37,556	\$231	\$68,716	\$97,388	\$0	\$28,853	\$176,484	\$169,734	\$0	\$0	\$11,899,730	\$339,915	\$1,289,448	\$14,313,857	\$21,390,633
EXPENDITURES															
Current:															
General Government	0	0	0	0	0	0	0	0	0	0	0	0	0	1,592	1,592
Administrative Services	0	0	0	0	0	0	198	0	744,069	0	0	0	0	744,267	744,267
Finance	0	0	0	0	0	0	0	0	0	0	0	959	0	959	959
Chief Information Officer	0	0	0	0	0	0	2,964,550	0	0	0	669,269	0	0	3,633,819	3,633,819
Public Works	0	0	0	0	0	0	0	0	0	8,187	18,675	0	0	(4,129)	200,157
Public Safety	0	0	0	0	0	0	0	0	288,600	0	0	0	0	288,600	341,725
Police	0	0	0	0	0	0	0	0	0	0	0	0	0	0	511,090
Fire and Emergency Services	0	0	0	0	0	0	0	0	0	0	0	0	0	7,380	7,380
Social Services	0	0	0	0	0	2,002	0	0	0	0	0	0	0	2,002	2,002
General Services	0	0	0	(143)	0	0	0	0	167,716	0	0	0	0	167,573	167,573
Outside Agencies	0	0	0	0	0	0	0	0	0	425,000	0	0	0	425,000	425,000
Debt Service:															
Principal	0	0	0	0	0	0	0	0	0	0	0	150,000	0	150,000	150,000
Interest and Other	0	0	2,000	0	0	0	0	0	0	0	0	140,895	0	142,895	142,895
Capital:															
Equipment	0	0	0	449,488	0	0	27,357	0	89,329	4,822,617	137,659	0	0	6,057,983	6,143,303
Acquisitions and Construction	124,557	0	1,843,919	0	0	203,032	638,145	1,106,867	929,542	4,282,400	11,599,821	0	1,742	20,809,428	24,446,346
Total Expenditures	124,557	0	1,845,919	449,345	0	205,034	3,630,250	1,106,867	2,219,256	9,538,204	12,425,424	291,854	1,742	32,427,369	36,918,108
Excess (Deficiency) of Revenues over (under) Expenditures															
	(87,001)	231	(1,777,203)	(351,957)	0	(176,181)	(3,453,766)	(937,133)	(2,219,256)	(9,538,204)	(525,694)	48,061	1,287,706	(18,113,512)	(15,527,475)
OTHER FINANCING SOURCES (USES)															
Transfers In	0	0	0	0	0	0	631,000	0	0	0	0	0	0	631,000	631,000
Transfers Out	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(1,277,541)
Total Other Financing Sources (Uses)	0	0	0	0	0	0	631,000	0	0	0	0	0	0	631,000	(646,541)
Net Change in Fund Balances	(87,001)	231	(1,777,203)	(351,957)	0	(176,181)	(2,822,766)	(937,133)	(2,219,256)	(9,538,204)	(525,694)	48,061	1,287,706	(17,482,512)	(16,174,016)
Prior Period Adjustment															
Fund Balances (Deficits), July 1	889,331	19	(3,913,804)	1,840,202	(25,766)	781,810	4,808,161	3,007,018	(1,726,216)	0	2,244,293	399,407	8,762,634	19,605,039	30,144,495
Fund Balances (Deficits), June 30	\$802,330	\$250	(\$5,691,007)	\$1,488,245	(\$25,766)	\$605,629	\$1,985,395	\$2,069,885	(\$3,945,472)	(\$9,538,204)	\$1,718,599	\$447,468	\$10,050,340	\$2,122,527	\$13,970,479



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

	<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	\$569,590	\$569,590	\$660,838	\$0	\$660,838	\$91,248
Investments	0	0	27,914	0	27,914	27,914
<b>Total Revenues</b>	<u>569,590</u>	<u>569,590</u>	<u>688,752</u>	<u>0</u>	<u>688,752</u>	<u>119,162</u>
<b>EXPENDITURES</b>						
Department of Public Works:						
Streets and Roads	569,590	569,590	586,588	(16,018)	570,570	980
<b>Total Expenditures</b>	<u>569,590</u>	<u>569,590</u>	<u>586,588</u>	<u>(16,018)</u>	<u>570,570</u>	<u>980</u>
<b>Net Change in Fund Balances</b>	0	0	102,164	16,018	118,182	118,182
<b>Fund Balance, July 1</b>	<u>0</u>	<u>12,494</u>	<u>1,268,207</u>	<u>(29,492)</u>	<u>1,238,715</u>	<u>0</u>
<b>Fund Balance, June 30</b>	<u>\$0</u>	<u>\$12,494</u>	<u>\$1,370,371</u>	<u>(\$13,474)</u>	<u>\$1,356,897</u>	<u>\$118,182</u>

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

Total expenditures from the budgetary comparison schedule \$570,570

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.

16,018

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

\$586,588

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**SCHEDULE 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	\$4,061,000	\$4,061,000	\$4,187,418	\$0	\$4,187,418	\$126,418
Contributions	0	0	22,000	0	22,000	22,000
Investments	316,000	22,000	148,940	0	148,940	126,940
<b>Total Revenues</b>	<u>4,377,000</u>	<u>4,083,000</u>	<u>4,358,358</u>	<u>0</u>	<u>4,358,358</u>	<u>275,358</u>
<b>EXPENDITURES</b>						
Department of Public Works:						
Engineering	1,896,840	6,229,320	1,968,641	499,481	2,468,122	(3,761,198)
Streets and Roads	1,551,130	1,551,130	1,197,806	229,155	1,426,961	(124,169)
Traffic Engineering	49,030	49,030	73,599	(24,570)	49,029	(1)
<b>Total Public Works</b>	<u>3,497,000</u>	<u>7,829,480</u>	<u>3,240,046</u>	<u>704,066</u>	<u>3,944,112</u>	<u>(3,885,368)</u>
<b>Total Expenditures</b>	<u>3,497,000</u>	<u>7,829,480</u>	<u>3,240,046</u>	<u>704,066</u>	<u>3,944,112</u>	<u>(3,885,368)</u>
<b>Excess (Deficiency) of Revenues over</b>						
<b>(under) Expenditures</b>	<u>880,000</u>	<u>(3,746,480)</u>	<u>1,118,312</u>	<u>(704,066)</u>	<u>414,246</u>	<u>4,160,726</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers Out	(880,000)	(880,000)	(880,000)	0	(880,000)	0
<b>Total Other Financing Sources (Uses)</b>	<u>(880,000)</u>	<u>(880,000)</u>	<u>(880,000)</u>	<u>0</u>	<u>(880,000)</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	0	(4,626,480)	238,312	(704,066)	(465,754)	4,160,726
<b>Fund Balance, July 1</b>	<u>(316,000)</u>	<u>2,745,845</u>	<u>8,022,443</u>	<u>(1,725,779)</u>	<u>6,296,664</u>	<u>0</u>
<b>Fund Balance (Deficit), June 30</b>	<u>(\$316,000)</u>	<u>(\$1,880,635)</u>	<u>\$8,260,755</u>	<u>(\$2,429,845)</u>	<u>\$5,830,910</u>	<u>\$4,160,726</u>

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

**Expenditures:**

Total expenditures from the budgetary comparison schedule \$414,246

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.

704,066

Total expenditures as reported on the combining statement of revenues,

expenditures, and changes in fund balances - nonmajor governmental funds

\$1,118,312

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**SCHEDULE 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	\$344,801	\$0	\$344,801	\$344,801
Investments	0	0	11,179	0	11,179	11,179
<b>Total Revenues</b>	<u>0</u>	<u>0</u>	<u>355,980</u>	<u>0</u>	<u>355,980</u>	<u>355,980</u>
<b>EXPENDITURES</b>						
Department of Finance:						
Community Development	0	0	0	0	0	0
<b>Total Finance</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Dept of Environmental Quality						
Division of Water & Air Quality	0	0	0	0	0	0
<b>Total Environmental Quality</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Expenditures</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Net Change in Fund Balance</b>	0	0	355,980	0	355,980	355,980
<b>Fund Balance, July 1</b>	<u>0</u>	<u>0</u>	<u>397,708</u>	<u>0</u>	<u>397,708</u>	<u>0</u>
<b>Fund Balance, June 30</b>	<u>\$0</u>	<u>\$0</u>	<u>\$753,688</u>	<u>\$0</u>	<u>\$753,688</u>	<u>\$355,980</u>

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

Total expenditures from the budgetary comparison schedule	\$0
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.	0
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds	<u>\$0</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**SCHEDULE 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	\$98,789	\$0	\$98,789	\$98,789
Investments	0	0	1,092	0	1,092	1,092
<b>Total Revenues</b>	<u>0</u>	<u>0</u>	<u>99,881</u>	<u>0</u>	<u>99,881</u>	<u>99,881</u>
<b>Net Change in Fund Balance</b>	0	0	99,881	0	99,881	99,881
<b>Fund Balance, July 1</b>	0	0	(24,683)	0	0	0
<b>Fund Balance, June 30</b>	<u>\$0</u>	<u>\$0</u>	<u>\$75,198</u>	<u>\$0</u>	<u>\$99,881</u>	<u>\$99,881</u>
<b>Explanation of Differences between Budgetary Expenditures and GAAP Expenditures</b>						
Total expenditures from the budgetary comparison schedule			\$0			
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.			0			
Total expenditures as reported on the combining statement of revenues, expenditures, and changes in fund balances - nonmajor governmental funds:			\$0			

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2008**

<b>Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Direct/ Pass-through Grantor's Number</b>	<b>Accrued (Deferred) Revenue at July 1, 2007</b>	<b>Revenue Received</b>	<b>Expenditures</b>	<b>Accrued (Deferred) Revenue at June 30, 2008</b>
<b>US Department of Labor:</b>						
Passed Through Commonwealth of Kentucky:						
WIA	17.258	8004Y	\$0	\$918	\$21,842	\$20,924
WIA	17.258	7010	116,620	116,620	0	0
WIA-Youth	17.259	7010	91,033	91,033	0	0
<b>Total US Department of Labor</b>			<b>207,653</b>	<b>208,571</b>	<b>21,842</b>	<b>20,924</b>
<b>US Department of Health and Human Services:</b>						
Direct Programs:						
Healthy Tomorrows	93.110	5H17MC04353-03-00	1,428	32,037	30,609	0
Runaway Youth	93.623	04CY0792/02	76,141	135,735	59,594	(0)
Runaway Youth	93.623	04CY0792/01	0	84,771	131,307	46,536
Passed through Commonwealth of Kentucky:						
Senior Citizens	93.044	AS-07-08-2015	0	55,349	83,980	28,631
Home Network	93.597	2006-2007-5000-01-R	(51,158)	0	51,158	0
Home Network	93.597	2007-2008--PUBLIC-R	0	193,020	202,391	9,371
Prevent Child Abuse Kentucky	93.669	N/A	0	25,237	67,543	42,306
New Chance-Cab For Families	93.558	M-06069713	55,127	55,127	0	0
New Chance-Cab For Families	93.558	M-06069713	0	258,588	328,045	69,457
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>			<b>81,538</b>	<b>947,764</b>	<b>1,062,527</b>	<b>196,301</b>
<b>US Department of Transportation:</b>						
Direct Programs:						
Passed through Commonwealth of Kentucky:						
Liberty Road/Todds Road	20.205	C-00021586	75,915	1,800	120,375	194,490
Liberty Road/Todds Road	20.205	C-04073306	0	0	0	0
Liberty Park Trail	20.219	M-03192191	50,000	50,000	0	0
Federal Highway Planning	20.205	0600002626	162,270	162,270	0	0
Federal Highway Planning	20.205	0700010834	0	150,597	300,873	150,276
Rosenwald School	20.205	C-03093411	914	143,101	142,187	0
Courthouse Renovation	20.205	C-04668468	11,388	0	(11,388)	0
Loudon Avenue Project	20.205	C-02279716	98,120	167,505	510,268	440,884
Fiber Optic Cable Installation	20.205	C-03280798	6,413	6,413	0	0
Fiber Optic Cable Installation	20.205	C-04653593	25,294	25,294	21,744	21,744
Fiber Optic Cable Installation	20.205	C-06179870	48,892	200,805	168,663	16,750
Fiber Optic Cable Installation	20.205	0700005481	0	22,225	162,790	140,565
Newtown Pike	20.205	C-00343167	344,271	1,105,000	1,087,630	326,900
Newtown Pike	20.205	C-01261650	16,761	16,761	0	0
Traffic Signal Installation	20.205	P02 625-060004655	0	0	47,199	47,199
Traffic Signal Installation	20.205	C-03336343	4,771	4,118	0	653
Traffic Signal Installation	20.205	C-04257980	49,262	49,262	0	(0)
Traffic Signal Installation	20.205	C-05196959	0	36,925	69,512	32,588
Traffic Control	20.205	C-02269501	(1,248)	(1,248)	0	(0)
Traffic Control	20.205	C-03325196	9,249	17,509	8,260	(0)
Traffic Control	20.205	C-04258064	20,387	34,124	137,153	123,415
Traffic Control	20.205	P02-625-0600004655	4,377	12,562	25,333	17,148
Traffic Control	20.205	P02-625-0700012692	0	0	24,342	24,342
Noise Abatement Project	20.205	C-03463993	77,097	88,337	11,240	(0)
Brighton East	20.205	C-05031709	17,743	84,561	94,769	27,951
Brighton East	20.205	C-03441165	37,200	37,200	0	0
Bicycle Coordinator Program	20.205	P02-628-0600003704	11,888	40,929	29,041	0
Bike Projects	20.205	C-05139536	22,772	34,088	21,871	10,555
Bike Projects	20.205	C-99006967	0	143	143	0
Air Quality Planning	20.205	0600004149	25,228	41,124	15,896	0
Air Quality Planning	20.205	0700011846	0	12,256	52,466	40,210
Pope House Project	20.205	C-01248155	18,190	368,476	378,875	28,589
West Hickman	20.205	C-04482975	29,740	0	3,864	33,604
Clays Mill Road	20.205	C-03328826	81,357	91,453	11,056	960
Clays Mill Road	20.205	C-03328686	835	835	0	0
Grimes Mill Bridge	20.205	C-05354512	0	33,557	81,159	47,602
Town Branch	20.205	C-03022850	1,200	20,410	21,295	2,085
Town Branch	20.205	C-02182950	2,837	37,455	41,578	6,961
Alumni Drive	20.205	C-05031745	(3,233)	(3,233)	0	0
Citation Boulevard	20.205	C-05396856	10,080	20,176	25,211	15,115
Versailles Road Corridor	20.205	P02-628-0600003375	0	17,200	21,784	4,584
Wellington Way	20.205	P02-628-0600002885	0	122,448	131,311	8,863
MCSAP	20.218	M-05042656	0	0	44,064	44,064

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2008**

<b>Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Direct/ Pass-through Grantor's Number</b>	<b>Accrued (Deferred) Revenue at July 1, 2007</b>	<b>Revenue Received</b>	<b>Expenditures</b>	<b>Accrued (Deferred) Revenue at June 30, 2008</b>
MCSAP	20.218	M-05042656	\$12,091	\$50,499	\$38,408	\$0
Mobility Office	20.505	PO2-625-0600004149	68,592	69,385	5,891	5,098
Mobility Office	20.505	MA-0700011846	0	32,899	102,000	69,101
Fed Transit Admin Section 5303	20.505	G14MP03Z	17,633	17,633	0	0
Fed Transit Admin Section 5303	20.505	0700013394	0	39,549	40,000	451
Buckle Up Kentucky	20.600	K2-07-02	10,000	10,000	0	0
Traffic Safety Supplement	20.600	J2-08-49	0	0	15,000	15,000
Traffic Safety	20.600	PT-06-16	0	951	31,155	30,204
Traffic Safety	20.600	AL-07-25	17,306	40,000	22,694	0
Recreational Trails	20.219	KY 20060511-0737	2,994	35,314	35,470	3,150
<b>Total US Department of Transportation</b>			<b>1,388,586</b>	<b>3,548,667</b>	<b>4,091,184</b>	<b>1,931,103</b>
<b>US Department of Housing and Urban Development:</b>						
Direct Programs:						
Community Dev Block Grant	14.218	B02MC210004	378,526	353,901	33,679	58,304
Community Dev Block Grant	14.218	B03MC210004	208,793	2,157	39,013	245,649
Community Dev Block Grant	14.218	B04MC210004	301,215	498,672	223,768	26,310
Community Dev Block Grant	14.218	B05MC210004	1,291,525	2,220,283	538,484	(390,274)
Community Dev Block Grant	14.218	B06MC210004	(1,656,679)	(564,297)	720,630	(371,752)
Community Dev Block Grant	14.218	B07MC210004	0	0	908,172	908,172
Emergency Shelter	14.231	S06MC210003	13,371	15,598	2,227	0
Emergency Shelter	14.231	S07MC210003	0	82,186	91,797	9,611
HOME	14.239	MO1MC210201	0	0	65,298	65,298
HOME	14.239	M02MC210201	279,891	125,643	163,163	317,411
HOME	14.239	M03MC210201	24,575	122,438	97,863	0
HOME	14.239	M04MC210201	702,881	948,467	351,138	105,552
HOME	14.239	M05MC210201	700,958	1,053,375	596,782	244,365
HOME	14.239	M06MC210201	(925,530)	(804,912)	213,307	92,688
HOME	14.239	M07MC210201	0	14,392	210,819	196,427
Housing Opp for Pers with AIDS (HOPWA)	14.241	KY-H04-0001	59,994	252,399	333,586	141,181
<b>Total US Department of Housing and Urban Development</b>			<b>1,379,520</b>	<b>4,320,302</b>	<b>4,589,726</b>	<b>1,648,943</b>
<b>US Department of Agriculture:</b>						
Direct Programs:						
Purchase of Development Rights (PDR)	10.913	73-5C16-6-042	1,989,137	2,615,016	625,879	0
Purchase of Development Rights (PDR)	10.913	73-5C16-7-052	0	1,482,408	1,690,353	207,945
Wildlife Habitat Incentive Program (WHIP)	10.914	72-5C16-4-A031	0	0	0	0
Passed through Commonwealth of Kentucky:						
Food Commodities-Social Services	10.55	034-0400	0	4,103	4,103	0
National School Lunch	10.555	034-038-999	4,428	12,722	8,294	0
National School Lunch	10.555	034-038-999	0	24,652	29,163	4,511
Child Care Food Program	10.558	034-L95-999	10,791	24,289	13,498	0
Child Care Food Program	10.558	034-L95-999	0	34,293	43,664	9,371
Summer Lunch	10.559	034-X75-999SU	27,161	164,519	137,358	0
Summer Lunch	10.559	034-X75-999SU	0	0	73,009	73,009
Urban Forestry	10.664	PON2-595-0600001446-1	9,335	10,000	665	0
Urban Forestry	10.664	M-05278134	0	0	5,000	5,000
<b>Total US Department of Agriculture</b>			<b>2,040,852</b>	<b>4,372,002</b>	<b>2,630,986</b>	<b>299,836</b>
<b>US Department of Interior:</b>						
Passed through Commonwealth of Kentucky:						
USCGS	15.809	06ERAG0050	20,000	20,000	0	0
Historic Preservation	15.904	21-06-21520	8,350	8,350	0	0
Historic Preservation	15.904	21-07-21621	0	0	8,500	8,500
Preserve America	15.904	21-06-PA-2056	0	23,146	23,146	0
Raven Run Wetlands	15.623	KY-N11	6,039	6,039	0	0
<b>Total US Department of Interior</b>			<b>34,389</b>	<b>57,535</b>	<b>31,646</b>	<b>8,500</b>
<b>US Department of Justice:</b>						
Direct Programs:						
Police Confiscated Funds	16.000	NA	(559,006)	806,501	447,754	(917,752)
Safe Havens	16.527	2005-CW-AX-0015	52,100	143,025	90,925	(0)
Safe Havens	16.527	2007-CW-AX-0020	0	48,054	101,457	53,403
Local Law Enforcement Block Grant	16.592	2004-LB-BX-0510	0	0	0	0
Bulletproof Vests	16.607	06133999	10,962	0	0	10,962
Bulletproof Vests	16.607	07037695	0	0	1,700	1,700
Anti Gang Initiative	16.744	2006-PG-BX-0044	5,258	8,520	29,371	26,109
Arrest Policy	16.590	2006-WE-AX-0053	11,846	92,873	133,413	52,386
Project Safe Neighborhoods	16.609	2003-GP-CX-0547	0	26,683	140,053	113,370
Project Safe Neighborhoods	16.609	2003-GP-CX-0547	80,039	133,703	93,524	39,860
Project Safe Neighborhoods	16.609	2006-GP-CX-0069	0	2,034	23,000	20,966

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2008**

<b>Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Direct/ Pass-through Grantor's Number</b>	<b>Accrued (Deferred) Revenue at July 1, 2007</b>	<b>Revenue Received</b>	<b>Expenditures</b>	<b>Accrued (Deferred) Revenue at June 30, 2008</b>
Project Safe Neighborhoods	16.609	2006-GP-CX-0069	\$0	\$0	\$0	\$0
Crime Data	16.710	31829	(18,041)	0	1,823	(16,218)
Crime Data	16.710	34095	(9,888)	9,888	19,776	0
Justice Assistance Grant	16.738	2005-DJ-BX-0225	60,758	111,106	55,920	5,572
Justice Assistance Grant	16.738	2006-DJ-BX-1069	3,000	55,084	54,682	2,598
Justice Assistance Grant	16.738	2007-DJ-BX-0457	0	86,942	204,942	118,000
Passed through Commonwealth of Kentucky:						
Title V	16.548	2004-JP-FX-0044	11,254	35,375	24,120	(0)
Title V	16.548	2004-JP-FX-0044	0	0	53,737	53,737
Juv Accountability Block Grant	16.523	2005-JB-FX-0012 (101)	2,811	8,794	5,983	0
Juv Accountability Block Grant	16.523	2006-JB-FX-0002 (101)	0	6,421	11,252	4,831
Cold Case Squad	16.579	7113-N16-1/04	10,167	21,632	17,480	6,015
PALYEP	16.541	PALYEP-2006-07-KY065	7,125	7,125	0	0
Street Sales	16.579	5039-D-1/05	51,439	51,439	0	0
Street Sales	16.579	5136-D-2/06	72,028	72,028	0	0
Street Sales	16.579	5222-D-3/07	0	65,619	110,000	44,381
Street Sales-Confiscated Funds	16.579	5222-D-3/07	0	72,127	72,127	0
Domestic Violence Conf.	16.588	6803-VA1-1/02	0	1,350	1,350	0
DVBP Information Materials Grant	16.588	6759-VA1-1/00	0	2,956	2,956	0
Sexual Assault Nurse Examiner (SANE)	16.588	6789-VA1-8/07	0	2,417	10,302	7,886
Sexual Assault Nurse Examiner (SANE)	16.588	6751-VA1-7/06	9,115	18,011	10,019	1,123
SCAAP	16.606	2007-AP-BX-0137	0	125,561	93,414	(32,147)
SCAAP	16.606	2008-AP-BX-0101	0	79,127	0	(79,127)
<b>Total US Department of Justice</b>			<u>(199,033)</u>	<u>2,094,396</u>	<u>1,811,082</u>	<u>(482,347)</u>
<b>US Department of Homeland Security Office of Domestic Preparedness:</b>						
Direct Programs:						
Assistance to Firefighters	97.044	EMW-2006-FG-09381	23,603	238,820	215,217	0
Metro Medical Response System (MMRS)	97.071	M-05441953	16,475	150,746	143,931	9,661
Metro Medical Response System (MMRS)	97.071	EMW-2004-GR-0802	226,701	0	0	226,701
Metro Medical Response System (MMRS)	97.071	PON2 094 08000149192 1	0	2,536	15,094	12,558
Metro Medical Response System (MMRS)	97.071	PON2 094 0700005899 1	0	64,530	64,699	169
Passed through Commonwealth of Kentucky:						
Disaster Reimbursement-Ice Storm	83.548	DR 1454	1,758,765	0	0	1,758,765
Disaster Reimbursement-Hurricane Katrina	97.036	DR 3231	30,484	0	(30,484)	0
Chemical Stockpile Emergency (CSEPP)	97.040	M-05118118	18,132	32,056	13,924	0.00
Chemical Stockpile Emergency (CSEPP)	97.040	M-05374662	27,790	88,461	75,067	14,396
Chemical Stockpile Emergency (CSEPP)	97.040	PON2 0600002230	6,107	25,102	50,500	31,505
Chemical Stockpile Emergency (CSEPP)	97.040	PON2 0700005552	0	0	21,699	21,699
Emergency Management Assistance	97.042	PON2 095 07000036181	27,632	34,788	24,490	17,334
State Homeland Security (fire)	97.067	PO2 094 0800015056 1	0	0	23,393	23,393
State Homeland Security COMM	97.067	PO2-094-0700013217 1	0	0	48,378	48,378
State Homeland Security COMM	97.067	PO2-094-0600003668	0	10,053	10,053	0
State Homeland Security	97.067	PO2-094-0700012951 1	0	0	31,481	31,481
State Homeland Security Sheriff	97.067	PO2-094-0600003533	70,337	70,457	120	0
Sugarmill	97.039	PON2-095-0600003029-1	418	172,503	175,506	3,421
<b>Total US Dept. of Homeland Security Office of Domestic Preparedness</b>			<u>2,206,444</u>	<u>890,052</u>	<u>883,069</u>	<u>2,199,460</u>
<b>US Department of Education:</b>						
Direct Programs:						
21st Century Learning	84.287	M-06211440	101,912	132,607	30,695	0
21st Century Learning	84.287	0600000407	0	0	41,034	41,034
<b>Total US Department of Education</b>			<u>101,912</u>	<u>132,607</u>	<u>71,729</u>	<u>41,034</u>
<b>Total Federal Financial Assistance</b>			<u>\$7,241,861</u>	<u>\$16,571,897</u>	<u>\$15,193,791</u>	<u>\$5,863,755</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, 2008**

t	Grantor/Program Title	Grantor's Number	Grantor	Accrued or (Deferred) Revenue at	Revenue		Accrued or (Deferred) Revenue at
				July 1, 2007	Received	Expenditures	June 30, 2008
13	Animal Disposal	07-DA1028	Kentucky Dept. of Agriculture	\$0	\$10,000	\$10,000	\$0
	Area Development Fund	A834 (08-a)	Kentucky Office of the Governor	0	12,727	12,727	0
	Aviation Museum	H090-1	Governor's Office for Local Development	42,437	94,425	543,610	491,622
	Community Juvenile Justice	M-06232589	Kentucky Justice Cabinet	45,630	234,111	236,978	48,497
	Day Treatment	M-06213289	Kentucky Dept. of Juvenile Justice	38,119	228,717	228,717	38,119
	Disaster Reimbursement-Ice Storm	DR 1454	Kentucky Emergency Management Agency	281,403	0	0	281,403
	Drug Control Supplemental	ODCP-1023-D/06	Kentucky Justice Cabinet	4,094	4,094	0	0
	Drug Control Supplemental	ODCP-1023-D/07	Kentucky Justice Cabinet	0	45,000	44,926	(74)
	Emergency Medical Services	N/A	Kentucky Bd. Emergency Medical Services	(10,684)	0	9,953	(731)
	Emergency Medical Services	N/A	Kentucky Bd. Emergency Medical Services	0	10,256	0	(10,256)
	Emergency Shelter	ES07-0049-01	Kentucky Housing Corporation	0	0	2,999	2,999
	Family Care Center Technology Upgrade	H093-01	Governor's Office for Local Development	27,100	27,100	0	0
	Federal Highway Planning	0600002626	Kentucky Transportation Cabinet	10,142	10,142	0	0
	Federal Highway Planning	0700010834	Kentucky Transportation Cabinet	0	9,412	18,805	9,393
	Fire Training Facility	N/A	Governor's Commission on Fire Protection	(9,914)	0	9,914	0
	Fire Training Incentive	155	Kentucky Commission on Fire Protection	110,970	110,970	0	0
	Fire Training Incentive	155	Kentucky Commission on Fire Protection	0	1,622,369	2,057,853	435,485
	Gainesway Park	0700003587	Kentucky Office for Local Development	0	464,317	702,672	238,355
	Green Acres	276N-2007	Kentucky Infrastructure Authority	0	61,300	142,551	81,251
	Home Network	2007-2008--PUBLIC-R	Lexington Fayette County Health Dept.	0	88,383	88,383	0
	Kentucky Pride	N/A	Kentucky Dept. Natural Resources	(309)	0	309	0
	Kentucky Pride	N/A	Kentucky Dept. Natural Resources	(41,843)	0	41,843	0
	Kentucky Pride	N/A	Kentucky Dept. Natural Resources	0	148,144	102,738	(45,406)
	Law Enforcement Service Fee	LSF-675-L1-07	Kentucky Justice Cabinet	18,569	18,569	0	0
	Law Enforcement Service Fee	LSF-700-L1-08	Kentucky Justice Cabinet	0	8,172	35,000	26,828
	Local Area Dev. Area Fund	A834 (2006-a)	Kentucky Office of the Governor	0	0	0	0
	Local Records	AY0803LR07		0	17,842	17,842	0
	National School Lunch	034-038-999	Kentucky Dept. Education	0	430	430	0
	Newtown Pike Extension	C-01261650	Kentucky Transportation Cabinet	3,638	3,638	0	0
	Newtown Pike Extension	C00343167	Kentucky Transportation Cabinet	86,068	276,250	271,907	81,725
	North Elkhorn Pump	SX21067003	Kentucky Infrastructure Authority	499,651	1,615,425	1,200,349	84,575
	Police Training Incentive	PT-105-03	Kentucky Law Enforcement Foundation	171,631	171,631	0	0
	Police Training Incentive	PT-105-03	Kentucky Law Enforcement Foundation	0	1,693,111	2,210,826	517,715
	Purchase of Development Rights (PDR)	A2006-0196	Kentucky Dept. Agriculture	(350,000)		350,000	0
	Purchase of Development Rights (PDR)	A2007-0479	Kentucky Dept. Agriculture	0	100,000	361	(99,639)
	Raven Run Acquisition	N/A	Kentucky Heritage Land Conservation Fund	(124,590)		5,997	(118,593)
	SANE (Sexual Assault Treatment Project)	6751-VA1-7/06	Kentucky Justice Cabinet	3,840	7,800	3,960	0
	SANE (Sexual Assault Treatment Project)	6789-VA1-8/07	Kentucky Justice Cabinet	0	1,000	1,400	400
	Search & Rescue	PON2 095 0600000810 1	Kentucky Emergency Management Agency	0		4,959	4,959
	State Homeland Communications	PO2-094-0700013305-1	Kentucky Justice Cabinet	0	0	147,457	147,457
	State Homeland Security Police	PO2-079-0600003060-1	Kentucky Justice Cabinet	95,963	144,088	48,125	0
	Street Sales Confiscated Funds	5039-D-1/05	Kentucky Justice Cabinet	0	26,099	26,099	0
	Sugarmill	PON2-095-0600003029-1	Kentucky Emergency Management Agency	0	26,728	27,196	468
	Survivors II	N/A	Kentucky Office of the Governor	26,621	59,834	43,379	10,166
	Todd/Liberty Transportation Improvement Pgm.	C-0021586	Kentucky Transportation Cabinet	18,979	450	30,094	48,623
	Todds/Liberty Road Section II	C-04073306	Kentucky Transportation Cabinet	0	0	0	0
	Transition Plus	M-06213289	Kentucky Dept. of Juvenile Justice	6,480	38,096	44,747	13,131
	Unsewered Areas2	SX21067001	Kentucky Infrastructure Authority	0	23,430	23,430	0
	Unsewered Areas	SX21067001	Kentucky Infrastructure Authority	1,090,594	1,287,981	227,331	29,944
<b>Total State Financial Assistance</b>				<u>\$2,044,589</u>	<u>\$8,702,040</u>	<u>\$8,975,869</u>	<u>\$2,318,418</u>

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



## NONMAJOR ENTERPRISE FUNDS

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

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

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

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

The **Enhanced 911 Fund** was established in 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, 2008**

	<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>ASSETS</b>							
Current Assets:							
Cash	\$188,505	\$1,020,791	\$2,088,790	\$23,345	\$47,304	\$127,055	\$3,495,790
Investments	0	0	0	209	33,486	33,274	66,969
Receivables:							
Other Receivables	0	59,356	0	8,130	0	51,008	118,494
Less Allowance for Uncollectible Accounts	0	0	0	0	0	(49,739)	(49,739)
<b>Total Current Assets</b>	<u>188,505</u>	<u>1,080,147</u>	<u>2,088,790</u>	<u>31,684</u>	<u>80,790</u>	<u>161,598</u>	<u>3,631,514</u>
Non-Current Assets:							
Land Improvements	0	10,000	0	0	0	0	10,000
Vehicles, Equipment, and Furniture	56,652	116,098	326,827	2,916,690	0	0	3,416,267
Less Accumulated Depreciation	(10,622)	(62,404)	(296,483)	(1,857,124)	0	0	(2,226,633)
<b>Total Non-Current Assets</b>	<u>46,030</u>	<u>63,694</u>	<u>30,344</u>	<u>1,059,566</u>	<u>0</u>	<u>0</u>	<u>1,199,634</u>
<b>Total Assets</b>	<u>234,535</u>	<u>1,143,841</u>	<u>2,119,134</u>	<u>1,091,250</u>	<u>80,790</u>	<u>161,598</u>	<u>4,831,148</u>
<b>LIABILITIES</b>							
Current Liabilities:							
Accounts, Contracts and Retainage Payable	3,540	25,267	194,948	254,733	0	0	478,488
Accrued Payroll	6,139	63,501	0	37,516	0	0	107,156
Internal Balances	4,359	30,556	114,197	(192,867)	(35,776)	0	(79,531)
Other	0	0	146,458	0	0	0	146,458
Compensated Absences	0	90	0	0	0	0	90
<b>Total Current Liabilities</b>	<u>14,038</u>	<u>119,414</u>	<u>455,603</u>	<u>99,382</u>	<u>(35,776)</u>	<u>0</u>	<u>652,661</u>
Non-Current Liabilities							
Compensated Absences	0	2,752	0	0	0	0	2,752
<b>Total Non-Current Liabilities</b>	<u>0</u>	<u>2,752</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,752</u>
<b>Total Liabilities</b>	<u>14,038</u>	<u>122,166</u>	<u>455,603</u>	<u>99,382</u>	<u>(35,776)</u>	<u>0</u>	<u>655,413</u>
<b>NET ASSETS</b>							
Invested in Capital Assets, net of related debt	46,030	63,694	30,344	1,059,566	0	0	1,199,634
Unrestricted	174,467	957,981	1,633,187	(67,698)	116,566	161,598	2,976,101
<b>Total Net Assets</b>	<u>\$220,497</u>	<u>\$1,021,675</u>	<u>\$1,663,531</u>	<u>\$991,868</u>	<u>\$116,566</u>	<u>\$161,598</u>	<u>\$4,175,735</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, 2008**

	<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>Operating Revenues</b>							
Fees	\$0	\$2,204,017	\$0	\$2,618,325	\$61,360	\$0	\$4,883,702
Licenses & Permits	310,950	0	0	0	0	0	310,950
Gross Profit-Commissary	0	0	900,615	0	0	0	900,615
Other	0	(246)	1,165,746	3,069	0	188	1,168,757
<b>Total Operating Revenues</b>	<u>310,950</u>	<u>2,203,771</u>	<u>2,066,361</u>	<u>2,621,394</u>	<u>61,360</u>	<u>188</u>	<u>7,264,024</u>
<b>Operating Expenses</b>							
Right of Way	326,641	0	0	0	0	0	326,641
Extended School Program	0	1,388,275	0	0	0	0	1,388,275
Prisoners' Account	0	0	666,386	0	0	0	666,386
Inmate Trust Account	0	0	990,607	0	0	0	990,607
Enhanced 911	0	0	0	3,512,230	0	0	3,512,230
LexVan Program	0	0	0	0	54,347	0	54,347
Administration	0	680,595	0	0	0	0	680,595
Depreciation	7,082	12,552	67,231	358,037	0	0	444,902
<b>Total Operating Expenses</b>	<u>333,723</u>	<u>2,081,422</u>	<u>1,724,224</u>	<u>3,870,267</u>	<u>54,347</u>	<u>0</u>	<u>8,063,983</u>
<b>Operating Income (Loss)</b>	<u>(22,773)</u>	<u>122,349</u>	<u>342,137</u>	<u>(1,248,873)</u>	<u>7,013</u>	<u>188</u>	<u>(799,959)</u>
<b>Non-Operating Revenues (Expenses)</b>							
Income on Investments	3,142	14,855	31,244	209	1,248	6,813	57,511
<b>Total Non-Operating Revenues</b>	<u>3,142</u>	<u>14,855</u>	<u>31,244</u>	<u>209</u>	<u>1,248</u>	<u>6,813</u>	<u>57,511</u>
<b>Income (Loss) Before Contributions and Transfers</b>	(19,631)	137,204	373,381	(1,248,664)	8,261	7,001	(742,448)
Transfers In	0	0	0	651,513	0	0	651,513
Transfers Out	0	0	(1,290)	0	0	0	(1,290)
<b>Change in Net Assets</b>	<u>(19,631)</u>	<u>137,204</u>	<u>372,091</u>	<u>(597,151)</u>	<u>8,261</u>	<u>7,001</u>	<u>(92,225)</u>
<b>Net Assets - July 1</b>	240,128	884,471	1,291,440	1,589,019	108,305	154,597	4,267,960
<b>Net Assets - June 30</b>	<u>\$220,497</u>	<u>\$1,021,675</u>	<u>\$1,663,531</u>	<u>\$991,868</u>	<u>\$116,566</u>	<u>\$161,598</u>	<u>\$4,175,735</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended June 30, 2008**

	<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	\$310,950	\$2,144,415	\$2,066,361	\$2,613,264	\$61,360	\$188	\$7,196,538
Payments for Loans	0	0	0	0	0	(1,269)	(1,269)
Payments to Suppliers	1,989	(336,873)	(1,495,848)	(1,362,254)	(76,819)	0	(3,269,805)
Payments to Employees	(318,850)	(1,602,601)	0	(2,111,452)	0	0	(4,032,903)
Payments for Interfund Services Used	0	(119,010)	0	(2,277)	(13,304)	0	(134,591)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>(5,911)</b>	<b>85,931</b>	<b>570,513</b>	<b>(862,719)</b>	<b>(28,763)</b>	<b>(1,081)</b>	<b>(242,030)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>							
Transfers In	0	0	0	651,513	0	0	651,513
Transfers Out	0	0	(1,290)	0	0	0	(1,290)
<b>Net Cash Flows from Noncapital Financing Activities</b>	<b>0</b>	<b>0</b>	<b>(1,290)</b>	<b>651,513</b>	<b>0</b>	<b>0</b>	<b>650,223</b>
<b>Cash Flows from Capital and Related Activities:</b>							
Additions to Property, Plant and Equipment	0	(10,000)	0	(1,243,167)	0	0	(1,253,167)
<b>Net Cash Flows from Capital and Related Activities</b>	<b>0</b>	<b>(10,000)</b>	<b>0</b>	<b>(1,243,167)</b>	<b>0</b>	<b>0</b>	<b>(1,253,167)</b>
<b>Cash Flows from Investing Activities:</b>							
Purchases of Investments	0	0	0	0	0	(418)	(418)
Proceeds from Sales and Maturities of Investments	0	0	0	299,790	16,514	0	316,304
Income on Investments	3,142	14,855	31,244	209	1,248	6,813	57,511
<b>Net Cash Flows from Investing Activities</b>	<b>3,142</b>	<b>14,855</b>	<b>31,244</b>	<b>299,999</b>	<b>17,762</b>	<b>6,395</b>	<b>373,397</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(2,769)</b>	<b>90,786</b>	<b>600,467</b>	<b>(1,154,374)</b>	<b>(11,001)</b>	<b>5,314</b>	<b>(471,577)</b>
Cash and Cash Equivalents at Beginning of Year	191,274	930,005	1,488,323	1,177,719	58,305	121,741	3,967,367
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$188,505</b>	<b>\$1,020,791</b>	<b>\$2,088,790</b>	<b>\$23,345</b>	<b>\$47,304</b>	<b>\$127,055</b>	<b>\$3,495,790</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:</b>							
<b>Operating Income (Loss)</b>	<b>(\$22,773)</b>	<b>\$122,349</b>	<b>\$342,137</b>	<b>(\$1,248,873)</b>	<b>\$7,013</b>	<b>\$188</b>	<b>(\$799,959)</b>
<b>Adjustments Not Affecting Cash:</b>							
Depreciation	7,082	12,552	67,231	358,037	0	0	444,902
Allowance for Bad Debts	0	0	0	0	0	0	0
<b>(Increase) Decrease in Assets:</b>							
Other Receivables	0	(59,356)	0	(8,130)	0	(1,269)	(68,755)
<b>Increase (Decrease) in Liabilities:</b>							
Accounts Payable	3,540	(45,561)	153,925	236,182	0	0	348,086
Accrued Payroll	(1,103)	27,024	0	(75)	0	0	25,846
Due to Other Funds	7,343	30,556	(15,561)	(199,860)	(35,776)	0	(213,298)
Other Liabilities	0	0	22,781	0	0	0	22,781
Compensated Absences	0	(1,633)	0	0	0	0	(1,633)
<b>Total Adjustments</b>	<b>16,862</b>	<b>(36,418)</b>	<b>228,376</b>	<b>386,154</b>	<b>(35,776)</b>	<b>(1,269)</b>	<b>557,929</b>
<b>Net Cash Provided by (Used In) Operating Activities</b>	<b>(\$5,911)</b>	<b>\$85,931</b>	<b>\$570,513</b>	<b>(\$862,719)</b>	<b>(\$28,763)</b>	<b>(\$1,081)</b>	<b>(\$242,030)</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, 2008**

	<b>Health Dental and Vision Care</b>	<b>Insurance and Risk Management</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash	\$0	\$0	\$0
Investments	0	6,026,576	6,026,576
Receivables	1,070,479	79,976	1,150,455
<b>Total Current Assets</b>	<u>\$1,070,479</u>	<u>\$6,106,552</u>	<u>\$7,177,031</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	4,462	429,210	433,672
Due to Other Funds	1,066,017	(15,258,689)	(14,192,672)
Claims Payable:			
Reported	0	9,571,693	9,571,693
Incurred But Not Reported	0	11,364,338	11,364,338
<b>Total Current Liabilities</b>	<u>1,070,479</u>	<u>6,106,552</u>	<u>7,177,031</u>
<b>Total Liabilities</b>	<u>1,070,479</u>	<u>6,106,552</u>	<u>7,177,031</u>
<b>NET ASSETS</b>			
Unrestricted (Deficit)	<u>\$0</u>	<u>\$0</u>	<u>\$0</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, 2008**

	<b>Health, Dental and Vision Care Insurance</b>				<b>Insurance and Risk Management</b>	<b>Total</b>
	<b>Health</b>	<b>Dental</b>	<b>Vision Care</b>	<b>Total</b>		
<b>Operating Revenues</b>						
Premiums	\$27,823,490	\$1,543,699	\$257,982	\$29,625,171	\$22,292,063	\$51,917,234
<b>Total Operating Revenues</b>	<u>27,823,490</u>	<u>1,543,699</u>	<u>257,982</u>	<u>29,625,171</u>	<u>22,292,063</u>	<u>51,917,234</u>
<b>Operating Expenses</b>						
Claims and Benefit Payments	27,393,882	2,019,248	212,041	29,625,171	10,867,700	40,492,871
<b>Total Operating Expenses</b>	<u>27,393,882</u>	<u>2,019,248</u>	<u>212,041</u>	<u>29,625,171</u>	<u>10,867,700</u>	<u>40,492,871</u>
<b>Operating Income (Loss)</b>	429,608	(475,549)	45,941	0	11,424,363	11,424,363
<b>Non-Operating Revenues</b>						
Income on Investments	0	0	0	0	11,074	11,074
<b>Total Non-Operating Revenues</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,074</u>	<u>11,074</u>
<b>Change in Net Assets</b>	429,608	(475,549)	45,941	0	11,435,437	11,435,437
<b>Net Assets - July 1</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>
<b>Net Assets - June 30</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2008**

	<b>Health Dental and Vision Care</b>	<b>Insurance and Risk Management</b>	<b>Total</b>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>			
<b>Cash Flows from Operations:</b>			
Receipts from Customers	\$20,469,290	\$0	\$20,469,290
Receipts from Interfund Services Provided	9,111,353	5,975,700	15,087,053
Refunds from/(Payments) to Suppliers	(32,009)	402,210	370,201
Payments for Claims	(29,625,171)	(9,020,672)	(38,645,843)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>(76,537)</u>	<u>(2,642,762)</u>	<u>(2,719,299)</u>
<b>Cash Flows from Investing Activities:</b>			
Income on Investments	0	11,074	11,074
Proceeds from Sales and Maturities of Investments	0	1,473,424	1,473,424
<b>Net Cash Flows from Investing Activities</b>	<u>0</u>	<u>1,484,498</u>	<u>1,484,498</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(76,537)	(1,158,264)	(1,234,801)
Cash and Cash Equivalents at Beginning of Year	<u>76,537</u>	<u>1,158,264</u>	<u>1,234,801</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
<b>Reconciliation of Operating Loss to Net Cash Used In Operating Activities:</b>			
<b>Operating Income (Loss)</b>	<u>\$0</u>	<u>\$11,424,363</u>	<u>\$11,424,363</u>
<b>(Increase) Decrease in Assets:</b>			
Other Receivables	(1,011,616)	161,679	(849,937)
<b>Increase (Decrease) in Liabilities:</b>			
Accounts Payable	(32,009)	402,210	370,201
Due to Other Funds	967,088	(16,478,042)	(15,510,954)
Claims Payable	0	1,847,028	1,847,028
<b>Total Adjustments</b>	<u>(76,537)</u>	<u>(14,067,125)</u>	<u>(14,143,662)</u>
<b>Net Cash Provided by (Used In) Operating Activities</b>	<u><u>(\$76,537)</u></u>	<u><u>(\$2,642,762)</u></u>	<u><u>(\$2,719,299)</u></u>



## **FIDUCIARY FUNDS**

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

### **AGENCY FUNDS**

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

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

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF NET ASSETS**  
**AGENCY FUNDS**  
**For the Year Ended June 30, 2008**

	<u>Balance July 1, 2007</u>	<u>Balance June 30, 2008</u>
<b>NEIGHBORHOOD SEWER PROJECTS FUND</b>		
Cash and Short-Term Investments	\$115,990	\$60,002
Due from General Fund	0	34,015
Accounts Receivable	33,898	17,770
Allowance for Uncollectible Accounts	(33,898)	(17,770)
<b>Total Assets</b>	<u><u>\$115,990</u></u>	<u><u>\$94,017</u></u>
 Payable to Property Owners	 \$65,530	 \$43,795
Interest Payable	460	222
Reserve for Bond Redemption	50,000	50,000
<b>Total Liabilities</b>	<u><u>\$115,990</u></u>	<u><u>\$94,017</u></u>
 <b>JUVENILE AND ADULT PROBATION FUND</b>		
Cash	\$329,388	\$336,884
<b>Total Assets</b>	<u><u>\$329,388</u></u>	<u><u>\$336,884</u></u>
 Accounts Payable	 \$329,388	 \$336,884
<b>Total Liabilities</b>	<u><u>\$329,388</u></u>	<u><u>\$336,884</u></u>
 <b>DOMESTIC RELATIONS FUND</b>		
Cash	\$323,407	\$323,316
<b>Total Assets</b>	<u><u>\$323,407</u></u>	<u><u>\$323,316</u></u>
 Accounts Payable	 \$323,407	 \$323,316
<b>Total Liabilities</b>	<u><u>\$323,407</u></u>	<u><u>\$323,316</u></u>
 <b>TOTALS - AGENCY FUNDS</b>		
Cash and Short-Term Investments	\$768,785	\$720,202
Due from General Fund	0	34,015
Accounts Receivable	33,898	17,770
Allowance for Uncollectible Accounts	(33,898)	(17,770)
<b>Total Assets</b>	<u><u>\$768,785</u></u>	<u><u>\$754,217</u></u>
 Liabilities	 \$718,785	 \$704,217
Reserve for Bond Redemption	50,000	50,000
<b>Total Liabilities</b>	<u><u>\$768,785</u></u>	<u><u>\$754,217</u></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, 2008**

**General Capital Assets:**

Land	\$45,234,156
Buildings	129,517,550
Vehicles, Equipment and Furniture	92,102,245
Land Improvements	12,739,712
Leasehold Improvements	1,043,397
Purchase of Development Rights	52,260,141
Infrastructure	961,112,028
Sewer Lines	1,116,522
Sewer Plants	163,906
Construction in Progress	19,490,207

<b>Total General Capital Assets</b>	<u><u>\$1,314,779,864</u></u>
-------------------------------------	-------------------------------

**Investment in General Capital Assets from:**

General Fund	\$1,212,725,473
Special Revenue Funds	95,206,966
Donations	<u>6,847,425</u>

<b>Total Investment in General Capital Assets</b>	<u><u>\$1,314,779,864</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, 2008**

<b>Function and Activity</b>	<b>General Capital Assets July 1, 2007, restated*</b>	<b>Additions</b>	<b>Deletions/ Adjustments</b>	<b>General Capital Assets June 30, 2008</b>
<b>General Government:</b>				
<b>Control:</b>				
Legislative	\$93,565	\$0	\$0	\$93,565
Executive	24,727,520	92,000	18,062	24,837,582
Constitutional Officers and Judicial	240,791	0	(17,784)	223,007
<b>Total Control</b>	<u>25,061,876</u>	<u>92,000</u>	<u>278</u>	<u>25,154,154</u>
<b>Staff Agencies:</b>				
Finance	5,691,321	1,389,849	(86,849)	6,994,321
Administrative Services	4,891,661	5,240	0	4,896,901
Law	239,651	0	(30,074)	209,577
General Services	<u>73,782,885</u>	<u>3,929,756</u>	<u>(134,122)</u>	<u>77,578,519</u>
<b>Total Staff Agencies</b>	<u>84,605,518</u>	<u>5,324,845</u>	<u>(251,045)</u>	<u>89,679,319</u>
<b>Total General Government</b>	<u>109,667,394</u>	<u>5,416,845</u>	<u>(250,767)</u>	<u>114,833,473</u>
Public Safety	142,083,705	7,748,580	(1,742,418)	148,089,867
Public Works	1,032,953,635	9,418,557	(527,274)	1,041,844,918
Social Services	<u>10,013,864</u>	<u>43,162</u>	<u>(45,418)</u>	<u>10,011,608</u>
<b>Total General Capital Assets</b>	<u>\$1,294,718,598</u>	<u>\$22,627,143</u>	<u>(\$2,565,877)</u>	<u>\$1,314,779,864</u>

\*Restate to reflect organization changes in FY 08

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS**  
**SCHEDULE BY FUNCTION AND ACTIVITY**  
**June 30, 2008**

Function and Activity	Land	Buildings	Vehicles, Equipment and Furniture	Land and Leasehold Improvements	Purchase of Development Rights	Infrastructure, Sewer Lines, Sewer Plants	Construction in Progress	Total
<b>General Government:</b>								
<b>Control:</b>								
Legislative	\$0	\$0	93,565	\$0	\$0	\$0	\$0	\$93,565
Executive	5,929,040	18,090,962	236,945	255,598	0	0	325,037	\$24,837,582
Constitutional Officers and Judicial	0	0	223,007	0	0	0	0	\$223,007
<b>Total Control</b>	<u>5,929,040</u>	<u>18,090,962</u>	<u>553,516</u>	<u>255,598</u>	<u>0</u>	<u>0</u>	<u>325,037</u>	<u>\$25,154,154</u>
<b>Staff Agencies:</b>								
Finance	572,959	800,834	5,578,189	35,000	0	5,218	2,122	\$6,994,321
Administrative Services	0	4,296,401	213,423	163,078	0	224,000	0	\$4,896,902
Law	0	0	209,577	0	0	0	0	\$209,577
General Services	27,695,973	23,965,422	16,689,310	8,705,371	0	0	522,444	\$77,578,519
<b>Total Staff Agencies</b>	<u>28,268,932</u>	<u>29,062,656</u>	<u>22,690,498</u>	<u>8,903,449</u>	<u>0</u>	<u>229,218</u>	<u>524,565</u>	<u>\$89,679,319</u>
<b>Total General Government</b>	<u>34,197,972</u>	<u>47,153,618</u>	<u>23,244,015</u>	<u>9,159,047</u>	<u>0</u>	<u>229,218</u>	<u>849,603</u>	<u>\$114,833,473</u>
Public Safety	7,016,273	72,482,835	59,343,638	3,075,859	0	934,920	5,236,340	\$148,089,866
Public Works	3,898,099	1,314,236	8,333,053	1,471,101	52,260,141	961,218,017	13,350,271	\$1,041,844,918
Social Services	121,812	8,566,861	1,181,538	77,103	0	10,300	53,993	\$10,011,607
<b>Total General Fixed Assets</b>	<u>\$45,234,156</u>	<u>\$129,517,550</u>	<u>\$92,102,245</u>	<u>\$13,783,109</u>	<u>\$52,260,141</u>	<u>\$962,392,456</u>	<u>\$19,490,207</u>	<u>\$1,314,779,864</u>



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## NONMAJOR COMPONENT UNITS

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

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

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

The **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 **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, 2008**

	<b>Lexington Transit Authority</b>	<b>Lexington Public Library</b>	<b>Lexington Convention and Visitors Bureau</b>	<b>Explorium of Lexington</b>
<b>ASSETS</b>				
Cash	\$639,264	\$1,639,713	\$342,284	\$43,976
Investments	3,007,310	2,261,567	1,000,000	1,131
Receivables:				
Accounts Receivable	23,171	45,497	510,323	
Other	103,977			
Due from Primary Government			428,808	
Due from Other Governments	6,650,326			
Inventories	674,582			29,367
Prepaid Items	1,465,384	109,054	36,031	
Pension Assets	395,439	170,408		
Restricted Current Assets:				
Cash			1,327	
Investments		2,447,555		273,085
Capital Assets:				
Non-depreciable	5,396,204	9,608,821		
Depreciable (Net)	13,093,744	11,060,691	96,551	61,990
Total Assets	<u>31,449,401</u>	<u>27,343,306</u>	<u>2,415,324</u>	<u>409,549</u>
<b>LIABILITIES</b>				
Accounts, Contracts Payable and				
Accrued Liabilities	1,401,444	976,221	117,245	32,180
Due to Primary Government	305,239			249,591
Due to Component Units			172,157	
Unearned Revenues and Other	125,175		1,327	
Non-Current Liabilities:				
Due Within One Year				
Compensated Absences	103,664	289,259	68,000	
Bonds and Notes Payable	25,506	283,646		
Capital Lease Obligations			7,490	
Due in More Than One Year				
Compensated Absences	144,550			6,999
Bonds and Notes Payable		9,595,524		
Total Liabilities	<u>2,105,578</u>	<u>11,144,650</u>	<u>366,219</u>	<u>288,770</u>
<b>NET ASSETS</b>				
Investment in Capital Assets, net of related debt	18,464,439	10,790,342	89,061	61,990
Restricted for:				
Pension	395,439			
Endowments				100,000
Projects and Programs		2,501,833		273,085
Unrestricted	10,483,945	2,906,481	1,960,044	(314,296)
Total Net Assets	<u>\$29,343,823</u>	<u>\$16,198,656</u>	<u>\$2,049,105</u>	<u>\$120,779</u>

<b>Downtown Development Authority</b>	<b>Parking Authority of Lexington</b>	<b>Total Nonmajor Component Units</b>
\$200	\$384,526	\$3,049,963 6,270,008  578,991 103,977 428,808 6,650,326 703,949 1,610,469 565,847  1,327 2,720,640  15,005,025 24,317,634
	4,658	
200	389,184	62,006,964
8,503	58,680	2,594,273
43,188		598,018
	7,598	179,755 126,502
14,612		475,535 309,152 7,490
3,160		154,709 9,595,524
69,463	66,278	14,040,958
	4,658	29,410,490  395,439 100,000 2,774,918 15,285,159
(69,263)	318,248	
(\$69,263)	\$322,906	\$47,966,006

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF ACTIVITIES**  
**NONMAJOR COMPONENT UNITS**  
**For the Year Ended June 30, 2008**

		<b>Program Revenues</b>		
		<b>Charges for</b>	<b>Operating</b>	<b>Capital</b>
	<b>Expenses</b>	<b>Services</b>	<b>Grants and</b>	<b>Grants and</b>
			<b>Contributions</b>	<b>Contributions</b>
<b>Lexington Transit Authority</b>				
Transit Operations	\$17,561,308	\$2,202,905	\$4,726,700	\$4,272,842
Depreciation	1,653,742			
Total Lexington Transit Authority	19,215,050	2,202,905	4,726,700	4,272,842
<b>Lexington Public Library</b>				
Library Operations	13,044,424	704,197	491,241	105,000
Depreciation	805,651			
Total Lexington Public Library	13,850,075	704,197	491,241	105,000
<b>Lexington Convention and Visitors Bureau</b>				
Convention and Tourism Operations	5,669,722			
Depreciation	57,751			
Interest on Long-term Debt	2,263			
Total Lexington Convention and Visitors Bureau	5,729,735	0	0	0
<b>Explorium of Lexington</b>				
Museum Operations	851,997	416,004	87,253	
Depreciation	20,273			
Total Explorium of Lexington	872,270	416,004	87,253	0
<b>Downtown Development Authority</b>				
Administration	269,002		28,150	
Downtown Master Plan	2,160			
Housing Tour	19,789			
Downtown Design Center	27,678			
Total Downtown Development Authority	318,629	0	28,150	0
<b>Parking Authority of Lexington</b>				
Parking Operations	354,037	434,223		
Depreciation	(4,640)			
Total Parking Authority of Lexington	349,397	434,223	0	0
Total nonmajor component units	40,335,157	3,757,329	5,333,344	4,377,842

**General Revenues:**

Taxes  
Payment from Lexington-Fayette Urban County Government  
Transfer from Library Corporation  
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**

<b>Lexington Transit Authority</b>	<b>Lexington Public Library</b>	<b>Lexington Convention and Visitors Bureau</b>	<b>Explorium of Lexington</b>	<b>Downtown Development Authority</b>	<b>Parking Authority of Lexington</b>	<b>Total Nonmajor Component Units</b>
(\$6,358,861)						(\$6,358,861)
(1,653,742)						(1,653,742)
<u>(8,012,603)</u>						<u>(8,012,603)</u>
	(11,743,986)					(11,743,986)
	<u>(805,651)</u>					<u>(805,651)</u>
	<u>(12,549,637)</u>					<u>(12,549,637)</u>
		(5,669,722)				(5,669,722)
		(57,751)				(57,751)
		<u>(2,263)</u>				<u>(2,263)</u>
		<u>(5,729,735)</u>				<u>(5,729,735)</u>
			(348,740)			(348,740)
			<u>(20,273)</u>			<u>(20,273)</u>
			<u>(369,013)</u>			<u>(369,013)</u>
				(240,852)		(240,852)
				(2,160)		(2,160)
				(19,789)		(19,789)
				<u>(27,678)</u>		<u>(27,678)</u>
				<u>(290,479)</u>		<u>(290,479)</u>
					80,186	80,186
					<u>4,640</u>	<u>4,640</u>
					<u>84,826</u>	<u>84,826</u>
						<u>(26,866,642)</u>
14,351,601	12,408,049	4,918,481				31,678,131
			340,210	275,636	(1,136,790)	(520,944)
	604,363					604,363
156,999	235,863	48,043	8,357		5,682	454,945
13,166			(21,442)			(8,276)
	22,978	780,085	0	1,827	0	804,890
<u>14,521,766</u>	<u>13,271,253</u>	<u>5,746,610</u>	<u>327,125</u>	<u>277,463</u>	<u>(1,131,108)</u>	<u>33,013,109</u>
6,509,163	721,616	16,875	(41,888)	(13,016)	(1,046,283)	6,146,467
22,834,660	15,477,040	2,032,230	162,667	(56,247)	1,369,189	41,819,539
<u>\$29,343,823</u>	<u>\$16,198,656</u>	<u>\$2,049,105</u>	<u>\$120,779</u>	<u>(\$69,263)</u>	<u>\$322,906</u>	<u>\$47,966,006</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 SIX FISCAL YEARS

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental Activities						
Investment in Capital Assets, net of related debt	\$106,003,137	\$108,187,766	\$128,533,898	\$964,032,556	\$965,683,982	\$963,823,728
Restricted	2,238,907	1,253,571	1,316,495	10,509,131	19,918,500	2,241,711
Unrestricted	15,083,835	15,892,881	29,526,571	50,390,084	30,807,379	5,930,420
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>	<u>\$971,995,859</u>
Business-type Activities						
Investment in Capital Assets, net of related debt	\$224,820,344	\$245,267,827	\$243,680,021	\$245,818,433	\$244,593,588	\$239,407,215
Restricted	31,352,044	31,575,194	33,688,305	34,565,941	39,914,276	24,129,422
Unrestricted (deficit)	(6,993,925)	(204,318)	5,634,802	11,084,804	14,020,822	24,615,573
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>	<u>\$288,152,210</u>
Primary Government						
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	\$1,203,230,943
Restricted	33,590,951	32,828,765	35,004,800	45,075,072	59,832,776	26,371,133
Unrestricted	8,089,910	15,688,563	35,161,373	61,474,888	44,828,201	30,545,993
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>	<u>\$1,260,148,069</u>

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

TABLE 2

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Expenses</b>						
Governmental Activities:						
General Government	\$9,744,039	\$21,293,008	\$22,840,721	\$21,977,521	\$23,927,771	\$30,660,951
Administrative Services	24,993,517	18,938,746	23,522,220	27,674,322	34,445,260	3,832,639
Health, Dental and Vision Insurance	10,480,431	10,592,090	14,011,082	14,740,182	13,301,058	14,564,306
Chief Information Officer						11,216,315
Finance	6,280,716	6,876,648	6,670,050	6,629,421	10,464,204	12,376,624
Public Works	37,484,504	33,960,939	35,320,695	93,199,722	68,896,198	71,695,702
Public Safety	7,078,379	7,232,363	9,001,079	8,363,244	11,937,598	26,717,271
Police	43,399,766	42,794,170	47,320,658	56,588,057	56,980,657	63,533,856
Fire and Emergency Services	36,207,002	36,841,543	39,390,542	47,469,043	53,242,082	58,497,360
Community Corrections	24,505,670	24,478,660	27,326,172	28,539,978	29,028,326	30,686,297
Environmanetal Quality						23,947,831
Social Services	8,931,694	9,070,442	10,579,394	13,379,478	15,493,804	16,392,173
General Services	12,854,362	16,242,299	16,998,086	18,493,537	10,855,412	11,531,344
Parks and Recreation	14,012,815	13,380,436	14,840,330	16,739,980	19,428,046	21,961,714
Law	1,824,518	1,642,220	2,041,719	1,946,786	2,115,341	12,593,109
Outside Agencies	32,704,463	27,718,643	267,976	178,667		
Interest on Long-Term Debt	5,840,627	5,739,105	6,236,280	6,291,512	6,378,169	5,727,995
Debt Service - Other	5,957,246	6,444,538	1,261,204	1,040,970	1,056,289	1,056,179
Total governmental activities	282,299,749	283,245,850	277,628,208	363,252,420	357,550,215	416,991,666
Business-type Activities:						
Sanitary Sewer System	21,319,274	22,347,738	23,554,596	24,553,305	26,703,501	36,565,069
Public Facilities	13,568,097	13,500,561	12,121,284	12,175,005	10,444,503	11,359,294
Public Parking	967,952	941,821	891,857	909,544	511,198	463,177
Landfill	4,662,162	5,423,413	4,233,412	1,391,578	1,651,318	7,250,365
Right of Way	75,665	261,494	266,933	292,284	307,012	333,723
Extended School Program	1,230,845	1,387,203	1,452,385	1,578,873	1,967,573	2,081,422
Prisoners' Account System	1,053,084	1,360,709	1,472,693	1,363,204	1,273,913	1,724,224
Enhanced 911	2,650,745	2,300,114	2,112,518	2,107,592	3,057,919	3,870,267
LexVan Program		17,545	40,296	35,122	62,228	54,347
Small Business Development		108,343	3,562	8,838		
Total business-type activities	45,527,824	47,648,941	46,149,536	44,415,345	45,979,165	63,701,888
Total primary government	\$327,827,573	\$330,894,791	\$323,777,744	\$407,667,765	\$403,529,380	\$480,693,554

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
<b>Program Revenues</b>						
Governmental Activities:						
Charges for Services	\$35,905,736	\$33,999,515	\$41,277,818	\$41,095,215	\$52,228,120	\$69,883,918
Operating Grants and Contributions	22,330,711	33,101,398	20,838,959	19,297,952	31,988,064	17,500,905
Capital Grants and Contributions	12,607,442	13,256,243	12,970,715	15,349,943	3,138,381	7,838,458
Total governmental activities	70,843,889	80,357,156	75,087,492	75,743,110	87,354,565	95,223,281
Business-type Activities:						
Charges for Services	51,414,204	54,421,012	49,825,599	50,784,976	47,072,248	50,783,025
Operating Grants and Contributions	117,840	125,744				
Total business-type activities	51,532,044	54,546,756	49,825,599	50,784,976	47,072,248	50,783,025
Total primary government	\$122,375,933	\$134,903,912	\$124,913,091	\$126,528,086	\$134,426,813	\$146,006,306
<b>Net (Expense)/Revenue</b>						
Governmental activities	(\$211,455,860)	(\$202,888,694)	(\$202,540,716)	(\$287,509,310)	(\$270,195,650)	(\$321,768,385)
Business-type activities	6,004,220	6,897,815	3,676,063	6,369,631	1,093,083	(12,918,863)
Total primary government	(\$205,451,640)	(\$195,990,879)	(\$198,864,653)	(\$281,139,679)	(\$269,102,567)	(\$334,687,248)
<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	\$51,455,185
Licenses and Permits	165,005,241	178,942,755	188,973,285	197,857,140	210,698,736	220,015,258
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	2,463,746
Income on Investments	804,561	507,868	1,839,509	3,395,527	6,121,269	3,582,709
Sale of Assets	1,617,773	457,849	523,841	956,340	(1,041,367)	457,516
Bond Refunding		(19,185,000)				
Miscellaneous	938,222	918,323	767,547	827,029	963,926	
Conveyance of Asset					(2,116,880)	
Transfers	94,318	(1,136,353)	(1,281,083)	670,254	(3,308,054)	(620,031)
Total governmental activities	217,135,009	206,037,182	236,583,462	250,860,670	261,236,315	277,354,383
Business-type Activities:						
Income on Investments	977,186	662,485	1,397,929	2,728,854	2,802,634	1,907,250
Sale of Assets		3,587	9,350	17,819	(183,523)	15,106
Bond Refunding		18,760,000				
Transfers	(94,318)	1,136,353	1,281,083	(670,254)	3,308,054	620,031
Total business-type activities	882,868	20,562,425	2,688,362	2,076,419	5,927,165	2,542,387
Total primary government	\$218,017,877	\$226,599,607	\$239,271,824	\$252,937,089	\$267,163,480	\$279,896,770
<b>Change in Net Assets</b>						
Governmental activities	\$5,679,149	\$3,148,488	\$34,042,746	(\$36,648,640)	(\$8,959,335)	(\$44,414,002)
Business-type activities	6,887,088	27,460,240	6,364,425	8,446,050	7,020,248	(10,376,476)
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	\$12,566,237	\$29,468,579	\$40,407,171	\$874,020,857	(\$1,462,402)	(\$54,790,478)

(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

TABLE 3

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$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	\$5,254,246
Unreserved										
Designated for Economic Contingency	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	13,219,620
Designated for Payroll	1,229,957	1,684,209	2,241,726	2,859,554	2,890,562	3,300,418	4,260,723		556,400	1,293,279
Designated for Working Capital	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.	768,000	654,000	540,000							
Designated for Debt	528,234									
Undesignated	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	4,620,501
Total	<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>	<u>\$24,387,646</u>
Urban Services										
Reserved	\$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	\$1,064,326
Designated for Payroll	100,496	127,015	158,555	191,011	233,899	302,654	367,505		45,700	99,401
Undesignated	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	31,935,168
Total	<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>	<u>\$33,098,895</u>
All Other Governmental Funds										
Reserved	\$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	\$18,430,040
Undesignated, reported in:										
Special revenues funds	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	9,269,371
Capital projects funds	(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	(13,728,932)
Federal and State Grants				1,294,046	1,169,455	329,493	514,983	235,303	313,460	119,184
Total	<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>	<u>\$14,089,663</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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Revenues</b>										
Licenses and Permits	\$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	\$224,874,954
Taxes	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	51,455,185
Charges for Services	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	21,357,602
Fines and Forfeitures	274,002	407,111	279,558	382,532	236,226	245,150	184,104	323,063	57,192	180,785
Local Contributions				2,325,000						
Intergovernmental	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	45,587,385
Exactions				561,670	1,754,136	1,754,558	4,767,468	2,823,892	1,584,199	1,282,254
Grant Match	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	1,709,521
Property Sales	185,177	1,122,090	448,380	87,186	138,315	457,849	523,841	956,340	785,073	557,071
Income on Investments	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	3,582,709
Other	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	8,145,477
Total Revenues	216,460,974	232,775,715	253,280,509	267,341,484	278,859,615	298,917,886	299,324,468	311,489,397	335,926,312	358,732,943
<b>Expenditures</b>										
General Government	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	13,651,464
Administrative Services	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	1,845,175
Chief Information Officer										9,919,332
Finance	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	11,561,109
Public Works	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	23,013,365
Public Safety	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	153,492,722
Social Services	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	12,006,737
Environmental Quality										19,441,341
General Services	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	28,280,713
Law	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	23,551,596
Outside Agencies	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	20,090,648
Special Projects	17,970,485	19,617,032	28,490,679	2,044,329						
Debt Service:										
Principal	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	16,740,000
Interest and Other	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	6,907,518
Capital	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	47,475,384
Total Expenditures	225,926,563	283,083,439	276,076,082	285,774,411	292,783,970	304,781,236	293,580,213	322,299,551	341,971,663	387,977,104
Excess (Deficiency) of Revenues over (under) Expenditures	(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)	(29,244,161)
<b>Other Financing Sources (Uses)</b>										
Transfers In	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	1,375,483
Transfers Out	(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)	(2,008,473)
Property Sales					1,479,458					
Debt Proceeds (net of bond refunding)	66,113,187	19,753,684	22,371,699	15,415,000	10,490,000	6,590,000	22,325,000	24,700,000	4,667,606	
Bond Anticipation Note						445,187	304,813	7,599		
Premium (Discount) on Bonds Issued				(148,782)	65,121	183,730	39,218	210,968		
Total Other Financing Sources (Uses)	63,836,711	20,216,754	19,927,753	13,882,131	10,988,748	6,082,564	21,387,948	25,588,821	1,359,552	(632,990)
Net Change in Fund Balances	\$54,371,122	(\$30,090,970)	(\$2,867,820)	(\$4,550,796)	(\$2,935,607)	\$219,214	\$27,132,203	\$14,778,667	(\$4,685,799)	(\$29,877,151)
Debt Service as a percentage of noncapital expenditures	6.1%	7.6%	7.5%	8.4%	8.0%	7.9%	7.8%	7.4%	8.7%	6.9%

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

TABLE 5

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Revenues</b>										
Licenses and Permits	\$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	\$223,622,531
Taxes	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	19,509,219
Charges for Services	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	21,313,927
Fines and Forfeitures	274,002	407,111	279,558	382,532	236,226	245,150	184,104	323,063	57,192	137,659
Intergovernmental	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	3,315,630
Property Sales	168,381	1,011,609	367,425	33,617	1,479,458	438,709	516,536	349,715	465,537	392,892
Income on Investments	1,284,191	1,182,639	1,399,319	334,302	127,728	90,639	533,607	1,481,463	2,971,942	1,827,694
Other	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	3,206,921
Total Revenues	171,231,278	183,704,897	189,958,440	194,669,792	205,017,453	219,238,565	233,151,192	242,328,652	264,748,305	273,326,473
<b>Expenditures and Other Financing Sources (Uses)</b>										
General Government <sup>(1)</sup>	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	11,450,829
Administrative Services	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	1,081,760
Chief Information Officer										6,513,655
Finance	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	7,955,937
Public Works	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	18,553,415
Public Safety	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	146,778,076
Social Services <sup>(1)</sup>	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	10,245,245
Environmental Quality										2,025,452
General Services	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	28,032,856
Law	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	20,032,934
Outside Agencies	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	16,843,781
Debt Service	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	23,163,080
Other Financing (Sources) Uses	3,283,472	1,029,332	1,511,884	973,404	(1,981,067)	(479,708)	4,860,964	140,864	202,328	(685,501)
Residual Equity Transfers	2,638,332	1,757,346	2,027,561							
Total Expenditures and Other Financing Sources (Uses)	168,464,406	183,945,542	201,361,763	199,005,107	204,272,337	209,366,730	227,687,107	243,587,261	260,023,176	291,991,519
Net Change in Fund Balance	\$2,766,872	(\$240,645)	(\$11,403,323)	(\$4,335,315)	\$745,116	\$9,871,835	\$5,464,085	(\$1,258,609)	\$4,725,129	(\$18,665,046)

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

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

TABLE 6

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<b>Revenues</b>										
Sewer Service Charges	\$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	\$25,884,142
Sewer Tap on Fees	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	1,223,820
Exactions				195,672	826,960	878,035	1,974,660	1,160,296	513,539	343,998
Other Income	116,850	199,296	215,435	231,850	181,146	193,694	50,204	47,965	41,731	80,462
Total Revenues	<u>22,916,489</u>	<u>22,480,886</u>	<u>21,811,431</u>	<u>22,093,425</u>	<u>26,533,941</u>	<u>27,958,065</u>	<u>27,658,421</u>	<u>28,471,944</u>	<u>26,199,038</u>	<u>27,532,422</u>
<b>Operating Expenses</b>										
Treatment Plant	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	8,164,345
Collection System	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	5,411,212
Administration	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	15,083,099
Depreciation	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	6,417,656
Total Operating Expenses	<u>16,804,714</u>	<u>17,199,070</u>	<u>18,239,192</u>	<u>18,015,513</u>	<u>19,316,174</u>	<u>20,744,775</u>	<u>21,949,287</u>	<u>23,051,674</u>	<u>24,643,767</u>	<u>35,076,312</u>
Operating Income	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	(7,543,890)
Net Nonoperating Revenues/(Expenses)	(960,476)	(626,073)	556,461	(954,809)	(1,138,325)	(1,074,183)	(504,103)	555,560	(279,228)	(406,882)
Capital Contributions				913,305	117,312	88,944				
Transfers In						10,000	10,000	10,000	533,401	81,331
Transfers Out	(192,788)				(1,014)	(4,400)	(952)	(1,149,277)	(910,455)	(596,775)
Net Income/Change in Net Assets	<u>\$4,958,511</u>	<u>\$4,655,743</u>	<u>\$4,128,700</u>	<u>\$4,036,408</u>	<u>\$6,195,740</u>	<u>\$6,233,651</u>	<u>\$5,214,079</u>	<u>\$4,836,553</u>	<u>\$898,989</u>	<u>(\$8,466,216)</u>

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

TABLE 7

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

Fiscal Year	Residential	Farms	Commercial	Oil, Mineral & Timber Rights	Tangible	Intangible	Total	Less Intangible	Total Taxable Assessed Value	Total Direct Tax Rate (Per \$100 of Assessed value)
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
2008	14,116,473	619,013	5,890,069	1,544	4,931,925		25,559,025		25,559,025	0.2694

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
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%
2008	51,138,980	51,175,940	100.1%	34,628	51,210,568	100.1%

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

TABLE 9

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

Fiscal Year	LFUCG Direct Rates					Overlapping Rates						
	General	Urban Services			Total Direct	Fayette County School	Commonwealth of Kentucky	Extension Services	Soil & Water Conservation	Health Department	Lextran	Total
		Refuse	Street Lights	Street Cleaning								
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	0.5410	0.1280	0.0031	0.0004	0.0280	0.0600	1.0309
2008	0.0800	0.1590	0.0210	0.0094	0.2694	0.5940	0.1240	0.0031	0.0004	0.0280	0.0600	1.0789

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	2008			1999		
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Lexington Joint Venture	\$58,943,600	1	0.23%	49,291,800	3	0.35%
Lexmark International Inc.	56,228,500	2	0.22%			
Fourth Quarter Properties	53,562,800	3	0.21%			
Meijer Stores Ltd	34,973,400	4	0.14%			
Diamondrock Griffin	32,700,000	5	0.13%			
Fayette Development	32,460,700	6	0.13%			
Weingarten Realty Inc.	31,855,300	7	0.12%			
Newtown Crossing LLC	31,500,000	8	0.12%			
Geneva Organization	30,100,000	9	0.12%			
Main Street EH LLC	29,200,000	10	0.11%			
Ball Homes Inc.				53,073,600	1	0.38%
IBM Information Products				52,065,600	2	0.37%
Bank One				34,942,500	4	0.25%
Griffin Gate Association				28,475,000	5	0.20%
W T Young Inc.				28,108,100	6	0.20%
CHCK Inc.				27,890,600	7	0.20%
Lexington Financial				26,800,000	8	0.19%
MCV Venture				24,800,000	9	0.18%
KCL Funding Inc.				24,715,000	10	0.18%
Total	<u>\$391,524,300</u>		<u>1.52%</u>	<u>\$350,162,200</u>		<u>2.49%</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
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%
2008	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>2008 Rank</u>	<u>1999 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	8
Department of Veterans Affairs	6	5
Baptist Healthcare	7	6
Ashland, Inc.	8	7
Lexington Clinic	9	
L3 Communications	10	
IBM Information Products		9
Commonwealth of Kentucky		10

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

TABLE 13

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

Fiscal Year	Governmental Activities				Business-type Activities			Total Primary Government	% of Personal Income	Primary Government Debt Per Capita
	General Obligation Bonds, Notes, Leases	Mortgage Revenue Bonds	Lease Revenue Notes Payable	Bond Anticipation Notes	Revenue Bonds	Mortgage Revenue Bonds	Lease Revenue Notes			
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
2008	126,065,000				35,715,000	68,195,000		229,975,000	na	na

Note: Details regarding LFUCG outstanding debt can be found in the notes to the financial statements.  
See page 155 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 TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>% of Assessed Value of Property</u>	<u>Per Capita</u>
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
2008	126,065,000	0.49%	na

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

See page 144 for property value data and page 155 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, 2008

	Principal Outstanding
Kentucky Infrastructure, City of Lexington, and Lexington-Fayette Urban County Government Sewer Assessment Bonds	\$50,000
Lexington Center Corporation	
Refunding and Improvement Mortgage Revenue Bonds, Series 1993	11,412,800
Mortgage Revenue Bonds, Series 2001	20,000,000
Lexington-Fayette Urban County Government Airport Corporation	
First Mortgage Revenue Bonds, Series 1994	1,400,000
First Mortgage Revenue Bonds, Series 1998	14,700,000
First Mortgage Revenue Bonds, Series 2003	28,650,000
Fayette County School & Kentucky School Commission Bonds	267,591,628
Lexington-Fayette Urban County Department of Health	1,015,000
Subtotal, Overlapping Debt	344,819,428
LFUCG, Direct Debt	229,975,000
Total Direct and Overlapping Indebtedness	\$574,794,428

## 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



TABLE 16

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

	Fiscal Year									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Assessed Value	\$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	\$25,559,025
Debt limit (10% of Assessed Value)	\$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	\$2,555,902
Total net debt applicable to limit	188,916	201,302	190,933	190,533	187,635	187,350	181,675	176,110	171,270	166,455
Legal debt margin	\$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	\$2,389,447
Total net debt applicable to the limit as a percentage of debt limit	11.67%	11.50%	9.90%	9.43%	8.04%	8.04%	7.39%	6.55%	7.05%	6.51%

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:	Net	Debt Service			Gross Revenue	Less:	Net	Debt Service		
		Operating Expenses	Available Revenue	Principal	Interest	Coverage		Operating Expenses	Available Revenue	Principal	Interest	Coverage
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
2008	27,532	28,659	(1,127)	3,855	1,726	-0.20	6,238	2,853	3,385	1,005	3,721	0.72

Fiscal Year	Public Parking Corporation						Special Assessment Bonds			
	Gross Revenue	Less:	Net	Debt Service			Special Assessment Collections	Debt Service		
		Operating Expenses	Available Revenue	Principal	Interest	Coverage		Principal	Interest	Coverage
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
2008	1,193	0	1,193	720	70	1.51	35	55	4	0.59

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	138,179	2,839	2.0%
1999	258,704	7,683,140	29,699	140,430	2,912	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

TABLE 19

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

Source: U.S. Census Bureau

TABLE 21

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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008*
Administrative Services	134	147	149	145	150	140	139	143	145	77
General Government	86	88	89	96	94	67	64	70	74	77
Finance & Administration	90	86	91	99	100	94	90	98	94	104
General Services										
Parks and Recreation	137	156	161	166	169	172	180	187	183	180
Other	168	169	167	166	169	157	124	129	132	123
Law	17	18	19	19	20	19	18	19	21	34
Public Safety										
Fire and Emergency Services										
Firefighters and Officers	441	461	472	477	473	464	498	504	530	512
Civilians	33	40	40	42	40	38	39	37	23	20
Police										
Officers	428	451	459	488	469	471	472	527	534	538
Civilians	161	172	189	153	162	192	184	177	151	117
Community Corrections	236	300	336	342	347	371	383	357	376	359
Other	52	57	65	69	71	72	73	78	78	99
Public Works & Development										221
Solid Waste	210	220	228	225	238	236	217	221	211	
Sanitary Sewers	114	113	121	119	121	129	125	130	135	
Other	166	165	167	176	173	168	154	162	162	
Environmental Quality										
Waste Management										208
Water & Air Quality										135
Other										18
Social Services	149	158	150	147	156	163	160	174	169	137
	<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>	<u>2,959</u>

\*The following Departmental reorganization took place in FY2008:

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

Risk Management moved from Administrative Services to Law

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

Computer Services moved from Finance & Administration to Administrative Services

Building Inspection moved from Public Safety to Public Works & Development

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

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	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Fire and Emergency Services										
Emergency Medical Calls	23,134	24,102	24,743	25,901	28,345	27,750	28,698	28,772	30,087	31,336
False Calls	2,380	2,644	2,827	2,806	3,082	2,721	2,606	2,560	2,667	2,804
Fire Incidents	1,430	1,538	1,331	1,182	1,366	1,356	1,194	1,315	1,402	1,322
Good Intent Calls	na	na	na	na	na	na	na	na	1,112	1,090
Hazardous Materials Calls	893	956	942	1,352	1,484	1,115	1,155	1,090	1,087	1,252
Other	na	na	na	na	na	na	na	na	129	109
Rescues	na	na	na	na	na	na	na	na	517	387
Rupture - Gas, Water, etc.	na	na	na	na	na	na	na	na	52	32
Service Calls	1,126	1,096	1,211	1,201	1,065	985	1,022	1,128	1,161	1,313
Police										
Physical Arrests **	20,090	21,125	19,605	19,747	19,835	22,422	22,295	23,411	24,677	26,205
Parking Violations **	34,798	36,403	36,404	25,247	18,185	16,325	20,874	21,668	17,665	13,891
Traffic Violations **	73,486	73,298	62,141	59,059	57,351	67,115	66,954	67,487	75,014	78,950
Parks and Recreation										
Rounds of Golf	186,292	179,367	172,964	177,604	160,958	159,505	154,124	152,659	139,353	141,776
Pool Visits	283,589	288,208	225,522	233,689	209,408	180,417	180,619	199,496	198,181	202,093
Building Inspection										
Permits Issued *	12,112	12,699	11,768	12,533	19,172	19,875	20,514	20,719	16,620	14,173
Inspections	26,844	25,562	28,406	28,574	32,869	36,937	38,669	39,773	29,991	27,650
Sanitary Sewers										
Tap-on Inspections **	1,845	2,140	1,955	1,955	2,025	2,212	2,131	2,108	1,681	1,268
Average daily sewage treatment (mgd) **	36	33	36	40	43	48	51	38	42	38
Solid Waste										
Annual tons of refuse collected	na	na	150,622	154,178	157,121	157,618	156,347	152,969	154,637	165,087
Annual tons of recyclables collected	na	na	na	5,568	6,825	10,412	11,668	15,188	18,740	18,355
Other Public Works										
Street Resurfacing (miles)	25	31	25	21	19	21	23	16	40	38

\* 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

TABLE 23

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

Function/Program	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Fire and Emergency Services										
Number of Fire Stations	19	19	21	21	21	21	21	22	23	23
Number of Engines	19	19	21	21	21	21	21	22	24	24
Number of Aerials	6	6	6	6	6	6	8	8	8	8
Number of EC Units	6	6	7	7	7	7	9	9	9	9
Number of Haz-Mat Units	3	3	3	3	3	3	3	3	3	3
Police										
Stations	2	2	3	3	3	3	3	3	3	3
Patrol Units	na	na	na	na	na	460	463	467	467	481
Parks and Recreation										
Acres of Parks	4,003	4,207	4,186	4,206	4,263	4,263	4,261	4,261	4,621	4,565
Number of Golf Courses	5	6	6	6	6	6	6	6	6	6
Number of Swimming Pools	14	12	13	12	10	8	10	10	10	9
Sanitary Sewers										
Treatment Capacity (mgd)	52	52	52	64	64	64	64	64	64	64
Solid Waste										
Collection Trucks	na	na	na	na	na	117	117	118	126	116
Other Public Works										
Streets (miles)	na	na	na	na	na	1,516	1,544	1,563	1,542	1,589
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	316	325	330	344	340	349	353	357	363

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