



Lexington-Fayette Urban County Government
Comprehensive Annual Financial Report
For the fiscal year ended June 30, 2010



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2010

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
LEXINGTON, KENTUCKY



PREPARED BY THE DEPARTMENT OF FINANCE AND ADMINISTRATION

Paid for with Lexington-Fayette Urban County Government Funds



This page intentionally left blank.

TABLE OF CONTENTS

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
Comprehensive Annual Financial Report
Year Ended June 30, 2010

INTRODUCTORY SECTION

Elected Officials 2
Commissioner of Finance and Administration Letter of Transmittal 3
GFOA Certificate of Achievement for Excellence in Financial Reporting 9
Organizational Chart..... 10
Directory of Government Officials..... 11

FINANCIAL SECTION

Independent Auditor's Report 12
Management Discussion and Analysis 14
Basic Financial Statements 28
 Government-wide Financial Statements
 Statement of Net Assets 29
 Statement of Activities 31
 Fund Financial Statements
 Governmental Fund Financial Statements
 Balance Sheet 33
 Reconciliation of the Balance Sheet to the Statement of Net Assets Governmental Funds..... 34
 Statement of Revenues, Expenditures, and Changes in Fund Balances..... 35
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
 of Governmental Funds to the Statement of Activities 36
 Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Budgetary
 Actual – General Fund 37
 Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and
 Budgetary Actual – Full Urban Services District Fund 41
 Proprietary Fund Financial Statements
 Statement of Net Assets – Business-type Activities – Enterprise Funds – Governmental
 Activities – Internal Service Funds 43
 Statement of Revenues, Expenses, and Changes in Net Assets – Business-type Activities –
 Enterprise Funds – Governmental Activities – Internal Service Funds 45
 Statement of Cash Flows – Business-type Activities – Enterprise Funds – Governmental
 Activities – Internal Service Funds 47
 Fiduciary Fund Financial Statements
 Statement of Fiduciary Net Assets..... 49
 Statement of Changes in Fiduciary Net Assets..... 50
 Component Units Financial Statements
 Statement of Net Assets..... 51
 Statement of Activities 52
 Notes to Financial Statements 53
 Combining and Individual Funds Statements and Schedules
 Combining Balance Sheet – Nonmajor Governmental Funds..... 100
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor
 Governmental Funds..... 102
 Schedule of Expenditures of Federal Awards 104

Schedule of Expenditures of State Awards	107
Combining Statement of Net Assets – Nonmajor Enterprise Funds	109
Combining Statement of Revenues, Expenses, and Changes in Net Assets – Nonmajor Enterprise Funds	110
Combining Statement of Cash Flows – Nonmajor Enterprise Funds	111
Combining Statement of Net Assets – Internal Service Funds.....	113
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds.....	114
Combining Statement of Cash Flows – Internal Service Funds	115
Combining Statement of Net Assets and Liabilities – Agency Funds.....	117
Capital Assets Used in the Operation of Governmental Funds	
Schedule by Source	119
Schedule of Changes by Function and Activity.....	120
Schedule by Function and Activity.....	121
Combining Statement of Net Assets – Nonmajor Component Units	124
Combining Statement of Activities – Nonmajor Component Units	126

STATISTICAL SECTION

Net Assets	131
Changes in Net Assets.....	132
Fund Balances, Governmental Funds.....	134
Changes in Fund Balances, Governmental Funds.....	135
Changes in Fund Balance, General Fund.....	136
Sanitary Sewer System, Summary of Revenues and Expenses.....	137
Net Assessed Value – Real, Tangible & Intangible Property.....	138
Property Tax Levies and Collections	139
Direct and Overlapping Property Tax Rates	140
Principal Property Tax Payers.....	141
Direct and Overlapping License Fee Rates	142
Ten Major Occupational Withholders.....	143
Ratios of Outstanding Debt by Type.....	144
Ratios of General Bonded Debt Outstanding.....	145
Schedule of Direct and Overlapping Indebtedness	146
Legal Debt Margin Information	147
Revenue Bond Coverage.....	148
Demographic and Economic Statistics.....	149
Principal Employers, Fayette County.....	150
Employment by Industry, Fayette County	151
U.S. Census Bureau Statistics	152
LFUCG Employees by Function/Program.....	153
Operating Indicators by Function/Program.....	154
Capital Asset Statistics by Function/Program.....	155

INTRODUCTORY SECTION



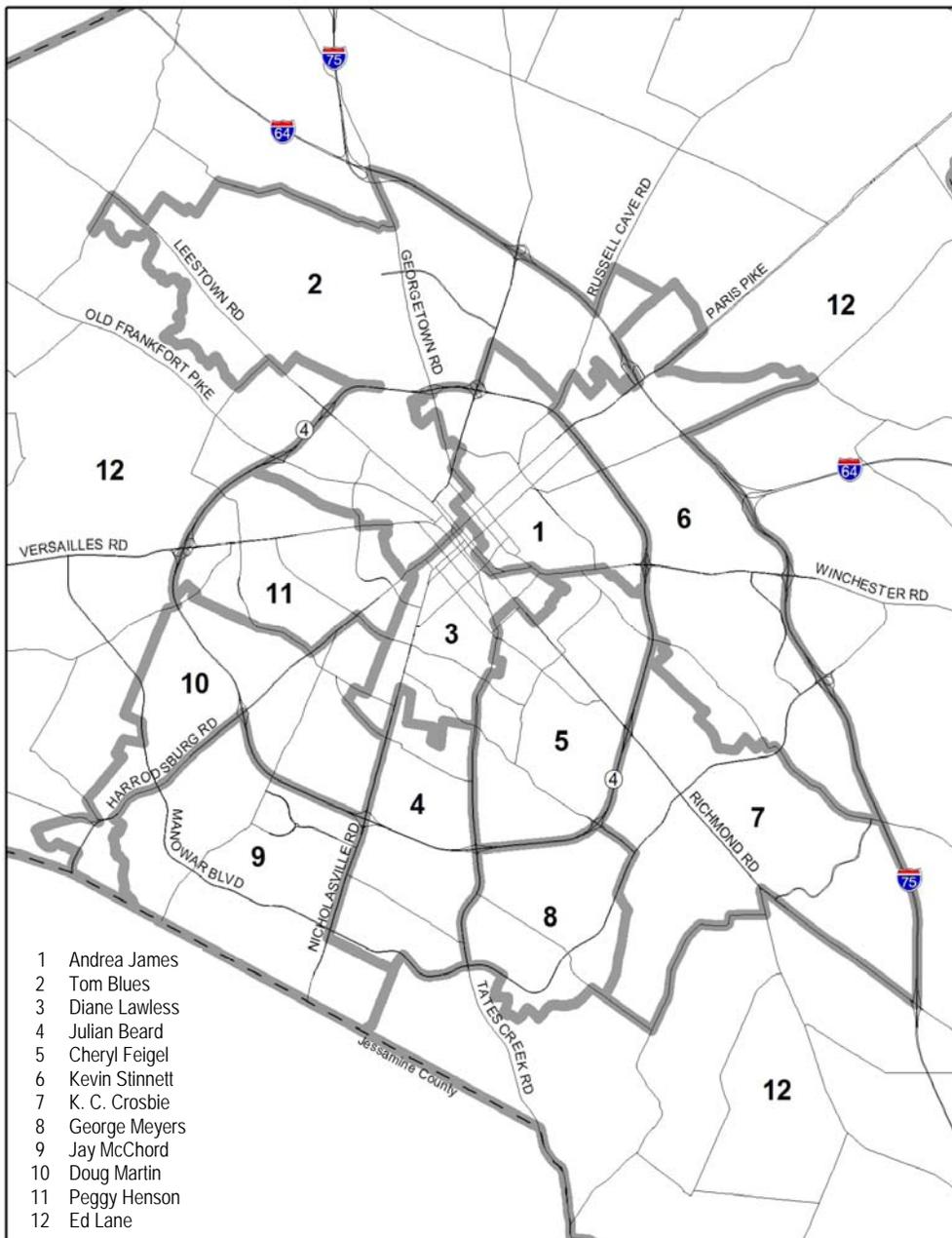
This page intentionally left blank.

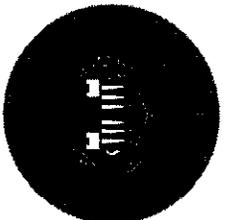
ELECTED OFFICIALS

MAYOR
Jim Newberry

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

DISTRICT COUNCILMEMBERS





Lexington-Fayette Urban County Government
DEPARTMENT OF FINANCE & ADMINISTRATION

Jim Gray
Mayor

Jane C. Driskel
Commissioner

February 28, 2011

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

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

As Commissioner of Finance, I present the Comprehensive Annual Financial Report (CAFR) of the Lexington-Fayette Urban County Government (the Government) for the fiscal year ended June 30, 2010. I have overseen the completion of the CAFR since my appointment as the Finance Commissioner in early January 2011. 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 its component units.

The report is organized into three sections: an introductory section, a financial section and a statistical section. This introductory section provides general information on the Government's structure, as well as information useful in assessing the Government's financial condition. The financial section contains the independent auditor's report on the financial statement audit, 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 the 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 recognized 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 Mouniroy Chilton Medley performed the audit for the fiscal year ended June 30, 2010. 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, 2010, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the Government's financial statements for the fiscal year ended June 30, 2010, 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 statement, but also on the internal controls and compliance with legal requirements of the federal awards. These reports will be available in the Government's separately issued Single Audit Report.

Profile of the Government (As of December 31, 2010)

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

The Mayor is assisted in the administration of the government by two senior advisors 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 charged with the responsibility of providing supervision, direction and management to the seven Departments of the Urban County Government. He insures that policies are 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/CIO is charged with providing leadership to all of government in technology and communications. The Office includes the Division of Computer Services and the Division of Government Communications. Computer Services provides mainframe and microcomputer support, database development and information services to 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 services), GTV3 (the city's cable television station) and the city's website.

The Director of Budgeting 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 the Capital Improvement Plan that the Mayor recommends to the Council each year. The Director 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 Director also monitors the spending of the various Departments throughout the fiscal year and ensures all units stay within the expenditure levels adopted by the Council.

The Department of Finance and Administration included the Divisions of Accounting, Central Purchasing, Revenue, Community Development, Risk Management and Human Resources. This Department is responsible for the custody, investment and disbursement of all funds; debt management; retirement fund administration; coordination of the annual financial audit; and publication of the CAFR. The Department also manages all purchases, hiring of employees, benefits administration and serves as a central clearinghouse for all state and federal grants. The Division of Risk Management administers the city's loss control program.

The Department of Public Safety is the largest in the Urban County Government. It includes the Divisions of Community Corrections, Police, Fire and Emergency Services, Emergency Management, 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, which provide a variety of services including emergency communications and management, disaster preparedness, inspections of properties for code violations and nuisance abatement.

The Department of Public Works and Development is responsible for providing a wide range of public services in the Divisions of Building Inspection, Engineering, Historic Preservation, Planning, Streets, Roads and Forestry and Traffic Engineering. These units of government issue permits for any structure that is built, moved, added to or structurally altered; provide an overall growth management framework for the community; are responsible for the maintenance of streets; 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 and Facilities Management and Parks and Recreation. The Division of Fleet and Facilities Management handles the acquisition, maintenance and repair of more than 1500 vehicles and pieces of equipment owned by LFUCG, in addition to maintaining the city's primary buildings, as well as minor renovations. The LFUCG real estate holdings comprise approximately 4 million square feet of space under roof. The Division of Parks and Recreation operates 103 parks consisting of more than 4,500 acres with green space areas, 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 selection prepares all legal instrument of the Government and provides advice to its elected officials, employees and agencies. The Litigation Division represents the Urban County Government in civil cases and administrative hearings and coordinates representation of cases handled by outside attorneys. Claims management, insurance procurement and administration of the self insurance fund are also handled in the Department of Law.

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

Significant Events (as of December 31, 2010)

Host to the World

Lexington was the first American city to host the Alltech FEI World Equestrian Games, Olympic-style equestrian competition held every four years. While the Games took place after Fiscal Year End 2010, the preparation leading up to this event is noteworthy. Significant activity in anticipation of the Games included accelerated infrastructure improvements, public safety enhancements, festival & hospitality initiatives and cultural events. Additionally, planning for a companion community wide festival, Spotlight Lexington, took place in FY2010, which allowed for total utilization of our downtown venues to host concert and cultural events.

Infrastructure

Construction work was completed on roadways in and around downtown to make the heart of our community more inviting. This work was funded through state grants, federal appropriations including American Reinvestment Recovery Act funding, municipal bonds and local revenue. Street improvements on the South Limestone Street corridor, which connects downtown to the University of Kentucky, include wider sidewalks, bike lanes, underground utilities and curbside rain gardens. The overall goal of the South Limestone project is to encourage members of the University community to come downtown. Similar streetscape work was complete on Main and Vine streets in the fall of FY2011. After decades of being on the planning boards, the Newtown Pike Extension (between Main and Vine streets) opened in the fall of FY2011. An important new gateway to our city on the west end of downtown, this project will provide direct access to the interstates for the University of Kentucky and South Lexington. These improvements also showcased our downtown as we hosted the World Equestrian Games in September.

Cultural Facility

Also downtown, the city celebrated the reopening of a renovated and expanded Lyric Theatre and Cultural Arts Center, long a cultural icon in the African-American community. The new theater complex includes a cultural and educational center and will be featuring national artists, as well as showcasing local talent. The Lyric is located in the East End of downtown, which has also seen the recent development of new affordable housing, new recreational opportunities and a new school. The city has been an integral partner in the completion of these projects.

Higher Education Triangle

Through a partnership that leverages federal, state and local funding, the Bluegrass Community and Technical College is relocating its campus to downtown creating a Higher Education Triangle with University of Kentucky and Transylvania University. Groundbreaking on the new campus took place at the end of FY2010, with an estimated completion date of early 2013. This was made possible as a result of the replacement and relocation of Eastern State Hospital, portions of which date back to 1800's.

Strengthening fiscal management

FY 2010 continued to be a challenging year due to economic conditions. Like all American cities, Lexington faced the dilemma of declining revenue streams and higher unemployment. The Government implemented an expense reduction plan that identified opportunities for the entity to operate more efficiently and effectively with available resources.

Environment

Improving environmental quality was a top priority of this administration. Many steps to address the deteriorating storm and sanitary sewers that have resulted in the community being out of compliance with the federal Clean Water Act were initiated. Enforcement laws have been strengthened and have vastly improved monitoring. Sanitary sewer fee increases were approved to create a water quality management fee as a funding source to address storm water concerns. Significant first steps to address air quality have been taken and an executive order requiring government to lead the way was implemented. Education and outreach are key components of all of the environmental initiatives.

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.

Local Economy

The unemployment rate in Fayette County was 7.8% in June 2010, down from 8.3% in June, 2009. The June 2010 rate is below the national and state rates of 9.5% and 10.0% respectively. Employment as measured by a household survey, which is by place of residence, was 142,196 in June, 2010 compared to 141,120 in June, 2009.

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 and for all debt service requirements. Other budgeting 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 amendment 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 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 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.

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 principle while meeting the daily cash flow demands of the Government. The Government's investments are governed by state statutes (KRS 66.480) and an investment policy approved by the Urban County Council. In FY2010, all funds were invested in either obligations of the United States and its agencies of instrumentalities, mutual funds comprised of those securities, repurchase agreements, collateralized Certificates of Deposit or commercial paper.

Awards and Acknowledgements

For the 17th consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for the Excellence in Financial Reporting to the Lexington-Fayette Urban County Government for its comprehensive annual financial report for the fiscal year ended June 30, 2009. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

Respectfully submitted,



Jane C. Driskell, Commissioner
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, 2009

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.



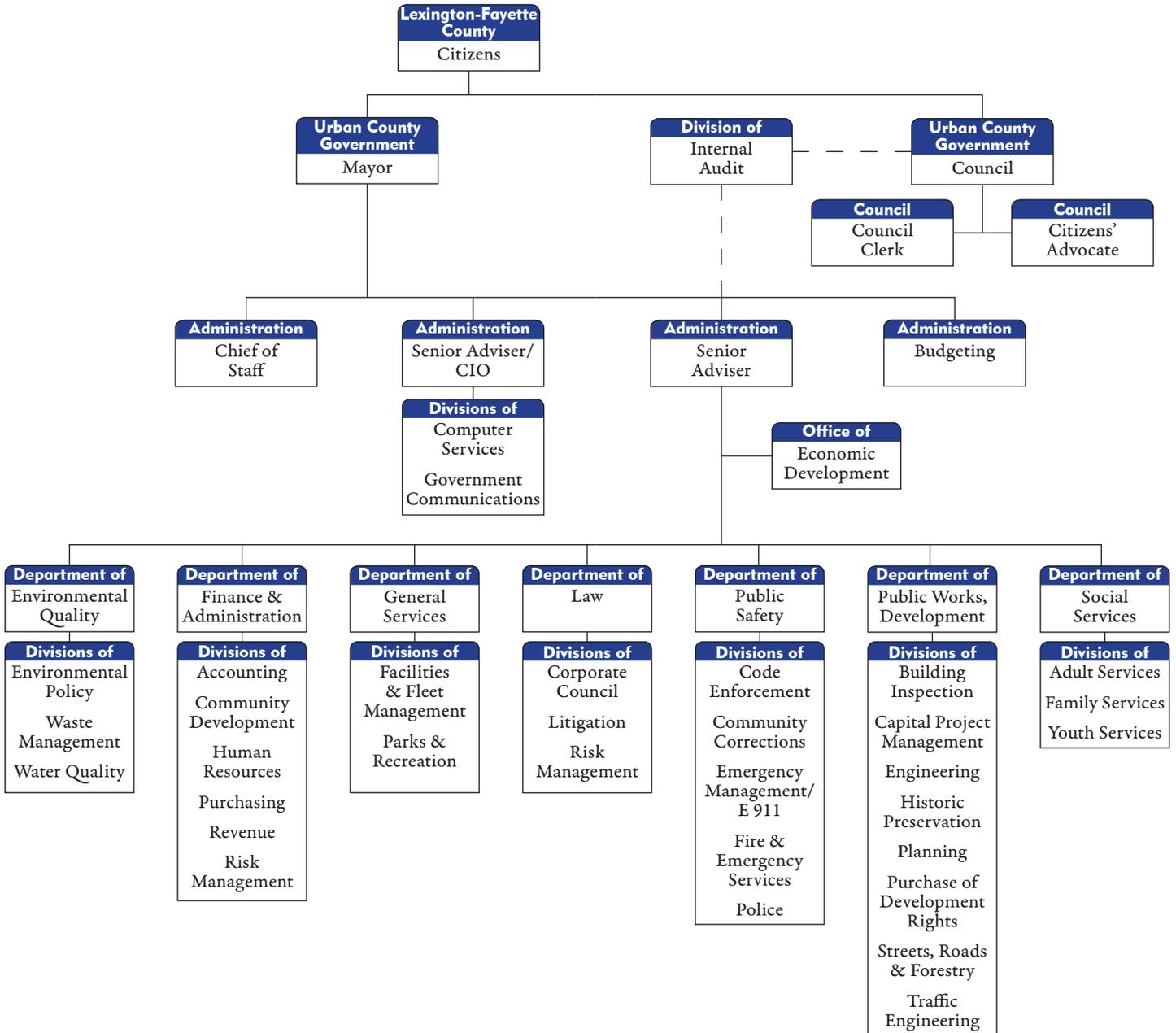
President

Executive Director



Lexington-Fayette Urban County Government

Organizational Chart



DIRECTORY OF GOVERNMENTAL OFFICIALS

Council Office

Citizens' Advocate Office
Council Clerk's Office

Rebecca Langston, Council Administrator

Paula Campbell, (Acting) Director
Susan Lamb, Council Clerk

Office of the Mayor

Jim Newberry, Mayor

Office of Policy and Budget

Budgeting

Ryan Barrow, Director

Office of the Chief Information Officer

Computer Services
Government Communications

Rama Dhuwaraha, Senior Advisor - CIO

Mike Nugent, Director
David L. Sullivan, Director

Office of the Senior Advisor

Office of Economic Development

Joseph Kelly, Senior Advisor

Anthony Wright, Director

Internal Audit

Bruce Sahli, Director

Finance and Administration

Accounting
Purchasing
Revenue
Community Development
Human Resources

Linda Rumpke, Commissioner

Mary Fister-Tucker, Director
Brian Marcum, Director
William O'Mara, Director
Irene Gooding, (Acting) Director
Leslie Jarvis, (Acting) Director

Public Works and Development

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

Mike Webb, Commissioner

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

Environmental Quality

Environmental Policy
Water and Air Quality
Waste Management

Cheryl Taylor, Commissioner

Susan Bush, Director
Charles H. Martin, Director
Steve Feese, Director

Law

Corporate Counsel
Litigation
Risk Management

Logan Askew, Commissioner

Vacant
Leslye Bowman, Director
Patrick R. Johnston, Director

Public Safety

Code Enforcement
Community Corrections
Division of Environment & Emergency Mgmt.
Enhanced 911
Fire and Emergency Services
Police

Tim Bennett, Commissioner

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

Social Services

Adult and Tenant Services
Family Services
Youth Services

Marlene Helm, Commissioner

Cheryl Lewis, Director
Sarah Hendrix, Director
Priscilla Gales, (Interim) Director

General Services

Facilities and Fleet Management
Parks and Recreation

Kimra Cole, Commissioner

Jamshid Baradaran, Director
Jerry Hancock, Director

FINANCIAL SECTION



Mountjoy
Chilton
Medley

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, 2010, 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, Fayette County Health Department, and the Lexington Center Corporation which represent 91 percent of the assets and 82 percent of the revenues as of and for the year ended June 30, 2010 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, Fayette County Health Department, 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, 2010, and the respective changes in financial position and where applicable, cash flows, thereof 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 February 27, 2011 on our consideration of the Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

175 East Main Street
Suite 200
Lexington, KY 40507

859.514.7800 Phone
859.514.7805 Fax
www.mcmcpa.com

Louisville
Lexington
Covington
Frankfort

An Independent Member of Baker Tilly International

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 14 through 27 and 37 through 42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Government's financial statements as a whole. The introductory section on pages 1 through 11, combining and individual funds statements and other schedules on pages 100 through 103 and 109 through 127, and the statistical section on pages 131 through 155 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 104 through 106 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, capital asset schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mountjoy Chilton Medley LLP

Lexington, Kentucky
February 27, 2011

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, 2010. 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 \$1.2 billion (net assets).

- Governmental Activities' net assets were \$889.44 million, a decrease of \$45.15 million from the previous fiscal year. This reduction in total net assets reflects an \$18.64 million decrease in the value of depreciable capital assets held by the Urban County Government and an \$87.1 million increase in long term debt related to the issuance of bonds.
- Business-Type Activities held a balance of \$289.62 million in net assets, an increase of \$3.27 million over the previous fiscal year. The increase in net assets over the prior year also reflects an increase in depreciable capital assets of \$6.71 million.

Fund Highlights

- As of June 30, 2010, the Urban County Government's governmental funds reported combined ending fund balances of \$120.34 million, an increase of \$26.91 million from the previous fiscal year. Of this total amount, \$33.56 million was reserved for encumbrances, inventories and prepaid items. The balance of approximately \$86.77 million was unreserved. The unreserved, undesignated fund balance of \$35.37 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 \$2.11 million, or .79% 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 \$14.47 million.
- The 2010 Bond Projects fund accounts for new capital projects which the Urban County Government intends to bond in FY 2011.

Long-Term Debt

- At fiscal year end June 30, 2010, Governmental Activities debt increased \$87.09 million. Increases in long-term General Obligation debt held by the Urban County Government can be attributed to the issuance of \$69.32 million in bonds to finance bond projects. In addition to bonding these capital projects a \$35.83 million bond was issued to reduce the Police and Fire Pension Plan unfunded pension liability. Business-Type activity debt increased \$29.67 million, primarily due to the issuance of Revenue Bonds to be utilized along with other available funds of financing for the construction of major additions, betterment and extensions to the sanitary sewer system.

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, 2010. 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 \$1.18 billion as of June 30, 2010. This reflects a decrease of \$41.88 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 \$31.43 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 \$59.1 million.

The largest proportion of the Urban County Government's net assets, \$1.16 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.

	Total Net Assets (in thousands)		
	FY 2010	**FY 2009	Change
ASSETS			
Current and other assets	\$308,546	\$ 232,427	\$ 76,119
Capital assets	1,441,848	1,421,053	20,795
Total assets	<u>1,750,394</u>	<u>1,653,480</u>	<u>96,914</u>
LIABILITIES			
Current and other liabilities	56,288	55,941	347
Long-term liabilities	515,044	376,600	138,444
Total liabilities	<u>571,332</u>	<u>432,541</u>	<u>138,791</u>
NET ASSETS			
Invested in capital assets net of related debt	1,160,605	1,189,059	(28,454)
Restricted for:			
Capital Projects	38,322	16,951	21,371
Debt Service	7,939	6,337	1,602
Depreciation	3,246	1,611	1,635
Grants	116	116	-
Maintenance and Operations	5,851	5,921	(70)
Unrestricted	<u>(37,017)</u>	<u>944</u>	<u>(37,961)</u>
Total net assets	<u>\$1,179,062</u>	<u>\$1,220,939</u>	<u>(\$41,877)</u>

*Numbers may not total due to rounding

**Numbers do not reflect restatement, see Note 2.D.

Approximately \$55.47 million, or 4.71% 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 23 for more information.

Table 2 indicates that the net assets of Governmental Activities totaled \$889.45 million, a decrease of \$45.15 million from the previous fiscal year. A decrease of \$45.02 million is attributable to depreciation expense. This is offset primarily by additions to capital assets of \$63.24 million. Of these net assets, \$920.94 million is invested in capital assets (e.g. land, infrastructures, buildings and improvements and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets.

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

	Governmental Activities		
	<u>FY 2010</u>	<u>**FY 2009</u>	<u>Change</u>
ASSETS			
Current and other assets	\$210,246	\$166,291	\$43,955
Capital assets	<u>1,092,718</u>	<u>1,075,751</u>	<u>16,967</u>
Total assets	<u>1,302,964</u>	<u>1,242,042</u>	<u>60,922</u>
LIABILITIES			
Current and other liabilities	42,287	44,501	(2,214)
Long-term liabilities	<u>371,232</u>	<u>262,951</u>	<u>108,281</u>
Total liabilities	<u>413,519</u>	<u>307,452</u>	<u>106,067</u>
NET ASSETS			
Invested in capital assets net of related debt	920,939	934,790	(13,851)
Restricted for:			
Capital Projects	20,110	6,139	13,971
Debt Service			
Depreciation			
Grants	116	116	0
Maintenance and Operations			
Unrestricted	<u>(51,720)</u>	<u>(6,455)</u>	<u>(45,265)</u>
Total net assets	<u><u>\$889,445</u></u>	<u><u>\$934,590</u></u>	<u><u>(\$45,145)</u></u>

*Numbers may not total due to rounding

**Numbers do not reflect restatement, see Note 2.D.

Table 3 shows the net assets of Business-Type Activities totaled \$289.62 million at the end of Fiscal Year 2010, an increase of \$3.27 million from the previous fiscal year. Of these net assets, \$239.67 million, or 82.8%, 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)

Business-Type Activities

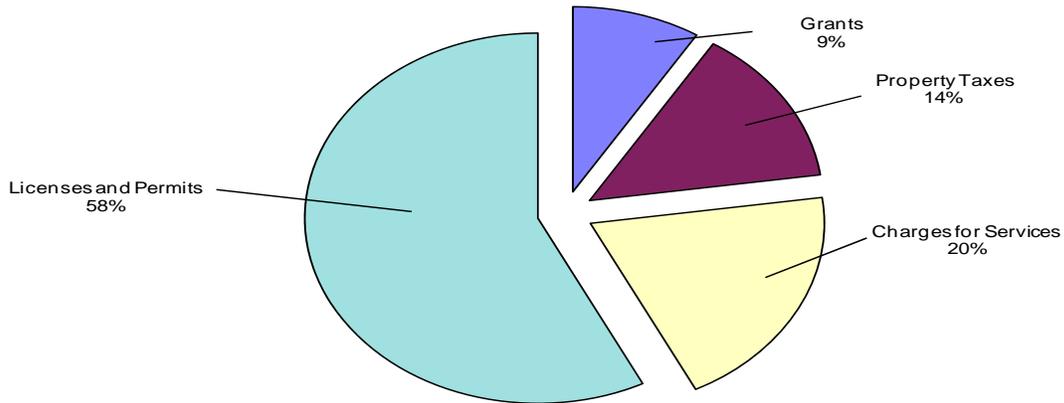
	<u>FY 2010</u>	<u>FY 2009</u>	<u>Change</u>
ASSETS			
Current and other assets	\$98,300	\$66,136	\$32,164
Capital assets	349,131	345,302	3,829
Total assets	<u>447,431</u>	<u>411,438</u>	<u>35,993</u>
LIABILITIES			
Current and other liabilities	14,001	11,440	2,561
Long-term liabilities	143,812	113,649	30,163
Total liabilities	<u>157,813</u>	<u>125,089</u>	<u>32,724</u>
NET ASSETS			
Invested in capital assets net of related debt	239,667	254,269	(14,602)
Restricted for:			
Capital Projects	18,213	10,812	7,401
Debt Service	7,939	6,337	1,602
Depreciation	3,246	1,611	1,635
Maintenance and Operations	5,851	5,921	(70)
Unrestricted	14,702	7,399	7,303
Total net assets	<u>\$289,618</u>	<u>\$286,349</u>	<u>\$3,269</u>

*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, 58%, 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 20%, which was the second largest contributing category to governmental activity revenues. Revenues collected in this category include charges collected from the Detention Center, EMS charges, golf course collections, fees for building permits, and fees associated with parks and recreation programs. Property Taxes comprised of 14% of governmental revenues just ahead of Federal and state grant funding which represents the remaining 9%.

Chart 1
Distribution of Governmental Activity



As indicated by Table 4, revenues from Governmental Activities totaled \$373.82 million, which was a decrease of 0.19% from the previous fiscal year. Licenses and permits totaled \$215.2 million, representing 58% 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 decreased by \$3 million, or -1.37% from the previous fiscal year. This is due in part to FY 2009 containing 27 pay periods for many employers as compared to only 26 pay periods in FY 2010. Property taxes decreased \$3.16 million from the previous fiscal year, down 5.82% which was largely due to the decrease in assessed tax values and a decline in new development. Charges for Services increased primarily due to increased Medicaid and Detention Center revenues.

As noted on Table 4, total expenses of Governmental Activities were \$408.05 million; a decrease of \$4.52 million from the previous fiscal year. Expenditures were reduced in several program categories, including \$11.2 million in Chief Information Officer, Fire and Emergency Services, and Social Services. This decrease was offset primarily by an increase of \$10.67 million in Finance program expenditures and \$4.34 million in interest on Long-term debt from the issuance of bonds.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenues						
Program revenues:						
Charges for services	\$74,348	\$74,492	\$77,553	\$61,163	\$151,901	\$135,654
Operating Grants and Contributions	20,193	13,252			20,193	13,252
Capital Grants and Contributions	10,435	10,276			10,435	10,276
General revenues:						
Property taxes	51,143	54,302			51,143	54,302
Licenses and permits	215,197	218,195			215,197	218,195
Grants and unrestricted contributions	2,251	2,578			2,251	2,577
Other general revenues	254	1,446	(305)	764	(51)	2,210
Total revenues	<u>373,821</u>	<u>374,541</u>	<u>77,248</u>	<u>61,927</u>	<u>451,069</u>	<u>436,466</u>
Program expenses						
General Government	22,727	22,706			22,727	22,706
Administrative Services	1,299	3,315			1,299	3,315
Health, Dental, Vision, Workers Comp, General Insurance	26,712	25,824			26,712	25,824
Chief Information Officer	9,162	14,522			9,162	14,522
Finance	24,047	13,379			24,047	13,379
Public Works	61,841	62,908			61,841	62,908
Public Safety Other	11,260	13,145			11,260	13,145
Police	70,694	69,508			70,694	69,508
Fire and Emergency Services	63,116	66,077			63,116	66,077
Community Corrections	30,894	30,670			30,894	30,670
Environmental Quality	21,516	24,729			21,516	24,729
Social Services	11,837	14,719			11,837	14,719
General Services	14,629	13,945			14,629	13,945
Parks and Recreation	18,321	19,955			18,321	19,955
Law and Risk Management	9,301	10,803			9,301	10,803
Interest on Long-Term Debt	10,692	6,357			10,692	6,357
Sanitary Sewer System			41,453	35,438	41,453	35,438
Public Facilities			10,806	10,971	10,806	10,971
Public Parking			928	1,012	928	1,012
Landfill			6,642	6,210	6,642	6,210
Right of Way			313	300	313	300
Extended School Program			2,457	2,333	2,457	2,333
Prisoners' Account System			1,422	1,628	1,422	1,628
Enhanced 911			3,634	3,314	3,634	3,314
LexVan Program			58	64	58	64
Stormwater			4,528	1,842	4,528	1,842
Total expenses	<u>408,048</u>	<u>412,564</u>	<u>72,241</u>	<u>63,112</u>	<u>480,289</u>	<u>475,674</u>
Increase (Decrease) in Net Assets before Transfers	(34,229)	(38,023)	5,007	(1,185)	(29,222)	(39,209)
Transfers	1,738	618	(1,738)	(618)	0	0
Increase (Decrease) in Net Assets	(32,491)	(37,405)	3,269	(1,803)	(29,222)	(39,209)
Net Assets, July 1	934,590	971,996	286,349	288,152	1,220,939	1,260,148
Adjustment to Opening Net Assets (Note 2.D)	(12,655)				(12,655)	
Net Assets, June 30	<u>\$889,445</u>	<u>\$934,590</u>	<u>\$289,618</u>	<u>\$286,349</u>	<u>\$1,179,062</u>	<u>\$1,220,939</u>

*Numbers may not total due to rounding.

During the year personnel related expenses for Police, Fire, and Community Corrections which are covered by collective bargaining agreements increased \$1 million. Salary and Wage costs including benefits, for non-collective bargaining employees actually decreased 4%. Please see Chart 2 for more information on personnel costs for Governmental Activities during FY 10.

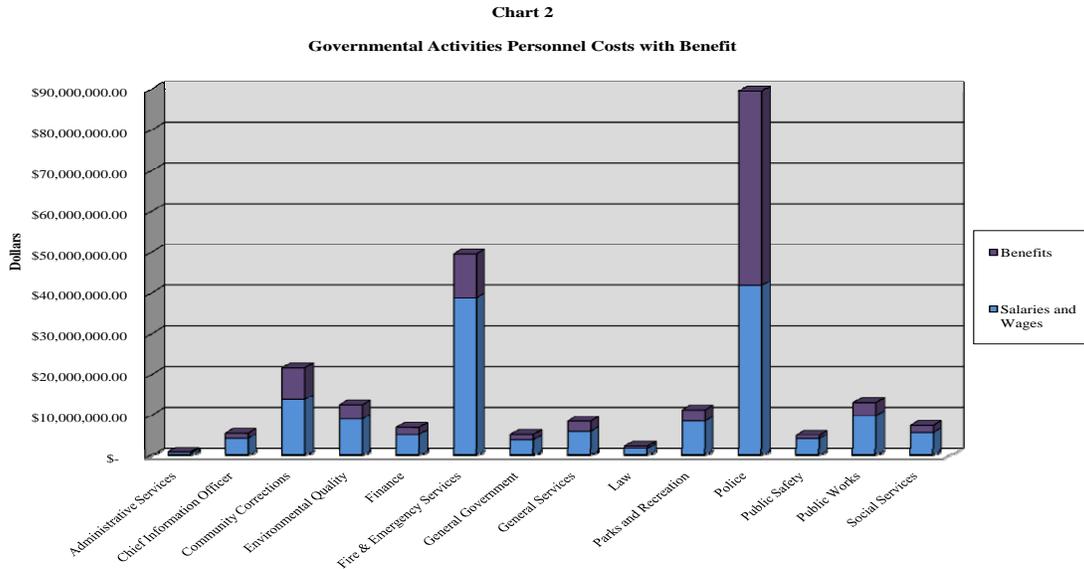
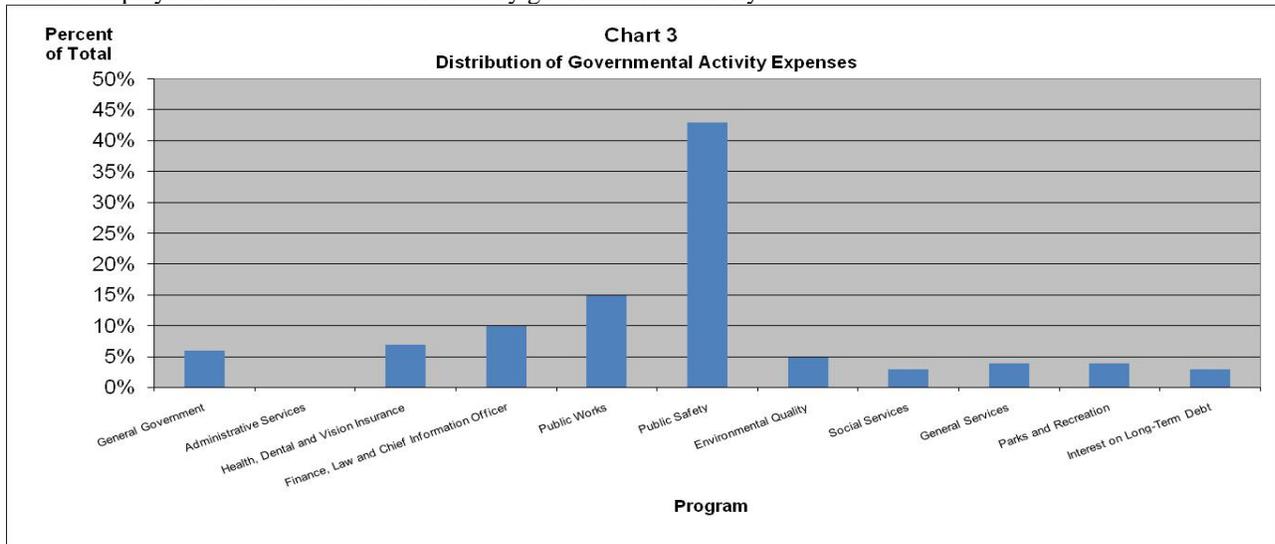


Chart 3 displays the distribution of total costs by governmental activity.



Business-Type Activities

Revenues for Business-Type Activities totaled \$77.25 million at fiscal year ended June 30, 2010, up \$15.32 million from the previous fiscal year. Charges for services comprise 100.4% of total revenues realized by Business-Type Activities. Expenses for Business-Type Activities totaled \$72.24 million in 2010, an increase of \$9.13 million from the prior year. The largest program among these activities is the Sanitary Sewer system, which utilized \$41.45 million at the end of the fiscal year, representing 57.4% of all Business-Type expenses.

The Sewer system expenses increased by \$6.02 million from 2009; this increase was primarily in non-routine maintenance and repair items which occurred during FY 2010. Other Enterprise Funds also experienced an increase in expenditures during the fiscal year of \$3.11 million; this increase was mostly related to the higher administration expenses in FY 2010.

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, 2010 reflect a combined ending fund balance of \$120.34 million, an increase of \$26.91 million from the previous fiscal year. \$35.37 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 2010, the fund balance held by the General Fund totaled \$31.52 million, a decrease of \$1.61 million, or 4.86%, from the previous fiscal year. This was a direct result of a decrease in undesignated fund balance. The total fund balance reserved for encumbrances, inventories, and prepaid items as of June 30, 2010 was \$12.02 million. In addition to this reserve, the General Fund had \$19.5 million in unreserved fund balance. Of this total, unreserved, undesignated fund balance totaled \$2.11 million, or 6.69% of General Fund revenues. This reflects a decrease of \$2.26 million from the previous fiscal year. Unreserved, but designated fund balance totaled \$17.39 million, or 89.18% of General Fund revenues. The designations include:

- \$14.47 million designated for economic contingency to act as a cushion in the event of an economic downturn.
- \$2.92 million was designated for the 27th payroll that will occur in 2017.

The Urban Services Fund is used to finance solid waste collection, streetlights, and street cleaning services for properties within designated property tax districts. At the end of the fiscal year, the Urban Services Fund held a total fund balance of \$25.98 million, a decrease of \$8 million over the prior fiscal year. This decrease is primarily due to capital equipment purchases in the current fiscal year. Unreserved, undesignated fund balance totaled \$16.99 million and reflects 50.03% of Urban Services Fund revenues. Revenues of the Urban Services Fund decreased \$2.77 million from the prior fiscal year due to decreases in Property Taxes allocated to the Urban Services Fund. This decrease was a result of decreased assessed tax values and a decline in new development.

The Federal and State Grants Fund held a balance of \$116,485 for fiscal year ended June 30, 2010, remaining consistent with the previous fiscal year. This fund balance represents grant revenues received, but not spent, that are restricted for specific activities. During the 2010 Fiscal Year, expenditures matched revenues and the fund balance remained steady.

The 2010 Bond Projects Funds contains bond issuances and costs related to various capital bond projects. As of June 30, 2010 \$15.24 million has been expended on these projects. Bond issues in the amount of \$37.9 million were issued to reimburse these expenditures and cover any additional costs associated with the projects.

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 \$289.62 million as of June 30, 2010, an increase of \$3.27 million.

The Sanitary Sewer Fund held total net assets of \$204.36 million, an increase of \$5.2 million over the prior year. Of the total net assets held by the Sanitary Sewer Fund, \$33.78 million is restricted under bond covenants for maintenance, depreciation, capital improvements and debt service. Unrestricted net assets totaled \$2.85 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 \$37.11 million, a decrease of \$3.8 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 \$16.24 million, an increase of \$276 thousand from the prior year.

At fiscal year ended June 30, 2010, the total net assets of the Landfill Fund held a balance of \$27.58 million, an increase of \$1.6 million from the prior fiscal year resulting in a 6.16% increase.

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, 2010, General Fund revenues totaled \$267.15 million, a decrease of 1.6% from the previous fiscal year. Total revenues were \$8.78 million below the final budgeted amount. This decrease in actual revenue is the result of the downturn in the U.S. economy, which negatively affects both employee withholdings and business returns.

As a result of covering the general climate of the financial market, income from investments totaled \$63 thousand, a decrease of \$226 thousand from the previous year. Income from investments for Fiscal Year 2010 fell short of the budgeted amount by \$237 thousand.

General Fund expenditures of the Urban County Government totaled \$309.23 million, a decrease of \$31.07 million, or 9% over the previous year. Expenditures were \$15.09 million below the final budgeted amount. Personnel expenditures accounted for 71.3% of General Fund expenditures and this category accounted for the largest decrease among all expenditures, approximately \$37 million over the prior year. The decrease was due to the large bonded contribution to the Police and Fire retirement plan, over \$70 million, in the prior fiscal year and numerous vacant positions throughout government. Personnel expenditures from divisions covered by the collective bargaining agreements account for 51% 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)

<u>Departments</u>	<u>2010</u>	<u>2009</u>	<u>Change</u>	<u>% Change</u>	<u>% General Fund Expenditures</u>
Non-Collective Bargaining Divisions					
Administrative Services	\$949	\$965	(\$16)	-1.7%	0.3%
Chief Information Officer	5,201	5,443	(242)	-4.4%	1.7%
Department of Finance	6,624	6,620	4	0.1%	2.1%
Department of General Services	8,583	8,626	(43)	-0.5%	2.8%
Department of Law	2,466	2,761	(295)	-10.7%	0.8%
Department of Public Safety	5,147	4,951	196	4.0%	1.7%
Department of Social Services	5,799	6,262	(463)	-7.4%	1.9%
Department of Environmental Quality	-	-	-		0.0%
Department of Public Works & Development	11,678	12,920	(1,242)	-9.6%	3.8%
General Government	5,485	5,276	209	4.0%	1.8%
Parks and Recreation	10,949	11,137	(188)	-1.7%	3.5%
Total Non-Collective Bargaining Divisions	62,881	64,961	(2,080)	-3.2%	20.3%
Divisions with Collective Bargaining					
Police	71,565	86,555	(14,990)	-17.3%	23.1%
Community Corrections	21,518	21,603	(85)	-0.4%	7.0%
Fire and Emergency Services	64,562	84,409	(19,847)	-23.5%	20.9%
Total Collective Bargaining Divisions	157,645	192,567	(34,922)	-18.1%	51.0%
Total Personnel Costs with Benefits	\$220,526	257,528	(\$37,002)	-14.4%	71.3%

*Numbers may not total due to rounding.

CAPITAL ASSETS

The Urban County Government's investment in capital assets totaled \$1.44 billion as of June 30, 2010. This investment includes land, buildings, equipment, park facilities, roads, bridges, and sewer systems. For Governmental Activities, the recorded capital investments totaled \$1.09 billion. Governmental activity capital assets increased by \$16.97 million over the prior year. The assets of Business-Type Activities totaled \$349.13 million, an increase of \$3.83 million from the previous fiscal year.

This year's major changes in capital assets included:

- The depreciation on infrastructure for Governmental Activities totaling \$31.43 million contributed in the net decrease in infrastructure from prior year of \$19.78 million. Infrastructure includes roads, bridges, storm water, fiber optics, traffic signals and similar items.
- The Purchase of Development Rights program acquired \$7.08 million in conservation easements.
- Capital Assets for Business-Type Activities increased by \$3.83 million.
- Construction in Progress (CIP) totaled \$55.12 million in the Governmental Activities and \$23.31 million in Business Type Activities accounting for a total increase in CIP of \$18.62 million.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Land	\$53,356	\$47,040	\$47,206	\$47,206	\$100,562	\$94,246
Purchase of Developmental Rights	62,877	55,793			62,877	55,793
Intangibles	4,128	0	213	0	4,341	0
Buildings and Improvements	95,405	97,029	65,851	69,876	161,256	166,905
Vehicles, Equipment and Furniture*	28,221	29,352	3,041	2,786	31,262	32,138
Land and Leasehold Improvements	6,239	5,774	16,051	18,075	22,290	23,849
Infrastructure	787,373	807,149	193,464	181,171	980,837	988,320
Construction in Progress	55,119	33,613	23,305	26,189	78,424	59,802
Total	<u>\$1,092,718</u>	<u>\$1,075,750</u>	<u>\$349,131</u>	<u>\$345,303</u>	<u>\$1,441,849</u>	<u>\$1,421,053</u>

*Numbers may not total due to rounding.

Additional information on the Government's capital assets activity can be found in note 3B beginning on page 70 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 2010, the Urban County Government had \$444.81 million in bonds and notes outstanding; Governmental Activities' debt increased by \$87.09 million with total debt increasing \$117.22 million resulting from the issuance of bonds related to FY 2010 approved capital projects in addition to the issuance of a pension bond for the Police and Fire pension plan. The Business-type Activities debt increased \$30.13 million due to the issuance of bonds to be utilized along with other available funds of financing for the construction of major additions, betterment and extensions to the sanitary sewer system. Additional information on the Governments Long-term Debt can be found in note D beginning on page 74 of the report.

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 \$2.7 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 \$195.8 million.

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

	Governmental		Business-type Activities		Total Primary	
	2010	2009	2010	2009	2010	2009
General Obligation Bonds, Notes, Leases	\$316,355	\$229,265			\$316,355	\$229,265
Mortgage Revenue Bonds			63,890	66,470	63,890	66,470
Revenue Bonds			64,565	31,860	64,565	31,860
Total	\$316,355	\$229,265	\$128,455	\$98,330	\$444,810	\$327,595

*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 74 of the report.

NEXT YEAR’S BUDGET

The Lexington-Fayette Urban County Government Fiscal Year 2011 Budget, for all funds combined, net of interfund transfers, is \$468,339 million. Significant initiatives in the budget include:

- A commitment of \$50.8 million for storm sewer projects and programs as required by the U.S. Environmental Protection Agency Consent Decree
- Allocation of \$17.36 million for capital projects, including:
 - \$5.75 million for truck-refuse collection
 - \$4 million for improvements to sidewalks and driveways
 - \$1 million for the Purchase of Development Rights program
 - \$1 million for a new fire truck

Funding for these initiatives was derived with a projected 3.5% decrease 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.

BASIC FINANCIAL STATEMENTS

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash	\$29,494,140	\$16,237,275	\$45,731,415	\$22,662,520
Investments	42,947,486	41,352,671	84,300,157	\$5,349,097
Receivables (net)	32,342,113	7,006,201	39,348,314	5,389,220
Due from Other Governments	11,862,650		11,862,650	1,927,022
Due from Component Units	598,161		598,161	172,157
Due from Primary Government				250,594
Inventories	1,434,671	4,775	1,439,446	1,042,394
Prepaid Items				1,723,396
Net Pension Asset	49,127,742		49,127,742	659,032
Restricted Assets:				
Cash				17,984,068
Grants Receivable				1,682,635
Investments	40,433,596	27,922,678	68,356,274	15,479,090
Other				273,649
Capital Assets:				
Non-depreciable	173,124,465	70,510,637	243,635,102	54,805,819
Depreciable (Net)	919,593,992	278,620,342	1,198,214,334	198,772,866
Other Assets				3,499,924
Unamortized Bond Costs	2,005,308	5,776,073	7,781,381	
Total Assets	1,302,964,324	447,430,652	1,750,394,976	331,673,483
LIABILITIES				
Accounts, Contracts Payable and Accrued Liabilities	15,291,472	3,338,562	18,630,034	9,210,806
Interest Payable	4,136,146	652,815	4,788,961	199,432
Internal Balances	(1,986,311)	1,986,311		
Due to Fiduciary Funds	1,049,934		1,049,934	
Due to Component Units	784,206		784,206	91,387
Due to Primary Government				319,597
Unearned Revenue and Other	1,842,479	1,087,408	2,929,887	395,594
Claims Liabilities	21,168,980		21,168,980	
Liabilities Payable from Restricted Assets:				
Accounts, Contracts and Retainage Payable		959,292	959,292	3,068,609
Bonds and Notes Payable		4,510,000	4,510,000	
Interest Payable		1,466,939	1,466,939	741,000
Non-Current Liabilities:				
Due Within One Year:				
Bonds and Notes Payable	28,005,000	1,900,000	29,905,000	4,515,075
Compensated Absences	2,910,546	441,082	3,351,628	542,939
Landfill Closure and Postclosure Care Costs		401,878	401,878	
Due in More Than One Year:				
Unearned Revenue and Other	316,272	289,063	605,335	200,730
Bonds and Notes Payable	288,350,000	122,045,000	410,395,000	95,657,414
Compensated Absences	18,181,727	880,053	19,061,780	217,976
Landfill Closure and Postclosure Care Costs		17,854,682	17,854,682	
Unfunded Other Post Retirement Benefit Liability	31,827,030		31,827,030	
Unfunded Pension Liability	1,642,079		1,642,079	
Total Liabilities	\$413,519,560	\$157,813,085	\$571,332,645	\$115,160,559

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
NET ASSETS				
Investment in Capital Assets, net of related debt	\$920,938,945	\$239,666,463	\$1,160,605,408	\$159,802,634
Restricted for:				
Governmental and Program Funds				400,116
Fees				1,824
Capital Projects	20,109,623	18,212,690	38,322,313	1,523,440
Debt Service		7,938,633	7,938,633	20,315,662
Depreciation		3,246,480	3,246,480	
Pension				504,329
Endowments				0
Grants	116,485		116,485	
Maintenance and Operations		5,851,295	5,851,295	
Unrestricted	(51,720,289)	14,702,006	(37,018,283)	33,964,919
Total Net Assets	\$889,444,764	\$289,617,567	\$1,179,062,331	\$216,512,924

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, 2010

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	22,726,537	\$13,541,123	\$83,151	\$156,878	(\$8,945,385)		(\$8,945,385)	
Administrative Services	1,299,382				(1,299,382)		(1,299,382)	
Health, Dental, and Vision	26,711,492	26,711,492					0	
Chief Information Officer	9,161,677	14,368			(9,147,309)		(9,147,309)	
Finance	24,047,223	3,807,077	925,874		(19,314,272)		(19,314,272)	
Public Works	61,841,096	5,770,608	2,872,077	10,012,726	(43,185,685)		(43,185,685)	
Public Safety	11,259,687	445,029	1,148,589		(9,666,069)		(9,666,069)	
Police	70,694,372	2,007,988	3,905,530	195,370	(64,585,484)		(64,585,484)	
Fire and Emergency Services	63,116,000	6,191,913	2,693,124		(54,230,963)		(54,230,963)	
Community Corrections	30,894,261	6,319,484	210,062		(24,364,715)		(24,364,715)	
Environmental Quality	21,516,034	1,850,487	4,113,269		(15,552,278)		(15,552,278)	
Social Services	11,836,703	2,848,473	4,209,370	69,625	(4,709,235)		(4,709,235)	
General Services	14,629,238	113,498			(14,515,740)		(14,515,740)	
Parks and Recreation	18,320,506	4,691,533	31,626		(13,597,347)		(13,597,347)	
Law and Risk Management	9,301,249	34,444			(9,266,805)		(9,266,805)	
Interest on Long-Term Debt	10,692,416				(10,692,416)		(10,692,416)	
Total governmental activities	408,047,873	74,347,517	20,192,672	10,434,599	(303,073,085)	0	(303,073,085)	
Business-type Activities:								
Sanitary Sewer System	41,453,360	47,470,305				6,016,945	6,016,945	
Public Facilities	10,806,267	6,405,531				(4,400,736)	(4,400,736)	
Public Parking	927,900	1,203,102				275,202	275,202	
Landfill	6,641,801	8,240,762				1,598,961	1,598,961	
Right of Way	313,383	479,012				165,629	165,629	
Extended School Program	2,456,874	2,097,145				(359,729)	(359,729)	
Prisoners' Account System	1,421,523	1,915,910				494,387	494,387	
Enhanced 911	3,634,032	4,069,027				434,995	434,995	
LexVan Program	57,644	91,090				33,446	33,446	
Stormwater	4,528,403	5,581,104				1,052,701	1,052,701	
Total business-type activities	72,241,187	77,552,988	0	0	0	5,311,801	5,311,801	
Total primary government	\$480,289,060	\$151,900,505	\$20,192,672	\$10,434,599	(\$303,073,085)	\$5,311,801	(\$297,761,284)	

Component Units:

Lexington Center Corporation	\$17,882,930	\$12,635,637	\$948,000	\$6,472				(\$4,292,821)
Lexington Airport Board	19,429,937	13,552,469		17,665,396				11,787,928
Fayette County Department of Health	28,299,818	9,967,082	12,483,940					(5,848,796)
Nonmajor component units	41,823,001	4,596,681	3,086,347	1,630,390				(32,509,583)
Total component units	<u>\$107,435,686</u>	<u>\$40,751,869</u>	<u>\$16,518,287</u>	<u>\$19,302,258</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(30,863,272)</u>

General Revenues:

Property Taxes				51,143,199		51,143,199		42,688,058
Licenses Fees - Wages and Net Profits Taxes				215,196,838		215,196,838		
Grants and Contributions Not Restricted to Specific Programs:								
Community Development Block Grant				2,250,779		2,250,779		
Income on Investments				300,149	96,285	396,434		283,848
Net Change in Fair Value of Investments						0		(52,527)
Gain (Loss) on Sale of Capital Assets				(45,882)	(401,697)	(447,579)		
Miscellaneous						0		638,620
Payment from/to Lexington-Fayette Urban County Governmen						0		(209,064)
Total General Revenues				<u>268,845,083</u>	<u>(305,412)</u>	<u>268,539,671</u>		<u>43,348,935</u>
Transfers				<u>1,737,854</u>	<u>(1,737,854)</u>			
				<u>270,582,937</u>	<u>(2,043,266)</u>	<u>268,539,671</u>		<u>43,348,935</u>
Change in Net Assets				(32,490,148)	3,268,535	(29,221,613)		12,485,663
Net Assets July 1, as previously presented				934,590,040	286,349,032	1,220,939,072		204,175,511
Adjustment to Opening Net Assets (Note 2.D)				(12,655,128)		(12,655,128)		(148,250)
Net Assets - Restated, July 1				<u>921,934,912</u>	<u>286,349,032</u>	<u>1,208,283,944</u>		<u>204,027,261</u>
Net Assets, June 30				<u>\$889,444,764</u>	<u>\$289,617,567</u>	<u>\$1,179,062,331</u>		<u>\$216,512,924</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010**

	<u>General</u>	<u>Urban Services</u>	<u>Federal and State Grants</u>	<u>2010 Bond Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Current Cash	\$4,325,081	\$11,159,804	\$629,763		\$13,244,092	\$29,358,740
Current Investments	24,349,426	16,072,223	26,485		2,632,677	43,080,811
Receivables :						
Loans			4,803,276			4,803,276
License Fees	15,675,581					15,675,581
Other	7,676,501	575,259	157		11,116,141	19,368,058
Less Allowance for Uncollectible Amounts	(2,866,574)		(4,803,276)			(7,669,850)
Due from Other Governments	17,538		11,845,112			11,862,650
Due from Component Units	598,161					598,161
Inventories and Prepaid Items	1,434,671					1,434,671
Internal Balances					14,030,664	14,030,664
Restricted Investments	7,952,225			26,302,296	6,179,075	40,433,596
Total Assets	<u>\$59,162,610</u>	<u>\$27,807,286</u>	<u>\$12,501,517</u>	<u>\$26,302,296</u>	<u>\$47,202,649</u>	<u>\$172,976,358</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts and Contracts Payable	3,801,649	1,515,727	1,235,005	\$1,341,208	1,876,840	\$9,770,429
Accrued Payroll & Related Liabilities	4,808,504	278,889	125,475		1,529	5,214,397
Internal Balances	16,537,668	28,843	9,842,608	2,150,012	5,417,764	33,976,895
Due to Fiduciary Funds	1,049,934					1,049,934
Due to Component Units	784,206					784,206
Unearned Revenue and Other	660,535		1,181,944			1,842,479
Total Liabilities	<u>27,642,496</u>	<u>1,823,459</u>	<u>12,385,032</u>	<u>3,491,220</u>	<u>7,296,133</u>	<u>52,638,340</u>
Fund Balances:						
Reserved for:						
Encumbrances	10,585,222	8,842,245		6,647,842	6,054,823	32,130,132
Inventories and Prepaid Items	1,434,671					1,434,671
Unreserved:						
Designated for Payroll	2,923,169	154,622				3,077,791
Designated for Economic Contingency	14,470,569					14,470,569
Undesignated	2,106,483	16,986,960	116,485	16,163,234		35,373,162
Undesignated, reported in Special Revenue Funds					13,742,070	13,742,070
Undesignated, reported in Capital Projects Funds					20,109,623	20,109,623
Total Fund Balances	<u>31,520,114</u>	<u>25,983,827</u>	<u>116,485</u>	<u>22,811,076</u>	<u>39,906,516</u>	<u>120,338,018</u>
Total Liabilities and Fund Balances	<u>\$59,162,610</u>	<u>\$27,807,286</u>	<u>\$12,501,517</u>	<u>\$26,302,296</u>	<u>\$47,202,649</u>	<u>\$172,976,358</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, 2010**

Fund balances - total governmental funds		\$120,338,018
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	1,398,582,225	
Less accumulated depreciation	<u>(305,863,769)</u>	1,092,718,457
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		
		2,005,308
Prepayment of Unfunded Police and Fire Pension Liability		
		49,127,742
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	(316,355,000)	
Unearned revenue	(316,272)	
Accrued interest payable	(4,136,146)	
Compensated absences	(21,092,273)	
Unfunded pension liability and other post retirement benefits	<u>(33,469,109)</u>	(375,368,800)
Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		
		757,364
Internal Balances due to non-governmental activities funds related to items listed above		
		<u>(133,325)</u>
Net assets of governmental activities		<u><u>\$889,444,764</u></u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	<u>General</u>	<u>Urban Services</u>	<u>Federal and State Grants</u>	<u>2010 Bond Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
License Fees and Permits	\$218,333,096	\$1,253,168				\$219,586,264
Taxes	20,222,945	30,920,254				51,143,199
Charges for Services	21,002,079	10,183			169,743	21,182,005
Fines and Forfeitures	262,040	6,419				268,459
Intergovernmental	1,156,085		32,931,725		7,001,008	41,088,818
Exactions					601,993	601,993
Grant Match			2,619,353			2,619,353
Property Sales	473,784	25,335				499,119
Income on Investments	62,901	24,824	50,867	98,214	63,343	300,149
Other	5,640,859	1,723,972	2,278,664		345,489	9,988,984
Total Revenues	<u>267,153,789</u>	<u>33,964,155</u>	<u>37,880,609</u>	<u>98,214</u>	<u>8,181,576</u>	<u>347,278,343</u>
EXPENDITURES						
Current:						
General Government	3,121,622	3,403,354	286,705		151,192	6,962,873
Administrative Services	1,098,505					1,098,505
Chief Information Officer	7,366,969	635,242			2,284,994	10,287,205
Finance	8,297,391	20,169	3,634,135		27,570	11,979,265
Public Works	15,320,823	5,341,645	945,362		906,996	22,514,826
Public Safety	9,511,545		758,039		659,966	10,929,550
Police	75,648,617		3,357,929		379,495	79,386,041
Fire and Emergency Services	69,566,815		2,079,491			71,646,306
Community Corrections	29,092,628		179,041			29,271,669
Social Services	7,323,741		2,291,682			9,615,423
Environmental Quality	3,256	20,029,583	348,688		16,930	20,398,457
General Services	9,565,698	39,543				9,605,241
Parks and Recreation	16,275,370	390,342	64,482		35,008	16,765,202
Law and Risk Management	8,601,967	725,894				9,327,861
Outside Agencies	16,786,200		1,337,097			18,123,297
Debt Service:						
Principal	18,530,000				7,700,000	26,230,000
Interest	8,861,683				190,284	9,051,967
Other Debt Service	357,523			22		357,545
Capital:						
Equipment	123,631	8,753,045	2,271,582	2,081,560	1,981,149	15,210,967
Acquisitions and Construction	3,775,414	1,990,003	20,246,483	13,154,785	16,563,871	55,730,556
Total Expenditures	<u>309,229,398</u>	<u>41,328,820</u>	<u>37,800,716</u>	<u>15,236,367</u>	<u>30,897,455</u>	<u>434,492,756</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(42,075,609)</u>	<u>(7,364,665)</u>	<u>79,893</u>	<u>(15,138,153)</u>	<u>(22,715,879)</u>	<u>(87,214,413)</u>
OTHER FINANCING SOURCES (USES)						
Issuance of Debt	35,825,000			37,942,729	31,377,271	105,145,000
Issuance of Refunding Debt					14,370,000	14,370,000
Premium on Bonds						0
Discount on Bonds	(576,743)					(576,743)
Payment to Refunded Debt Escrow Agent					(6,553,425)	(6,553,425)
Transfers In	6,215,944	3,060		6,500	498,000	6,723,504
Transfer to State						0
Transfers Out	(998,392)	(632,229)	(79,888)		(3,275,141)	(4,985,650)
Total Other Financing Sources (Uses)	<u>40,465,809</u>	<u>(629,169)</u>	<u>(79,888)</u>	<u>37,949,229</u>	<u>36,416,705</u>	<u>114,122,686</u>
Net Change in Fund Balances	<u>(1,609,800)</u>	<u>(7,993,834)</u>	<u>5</u>	<u>22,811,076</u>	<u>13,700,826</u>	<u>26,908,273</u>
Fund Balances, July 1	<u>33,129,914</u>	<u>33,977,661</u>	<u>116,480</u>	<u>0</u>	<u>26,205,690</u>	<u>93,429,745</u>
Fund Balances, June 30	<u>\$31,520,114</u>	<u>\$25,983,827</u>	<u>\$116,485</u>	<u>\$22,811,076</u>	<u>\$39,906,516</u>	<u>\$120,338,018</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, 2010**

Net change in fund balances - total governmental funds		\$26,908,273
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	63,238,605	
Less current year depreciation	<u>(45,023,533)</u>	18,215,072
The net effect of various miscellaneous transactions involving capital assets (i.e. Sales, trade-ins, and donations) is to decrease net assets.		
		(1,247,080)
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.		
Issuance of Debt	(119,515,000)	
Bond Issuance Costs	301,810	
Discount on Bonds	576,743	
Loss on Refunding	713,578	
Principal Payment to Refunded Bond Escrow Agent	6,195,000	
Principal Payments	<u>26,230,000</u>	(85,497,869)
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		
Change in net pension asset	18,984,739	
Amortization of current year bond (discounts) premiums	(51,114)	
Change in unfunded pension liability and other post retirement benefits	145,629	
Change in unfunded other Post Retirement Benefit Liability	(10,316,356)	
Unearned revenue	(316,272)	
Change in accrued interest payable	(1,640,449)	
Change in compensated absences	<u>1,950,242</u>	8,756,419
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>375,037</u>
Change in net assets of governmental activities		<u><u>(\$32,490,148)</u></u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
GENERAL FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive (Negative)
REVENUES				
Licenses and Permits:				
Employee Withholdings	\$156,500,000	\$156,500,000	\$148,307,397	(\$8,192,603)
Business Returns	31,500,000	31,500,000	27,313,254	(4,186,746)
Individual Returns	100,000	100,000	14,263	(85,737)
Insurance Premiums	21,800,000	21,800,000	22,858,208	1,058,208
Bond Deposits	2,000	2,000	3,500	1,500
Regulated License Fee	833,900	833,900	874,156	40,256
Franchise Fee	17,552,000	17,552,000	15,826,060	(1,725,940)
Bank Franchise Fee	1,270,000	1,270,000	1,253,168	(16,832)
Vehicle License	167,000	167,000	185,066	18,066
Deed Tax Fee	1,300,000	1,300,000	1,171,492	(128,508)
Contractor Registration Fee	348,000	348,000	349,180	1,180
Filing Fee - Planning & Zoning	140,000	140,000	108,270	(31,730)
Animal License	55,000	55,000	38,646	(16,354)
Certificates of Occupancy			5,700	5,700
Hotel - Motel License Fee	125,600	125,600	24,736	(100,864)
Total Licenses and Permits	<u>231,693,500</u>	<u>231,693,500</u>	<u>218,333,096</u>	<u>(13,360,404)</u>
Taxes:				
Realty Taxes	18,176,000	17,476,000	17,329,718	(146,282)
Personality Taxes	1,563,000	1,588,000	1,593,896	5,896
PSC Taxes	691,000	710,000	525,844	(184,156)
Property Tax Discount	(336,000)	(324,000)	(311,465)	12,535
Property Tax Commission	(840,000)	(811,000)	(815,818)	(4,818)
Delinquent - Realty & Personal	53,000	53,000	321,892	268,892
Motor Vehicle Ad Valorem Tax	1,550,000	1,528,000	1,401,137	(126,863)
County Clerk Com - Mtr Veh	(70,890)	(61,000)	(50,367)	10,633
Supplementary Tax Bills	8,000	8,000	9,953	1,953
Omitted Tax	77,000	77,000	218,155	141,155
Total Taxes	<u>20,871,110</u>	<u>20,244,000</u>	<u>20,222,945</u>	<u>(21,055)</u>
Charges for Services:				
Accident Report Sales	15,000	15,000	6,119	(8,881)
Administrative Collection Fees	10,000	10,000	10,703	703
Adult Probation Fees	85,000	85,000	110,420	25,420
Animal Shelter Collections	35,000	35,000	24,469	(10,531)
Building Permits	1,000,000	1,000,000	673,266	(326,734)
Computer Services Fees	74,000	74,000	15,138	(58,862)
Detention Center	4,762,000	4,762,000	5,434,673	672,673
Developer Landscape Fees	11,000	11,000	2,840	(8,160)
District Court Jail Fees	144,000	144,000	774,392	630,392
Domestic Relations Collection	15,000	15,000	8,709	(6,291)
EMS	5,400,000	5,400,000	6,171,736	771,736
Excess Fees And Collections	2,150,000	2,150,000	2,649,435	499,435
Golf Course Collections	3,825,300	3,825,300	3,051,990	(773,310)
Lexington Store			205	205
Park Land Acquisition	400,000	400,000	192,011	(207,989)
Parking	35,000	35,000	37,986	2,986
Parks & Recreation Programs	1,423,500	1,423,500	1,221,260	(202,240)
Rent Or Lease Income	192,470	192,470	616,728	424,258
Total Charges for Services	<u>19,577,270</u>	<u>19,577,270</u>	<u>21,002,080</u>	<u>1,424,810</u>
Fines and Forfeitures	<u>192,000</u>	<u>192,000</u>	<u>262,040</u>	<u>70,040</u>
Intergovernmental	<u>1,020,090</u>	<u>1,024,948</u>	<u>1,156,085</u>	<u>131,137</u>
Property Sales	<u>179,550</u>	<u>179,550</u>	<u>473,784</u>	<u>294,234</u>
Investments	<u>300,000</u>	<u>300,000</u>	<u>62,901</u>	<u>(237,099)</u>
Other Income:				
Assistance Repayment			105,252	105,252
Contributions		1,114,623	3,221,657	2,107,034
Penalties And Interest	1,200,000	1,201,157	1,785,259	584,102
School Board Tax Fee	12,000	12,000	11,000	(1,000)
Tourist Commission Fee			742	742
Payment in Lieu of Taxes	30,000	30,000	104,046	74,046
Miscellaneous	120,000	369,285	412,902	43,617
Total Other Income	<u>1,362,000</u>	<u>2,727,065</u>	<u>5,640,858</u>	<u>2,913,793</u>
Total Revenues	<u>275,195,520</u>	<u>275,938,333</u>	<u>267,153,789</u>	<u>(8,784,544)</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
GENERAL FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive (Negative)
EXPENDITURES				
General Government:				
Council Office	\$2,380,230	\$2,372,121	\$2,315,872	(\$56,249)
Office of the Mayor	1,730,780	1,788,779	1,644,356	(144,423)
Special Programs	945,120	1,533,218	1,311,565	(221,653)
Board of Elections	614,580	595,140	546,650	(48,490)
Clerk of the Urban County Council	768,190	762,077	655,977	(106,100)
County Attorney	774,400	774,400	724,975	(49,425)
Coroner	726,100	719,718	662,032	(57,686)
Property Valuation Administrator	365,000	365,000	344,000	(21,000)
Contingency	597,110	2,885,460	0	(2,885,460)
Circuit Judges	323,050	319,410	327,333	7,923
County Court Clerk	132,480	132,480	91,727	(40,753)
Citizens' Advocate	182,150	181,460	180,615	(845)
Commonwealth Attorney	81,960	82,408	61,234	(21,174)
County Judge Executive	19,100	18,810	16,700	(2,110)
Indirect Cost Allocation	(6,992,910)	(6,992,910)	(5,676,177)	1,316,733
Total General Government	2,647,340	5,537,571	3,206,859	(2,330,712)
Administrative Services:				
Senior Advisor	153,650	153,360	130,736	(22,624)
Office of Policy and Budget	499,900	431,292	408,228	(23,064)
Internal Audit Office	820,640	742,440	559,541	(182,899)
Total Administrative Services	1,474,190	1,327,092	1,098,505	(228,587)
Chief Information Officer				
Government Communications	1,544,140	1,538,090	1,509,885	(28,205)
Computer Services	5,522,420	5,427,069	5,307,305	(119,764)
Chief Information Officer	472,240	631,031	549,787	(81,244)
Total Chief Information Officer	7,538,800	7,596,190	7,366,977	(229,213)
Department of Finance:				
Community Development	778,840	1,170,663	1,034,776	(135,887)
Accounting	1,350,300	1,265,280	1,256,614	(8,666)
Central Purchasing	551,300	542,860	566,079	23,219
Human Resources	2,598,640	2,708,108	2,609,636	(98,472)
Revenue	2,608,300	2,509,411	2,391,989	(117,422)
Finance Administration	395,140	519,223	438,297	(80,926)
Total Finance	8,282,520	8,715,545	8,297,391	(418,154)
Department of Public Works:				
Building Inspection	2,650,170	2,594,420	2,618,930	24,510
Historic Preservation	359,290	362,211	367,042	4,831
Engineering	1,633,740	2,643,036	4,077,663	1,434,627
Planning	1,917,330	1,993,345	1,848,796	(144,549)
Streets, Roads, and Forestry	3,990,690	3,953,181	3,933,819	(19,362)
Traffic Engineering	4,078,410	4,501,601	4,013,172	(488,429)
Public Works Administration	425,220	429,340	409,469	(19,871)
Purchase of Development Rights	170,720	182,565	1,028,072	845,507
Total Public Works	15,225,570	16,659,699	18,296,963	1,637,264
Department of Public Safety:				
Police	56,893,850	75,956,206	75,648,617	(307,589)
Fire & Emergency Services	54,379,270	71,301,672	69,663,952	(1,637,720)
Community Corrections	30,786,380	30,643,779	29,092,628	(1,551,151)
Public Safety Administration	4,385,390	4,377,430	4,310,185	(67,245)
Code Enforcement	1,749,680	1,599,300	1,617,342	18,042
DEEM/Enhanced 912	3,895,650	3,793,811	3,585,863	(207,948)
Total Public Safety	152,090,220	187,672,198	183,918,587	(3,753,611)
Department of Social Services:				
Youth Services	2,639,130	3,187,723	2,194,471	(993,252)
Family Services	3,133,240	3,555,336	2,803,966	(751,370)
Adult Services	1,459,860	1,438,984	1,407,234	(31,750)
Social Services Administration	1,129,800	1,105,093	1,033,734	(71,359)
Total Social Services	8,362,030	9,287,136	7,439,405	(1,847,731)

continued

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGETARY COMPARISON
GENERAL FUND
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive (Negative)
Dept of Environmental Quality				
Division of Water & Air Quality		94,457	561	(93,896)
Environmental Quality		2,656	2,656	0
Office of Compliance				0
Total Environmental Quality	<u>0</u>	<u>97,113</u>	<u>3,217</u>	<u>(93,896)</u>
Department of General Services:				
Parks and Recreation	18,339,710	18,814,137	16,889,863	(1,924,274)
Fleet and Facilities Management	11,515,790	11,057,827	8,297,963	(2,759,864)
General Services Administration	1,870,490	1,783,847	1,276,295	(507,552)
Total General Services	<u>31,725,990</u>	<u>31,655,811</u>	<u>26,464,121</u>	<u>(5,191,690)</u>
Department of Law:				
Law	2,340,640	2,322,926	2,268,724	(54,202)
Risk Management	6,501,110	6,501,768	6,333,243	(168,525)
Total Law	<u>8,841,750</u>	<u>8,824,694</u>	<u>8,601,967</u>	<u>(222,727)</u>
Outside Agencies:				
Parking Authority of Lexington			(130,438)	(130,438)
Commerce Lexington	522,170	522,170	509,069	(13,101)
Downtown Arts Center	109,680	109,680	109,680	0
Downtown Lexington Corporation	51,300	51,300	50,000	(1,300)
World Trade Center	109,250	87,438	81,938	(5,500)
Community Development Agencies	350,710	355,202	350,068	(5,134)
Social Service Agencies	2,027,720	2,066,424	2,013,269	(53,155)
Public Works Agencies	2,290	2,290	(5,992)	(8,282)
Lexington Public Library	13,706,650	13,074,810	13,324,096	249,286
Explorium of Lexington	203,060	203,060	204,230	1,170
Carnegie Literacy Center	36,000	36,000	36,000	0
Downtown Development Authority	244,280	244,280	244,280	0
Total Outside Agencies	<u>17,363,110</u>	<u>16,752,654</u>	<u>16,786,200</u>	<u>33,546</u>
Debt Service:				
Principal	23,381,910	20,365,571	18,530,000	(1,835,571)
Interest	5,958,990	8,975,329	8,861,683	(113,646)
Other Debt Service	507,270	854,496	357,523	(496,973)
Total Debt Service	<u>29,848,170</u>	<u>30,195,396</u>	<u>27,749,206</u>	<u>(2,446,190)</u>
Total Expenditures	<u>283,399,690</u>	<u>324,321,099</u>	<u>309,229,398</u>	<u>(15,091,701)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(8,204,170)</u>	<u>(48,382,766)</u>	<u>(42,075,609)</u>	<u>6,307,157</u>
OTHER FINANCING SOURCES				
Issuance of Debt		35,825,000	35,825,000	0
Discount on Bonds			(576,743)	(576,743)
Transfers In	7,712,490	7,798,620	6,215,944	(1,582,676)
Transfers Out	53,560	64,850	(998,392)	(1,063,242)
Total Other Financing Sources	<u>7,766,050</u>	<u>43,688,470</u>	<u>40,465,809</u>	<u>(3,222,661)</u>
Net Change in Fund Balances	(438,120)	(4,694,296)	(1,609,800)	3,084,496
Fund Balance, July 1	<u>(1,374,480)</u>	<u>(1,292,500)</u>	<u>33,129,914</u>	<u>0</u>
Fund Balance, June 30	<u>(\$1,812,600)</u>	<u>(\$5,986,796)</u>	<u>\$31,520,114</u>	<u>\$3,084,496</u>

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



This page intentionally left blank.

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget-Positive</u> <u>(Negative)</u>
REVENUES				
Licenses and Permits:				
Bank Franchise Fee	\$1,270,000	\$1,270,000	\$1,253,168	(\$16,832)
Total Licenses and Permits	<u>1,270,000</u>	<u>1,270,000</u>	<u>1,253,168</u>	<u>(16,832)</u>
Taxes:				
Realty Taxes	35,110,000	31,238,000	31,131,250	(106,750)
PSC Taxes	251,000	224,000	101,161	(122,839)
Property Tax Discount	(597,000)	(531,000)	(536,518)	(5,518)
Property Tax Commission	(350,000)	(350,000)	(350,000)	0
Delinquent - Realty & Personal	6,000	6,000	550,471	544,471
Supplementary Tax Bills	10,000	10,000	22,829	12,829
Omitted Tax			1,061	1,061
Total Taxes	<u>34,430,000</u>	<u>30,597,000</u>	<u>30,920,254</u>	<u>323,254</u>
Charges for Services:				
Rent Or Lease Income			4,000	4,000
Dumpster Permit Fees			6,183	6,183
Total Charges for Services	<u>0</u>	<u>0</u>	<u>10,183</u>	<u>10,183</u>
Property Sales	<u>1,334,000</u>	<u>1,334,000</u>	<u>25,335</u>	<u>(1,308,665)</u>
Fines and Forfeitures	<u>0</u>	<u>0</u>	<u>6,419</u>	<u>6,419</u>
Investments	<u>0</u>	<u>0</u>	<u>24,824</u>	<u>24,824</u>
Other Income:				
Penalties And Interest	30,000	30,000	88,648	58,648
Commodities	0	700,000	1,620,073	920,073
Miscellaneous	700,000	(1,775)	15,251	17,026
Total Other Income	<u>730,000</u>	<u>728,225</u>	<u>1,723,972</u>	<u>995,747</u>
Total Revenues	<u>37,764,000</u>	<u>33,929,225</u>	<u>33,964,155</u>	<u>28,511</u>
EXPENDITURES				
General Government:				
Contingency	67,770	67,770	0	(67,770)
Indirect Cost Allocation	4,339,970	4,339,970	3,403,354	(936,616)
Total General Government	<u>4,407,740</u>	<u>4,407,740</u>	<u>3,403,354</u>	<u>(1,004,386)</u>
Chief Information Officer				
Chief Information Officer	0	50,000	48,001	(1,999)
Computer Services	90,750	90,750	27,049	(63,701)
Government Communications	545,770	555,300	560,192	4,892
Total Chief Information Officer	<u>636,520</u>	<u>696,050</u>	<u>635,242</u>	<u>(60,808)</u>
Department of Finance:				
Human Resources	14,000	14,000	12,475	(1,525)
Revenue	0	0	0	0
Finance Administration	9,000	17,640	7,694	(9,946)
Total Finance	<u>23,000</u>	<u>31,640</u>	<u>20,169</u>	<u>(11,471)</u>
Department of Public Works:				
Streets, Roads, and Forestry	1,197,940	1,198,565	1,042,967	(155,598)
Traffic Engineering	4,662,650	6,082,570	4,519,559	(1,563,011)
Public Works Administration	23,500	23,500	5,310	(18,190)
Total Public Works	<u>5,884,090</u>	<u>7,304,635</u>	<u>5,567,836</u>	<u>(1,736,799)</u>
Dept of Environmental Quality				
Waste Management	27,515,860	30,495,969	26,375,726	(4,120,243)
Office of Compliance	1,345,260	1,345,260	958,033	(387,227)
Environmental Quality	725,080	662,416	624,171	(38,245)
Total Environmental Quality	<u>29,586,200</u>	<u>32,503,645</u>	<u>27,957,930</u>	<u>(4,545,715)</u>
Department of General Services:				
Parks and Recreation	539,520	539,520	390,342	(149,178)
Fleet and Facilities Management	7,472,200	2,783,536	2,628,053	(155,483)
Total General Services	<u>8,011,720</u>	<u>3,323,056</u>	<u>3,018,395</u>	<u>(304,661)</u>

continued

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

Department of Law:				
Law	36,010	36,010	10,948	(25,062)
Risk Management	711,890	711,890	714,946	3,056
Total Law	<u>747,900</u>	<u>747,900</u>	<u>725,894</u>	<u>(22,006)</u>
Debt Service:				
Principal	111,000	111,000	0	(111,000)
Interest	6,830	6,830	0	(6,830)
Total Debt Service	<u>117,830</u>	<u>117,830</u>	<u>0</u>	<u>(117,830)</u>
Total Expenditures	<u>49,415,000</u>	<u>49,132,496</u>	<u>41,328,820</u>	<u>(7,803,676)</u>
Excess (Deficiency) of Revenues over (under)				
Expenditures	<u>(11,651,000)</u>	<u>(15,203,271)</u>	<u>(7,364,665)</u>	<u>7,832,187</u>
OTHER FINANCING SOURCES (USES)				
Transfers In			3,060	3,060
Transfers Out	<u>(229,200)</u>	<u>(229,200)</u>	<u>(632,229)</u>	<u>(403,029)</u>
Total Other Financing Sources (Uses)	<u>(229,200)</u>	<u>(229,200)</u>	<u>(629,169)</u>	<u>(399,969)</u>
Net Change in Fund Balances	(11,880,200)	(15,432,471)	(7,993,834)	7,432,218
Fund Balance, July 1	<u>12,889,710</u>	<u>4,750,087</u>	<u>33,977,661</u>	<u>0</u>
Fund Balance, June 30	<u>\$1,009,510</u>	<u>(\$10,682,384)</u>	<u>\$25,983,827</u>	<u>\$7,432,218</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, 2010

Business-type Activities
Enterprise Funds

	Sanitary Sewer System	Public Facilities Corporation	Public Parking Corporation	Landfill	Other Enterprise Funds	Total	Governmental Activities Internal Service Funds
ASSETS							
Current Assets:							
Cash	\$7,345,592	\$1,694,796	\$1,027,055	\$3,299,429	\$2,870,403	\$16,237,275	\$135,400
Investments	18,307,994	290,522		21,186,520	1,434,310	41,219,346	
Receivables:							
User Fees Receivable	2,452,672			579,283	554,637	3,586,592	
Other Receivables	3,437,153	88,790	971	479,565	182,256	4,188,735	165,048
Less Allowance for Uncollectible Accounts	(83,341)			(616,840)	(68,945)	(769,126)	
Inventories	4,775					4,775	
Internal Balances				1,020,600		1,020,600	22,117,862
Restricted Investments:							
Reserved for Maintenance and Operation	5,851,543					5,851,543	
Reserved for Sinking Fund	4,752,488					4,752,488	
Total Current Assets	42,068,876	2,074,108	1,028,026	25,948,557	4,972,661	76,092,228	22,418,310
Non-Current Assets:							
Restricted Investments:							
Reserved for Construction & Capital Acquisitions	5,275,778					5,275,778	
Reserved for Depreciation	3,430,396					3,430,396	
Reserved for Debt Service	8,612,473					8,612,473	
Capital Assets:							
Land	1,448,111	32,578,646	7,985,094	5,194,637		47,206,488	
Land Improvements	254,476	26,067,064	3,110,639	16,505,870	10,000	45,948,049	
Buildings	2,148,289	117,801,672	10,342,967	64,815		130,357,743	
Sewer Plants	163,269,363					163,269,363	
Sewer Lines	158,046,639				270	158,046,909	
Leasehold Improvements		2,137,090				2,137,090	
Vehicles, Equipment, and Furniture	6,968,771	3,448,236	289,793	53,735	1,955,567	12,716,102	
Intangibles	417,317	69,281			1,534,910	2,021,508	
Less Accumulated Depreciation	(133,298,313)	(86,565,916)	(6,467,541)	(6,377,957)	(3,166,695)	(235,876,422)	
Construction in Progress	18,468,496	18,385		4,817,268		23,304,149	
Unamortized Bond Costs	1,349,299	4,426,774				5,776,073	
Total Non-Current Assets	236,391,095	99,981,232	15,260,952	20,258,368	334,052	372,225,699	0
Total Assets	278,459,971	102,055,340	16,288,978	46,206,925	5,306,713	448,317,927	22,418,310

LIABILITIES

Current Liabilities:

Accounts, Contracts and Retainage Payable	1,728,209	253,215	45,101	357,323	605,756	2,989,604	306,646
Accrued Payroll	205,537			3,862	139,559	348,958	
Internal Balances	2,825,674	109,824			71,413	3,006,911	185,320
Claims Payable							21,168,980
Bonds Payable		1,900,000				1,900,000	
Interest Payable		652,815				652,815	
Other	1,046,155	41,253				1,087,408	
Compensated Absences	308,103			462	132,517	441,082	
Landfill Closure and Postclosure Care Costs				401,878		401,878	
Payable from Restricted Investments:							
Accounts, Contracts and Retainage Payable	959,292					959,292	
Bonds Payable	4,510,000					4,510,000	
Interest Payable	1,466,939					1,466,939	

Total Current Liabilities

	<u>13,049,909</u>	<u>2,957,107</u>	<u>45,101</u>	<u>763,525</u>	<u>949,245</u>	<u>17,764,887</u>	<u>21,660,946</u>
--	-------------------	------------------	---------------	----------------	----------------	-------------------	-------------------

Non-Current Liabilities

Unearned Revenues & Other	289,063					289,063	
Bonds Payable	60,055,000	61,990,000				122,045,000	
Compensated Absences	710,621			4,157	165,275	880,053	
Landfill Closure and Postclosure Care Costs				17,854,682		17,854,682	

Total Non-Current Liabilities

	<u>61,054,684</u>	<u>61,990,000</u>	<u>0</u>	<u>17,858,839</u>	<u>165,275</u>	<u>141,068,798</u>	<u>0</u>
--	-------------------	-------------------	----------	-------------------	----------------	--------------------	----------

Total Liabilities

	<u>74,104,593</u>	<u>64,947,107</u>	<u>45,101</u>	<u>18,622,364</u>	<u>1,114,520</u>	<u>158,833,685</u>	<u>21,660,946</u>
--	-------------------	-------------------	---------------	-------------------	------------------	--------------------	-------------------

NET ASSETS

Invested in Capital Assets, net of related debt	167,721,859	36,091,232	15,260,952	20,258,368	334,052	239,666,463	
Restricted for:							
Capital Projects	16,762,275	26,417			26,400	16,815,092	
Capital Projects - Park Acquisition		1,397,598				1,397,598	
Debt Service	7,938,633					7,938,633	
Depreciation	3,228,250	18,230				3,246,480	
Maintenance and Operations	5,851,295					5,851,295	
Unrestricted (Deficit)	2,853,066	(425,244)	982,925	7,326,193	3,831,741	14,568,681	757,364
Total Net Assets	<u>\$204,355,378</u>	<u>\$37,108,233</u>	<u>\$16,243,877</u>	<u>\$27,584,561</u>	<u>\$4,192,193</u>	<u>\$289,484,242</u>	<u>\$757,364</u>

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

133,325

Net Assets of Business-type Activities

\$289,617,567

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, 2010

	Business-type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Public Parking Corporation	Landfill	Other Enterprise Funds		
Operating Revenues							
User Charges	\$45,578,971			\$7,813,702	\$5,567,674	\$58,960,347	\$39,712,714
Fees	1,072,452			270,241	6,224,241	7,566,934	
Exactions	287,677					287,677	
Licenses & Permits					479,012	479,012	
Rental Income		5,290,230	26,354			5,316,584	
Parking Revenues		379,143	852,231			1,231,374	
Theater Revenues		733,953				733,953	
Gross Profit-Commissary					1,177,092	1,177,092	
Other	448,880	2,205	324,517	156,819	785,269	1,717,690	
Total Operating Revenues	47,387,980	6,405,531	1,203,102	8,240,762	14,233,288	77,470,663	39,712,714
Operating Expenses							
Treatment Plant	8,502,531					8,502,531	
Collection System	4,297,166					4,297,166	
Property Management		1,998,308				1,998,308	
Theater Management		672,109				672,109	
Landfill				5,128,152		5,128,152	
Right of Way					306,301	306,301	
Extended School Program					1,719,607	1,719,607	
Prisoners' Account					492,691	492,691	
Inmate Trust Account					926,765	926,765	
Enhanced 911					3,221,352	3,221,352	
LexVan Program					57,644	57,644	
Administration	18,974,390		539,301	582,832	5,254,821	25,351,344	
Depreciation	7,113,944	5,284,021	311,584	930,817	432,678	14,073,044	
Claims and Benefit Payments							39,262,666
Total Operating Expenses	38,888,031	7,954,438	850,885	6,641,801	12,411,859	66,747,014	39,262,666
Operating Income (Loss)	8,499,949	(1,548,907)	352,217	1,598,961	1,821,429	10,723,649	450,048

Non-Operating Revenues (Expenses)							
Income on Investments	57,657	25,761	351	9,069	3,447	96,285	7,315
Interest Expense and Fiscal Agent Fees	(2,479,093)	(2,643,432)	(41,646)			(5,164,171)	
Amortization of Bond Costs	(86,236)	(208,397)	(35,369)			(330,002)	
Loss on Sale of Capital Assets	(401,697)					(401,697)	
Total Non-Operating Revenues (Expenses)	<u>(2,909,369)</u>	<u>(2,826,068)</u>	<u>(76,664)</u>	<u>9,069</u>	<u>3,447</u>	<u>(5,799,585)</u>	<u>7,315</u>
Income (Loss) Before Contributions and Transfers	5,590,580	(4,374,975)	275,553	1,608,030	1,824,876	4,924,064	457,363
Transfers In		570,672		6,000	380	577,052	
Transfers Out	(394,869)			(5,037)	(1,915,000)	(2,314,906)	
Change in Net Assets	<u>5,195,711</u>	<u>(3,804,303)</u>	<u>275,553</u>	<u>1,608,993</u>	<u>(89,744)</u>	<u>3,186,210</u>	<u>457,363</u>
Net Assets - July 1	199,159,667	40,912,536	15,968,324	25,975,568	4,281,937		300,001
Net Assets - June 30	<u>\$204,355,378</u>	<u>\$37,108,233</u>	<u>\$16,243,877</u>	<u>\$27,584,561</u>	<u>\$4,192,193</u>		<u>\$757,364</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds						82,325	
Change in net assets of business-type activities						<u>\$3,268,535</u>	

46

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, 2010**

	Business-type Activities Enterprise Funds					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Public Parking Corporation	Landfill	Other Enterprise Funds		
Increase (Decrease) in Cash and Cash Equivalents:							
Cash Flows from Operating Activities:							
Receipts from Customers	\$46,217,362	\$3,706,228	\$1,202,131	\$8,196,156	\$13,546,134	\$72,868,011	\$32,574,990
Receipts from Interfund Services Provided		2,686,816				2,686,816	6,594,621
Payments to Suppliers	(17,986,513)	(2,539,595)	(172,356)	(6,215,503)	(4,735,088)	(31,649,055)	75,428
Payments to Employees	(10,577,141)			(175,909)	(5,986,276)	(16,739,326)	
Payments for Interfund Services Used	(1,885,352)			(42,463)	(301,778)	(2,229,593)	
Payments for Claims							(40,392,785)
Net Cash Provided by (Used in) Operating Activities	<u>15,768,356</u>	<u>3,853,449</u>	<u>1,029,775</u>	<u>1,762,281</u>	<u>2,522,992</u>	<u>24,936,853</u>	<u>(1,147,746)</u>
Cash Flows from Noncapital Financing Activities:							
Transfers In		570,672		6,000	380	577,052	
Transfers Out	(394,869)			(5,037)	(1,915,000)	(2,314,906)	
Net Cash Flows from Noncapital Financing Activities	<u>(394,869)</u>	<u>570,672</u>	<u>0</u>	<u>963</u>	<u>(1,914,620)</u>	<u>(1,737,854)</u>	<u>0</u>
Cash Flows from Capital and Related Activities:							
Additions to Property, Plant and Equipment	(17,745,080)	(271,809)		(355,817)	(52,076)	(18,424,782)	
Proceeds from Bond Issuance	49,820,000					49,820,000	
Principal Paid on Bonds	(17,115,000)	(1,830,000)	(750,000)			(19,695,000)	
Interest and Fiscal Agent Fees Paid on Bonds	(2,998,061)	(2,643,432)	(41,646)			(5,683,139)	
Proceeds on Sale of Capital Assets	121,566					121,566	
Net Cash Flows from Capital and Related Activities	<u>12,083,425</u>	<u>(4,745,241)</u>	<u>(791,646)</u>	<u>(355,817)</u>	<u>(52,076)</u>	<u>6,138,645</u>	<u>0</u>
Cash Flows from Investing Activities:							
Purchases of Investments	(20,388,811)				(571,902)	(20,960,713)	
Proceeds from Sales and Maturities of Investments		1,908,074	788,575	(598,755)	1,674,504	3,772,398	1,040,231
Income on Investments	57,657	25,761	351	9,069	3,447	96,285	7,315
Net Cash Flows from Investing Activities	<u>(20,331,154)</u>	<u>1,933,835</u>	<u>788,926</u>	<u>(589,686)</u>	<u>1,106,049</u>	<u>(17,092,030)</u>	<u>1,047,546</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>7,125,758</u>	<u>1,612,715</u>	<u>1,027,055</u>	<u>817,741</u>	<u>1,662,345</u>	<u>12,245,614</u>	<u>(100,200)</u>
Cash and Cash Equivalents at Beginning of Year	219,834	82,081	0	2,481,688	1,208,058	3,991,661	235,600
Cash and Cash Equivalents at End of Year	<u><u>\$7,345,592</u></u>	<u><u>\$1,694,796</u></u>	<u><u>\$1,027,055</u></u>	<u><u>\$3,299,429</u></u>	<u><u>\$2,870,403</u></u>	<u><u>\$16,237,275</u></u>	<u><u>\$135,400</u></u>

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

Operating Income (Loss)	\$8,499,949	(\$1,548,907)	\$352,217	\$1,598,961	\$1,821,429	\$10,723,649	\$450,048
Adjustments Not Affecting Cash:							
Depreciation	7,113,944	5,284,021	311,584	930,817	432,678	14,073,044	
Allowance for Bad Debts	20,942			65,020	19,206	105,168	
(Increase) Decrease in Assets:							
Accounts Receivable	(953,729)			(74,070)	(554,637)	(1,582,436)	
Other Receivables	(234,130)	(12,487)	(971)	29,464	(132,517)	(350,641)	85,036
Inventories	(616)					(616)	
Due from Other Funds				(802,812)		(802,812)	
Increase (Decrease) in Liabilities:							
Accounts Payable	(317,226)	38,629	9,180	(128,733)	(42,746)	(440,896)	75,428
Accrued Payroll	(59,346)			(1,774)	(37,048)	(98,168)	
Claims Payable							(1,130,119)
Due to Other Funds	1,039,176	109,824	372,682		728,079	2,249,761	(628,139)
Unearned Revenue	17,240				(3,718)	13,522	
Other Liabilities	585,943	(17,631)	(14,917)	141,307		694,702	
Compensated Absences	56,209			4,101	292,266	352,576	
Total Adjustments	7,268,407	5,402,356	677,558	163,320	701,563	14,213,204	(1,597,794)
Net Cash Provided by (Used In) Operating Activities	\$15,768,356	\$3,853,449	\$1,029,775	\$1,762,281	\$2,522,992	\$24,936,853	(\$1,147,746)

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, 2010

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash	\$34,269,618	\$706,352
Receivables:		
Accounts Receivable	1,865,797	17,496
Less Allowance for Uncollectible Accounts		(17,496)
Due from Other Funds	1,057,973	
Total Receivables	<u>2,923,770</u>	<u>0</u>
Investments, at Fair Value:		
Debt Securities		
US Agencies	47,423,869	
US Government Obligations	20,416,254	
Municipal Obligations	12,868,269	
International Bonds	9,270,166	
Corporate Debt	69,225,904	
Repurchase Agreements	16,357,979	
Other Investments		
Equity Mutual Funds	68,145,593	
Equity Real Estate	28,370,149	
Equity Securities - Domestic	88,415,389	
Equity Securities - International	65,844,365	
Total Investments	<u>426,337,937</u>	<u>0</u>
Total Assets	<u>\$463,531,325</u>	<u>\$706,352</u>
LIABILITIES		
Accounts Payable	334	
Securities Lending Transactions	16,357,979	
Compensated Absences Current	2,573	
Compensated Absences Non Current	2,573	
Due to Other Funds	8,039	
Payable to Property Owners		706,352
Total Liabilities	<u>\$16,371,498</u>	<u>\$706,352</u>
NET ASSETS		
Net Assets Held in Trust for Pension Benefits	<u>\$447,159,827</u>	<u>\$0</u>

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, 2010

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Employer	\$46,616,025
Employer - Administration	2,807,738
Plan Members	7,648,769
Other	120,532
Total Contributions	<u>57,193,064</u>
Income on Investments:	
Net Change in Fair Value of Investments	25,580,986
Interest	9,861,449
Dividends	2,360,415
Total Gain on Investments	<u>37,802,850</u>
Less Investment Expense	1,695,485
Net Gain on Investments	<u>36,107,365</u>
Income from Securities Lending Activities:	
Securities Lending Income	33,382
Securities Lending Expenses	
Borrower Rebates	(14,388)
Management Fees	17,976
Total Securities Lending Expenses	<u>3,588</u>
Net Income on Securities Lending Activities	<u>29,794</u>
Total Additions	<u>93,330,223</u>
DEDUCTIONS	
Benefit Payments	39,360,495
Refunds of Contributions	110,805
Administrative Expense	165,980
Total Deductions	<u>39,637,280</u>
Net Increase	53,692,943
Net Assets, July 1	<u>393,466,884</u>
Net Assets, June 30	<u><u>\$447,159,827</u></u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF NET ASSETS
COMPONENT UNITS
June 30, 2010

	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	Total
ASSETS					
Cash	\$1,557,328	\$2,207,684	\$4,255,809	\$14,641,699	\$22,662,520
Investments		3,000,000		2,349,097	5,349,097
Receivables:					
Accounts Receivable	757,254	1,779,827	1,130,934	1,167,716	4,835,731
Other		440,871		127,132	568,003
Less Allowance for Uncollectible Accounts:	(14,514)				(14,514)
Due from Component Units	172,157				172,157
Due from Primary Government	250,594				250,594
Due from Other Governments				1,927,022	1,927,022
Inventories			116,039	926,355	1,042,394
Prepaid Items			1,348,412	374,984	1,723,396
Pension Assets				659,032	659,032
Restricted Current Assets:					
Cash		17,981,863		2,205	17,984,068
Investments	1,711,811	8,106,197		700,000	10,518,008
Grants Receivable		1,682,635			1,682,635
Other	260,003	13,646			273,649
Restricted Non-Current Investments	4,961,082				4,961,082
Bond Issuance Costs-Net of Accumulated Amortization		2,937,884			2,937,884
Other		200,730			200,730
Capital Assets:					
Non-depreciable	11,803,283	35,713,872		7,288,664	54,805,819
Depreciable (Net)	50,923,188	111,035,730	4,838,318	31,975,630	198,772,866
Other Assets	361,310				361,310
Total Assets	72,743,496	185,100,939	11,689,512	62,139,536	331,673,483
LIABILITIES					
Accounts, Contracts Payable and Accrued Liabilities	451,373	4,389,784	2,509,400	1,860,249	9,210,806
Interest Payable	199,432				199,432
Due to Primary Government				319,597	319,597
Due to Component Units				91,387	91,387
Unearned Revenues and Other	393,389			2,205	395,594
Liabilities Payable from Restricted Assets:					
Accounts Payable		3,068,609			3,068,609
Interest Payable		741,000			741,000
Non-Current Liabilities:					
Due Within One Year					
Compensated Absences				542,939	542,939
Bonds and Notes Payable	2,563,054	70,000	1,300,000	582,021	4,515,075
Due in More Than One Year					
Compensated Absences				217,976	217,976
Bonds and Notes Payable	24,757,639	62,409,634	730,000	7,760,141	95,657,414
Other		200,730			200,730
Total Liabilities	28,364,887	70,879,757	4,539,400	11,376,515	115,160,559
NET ASSETS					
Investment in Capital Assets, net of related debt	35,405,778	89,466,406	4,008,318	30,922,132	159,802,634
Designated for:					
Inventories			116,039		116,039
Restricted for:					
Governmental and Program Funds			153,590	246,526	400,116
Fees			1,824		1,824
Capital Projects		1,523,440			1,523,440
Debt Service	4,961,082	15,354,580			20,315,662
Pension				504,329	504,329
Endowments				0	0
Unrestricted	4,011,749	7,876,756	2,870,341	19,090,034	33,848,880
Total Net Assets	\$44,378,609	\$114,221,182	\$7,150,112	\$50,763,021	\$216,512,924

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, 2010

	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	Total
Lexington Center Corporation									
Lexington Center Operations	\$12,303,462	\$12,635,637	\$948,000	\$6,472	\$1,286,647				\$1,286,647
Depreciation	4,298,732				(4,298,732)				(4,298,732)
Interest on Long-term Debt	1,280,736				(1,280,736)				(1,280,736)
Total Lexington Center Corporation	<u>17,882,930</u>	<u>12,635,637</u>	<u>948,000</u>	<u>6,472</u>	<u>(4,292,821)</u>				<u>(4,292,821)</u>
Lexington Airport Board									
Airport Operations	10,715,578	13,552,469		17,665,396		\$20,502,287			20,502,287
Depreciation	7,282,455					(7,282,455)			(7,282,455)
Interest on Long-term Debt	1,431,904					(1,431,904)			(1,431,904)
Total Lexington Airport Board	<u>19,429,937</u>	<u>13,552,469</u>	<u>0</u>	<u>17,665,396</u>		<u>11,787,928</u>			<u>11,787,928</u>
Fayette County Department of Health									
Department of Health Operations	27,757,915	9,967,082	12,483,940				(\$5,306,893)		(5,306,893)
Depreciation	541,903						(541,903)		(541,903)
Total Fayette County Department of Health	<u>28,299,818</u>	<u>9,967,082</u>	<u>12,483,940</u>	<u>0</u>			<u>(5,848,796)</u>		<u>(5,848,796)</u>
Nonmajor component units	<u>41,823,001</u>	<u>4,596,681</u>	<u>3,086,347</u>	<u>1,630,390</u>				(\$32,509,583)	<u>(32,509,583)</u>
Total component units	<u>\$107,435,686</u>	<u>\$40,751,869</u>	<u>\$16,518,287</u>	<u>\$19,302,258</u>					<u>(30,863,272)</u>
General Revenues:									
Taxes					2,473,631		7,119,185	33,095,242	42,688,058
Payment from Lexington-Fayette Urban County Government								(209,064)	(209,064)
Transfer from Library Corporation									0
Income on Investments					50,759	101,069	6,240	125,780	283,848
Net Change in Fair Value of Investments						(52,527)			(52,527)
Miscellaneous								638,620	638,620
Total General Revenues					<u>2,524,390</u>	<u>48,542</u>	<u>7,125,425</u>	<u>33,650,578</u>	<u>43,348,935</u>
Change in Net Assets					(1,768,431)	11,836,470	1,276,629	1,140,995	12,485,663
Net Assets, July 1					<u>46,147,040</u>	<u>102,384,712</u>	<u>5,873,483</u>	<u>49,622,026</u>	<u>204,027,261</u>
Net Assets, June 30					<u>\$44,378,609</u>	<u>\$114,221,182</u>	<u>\$7,150,112</u>	<u>\$50,763,021</u>	<u>\$216,512,924</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS
INDEX

NOTE 1.	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	54
	A. Reporting Entity	54
	B. Related Organization	56
	C. Jointly Governed Organizations	56
	D. Basic Financial Statements	57
	E. Basis of Presentation	58
	F. Budgetary Control and Encumbrances	59
	G. Assets, Liabilities and Fund Equity	60
	H. Revenues, Expenditures and Expenses	63
NOTE 2.	STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY	63
	A. Compliance With Finance Related Legal and Contractual Provisions	63
	B. Excess of Expenditures over Appropriations	64
	C. Fund Deficits	64
	D. Prior Period Adjustments	64
NOTE 3.	DETAIL NOTES ON ALL FUNDS	65
	A. Cash, Investments, and Securities Lending	65
	B. Capital Assets	70
	C. Interfund Receivables, Payables and Transfers	72
	D. Long-term Debt	74
	E. Net Assets	80
NOTE 4.	SELF-INSURANCE PROGRAM	82
	A. Health, Dental, and Vision Care	82
	B. Insurance and Risk Management	82
NOTE 5.	CONTINGENT LIABILITIES	84
	A. Litigation	84
	B. Lexington Center Corporation	85
	C. Lexington-Fayette Urban County Airport Corporation	86
	D. Lexington Cultural Center	86
	E. Lexington Downtown Housing Fund, LLC	86
	F. Liens and Encumbrances	87
	G. Conduit Debt	87
NOTE 6.	THE SINGLE AUDIT ACT	87
NOTE 7.	SUBSEQUENT EVENTS	87
NOTE 8.	DEFINED BENEFIT PENSION PLANS AND OTHER POST EMPLOYMENT BENEFIT	88
	A. Plan Descriptions	88
	B. Summary of Significant Accounting Policies and Plan Asset Matters	89
	C. Contributions	89
	D. Supplemental Information	90
	E. Other Post Employment Benefit	92
	F. Pension Plan Financial Statements	94
	G. The County Employees' Retirement System	96
NOTE 9.	RECENT GASB PRONOUNCEMENTS	96

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

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, 2010

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 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.

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 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

operation of the Visitors Bureau by imposing a transient room tax not exceeding four percent of qualified occupancy rental.

The Lexington Center Corporation (LCC) is a non-profit, non-stock corporate agency and instrumentality of the Government. The purpose of the LCC is to plan, finance, develop and operate a convention, trade show, performing arts and a sports facility. The thirteen-member board is appointed by the Mayor and approved by the Urban County Council. The Government has statutory authority to impose a transient room tax, not exceeding two percent of qualified occupancy rental to provide funds for payment of debt service. As discussed in Note 5 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.

Parking Authority of Lexington was established to centralize all public parking functions into one entity, to improve parking operations and ultimately to improve the availability of parking in downtown Lexington. The parking authority has a five-member board of commissioners appointed by the Mayor. Parking Authority is financially dependent on the Lexington-Fayette Urban County Government for both Accounting and Administrative Services.

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

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

C. Jointly Governed Organizations - The 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

Fiscal Court. The Government is not legally responsible for the Valley View Ferry Authority's finances. The Government contributed \$10,791 to support the Ferry's operations in fiscal year 2010.

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 included in program revenues are reported as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Agency funds, presented in the Fiduciary fund financial statements, apply the accrual basis of accounting but do not have a measurement focus. Revenues are recognized when they are both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Revenues susceptible to accrual are intergovernmental revenues, investment earnings, emergency medical services (EMS), 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

statement which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

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

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

E. Basis of Presentation

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

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

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

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

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

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

The 2010 Bond Projects accounts for the capital related projects approved by council during fiscal year 2010. General obligation bond 2010A was issued during fiscal year 2010 to finance these projects.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

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 77.)

The Public Facilities Corporation Fund accounts for the acquisition, construction and operation of government-owned facilities. (See further description on page 78.)

The Public Parking Corporation Fund accounts for the construction and operation of government-owned parking facilities. (See further description on page 78.)

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 insurance programs for employee health, dental and vision care insurance benefits and for workers' compensation, vehicle liability and physical damage, general liability and property damage coverage.

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

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

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

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

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

F. Budgetary Control and Encumbrances

Budget Policy - The Urban County Council annually approves the budget ordinance for all operating funds of the Government, which includes governmental, proprietary, fiduciary, and agency funds. Federal and State Grant funds and capital projects funds adopt project-length budgets. Additional special revenue funds which are not budgeted include the debt service fund, the Industrial Revenue Bond Fund, Police Confiscated Funds and the Public Safety

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

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 re-appropriated at the beginning of each fiscal year. The Council made several supplemental budgetary appropriations throughout fiscal year 2010. The net effect of these supplemental appropriations was an increase of \$40,941,410 in the General Fund and a decrease of \$282,505 in the Urban Services Fund, which included re-appropriations of encumbrances from prior years, increased funding to the Police and Fire Pension Plan and the funding of current year internal service fund deficits.

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, 2010 for these funds are as follows:

Sanitary Sewer System	\$435,710
Public Facilities Corporation	38,889
Public Parking Corporation	54,346
Landfill	196,614
Enhanced 911	41,719

G. Assets, Liabilities and Fund Equity

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

Receivables - Receivables are amounts due representing revenues earned or accrued in the current period. Allowances for uncollectible loans in the Federal and State Grants have been established at 100% because of the nature of the individual projects and terms of the loans. Accounts receivable from other governments include 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 2010 were levied on September 3, 2009 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:

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2010

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

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, 2010, balances of interfund amounts receivable or payable have been recorded as “internal balances”. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

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

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

Capital Assets – Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, traffic signals and similar items) and intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. 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:

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

Buildings and improvements	10-50 years
Land improvements	10-50 years
Public domain infrastructure	10-50 years
Sanitary Sewer System infrastructure	50 years
Vehicles and equipment	5-25 years
Office equipment	5 years
Computer equipment	5-7 years
Intangibles	3-5 years

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

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

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

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

Long-term liabilities include the following:

- Principal outstanding on general obligation bonds, general obligation notes and revenue bonds.
- Unfunded 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.

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 \$3,077,791 for the twenty-seventh payroll and \$14,470,569 for economic contingencies.

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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

H. Revenues, Expenditures and Expenses

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

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

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

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

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

Compensated absences are recorded when payable rather than when earned.

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Compliance with Finance Related Legal and Contractual Provisions

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2010

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, 2010:

	Excess Expenditures
General Fund:	
Central Purchasing	23,219
Circuit Judges	7,923
Indirect Cost Allocation	1,316,733
Code Enforcement	18,042
Building Inspection	24,510
Engineering	1,434,627
Historic Preservation	4,831
Purchase of Development Rights	845,508
 Urban Services Fund:	
Government Communications	4,892
Risk Management	3,056

Excess expenditures over appropriations were funded by available fund balances.

C. Fund Deficits

Capital Projects Funds – The Storm Water Bond Project, Purchase of Development Rights Fund, and 2007 Bond Project had a deficit fund balance of \$16,373, \$318,395 and \$2,492,736 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 \$4,133. The deficit is a result of incurring costs before the collection of fees.

D. Prior Period Adjustment

The beginning net asset balance for governmental activities as of July 1, 2009 was decreased by approximately \$12,700,000 due to adjustments to correct errors in reporting Compensated Absences and Other Post Employment Benefits.

Compensated Absence liabilities were adjusted \$5,000,000 for a prior period adjustment related to a report that had truncation errors. These errors trace back to 2009, 2008 and prior. This adjustment will be reflected in the Government Statement of Activities as a non-current liability. The PeopleSoft Payroll implementation in November 2009 has resolved this issue.

In 2010, the Government determined the Net OPEB Obligation as of June 30, 2009 was understated by approximately \$7.7 million. The correction of the error is recorded as a prior period adjustment and is reflected in the Government-wide statement of activities.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2010

NOTE 3. DETAIL NOTES ON ALL FUNDS

A. Cash, Investments, and Securities Lending

The Government's bank balances at June 30, 2010 are entirely insured or collateralized with a letter of credit or securities held by the Government's agent in the Government's name and/or FDIC insurance. 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, 2010 are summarized and categorized in the following table:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>Less Than 1Year</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More Than 10</u>
Money Market Mutual Funds	\$126,034,591	\$126,033,445	\$1,146		
Certificates of Deposits	17,838,094	17,838,094			
US Government Obligations	3,100,000			3,100,000	-
Repurchase Agreements	5,683,746	5,683,746			
Total Investments	\$152,656,431	\$149,555,285	\$1,146	\$3,100,000	-

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

Credit Risk - 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

Investments of the PFRF as of June 30, 2010 are summarized and categorized in the following table:

Policemen's and Firefighters' Retirement Fund

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Debt Securities					
US Agencies	\$38,459,194	\$1,049,060	\$9,747,836	\$5,746,345	\$21,915,952
US Government Obligations	16,994,387	772,058	710,010	4,809,573	10,702,746
Municipal Obligations	12,868,269	-	1,903,111	3,662,123	7,303,035
International Bonds	8,787,737	32,018	2,701,482	5,708,637	345,600
Corporate Debt	65,904,777	2,938,025	27,974,023	30,662,824	4,329,903
Repurchase Agreements	16,357,979	16,357,979	-	-	-
	<u>159,372,343</u>	<u>\$21,149,141</u>	<u>\$43,036,462</u>	<u>\$50,589,503</u>	<u>\$44,597,237</u>
Other Investments					
Equity Mutual Funds	68,145,593				
Equity Real Estate	28,370,149				
Equity Securities - Domestic	79,956,044				
Equity Securities - International	65,388,940				
	<u>\$401,233,069</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.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

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 Agencies	US Government Obligations	Municipal Obligations	International Bonds	Corporate Debt	Total	%
Quality Ratings							
AAA	\$14,248,062	\$7,501,721	\$4,317,994	\$2,376,044	\$4,261,460	\$32,705,280	24%
AA	931,248	0	4,019,114	1,289,421	1,861,277	8,101,060	6%
A	0	0	1,457,703	627,493	12,000,175	14,085,371	10%
BBB	0	0	0	746,444	12,248,241	12,994,685	9%
BB	0	0	0	1,059,200	16,513,614	17,572,814	12%
B	0	0	0	2,159,938	15,382,701	17,542,639	12%
CCC	0	0	0	0	2,184,861	2,184,861	2%
CC	0	0	0	0	0	0	0%
D	0	0	0	0	0	0	0%
NR	23,279,885	9,492,666	3,073,460	529,197	1,452,449	37,827,656	25%
Fair Value	\$38,459,195	\$16,994,387	\$12,868,270	\$8,787,737	\$65,904,778	\$143,014,366	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 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.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

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, 2010, the securities loaned in the portfolio did not have credit risk, and the fair value of securities on loan is \$16,357,979.

Investments of the CEPF as of June 30, 2010 are summarized and categorized in the following table:

City Employees Pension Fund

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in years)</u>			
		<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More Than 10</u>
Debt Securities					
US Agencies	\$8,964,673	\$699	\$91,802	\$3,581,361	\$5,290,810
US Government Obligations	3,421,867	0	582,025	1,449,855	1,389,987
International Bonds	482,429	37,821	241,073	100,625	102,910
Corporate Debt	3,321,125	175,755	1,544,432	1,092,249	508,688
	<u>\$16,190,093</u>	<u>\$214,276</u>	<u>\$2,459,332</u>	<u>\$6,224,090</u>	<u>\$7,292,395</u>
Other Investments					
Equity Securities - Domestic	8,459,345				
Equity Securities - International	455,425				
	<u>25,104,863</u>				

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

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

Debt Securities by Investment Type

Quality Ratings	US Agencies	US Government Obligations	International Bonds	Corporate Debt	Total	%
	AAA	\$8,964,673	\$3,421,867	\$0	\$569,133	\$12,955,673
AA	0	0	98,414	450,377	548,792	3%
A	0	0	146,771	1,512,295	1,659,065	10%
BBB	0	0	0	0	0	0%
BB	0	0	0	0	0	0%
NR	(0)	0	237,244	789,320	1,026,563	6%
	<u>\$8,964,673</u>	<u>\$3,421,867</u>	<u>\$482,429</u>	<u>\$3,321,125</u>	<u>\$16,190,093</u>	<u>100%</u>

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

Investments of Component Units as of June 30, 2010 are summarized and categorized in the following table:

	Category			Reported Amount/ Fair Value
	1	2	3	
U.S. Government and Government Agency Obligations	\$3,033,459			\$3,033,459
Corporate Bonds				
Repurchase Agreements				0
	<u>3,033,459</u>	<u>\$0</u>	<u>\$0</u>	<u>3,033,459</u>
Investments not subject to categorization:				
Certificates of Deposit				14,155,294
Money Market Funds				3,639,434
Total Investments				<u>\$20,828,187</u>

The Lexington Center Corporation (LCC) investments are categorized to give an indication of the level of risk assumed by LCC at year end. Category 1 includes investments that are insured, registered, or for which the securities are held by LCC or its agent in LCC’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent in LCC’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in LCC’s name.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

B. Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Primary Government			
	Beginning Balance, Restated *	Additions	Deletions / Adjustments	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land	\$47,040,066	\$6,303,245	\$12,853	\$53,356,164
Purchase of Development Rights	55,792,548	7,084,951		62,877,498
Intangibles*		1,771,000		1,771,000
Construction in Progress	33,613,918	36,849,745	(15,343,860)	55,119,802
Depreciable Assets:				
Buildings	130,159,763	222,847	1,870,128	132,252,738
Intangibles*		2,224,962	3,654,497	5,879,459
Vehicles, Equipment and Furniture	98,052,897	8,388,627	(11,213,162)	95,228,361
Land and Leasehold Improvements	14,318,011	170,306	1,705,265	16,193,582
Infrastructure	963,100,611	222,927	10,443,410	973,766,947
Sewer Lines	1,097,597		1,039,076	2,136,673
Totals at historical cost	1,343,175,410	63,238,608	(7,831,793)	1,398,582,225
Less accumulated depreciation for:				
Buildings	(33,131,229)	(3,729,850)	12,970	(36,848,108)
Vehicles, Equipment and Furniture	(68,701,187)	(7,769,623)	9,463,039	(67,007,771)
Land and Leasehold Improvements	(8,543,535)	(1,404,820)	(6,120)	(9,954,474)
Infrastructure	(157,018,292)	(31,431,071)	(7,434)	(188,456,797)
Sewer Lines	(30,702)	(43,341)		(74,043)
Intangibles		(633,616)	(2,888,958)	(3,522,574)
Total accumulated depreciation	(267,424,945)	(45,012,321)	6,573,498	(305,863,769)
Governmental activities capital assets, net	\$1,075,750,465	\$18,226,287	(\$1,258,295)	\$1,092,718,457
Business-type Activities:				
Non-Depreciable Assets:				
Land	\$47,206,488			\$47,206,488
Construction in Progress	26,188,380	16,791,898	(19,676,128)	23,304,149
Depreciable Assets:				
Buildings	129,814,956		542,787	130,357,743
Vehicles, Equipment and Furniture	14,320,447	1,514,275	(3,118,620)	12,716,102
Land and Leasehold Improvements	48,085,139			48,085,139
Infrastructure	3,117,317	118,609	1,789,786	5,025,712
Sewer Lines	137,698,266		15,322,932	153,021,198
Sewer Plants	161,795,268		1,474,095	163,269,363
Intangibles			2,021,508	2,021,508
Totals at historical cost	568,226,260	18,424,782	(1,643,641)	585,007,401
Less accumulated depreciation for:				
Buildings	(59,938,587)	(4,567,862)		(64,506,449)
Vehicles, Equipment and Furniture	(11,534,596)	(670,157)	2,529,943	(9,674,810)
Land and Leasehold Improvements	(30,010,261)	(2,024,265)		(32,034,526)
Infrastructure	(81,523)	(76,770)		(158,293)
Sewer Lines	(46,971,038)	(2,880,380)	(130,021)	(49,981,439)
Sewer Plants	(74,387,747)	(3,304,494)	(20,097)	(77,712,338)
Intangibles		(419,092)	(1,389,474)	(1,808,566)
Total accumulated depreciation	(222,923,752)	(13,943,020)	990,350	(235,876,422)
Business-type activities capital assets, net	\$345,302,508	\$4,481,762	(\$653,290)	\$349,130,979

*Restated to reflect the reclassification of intangibles.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

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

Governmental activities:

General Government	\$836,925
Administrative Services	139,206
Chief Information Office	910,080
Finance	14,834
Public Works	32,091,337
Public Safety	247,964
Environmental Equality	1,486,470
Police	1,457,374
Fire and Emergency Services	1,913,941
Law	1,340
Community Corrections	1,641,391
Social Services	246,734
General Services	2,735,892
Parks and Recreation	1,300,045
Total depreciation expense - governmental activities	<u><u>\$45,023,533</u></u>

Business-type activities:

Sanitary Sewers	\$7,113,944
Public Facilities	5,284,021
Public Parking	311,584
Landfill	930,817
Right of Way	412,680
Extended School Program	7,082
Prisoners' Account System	10,849
Enhanced 911	2,067
Total depreciation expense - business-type activities	<u><u>\$14,073,044</u></u>

Discretely Presented Component Units

	Beginning	Additions	Deletions	Ending
	Balance, Restated *	Balance	Balance	Balance
Non-Depreciable Assets:				
Land	\$ 21,127,261	\$ 1,647,277		\$ 22,774,538
Construction in Progress *	15,907,533	25,223,824	(9,573,306)	31,558,051
Other	460,903	12,326		473,229
Depreciable Assets:				
Buildings and Improvements *	281,098,149	12,136,703	(917,205)	292,317,647
Vehicles, Equipment and Furniture *	48,625,309	3,813,130	(1,061,578)	51,376,861
Land and Leasehold Improvements *	32,421,861	1,283,885	(548,465)	33,157,281
Totals at historical cost	399,641,016	44,117,145	(12,100,554)	431,657,607
Less accumulated depreciation *	(165,152,615)	(15,319,766)	2,393,459	(178,078,922)
Component unit activities				
capital assets, net	\$ 234,488,401	\$ 28,797,379	\$ (9,707,095)	\$ 253,578,685

*The beginning balances have been restated as the Explorium was not considered as a component unit of the Government in fiscal year 2010.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

Construction Commitments

The Government has active construction projects as of June 30, 2010. 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	Commitment
Buildings	\$4,182,623
Capital Repairs & Maintenance	393,762
Land Improvements	1,695,764
Sanitary Sewer Collection System	4,833,270
Sanitary Sewer Treatment System	3,837,202
Storm drainage	1,103,723
Street Resurfacing Maintenance	149,452
Streets & Roadways	13,539,690
Traffic Control and markings	30,086
	<u>\$29,765,572</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, 2010. In addition,

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

Federal and State Grants revenues are based on reimbursable expenditures. The composition of interfund balances as of June 30, 2010, is as follows:

Fund Description	Due from (to) General Fund
Sanitary Sewer System	(\$2,825,674)
Public Facilities Corporation	(109,824)
Landfill	1,020,600
Other Enterprise Funds	(71,413)
Total due to Proprietary Funds	<u>(1,986,311)</u>
General Fund	
Urban Service	(28,843)
Federal and State Grants	(9,842,608)
2010 Bond Projects	(2,150,012)
Other Governmental Funds	8,612,900
Internal Service Funds	<u>21,932,542</u>
Total due from General Fund	<u><u>16,537,668</u></u>

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - General fund	Component unit - Lexington Transit Authority	\$305,239
Primary government - General fund	Component unit - Downtown Development	1,438
Primary government - General fund	Component unit - Parking Authority of Lexington	12,920
Total		<u><u>\$319,597</u></u>

Component unit - Lexington Center Corporation	Primary government - General fund	<u>250,594</u>
Total		<u><u>\$250,594</u></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:

	General	Urban Svc	Federal and State Grants	2010 Bonds	Non-Major Governmental	Total Governmental	Major Proprietary	Non-Major Proprietary	Total Proprietary
General	(\$571,052)			\$6,500	(\$2,937,980)	(\$3,502,532)	\$228,347	(\$1,914,620)	(\$1,686,273)
Urban Services	580,649	(580,649)	(22,209)			(22,209)			0
Fed St Grants	19,149	3,060			57,679	79,888			0
Non-Major Governmental	2,937,980	(51,580)	(57,679)			2,828,721	(51,580)		(51,580)
Major Proprietary	335,826				103,160	438,986			0
Non-Major Proprietary	1,915,000					1,915,000			0
Total Transfer	<u>\$5,217,551</u>	<u>(\$629,169)</u>	<u>(\$79,888)</u>	<u>\$6,500</u>	<u>(\$2,777,141)</u>	<u>\$1,737,853</u>	<u>\$176,767</u>	<u>(\$1,914,620)</u>	<u>(\$1,737,853)</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

D. Long-term Debt

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

Primary Government

**Bonds Payable, Notes Payable, Compensated Absences Liability, Landfill Closure
& Postclosure Care Costs, and Unfunded Pension Liability
June 30, 2010**

Purpose of Issue	Original Issue	Interest Rates	Final Maturity	Amount Outstanding	Due Within One Year	
Governmental Activities						
Bonds, Notes, Loans, and Leases:						
General Obligation, Series 2000D	Storm Water Improvements	\$10,675,000	4.25% - 5.00%	Dec-2010	\$1,305,000	\$1,305,000
General Obligation, Series 2001B	Purchase of Development Rights	7,635,000	3.00% - 4.63%	Dec-2021	5,255,000	345,000
General Obligation, Series 2002B	Building Renovation	2,330,000	3.00% - 4.00%	May-2012	530,000	260,000
General Obligation, Series 2002C	Storm Water Improvements and Road Construction	4,570,000	3.00% - 4.70%	Dec-2022	2,545,000	325,000
General Obligation, Series 2003A	Refunding	19,185,000	2.00% - 3.13%	Feb-2011	1,165,000	1,165,000
General Obligation, Series 2004B	Public Safety	2,350,000	2.00% - 4.00%	May-2011	370,000	370,000
General Obligation, Series 2004C	Multi-Purpose Project	9,640,000	2.50% - 4.75%	Jul-2024	7,860,000	390,000
General Obligation, Series 2005B	Purchase of Fire Equipment	2,830,000	3.00% - 3.38%	Apr-2012	870,000	430,000
General Obligation, Series 2005C	Purchase of Development Rights /Building Renovation	4,490,000	3.00% - 4.20%	Jun-2025	3,255,000	270,000
General Obligation, Series 2006A	Equipment/ERP/Parks	14,390,000	4.00%	May-2011	1,870,000	1,870,000
General Obligation, Series 2006B	Blvd/Neighborhood/Stormwater/Fire Station/Cars	10,310,000	4.00% - 4.50%	Jun-2026	7,265,000	645,000
General Obligation, KLC Series 2000	Economic Development Project	360,000	3.97%	May-2012	100,000	50,000
General Obligation, Series 2006C	Purchase of Development Rights	2,055,000	3.50% - 4.20%	Nov-2026	1,835,000	80,000
General Obligation, Series 2006D	Refunding	56,850,000	4.00% - 4.25%	May-2024	53,000,000	3,075,000
General Obligation, Series 2008A	Equipment/HVAC/Vehicles	13,520,000	3.50%	Jun-2014	10,430,000	3,255,000
General Obligation, Series 2009A	Purchase of Development Rights/ Mult-Purpose Project	24,830,000	2.25% - 5.00%	Jun-2029	23,465,000	1,395,000
Pension Obligation, Series 2009B	Police/Fire Pension Fund	70,610,000	3.50% - 6.00%	Jun-2029	67,780,000	2,315,000
General Obligation Anticipation Note 2009C	Eastern State Hospital	8,000,000	1.00%	Jul-2010	8,000,000	8,000,000
General Obligation, Series 2010A	CIP projects	69,320,000	1.00% - 5.600%	Jun-2031	69,320,000	-
General Obligation, Series 2010B	refunding of 1999B and 2000A	7,735,000	1.00% - 3.00%	Jun-2030	7,735,000	715,000
General Obligation, Series 2010C	Refunding of 2000E	6,635,000	1.00% - 3.00%	Jun-2021	6,575,000	550,000
Pension Obligation, Series 2010D	Police/Fire Pension Fund	35,825,000	.95% - 5.45%	Jun-2020	35,825,000	1,195,000
Total Bonds, Notes and Loans		<u>\$384,145,000</u>			<u>316,355,000</u>	<u>28,005,000</u>
Other Liabilities:						
Compensated Absences				21,092,273	2,910,546	
Unfunded Other Post Employment Benefit Liability				31,827,030		
Unfunded Pension Liability				1,642,079		
Total Other Liabilities				<u>54,561,382</u>	<u>2,910,546</u>	
Total Governmental Activities				<u>\$370,916,382</u>	<u>\$30,915,546</u>	
Business-Type Activities						
Bonds, Notes and Loans:						
Sanitary Sewer, Series 2001A	Sewer Rehabilitation	\$25,150,000	4.00% - 5.00%	Jul-2021	\$5,760,000	\$1,430,000
Sanitary Sewer, Series 2001B	Refunding	16,860,000	4.00% - 5.50%	Jul-2012	8,985,000	2,825,000
Sanitary Sewer, Series 2009A	Sewer Rehabilitation	35,960,000	1.75% - 5.875%	Jul-2030	35,960,000	
Sanitary Sewer, Series 2010A	Refunding	13,860,000	2.25% - 3.75%	Jun-2022	13,860,000	255,000
Public Facilities, Series 2006	Refunding	66,725,000	3.88% - 4.25%	Oct-2031	63,890,000	1,900,000
Total Bonds, Notes and Loans		<u>\$158,555,000</u>			<u>128,455,000</u>	<u>6,410,000</u>
Other Liabilities:						
Compensated Absences				1,321,135	441,082	
Landfill Closure & Postclosure Care Costs				18,256,560	401,878	
Total Other Liabilities				<u>19,577,695</u>	<u>842,960</u>	
Total Business-type Activities				<u>\$148,032,695</u>	<u>\$7,252,960</u>	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

Changes in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Long-Term Liabilities			Balance 06/30/2010	Due Within One Year
	Balance 06/30/2009	Additions	Reductions		
Governmental Activities					
Bonds, Notes, Loans, and Leases					
General Obligation Bonds, Notes & Leases	\$229,265,000	\$119,515,000	\$32,425,000	\$316,355,000	\$28,005,000
Total Bonds, Notes and Loans	<u>229,265,000</u>	<u>119,515,000</u>	<u>32,425,000</u>	<u>316,355,000</u>	<u>28,005,000</u>
Other Liabilities					
Compensated Absences	23,042,515 *	3,244,054	5,194,296	21,092,273	2,910,546
Unfunded Other Post Employment Benefit Liability	21,510,674 *	10,316,356		31,827,030	
Unfunded Pension Liability	1,787,708		145,629	1,642,079	
Governmental Activities Long-term Liabilities	<u><u>\$275,605,897</u></u>	<u><u>\$133,075,410</u></u>	<u><u>\$37,764,925</u></u>	<u><u>\$370,916,382</u></u>	<u><u>\$30,915,546</u></u>
Business-type Activities					
Bonds, Notes and Loans					
Revenue Bonds	\$31,860,000	49,820,000	17,115,000	\$64,565,000	\$4,510,000
Mortgage Revenue Bonds	66,470,000		2,580,000	63,890,000	1,900,000
Total Bonds, Notes and Loans	<u>98,330,000</u>	<u>49,820,000</u>	<u>19,695,000</u>	<u>128,455,000</u>	<u>6,410,000</u>
Other Liabilities					
Compensated Absences	968,560	547,338	194,762	1,321,136	441,081
Landfill Closure & Postclosure Care Costs	18,115,253	141,307		18,256,560	401,878
Business-type Activities Long-term Liabilities	<u><u>\$117,413,813</u></u>	<u><u>\$50,508,645</u></u>	<u><u>\$19,889,762</u></u>	<u><u>\$148,032,696</u></u>	<u><u>\$7,252,959</u></u>

*Prior period adjustment

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, 2010

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

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

Fiscal Year	Governmental Activities	Business-type Activities			Total Primary Government
	General Obligation Bonds, Notes & Leases	Revenue Bonds	Mortgage Revenue Bonds	Total	
2011	\$28,005	\$4,510	\$1,900	\$6,410	\$34,415
2012	18,365	5,990	1,970	7,960	26,325
2013 - 2017	83,350	18,140	11,110	29,250	112,600
2018 - 2022	80,190	17,020	13,565	30,585	110,775
2023 - 2027	69,165	9,755	16,645	26,400	95,565
2028 - 2032	37,280	9,150	18,700	27,850	65,130
Total	316,355	64,565	63,890	128,455	444,810
Less Payable Within					
One Year	28,005	4,510	1,900	6,410	34,415
Long Term Principal Due After One Year	<u>\$288,350</u>	<u>\$60,055</u>	<u>\$61,990</u>	<u>\$122,045</u>	<u>\$410,395</u>

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

Fiscal Year	Governmental Activities		Business-type Activities				Total Primary Government	
	General Obligation Bonds, Notes & Leases		Revenue Bonds		Mortgage Revenue Bonds		Interest	Principal
	Interest	Principal	Interest	Principal	Interest	Principal		
2011	\$13,530	\$28,005	\$2,609	\$4,510	\$2,589	\$1,900	\$18,728	\$34,415
2012	12,439	18,365	2,528	5,990	2,514	1,970	17,481	26,325
2013 - 2017	53,951	83,350	11,673	18,140	11,324	11,110	76,948	112,600
2018 - 2022	38,292	80,190	13,822	17,020	8,867	13,565	60,981	110,775
2023 - 2027	20,221	69,165	7,879	9,755	5,783	16,645	33,883	95,565
2028 - 2032	3,882	37,280	2,173	9,150	1,978	18,700	8,033	65,130
Total	<u>\$142,315</u>	<u>\$316,355</u>	<u>\$40,684</u>	<u>\$64,565</u>	<u>\$33,055</u>	<u>\$63,890</u>	<u>\$216,054</u>	<u>\$444,810</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

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
2011	\$2,563,054	\$70,000	\$1,300,000	\$582,021	\$4,515,075
2012	2,417,974	65,000	105,000	323,013	2,910,987
2013	2,237,510	90,000	110,000	339,165	2,776,675
2014	1,935,000	80,000	115,000	286,199	2,416,199
2015	2,005,000	1,190,000	125,000	314,912	3,634,912
2016 - 2020	11,255,000	10,845,000	275,000	1,901,839	24,276,839
2021 - 2025	5,175,000	12,980,000		2,272,708	20,427,708
2026 - 2030		14,430,000		1,630,708	16,060,708
2031 - 2035		16,575,000		691,597	17,266,597
2036 - 2040		4,650,000		0	4,650,000
Total	<u>27,588,538</u>	<u>60,975,000</u>	<u>2,030,000</u>	<u>8,342,162</u>	<u>98,935,700</u>
Less Payable Within One Year	2,563,054	70,000	1,300,000	582,021	4,515,075
Less Refinancing Loss/Premium-Discount	<u>267,845</u>	<u>(1,504,634)</u>	<u>0</u>	<u>0</u>	<u>(1,236,789)</u>
Long Term Principal Due After One Year	<u>\$24,757,639</u>	<u>\$62,409,634</u>	<u>\$730,000</u>	<u>\$7,760,141</u>	<u>\$95,657,414</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. \$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.
2. \$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.
3. \$35,960,000 of Sewer System Revenue Bonds, Series A of 2009 (Taxable Build America Bonds) to be utilized along with other available funds of financing for the construction of major additions, betterment and extensions to the sanitary sewer system.
4. \$13,860,000 of Sewer System Refunding Revenue Bonds, Series A of 2010 to which proceeds will be applied to the advance refunding defeasance and legal discharge of the outstanding Series 2010A Bonds maturing on July 2014 through July 2021.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

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

- Each month to the Sinking Fund, 1/6 of the next interest payment and 1/12 of the next principal payment and, if necessary, 1/24th of the required Debt Service Reserve which is 125% of the average annual debt service on the 2001 Series A and B Bonds, 2009 Series A, and 2010 Series A and any parity bonds until the Debt Service Reserve equals the requirement.
- Pay, as they accrue, the proper and necessary costs of operating, maintaining and insuring the System as set out in the "Current Expenses" contained in the annual budget and to accumulate and maintain an amount sufficient to pay said costs for three months.
- Each month to the Depreciation Fund, 1/24th of the required Depreciation Reserve (defined as 5% of the outstanding bonds or such larger amount as required by an Independent Consulting Engineer) until the required Depreciation Reserve has been accumulated.
- To the Capital Projects Fund any surpluses after the Sinking Fund, Debt Service Reserve and Depreciation Fund are fully funded and the Revenue and Operations Account contains an amount sufficient to operate, maintain and insure the System for three full months.

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

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

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

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. \$10,675,000, Series 2000D, to finance the construction of various storm water improvements.
2. \$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.
3. \$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.
4. \$4,570,000, Series 2002C, to finance the construction of various stormwater improvements and two lanes of a four-lane boulevard.
5. \$19,185,000, Refunding Series 2003A, to refund the \$18,760,000 principal outstanding on the PFC 1993 Refunding Bonds.
6. \$2,350,000, Series 2004B, to finance the purchase of fire trucks and a public safety radio system.
7. \$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.
12. \$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.
13. \$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.
14. \$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.
15. \$10,310,000, Series 2006B, to finance stormwater improvements, neighborhood redevelopment projects, Bluegrass Aspendale Parkway, Veterans Park fire station and police cars.
16. \$2,055,000, Series 2006C, to finance the costs of the Purchase of Development Rights Program.
17. \$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.
18. \$13,520,000, Series 2008A, to finance acquisition of certain equipment and vehicles in addition to various parks projects.
19. \$24,830,000, Series 2009A, to finance the cost of the Purchase of Development Rights Program, Street Resurfacing, Bluegrass Aspendale improvements and other various construction projects.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

20. \$70,610,000 Series 2009B Taxable General Obligation Pension Funding Bonds to finance additional contribution to the Policemen's and Firefighters' Retirement Plan
21. \$8,000,000 Bond Anticipation Note Series 2009C for the State of the Kentucky Eastern State Hospital project.
22. \$69,320,000, Series 2010A (Build America Bonds) Taxable General Obligation Public Project Bonds, to finance various projects for departments within LFUCG, including acquisition of equipment, infrastructure projects and purchase of development rights.
23. \$7,735,000, Series 2010B General Obligation Refunding Bonds, for refunding the Series 1999B and 2000A General Obligation Bonds.
24. \$6,635,000, Series 2010C General Obligation Refunding Bonds, for refunding the Series 2000E General Obligation Bonds.
25. \$35,825,000, Series 2010D Taxable General Obligation Pension Funding Bonds, to finance additional contribution to the Policemen's and Firefighters' Retirement Plan.

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 \$18,256,560 liability reported at June 30, 2010 is based on the use of 98.9% 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 2010. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

E. Net Assets

The government-wide and business type fund financial statements utilize a net asset presentation. Net assets are categorized as investment in capital assets (net of related debt), restricted, and unrestricted. Investment in Capital Assets (net of related debt) is intended to reflect the portion of net assets which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the unspent proceeds and any associated unamortized cost.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

The following schedule demonstrates how the investment in capital assets is calculated:

Issue	Amount Outstanding	Reserve	Unamortized Balances	Unspent Proceeds	Net Related Debt
Capital Assets - Governmental					
2000 KLC	\$100,000		\$1,449		\$98,551
2000D Storm Water Projects	1,305,000				1,305,000
2001B Purchase of Development Rights	5,255,000		84,839		5,170,161
2002B HVAC Government Center	530,000		4,931		525,069
2002C EAMP/Storm Water Projects	2,545,000		44,525		2,500,475
2003A Public Facilities Projects	1,165,000		1,035		1,163,965
2004B Public Safety	370,000		(2,813)		372,813
2004C Multi-Purpose Project	7,860,000		122,261		7,737,739
2005B Purchase of Fire Equipment	870,000		2,940		867,060
2005C Purchase of Development Rights	3,255,000		20,271		3,234,729
2006A Equipment Purchase	1,870,000		(10,824)		1,880,824
2006B Various Projects	7,265,000		53,351		7,211,649
2006C Purchase of Development Rights	1,835,000		32,079		1,802,921
2006D Refunding	53,000,000		(76,705)		53,076,705
2008A 2007 & 2008 Short Term pjts	10,430,000		(69,400)	\$1,788,203	8,711,198
2009A 2007 & 2008 Long Term Pjts	23,465,000		(328,128)	3,747,733	20,045,395
2010A CIP Projects	69,320,000		374,843	26,302,315	42,642,842
2010B Refunding 1999B and 2000A	7,734,999		297,548	20,636	7,416,814
2010C Refunding of 2000E	6,575,000		539,672	19,725	6,015,603
Total Governmental	<u>\$204,749,999</u>	<u>\$0</u>	<u>\$1,091,875</u>	<u>\$31,878,612</u>	<u>\$171,779,512</u>
Net Capital Assets					<u>1,092,718,457</u>
Invested in Capital Assets, net of related debt					<u>\$920,938,945</u>
Capital Assets - Proprietary					
2001A Sanitary Sewers	\$5,760,000	\$708,224	\$60,565	\$1,650,518	\$3,340,693
2001B Sanitary Sewers	8,985,000	1,104,757	58,464		7,821,779
2009A Sanitary Sewers	35,960,000	4,421,486	392,013	3,625,261	27,521,240
2010A Refunding	13,860,000	1,704,166	838,257		11,317,577
2006 Public Facilities	63,890,000		4,426,774		59,463,226
	<u>\$128,455,000</u>	<u>\$7,938,632</u>	<u>\$5,776,073</u>	<u>\$5,275,779</u>	<u>109,464,516</u>
Net Capital Assets					<u>349,130,979</u>
Invested in Capital Assets, net of related debt					<u>\$239,666,463</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2010

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

Various Purpose general obligation notes account	\$28,469,744
Eastern State Project notes account	7,952,225
Equipment general obligation notes account	4,011,627
Total restricted assets	<u><u>\$40,433,596</u></u>

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

Sanitary sewer system maintenance and operations account	\$5,851,543
Sanitary sewer revenue bond sinking fund account	4,752,488
Sanitary sewer revenue bonds construction account	5,275,778
Sanitary sewer depreciation account	3,430,396
Sanitary sewer debt service reserve account	8,612,474
Total restricted assets	<u><u>\$27,922,678</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. The self insured medical & pharmacy health plan is provided by Humana and CVS Caremark. The fully insured dental and vision plans are provided by Delta Dental and Eye Med respectively. Third party administrators are responsible for the processing of claims and cost containment. Premiums are paid through payroll deductions and may be funded fully or partially by the Benefit Pool provided by the Government. The Health, Dental, and Vision Care Insurance Fund accounts for these activities and is reported in an internal service fund. Changes in the balances of claims liabilities during the past two years are as follows:

Claims and changes in estimates - FY 2009	\$31,113,507
Claims paid FY 2009	(31,113,507)
Surplus at June 30, 2009	<u><u>\$0</u></u>
Claims and changes in estimates - FY 2010	\$32,574,990
Claims paid FY 2010	(32,574,990)
Surplus at June 30, 2010	<u><u>\$0</u></u>

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

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

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

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, 2010 the undiscounted estimated liability was \$25,506,867. The discounted estimated liability as of June 30, 2010 was \$21,168,980. Changes in the balances of claims liabilities during the past two years are as follows:

	Auto Liability and Physical				Total
	Damage	General Liability	Property	Workmen's Compensation	
Liability at June 30, 2008	\$1,138,849	\$5,589,106	\$226,911	\$13,981,365	\$20,936,231
Claims and changes in estimates FY 2009	3,083,915	1,915,454	855,844	5,853,335	11,708,548
Claims paid FY 2009	(2,974,902)	(1,678,510)	(829,259)	(4,863,009)	(10,345,680)
Liability at June 30, 2009	1,247,862	5,826,050	253,496	14,971,691	22,299,099
Claims and changes in estimates FY 2010	1,559,255	3,618,443	471,353	(202,843)	5,446,208
Claims Incurred FY 2010	(1,368,970)	(3,394,634)	(582,066)	(1,230,957)	(6,576,627)
Liability at June 30, 2010	<u>\$1,438,147</u>	<u>\$6,049,859</u>	<u>\$142,783</u>	<u>\$13,537,891</u>	<u>\$21,168,680</u>

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

NOTE 5. CONTINGENT LIABILITIES

A. Litigation - The Lexington-Fayette Urban County Government is party to numerous legal proceedings, many of which normally occur in government operations and will not involve any potential liability to the Government. The Government's Department of Law estimates that there are 126 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 \$4,593,905.

The United States Environmental Protection Agency (EPA) and the Kentucky Environmental and Public Protection Cabinet ["KYEPPC"] filed suit in federal court against LFUCG in 2006 alleging various violations of the Clean Water Act. LFUCG recently completed negotiations with EPA and KYEPPC to resolve the alleged violations. This settlement, 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 \$300 million over the life of the Consent Decree. LFUCG recently increased sanitary sewer rates to fund obligations under the Consent Decree and also adopted a storm water management fee.

On September 25, 2002 and January 13, 2003, unnamed plaintiffs filed two punitive class actions against Lexington-Fayette Urban County Government ("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, which was funded in part by LFUCG. Each plaintiff claims that he or she was under the age of 18 years when the unlawful acts occurred, and that 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 claim 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 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, and the other group naming the LFUCG and 11 of the 14 present or former officers and employees as defendants. A total of approximately 150 plaintiffs were identified in the two amended complaints. We responded to the amended complaints by filing an answer on behalf of the LFUCG, and moving to dismiss the claims against the individual defendants. That motion was granted on June 27, 2007.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

Thereafter, we filed two additional motions 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. On May 1, 2009, the Court substantially granted the motion arguing that the claims are time barred, and dismissed the claims of all but four plaintiffs whose ages and alleged dates of abuse were such that their claims survived. Through subsequent joinders, six more persons asserted claims which survive the statute of limitations ruling. Those claims were set to go to trial in August 2010, but only the issue of liability (not damages). The trial court has also issued an order denying the plaintiff’s motion for certification of a class. Recently, the rulings on the statutes of limitation and class certification issues were appealed to the Sixth Circuit Court of Appeals. In light of these appeals the trial court has continued the trial originally scheduled for August, and stayed further proceedings. The LFUCG intends to vigorously defend itself in this case.

On November 21, 2005 Mark Blankenship with other current and former firefighters filed suit against LFUCG alleging improper calculation of overtime wages in violation of KRS 337.285, breach of an implied and/or express contract found in ordinances and policies to pay overtime in excess of 40 hours worked in accord with state wage and hour law, and failure to properly calculate amounts paid into pension funds in violation of KRS 67A.360 et seq. For all three counts in the complaint, Plaintiffs claim liquidated damages of twice the amount underpaid for LFUCG’s alleged bad faith pursuant to KRS377.385. There are currently 430 individual Plaintiffs. LFUCG filed a motion for judgment on the pleadings, asking the Court to dismiss the wage and hour and breach of contract claims based on sovereign immunity. The court granted the motion and dismissed Plaintiffs’ wage and hour and contract claims, leaving the pension fund claims to be later resolved. Plaintiffs filed an appeal to the Kentucky Court of Appeals, and the appeal was fully briefed and a decision recently handed down as of August 20, 2010 in the LFUCG’s favor sustaining the trial court’s dismissal of the wage and hour and breach of contract claims. The Plaintiffs have now filed a Motion for Discretionary Review with the Kentucky Supreme Court. A Response to that Motion on behalf of the LFUCG has been filed, requesting the Supreme Court to deny the Plaintiff’s request for discretionary review and addressing the correctness of the Kentucky Court of Appeals’ decision. A ruling on the Plaintiff’s motion is not expected until sometime in 2011. The LFUCG’s potential loss contingency for this lawsuit could be in the range of \$2 million or more. The LFUCG intends to vigorously defend itself, based on sovereign immunity and other substantial defenses.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

On July 13, 2001, Lexington Center Corporation and the University of Kentucky Athletic Association entered into a lease agreement for a term through the 2017-18 basketball seasons for the use of Rupp Arena.

An agreement between Lexington Center Corporation and the Lexington Convention and Visitors Bureau, dated March 20, 2001, provides for annual contributions of \$948,000 to Lexington Center Corporation for the period beginning 2001 and ending 2012, with decreasing contributions each year thereafter until 2021. Contributions shall decrease in the amount of \$100,000 each successive fiscal year beginning in 2013, with a final contribution of \$48,000 in 2021.

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.

As of June 30, 2010, several uncompleted construction projects funded in-part by Federal grants remain open. Upon completion and final approval by the Inspector General, these projects will be closed out and a final account will be rendered. Outstanding construction contract commitments are approximately \$6,423,000.

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

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

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 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

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, 2010 the total principal outstanding was \$811,220.

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, 2010 the outstanding balance on conduit debt issues was \$246,430,084.

NOTE 6. THE SINGLE AUDIT ACT

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

NOTE 7. SUBSEQUENT EVENTS

On July 1, 2010 LFUCG issued \$65,000,000 General Obligation Bond Anticipation Notes Series 2010E for the purpose of refunding \$8,000,000 Bond Anticipation Note Series 2009C. The remaining funds will be used to finance the Eastern State Hospital Project.

On July 7, 2010 LFUCG received an enhancement payment of \$1 million from Republic Services of Kentucky, LLC in exchange for contract renewal which commenced on July 5, 2010. The contract states that if the renewed agreement is terminated prior to July 4, 2015, the enhancement payment will be prorated on an annual basis. This payment will be treated as deferred revenue recognized annually by LFUCG.

LFUCG is participating in a federally-assisted, state-revolving loan program in which LFUCG will receive federal funds for both the Downtown Streetscape Green Infrastructure Program Initiative and the Radcliffe Road Drainage Improvement Project. The maximum proceeds for each program are \$2,620,000 and \$237,000 respectively. The acceptance of this program obligates the LFUCG to repay 47.9% of the amount spent at 2.0% APR plus a .2% annual loan servicing fee.

Per the Consent Decree dated January 3, 2011, LFUCG will pay a civil penalty to the U. S. Department of Justice in the amount of \$425,000. LFUCG has recorded this liability on the FY 2010 financial statements. The United States Environmental Protection Agency (EPA) and the Kentucky Environmental and Public Protection Cabinet [“KYEPPC”] filed suit in federal court against LFUCG in 2006 alleging various violations of the Clean Water Act. Also see page 85 for additional details regarding this litigation.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

During 2008, the Airport condemned an approximately 115-acre property owned by Elkhorn Bend, LLC. The court-appointed commissioners assigned to the property a value of \$1,686,375 (the "Commissioners' Award"). Although the Commissioners' Award did not bind Elkhorn Bend, which took exception to the amount, the Airport paid this amount in court and, on December 2, 2008, took possession of the property. The parties were unable to reach an agreement regarding the value of the property. Eventually, arbitration was conducted during August, 2010. During September, 2010, the arbitrators reported their determination of value at \$3,165,000 (the "Final Award") or \$27,500 per acre. This results in an Airport Board obligation equal to the Final Award, minus the Commissioners' Award, or \$1,478,625 (the "Amount Owed"). Pursuant to KRS 416.620, the Amount Owed bears interest at 6% from the date of possession (December 2, 2008) until the date paid.

The Airport has recorded an estimated liability and related capital asset of \$1,647,277 on the FY 2010 financial statements. Closing and final payment was made on October 12, 2010 in the amount of \$1,657,332.

In December 2010, LFUCG entered into a settlement agreement in the case of *Arnold, Doris v. LFUCG, et al.* The settlement amount is \$250,000 to be paid December, 2010. LFUCG has recorded the liability on the FY 2010 financial statements.

On December 14, 2010 LFUCG issued \$6,305,000, Series 2010F (Build America Bonds) Taxable General Obligation Public Project Bonds, to finance various projects for departments within LFUCG, including acquisition of equipment, purchase of development rights, and improvements to recycling facilities.

On December 14, 2010 LFUCG issued \$8,950,000, Series 2010G (Recovery Zone Economic Development Bonds) Taxable General Obligation Public Project Bonds and, together with the series 2010F Project, will finance various projects for departments within LFUCG. The projects include acquisition of equipment, construction of a waterline and drainage system, providing funding for a program to preserve and manage agricultural, rural and natural lands, and purchase of conservation easements or development rights.

On December 14, 2010 LFUCG issued \$4,465,000, General Obligation Bond Anticipation Notes Series 2010H for the purpose of retiring all or a portion of Series 2001B. The proceeds will be used to providing funding for a program to preserve and manage agricultural, rural and natural lands, and purchase of conservation easements or development rights.

In January 2011, LFUCG received an unasserted claim related to its participation in the Downtown Housing Fund and a loan to the 500s on Main project in Lexington. The Housing Fund was funded by a group of local banks and the LFUCG. The funds for the LFUCG funding were derived from bond indebtedness through the Kentucky League of Cities and constitute a general obligation of the LFUCG. The developer of the 500s on Main project defaulted on the project loans. LFUCG will potentially be responsible for the repayment of the bond funding in the approximate amount of \$431,000 out of general revenues. Also see page 86 for additional details regarding the Lexington Downtown Housing Fund projects.

NOTE 8. 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2010

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, 2010:

	Number
Inactive Plan Participants:	
Retirees and beneficiaries currently receiving benefits	1019
Active Plan Participants:	
Terminated employees entitled to benefits	0
Active members	1,063
Total	2,082

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 2010, the Government contributed 17.51% to the PFRF and 17.5% to the CEPF. Administrative costs were financed by a combination of additional contributions as well as investment income. The required contribution rates are shown in the following table:

	Policemen's and Firefighters'	City Employees'
Required Contribution Rates:		
Government	17.51%	17.5%
Plan Member	11.0%	8.5%

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2010

D. Supplemental Information

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued		Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)
		Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)			
<i>Policemen's and Firefighters' Pension Fund (3% COLA)</i>						
7/1/05	\$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%
7/1/09	441,772,820	699,851,128	258,078,308	63.1%	65,765,448	392.4%
7/1/10	502,259,967	724,140,738	221,880,771	69.4%	60,512,412	366.7%
<i>City Employees' Pension Fund</i>						
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)%
7/1/09	24,865,567	20,179,074	(4,686,493)	123.2%	43,416	(10,794.4)%
7/1/10	25,529,868	16,080,311	(9,449,557)	158.8%	0*	NA

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

Annual Pension Cost and Net Pension Obligation

	Policemen's and Firefighters' Pension Fund	City Employees' Pension Fund
Annual Required Contribution	\$30,665,280	\$0
Interest on net pension obligation	(2,411,440)	125,140
Adjustment to annual required contribution	(2,231,227)	196,281
Annual pension cost	30,485,067	(71,141)
Contributions made	(49,469,806)	(74,488)
Increase (decrease) in net pension obligation	(18,984,739)	(145,629)
Net pension obligation beginning of year	(30,143,003)	1,787,708
Net pension obligation end of year	<u>\$(49,127,742)</u>	<u>\$1,642,079</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2010

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Obligation
<i>Policemen's and Firefighters' Pension Fund</i>				
2008	\$27,080,947	\$18,791,796	69.4%	\$25,040,871
2009	28,839,699	84,023,573	291.3%	(30,143,003)
2010	30,485,067	49,469,806	162.3%	(49,127,742)
<i>City Employees' Pension Fund</i>				
2008	\$(71,777)	\$7,116	N/A	\$1,869,987
2009	(74,415)	7,864	N/A	1,787,708
2010	(71,141)	74,488	N/A	1,642,079

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

	<u>Policemen's and Firefighters' Pension Fund</u>	<u>City Employees' Pension Fund</u>
Valuation date	July 1, 2010	July 1, 2010
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%	N/A

Over the last six fiscal years the following employer contributions have been made to the funds:

Fiscal Year	<u>Policemen's and Firefighters' Retirement</u>	<u>City Employees' Pension</u>
2005	\$9,450,836	\$6,816
2006	11,778,457	7,126
2007	14,148,937	7,281
2008	16,305,217	7,116
2009	81,672,437	7,864
2010	46,613,393	2,632

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2010

E. Other Post Employment Benefit

Plan Description. 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.

Funding Policy. The Government paid the premiums for single coverage on a pay-as-you-go basis. In fiscal year 2010, 676 retirees of the PFRF received this benefit for a total cost of \$2,774,560; and 17 retirees of the CEPF received this benefit for a total cost to the Government of \$83,882.

Annual OPEB Cost and Net OPEB Obligation. The Government's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Government's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Government's net OPEB obligation to the Retiree Medical Plan:

Annual OPEB Cost and Net OPEB Obligation

	Retiree Medical Plan
Annual Required Contribution	\$13,855,546
Interest on net pension obligation	967,980
Adjustment to annual required contribution	(877,371)
Annual OPEB cost (expense)	13,946,155
Contributions made	(3,629,799)
Increase in net OPEB obligation	10,316,356
Net OPEB obligation beginning of year	21,510,674
Net OPEB obligation end of year	\$31,827,030

The Government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 and the two preceding fiscal years were as follows:

Fiscal Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	\$13,855,546	21.9%	\$10,815,153
2009	13,901,103	23.1%	21,510,674
2010	13,946,155	26.0%	31,827,030

Funded Status and Funding Progress. The Government completed an actuarial valuation of the future unfunded actuarial accrued liability of these benefits and it was determined that as of July 1, 2010 the liability was \$211,706,877. The annual required contribution to fund this liability over a period of 30 years is \$16,524,963. These figures represent the amount needed to provide benefits for 1,019 current retirees and beneficiaries and 1,063 active members. To date there has not been any funding of this liability.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 NOTES TO FINANCIAL STATEMENTS (Continued)
 For the Year Ended June 30, 2010

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

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

The actuarial assumptions used for the calculations are listed below.

Valuation date	July 1, 2010
Actuarial cost method	Projected unit credit
Amortization method	Level Percent of Pay, Open
Remaining amortization period	30 years
Asset valuation method	Market Value of Assets
Actuarial assumptions:	
Investment rate of return*	4.5%
Medical cost trend rate*	
Pre-Medicare trend rate	10.5% - 5.0%
Post-Medicare trend rate	9.0% - 5.0%
Year of Ultimate trend rate	2017
* Includes inflation at	3.0%

Supplementary Information

Schedule of Funding Progress

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

F. Pension Plan Financial Statements

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010**

	<u>Pension Trust Funds</u>		
	<u>Policemen's and Firefighters' Retirement</u>	<u>City Employees' Pension</u>	<u>Total Pension Trust Funds</u>
ASSETS			
Cash	\$33,960,706	\$308,912	\$34,269,618
Receivables:			
Accounts Receivable	1,741,333	124,464	1,865,797
Due from Other Funds	1,057,973		1,057,973
Total Receivables	<u>2,799,306</u>	<u>124,464</u>	<u>2,923,770</u>
Investments, at Fair Value:			
Debt Securities			
US Agencies	38,459,195	8,964,674	47,423,869
US Government Obligations	16,994,387	3,421,867	20,416,254
Municipal Obligations	12,868,269		12,868,269
International Bonds	8,787,737	482,429	9,270,166
Corporate Debt	65,904,779	3,321,125	69,225,904
Money Market Mutual Funds			0
Repurchase Agreements	16,357,979		16,357,979
Other Investments			
Equity Mutual Funds	68,145,593		68,145,593
Equity Real Estate	28,370,149		28,370,149
Equity Securities - Domestic	79,956,044	8,459,345	88,415,389
Equity Securities - International	65,388,940	455,425	65,844,365
Total Investments	<u>401,233,072</u>	<u>25,104,865</u>	<u>426,337,937</u>
Total Assets	<u>437,993,084</u>	<u>25,538,241</u>	<u>463,531,325</u>
LIABILITIES			
Accounts Payable		334	334
Securities Lending Transactions	16,357,979		16,357,979
Compensated Absences Current	2,573		2,573
Compensated Absences Non Current	2,573		2,573
Due to Other Funds		8,039	8,039
Total Liabilities	<u>16,363,125</u>	<u>8,373</u>	<u>16,371,498</u>
NET ASSETS			
Net Assets Held in Trust for Pension Benefits	<u>\$421,629,959</u>	<u>\$25,529,868</u>	<u>\$447,159,827</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	Policemen's and Firefighters' Retirement	City Employees' Pension	Total
ADDITIONS			
Contributions:			
Employer	\$46,613,393	\$2,632	\$46,616,025
Employer - Administration	2,735,882	71,856	2,807,738
Plan Members	7,647,491	1,278	7,648,769
Other	120,532		120,532
Total Contributions	57,117,298	75,766	57,193,064
Income on Investments:			
Net Change in Fair Value of Investments	24,367,662	1,213,324	25,580,986
Interest	8,756,371	1,105,078	9,861,449
Dividends	2,179,945	180,470	2,360,415
Total Loss on Investments	35,303,978	2,498,872	37,802,850
Less Investment Expense	1,647,379	48,106	1,695,485
Net Loss on Investments	33,656,599	2,450,766	36,107,365
Income from Securities Lending Activities:			
Securities Lending Income	33,382	0	33,382
Securities Lending Expenses			
Borrower rebates	(14,388)		(14,388)
Management Fees	17,976		17,976
Total Securities Lending Expenses	3,588	0	3,588
Net Income on Securities Lending Activities	29,794	0	29,794
Total Additions	90,803,691	2,526,532	93,330,223
DEDUCTIONS			
Benefit Payments	37,529,499	1,830,996	39,360,495
Refunds of Contributions	110,805		110,805
Administrative Expense	134,745	31,235	165,980
Total Deductions	37,775,049	1,862,231	39,637,280
Net Increase (Decrease)	53,028,642	664,301	53,692,943
Net Assets, July 1	368,601,317	24,865,567	393,466,884
Net Assets, June 30	\$421,629,959	\$25,529,868	\$447,159,827

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended June 30, 2010

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, 2010, 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, 2010, 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 16.16% of members' non-hazardous compensation and 32.97% for hazardous compensation for the year ended June 30, 2010. The Government's contributions to CERS for the years ending June 30, 2010, 2009, and 2008 were \$18,580,548, \$13,512,097, and \$15,821,922 respectively, and were equal to the required contributions for each year.

NOTE 9. 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. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This statement was issued in March 2009 and establishes fund balance classifications that comprise a hierarchy based on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The Government will be required to adopt this standard in its 2011 financial statements. The Government is currently assessing the impact of this standard on its financial position, major funds, and changes in financial position and has not yet determined if the adoption will have a material effect on its financial statements.
- GASB Statement No. 59, "Financial Instruments Omnibus." This statement addresses accounting for certain financial instruments and external investment pools. It increases the consistency of measurements between governmental entities and provides clarification of existing standards. The provisions of GASB Statement No. 59 are effective for periods beginning after June 15, 2010. The Government does not anticipate the adoption of this standard will have a significant impact on the financial statements.



This page intentionally left blank.

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, 2010

	Special Revenue Funds								Capital Projects Funds						
	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	2003 Bond Projects
	County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Mineral Severance	Coal Severance										
ASSETS															
Current Cash	\$1,706,817	\$8,806,738	\$154,661	\$116,059	\$182,451	\$676,796	\$970,321	\$2,244	\$12,616,087	\$4,290					
Current Investments	189,531	560,552		63,177		1,061,870			1,875,130	347,945		\$30,453			
Receivables:															
Other						21,613			21,613						
Internal Balances									0			548,783	493,075	61,851	348,426
Restricted Investments									0					19,724	344,642
Total Assets	\$1,896,348	\$9,367,290	\$154,661	179,236	\$182,451	\$1,760,279	\$970,321	\$2,244	\$14,512,830	\$352,235	\$0	\$579,236	\$493,075	\$81,575	\$693,068
LIABILITIES AND FUND BALANCES															
Liabilities:															
Accounts and Contracts Payable	123,106	80,007				73,296	67,263		343,672	7,343					
Accrued Payroll & Related Liabilities		1,529							1,529						
Internal Balances		(128)						6,380	6,252	189,103	16,373				
Total Liabilities	123,106	81,408	0	0	0	73,296	67,263	6,380	351,453	196,446	16,373	0	0	0	0
Fund Balances:															
Reserved for:															
Encumbrances	117,915	286,895				14,497			419,307	62,056	82,760			50,000	723,640
Unreserved:															
Undesignated, reported in Special Revenue Funds	1,655,327	8,998,987	154,661	179,236	182,451	1,672,486	903,058	(4,136)	13,742,070						
Undesignated, reported in Capital Projects Funds										93,733	(99,133)	579,236	493,075	31,575	(30,572)
Total Fund Balances (Deficits)	1,773,242	9,285,882	154,661	179,236	182,451	1,686,983	903,058	(4,136)	14,161,377	155,789	(16,373)	579,236	493,075	81,575	693,068
Total Liabilities and Fund Balances	\$1,896,348	\$9,367,290	\$154,661	\$179,236	\$182,451	\$1,760,279	\$970,321	\$2,244	\$14,512,830	\$352,235	\$0	\$579,236	\$493,075	\$81,575	\$693,068

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 COMBINING BALANCE SHEET, Continued
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2010

Capital Projects Funds

	Golf Course Bond Projects	Purchase of Development Rights	Equipment Lease Notes	2004 Bond Projects	2005 Bond Projects	2006 Bond Projects	2007 Bond Projects	2008 Bond Projects	2009 Bond Projects	Public Works & Bond Projects	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total	Total Nonmajor Governmental Funds
ASSETS														
Current Cash										\$103,668	\$233,244	\$286,803	\$628,005	\$13,244,092
Current Investments											\$311,124	68,025	757,547	2,632,677
Receivables:														
Other											21,781	11,072,747	11,094,528	11,116,141
Internal Balances	28,214		872,519	667,889	599,819	744,119		416,685	8,343,163	906,121			14,030,664	14,030,664
Restricted Investments	20,655		258,119				1,478,392	4,057,543					6,179,075	6,179,075
Total Assets	\$48,869	\$0	\$1,130,638	\$667,889	\$599,819	\$744,119	\$1,478,392	\$4,474,228	\$8,343,163	\$1,009,789	\$566,149	\$11,427,575	\$32,689,819	\$47,202,649
LIABILITIES AND FUND BALANCES														
Liabilities:														
Accounts and Contracts Payable					6,560	45,205	69,341	343,842	1,027,021	33,856			1,533,168	1,876,840
Accrued Payroll & Related Liabilities													0	1,529
Internal Balances		318,395					3,901,787					985,854	5,411,512	5,417,764
Total Liabilities	0	318,395	0	0	6,560	45,205	3,971,128	343,842	1,027,021	33,856	0	985,854	6,944,680	7,296,133
Fund Balances:														
Reserved for:														
Encumbrances			(23,647)		81,206	154,497	64,166	1,083,158	3,073,701	282,982		997	5,635,516	6,054,823
Unreserved:														
Undesignated, reported in Special Revenue Funds													0	13,742,070
Undesignated, reported in Capital Projects Funds	48,869	(318,395)	1,154,285	667,889	512,053	544,417	(2,556,902)	3,047,228	4,242,441	692,951	566,149	10,440,724	20,109,623	20,109,623
Total Fund Balances (Deficits)	48,869	(318,395)	1,130,638	667,889	593,259	698,914	(2,492,736)	4,130,386	7,316,142	975,933	566,149	10,441,721	25,745,139	39,906,516
Total Liabilities and Fund Balances	\$48,869	\$0	\$1,130,638	\$667,889	\$599,819	\$744,119	\$1,478,392	\$4,474,228	\$8,343,163	\$1,009,789	\$566,149	\$11,427,575	\$32,689,819	\$47,202,649

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2010

	Special Revenue Funds								Capital Projects Funds						
	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	2003 Bond Projects
	County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Mineral Severance	Coal Severance										
REVENUES															
Charges for Services			\$134,443					\$35,300	\$169,743						
Intergovernmental	780,517	4,771,954		104,164	100,711	826,327	284,427	186,584	7,054,684						
Miscellaneous		38,000							38,000						
Income on Investments	678	4,563	89	460	126	528	325		6,769	289					2,003
Total Revenues	<u>781,195</u>	<u>4,814,517</u>	<u>134,532</u>	<u>104,624</u>	<u>100,837</u>	<u>826,855</u>	<u>284,752</u>	<u>221,884</u>	<u>7,269,196</u>	<u>289</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,003</u>
EXPENDITURES															
Current:															
General Government			32,900						32,900						
Public Works		662,735							662,735		172,168				
Environmental Quality															16,930
Public Safety								35,007	35,007						
Police						306,561	72,934		379,495						
Capital:															
Equipment						285,980	38,357		324,337						
Acquisitions and Construction	1,059,268	961,986		(5,548)		70,265			2,085,971	80,777					30,754
Total Expenditures	<u>1,059,268</u>	<u>1,624,721</u>	<u>32,900</u>	<u>(5,548)</u>	<u>0</u>	<u>662,806</u>	<u>111,291</u>	<u>35,007</u>	<u>3,520,445</u>	<u>80,777</u>	<u>172,168</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>47,684</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(278,073)</u>	<u>3,189,796</u>	<u>101,632</u>	<u>110,172</u>	<u>100,837</u>	<u>164,049</u>	<u>173,461</u>	<u>186,877</u>	<u>3,748,751</u>	<u>(80,488)</u>	<u>(172,168)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(45,681)</u>
OTHER FINANCING SOURCES (USES)															
Transfers Out		(2,014,330)	(108,490)	(1,025,000)	(185,000)				(3,332,820)						
Issuance of Refunding Debt														6,635,000	
Payment to Refunded Debt Escrow Agen														(6,553,425)	
Total Other Financing Sources (Uses)	<u>0</u>	<u>(2,014,330)</u>	<u>(108,490)</u>	<u>(1,025,000)</u>	<u>(185,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(3,332,820)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>81,575</u>	<u>0</u>
Net Change in Fund Balances	<u>(278,073)</u>	<u>1,175,466</u>	<u>(6,858)</u>	<u>(914,828)</u>	<u>(84,163)</u>	<u>164,049</u>	<u>173,461</u>	<u>186,877</u>	<u>415,931</u>	<u>(80,488)</u>	<u>(172,168)</u>	<u>0</u>	<u>0</u>	<u>81,575</u>	<u>(45,681)</u>
Fund Balances (Deficits), July 1	<u>2,051,315</u>	<u>8,110,416</u>	<u>161,519</u>	<u>1,094,064</u>	<u>266,614</u>	<u>1,522,934</u>	<u>729,597</u>	<u>(191,013)</u>	<u>13,745,446</u>	<u>236,277</u>	<u>155,795</u>	<u>579,236</u>	<u>493,075</u>	<u>0</u>	<u>738,749</u>
Fund Balances (Deficits), June 30	<u>\$1,773,242</u>	<u>\$9,285,882</u>	<u>\$154,661</u>	<u>\$179,236</u>	<u>\$182,451</u>	<u>\$1,686,983</u>	<u>\$903,058</u>	<u>(\$4,136)</u>	<u>\$14,161,377</u>	<u>\$155,789</u>	<u>(\$16,373)</u>	<u>\$579,236</u>	<u>\$493,075</u>	<u>\$81,575</u>	<u>\$693,068</u>

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2010

Capital Projects Funds														
	Golf Course Bond Projects	Purchase of Development Rights	Equipment Lease Notes	2004 Bond Projects	2005 Bond Projects	2006 Bond Projects	2007 Bond Projects	2008 Bond Projects	2009 Bond Projects	Public Works	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total	Total Nonmajor Governmental Funds
REVENUES														
Charges for Services														\$169,743
Intergovernmental								(53,676)					(53,676)	7,001,008
Exactions												601,993	601,993	601,993
Miscellaneous											288,659	18,830	307,489	345,489
Income on Investments		144	2,336	77	192	3,058	9,501	35,478			1,801	1,695	56,574	63,343
Total Revenues	0	144	2,336	77	192	3,058	9,501	(18,198)	0	0	290,460	622,518	912,380	8,181,576
EXPENDITURES														
Current:														
General Government									55,098			63,194	118,292	151,192
Finance							1,250	26,080			240		27,570	27,570
Chief Information Officer					1,751,778				533,216				2,284,994	2,284,994
Public Works		66,280						5,813					244,261	906,996
Environmental Quality													16,930	16,930
Public Safety							624,959						624,959	659,966
Police													0	379,495
Parks and Recreation							35,008						35,008	35,008
Debt Service:														
Principal	5,295,000										2,405,000		7,700,000	7,700,000
Interest and Other	66,948										123,336		190,284	190,284
Capital:														
Equipment					22,960			538,284	1,095,568				1,656,812	1,981,149
Acquisitions and Construction		1,301,043	354,156	0	21,114	792,898	473,784	3,047,811	8,044,637	330,544		382	14,477,900	16,563,871
Total Expenditures	5,361,948	1,367,323	354,156	0	1,795,852	792,898	1,135,001	3,617,988	9,728,519	330,544	2,528,576	63,576	27,377,010	30,897,455
Excess (Deficiency) of Revenues over (under) Expenditures	(5,361,948)	(1,367,179)	(351,820)	77	(1,795,660)	(789,840)	(1,125,500)	(3,636,186)	(9,728,519)	(330,544)	(2,238,116)	558,942	(26,464,630)	(22,715,879)
OTHER FINANCING SOURCES (USES)														
Transfers In					498,000								498,000	498,000
Transfers Out									57,679				57,679	(3,275,141)
Issuance of Debt		2,466,280			1,129,000				27,781,991				31,377,271	31,377,271
Issuance of Refunding Debt	5,410,817										2,324,183		14,370,000	14,370,000
Payment to Refunded Debt Escrow Agen													(6,553,425)	(6,553,425)
Total Other Financing Sources (Uses)	5,410,817	2,466,280	0	0	1,627,000	0	0	0	27,839,670	0	2,324,183	0	39,749,525	36,416,705
Net Change in Fund Balances	48,869	1,099,101	(351,820)	77	(168,660)	(789,840)	(1,125,500)	(3,636,186)	18,111,151	(330,544)	86,067	558,942	13,284,895	13,700,826
Fund Balances (Deficits), July 1	0	(1,417,496)	1,482,458	667,812	761,919	1,488,754	(1,367,236)	7,766,572	(10,795,009)	1,306,477	480,082	9,882,779	12,460,244	26,205,690
Fund Balances (Deficits), June 30	\$48,869	(\$318,395)	\$1,130,638	\$667,889	\$593,259	\$698,914	(\$2,492,736)	\$4,130,386	\$7,316,142	\$975,933	\$566,149	\$10,441,721	\$25,745,139	\$39,906,516

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/10

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Direct/ Pass-through Grantor's Number</u>	<u>Accrued (Deferred) Revenue at July 1, 2009</u>	<u>Revenue Received</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2010</u>
US Department of Agriculture:						
Direct Programs:						
Food Commodities-Social Services	10.550	034-0400		\$3,611	\$3,611	
National School Lunch	10.555	034-038-999	5,245	13,537	8,292	
National School Lunch	10.555	034-038-999		28,351	29,643	1,292
Child Care Food Program	10.558	034-L95-999	11,572	30,346	18,774	
Child Care Food Program	10.558	034-L95-999		57,201	61,766	4,565
Summer Lunch	10.559	034-X75-999SU	21,447	141,823	120,376	
Summer Lunch	10.559	034-X75-999SU			88,570	88,570
Urban Forestry	10.664	08-DG-11083121-001	4,555	4,555		
Urban Forestry	10.664	07-DG-11083121-004			483	483
Purchase of Development Rights (PDR)	10.913	73-5C16-7-052	0	1,526,636	1,526,636	
Purchase of Development Rights (PDR)	10.913	68-5C16-9-152	0	1,138,133	1,463,820	325,687
Wildlife Habitat Incentive Program (WHII)	10.914	72-5C16-4-A031	100	206	106	
Passed through Commonwealth of Kentucky:						
Total US Department of Agriculture			42,919	2,944,399	3,322,077	420,597
US Department of Housing and Urban Development:						
Direct Programs:						
Community Dev Block Grant	14.218	B07MC210004	63,943	586,780	522,837	
Community Dev Block Grant	14.218	B08MC210004	836,603	995,319	191,575	32,859
Community Dev Block Grant	14.218	B09MC210004	0	1,313,050	1,506,992	193,942
Emergency Shelter	14.231	S08MC210003	13,630	26,318	12,688	
Emergency Shelter	14.231	S09MY210003	0	78,400	91,088	12,688
HOME	14.239	M06MC210201	76,346	580,188	503,842	
HOME	14.239	M07MC210201	34,514	622,230	587,716	
HOME	14.239	M08MC210201	321,813	847,634	606,134	80,313
Housing Opp for Pers with AIDS (HOPW)	14.241	KY-H08-0007	62,751	457,374	402,923	8,300
Community Dev Block Grant-R	14.253	B-08-MY-21-0004		25,300	29,375	4,075
HPRP_R_2010	14.257	S-09-MY-21-0003	679	281,590	287,500	6,589
Passed through Commonwealth of Kentucky:						
Neighborhood Stabilization Program-Land	14.228	09N-043		369,890	660,135	290,245
Neighborhood Stabilization Program-REA	14.228	09N-042		36,771	36,771	
Total US Department of Housing and Urban Development			1,410,279	6,220,844	5,439,576	629,011
US Department of Interior:						
Direct Programs:						
Preserve America	15.904	21-06-PA-2056	4,604	10,190	5,586	
Passed through Commonwealth of Kentucky:						
Historic Preservation	15.904	21-08-21722	8,100	8,100		
Historic Preservation	15.904	21-09-21823			12,000	12,000
Total US Department of Interior			12,704	18,290	17,586	12,000
US Department of Justice:						
Direct Programs:						
Police Confiscated Funds	16.000	NA	(1,522,934)	620,464	456,415	(1,686,983)
Safe Havens	16.527	2007-CW-AX-0020	37,847	48,092	10,245	
Arrest Policy	16.590	2006-WE-AX-0053	72,470	171,603	153,872	54,739
SCAAP	16.606	2008-AP-BX-0101	(18,187)		187	(18,000)
SCAAP	16.606	2008-AP-BX-0951	(102,171)		34,792	(67,379)
SCAAP	16.606	2009-AP-BX-0454		181,107	175,083	(6,024)
Bulletproof Vests	16.607	07037695	(786)		4,560	3,774
Bulletproof Vests	16.607	2009 BOBX 080 41220	1,386	734	6,106	6,758
Bulletproof Vests	16.607	2009 BOBX 090 47311			2,665	2,665
Project Safe Neighborhoods	16.609	2006-GP-CX-0069	5,217	21,377	16,160	
Project Safe Neighborhoods	16.609	2007-GP-CX-0068	14,665	48,980	49,909	15,594
Project Safe Neighborhoods	16.609	2008-GP-CX-0060		2,049	27,805	25,756
Air Support	16.710	2008-CKWX0302		1,029	1,029	
Justice Assistance Grant	16.738	2006-DJ-BX-1069	35,957	47,304	11,347	
Justice Assistance Grant	16.738	2007-DJ-BX-0457		179	179	
Justice Assistance Grant	16.738	2008-DJ-BX-0255	25,649	56,291	30,642	
Justice Assistance Grant	16.738	2009-DJ-BX-0469			36,536	36,536
Anti Gang Initiative	16.744	2006-PG-BX-0044	24,493	67,167	42,674	
Anti Gang Initiative	16.744	2007-PG-BX-0094	39,868	93,897	57,836	3,807
Justice Assistance Grt Recovery	16.804	2009-SB-BP-1627		89,359	662,191	572,832
Redeploy	16.808	2009-SC-B9-0104			56,193	56,193
Passed through Commonwealth of Kentucky:						
Juv Accountability Block Grant	16.523	2007-JB-FX-0023(101)	1,339	5,283	3,944	
Juv Accountability Block Grant	16.523	2007-JB-FX-0041 (101)		5,395	9,405	4,010
Title V	16.548	Title V-2006-00006	23,979	37,893	13,914	
Cold Case Squad	16.579	7113-N16-1/04	40,240	40,240	0	
Street Sales	16.579	2008-JAG-610858140-00051	25,943	25,943	0	
Street Sales	16.579	09-JAG-LFUCG-STREET SALES-00	0	67,397	148,520	81,123
Street Sales (Confiscated Funds)	16.579	2008-JAG-610858140-00051	(75,315)	0	75,315	
Street Sales (Confiscated Funds)	16.579	09-JAG-LFUCG-STREET SALES-00	0	29,974	18,640	(11,334)
Safe Havens Recovery	16.588	VAWA-ARRA-2009		12,696	17,925	5,229
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2008-00046	2,854	4,327	4,139	2,666
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2009-LFUCG ST-00100	0	0	11,704	11,704

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/10

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Direct/ Pass-through Grantor's Number</u>	<u>Accrued (Deferred) Revenue at July 1, 2009</u>	<u>Revenue Received</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2010</u>
Sexual Assault Nurse Examiner (SANE2)	16.588	VAWA-2008-00012	2,587	7,157	5,927	1,357
Enforcing Underage Drinking Laws	16.727	2009-AH-FX-0089	0	3,351	4,643	1,292
Cold Case Squad	16.738	PON252510000025561	0	0	16,526	16,526
Police Activity League Recreation	16.808	2009-SC-B9-0162	0	0	4,704	4,704
Total US Department of Justice			<u>(1,364,899)</u>	<u>1,689,288</u>	<u>2,171,732</u>	<u>(882,455)</u>
US Department of Labor:						
Passed Through Commonwealth of Kentucky: WIA-YOUTH	17.258	9004Y	34,245	125,481	91,236	
Total US Department of Labor			<u>34,245</u>	<u>125,481</u>	<u>91,236</u>	<u>0</u>
US Department of Transportation:						
Direct Programs:						
Passed through Commonwealth of Kentucky:						
Air Quality Planning	20.205	0800020840	5,123	33,779	47,780	\$19,124
Air Quality Planning	20.205	0800020840			947	\$947
Alexander Drive/Stone	20.205	PO2-628-0600003013	664	3,934	9,910	\$6,640
Bike Projects	20.205	C-99006967	69,695	69,695	14,137	\$14,137
Brighton East	20.205	C-05031709	32,537	45,065	14,944	\$2,416
Citation Boulevard	20.205	C-05396856	11,943	11,943	1,609,518	\$1,609,518
Clays Mill Road	20.205	C-03328686	78,107	174,472	101,105	\$4,740
Coldstream Trail	20.205	PO2-628-0800015657	73,052	144,390	71,338	
Federal Highway Planning	20.205	0800016813	173,630	173,630		
Federal Highway Planning	20.205	0900025284		130,196	298,367	\$168,171
Fiber Optic Cable Installation	20.205	PO2-628-0700005481	29,608	29,608	0	
Fiber Optic Cable Installation	20.205	PO2-628-0700013795	2,716	91,945	57,727	(\$31,502)
Hazard Elimination & Safety	20.205	0340027001003	360,868	651,628	292,337	\$1,577
Healthway	20.205	PO2-628-0900024481	4,365	76,768	334,634	\$262,231
Intelligent Tranpor. System (ITS)	20.205	900024330		290,846	324,000	\$33,154
Intelligent Tranpor. System (ITS)	20.205	1000001289		66	7,681	\$7,615
Liberty Road/Todds Road	20.205	C-00021586	325,267	251,534	126,603	200,336
Liberty Road/Todds Road	20.205	C-04073306		254,782	319,219	64,437
Loudon Avenue Project	20.205	C-02279716	221,761	388,607	567,839	\$400,993
Maine Chance	20.205	PO2-628-0700013769	226,072	420,589	194,517	
Newtown Landscape	20.205	PO2-628-0800015658	17,200	19,000	1,800	
Newtown Pike	20.205	C-00343167	718,323	793,021	508,501	\$433,803
Newtown Pike	20.205	C-01261650	8,887	16,674	970,144	\$962,357
Pope House Project	20.205	C-01248155	4,363	4,363		
Reversible Lanes	20.205	PO2-628-0600003022	114,534	138,935	162,196	\$137,795
Safe Route to School	20.205	PO2-628-0600003702	7,533	8,804	1,271	
Share The Road	20.205	PO2-628-0900022380			12,872	\$12,872
South Elkhorn Bike	20.205	KYTC Item 7-229	3,300	11,794	9,774	\$1,280
South Limestone	20.205	800015399	30,720	72,240	50,880	\$9,360
Town Branch	20.205	C-02182950	6,961	0	(6,852)	\$109
Town Branch	20.205	C-03022850	2,085	4,441	2,356	
Town Branch II	20.205	KYTC ITEM 7-238.01	14,429	125,650	111,221	
Traffic Control	20.205	PO2-625-0600004655	75,838	75,838		
Traffic Control	20.205	PO2-625-0700012692	39,329	68,229	126,326	\$97,426
Traffic Signal Installation	20.205	PO2-625-0700012692		129,162	129,162	
Versailles Road Corridor	20.205	PO2-628-0600003375	3,416	123,593	145,168	\$24,991
Wellington Way	20.205	PO2-628-0600002885	19,463	19,463		
West Hickman	20.205	C-04482975	960	3,487	113,588	\$111,061
MCSAP	20.218	M-00800718583	23,458	70,795	47,337	
MCSAP	20.218	M-00800718583		759	21,165	\$20,406
Tact	20.218	No Number	31,192	55,004	23,812	
Fed Transit Admin Section 5303	20.505	G03MP03Z	1,777	1,777		
Fed Transit Admin Section 5303	20.505	G03MP03Z		31,407	40,000	\$8,593
Mobility Office	20.505	MA-0800020840		25,854	97,615	\$71,761
Mobility Office	20.505	MA-0800020840	64,497	65,027	2,927	\$2,397
Recreational Trails	20.219	KY 20060511-0737	1,371	1,371		
Bluelight	20.600	CP-09-28		15,000	15,000	
Traffic Safety	20.600	PT-09-29	6,172	19,794	13,622	
Traffic Safety	20.600	AL-10-20	0	39,147	49,434	\$10,287
Traffic Safety Supplement	20.600	K2-09-58	14,142	14,142		
Traffic Safety Supplement	20.600	K2-10-31			25,000	\$25,000
Total US Department of Transportation			<u>2,825,358</u>	<u>5,198,248</u>	<u>7,066,922</u>	<u>4,694,032</u>
US Environmental Protection Agency						
Direct Programs:						
Environmental Justice	66.604	EQ-95416209-1			3,212	\$3,212
South Elkhorn Pump Station	66.604	XP-95438509-0			752,632	\$752,632
Passed through Commonwealth of Kentucky:						
Radcliffe Road Drainage	66.458	A2-09-09			237,000	\$237,000
StreetKia	66.458	A029-08			2,464,117	\$2,464,117
Gainesway Retention Basin	66.460	MA-04184474	44,309	69,518	25,209	
McConnell Springs Pond	66.460	MA-04180034	511	272,876	272,365	
Wolf Run	66.460	C9994861-09			1,552	\$1,552
Total US Environmental Justice			<u>44,820</u>	<u>342,394</u>	<u>3,756,087</u>	<u>3,458,513</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ending 6/30/10

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Direct/ Pass-through Grantor's Number</u>	<u>Accrued (Deferred) Revenue at July 1, 2009</u>	<u>Revenue Received</u>	<u>Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2010</u>
US Department of Education:						
Passed through Commonwealth of Kentucky: 21st Century Learning	84.287	PON254008000083781	34,820	47,460	12,640	
Total US Department of Education			<u>34,820</u>	<u>47,460</u>	<u>12,640</u>	<u>0</u>
US Department of Health and Human Services:						
Direct Programs:						
Healthy Tomorrows	93.110	H17MC04353-05-00	15,976	15,976		
Runaway Youth	93.623	04CY0792/03	57,819	88,729	28,910	(\$2,000)
Runaway Youth	93.623	90CY236401		165,621	147,385	(\$18,236)
Passed through Commonwealth of Kentucky:						
Senior Citizens	93.044	AS-2009-2010-2015		88,900	88,900	
Local Governance-Cab for Families	93.558	PON2 736 0800008776	5,697	5,697		
Local Governance-Cab for Families	93.558	PON2 736 0800008771		63,221	79,720	\$16,499
Mentoring-Cab for Families	93.558	PON2 736 0800008776	3,403	3,403		
Mentoring-Cab for Families	93.558	PON2 736 0800008771		28,980	38,782	\$9,802
New Chance-Cab For Families	93.558	PON2 736 0800008776	27,320	27,320		
New Chance-Cab For Families	93.558	PON2 736 0800008771		290,256	372,961	\$82,705
Home Network	93.597	2008-2009-PUBLIC-R	(139,177)	151,870	127,459	(\$163,588)
Home Network	93.597	2009-2010-PUBLIC-R		322,720	193,071	(\$129,649)
Total US Department of Health and Human Services			<u>(28,962)</u>	<u>1,252,693</u>	<u>1,077,188</u>	<u>(204,467)</u>
US Department of Homeland Security Office of Domestic Preparedness:						
Passed through Commonwealth of Kentucky:						
Flood Mitigation Assistance	97.029	PON209509000115091	2,700	793,645	790,945	
Disaster Reimbursement-Gustav	83.548	N/A	4,584	4,584		
Disaster Reimbursement-Ice Storm 2003	83.548	DR 1454	1,758,765	1,758,765		
Disaster Reimbursement-Ice Storm 2009	83.548	DR 1818	1,612,250	1,631,399	19,149	
Sugarmill	97.039	PON2-095-0600003029-1	4,387	322,781	989,642	\$671,248
Emergency Management Assistance	97.042	PON209508000079301	41,005	72,365	31,360	
Emergency Management Assistance	97.042	PON209510000004871			65,954	\$65,954
Fire Prevention & Safety	97.044	EMW-2008-FP-00190		12,259	13,492	\$1,233
Bomb Squad	97.067	P0209409000231341		216,423	237,327	\$20,904
Critical Infrastructure	97.067	P0209408000212151	2,257	10,936	11,051	\$2,372
Hazard Devices	97.067	PO209408000208651	249,650	250,000	350	
Hazard Devices	97.067	PO209410000025171			64,459	\$64,459
High Intensity Drug Trafficking Area (HII)	95.001	G09AP0001A	2,604	4,831	2,227	
High Intensity Drug Trafficking Area (HII)	95.001	G10AP0001A	0	0	1,702	1,702
Improvised Explosive Device (IED) Traini	97.067	PO209408000208691	163,253	435,000	271,747	
State Homeland Security	97.067	PO2-094-0800020862 1	12,000	16,154	59,473	\$55,319
State Homeland Security (FIRE)	97.067	P02 094 0800020862 1		595,313	595,313	
State Homeland Security (FIRE)	97.067	P02 094 1000002544 1			116,898	\$116,898
State Homeland Security (TRAINING)	97.067	P02 094 1000002541 1		3,280	82,586	\$79,306
State Homeland Security COMM	97.067	PO2-094-0800020544 1		16,791	16,791	
State Homeland Security COMM	97.067	P02 094 1000002146 1		71,852	71,852	
Metro Medical Response System (MMRS)	97.071	PON2 094 0800014192 1	1,797	150,125	148,328	
Metro Medical Response System (MMRS)	97.071	PON2 094 0700005899 1	23,083	23,083		
Metro Medical Response System (MMRS)	97.071	PON2 094 0800020954 1	21,867	217,668	240,237	\$44,436
Metro Medical Response System (MMRS)	97.071	PON2 094 1000002389 1		20,051	157,903	\$137,852
Chemical Stockpile Emergency (CSEPP)	97.040	PON2 0600002230	43,164	46,964	3,800	
Chemical Stockpile Emergency (CSEPP)	97.040	PON2 0700005552	34,181	37,506	6,973	\$3,648
Chemical Stockpile Emergency (CSEPP)	97.040	PON209508000112861	45,654	129,958	172,648	\$88,344
Chemical Stockpile Emergency (CSEPP)	97.040	PON209510000009491			10,209	\$10,209
Chemical Stockpile Emergency (CSEPP) I	97.040	N/A		100,000	100,000	
Total US Dept. of Homeland Security Office of Domestic Preparedness			<u>4,023,201</u>	<u>6,941,733</u>	<u>4,282,416</u>	<u>1,363,884</u>
US Department of Energy						
Direct Programs:						
Energy Efficiency & Conservation Bl.Grt (EEBCG_R)	81.128	DE-EE0000728			18,572	\$18,572
Total US Department of Energy			<u>0</u>	<u>0</u>	<u>18,572</u>	<u>18,572</u>
Total Federal Financial Assistance			<u>\$7,034,485</u>	<u>\$24,780,830</u>	<u>\$27,256,032</u>	<u>\$9,509,687</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, 2010

<u>Grantor/Program Title</u>	<u>Grantor's Number</u>	<u>Grantor</u>	<u>Accrued or (Deferred) Revenue at July 1, 2009</u>	<u>Revenue Received</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2010</u>
Fire Training Incentive	155	Kentucky Commission on Fire Protection	\$177,445	\$177,445		
Fire Training Incentive	155	Kentucky Commission on Fire Protection		1,869,827	1,869,827	
Hazard Elimination	0340027001003	Kentucky Transportation Cabinet	90,217	162,907	73,084	394
National School Lunch	034-038-999	Kentucky Dept. of Education		497	497	
Federal Highway Planning	0800016813	Kentucky Transportation Cabinet	10,851	10,851		
Federal Highway Planning	0900025284	Kentucky Transportation Cabinet		8,137	18,648	10,511
Home Network	2008-2009-PUBLIC-R	Lexington Fayette County Health Dept		34,340	34,340	
Home Network	2009-2010-PUBLIC-R	Lexington Fayette County Health Dept		35,140	35,140	
Green Acres	276N-2007	Kentucky Infrastructure Authority	19,762	667,683	764,905	116,984
Purchase of Development Rights (PDR)	A2009-0197	Kentucky Dept. Agriculture		75,000	46,913	(28,087)
Todd/Liberty Transportation Improvement Pgm.	C-0021586	Kentucky Transportation Cabinet	81,317	62,883	31,651	50,085
Newtown Pike Extension	C00343167	Kentucky Transportation Cabinet	179,581	159,362	127,125	147,344
Todd/Liberty Transportation Improvement Pgm.	C-04073306	Kentucky Transportation Cabinet		63,695	79,805	16,110
Disaster Reimbursement-Ice Storm	DR 1454	Kentucky Emergency Management Agency	281,403	281,403		
Disaster Reimbursement-Ice Storm 2009	DR 1818	Kentucky Emergency Management Agency	257,960	261,020	3,060	
Emergency Shelter	ES08-0409-01	Kentucky Housing Corporation		9,000		
Aviation Museum	H090-1	Governor's Office for Local Development	18,826	18,826		
Law Enforcement Service Fee	.SF-2009-LFUCG-Street Sales-00	Kentucky Justice Cabinet		40,442	40,583	141
Law Enforcement Service Fee	LSF-700-L1-08	Kentucky Justice Cabinet	6,188	6,188		
Disaster Reimbursement-Gustav	N/A	Kentucky Emergency Management Agency		733		
Emergency Medical Services	N/A	Kentucky Bd. Emergency Medical Services	(10,169)		10,150	(19)
Illegal Open Dump Remediation	N/A	Kentucky Dept. Environmental Protection		3,391		(3,391)
Isaac Murphy Memorial Garden	N/A	Kentucky Transportation Cabinet			16,250	16,250
Kentucky Housing	N/A	Kentucky Housing Corporation	(2,000)		5,000	3,000
Kentucky Pride	N/A	Kentucky Dept. Natural Resources	(66,599)		66,530	(69)
Kentucky Pride	N/A	Kentucky Dept. Natural Resources		141,452	15,017	(126,435)
KY Household Hazardous Waste	N/A	Kentucky Energy & Environmental cabinet		113,154	42,610	(70,544)
KY Recycle	N/A	Kentucky Energy & Environmental cabinet		14,035	12,887	(1,148)
Raven Run Acquisition	N/A	Kentucky Heritage Land Conservation Fund	(44,040)		26,039	(18,001)
Search & Rescue	PON2 095 0600000810 1	Kentucky Emergency Management Agency	4,959			4,959
Search & Rescue	PON2 095 10000010411	Kentucky Emergency Management Agency		3,215	3,215	
Sugarmill	PON2-095-0600003029-1	Kentucky Emergency Management Agency	660	50,304	158,924	109,280
Day Treatment	PON252308000081311	Kentucky Dept. of Juvenile Justice	20,154	20,154		
Day Treatment	PON252309000120651	Kentucky Dept. of Juvenile Justice		221,691	241,845	20,154
Police Training Incentive	PT-105-03	Kentucky Law Enforcement Foundation	233,123	233,123		
Police Training Incentive	PT-105-03	Kentucky Law Enforcement Foundation		1,807,619	1,975,297	167,678
Unsewered Areas 2	SX21067001 & SX21067008	Kentucky Infrastructure Authority	269,167	380,924	121,431	9,674
North Elkhorn Pump	SX21067003	Kentucky Infrastructure Authority	84,575	84,575		
Leesway	SX21067020	Governor's Office for Local Development		217,624	285,522	67,898
SANE3 (Sexual Assault Treatment Project)	VAWA-2008-00046	Kentucky Justice Cabinet	200	2,400	2,200	
SANE3 (Sexual Assault Treatment Project)	VAWA-2009-LFUCG ST-001	Kentucky Justice Cabinet		2,600	6,200	3,600
Total State Financial Assistance			<u>\$1,623,313</u>	<u>\$7,241,640</u>	<u>\$6,114,695</u>	<u>\$496,368</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.

The **Stormwater Fund** was established in FY 2009 to account for the revenues and expenses of developing and operating Stormwater related activities.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2010

	<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>Stormwater</u>	<u>Total</u>
ASSETS								
Current Assets:								
Cash	\$476,200	\$220,279	\$355,666		\$171,226	\$131,759	\$1,515,273	\$2,870,403
Investments				1,400,326		33,984		1,434,310
Receivables:								
User Fees Receivable							554,637	554,637
Other Receivables				131,317		49,739	1,200	182,256
Less Allowance for Uncollectible Accounts						(49,739)	(19,206)	(68,945)
Total Current Assets	<u>476,200</u>	<u>220,279</u>	<u>355,666</u>	<u>1,531,643</u>	<u>171,226</u>	<u>165,743</u>	<u>2,051,904</u>	<u>4,972,661</u>
Non-Current Assets:								
Land Improvements		10,000						10,000
Sewer Lines							270	270
Vehicles, Equipment, and Furniture	56,650	94,530	188,900	1,615,487				1,955,567
Intangibles			152,726	1,382,184				1,534,910
Less Accumulated Depreciation	(24,785)	(62,534)	(328,894)	(2,750,482)				(3,166,695)
Total Non-Current Assets	<u>31,865</u>	<u>41,996</u>	<u>12,732</u>	<u>247,189</u>	<u>0</u>	<u>0</u>	<u>270</u>	<u>334,052</u>
Total Assets	<u>508,065</u>	<u>262,275</u>	<u>368,398</u>	<u>1,778,832</u>	<u>171,226</u>	<u>165,743</u>	<u>2,052,174</u>	<u>5,306,713</u>
LIABILITIES								
Current Liabilities:								
Accounts, Contracts and Retainage Payable	964	30,860	333,864	63,448			176,620	605,756
Accrued Payroll	5,695	58,432		37,541			37,891	139,559
Internal Balances		50	26,304	45,059				71,413
Compensated Absences	5,320	1,049		33,032			93,116	132,517
Total Current Liabilities	<u>11,979</u>	<u>90,391</u>	<u>360,168</u>	<u>179,080</u>	<u>0</u>	<u>0</u>	<u>307,627</u>	<u>949,245</u>
Non-Current Liabilities								
Compensated Absences	5,320	33,807		33,032			93,116	165,275
Total Non-Current Liabilities	<u>5,320</u>	<u>33,807</u>	<u>0</u>	<u>33,032</u>	<u>0</u>	<u>0</u>	<u>93,116</u>	<u>165,275</u>
Total Liabilities	<u>17,299</u>	<u>124,198</u>	<u>360,168</u>	<u>212,112</u>	<u>0</u>	<u>0</u>	<u>400,743</u>	<u>1,114,520</u>
NET ASSETS								
Invested in Capital Assets, net of related debt	31,865	41,996	12,732	247,189			270	334,052
Restricted for:								
Capital Projects					26,400			26,400
Unrestricted	458,901	96,081	(4,502)	1,319,531	144,826	165,743	1,651,161	3,831,741
Total Net Assets	<u>\$490,766</u>	<u>\$138,077</u>	<u>\$8,230</u>	<u>\$1,566,720</u>	<u>\$171,226</u>	<u>\$165,743</u>	<u>\$1,651,431</u>	<u>\$4,192,193</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, 2010

	<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>Stormwater</u>	<u>Total</u>
Operating Revenues								
User Charges							\$5,567,674	\$5,567,674
Fees		2,096,645		4,036,506	91,090			6,224,241
Licenses & Permits	479,012							479,012
Gross Profit-Commissary			1,177,092					1,177,092
Other		500	738,818	32,521			13,430	785,269
Total Operating Revenues	<u>479,012</u>	<u>2,097,145</u>	<u>1,915,910</u>	<u>4,069,027</u>	<u>91,090</u>	<u>0</u>	<u>5,581,104</u>	<u>14,233,288</u>
Operating Expenses								
Right of Way	306,301							306,301
Extended School Program		1,719,607						1,719,607
Prisoners' Account			492,691					492,691
Inmate Trust Account			926,765					926,765
Enhanced 911				3,221,352				3,221,352
LexVan Program					57,644			57,644
Administration		726,418					4,528,403	5,254,821
Depreciation	7,082	10,849	2,067	412,680				432,678
Total Operating Expenses	<u>313,383</u>	<u>2,456,874</u>	<u>1,421,523</u>	<u>3,634,032</u>	<u>57,644</u>	<u>0</u>	<u>4,528,403</u>	<u>12,411,859</u>
Operating Income (Loss)	<u>165,629</u>	<u>(359,729)</u>	<u>494,387</u>	<u>434,995</u>	<u>33,446</u>	<u>0</u>	<u>1,052,701</u>	<u>1,821,429</u>
Non-Operating Revenues (Expenses)								
Income on Investments	170	117	1,467	395	72	939	287	3,447
Total Non-Operating Revenues	<u>170</u>	<u>117</u>	<u>1,467</u>	<u>395</u>	<u>72</u>	<u>939</u>	<u>287</u>	<u>3,447</u>
Income (Loss) Before Contributions and Transfers	<u>165,799</u>	<u>(359,612)</u>	<u>495,854</u>	<u>435,390</u>	<u>33,518</u>	<u>939</u>	<u>1,052,988</u>	<u>1,824,876</u>
Transfers In							380	380
Transfers Out			(1,915,000)					(1,915,000)
Change in Net Assets	<u>165,799</u>	<u>(359,612)</u>	<u>(1,419,146)</u>	<u>435,390</u>	<u>33,518</u>	<u>939</u>	<u>1,053,368</u>	<u>(89,744)</u>
Net Assets - July 1	<u>324,967</u>	<u>497,689</u>	<u>1,427,376</u>	<u>1,131,330</u>	<u>137,708</u>	<u>164,804</u>	<u>598,063</u>	<u>4,281,937</u>
Net Assets - June 30	<u>\$490,766</u>	<u>\$138,077</u>	<u>\$8,230</u>	<u>\$1,566,720</u>	<u>\$171,226</u>	<u>\$165,743</u>	<u>\$1,651,431</u>	<u>\$4,192,193</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2010

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	LexVan Program	Small Business Development	Stormwater	Total
Increase (Decrease) in Cash and Cash Equivalents:								
Cash Flows from Operating Activities:								
Receipts from Customers	\$479,012	\$2,097,145	\$1,915,910	\$3,937,710	\$91,090	\$0	\$5,025,267	\$13,546,134
Payments for Loans	0	0	0	0	0	0	0	0
Payments to Suppliers	(11,544)	(363,967)	(1,369,825)	(1,383,619)	(34,371)	0	(1,571,762)	(4,735,088)
Payments to Employees	(292,485)	(1,801,740)	0	(1,945,622)	0	0	(1,946,429)	(5,986,276)
Payments for Interfund Services Used	0	(278,242)	0	(263)	(23,273)	0	0	(301,778)
Net Cash Provided by (Used in) Operating Activities	174,983	(346,804)	546,085	608,206	33,446	0	1,507,076	2,522,992
Cash Flows from Noncapital Financing Activities:								
Transfers In	0	0	0	0	0	0	380	380
Transfers Out	0	0	(1,915,000)	0	0	0	0	(1,915,000)
Net Cash Flows from Noncapital Financing Activities	0	0	(1,915,000)	0	0	0	380	(1,914,620)
Cash Flows from Capital and Related Activities:								
Additions to Property, Plant and Equipment	0	0	(14,801)	(37,005)	0	0	(270)	(52,076)
Disposals of Property, Plant and Equipment	0	0	0	0	0	0	0	0
Net Cash Flows from Capital and Related Activities	0	0	(14,801)	(37,005)	0	0	(270)	(52,076)
Cash Flows from Investing Activities:								
Purchases of Investments	0	0	0	(571,596)	0	(306)	0	(571,902)
Proceeds from Sales and Maturities of Investments	83,935	398,296	1,158,341	0	33,932	0	0	1,674,504
Income on Investments	170	117	1,467	395	72	939	287	3,447
Net Cash Flows from Investing Activities	84,105	398,413	1,159,808	(571,201)	34,004	633	287	1,106,049
Net Increase (Decrease) in Cash and Cash Equivalents	259,088	51,609	(223,908)	0	67,450	633	1,507,473	1,662,345
Cash and Cash Equivalents at Beginning of Year	217,112	168,670	579,574	0	103,776	131,126	7,800	1,208,058
Cash and Cash Equivalents at End of Year	\$476,200	\$220,279	\$355,666	\$0	\$171,226	\$131,759	\$1,515,273	\$2,870,403
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:								
Operating Income (Loss)	\$165,629	(\$359,729)	\$494,387	\$434,995	\$33,446	\$0	\$1,052,701	\$1,821,429
Adjustments Not Affecting Cash:								
Depreciation	7,082	10,849	2,067	412,680	0	0	0	432,678
Allowance for Bad Debts	0	0	0	0	0	0	19,206	19,206
(Increase) Decrease in Assets:								
Accounts Receivable	0	0	0	0	0	0	(554,637)	(554,637)
Other Receivables	0	0	0	(131,317)	0	0	(1,200)	(132,517)
Increase (Decrease) in Liabilities:								
Accounts Payable	726	(11,231)	23,327	(194,590)	0	0	139,022	(42,746)
Accrued Payroll	(1,634)	(4,592)	0	(17,224)	0	0	(13,598)	(37,048)
Due to Other Funds	(7,461)	(14,870)	26,304	37,598	0	0	686,508	728,079
Unearned Revenues & Other	0	0	0	0	0	0	(3,718)	(3,718)
Other Liabilities	0	0	0	0	0	0	0	0
Compensated Absences	10,641	32,769	0	66,064	0	0	182,792	292,266
Total Adjustments	9,354	12,925	51,698	173,211	0	0	454,375	701,563
Net Cash Provided by (Used In) Operating Activities	\$174,983	(\$346,804)	\$546,085	\$608,206	\$33,446	\$0	\$1,507,076	\$2,522,992

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, 2010**

	Health Dental and Vision Care	Insurance and Risk Management	Total
ASSETS			
Current Assets:			
Cash	\$135,400	\$0	\$135,400
Receivables:			
Receivables	56,266	108,782	165,048
Total Current Assets	\$191,666	\$108,782	\$300,448
LIABILITIES			
Current Liabilities:			
Accounts Payable	6,346	300,300	306,646
Due to Other Funds	185,320	(22,117,862)	(21,932,542)
Claims Payable:			
Reported		8,286,863	8,286,863
Incurred But Not Reported		12,882,117	12,882,117
Compensated Absences	0	0	0
Total Current Liabilities	191,666	(648,582)	(456,916)
Total Liabilities	191,666	(648,582)	(456,916)
NET ASSETS			
Unrestricted (Deficit)	\$0	\$757,364	\$757,364

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2010

	<u>Health, Dental and Vision Care Insurance</u>				<u>Insurance</u>	<u>Total</u>
	<u>Health</u>	<u>Dental</u>	<u>Vision Care</u>	<u>Total</u>	<u>and Risk Management</u>	
Operating Revenues						
Premiums	\$30,520,349	\$1,976,448	\$78,193	\$32,574,990	\$7,137,724	\$39,712,714
Total Operating Revenues	<u>30,520,349</u>	<u>1,976,448</u>	<u>78,193</u>	<u>32,574,990</u>	<u>7,137,724</u>	<u>39,712,714</u>
Operating Expenses						
Claims and Benefit Payments	30,399,635	2,103,713	71,642	32,574,990	6,687,676	39,262,666
Total Operating Expenses	<u>30,399,635</u>	<u>2,103,713</u>	<u>71,642</u>	<u>32,574,990</u>	<u>6,687,676</u>	<u>39,262,666</u>
Operating Income (Loss)	120,714	(127,265)	6,551	0	450,048	450,048
Non-Operating Revenues						
Income on Investments				0	7,315	7,315
Total Non-Operating Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,315</u>	<u>7,315</u>
Change in Net Assets	120,714	(127,265)	6,551	0	457,363	457,363
Net Assets - July 1	<u>194,157</u>	<u>(196,135)</u>	<u>1,978</u>	<u>0</u>	<u>300,001</u>	<u>300,001</u>
Net Assets - June 30	<u><u>\$314,871</u></u>	<u><u>(\$323,400)</u></u>	<u><u>\$8,529</u></u>	<u><u>\$0</u></u>	<u><u>\$757,364</u></u>	<u><u>\$757,364</u></u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2010

	Health Dental and Vision Care	Insurance and Risk Management	Total
Increase (Decrease) in Cash and Cash Equivalents:			
Cash Flows from Operations:			
Receipts from Customers	\$32,574,990		\$32,574,990
Receipts from Interfund Services Provided	(1,244)	\$6,595,865	6,594,621
Refunds from/(Payments) to Suppliers	1,244	74,184	75,428
Payments for Claims	(32,574,990)	(7,817,795)	(40,392,785)
Net Cash Provided by (Used in) Operating Activities	<u>0</u>	<u>(1,147,746)</u>	<u>(1,147,746)</u>
Cash Flows from Investing Activities:			
Income on Investments		7,315	7,315
Proceeds from Sales and Maturities of Investments		1,040,231	1,040,231
Net Cash Flows from Investing Activities	<u>0</u>	<u>1,047,546</u>	<u>1,047,546</u>
Net Increase (Decrease) in Cash and Cash Equivalents	0	(100,200)	(100,200)
Cash and Cash Equivalents at Beginning of Year	<u>135,400</u>	<u>100,200</u>	<u>235,600</u>
Cash and Cash Equivalents at End of Year	<u>\$135,400</u>	<u>\$0</u>	<u>\$135,400</u>
Reconciliation of Operating Loss to Net Cash Used In Operating Activities:			
Operating Income (Loss)	<u>\$0</u>	<u>\$450,048</u>	<u>\$450,048</u>
(Increase) Decrease in Assets:			
Other Receivables	137,470	(52,434)	85,036
Increase (Decrease) in Liabilities:			
Accounts Payable	1,244	74,184	75,428
Due to Other Funds	(138,714)	(489,425)	(628,139)
Claims Payable		(1,130,119)	(1,130,119)
Total Adjustments	<u>0</u>	<u>(1,597,794)</u>	<u>(1,597,794)</u>
Net Cash Provided by (Used In) Operating Activities	<u>\$0</u>	<u>(\$1,147,746)</u>	<u>(\$1,147,746)</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, 2010

	<u>Balance</u> <u>July 1, 2009</u>	<u>Balance</u> <u>June 30, 2010</u>
NEIGHBORHOOD SEWER PROJECTS FUND		
Cash and Short-Term Investments	\$43,236	\$43,252
Accounts Receivable	17,496	17,496
Allowance for Uncollectible Accounts	(17,496)	(17,496)
Total Assets	<u>\$43,236</u>	<u>\$43,252</u>
Payable to Property Owners	43,236	43,252
Total Liabilities	<u>\$43,236</u>	<u>\$43,252</u>
JUVENILE AND ADULT PROBATION FUND		
Cash	338,905	348,355
Total Assets	<u>\$338,905</u>	<u>\$348,355</u>
Accounts Payable	338,905	348,355
Total Liabilities	<u>\$338,905</u>	<u>\$348,355</u>
DOMESTIC RELATIONS FUND		
Cash	260,930	314,745
Total Assets	<u>\$260,930</u>	<u>\$314,745</u>
Accounts Payable	260,930	314,745
Total Liabilities	<u>\$260,930</u>	<u>\$314,745</u>
TOTALS - AGENCY FUNDS		
Cash and Short-Term Investments	643,071	706,352
Accounts Receivable	17,496	17,496
Allowance for Uncollectible Accounts	(17,496)	(17,496)
Total Assets	<u>\$643,071</u>	<u>\$706,352</u>
Liabilities	643,071	706,352
Total Liabilities	<u>\$643,071</u>	<u>\$706,352</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, 2010**

General Capital Assets:

Land	\$53,356,164
Buildings	132,252,738
Vehicles, Equipment and Furniture	95,228,361
Land Improvements	15,123,904
Leasehold Improvements	1,069,678
Purchase of Development Rights	62,877,498
Intangibles	7,650,459
Infrastructure	973,766,947
Sewer Lines	2,136,673
Sewer Plants	
Construction in Progress	55,119,802

Total General Capital Assets	<u><u>\$1,398,582,225</u></u>
-------------------------------------	-------------------------------

Investment in General Capital Assets from:

General Fund	\$1,182,977,075
Special Revenue Funds	205,521,840
Donations	<u>10,083,310</u>

Total Investment in General Capital Assets	<u><u>\$1,398,582,225</u></u>
---	-------------------------------

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, 2010

Function and Activity	General Capital Assets July 1, 2009	Additions	Deletions/ Adjustments	General Capital Assets June 30, 2010
General Government:				
Control:				
Legislative	\$93,565			\$93,565
Executive	28,341,128	\$4,027,030	(\$24,812)	32,343,346
Constitutional Officers and Judicial	368,351		(2,484)	365,867
Total Control	<u>28,803,044</u>	<u>4,027,030</u>	<u>(27,296)</u>	<u>32,802,778</u>
Staff Agencies:				
Finance	2,275,698	1,281,193	(92,158)	3,464,733
Chief Information Officer	5,868,960	2,671,550	6,876	8,547,386
Administrative Services	4,896,902			4,896,902
Law	209,577		(16,804)	192,773
General Services	84,591,060	5,493,954	(3,451,534)	86,633,480
Outside Agencies	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Staff Agencies	<u>97,842,197</u>	<u>9,446,697</u>	<u>(3,553,620)</u>	<u>103,735,274</u>
Total General Government	<u>126,645,241</u>	<u>13,473,727</u>	<u>(3,580,916)</u>	<u>136,538,052</u>
Public Safety	152,791,581	18,242,066	(3,236,582)	167,797,065
Public Works	1,055,776,841	31,362,044	(935,373)	1,086,203,512
Social Services	<u>7,961,748</u>	<u>160,772</u>	<u>(78,924)</u>	<u>8,043,596</u>
Total General Capital Assets	<u>\$1,343,175,411</u>	<u>\$63,238,609</u>	<u>(\$7,831,795)</u>	<u>\$1,398,582,225</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION AND ACTIVITY
June 30, 2010

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	Intangibles	Total
General Government:									
Control:									
Legislative			\$93,565						\$93,565
Executive	\$6,183,205	\$20,780,386	189,945	\$255,598		\$541,230	\$4,345,982	\$47,000	32,343,346
Constitutional Officers and Judicial		119,800	179,652					66,415	365,867
Total Control	6,183,205	20,900,186	463,162	255,598	0	541,230	4,345,982	113,415	32,802,778
Staff Agencies:									
Finance	1,122,213	497,780	189,145	35,000			1,562,895	57,701	3,464,734
Chief Information Officer		321,310	5,127,743			5,218		3,093,114	8,547,385
Administrative Services		4,296,401	213,423	163,078		224,000			4,896,902
Law			30,401					162,372	192,773
General Services	27,695,973	25,608,934	20,385,548	9,725,657		99,500	3,061,928	55,939	86,633,479
Outside Agencies	0	0	0	0	0	0	0		\$0
Total Staff Agencies	28,818,186	30,724,425	25,946,260	9,923,735	0	328,718	4,624,823	3,369,126	103,735,273
Total General Government	35,001,391	51,624,611	26,409,422	10,179,333	0	869,948	8,970,805	3,482,541	136,538,051
Public Safety	12,269,760	72,949,467	60,727,912	3,075,859		4,515,590	12,243,133	2,015,346	167,797,067
Public Works	5,963,201	925,971	7,065,943	2,861,287	62,877,498	970,507,783	33,869,864	2,131,965	1,086,203,512
Social Services	121,812	6,752,689	1,025,084	77,103		10,300	36,000	20,607	8,043,595
Total General Fixed Assets	\$53,356,164	\$132,252,738	\$95,228,361	\$16,193,582	\$62,877,498	\$975,903,621	\$55,119,802	\$7,650,459	\$1,398,582,225



This page intentionally left blank.

NONMAJOR COMPONENT UNITS

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

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

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

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

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, 2010**

	<u>Lexington Transit Authority</u>	<u>Lexington Public Library</u>	<u>Lexington Convention and Visitors Bureau</u>
ASSETS			
Cash	\$11,245,603	\$2,487,312	\$450,702
Investments		2,349,097	
Receivables:			
Accounts Receivable	34,871	65,029	1,067,816
Other	114,232		
Due from Other Governments	1,927,022		
Inventories	922,162		4,193
Prepaid Items	3,335	219,816	151,833
Pension Assets	504,329	154,703	
Restricted Current Assets:			
Cash			2,205
Investments			700,000
Capital Assets:			
Non-depreciable	3,275,592	4,000,745	12,327
Depreciable (Net)	14,178,683	17,287,664	57,740
Total Assets	<u>32,205,829</u>	<u>26,564,366</u>	<u>2,446,816</u>
LIABILITIES			
Accounts, Contracts Payable and Accrued Liabilities	1,033,198	517,049	202,224
Due to Primary Government	305,239		
Due to Component Units			91,387
Unearned Revenues and Other			2,205
Non-Current Liabilities:			
Due Within One Year			
Compensated Absences	129,648	325,033	68,000
Bonds and Notes Payable		329,477	
Due in More Than One Year			
Compensated Absences	210,485		
Bonds and Notes Payable		7,760,141	
Total Liabilities	<u>1,678,570</u>	<u>8,931,700</u>	<u>363,816</u>
NET ASSETS			
Investment in Capital Assets, net of related debt	17,454,275	13,198,791	70,067
Restricted for:			
Pension	504,329		
Endowments			
Projects and Programs		246,526	
Unrestricted	12,568,655	4,187,349	2,012,933
Total Net Assets	<u>\$30,527,259</u>	<u>\$17,632,666</u>	<u>\$2,083,000</u>

Downtown Development Authority	Parking Authority of Lexington	Total Nonmajor Component Units
\$192	\$457,890	\$14,641,699 2,349,097
		1,167,716
	12,900	127,132
		1,927,022
		926,355
		374,984
		659,032
		2,205
		700,000
		7,288,664
	451,543	31,975,630
<u>192</u>	<u>922,333</u>	<u>62,139,536</u>
11,985	95,793	1,860,249
1,438	12,920	319,597
		91,387
		2,205
16,292	3,966	542,939
	252,544	582,021
3,525	3,966	217,976
		7,760,141
<u>33,240</u>	<u>369,189</u>	<u>11,376,515</u>
	198,999	30,922,132
		504,329
		246,526
(33,048)	354,145	19,090,034
<u>(\$33,048)</u>	<u>\$553,144</u>	<u>\$50,763,021</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
 COMBINING STATEMENT OF ACTIVITIES
 NONMAJOR COMPONENT UNITS
 For the Year Ended June 30, 2010**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Lexington Transit Authority				
Transit Operations	\$19,038,058	\$2,418,342	\$2,697,350	\$1,525,390
Depreciation	1,933,018			
Total Lexington Transit Authority	<u>20,971,076</u>	<u>2,418,342</u>	<u>2,697,350</u>	<u>1,525,390</u>
Lexington Public Library				
Library Operations	12,949,458	678,626	388,997	105,000
Depreciation	1,197,269			
Total Lexington Public Library	<u>14,146,727</u>	<u>678,626</u>	<u>388,997</u>	<u>105,000</u>
Lexington Convention and Visitors Bureau				
Convention and Tourism Operations	5,495,025			
Depreciation	29,882			
Total Lexington Convention and Visitors Bureau	<u>5,524,907</u>	<u>0</u>	<u>0</u>	<u>0</u>
Downtown Development Authority				
Downtown Design Center	229,292			
Total Downtown Development Authority	<u>229,292</u>	<u>0</u>	<u>0</u>	<u>0</u>
Parking Authority of Lexington				
Parking Operations	876,742	1,499,713		
Depreciation	74,257			
Total Parking Authority of Lexington	<u>950,999</u>	<u>1,499,713</u>	<u>0</u>	<u>0</u>
Total nonmajor component units	<u>\$41,823,001</u>	<u>\$4,596,681</u>	<u>\$3,086,347</u>	<u>\$1,630,390</u>

General Revenues:

Taxes
 Payment from/to Lexington-Fayette Urban County Government
 Income on Investments
 Miscellaneous
Total General Revenues
 Change in Net Assets
 Net Assets, July 1
 Net Assets, June 30

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

Lexington Transit Authority	Lexington Public Library	Lexington Convention and Visitors Bureau	Downtown Development Authority	Parking Authority of Lexington	Total Nonmajor Component Units
(\$12,396,974)					(\$12,396,974)
(1,933,018)					(1,933,018)
<u>(14,329,992)</u>					<u>(14,329,992)</u>
	(\$11,776,835)				(11,776,835)
	(1,197,269)				(1,197,269)
	<u>(12,974,104)</u>				<u>(12,974,104)</u>
		(\$5,495,025)			(5,495,025)
		(29,882)			(29,882)
		<u>(5,524,907)</u>			<u>(5,524,907)</u>
			(\$229,292)		(229,292)
			<u>(229,292)</u>		<u>(229,292)</u>
				\$622,972	622,972
				(74,257)	(74,257)
				<u>548,715</u>	<u>548,715</u>
					<u>(32,509,580)</u>
14,803,241	13,324,095	4,967,906			33,095,242
			244,280	(453,344)	(209,064)
24,464	83,863	13,520	54	3,879	125,780
	9,724	623,621	4,725	550	638,620
<u>14,827,705</u>	<u>13,417,682</u>	<u>5,605,047</u>	<u>249,059</u>	<u>(448,915)</u>	<u>33,650,578</u>
497,713	443,578	80,140	19,767	99,800	1,140,998
<u>30,029,546</u>	<u>17,189,088</u>	<u>2,002,860</u>	<u>(52,815)</u>	<u>453,344</u>	<u>49,622,023</u>
<u>\$30,527,259</u>	<u>\$17,632,666</u>	<u>\$2,083,000</u>	<u>(\$33,048)</u>	<u>\$553,144</u>	<u>\$50,763,021</u>



This page intentionally left blank.

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 – 24

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



This page intentionally left blank.

TABLE 1

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

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
Governmental Activities						
Investment in Capital Assets, net of related debt	\$128,533,898	\$964,032,556	\$965,683,982	\$963,823,728	\$934,789,342	\$920,938,945
Restricted	1,316,495	10,509,131	19,918,500	2,241,711	6,255,432	(31,494,181)
Unrestricted	29,526,571	50,390,084	30,807,379	5,930,420	(6,454,734)	0
Total governmental activities net assets	<u>\$159,376,964</u>	<u>\$1,024,931,771</u>	<u>\$1,016,409,861</u>	<u>\$971,995,859</u>	<u>\$934,590,040</u>	<u>\$889,444,764</u>
Business-type Activities						
Investment in Capital Assets, net of related debt	\$243,680,021	\$245,818,433	\$244,593,588	\$239,407,215	\$254,269,159	\$239,666,463
Restricted	33,688,305	34,565,941	39,914,276	24,129,422	24,680,839	35,249,098
Unrestricted (deficit)	5,634,802	11,084,804	14,020,822	24,615,573	7,399,034	14,702,006
Total business-type activities net assets	<u>\$283,003,128</u>	<u>\$291,469,178</u>	<u>\$298,528,686</u>	<u>\$288,152,210</u>	<u>\$286,349,032</u>	<u>\$289,617,567</u>
Primary Government						
Investment in Capital Assets, net of related debt	\$372,213,919	\$1,209,850,989	\$1,210,277,570	\$1,203,230,943	\$1,189,058,501	\$1,160,605,408
Restricted	35,004,800	45,075,072	59,832,776	26,371,133	30,936,271	3,754,917
Unrestricted	35,161,373	61,474,888	44,828,201	30,545,993	944,300	14,702,006
Total primary government net assets	<u>\$442,380,092</u>	<u>\$1,316,400,949</u>	<u>\$1,314,938,547</u>	<u>\$1,260,148,069</u>	<u>\$1,220,939,072</u>	<u>\$1,179,062,331</u>

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

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

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
Expenses						
Governmental Activities:						
General Government	\$22,840,721	\$21,977,521	\$23,927,771	\$30,660,951	\$22,706,306	\$22,726,537
Administrative Services	23,522,220	27,674,322	34,445,260	3,832,639	3,315,306	1,299,382
Health, Dental and Vision Insurance	14,011,082	14,740,182	13,301,058	14,564,306	25,824,211	26,711,492
Chief Information Officer				11,216,315	14,522,324	9,161,677
Finance	6,670,050	6,629,421	10,464,204	12,376,624	13,378,819	24,047,223
Public Works	35,320,695	93,199,722	68,896,198	71,695,702	62,907,588	61,841,096
Public Safety	9,001,079	8,363,244	11,937,598	26,717,271	13,145,251	11,259,687
Police	47,320,658	56,588,057	56,980,657	63,533,856	69,507,685	70,694,372
Fire and Emergency Services	39,390,542	47,469,043	53,242,082	58,497,360	66,077,180	63,116,000
Community Corrections	27,326,172	28,539,978	29,028,326	30,686,297	30,670,339	30,894,261
Environmental Quality				23,947,831	24,729,110	21,516,034
Social Services	10,579,394	13,379,478	15,493,804	16,392,173	14,719,158	11,836,703
General Services	16,998,086	18,493,537	10,855,412	11,531,344	13,944,835	14,629,238
Parks and Recreation	14,840,330	16,739,980	19,428,046	21,961,714	19,955,406	18,320,506
Law	2,041,719	1,946,786	2,115,341	12,593,109	10,803,413	9,301,249
Outside Agencies	267,976	178,667				
Interest on Long-Term Debt	6,236,280	6,291,512	6,378,169	5,727,995	6,357,236	10,692,416
Debt Service - Other	1,261,204	1,040,970	1,056,289	1,056,179		
Total governmental activities	<u>277,628,208</u>	<u>363,252,420</u>	<u>357,550,215</u>	<u>416,991,666</u>	<u>412,564,167</u>	<u>408,047,873</u>
Business-type Activities:						
Sanitary Sewer System	23,554,596	24,553,305	26,703,501	36,565,069	35,438,026	41,453,360
Public Facilities	12,121,284	12,175,005	10,444,503	11,359,294	10,971,103	10,806,267
Public Parking	891,857	909,544	511,198	463,177	1,012,399	927,900
Landfill	4,233,412	1,391,578	1,651,318	7,250,365	6,209,619	6,641,801
Right of Way	266,933	292,284	307,012	333,723	299,598	313,383
Extended School Program	1,452,385	1,578,873	1,967,573	2,081,422	2,333,357	2,456,874
Prisoners' Account System	1,472,693	1,363,204	1,273,913	1,724,224	1,628,156	1,421,523
Enhanced 911	2,112,518	2,107,592	3,057,919	3,870,267	3,314,149	3,634,032
LexVan Program	40,296	35,122	62,228	54,347	63,502	57,644
Small Business Development	3,562	8,838				
Stormwater					1,841,975	4,528,403
Total business-type activities	<u>46,149,536</u>	<u>44,415,345</u>	<u>45,979,165</u>	<u>63,701,888</u>	<u>63,111,884</u>	<u>72,241,187</u>
Total primary government	<u>\$323,777,744</u>	<u>\$407,667,765</u>	<u>\$403,529,380</u>	<u>\$480,693,554</u>	<u>\$475,676,051</u>	<u>\$480,289,060</u>

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

	Fiscal Year					
	2005	2006	2007	2008	2009	2010
Program Revenues						
Governmental Activities:						
General Government	\$3,665,797	\$3,103,058	\$8,708,357	\$14,562,857	\$14,300,517	\$13,541,123
Administrative Services	618,524	1,577,237	7,167,050			
Health, Dental, and Vision	15,476,931	14,676,675	13,297,984	14,564,306	25,824,211	26,711,492
Chief Information Officer				77,900	56,344	14,368
Finance	786,733	866,815	1,233,796	1,526,545	4,385,600	3,807,077
Public Works	1,302,339	1,574,355	1,304,217	14,388,414	3,775,946	5,770,608
Public Safety	2,055,215	2,394,577	2,419,149	1,482,000	403,491	445,029
Police	890,522	1,088,235	309,799	614,408	2,031,643	2,007,988
Fire and Emergency Services	4,037,476	3,645,180	4,166,741	4,686,614	6,773,040	6,191,913
Community Corrections	7,122,371	5,995,495	6,955,537	7,822,586	6,413,349	6,319,484
Environmental Quality				2,155,407	1,265,393	1,850,487
Social Services	109,651	355,936	2,071,456	3,362,329	3,754,793	2,848,473
General Services	62,229	69,488		71,059	104,442	113,498
Parks and Recreation	4,219,020	4,338,295	4,520,111	4,566,558	5,381,956	4,691,533
Law and Risk Management	1,074	1,145	475	2,935	21,528	34,444
Outside Agencies	444,270	923,420				
Debt Service - other	485,666	485,304	73,448			
Operating Grants and Contributions	20,838,959	19,297,952	31,988,064	17,500,905	13,251,883	20,192,672
Capital Grants and Contributions	12,970,715	15,349,943	3,138,381	7,838,458	10,276,393	10,434,599
Total governmental activities	75,087,492	75,743,110	87,354,565	95,223,281	98,020,529	104,974,788
Business-type Activities:						
Sanitary Sewer System	27,658,421	28,471,944	26,199,037	27,532,422	36,605,347	47,470,305
Public Facilities	6,901,625	7,251,009	5,390,398	6,237,836	6,841,271	6,405,531
Public Parking	1,451,296	1,303,998	593,995	1,192,523	1,373,037	1,203,102
Landfill	8,147,735	7,999,651	7,870,493	8,556,220	8,499,137	8,240,762
Right of Way	207,304	412,292	413,705	310,950	403,771	479,012
Extended School Program	1,373,290	1,494,955	2,220,509	2,203,771	1,808,121	2,097,145
Prisoners' Account System	1,609,668	1,452,156	1,950,786	2,066,361	2,026,429	1,915,910
Enhanced 911	2,440,307	2,365,264	2,383,332	2,621,394	3,453,310	4,069,027
LexVan Program	31,690	27,449	26,609	61,360	84,045	91,090
Small Business Development	4,263	6,258	23,384	188		
Stormwater					68,268	5,581,104
Operating Grants and Contributions						
Total business-type activities	49,825,599	50,784,976	47,072,248	50,783,025	61,162,736	77,552,988
Total primary government	\$124,913,091	\$126,528,086	\$134,426,813	\$146,006,306	\$159,183,265	\$182,527,776
Net (Expense)/Revenue						
Governmental activities	(\$202,540,716)	(\$287,509,310)	(\$270,195,650)	(\$321,768,385)	(\$314,543,638)	(303,073,085)
Business-type activities	3,676,063	6,369,631	1,093,083	(12,918,863)	(1,949,148)	5,311,801
Total primary government	(\$198,864,653)	(\$281,139,679)	(\$269,102,567)	(\$334,687,248)	(\$316,492,786)	(\$297,761,284)
General Revenues and Other Changes in Net Assets						
Governmental Activities:						
Property Taxes	\$43,189,707	\$44,889,961	\$47,791,867	\$51,455,185	\$54,301,749	51,143,199
Licenses and Permits	188,973,285	197,857,140	210,698,736	220,015,258	218,194,593	215,196,838
Grants and Contributions Not Restricted to Specific Programs:						
Community Development Block Grant	2,570,656	2,264,419	2,126,818	2,463,746	2,577,631	2,250,779
Income on Investments	1,839,509	3,395,527	6,121,269	3,582,709	804,510	300,149
Sale of Assets	523,841	956,340	(1,041,367)	457,516	641,460	(45,882)
Bond Refunding						
Miscellaneous	767,547	827,029	963,926			
Conveyance of Asset			(2,116,880)			
Transfers	(1,281,083)	670,254	(3,308,054)	(620,031)	617,876	1,737,854
Total governmental activities	236,583,462	250,860,670	261,236,315	277,354,383	277,137,819	270,582,937
Business-type Activities:						
Income on Investments	1,397,929	2,728,854	2,802,634	1,907,250	669,955	96,285
Sale of Assets	9,350	17,819	(183,523)	15,106	93,891	(401,697)
Bond Refunding						
Transfers	1,281,083	(670,254)	3,308,054	620,031	(617,876)	(1,737,854)
Total business-type activities	2,688,362	2,076,419	5,927,165	2,542,387	145,970	(2,043,266)
Total primary government	\$239,271,824	\$252,937,089	\$267,163,480	\$279,896,770	\$277,283,789	\$268,539,671
Change in Net Assets						
Governmental activities	\$34,042,746	(\$36,648,640)	(\$8,959,335)	(\$44,414,002)	(\$37,405,819)	(32,490,148)
Business-type activities	6,364,425	8,446,050	7,020,248	(10,376,476)	(1,803,178)	3,268,535
Prior Period Adjustment - Government Activities		902,203,447	437,425			(12,655,128)
Prior Period Adjustment-Business-type Activities		20,000	39,260			
Total primary government	\$40,407,171	\$874,020,857	(\$1,462,402)	(\$54,790,478)	(\$39,208,997)	(\$41,876,741)

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

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$5,865,274	\$4,595,676	\$6,345,782	\$3,473,224	\$4,940,741	\$4,845,381	\$4,637,101	\$5,254,246	\$12,177,430	\$12,019,893
Unreserved										
Designated for Economic Contingency	5,607,306	5,745,936	5,825,468	5,878,356	5,996,710	8,272,087	11,894,147	13,219,620	14,470,569	14,470,569
Designated for Payroll	2,241,726	2,859,554	2,890,562	3,300,418	4,260,723	556,400		1,293,279	2,116,169	2,923,169
Designated for Working Capital	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.	540,000									
Designated for Debt										
Undesignated	8,730,980	4,179,207	3,674,154	12,177,065	17,468,671	17,734,190	15,713,298	4,620,501	4,365,746	2,106,483
Total	<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>	<u>\$33,129,914</u>	<u>\$31,520,114</u>
Urban Services										
Reserved	\$2,069,789	\$3,525,288	\$3,031,240	\$1,419,156	\$3,796,313	\$2,963,095	\$1,661,414	\$1,064,326	\$5,612,288	8,842,245
Designated for Payroll	158,555	191,011	233,899	302,654	367,505	45,700	99,401	127,622	154,622	154,622
Undesignated	16,168,353	16,720,062	15,193,297	18,167,725	17,637,287	20,771,372	26,852,738	31,935,168	28,237,751	16,986,960
Total	<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>	<u>\$33,977,661</u>	<u>\$25,983,827</u>
All Other Governmental Funds										
Reserved	\$21,926,669	\$11,484,513	\$12,562,673	\$9,770,889	\$9,119,957	\$11,641,885	\$6,521,414	\$18,430,040	\$7,944,462	\$12,702,665
Undesignated, reported in:										
Special revenues funds	2,907,391	1,953,071	3,462,414	3,486,847	4,315,924	6,789,094	8,770,810	9,269,371	12,137,914	13,742,070
Capital projects funds	(3,221,473)	9,501,913	5,883,281	1,014,962	19,410,938	25,849,967	14,852,272	(13,728,932)	6,138,952	36,272,857
Federal and State Grants		1,294,046	1,169,455	329,493	514,983	235,303	313,460	119,184	100,842	116,485
Total	<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>\$30,457,956</u>	<u>\$14,089,663</u>	<u>\$26,322,170</u>	<u>\$62,834,077</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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Licenses and Permits	\$156,766,735	\$160,717,826	\$165,274,588	\$179,533,692	\$189,786,177	\$198,653,467	\$215,760,874	\$224,874,954	\$222,841,928	\$219,586,264
Taxes	34,100,242	37,203,745	40,127,166	41,964,425	43,189,707	44,889,961	47,791,867	51,455,185	54,301,749	51,143,199
Charges for Services	16,236,396	20,404,416	20,489,827	20,449,154	21,561,092	20,648,157	22,350,901	21,357,602	22,073,405	21,182,005
Fines and Forfeitures	279,558	382,532	236,226	245,150	184,104	323,063	57,192	180,785	303,205	268,459
Local Contributions		2,325,000								
Intergovernmental	33,095,607	38,269,881	41,632,430	47,380,792	30,321,835	31,784,556	32,419,475	45,587,385	36,462,389	41,088,818
Exactions		561,670	1,754,136	1,754,558	4,767,468	2,823,892	1,584,199	1,282,254	379,575	601,993
Grant Match	3,938,607	2,271,624	2,766,839	2,450,210	2,025,396	2,256,329	2,178,329	1,709,521	2,734,433	2,619,353
Property Sales	448,380	87,186	138,315	457,849	523,841	956,340	785,073	557,071	803,382	499,119
Income on Investments	4,058,755	1,562,701	773,032	451,123	1,420,555	3,366,361	5,737,945	3,582,709	804,510	300,149
Other	4,356,229	3,554,903	5,667,056	4,230,933	5,544,293	5,787,271	7,260,457	8,145,477	7,928,848	9,988,984
Total Revenues	253,280,509	267,341,484	278,859,615	298,917,886	299,324,468	311,489,397	335,926,312	358,732,943	348,633,424	347,278,343
Expenditures										
General Government	6,638,002	9,869,176	9,552,502	21,330,624	9,812,520	8,635,249	6,706,895	13,651,464	6,761,982	6,962,873
Administrative Services	13,081,228	15,961,216	17,683,142	29,924,619	24,077,384	25,104,922	25,431,738	1,845,175	3,213,262	1,098,505
Chief Information Officer								9,919,332	13,566,187	10,287,205
Finance	5,656,743	6,096,794	6,118,472	6,488,798	6,593,458	7,145,881	9,890,462	11,561,109	11,488,448	11,979,265
Public Works	35,092,859	40,375,022	42,235,913	36,175,381	41,247,381	40,430,609	34,857,640	23,013,365	24,708,831	22,514,826
Public Safety	90,116,892	98,744,205	103,806,458	106,315,766	118,307,014	137,232,016	142,764,740	153,492,722	227,892,046	191,233,566
Social Services	6,333,898	9,288,878	9,929,597	11,162,991	13,389,135	12,245,264	13,347,071	12,006,737	11,623,944	9,615,423
Environmental Quality								19,441,341	21,076,668	20,398,457
General Services	23,545,747	25,560,791	25,270,975	23,757,464	24,696,780	30,279,293	28,040,506	28,280,713	29,246,730	26,370,443
Law and Risk Management	1,552,463	1,576,323	1,879,329	1,630,466	1,861,769	1,575,637	2,064,825	23,551,596	10,851,780	9,327,861
Outside Agencies	23,672,691	31,840,555	32,513,602	27,557,006	18,876,456	15,846,048	15,613,480	20,090,648	19,236,209	18,123,297
Special Projects	28,490,679	2,044,329								
Debt Service:										
Principal	3,455,000	7,743,568	9,711,219	10,404,328	14,156,321	15,030,273	18,797,661	16,740,000	13,760,000	26,230,000
Interest and Other	15,429,992	14,348,596	11,914,692	12,150,607	7,634,836	7,384,493	7,594,762	6,907,518	5,495,982	9,409,512
Capital	23,009,888	22,324,958	22,168,069	17,883,186	12,927,159	21,389,866	36,861,883	47,475,384	45,435,689	70,941,523
Total Expenditures	276,076,082	285,774,411	292,783,970	304,781,236	293,580,213	322,299,551	341,971,663	387,977,104	444,357,758	434,492,756
Excess (Deficiency) of Revenues over (under) Expenditures	(22,795,573)	(18,432,927)	(13,924,355)	(5,863,350)	5,744,255	(10,810,154)	(6,045,351)	(29,244,161)	(95,724,334)	(87,214,413)
Other Financing Sources (Uses)										
Transfers In	3,260,939	810,599	2,620,303	1,820,461	5,719,846	6,807,387	3,746,037	1,375,483	4,238,345	6,723,504
Transfers Out	(5,704,885)	(2,194,686)	(3,666,134)	(2,956,814)	(7,000,929)	(6,137,133)	(7,054,091)	(2,008,473)	(3,620,469)	(4,985,650)
Property Sales			1,479,458							
Debt Proceeds (net of bond refunding)	22,371,699	15,415,000	10,490,000	6,590,000	22,325,000	24,700,000	4,667,606		116,960,000	119,515,000
Bond Anticipation Note				445,187	304,813	7,599				
Premium (Discount) on Bonds Issued		(148,782)	65,121	183,730	39,218	210,968				(7,130,168)
Total Other Financing Sources (Uses)	19,927,753	13,882,131	10,988,748	6,082,564	21,387,948	25,588,821	1,359,552	(632,990)	117,577,876	114,122,686
Net Change in Fund Balances	(\$2,867,820)	(\$4,550,796)	(\$2,935,607)	\$219,214	\$27,132,203	\$14,778,667	(\$4,685,799)	(\$29,877,151)	\$21,853,542	\$26,908,273
Debt Service as a percentage of noncapital expenditures	7.5%	8.4%	8.0%	7.9%	7.8%	7.4%	8.7%	6.9%	4.7%	9.6%

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

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Licenses and Permits	\$155,566,415	\$159,054,097	\$164,661,161	\$177,623,046	\$188,632,470	\$197,805,430	\$214,665,674	\$223,622,531	\$221,612,009	\$218,333,096
Taxes	12,513,674	13,539,941	14,547,490	15,729,458	17,731,787	17,156,666	18,150,819	19,509,219	20,737,242	20,222,945
Charges for Services	16,198,920	17,671,856	20,402,491	20,279,414	21,260,954	21,003,296	22,215,574	21,313,927	21,965,618	21,002,080
Fines and Forfeitures	279,558	382,532	236,226	245,150	184,104	323,063	57,192	137,659	270,598	262,040
Intergovernmental	1,786,032	1,941,787	2,079,144	3,693,236	2,418,670	2,465,624	2,133,350	3,315,630	2,405,778	1,156,085
Property Sales	367,425	33,617	1,479,458	438,709	516,536	349,715	465,537	392,892	646,007	473,784
Income on Investments	1,399,319	334,302	127,728	90,639	533,607	1,481,463	2,971,942	1,827,694	288,720	62,901
Other	1,847,097	1,711,660	1,483,755	1,138,913	1,873,064	1,743,395	4,088,217	3,206,921	3,559,545	5,640,858
Total Revenues	189,958,440	194,669,792	205,017,453	219,238,565	233,151,192	242,328,652	264,748,305	273,326,473	271,485,516	267,153,789
Expenditures and Other										
Financing Sources (Uses)										
General Government ⁽¹⁾	5,255,625	4,843,238	5,513,279	3,680,801	3,668,705	4,458,163	5,048,021	11,450,829	3,337,821	3,206,859
Administrative Services	11,917,682	10,796,794	15,396,156	14,858,450	13,228,125	15,582,368	15,276,489	1,081,760	1,052,574	1,098,505
Chief Information Officer								6,513,655	7,610,707	7,366,977
Finance	5,652,458	5,911,517	6,061,481	6,473,910	6,773,332	7,256,067	7,745,982	7,955,937	9,057,361	8,297,391
Public Works	14,176,205	11,954,671	11,377,147	10,706,996	12,389,534	12,637,417	11,771,654	18,553,415	17,198,118	18,296,963
Public Safety	90,125,329	92,178,648	94,704,416	99,730,690	111,767,425	131,079,150	138,132,390	146,778,076	219,175,755	183,918,587
Social Services ⁽¹⁾	6,397,213	6,244,601	6,590,974	7,871,084	9,143,767	9,274,916	10,617,866	10,245,245	9,604,663	7,439,405
Environmental Quality								2,025,452	53,206	3,217
General Services	22,107,660	21,735,067	22,410,805	21,644,848	24,917,618	25,299,456	28,318,762	28,032,856	28,401,996	26,464,121
Law	1,579,136	1,590,374	1,820,584	1,613,724	1,876,412	1,923,928	1,782,008	20,032,934	9,602,925	8,601,967
Outside Agencies	23,190,541	23,416,545	23,526,902	22,818,075	18,258,584	14,349,512	15,464,809	16,843,781	16,913,570	16,786,200
Debt Service	17,420,469	19,360,248	18,851,660	20,447,860	20,802,641	21,585,420	25,662,867	23,163,080	19,386,936	27,749,206
Other Financing (Sources) Uses	1,511,884	973,404	(1,981,067)	(479,708)	4,860,964	140,864	202,328	(685,501)	(78,652,384)	(40,465,809)
Residual Equity Transfers	2,027,561									
Total Expenditures and Other										
Financing Sources (Uses)	201,361,763	199,005,107	204,272,337	209,366,730	227,687,107	243,587,261	260,023,176	291,991,519	262,743,248	268,763,589
Net Change in Fund Balance	(\$11,403,323)	(\$4,335,315)	\$745,116	\$9,871,835	\$5,464,085	(\$1,258,609)	\$4,725,129	(\$18,665,046)	\$8,742,268	(\$1,609,800)

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

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

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Sewer Service Charges	\$20,410,572	\$20,425,852	\$24,298,724	\$25,457,887	\$24,049,216	\$25,602,266	\$24,014,195	\$25,884,142	\$35,213,276	\$45,578,971
Sewer Tap on Fees	1,185,424	1,240,051	1,227,111	1,428,449	1,584,341	1,661,417	1,629,573	1,223,820	1,048,864	1,072,452
Exactions		195,672	826,960	878,035	1,974,660	1,160,296	513,539	343,998	198,914	287,677
Other Income	215,435	231,850	181,146	193,694	50,204	47,965	41,731	80,462	93,293	448,880
Total Revenues	21,811,431	22,093,425	26,533,941	27,958,065	27,658,421	28,471,944	26,199,038	27,532,422	36,554,347	47,387,980
Operating Expenses										
Treatment Plant	5,576,923	5,692,586	6,428,699	6,616,161	6,088,076	7,106,877	7,259,708	8,164,345	8,447,048	8,502,531
Collection System	2,988,797	3,001,129	3,048,143	3,179,687	3,485,272	3,760,098	4,236,199	5,411,212	4,427,863	4,297,166
Administration	4,024,325	3,557,429	3,931,198	4,656,945	6,002,433	5,959,400	6,786,349	15,083,099	14,325,685	18,974,390
Depreciation	5,649,147	5,764,369	5,908,134	6,291,982	6,373,506	6,225,299	6,361,511	6,417,656	6,393,816	7,113,944
Total Operating Expenses	18,239,192	18,015,513	19,316,174	20,744,775	21,949,287	23,051,674	24,643,767	35,076,312	33,594,412	38,888,031
Operating Income	3,572,239	4,077,912	7,217,767	7,213,290	5,709,134	5,420,270	1,555,271	(7,543,890)	2,959,935	8,499,949
Net Nonoperating Revenues/(Expenses)	556,461	(954,809)	(1,138,325)	(1,074,183)	(504,103)	555,560	(279,228)	(406,882)	(1,255,146)	(2,909,369)
Capital Contributions		913,305	117,312	88,944						
Transfers In				10,000	10,000	10,000	533,401	81,331	453,974	
Transfers Out			(1,014)	(4,400)	(952)	(1,149,277)	(910,455)	(596,775)	(888,779)	(394,869)
Net Income/Change in Net Assets	\$4,128,700	\$4,036,408	\$6,195,740	\$6,233,651	\$5,214,079	\$4,836,553	\$898,989	(\$8,466,216)	\$1,269,984	\$5,195,711

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

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

Fiscal Year	Residential	Farms	Commercial	Oil, Mineral & Timber Rights	Tangible	Intangible	Total	Less Intangible	Total Taxable Assessed Value	Total Direct Tax Rate (Per \$100 of Assessed value)
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	23,345,883	4,208,933	19,136,950	0.2945
2004	10,486,256	545,897	4,695,549	806	4,397,630	3,183,438	23,309,576	3,183,438	20,126,138	0.2904
2005	11,287,423	559,829	4,897,578	770	4,315,023	3,527,423	24,588,046	3,527,423	21,060,623	0.2704
2006	12,304,135	596,790	5,110,109	839	4,615,906	4,255,901	26,883,680	4,255,901	22,627,779	0.2704
2007	13,207,008	624,912	5,444,972	1,524	5,030,923		24,309,339		24,309,339	0.2704
2008	14,116,473	819,013	5,890,069	1,544	4,931,925		25,759,024		25,759,024	0.2694
2009	14,681,278	836,738	6,219,162	1,516	5,723,817		27,462,511		27,462,511	0.2694
2010	14,887,510	866,958	6,310,733	1,530	5,076,606		27,143,337		27,143,337	0.2535

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

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

TABLE 8

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2001	33,902,023	33,308,041	98.2%	241,290 *	33,529,106	98.9%
2002	37,350,328	36,419,100	97.5%	490,377 *	36,660,389	98.2%
2003	39,997,319	39,116,817	97.8%	496,473 *	39,607,194	99.0%
2004	41,930,263	40,877,962	97.5%	1,429,648 *	41,374,435	98.7%
2005	41,915,431	41,211,370	98.3%	231,649 *	42,641,018	101.7%
2006	44,526,763	44,342,484	99.6%	47,172 *	44,574,133	100.1%
2007	47,282,303	47,245,216	99.9%	34,628 *	47,292,388	100.0%
2008	51,138,980	51,077,055 *	99.9%	25,838 *	51,102,893	99.9%
2009	53,823,142	53,779,117 *	99.9%	872,363 *	54,651,480	101.5%
2010	51,262,112	50,085,884	97.7%	603,048	50,688,940	98.9%

Note: Fiscal Years 2008 and 2009 have been updated to include refunds and delinquent payments. Data provided by the Sheriff's Tax Settlement Report
Collections in Subsequent Years have been updated for Fiscal Years 2001 through 2009. LFUCG incorrectly recorded delinquent debt.
FY 2010 reflects collections through January 2011

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

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

Fiscal Year	LFUCG Direct Rates					Overlapping Rates						Total
	General	Urban Services			Total Direct	Fayette County School	Commonwealth of Kentucky	Extension Services	Soil & Water Conservation	Health Department	Lextran	
		Refuse	Street Lights	Street Cleaning								
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
2009	0.0800	0.1590	0.0210	0.0094	0.2694	0.6050	0.1220	0.0032	0.0004	0.0280	0.0600	1.0880
2010	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0280	0.0600	1.0951

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

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

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

TABLE 10

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

Name	2010			2001		
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Fourth Quarter Properties	101,405,300	1	0.37%	\$39,589,700	4	0.34%
Fayette Mall SPE LLC	64,943,600	2	0.24%			
Lexmark International Inc.	56,497,100	3	0.21%	58,175,500	1	0.50%
Weingarten Realty Inc.	47,774,200	4	0.18%			
War Admiral Place LLC	44,321,300	5	0.16%			
Ball Realty Inc.	38,248,700	6	0.14%	52,767,700	3	0.42%
Meijer Stores Ltd	33,573,600	7	0.12%			
Diamondrock Griffin	32,700,000	8	0.12%			
Mid American Apts LLC	32,700,000	8	0.12%			
Fayette Plaza CMBS LLC	32,566,000	9	0.12%			
Newtown Crossing LLC	31,500,000	10	0.12%			
Lexington Joint Venture*				49,400,000	2	0.43%
W T Young Inc.				33,184,800	5	0.28%
CHCK Inc.				32,261,600	6	0.28%
Griffin Gate Association				29,686,000	7	0.26%
MCV Venture				26,352,900	8	0.23%
Wal Mart Jdn Dev Co				26,329,200	9	0.23%
Lexington Financial				25,000,000	10	0.22%
Total	<u>\$516,229,800</u>		<u>1.90%</u>	<u>\$372,747,400</u>		<u>3.19%</u>

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

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

TABLE 11

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

Fiscal Year	LFUCG Direct Rate	Fayette County School	Total
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%
2009	2.25%	0.50%	2.75%
2010	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

Name	2010 Rank	2001 Rank
University of Kentucky	1	1
Lexmark International	2	2
Fayette County Board of Education	3	3
Lexington-Fayette Urban County Government	4	4
Baptist Healthcare	5	6
St. Joseph Hospital	6	5
L3 Communications	7	
Lexington Clinic	8	
Defense Finance & Acctg System (formerly Dept of Veterans Affairs)	9	7
Commonwealth of Kentucky	10	9
Ashland, Inc.		10
IBM Information Products		8

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

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

Fiscal Year	Governmental Activities				Business-type Activities			Total Primary Government	% of Personal Income	Primary Government Debt Per Capita
	General Obligation Bonds, Notes, Leases	Mortgage Revenue Bonds	Lease Revenue Notes Payable	Bond Anticipation Notes	Revenue Bonds	Mortgage Revenue Bonds	Lease Revenue Notes			
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	2.3%	900
2008	126,065,000				35,715,000	68,195,000		229,975,000	2.2%	816
2009	229,265,000				31,860,000	66,470,000		327,595,000	na	na
2010	308,355,000			8,000,000	64,565,000	63,890,000		444,810,000	na	na

Note: Details regarding LFUCG outstanding debt can be found in the notes to the financial statements.
See page 149 for population data.
Personal income data not available after 2008

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

TABLE 14

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

Fiscal Year	General Obligation Bonds	% of Assessed Value of Property	Per Capita
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%	447
2009	229,265,000	0.83%	773
2010	308,355,000	1.14%	na

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

See page 138 for property value data and page 149 for population data.
Personal income data not available after 2008

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
SCHEDULE OF DIRECT AND OVERLAPPING INDEBTEDNESS
AS OF JUNE 30, 2010

	Debt Outstanding (1)	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Lexington Center Corporation			
Refunding and Improvement Mortgage Revenue Bonds, Series 1993	\$ 7,218,538	3.38%	\$ 243,863
Mortgage Revenue Bonds, Series 2008A	20,370,000	3.38%	688,157
Lexington-Fayette Urban County Government Airport Corporation			
Fixed Rate General Airport, Revenue and Refunding Bond 2009A (non-AMT)	31,880,000	2.99%	954,211
Variable Rate General Airport, Revenue and Refunding Bond 2009B (non-AMT)	16,420,000	2.99%	491,473
Variable Rate General Airport, Revenue and Refunding Bond 2008B (non-AMT)	11,280,000	2.99%	337,626
Variable Rate General Airport Taxable Revenue and Refunding Bond 2008C	1,395,000	2.99%	41,754
Fayette County School & Kentucky School Commission Bonds	224,779,238	100.00%	224,779,238
Lexington-Fayette Urban County Department of Health	2,030,000	100.00%	2,030,000
Subtotal, Overlapping Debt			228,634,302
LFUCG, Direct Debt			316,355,000
Total Direct and Overlapping Indebtedness			<u>\$ 544,989,302</u>

Notes

- (1) Industrial Revenue Bonds, Industrial Development Bonds, Multi-Family and Single Family Housing Bonds are not included in this schedule of overlapping debt as they are not secured by the full faith and credit of Lexington-Fayette Urban County Government.
- (2) Determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in LFUCG or by ratio of total revenue of overlapping unit to total revenue of LFUCG.

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

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Assessed Value	\$19,282,719	\$20,201,673	\$23,345,884	\$23,309,575	\$24,588,044	\$26,883,680	\$24,309,339	\$25,759,025	\$27,462,511	\$27,143,337
Debt limit (10% of Assessed Value)	\$1,928,272	\$2,020,167	\$2,334,588	\$2,330,958	\$2,458,804	\$2,688,368	\$2,430,934	\$2,575,902	\$2,746,251	\$2,714,334
Total net debt applicable to limit	190,933	190,533	187,635	187,350	181,675	176,110	171,270	166,455	195,775	177,920
Legal debt margin	\$1,737,339	\$1,829,634	\$2,146,953	\$2,143,608	\$2,277,129	\$2,512,258	\$2,259,664	\$2,409,447	\$2,550,476	\$2,536,414
Total net debt applicable to the limit as a percentage of debt limit	9.90%	9.43%	8.04%	8.04%	7.39%	6.55%	7.05%	6.46%	7.13%	6.55%

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

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

Fiscal Year	Sanitary Sewer System						Public Facilities Corporation					
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service		
				Principal	Interest	Coverage				Principal	Interest	Coverage
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	28,994	28,659	335	3,855	1,726	0.06	6,238	2,853	3,385	1,005	3,721	0.72
2009	37,049	27,201	9,848	3,855	1,706	1.77	6,841	2,681	4,160	1,005	2,716	1.12
2010	47,446	31,774	15,672	4,040	1,849	2.66	6,431	2,670	3,761	2,643	2,661	0.71

Fiscal Year	Public Parking Corporation						Special Assessment Bonds			
	Gross Revenue	Less: Operating Expenses	Net Available Revenue	Debt Service			Special Assessment Collections	Debt Service		
				Principal	Interest	Coverage		Principal	Interest	Coverage
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
2009	1,383	580	803	720	70	1.02	0	50	1	0.00
2010	1,203	539	664	750	36	0.84	0	0	0	0.00

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

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

TABLE 18

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

Fiscal Year	Population	Personal Income (Thousands)	Per Capita Personal Income	Civilian Labor Force		
				Employed	Unemployed	Unemployment Rate
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	15,634,000 *	35,543 *	142,077	6,582	4.4%
2007	279,044	16,619,000 *	37,253 *	144,393	6,056	4.0%
2008	282,000	17,115,000	37,745	144,068	7,311	4.8%
2009	296,545 *	n/a	n/a	141,049	13,087	8.5%
2010	n/a	n/a	n/a	142,196	12,029	7.8%

* updated in 2010

Note:
 Personal Income and Per Capita Personal Income data not available after 2008

Source: The Bureau of Economic Analysis
 Source: U.S. Census Bureau
 Source: The Bureau of Labor Statistics

TABLE 19

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

Name	2010			2001		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Kentucky	12,096	1	8.60%	n/a	1	n/a
Fayette County Board of Education	5,300	2	3.77%	n/a	3	n/a
Lexmark International	3,130	3	2.22%	n/a	2	n/a
Lexington-Fayette Urban County Government	2,973	4	2.11%	n/a	4	n/a
St. Joseph Hospital	2,300	5	1.63%	n/a	5	n/a
ACS a Zerox Company	2,050	6	1.46%			
Baptist Healthcare	2,006	7	1.43%	n/a	6	n/a
Defense Finance & Acctg System (formerly Dept of Veterans Affairs)	1,565	8	1.11%	n/a	7	n/a
L3 Communications	1,412	9	1.00%			
Trane Co.	1,300	10	0.92%			
IBM Information Products				n/a	8	n/a
Commonwealth of Kentucky				n/a	9	n/a
Ashland, Inc.				n/a	10	n/a
	<u>34,132</u>		<u>24.25%</u>			

Note:

First year of presentation for Employees and Percentage of Total City Employment. This data is not available for FY2001.

Source: Lexington Chamber of Commerce

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

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

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

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

Source: The Bureau of Economic Analysis

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

Year	Construction	Education and Health Services	Financial Activities	Information	Leisure and Hospitality	Manufacturing	Natural Resources and Mining	Other Services	Professional and Business Services	Trade, Transportation, and Utilities	Others	Total Employment by Place of Work
2008	7,723	21,035	8,583	5,086	19,427	14,929	2,260	4,941	23,700	34,320	110,466	252,470
2009	7,109	21,603	7,921	4,403	19,455	13,194	2,043	5,138	23,745	32,697	104,602	241,910

Source: Bureau of Labor Statistics

TABLE 21

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 22

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

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008*	2009	2010
Administrative Services	149	145	150	140	139	143	145	77	89	91
General Government	89	96	94	67	64	70	74	77	48	73
Finance & Administration	91	99	100	94	90	98	94	104	108	103
General Services										
Parks and Recreation	161	166	169	172	180	187	183	180	145	138
Other	167	166	169	157	124	129	132	123	132	134
Law	19	19	20	19	18	19	21	34	31	26
Public Safety										
Fire and Emergency Services										
Firefighters and Officers	472	477	473	464	498	504	530	512	504	522
Civilians	40	42	40	38	39	37	23	20	18	15
Police										
Officers	459	488	469	471	472	527	534	538	557	542
Civilians	189	153	162	192	184	177	151	117	77	102
Community Corrections	336	342	347	371	383	357	376	359	341	294
Other	65	69	71	72	73	78	78	99	101	75
Public Works & Development								221	218	244
Solid Waste	228	225	238	236	217	221	211			
Sanitary Sewers	121	119	121	129	125	130	135			
Other	167	176	173	168	154	162	162			
Environmental Quality										
Waste Management								208	199	206
Water & Air Quality								135	145	149
Other								18	10	15
Social Services	150	147	156	163	160	174	169	137	128	113
	<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>	<u>2,851</u>	<u>2,842</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	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Fire and Emergency Services										
Emergency Medical Calls	24,743	25,901	28,345	27,750	28,698	28,772	30,087	31,336	31,490	32,199
False Calls	2,827	2,806	3,082	2,721	2,606	2,560	2,667	2,804	2,715	2,653
Fire Incidents	1,331	1,182	1,366	1,356	1,194	1,315	1,402	1,322	1,301	1,129
Good Intent Calls	na	na	na	na	na	na	1,112	1,090	1,245	1,265
Hazardous Materials Calls	942	1,352	1,484	1,115	1,155	1,090	1,087	1,252	1,295	1,192
Other	na	na	na	na	na	na	129	109	134	62
Rescues	na	na	na	na	na	na	517	387	366	451
Rupture - Gas, Water, etc.	na	na	na	na	na	na	52	32	51	45
Service Calls	1,211	1,201	1,065	985	1,022	1,128	1,161	1,313	1,330	1,227
Police										
Physical Arrests	**19605	**19747	**19835	**22422	**22295	**23411	**24677	19,460	18,155	17,126
Parking Violations	**36404	**25247	**18185	**16325	**20874	**21668	**17665	8,945	49,471	46,949
Traffic Violations	**62141	**59059	**57351	**67115	**66954	**67487	**75014	76,529	73,945	64,954
Parks and Recreation										
Rounds of Golf	172,964	177,604	160,958	159,505	154,124	152,659	139,353	141,776	122,153	107,565
Pool Visits	225,522	233,689	209,408	180,417	180,619	199,496	198,181	202,093	217,917	188,389
Building Inspection										
Permits Issued *	11,768	12,533	19,172	19,875	20,514	20,719	16,620	14,173	13,660	13,646
Inspections	28,406	28,574	32,869	36,937	38,669	39,773	29,991	27,650	29,404	28,915
Sanitary Sewers										
Tap-on Inspections	**1955	**1955	**2025	**2212	**2131	**2108	**1681	1,057	879	946
Average daily sewage treatment (mgd) **	36	40	43	48	51	38	42	38	40	36
Solid Waste										
Annual tons of refuse collected	150,622	154,178	157,121	157,618	156,347	152,969	154,637	165,087	155,645	141,831
Annual tons of recyclables collected	na	5,568	6,825	10,412	11,668	15,188	18,740	18,355	20,190	18,831
Annual tons of yard waste collected										18,199
Other Public Works										
Street Resurfacing (miles)	25	21	19	21	23	16	40	38	35	30

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

** Calendar Year

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

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

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Fire and Emergency Services										
Number of Fire Stations	21	21	21	21	21	22	23	23	23	23
Number of Engines	21	21	21	21	21	22	24	24	24	23
Number of Aerials	6	6	6	6	8	8	8	8	8	7
Number of EC Units	7	7	7	7	9	9	9	9	10	10
Number of Haz-Mat Units	3	3	3	3	3	3	3	3	3	2
Police										
Stations	3	3	3	3	3	3	3	3	3	3
Patrol Units	na	na	na	460	463	467	467	481	438	444
Parks and Recreation										
Acres of Parks	4,186	4,206	4,263	4,263	4,261	4,261	4,261	4,565	4565	4917
Number of Golf Courses	6	6	6	6	6	6	6	6	6	6
Number of Swimming Pools	13	12	10	8	10	10	10	9	9	9
Sanitary Sewers										
Treatment Capacity (mgd)	52	64	64	64	64	64	64	64	64	64
Solid Waste										
Collection Trucks	na	na	na	117	117	118	126	116	115	119
Other Public Works										
Streets (miles)	na	na	na	1,516	1,544	1,563	1,542	1,589	1,599	1,628
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	325	330	344	340	349	353	357	363	367	376

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