



Lexington-Fayette Urban County Government

*Comprehensive Annual Financial Report*  
*For the year ended June 30, 2009*



Home of the Alltech FEI World Equestrian Games

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2009

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
LEXINGTON, KENTUCKY



PREPARED BY THE DEPARTMENT OF FINANCE AND ADMINISTRATION

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



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Comprehensive Annual Financial Report  
Year Ended June 30, 2009

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# INTRODUCTORY SECTION



Lexington-Fayette Urban County Government  
OFFICE OF THE MAYOR

Jim Newberry  
Mayor

January 6, 2010

Dear Friend,

The Comprehensive Annual Financial Report for the Lexington-Fayette Urban County Government for the fiscal year ended June 30, 2009, conforms to the highest standards of financial reporting.

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

Cities across America are in the midst of the most challenging economic times since the 1930s. By being very fiscally conservative in FY 09, we were able to cut the fat out of our budget while protecting basic city services. We were also able to continue to invest in progress, positioning our city to emerge from the recession in a position of strength.

Sincerely,

A handwritten signature in black ink that reads 'Jim Newberry'.

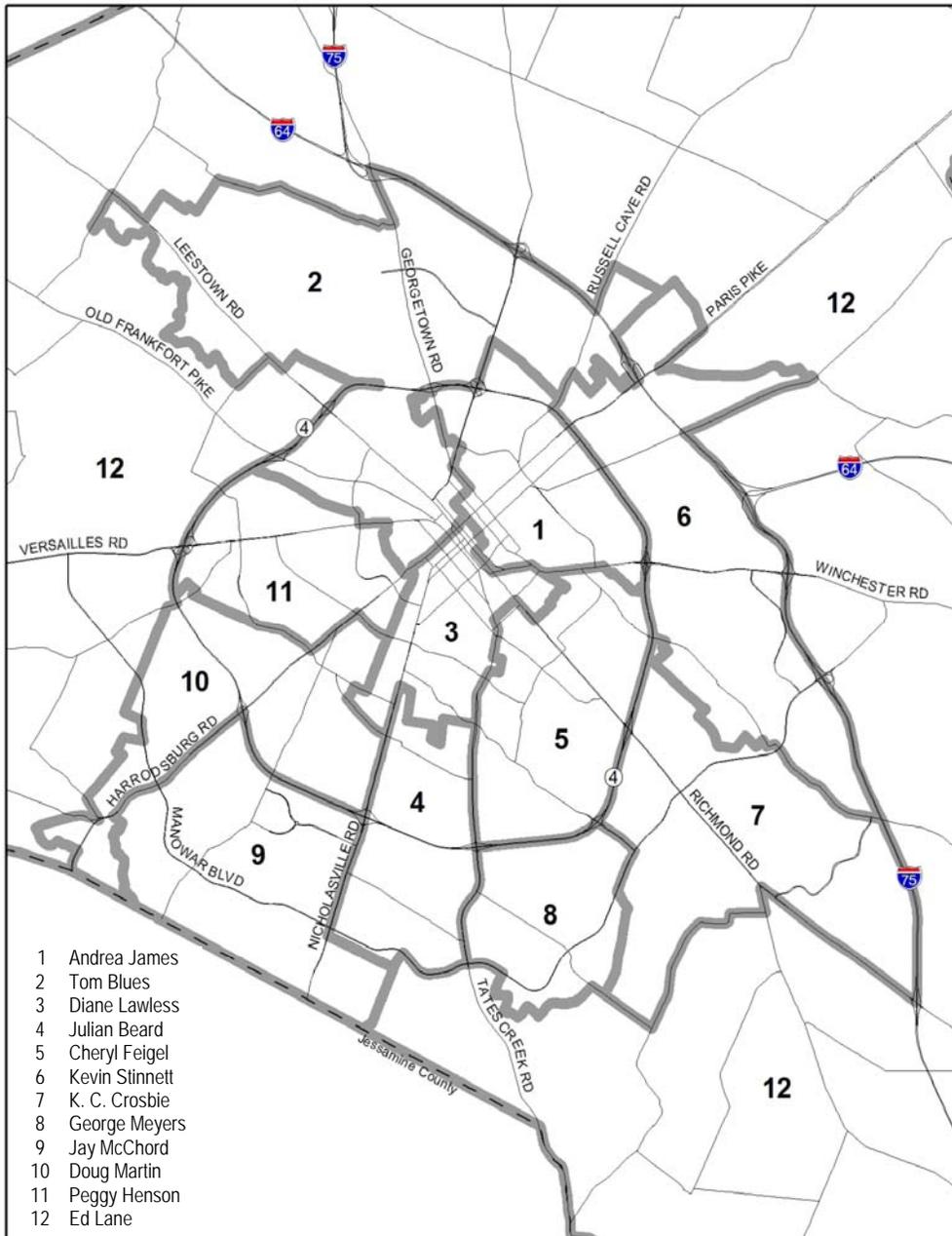
Jim Newberry  
Mayor

# 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 Newberry  
Mayor

Linda L. Rumpke  
Commissioner

January 6, 2010

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

Dear Mayor and Members of the Urban County Council:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the Lexington-Fayette Urban County Government (the Government) for the fiscal year ended June 30, 2009. The CAFR was prepared in accordance with Generally Accepted Accounting Principles (GAAP) and the reporting standards of the Governmental Accounting Standards Board (GASB). The CAFR includes all funds of the Government and component units.

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

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

State statute and the Charter of the Government both require an independent financial audit be conducted annually. The accounting firm of Mountjoy & Bressler, LLP performed the audit for the fiscal year ended June 30, 2009. 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, 2009 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, 2009 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 requirement 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. As of the date of issuance of this report the audit is not yet completed.

## *Profile Of The Government*

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

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

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

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

The Senior Advisor for Policy and Budget, also a new position in Fiscal Year 2008, heads the Division of Budgeting and all the duties thereof including working with the Mayor and other executive leadership to prepare the annual operating budget and Capital improvement Plan the Mayor recommends each year to the Council. The office then works with the Council as they review the Mayor's recommendations and ultimately authorize revenue and expenditure levels for government for the fiscal year. The office also monitors the spending of the various departments throughout the fiscal year and ensures all units stay within the expenditure levels adopted by the Council.

The Senior Advisor/CIO was also created in the Fiscal Year 2008 reorganization, this position is charged with providing leadership to all of government in technology and communications. The Office has two divisions, Computer Services (moved from the Department of Finance) and Government Communications (moved from the Department of Administrative Services). Computer Services provides mainframe and microcomputer support, database development and information services to LFUCG and some outside agencies. Government Communications prepares and distributes information about the city in a variety of ways including LexCall (a One-Stop for city hall telephone services, GTV3 (the city's cable television network) and the city's website.

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

The Department of Public Safety is the largest department in the Urban County Government. It includes the divisions of Community Corrections, Police, Fire and Emergency Services, Environmental and Emergency Services, Enhanced 911, and Code Enforcement. Readers should be familiar with the services provided by Corrections, Police and Fire but may not be as familiar with the other divisions. The remaining division services provided include emergency communications and management, disaster preparedness, inspections of properties for code violations and management of nuisance issues such as high weeds and junked vehicles.

The Department of Public Works and Development (renamed from Department of Public Works in the reorganization) is responsible for providing a wide range of public services in the Divisions of Building Inspection, 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 all county roads and operate and maintain the city's computerized traffic signal system. The Purchase of Development Rights (PDR) program is also part of this department. PDR seeks to conserve Fayette County farmland by purchasing conservation easements.

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

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

The Department of Law provides legal services for the Government. The Corporate Counsel selection prepares all legal instruments for the Government and provides advice to its employees and agencies. The Litigation section represents the Urban County Government in civil cases and lawsuits and coordinates representation of cases handled by outside attorneys. The Division of Risk Management administers risk and insurance programs, including the city's self-insured property and casualty insurance plans.

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

## *Significant events*

### *More inviting downtown*

Construction work got underway in FY 09 on roadways in and around downtown to make the heart of our community more inviting. This work is funded through state grants, federal appropriations plus stimulus dollars 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 is planned for Main and Vine streets. Furthermore, work has also started on Newtown Extension between Main and Vine streets, 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.

### *New cultural facility*

Also downtown, construction work began to rebuild the Lyric Theater, a cultural icon in the African American community. Plans call for a cultural and educational center. 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 a partner in this work.

### *Strengthening fiscal management*

In FY 09, like all American cities, we faced challenging national economic conditions. In Lexington we tightened city hall's belt and identified opportunities for government to operate faster, better and cheaper. We have undergone an in-depth management audit and instituted hundreds of its recommendations. We have vastly improved fiscal management and oversight through installation of new software. Altogether approximately 175 full-time positions have been eliminated since 2007, saving millions in personnel costs.

### *Destination 2040*

We released our final Destination 2040 report, a community-wide vision for our city's future. Thousands of citizens were involved in this visioning process. The "crucial finding" of the report is that while our community wants many changes and improvements, "all actions undertaken should be pursued in a way that consistently honors and maintains the unique balance of urban and rural life that differentiates Lexington from other mid-sized cities."

### *Environment*

Improving the quality in the environment is the top priority of this administration. We took many steps to address the deteriorating storm and sanitary sewers that have resulted in our community being out of compliance with the federal Clean Water Act. We have put teeth into our enforcement laws and have vastly improved monitoring. We have made the tough decisions to approve sanitary sewer fee increases and to create a water quality management fee to address stormwater concerns. We are taking our first significant steps to address air quality and have implemented an executive order requiring government to lead the way. Education and outreach are key components of all of our 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 beginning on page 15.

### ***Local Economy***

The unemployment rate in Fayette County was 8.5% in June 2009, up more than 76% from the 4.8% unemployment rate in June 2008. The June 2009 rate is below the national and state rates of 9.5% and 10.9% respectively. Employment as measured by a household survey, which is by place of residence, decreased from 144,068 to 141,049, a decrease of 2.1% through 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 or by other provisions of the Charter and for all debt service requirements. Other budgetary policies include that the budget must be balanced for each fund; total available funds must equal or exceed total anticipated expenditures.

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

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

The Government annually adopts a six-year Capital Improvement Plan as a component of the annual operating budget. The development of the capital improvement plan budget is coordinated with the development of the operating budgets. Requests for capital projects are accompanied by estimates of impact on annual operating costs. Additionally, multi-year forecasts of revenues and expenditures, including operating and capital expenditures, are prepared throughout the year to monitor the adequacy of funding resources and debt capacity. Finally, the Government has adopted a long-term goal to increase the balance of the economic contingency fund, a policy explained in greater detail in the Management Discussion and Analysis.

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

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

instrumentalities, mutual funds comprised of those securities, repurchase agreements, collateralized Certificates of Deposit or commercial paper.

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

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

Workers' compensation, property and casualty, and general liability insurance programs are administered by the Division of Risk Management within the Department of Law. The Government reduces financial risks by purchasing reinsurance. Administration of these programs is combined with a risk management program designed to identify potential exposures to loss and reduce or eliminate risk or losses. Premiums are paid from other funds (the General Fund, the Urban Services Fund and the Sanitary Sewer Fund) in proportion to risk exposure associated with the personnel and physical assets of each fund. During Fiscal Year 2008 the council funded 100% of the deficit which has accumulated through June 30, 2008.

The Health, Dental, and Vision Care Insurance Fund is another self insurance fund that is administered by a third party. This fund has no net assets at June 30, 2009.

## ***Retirement Funds***

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

The County Employees' Retirement System is the retirement system for the majority of Government personnel and is the system for all new Government employees except police and firefighters. Sworn employees in the Division of Community Corrections participate in the hazardous duty plan; all other employees participate in the non-hazardous duty plan. CERS is a cost sharing multi-employer public employee retirement system administered by the Commonwealth of Kentucky. Participating employers contribute 16.17% of an employee's salary in the non-hazardous duty plan and 33.87% in the hazardous duty plan. Employees contribute 5% to the non-hazardous duty plan and 8.0% to the hazardous duty plan. Employees are subject to FICA and the Government matches this contribution.

As discussed in the notes on page 90, the Policemen's and Firefighters' Retirement Fund is the retirement system for all police and firefighters. Employees are required to contribute 11% of their salary. The Government's contribution was 26% July through December 2008 and 27% January through June 2009.

The City Employees' Pension Fund was the retirement system of the City of Lexington. When the city and county merged in 1974 it became a closed plan. On June 30, 2009, there was one active member and 118 retirees and beneficiaries. The Government contributed 17.5% of the employee's salary while the employee contributed 8.5%.

## ***Awards and Acknowledgements***

For the 16th consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lexington-Fayette Urban County Government for its comprehensive annual financial report for the fiscal year ended June 30, 2008. 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, Commissioners and Division Directors for their cooperation and support.

Respectfully submitted,

A handwritten signature in black ink that reads "Linda L. Rumpke". The signature is written in a cursive style with a large initial "L" and "R".

Linda L. Rumpke, 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, 2008

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.



A handwritten signature in black ink, appearing to read "M. L. R. H.", positioned above the title "President".

President

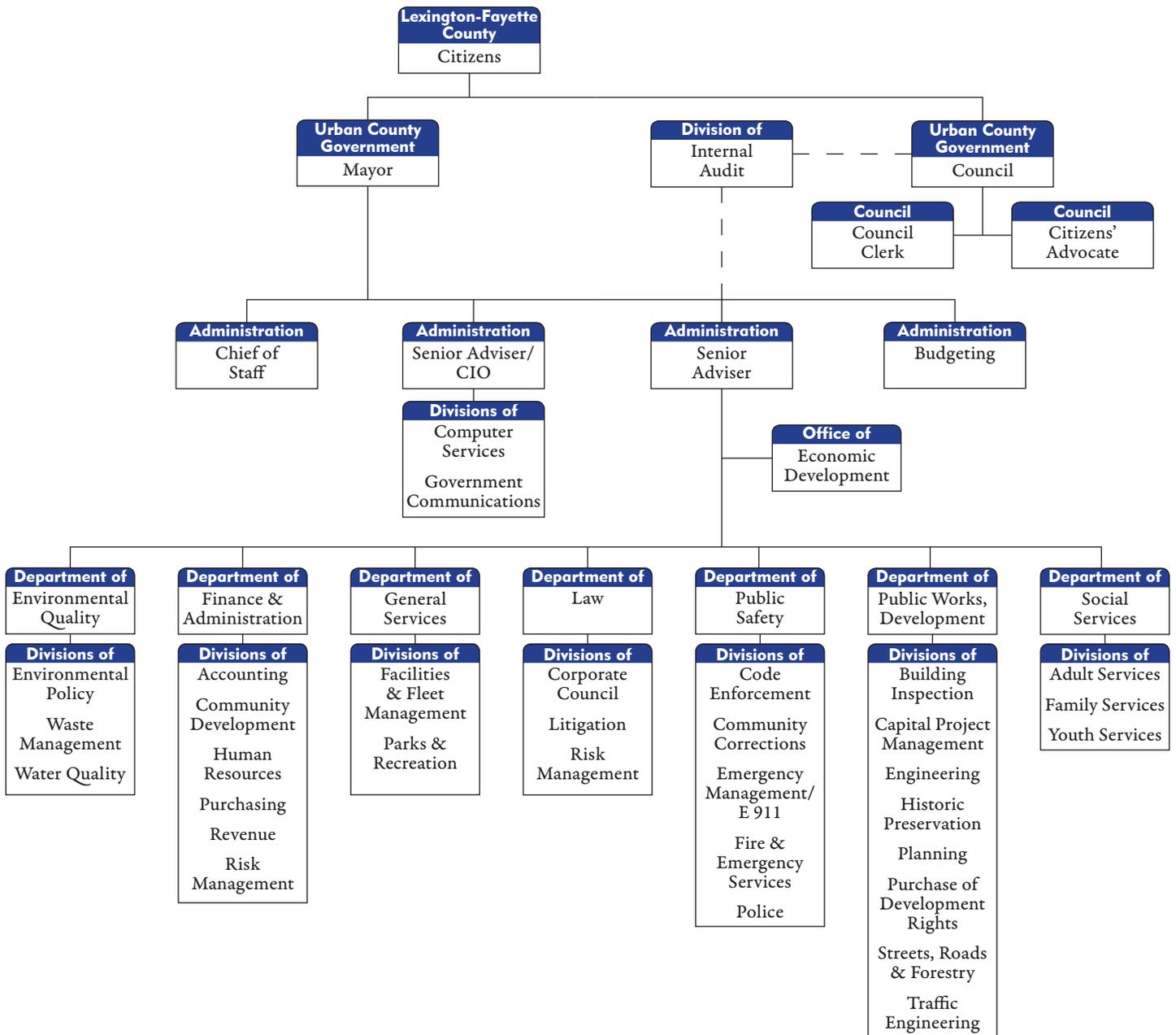
A handwritten signature in black ink, appearing to read "Jeffrey R. Emery", positioned above the title "Executive Director".

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**

Joan Beck, Citizens' Advocate  
Susan Lamb, Council Clerk

### **Office of the Mayor**

### **Jim Newberry, Mayor**

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

Budgeting

Mary Fister-Tucker, (Acting) 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  
Paula King, Director  
Michael Allen, 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

### **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, 2009, 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, 2009 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.

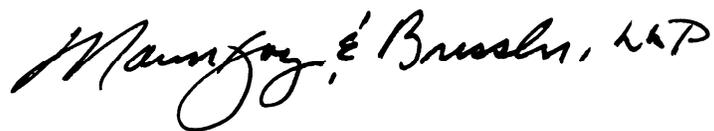
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and 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, 2009, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and Urban Services Fund thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated January 4, 2010 on our consideration of the Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of the audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on pages 15 through 28 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Government's basic financial statements. The introductory section on pages 1 through 12, combining and individual funds statements and other schedules on pages 100 through 103 and 109 through 127, and the statistical section on pages 131 through 154 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 have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors, is fairly stated in all material respects. The introductory section and statistical tables have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

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

Lexington, Kentucky  
January 4, 2010

## 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, 2009. 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 \$1.22 billion (net assets).

- Governmental Activities' net assets were \$934.6 million, a decrease of \$37.4 million from the previous fiscal year. This reduction in total net assets reflects a \$10.97 million decrease in the value of depreciable capital assets held by the Urban County Government and a \$77.3 million increase in long term debt related to the issuance of the Police and Fire Pension plan bonds. The issuance of this bond reduced the unfunded pension liability by \$25 million and prepaid \$30.1 million in future funding requirements for the pension plan resulting in an overall net asset reduction of \$22.2 million related to the issuance of the bond.
- Business-Type Activities held a balance of \$286.35 million in net assets, a decrease of \$1.8 million from the previous fiscal year. This reduction in total net assets also reflects a \$7.59 million increase in the value of capital assets held by the Urban County Government.

#### Fund Highlights

- As of June 30, 2009, the Urban County Government's governmental funds reported combined ending fund balances of \$93.43 million, a increase of \$21.85 million from the previous fiscal year. Of this total amount, \$25.7 million was reserved for encumbrances and the balance of approximately \$67.7 million was unreserved. The unreserved, undesignated fund balance of \$32.7 million reflects funding available to the Urban County Government for spending.
- The General Fund, the primary operating fund of the Urban County Government, held an unreserved, undesignated fund balance of \$4.37 million, or 1.6% of General Fund revenues. The economic contingency designation, which is available for spending in the event of an economic downturn or unforeseen event, held a balance of \$14.47 million.
- The 2009 Bond Projects fund accounts for new capital projects which the Urban County Government intends to bond in FY 2010. Starting these projects prior to bonding has resulted in a decrease in the total Governmental fund balance of \$10.8 million.

#### Long-Term Debt

- At fiscal year end June 30, 2009, Governmental Activities debt increased \$103.2 million. Increases in long-term General Obligation debt held by the Urban County Government can be attributed to the issuance of \$38.35 million in bonds to finance FY 2007 and FY 2008 bond projects. In addition to bonding these capital projects a \$70.61 million bond was issued to reduce the Police and Fire Pension Plan unfunded pension liability. Additionally a \$8 million bond anticipation note was issued for the renovation of the Eastern State Campus. Business-Type activity debt decreased \$5.58 million due to

the payment of outstanding Revenue Bonds and Mortgage Revenue Bonds. No new Business-Type activity debt was issued during FY 2009.

## 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, 2009. 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 \$1.22 billion as of June 30, 2009. This reflects a decrease of \$39.2 million from the previous fiscal year. This decrease is due in part to a reduction in capital assets held by the Urban County Government attributable to depreciation. Infrastructure elements for Governmental Activities accumulated \$30.9 million in depreciation from the previous fiscal year which accounts for the largest category of assets held by the general government. Total depreciation expense government wide was \$57.22 million.

The largest proportion of the Urban County Government's net assets, \$1.19 billion, is invested in capital assets (e.g. land, infrastructures, buildings and improvements and equipment), minus any related debt, which is still outstanding and used to acquire those assets. The Urban County Government uses these capital assets to provide services to its citizens. As such, these assets are not available for future spending.

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

	<b>Total Net Assets</b>		
	<b>FY 2009</b>	<b>FY 2008</b>	<b>Change</b>
<b>ASSETS</b>			
Current and other assets	\$232,427	\$ 192,751	\$ 39,676
Capital assets	<u>1,421,053</u>	<u>1,424,430</u>	<u>(3,377)</u>
Total assets	<u>1,653,480</u>	<u>1,617,181</u>	<u>36,299</u>
<b>LIABILITIES</b>			
Current and other liabilities	55,941	52,247	3,694
Long-term liabilities	<u>376,600</u>	<u>304,786</u>	<u>71,814</u>
Total liabilities	<u>432,541</u>	<u>357,033</u>	<u>75,508</u>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	1,189,059	1,203,231	(14,172)
Restricted for:			
Capital Projects	16,951	13,781	3,170
Debt Service	6,337	4,852	1,485
Depreciation	1,611	1,804	(193)
Grants	116	119	(3)
Maintenance and Operations	5,921	5,815	106
Unrestricted	<u>944</u>	<u>30,546</u>	<u>(29,602)</u>
Total net assets	<u>\$1,220,939</u>	<u>\$1,260,148</u>	<u>(\$39,209)</u>

\*Numbers may not total due to rounding

Approximately \$30.94 million, or 2.5% of total net assets, are subject to external restrictions regarding their use. Restricted net assets of governmental funds include fund balances of the general fund, the urban services fund and various special revenue funds. Please refer to the fund analysis beginning on page 24 for more information.

Table 2 indicates that the net assets of Governmental Activities totaled \$934 million, a decrease of \$37.4 million from the previous fiscal year. Again, \$10.97 of this decrease is attributable to depreciation expense. Of these net assets, \$934.8 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)**

<b>Governmental Activities</b>			
	<b>FY 2009</b>	<b>FY2008</b>	<b>Change</b>
<b>ASSETS</b>			
Current and other assets	\$166,291	\$116,282	\$50,009
Capital assets	1,075,750	1,086,719	(10,969)
Total assets	1,242,041	1,203,001	39,040
<b>LIABILITIES</b>			
Current and other liabilities	44,501	45,400	(899)
Long-term liabilities	262,951	185,606	77,345
Total liabilities	307,452	231,006	76,446
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	934,789	963,824	(29,035)
Restricted for:			
Capital Projects	6,139	2,123	4,016
Debt Service			
Depreciation			
Grants	116	119	(3)
Maintenance and Operations			
Unrestricted	(6,455)	5,930	(12,385)
Total net assets	\$934,589	\$971,996	(\$37,407)

\*Numbers may not total due to rounding

Table 3 shows the net assets of Business-Type Activities totaled \$286.35 million at the end of Fiscal Year 2009, a decrease of \$1.8 million from the previous fiscal year. Of these net assets, \$254.27 million, or 88.8%, 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**

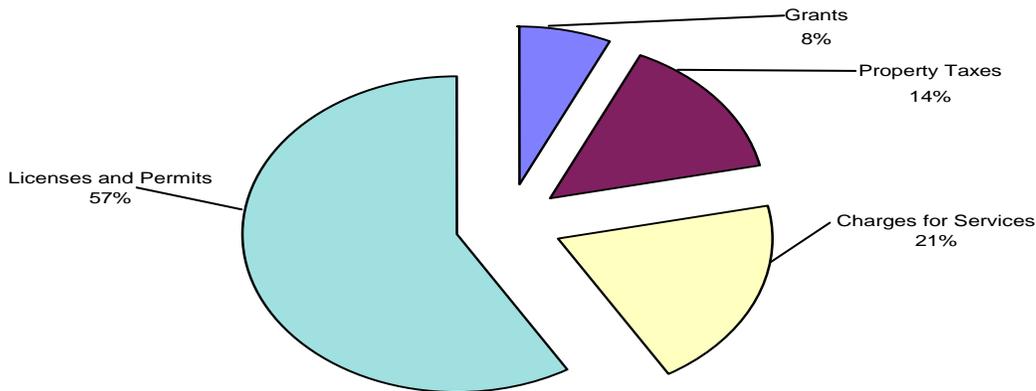
	<u>FY 2009</u>	<u>FY 2008</u>	<u>Change</u>
<b>ASSETS</b>			
Current and other assets	\$66,136	\$76,469	(\$10,333)
Capital assets	<u>345,303</u>	<u>337,711</u>	<u>7,592</u>
Total assets	<u>411,439</u>	<u>414,180</u>	<u>(2,741)</u>
<b>LIABILITIES</b>			
Current and other liabilities	11,440	6,847	4,593
Long-term liabilities	<u>113,649</u>	<u>119,181</u>	<u>(5,532)</u>
Total liabilities	<u>125,089</u>	<u>126,028</u>	<u>(939)</u>
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	254,269	239,407	14,862
Restricted for:			
Capital Projects	10,812	11,658	(846)
Debt Service	6,337	4,852	1,485
Depreciation	1,611	1,804	(193)
Maintenance and Operations	5,921	5,815	106
Unrestricted	<u>7,399</u>	<u>24,616</u>	<u>(17,217)</u>
Total net assets	<u>\$286,349</u>	<u>\$288,152</u>	<u>(\$1,803)</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, 57%, 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 21%, which was the second largest contributing category to governmental activity revenues. Revenues collected in this category include charges collected from the Detention Center, EMS charges, golf course collections, fees for building permits, and fees associated with parks and recreation programs. Property Taxes comprised of 14% of governmental revenues just ahead of Federal and state grant funding which represents the remaining 8%.

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



As indicated by Table 4, revenues from Governmental Activities, including transfers, totaled \$375.16 million which was an increase of 1.8% from the previous fiscal year. Licenses and permits totaled \$218.2 million, representing 57% 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 \$1.82 million, or -.83% from the previous fiscal year. This is due in part to FY 2008 containing 27 pay periods for many employers as compared to only 26 pay periods in FY 2009. Property taxes increased \$2.8 million from the previous fiscal year, up 5.53% which was largely due to the increase in assessed tax values and new development. Charges for Services increased largely due to increased Medicaid revenue and increased Detention Center revenues.

As noted on Table 4, total expenses of Governmental Activities were \$412.6 million; a decrease of \$4.4 million from the previous fiscal year. This reduction was a direct result of the funding of the accumulated deficit fund balance in the Insurance and Risk Management fund in FY 08. During FY09 the Governmental Funds contributed \$10.6 million less to the Insurance and Risk Management fund than was contributed in FY 08. This decrease was offset by increases in personnel related expenses and the resulting in the net reduction in expenses of \$4.4 million.

**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	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program revenues:						
Charges for services	\$74,491	\$69,884	\$61,163	\$50,783	\$135,654	\$120,667
Operating Grants and Contributions	13,252	17,501			13,252	17,501
Capital Grants and Contributions	10,276	7,838			10,276	7,838
General revenues:						
Property taxes	54,302	51,455			54,302	51,455
Licenses and permits	218,195	220,015			218,195	220,015
Grants and unrestricted contributions	2,577	2,464			2,577	2,464
Other general revenues	1,446	4,040	764	1,922	2,210	5,963
<b>Total revenues</b>	<b>374,539</b>	<b>373,197</b>	<b>61,927</b>	<b>52,705</b>	<b>436,466</b>	<b>425,903</b>
<b>Program expenses</b>						
General Government	22,706	31,717			22,706	30,661
Administrative Services	3,315	3,833			3,315	3,833
Health, Dental, Vision, Workers Comp, General Insurance	25,824	14,564			25,824	14,564
Chief Information Officer	14,522	11,216			14,522	11,216
Finance	13,379	12,377			13,379	12,377
Public Works	62,908	71,696			62,908	71,696
Public Safety Other	13,145	26,717			13,145	26,717
Police	69,508	63,534			69,508	63,534
Fire and Emergency Services	66,077	58,497			66,077	58,497
Community Corrections	30,670	30,686			30,670	30,686
Environmental Quality	24,729	23,948			24,729	23,948
Social Services	14,719	16,392			14,719	16,392
General Services	13,945	11,531			13,945	11,531
Parks and Recreation	19,955	21,962			19,955	21,962
Law and Risk Management	10,803	12,593			10,803	12,593
Interest on Long-Term Debt	6,357	5,728			6,357	5,728
Sanitary Sewer System			35,438	36,565	35,438	36,565
Public Facilities			10,971	11,359	10,971	11,359
Public Parking			1,012	463	1,012	463
Landfill			6,210	7,250	6,210	7,250
Right of Way			300	334	300	334
Extended School Program			2,333	2,081	2,333	2,081
Prisoners' Account System			1,628	1,724	1,628	1,724
Enhanced 911			3,314	3,870	3,314	3,870
LexVan Program			64	54	64	54
Stormwater			1,842	0	1,842	0
<b>Total expenses</b>	<b>412,562</b>	<b>416,991</b>	<b>63,112</b>	<b>63,702</b>	<b>475,674</b>	<b>480,693</b>
Increase (Decrease) in Net Assets before Transfers	(38,023)	(43,794)	(1,185)	(10,997)	(39,208)	(54,789)
Transfers	618	(620)	(618)	620	0	0
Increase (Decrease) in Net Assets	(37,405)	(44,414)	(1,803)	(10,376)	(39,208)	(54,789)
Net Assets, July 1	971,996	1,016,410	288,152	298,529	1,260,148	1,314,939
Net Assets, June 30	<u>\$934,591</u>	<u>\$971,996</u>	<u>\$286,349</u>	<u>\$288,152</u>	<u>\$1,220,940</u>	<u>\$1,260,149</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 \$5.4 million. Salary and Wage costs including benefits, for non-collective bargaining employees actually decreased 1.6%. Please see Chart 2 for more information on personnel costs for Governmental Activities during FY 09.

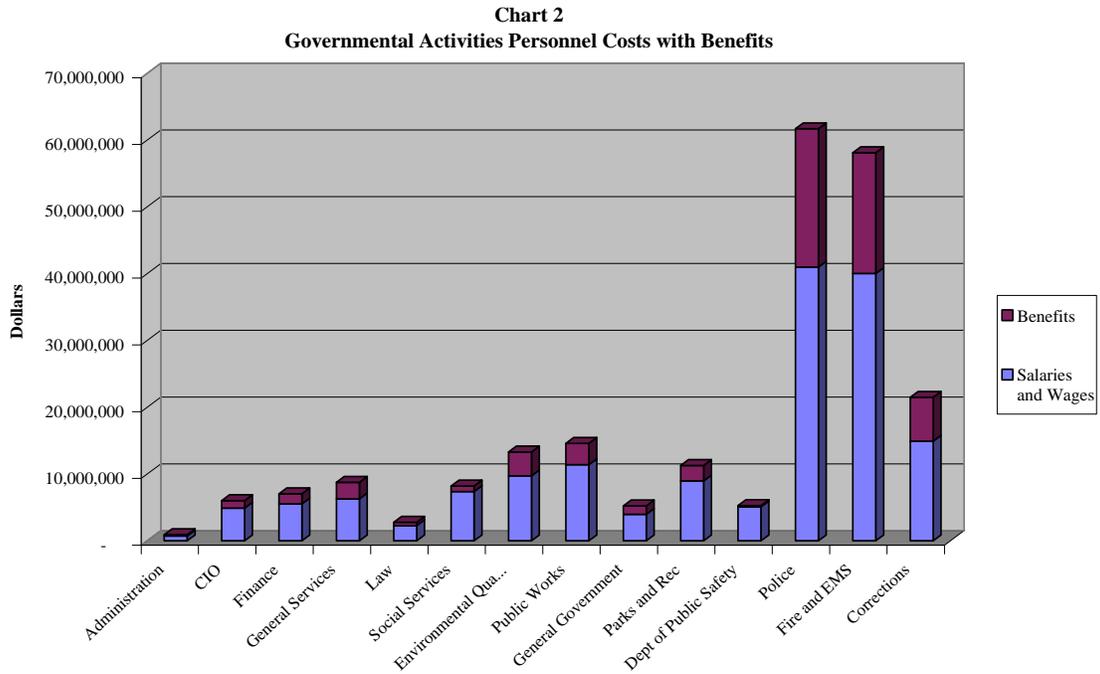
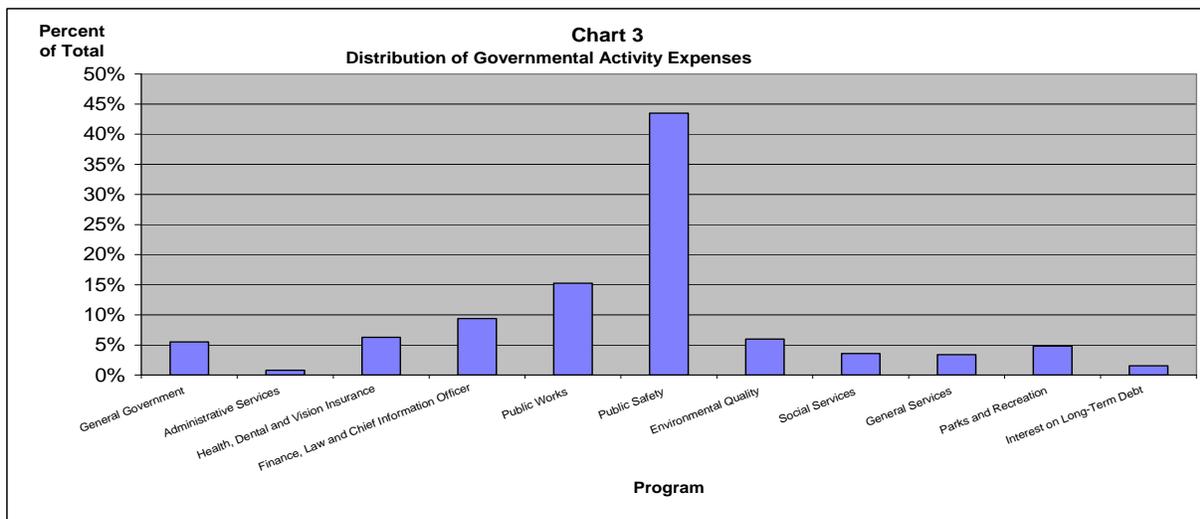


Chart 3 displays the distribution of total costs by governmental activity.



## **Business-Type Activities**

Revenues for Business-Type Activities totaled \$61.9 million at fiscal year ended June 30, 2009, up \$9.2 million from the previous fiscal year. Charges for services comprise 98.8% of total revenues realized by Business-Type Activities. Expenses for Business-Type Activities totaled \$63.1 million in 2009, an decrease of \$590 thousand from the prior year. The largest program among these activities is the Sanitary Sewer system, which utilized \$35.44 million at the end of the fiscal year, representing 56.2% of all Business-Type expenses. The Sewer system expenses decreased \$1.13 million from 2008; this decrease was primarily in non-routine maintenance and repair items which occurred during FY 2008. The Landfill also experienced an decrease in expenditures during the fiscal year accounting of \$1.04 million; this decrease was mostly related to higher landfill improvement expenses during the prior fiscal year.

## **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, 2009 reflect a combined ending fund balance of \$93.43 million, a increase of \$21.86 million from the previous fiscal year. \$32.7 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 2009, the fund balance held by the General Fund totaled \$33.13 million, an increase of \$8.74 million, or 36%, from the previous fiscal year. This increase was a direct result of the issuance of a \$8 million bond anticipation note on behalf of the State of Kentucky for the renovation of the Eastern State Hospital Campus. These funds will be transferred to the state of Kentucky during FY 2010 and are therefore included in the encumbrance reserve on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance. The total fund balance reserved for encumbrances as of June 30, 2009 was \$12.2 million. In addition to this reserve, the General Fund had \$20.95 million in unreserved fund balance. Of this total, unreserved, undesignated fund balance totaled \$4.37 million, or 1.6% of General Fund revenues. This reflects a decrease of \$255 thousand from the previous fiscal year. Unreserved, but designated fund balance totaled \$16.59 million, or 6.1% 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.
- \$2.12 million was designated for the 27<sup>th</sup> payroll that will occur in 2017.

The Urban Services Fund is used to finance solid waste collection, streetlights, and street cleaning services for properties within designated property tax districts. At the end of the fiscal year, the Urban Services Fund held a total fund balance of \$33.98 million, an increase of \$878 thousand over the prior fiscal year. Unreserved, undesignated fund balance totaled \$28.24 million and reflects 76.9% of Urban Services Fund revenues. Revenues of the Urban Services Fund increased \$635 thousand from the prior fiscal year due to increases in Property Taxes allocated to the Urban Services Fund. This increase was a result of increased assessed tax values and new development.

The Federal and State Grants Fund held a balance of \$116,480 for fiscal year ended June 30, 2009, a decrease of \$2,705 from the previous fiscal year. This fund balance represents grant revenues received, but not spent, that are restricted for specific activities. During the 2009 Fiscal Year, the Urban County Government was awarded approximately \$4.0 million in grant funding designated for the Newtown Pike extension. In addition, nearly \$1.9 million was award to help offset expenses incurred during the January 2009 Ice Storm.

The 2009 Bond Projects Funds contains costs related to various capital bond projects which will be bonded during FY 2010. As of June 30, 2009 \$10.8 million has been expended on these projects. A bond issue is plan for early calendar 2010 to reimburse these expenditures.

## **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 \$286.3 million as of June 30, 2009, a decrease of \$1.85 million.

The Sanitary Sewer Fund held total net assets of \$199.16 million, a increase of \$1.27 million over the prior year. Of the total net assets held by the Sanitary Sewer Fund, \$22.06 million is restricted under bond covenants for maintenance, depreciation, capital improvements and debt service. Unrestricted net assets totaled \$(517) thousand.

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 \$40.91 million, a decrease of \$4.03 million from the prior year.

The Public Parking Corporation (PPC) was created in a similar fashion to the PFC. The Public Parking Corporation, an agency and authority of the Urban County Government, was established to acquire, finance, and operate public parking facilities for the Urban County Government. The net assets of the Public Parking Corporation totaled \$15.97 million, an increase of \$370 thousand from the prior year.

At fiscal year ended June 30, 2009, the total net assets of the Landfill Fund held a balance of \$25.98 million, an increase of \$430 thousand from the prior fiscal year resulting in a 1.7% 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, 2009, General Fund revenues totaled \$271.49 million, a decrease of .67% from the previous fiscal year. Total revenues were \$5.04 million below the final budgeted amount. This decrease in actual revenue is the result of there being 27 payrolls collected in FY 2008 as compared to 26 payrolls in FY 2009. The one less pay period for many of Lexington's employers in addition to the downturn in the U.S. economy contributed to the decline in the General Fund revenues.

As a result of covering expenditures in the current year that will not be bonded until FY 2010 and the general climate of the financial market, income from investments totaled \$288 thousand, a decrease of \$1.54 million from the previous year. Income from investments for Fiscal Year 2009 fell short of the budgeted amount by \$518 thousand.

General Fund expenditures of the Urban County Government totaled \$341.4 million, an increase of \$49.3 million, or 14.5% over the previous year. Expenditures were \$15.8 million below the final budgeted amount. Personnel expenditures accounted for 75.7% of General Fund expenditures and this category accounted for the largest increase among all expenditures, approximately \$65.76 million over the prior year. The large bonded

contribution to the Police and Fire retirement plan in excess of \$70 million and personnel cost increases from a 2.3% pay increase for most non-sworn personnel, continuation of the step-pay system for non-bargaining public safety personnel, and continuation of collective bargaining agreements for sworn personnel were offset by a 1.88% decrease in the hazardous County Employee Retirement System contribution rate and a .59% decrease in the non-hazardous rate of that plan and numerous vacant positions through out government. Personnel expenditures from divisions covered by the collective bargaining agreements account for 56.6% 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>2009</u>	<u>2008</u>	<u>Change</u>	<u>% Change</u>	<u>% General Fund Expenditures</u>
Non-Collective Bargaining Divisions					
Administrative Services	\$965	\$1,024	(\$59)	-5.8%	0.3%
Chief Information Officer	5,443	4,614	829	18.0%	1.6%
Department of Finance	6,620	6,457	163	2.5%	1.9%
Department of General Services	8,626	7,860	766	9.7%	2.5%
Department of Law	2,761	3,027	(266)	-8.8%	0.8%
Department of Public Safety	4,951	4,717	234	5.0%	1.5%
Department of Social Services	6,262	7,047	(785)	-11.1%	1.8%
Department of Environmental Quality	-	1,441	(1,441)	-100.0%	0.0%
Department of Public Works & Development	12,920	14,071	(1,151)	-8.2%	3.8%
General Government	5,276	5,679	(403)	-7.1%	1.6%
Parks and Recreation	11,137	12,868	(1,731)	-13.5%	3.3%
<b>Total Non-Collective Bargaining Divisions</b>	<b>64,961</b>	<b>68,805</b>	<b>(3,844)</b>	<b>-5.6%</b>	<b>19.1%</b>
Divisions with Collective Bargaining					
Police	86,555	52,013	34,542	66.4%	25.4%
Community Corrections	21,603	21,411	192	0.9%	6.3%
Fire and Emergency Services	84,409	49,540	34,869	70.4%	24.8%
<b>Total Collective Bargaining Divisions</b>	<b>192,567</b>	<b>122,964</b>	<b>69,603</b>	<b>56.6%</b>	<b>56.6%</b>
<b>Total Personnel Costs with Benefits</b>	<b>\$257,528</b>	<b>\$191,769</b>	<b>\$65,759</b>	<b>34.3%</b>	<b>75.7%</b>

\*Numbers may not total due to rounding.

## CAPITAL ASSETS

The Urban County Government's investment in capital assets totaled \$1.42 billion as of June 30, 2009. This investment includes land, buildings, equipment, park facilities, roads, bridges, and sewer systems. For Governmental Activities, the recorded capital investments totaled \$1.08 billion. Governmental activity capital assets decreased by \$10.97 million over the prior year. The assets of Business-Type Activities totaled \$345.30 million, a increase of \$7.59 million from the previous fiscal year.

This year's major changes in capital assets included:

- The depreciation on infrastructure for Governmental Activities totaling \$30.89 million contributing in the net decrease in infrastructure from prior year of \$28.9 million. Infrastructure includes roads, bridges, storm water, fiber optics, traffic signals and similar items.
- The Purchase of Development Rights program acquired \$3.5 million in conservation easements.

- Capital Assets for Business-Type Activities increased by \$7.59 million.
- Construction in Progress (CIP) totaled \$33.6 million in the Governmental Activities and \$26.19 million in Business Type Activities accounting for a total increase in CIP of \$29.6 million.

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

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$47,040	\$45,234	\$47,206	\$47,206	\$94,246	\$92,440
Purchase of Developmental Rights	55,793	52,260			55,793	52,260
Buildings and Improvements	97,029	99,972	69,876	73,772	166,905	173,744
Vehicles, Equipment and Furniture*	29,352	27,074	2,786	2,910	32,138	29,984
Land and Leasehold Improvements	5,774	6,442	18,075	20,096	23,849	26,538
Infrastructure	807,149	836,248	181,171	183,021	988,320	1,019,269
Construction in Progress	33,613	19,490	26,189	10,706	59,802	30,196
Total	<u>\$1,075,750</u>	<u>\$1,086,719</u>	<u>\$345,303</u>	<u>\$337,711</u>	<u>\$1,421,053</u>	<u>\$1,424,430</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 71 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 2009, the Urban County Government had \$327.595 million in bonds and notes outstanding; Governmental Activities' debt increased by \$103.2 million with total debt increasing \$97.62 million resulting from the issuance of bonds related to FY 2007 and FY 2008 approved capital projects in addition to the issuance of a pension bond for the Police and Fire pension plan.. 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	
	2009	2008	2009	2008	2008	2008
General Obligation Bonds, Notes, Leases	\$229,265	\$126,065			\$229,265	\$126,065
Mortgage Revenue Bonds			66,470	68,195	66,470	68,195
Revenue Bonds			31,860	35,715	31,860	35,715
Total	\$229,265	\$126,065	\$98,330	\$103,910	\$327,595	\$229,975

\*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 2010, for all funds combined, net of interfund transfers, is \$506,381 million. Significant initiatives in the budget include:

- A commitment of \$40.65 million for storm sewer projects and programs as required by the U.S. Environmental Protection Agency Consent Decree
- A 1% increase in compensation for all non-bargaining unit employees
- Allocation of \$25.4 million for capital projects, including:
  - \$14.9 million for various Streets and Road related projects
  - \$3 million for the Purchase of Development Rights program
  - \$1 million for bike trails
  - \$4 million for design and planning related to the construction of a new government center building.

Funding for these initiatives was derived from a projected 2.1% increase in general fund revenues.

## **REQUESTS FOR INFORMATION**

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

# **BASIC FINANCIAL STATEMENTS**

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF NET ASSETS**  
**June 30, 2009**

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash	\$13,729,717	\$3,991,661	\$17,721,378	\$20,885,040
Investments	56,567,122	26,413,799	82,980,921	3,077,449
Receivables (net)	32,181,109	5,178,292	37,359,401	7,264,649
Due from Other Governments	10,104,746		10,104,746	2,571,158
Due from Component Units	612,179		612,179	237,001
Due from Fiduciary Funds	163,377		163,377	
Due from Primary Government				568,334
Inventories	1,262,709	4,159	1,266,868	922,158
Prepaid Items	30,607,290	4,957,030	35,564,320	2,154,320
Pension Assets				705,727
Restricted Assets:				
Cash				47,939,314
Investments	21,063,128	25,590,907	46,654,035	8,703,117
Other				426,956
Other Assets				2,891,896
Capital Assets:				
Non-depreciable	137,516,213	73,394,869	210,911,082	37,495,697
Depreciable (Net)	938,234,257	271,907,639	1,210,141,896	197,033,314
<b>Total Assets</b>	1,242,041,847	411,438,356	1,653,480,203	332,876,130
<b>LIABILITIES</b>				
Accounts, Contracts Payable and				
Accrued Liabilities	17,066,213	4,057,268	21,123,481	5,975,822
Interest Payable	2,495,697	685,363	3,181,060	199,432
Internal Balances	(539,362)	539,362	0	
Due to Fiduciary Funds	1,460		1,460	
Due to Component Units	568,334		568,334	237,001
Due to Primary Government				612,179
Unearned Revenue and Other	2,609,597	501,464	3,111,061	426,702
Claims Liabilities	22,299,099		22,299,099	
Liabilities Payable from				
Restricted Assets:				
Accounts, Contracts and Retainage				
Payable		779,651	779,651	3,230,947
Bonds and Notes Payable		4,040,000	4,040,000	1,105,000
Interest Payable		836,862	836,862	21,741
Non-Current Liabilities:				
Due Within One Year:				
Bonds and Notes Payable	18,635,000	2,580,000	21,215,000	3,238,350
Compensated Absences	2,489,679	292,943	2,782,622	563,536
Landfill Closure and				
Postclosure Care Costs		405,335	405,335	
Due in More Than One Year:				
Unearned Revenue and Other		275,541	275,541	
Bonds and Notes Payable	210,630,000	91,710,000	302,340,000	111,984,846
Compensated Absences	15,552,836	675,617	16,228,453	1,105,063
Landfill Closure and				
Postclosure Care Costs		17,709,918	17,709,918	
Unfunded Other Post Retirement				
Benefit Liability	13,855,546		13,855,546	
Unfunded Pension Liability	1,787,708		1,787,708	
<b>Total Liabilities</b>	\$307,451,807	\$125,089,324	\$432,541,131	\$128,700,619

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

**Primary Government**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>NET ASSETS</b>				
Investment in Capital Assets, net of related debt	\$934,789,342	\$254,269,159	\$1,189,058,501	\$147,784,986
Restricted for:				
Governmental and Program Funds			0	424,866
Fees			0	112,362
Capital Projects	6,138,952	10,811,679	16,950,631	0
Debt Service		6,337,225	6,337,225	27,465,814
Depreciation		1,611,230	1,611,230	
Pension			0	542,968
Endowments			0	100,000
Grants	116,480		116,480	
Maintenance and Operations		5,920,705	5,920,705	
Unrestricted	(6,454,734)	7,399,034	944,300	27,744,515
<b>Total Net Assets</b>	<b>\$934,590,040</b>	<b>\$286,349,032</b>	<b>\$1,220,939,072</b>	<b>\$204,175,511</b>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2009

Function/Program Activities	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary Government:</b>								
Governmental Activities:								
General Government	\$22,706,306	\$14,300,517	\$2,183,863	\$25,540	(\$6,196,386)		(\$6,196,386)	
Administrative Services	3,315,306				(3,315,306)		(3,315,306)	
Health, Dental, and Vision	25,824,211	25,824,211			0		0	
Chief Information Officer	14,522,324	56,344			(14,465,980)		(14,465,980)	
Finance	13,378,819	4,385,600	1,885,250	32,639	(7,075,330)		(7,075,330)	
Public Works	62,907,588	3,775,946	203,048	9,968,598	(48,959,996)		(48,959,996)	
Public Safety	13,145,251	403,491	532,214		(12,209,546)		(12,209,546)	
Police	69,507,685	2,031,643	3,652,460	150,342	(63,673,240)		(63,673,240)	
Fire and Emergency Services	66,077,180	6,773,040	1,898,621		(57,405,519)		(57,405,519)	
Community Corrections	30,670,339	6,413,349	31,590		(24,225,400)		(24,225,400)	
Environmental Quality	24,729,110	1,265,393	848,311	97,214	(22,518,192)		(22,518,192)	
Social Services	14,719,158	3,754,793	1,876,218		(9,088,147)		(9,088,147)	
General Services	13,944,835	104,442			(13,840,393)		(13,840,393)	
Parks and Recreation	19,955,406	5,381,956	140,308	2,060	(14,431,082)		(14,431,082)	
Law and Risk Management	10,803,413	21,528			(10,781,885)		(10,781,885)	
Interest on Long-Term Debt	6,357,236				(6,357,236)		(6,357,236)	
<b>Total governmental activities</b>	<u>412,564,167</u>	<u>74,492,253</u>	<u>13,251,883</u>	<u>10,276,393</u>	<u>(314,543,638)</u>	<u>0</u>	<u>(314,543,638)</u>	
Business-type Activities:								
Sanitary Sewer System	35,438,026	36,605,347				1,167,321	1,167,321	
Public Facilities	10,971,103	6,841,271				(4,129,832)	(4,129,832)	
Public Parking	1,012,399	1,373,037				360,638	360,638	
Landfill	6,209,619	8,499,137				2,289,518	2,289,518	
Right of Way	299,598	403,771				104,173	104,173	
Extended School Program	2,333,357	1,808,121				(525,236)	(525,236)	
Prisoners' Account System	1,628,156	2,026,429				398,273	398,273	
Enhanced 911	3,314,149	3,453,310				139,161	139,161	
LexVan Program	63,502	84,045				20,543	20,543	
Stormwater	1,841,975	68,268				(1,773,707)	(1,773,707)	
<b>Total business-type activities</b>	<u>63,111,884</u>	<u>61,162,736</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(1,949,148)</u>	<u>(1,949,148)</u>	
<b>Total primary government</b>	<u>\$475,676,051</u>	<u>\$135,654,989</u>	<u>\$13,251,883</u>	<u>\$10,276,393</u>	<u>(\$314,543,638)</u>	<u>(\$1,949,148)</u>	<u>(\$316,492,786)</u>	

**Component Units:**

Lexington Center Corporation	\$17,767,374	\$12,375,112	\$948,000	\$1,375,584					(\$3,068,678)
Lexington Airport Board	20,258,737	14,142,799	0	15,006,183					8,890,245
Fayette County Department of Health	26,674,673	9,882,000	9,642,720	0					(7,149,953)
Nonmajor component units	40,461,699	4,422,011	2,418,294	1,001,454					(32,619,940)
<b>Total component units</b>	<u>\$105,162,483</u>	<u>\$40,821,922</u>	<u>\$13,009,014</u>	<u>\$17,383,221</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(33,948,326)</u>

**General Revenues:**

Property Taxes	54,301,749			54,301,749			42,251,026
Licenses Fees - Wages and Net Profits Taxes	218,194,593			218,194,593			0
Grants and Contributions Not Restricted to Specific Programs:							
Community Development Block Grant	2,577,631			2,577,631			0
Income on Investments	804,510	669,955		1,474,465			509,013
Net Change in Fair Value of Investments	0			0			(60,223)
Gain (Loss) on Sale of Capital Assets	641,460	93,891		735,351			(564,129)
Miscellaneous	0			0			943,816
Payment from/to Lexington-Fayette Urban County Government	0			0			470,890
Transfers	617,876	(617,876)		0			0
<b>Total General Revenues and Transfers</b>	<u>277,137,819</u>	<u>145,970</u>		<u>277,283,789</u>			<u>43,550,393</u>
Change in Net Assets	(37,405,819)	(1,803,178)		(39,208,997)			9,602,067
Net Assets, July 1	971,995,859	288,152,210		1,260,148,069			196,543,682
Prior Period Adjustment	0	0		0			(1,970,238)
Net Assets, June 30	<u>\$934,590,040</u>	<u>\$286,349,032</u>		<u>\$1,220,939,072</u>			<u>\$204,175,511</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2009**

	General	Urban Services	Federal and State Grants	2009 Bond Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Current Cash	\$3,209,115	\$536	\$50		\$10,284,416	\$13,494,117
Current Investments	16,586,738	35,863,395	25,784		3,101,974	55,577,891
Receivables :						
Local Contributions			61,803			61,803
Loans			4,721,930			4,721,930
License Fees	15,180,058					15,180,058
Other	8,647,067	15	2,573		10,563,156	19,212,811
Less Allowance for Uncollectible Amounts	(2,523,647)		(4,721,930)			(7,245,577)
Due from Other Governments			10,104,746			10,104,746
Due from Component Units	612,179					612,179
Due from Fiduciary Funds	163,377					163,377
Inventories and Prepaid Items	1,258,565				4,144	1,262,709
Restricted Investments	8,016,040				13,047,088	21,063,128
<b>Total Assets</b>	<u>\$51,149,492</u>	<u>\$35,863,946</u>	<u>\$10,194,956</u>	<u>\$0</u>	<u>\$37,000,778</u>	<u>\$134,209,172</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts and Contracts Payable	\$4,212,403	\$936,480	\$1,725,632	\$815,894	\$1,711,189	\$9,401,598
Accrued Payroll & Related Liabilities	6,950,534	370,237	111,312		1,314	7,433,397
Internal Balances	5,758,721	579,568	6,162,561	9,979,115	(1,714,924)	20,765,041
Due to Fiduciary Funds	1,460					1,460
Due to Component Units	568,334					568,334
Unearned Revenue and Other	528,126		2,078,971		2,500	2,609,597
<b>Total Liabilities</b>	<u>18,019,578</u>	<u>1,886,285</u>	<u>10,078,476</u>	<u>10,795,009</u>	<u>79</u>	<u>40,779,427</u>
Fund Balances:						
Reserved for:						
Encumbrances	12,177,430	5,612,288	15,638	2,519,052	5,409,772	25,734,180
Unreserved:						
Designated for Payroll	2,116,169	127,622				2,243,791
Designated for Economic Contingency	14,470,569					14,470,569
Undesignated	4,365,746	28,237,751	100,842			32,704,339
Undesignated, reported in Special Revenue Funds					12,137,914	12,137,914
Undesignated, reported in Capital Projects Funds				(13,314,061)	19,453,013	6,138,952
<b>Total Fund Balances</b>	<u>33,129,914</u>	<u>33,977,661</u>	<u>116,480</u>	<u>(10,795,009)</u>	<u>37,000,699</u>	<u>93,429,745</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$51,149,492</u>	<u>\$35,863,946</u>	<u>\$10,194,956</u>	<u>\$0</u>	<u>\$37,000,778</u>	<u>\$134,209,172</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, 2009**

Fund balances - total governmental funds		\$93,429,745
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	1,343,175,414	
Less accumulated depreciation	<u>(267,424,944)</u>	1,075,750,470
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		
		464,287
Prepayment of Unfunded Police and Fire Pension Liability		
		30,143,003
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	(229,265,000)	
Accrued interest payable	(2,495,697)	
Compensated absences	(18,042,515)	
Unfunded pension liability and other post retirement benefits	<u>(15,643,254)</u>	(265,446,466)
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.		
Internal Balances due to non-governmental activities funds related to items listed above		<u>249,001</u>
Net assets of governmental activities		<u><u>\$934,590,040</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, 2009**

	<u>General</u>	<u>Urban Services</u>	<u>Federal and State Grants</u>	<u>2009 Bond Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
License Fees and Permits	\$221,612,009	\$1,229,919				\$222,841,928
Taxes	20,737,242	33,564,507				54,301,749
Charges for Services	21,965,618	11,875			95,912	22,073,405
Fines and Forfeitures	270,598				32,607	303,205
Intergovernmental	2,405,778		26,012,084		8,044,527	36,462,389
Exactions					379,575	379,575
Grant Match			2,734,433			2,734,433
Property Sales	646,007	148,614			8,761	803,382
Income on Investments	288,720	223,141	57,645		235,004	804,510
Other	3,559,544	1,552,614	2,244,400		572,290	7,928,848
<b>Total Revenues</b>	<u>271,485,516</u>	<u>36,730,670</u>	<u>31,048,562</u>	<u>0</u>	<u>9,368,676</u>	<u>348,633,424</u>
<b>EXPENDITURES</b>						
Current:						
General Government	3,277,800	3,387,950	35,735		60,497	6,761,982
Administrative Services	1,057,331				2,155,931	3,213,262
Chief Information Officer	7,525,436	532,770	3,234	4,196,880	1,307,867	13,566,187
Finance	9,055,701	51,831	2,309,601		71,315	11,488,448
Public Works	16,878,253	4,993,107	1,921,860		915,611	24,708,831
Public Safety	9,426,103	434,133	940,771		2,186,198	12,987,205
Police	90,861,419		3,008,509		385,386	94,255,314
Fire and Emergency Services	89,586,490		1,921,250			91,507,740
Community Corrections	29,106,221		35,566			29,141,787
Social Services	9,231,106		2,392,838			11,623,944
Environmental Quality		20,108,046	964,122		4,500	21,076,668
General Services	10,837,934	52,389			67,555	10,957,878
Parks and Recreation	17,307,811	447,075	533,966			18,288,852
Law and Risk Management	9,602,925	1,248,855				10,851,780
Outside Agencies	16,913,570		2,322,639			19,236,209
Debt Service:						
Principal	13,450,040	154,960			155,000	13,760,000
Interest and Other	4,920,610	10,499				4,931,109
Bond Issue Costs and Other Debt Service	1,016,287				(451,414)	564,873
Capital:						
Equipment	376,723	2,432,049	1,041,383	4,422,738	5,163,445	13,436,338
Acquisitions and Construction	963,872	1,327,714	13,618,943	1,368,463	14,720,359	31,999,351
<b>Total Expenditures</b>	<u>341,395,632</u>	<u>35,181,378</u>	<u>31,050,417</u>	<u>9,988,081</u>	<u>26,742,250</u>	<u>444,357,758</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>(69,910,116)</u>	<u>1,549,292</u>	<u>(1,855)</u>	<u>(9,988,081)</u>	<u>(17,373,574)</u>	<u>(95,724,334)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Debt Proceeds	78,610,000				38,350,000	116,960,000
Transfers In	1,557,097		4,381		2,676,867	4,238,345
Transfers Out	(1,514,713)	(670,526)	(5,230)		(1,430,000)	(3,620,469)
<b>Total Other Financing Sources (Uses)</b>	<u>78,652,384</u>	<u>(670,526)</u>	<u>(849)</u>	<u>0</u>	<u>39,596,867</u>	<u>117,577,876</u>
<b>Net Change in Fund Balances</b>	8,742,268	878,766	(2,704)	(9,988,081)	22,223,293	21,853,542
<b>Fund Balances, July 1</b>	24,387,646	33,098,895	119,184	(806,928)	14,777,406	71,576,203
<b>Fund Balances, June 30</b>	<u>\$33,129,914</u>	<u>\$33,977,661</u>	<u>\$116,480</u>	<u>(\$10,795,009)</u>	<u>\$37,000,699</u>	<u>\$93,429,745</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, 2009**

Net change in fund balances - total governmental funds		\$21,853,542
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	32,886,450	
Less current year depreciation	<u>(43,676,952)</u>	(10,790,502)
The net effect of various miscellaneous transactions involving capital assets (i.e. Sales, trade-ins, and donations) is to increase net assets.		
		(178,342)
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.		
Debt Proceeds (net of bond refunding)	(116,960,000)	
Bond Issue costs	157,460	
Principal payments	<u>13,760,000</u>	(103,042,540)
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		
Prepayment of Police and Fire unfunded pension liability	30,143,003	
Amortization of current year bond (discounts) premiums	5,962	
Change in unfunded pension liability and other post retirement benefits	25,123,150	
Change in accrued interest payable	(1,501,126)	
Change in compensated absences	<u>732,033</u>	54,503,022
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>249,001</u>
Change in net assets of governmental activities		<u><u>(\$37,405,819)</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, 2009**

	Budgeted Amounts		Actual Amounts GAAP Basis	Adjustments Budget Basis	Actual Amounts Budget Basis	Variance with Final Budget
	Original	Final				
<b>REVENUES</b>						
Licenses and Permits:						
Employee Withholdings	\$152,700,000	\$152,700,000	\$148,968,942		\$148,968,942	(\$3,731,058)
Business Returns	30,933,850	30,933,850	30,447,086		30,447,086	(486,764)
Insurance Premiums	21,600,000	21,600,000	20,468,353		20,468,353	(1,131,647)
Bond Deposits	2,000	2,000	500		500	(1,500)
Regulated License Fee	863,900	863,900	848,618		848,618	(15,282)
Franchise Fee	16,058,200	16,058,200	17,461,094		17,461,094	1,402,894
Bank Franchise Fee	1,435,000	1,435,000	1,293,233		1,293,233	(141,767)
Vehicle License	230,000	230,000	191,081		191,081	(38,919)
Deed Tax Fee	1,600,000	1,600,000	1,385,450		1,385,450	(214,550)
Contractor Registration Fee	543,000	543,000	352,930		352,930	(190,070)
Filing Fee - Planning & Zoning	180,000	180,000	122,500		122,500	(57,500)
Animal License	60,000	60,000	46,261		46,261	(13,739)
Hotel - Motel License Fee			25,961		25,961	25,961
<b>Total Licenses and Permits</b>	<b>226,205,950</b>	<b>226,205,950</b>	<b>221,612,009</b>	<b>0</b>	<b>221,612,009</b>	<b>(4,593,941)</b>
Taxes:						
Realty Taxes	17,414,000	17,414,000	17,413,797		17,413,797	(203)
Personalty Taxes	1,508,000	1,508,000	1,591,301		1,591,301	83,301
PSC Taxes	641,000	641,000	1,060,264		1,060,264	419,264
Property Tax Discount	(322,000)	(322,000)	(325,636)		(325,636)	(3,636)
Property Tax Commission	(805,000)	(805,000)	(842,655)		(842,655)	(37,655)
Delinquent - Realty & Personal	50,000	50,000	4,976		4,976	(45,024)
Motor Vehicle Ad Valorem Tax	1,731,000	1,731,000	1,601,548		1,601,548	(129,452)
County Clerk Com - Mtr Veh	(70,890)	(70,890)	(34,316)		(34,316)	36,574
Supplementary Tax Bills	7,000	7,000	2,267		2,267	(4,733)
Omitted Tax	70,000	70,000	265,696		265,696	195,696
<b>Total Taxes</b>	<b>20,223,110</b>	<b>20,223,110</b>	<b>20,737,242</b>	<b>0</b>	<b>20,737,242</b>	<b>514,132</b>
Charges for Services:						
Accident Report Sales	12,000	12,000	7,726		7,726	(4,274)
Administrative Collection Fees	110,000	110,000	14,198		14,198	(95,802)
Adult Probation Fees	78,000	78,000	89,553		89,553	11,553
Animal Shelter Collections	35,000	35,000	43,085		43,085	8,085
Building Permits	1,000,000	1,000,000	788,877		788,877	(211,123)
Computer Services Fees	70,000	70,000	58,896		58,896	(11,104)
Detention Center	5,705,000	5,705,000	5,384,366		5,384,366	(320,634)
Developer Landscape Fees	11,000	11,000	12,340		12,340	1,340
District Court Jail Fees	188,000	188,000	860,303		860,303	672,303
Domestic Relations Collection			11,146		11,146	11,146
EMS	5,150,000	5,150,000	6,760,314		6,760,314	1,610,314
Excess Fees And Collections	2,200,000	2,200,000	2,640,179		2,640,179	440,179
Golf Course Collections	3,837,600	3,837,600	3,413,016		3,413,016	(424,584)
Lexington Store			598		598	598
Park Land Acquisition	400,000	400,000	317,013		317,013	(82,987)
Parking			41,964		41,964	41,964
Parks & Recreation Programs	1,437,300	1,437,300	1,124,946		1,124,946	(312,354)
Rent Or Lease Income	112,000	112,000	397,099		397,099	285,099
<b>Total Charges for Services</b>	<b>20,345,900</b>	<b>20,345,900</b>	<b>21,965,618</b>	<b>0</b>	<b>21,965,618</b>	<b>1,619,718</b>
<b>Fines and Forfeitures</b>	<b>67,800</b>	<b>67,800</b>	<b>270,598</b>	<b>0</b>	<b>270,598</b>	<b>202,798</b>
<b>Intergovernmental</b>	<b>2,741,200</b>	<b>2,926,930</b>	<b>2,405,778</b>	<b>0</b>	<b>2,405,778</b>	<b>(521,152)</b>
<b>Property Sales</b>	<b>3,600,000</b>	<b>3,600,000</b>	<b>646,007</b>	<b>0</b>	<b>646,007</b>	<b>(2,953,993)</b>
<b>Investments</b>	<b>737,000</b>	<b>806,603</b>	<b>288,720</b>	<b>0</b>	<b>288,720</b>	<b>(517,884)</b>
Other Income:						
Assistance Repayment			5,027		5,027	5,027
Contributions		321,963	122,826		122,826	(199,136)
Penalties And Interest	990,000	990,000	1,849,015		1,849,015	859,015
School Board Tax Fee	12,000	12,000	1,000		1,000	(11,000)
Tourist Commission Fee	25,000	25,000			0	(25,000)
Payment in Lieu of Taxes	45,000	45,000			0	(45,000)
Miscellaneous	161,200	958,145	1,581,677		1,581,677	623,531
<b>Total Other Income</b>	<b>1,233,200</b>	<b>2,352,108</b>	<b>3,559,545</b>	<b>0</b>	<b>3,559,545</b>	<b>1,207,437</b>
<b>Total Revenues</b>	<b>275,154,160</b>	<b>276,528,401</b>	<b>271,485,516</b>	<b>0</b>	<b>271,485,516</b>	<b>(5,042,885)</b>

continued

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON**  
**GENERAL FUND**  
**For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts GAAP Basis	Adjustments Budget Basis	Actual Amounts Budget Basis	Variance with Final Budget
	Original	Final				
<b>EXPENDITURES</b>						
<b>General Government:</b>						
Council Office	\$2,411,660	\$2,628,532	\$2,365,056	(\$5,233)	\$2,359,823	(\$268,709)
Office of the Mayor	1,823,100	1,903,636	1,820,882	53,533	1,874,415	(29,221)
Special Programs	951,240	1,123,196	1,026,852	9,107	1,035,959	(87,237)
Board of Elections	641,460	644,444	502,421	(530)	501,891	(142,553)
Clerk of the Urban County Council	767,330	781,989	728,993	(200)	728,793	(53,196)
County Attorney	774,400	774,400	769,038		769,038	(5,363)
Coroner	719,610	740,359	601,134	(378)	600,756	(139,603)
Property Valuation Administrator	365,000	365,000	365,000		365,000	0
Contingency	(3,409,350)	(7,162,830)			0	7,162,830
Circuit Judges	291,070	307,920	305,870		305,870	(2,050)
County Court Clerk	169,470	169,470	91,431		91,431	(78,039)
Citizens' Advocate	179,380	186,388	178,321	(1,771)	176,550	(9,838)
Commonwealth Attorney	68,960	70,403	57,880	(995)	56,885	(13,518)
County Judge Executive	17,570	23,538	28,384		28,384	4,845
Indirect Cost Allocation	(5,583,210)	(5,583,960)	(5,503,439)		(5,503,439)	80,521
<b>Total General Government</b>	<b>187,690</b>	<b>(3,027,515)</b>	<b>3,337,821</b>	<b>53,533</b>	<b>3,391,354</b>	<b>6,418,869</b>
<b>Administrative Services:</b>						
Senior Advisor	169,230	170,722	140,144		140,144	(30,578)
Office of Policy and Budget	532,290	609,817	506,189	(1,579)	504,610	(105,208)
Internal Audit Office	444,370	417,344	406,240	33,006	439,246	21,902
<b>Total Administrative Services</b>	<b>1,145,890</b>	<b>1,197,883</b>	<b>1,052,574</b>	<b>31,427</b>	<b>1,084,001</b>	<b>(113,883)</b>
<b>Chief Information Officer</b>						
Government Communications	1,647,240	1,715,926	1,660,794	(59,327)	1,601,467	(114,458)
Computer Services	5,243,050	5,546,353	5,413,892	(118,183)	5,295,709	(250,645)
Chief Information Officer	549,690	587,698	536,020	(10,971)	525,049	(62,648)
<b>Total Chief Information Officer</b>	<b>7,439,980</b>	<b>7,849,977</b>	<b>7,610,707</b>	<b>(188,481)</b>	<b>7,422,226</b>	<b>(427,751)</b>
<b>Department of Finance:</b>						
Community Development	990,350	1,019,579	853,274	(7,104)	846,170	(173,409)
Accounting	1,296,100	1,367,706	1,308,811	(2,430)	1,306,381	(61,325)
Central Purchasing	491,190	554,906	511,970		511,970	(42,935)
Human Resources	2,743,100	2,851,043	2,661,748	(45,535)	2,616,213	(234,830)
Revenue	2,573,730	2,664,280	2,453,959	(16,529)	2,437,430	(226,850)
Finance Administration	436,420	1,283,398	1,267,598	41,416	1,309,014	25,617
<b>Total Finance</b>	<b>8,530,890</b>	<b>9,740,912</b>	<b>9,057,361</b>	<b>(30,182)</b>	<b>9,027,178</b>	<b>(713,734)</b>
<b>Department of Public Works:</b>						
Building Inspection	2,707,690	2,788,922	2,627,490	(12,010)	2,615,480	(173,442)
Historic Preservation	372,450	386,961	369,531	(6,610)	362,921	(24,040)
Engineering	2,474,870	2,572,479	2,271,063	111,139	2,382,202	(190,277)
Planning	2,095,720	2,343,307	2,111,678	(170,544)	1,941,134	(402,172)
Streets, Roads, and Forestry	5,018,110	5,663,684	4,932,729	(8,611)	4,924,118	(739,566)
Traffic Engineering	4,523,450	4,631,603	4,375,728	33,463	4,409,191	(222,412)
Public Works Administration	404,740	434,675	326,642		326,642	(108,033)
Purchase of Development Rights	194,420	269,275	183,256	(3,750)	179,506	(89,769)
<b>Total Public Works</b>	<b>17,791,450</b>	<b>19,090,906</b>	<b>17,198,118</b>	<b>(56,922)</b>	<b>17,141,196</b>	<b>(1,949,710)</b>
<b>Department of Public Safety:</b>						
Police	55,068,250	91,915,068	91,009,323	(347,881)	90,661,442	(1,253,627)
Fire & Emergency Services	52,251,160	90,180,621	89,586,490	(11,563)	89,574,927	(605,693)
Community Corrections	30,466,250	31,066,022	29,106,221	(117,256)	28,988,965	(2,077,057)
Public Safety Administration	4,160,210	4,165,323	4,150,102	(1,290)	4,148,812	(16,511)
Code Enforcement	1,722,930	1,761,037	1,599,238	(4,399)	1,594,839	(166,197)
DEEM/Enhanced 911	3,790,220	4,042,301	3,724,381	(42,967)	3,681,414	(360,887)
<b>Total Public Safety</b>	<b>147,459,020</b>	<b>223,130,372</b>	<b>219,175,755</b>	<b>(525,356)</b>	<b>218,650,400</b>	<b>(4,479,972)</b>
<b>Department of Social Services:</b>						
Youth Services	2,293,620	2,698,932	2,317,595	331,281	2,648,876	(50,056)
Family Services	5,485,810	5,994,120	4,944,312	(187,440)	4,756,872	(1,237,248)
Adult Services	1,128,070	1,424,233	1,341,178	(3,268)	1,337,910	(86,323)
Social Services Administration	1,339,020	1,351,238	1,001,579	(9,530)	992,049	(359,189)
<b>Total Social Services</b>	<b>10,246,520</b>	<b>11,468,522</b>	<b>9,604,663</b>	<b>131,043</b>	<b>9,735,706</b>	<b>(1,732,816)</b>

continued

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON**  
**GENERAL FUND**  
**For the Year Ended June 30, 2009**

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Adjustments</b>	<b>Actual Amounts</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>GAAP Basis</b>	<b>Budget Basis</b>	<b>Budget Basis</b>	<b>Final Budget</b>
Dept of Environmental Quality						
Division of Water & Air Quality		160,207		170,915	170,915	10,708
Environmental Quality		1,651	\$1,651	(1,651)	0	(1,651)
Office of Compliance		52,155	51,555	(31,555)	20,000	(32,155)
<b>Total Environmental Quality</b>	<b>0</b>	<b>214,013</b>	<b>53,206</b>	<b>137,709</b>	<b>190,915</b>	<b>(23,098)</b>
Department of General Services:						
Parks and Recreation	18,031,900	18,592,521	17,462,971	(162,828)	17,300,143	(1,292,379)
Fleet and Facilities Management	11,975,420	12,681,070	8,826,111	(393,147)	8,432,964	(4,248,106)
General Services Administration	2,200,160	2,327,877	2,112,915	(29,272)	2,083,643	(244,234)
<b>Total General Services</b>	<b>32,207,480</b>	<b>33,601,469</b>	<b>28,401,996</b>	<b>(585,247)</b>	<b>27,816,749</b>	<b>(5,784,719)</b>
Department of Law:						
Law	2,670,870	2,898,973	2,595,480	(6,985)	2,588,495	(310,478)
Risk Management	8,149,790	7,570,174	7,007,445		7,007,445	(562,729)
<b>Total Law</b>	<b>10,820,660</b>	<b>10,469,147</b>	<b>9,602,925</b>	<b>(6,985)</b>	<b>9,595,940</b>	<b>(873,207)</b>
Outside Agencies:						
Commerce Lexington	549,650	549,650	549,650		549,650	0
Downtown Arts Center	115,450	115,450	115,450		115,450	0
Downtown Lexington Corporation	54,000	54,000	54,000		54,000	0
World Trade Center	115,000	115,000	115,000		115,000	0
Community Development Agencies	365,750	363,592	366,925	2,158	369,083	5,491
Social Service Agencies	2,049,270	2,098,267	2,136,668	(48,998)	2,087,670	(10,598)
Public Works Agencies	2,410	2,410	2,410		2,410	0
Lexington Public Library	13,126,690	13,126,690	13,065,900		13,065,900	(60,790)
Explorium of Lexington	213,750	213,750	213,750		213,750	0
Carnegie Literacy Center	36,000	36,678	36,678	(6,555)	30,123	(6,555)
Downtown Development Authority	257,140	257,140	257,140		257,140	0
<b>Total Outside Agencies</b>	<b>16,885,110</b>	<b>16,932,626</b>	<b>16,913,570</b>	<b>(53,395)</b>	<b>16,860,175</b>	<b>(72,451)</b>
Debt Service:						
Principal	19,792,150	19,282,530	13,450,040		13,450,040	(5,832,490)
Interest	5,087,910	5,087,910	4,920,610		4,920,610	(167,300)
Bond Issue Costs and Other Debt Service	1,097,460	1,097,460	1,016,287		1,016,287	(81,173)
<b>Total Debt Service</b>	<b>25,977,520</b>	<b>25,467,900</b>	<b>19,386,936</b>	<b>0</b>	<b>19,386,936</b>	<b>(6,080,964)</b>
<b>Total Expenditures</b>	<b>278,692,210</b>	<b>356,136,212</b>	<b>341,395,632</b>	<b>(1,092,856)</b>	<b>340,302,776</b>	<b>(15,833,436)</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(3,538,050)</b>	<b>(79,607,811)</b>	<b>(69,910,116)</b>	<b>1,092,856</b>	<b>(68,817,260)</b>	<b>10,790,551</b>
<b>OTHER FINANCING SOURCES</b>						
Debt Proceeds		78,622,006	78,610,000		78,610,000	(12,006)
Transfers In	679,550	1,560,729	1,557,097		1,557,097	(3,632)
Transfer to State		(8,025,440)		(8,016,040)	(8,016,040)	9,400
Transfers Out	1,252,740	1,066,305	(1,514,713)		(1,514,713)	(2,581,017)
<b>Total Other Financing Sources</b>	<b>1,932,290</b>	<b>73,223,600</b>	<b>78,652,384</b>	<b>(8,016,040)</b>	<b>70,636,344</b>	<b>(2,587,256)</b>
<b>Net Change in Fund Balances</b>	<b>(1,605,760)</b>	<b>(6,384,211)</b>	<b>8,742,268</b>	<b>(6,923,184)</b>	<b>1,819,084</b>	<b>8,203,295</b>
<b>Fund Balance, July 1</b>	<b>231,280</b>	<b>5,091,711</b>	<b>24,387,646</b>	<b>(5,254,245)</b>	<b>19,133,401</b>	<b>0</b>
<b>Fund Balance, June 30</b>	<b>(\$1,374,480)</b>	<b>(\$1,292,500)</b>	<b>\$33,129,914</b>	<b>(\$12,177,429)</b>	<b>\$20,952,485</b>	<b>\$8,203,295</b>

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

Total expenditures from the budgetary comparison schedule	\$340,302,776
Differences - Budget to GAAP:	
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but the year the supplies are received for financial reporting purposes.	1,092,856
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$341,395,632</u>



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**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON**  
**FULL URBAN SERVICES DISTRICT FUND**  
**For the Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Adjustments	Actual Amounts	Variance with
	Original	Final	GAAP Basis	Budget Basis	Budget Basis	Final Budget
<b>REVENUES</b>						
Licenses and Permits:						
Bank Franchise Fee	\$1,435,000	\$1,435,000	\$1,229,919		\$1,229,919	(\$205,081)
<b>Total Licenses and Permits</b>	<u>1,435,000</u>	<u>1,435,000</u>	<u>1,229,919</u>	<u>0</u>	<u>1,229,919</u>	<u>(205,081)</u>
Taxes:						
Realty Taxes	34,188,000	34,188,000	34,096,988		34,096,988	(91,012)
PSC Taxes	251,000	251,000	362,165		362,165	111,165
Property Tax Discount	(581,000)	(581,000)	(567,649)		(567,649)	13,351
Property Tax Commission	(350,000)	(350,000)	(350,000)		(350,000)	0
Delinquent - Realty & Personal	6,000	6,000	20,862		20,862	14,862
Supplementary Tax Bills	11,000	11,000	2,141		2,141	(8,859)
Omitted Tax	0	0	0		0	0
<b>Total Taxes</b>	<u>33,525,000</u>	<u>33,525,000</u>	<u>33,564,507</u>	<u>0</u>	<u>33,564,507</u>	<u>39,507</u>
Charges for Services:						
Rent Or Lease Income	0	0	5,000		5,000	5,000
Dumpster Permit Fees	6,000	6,000	6,875		6,875	875
<b>Total Charges for Services</b>	<u>6,000</u>	<u>6,000</u>	<u>11,875</u>	<u>0</u>	<u>11,875</u>	<u>5,875</u>
<b>Property Sales</b>	<u>30,000</u>	<u>30,000</u>	<u>148,614</u>		<u>148,614</u>	<u>118,614</u>
<b>Investments</b>	<u>322,000</u>	<u>322,000</u>	<u>223,141</u>		<u>223,141</u>	<u>(98,859)</u>
Other Income:						
Penalties And Interest	30,000	30,000	27		27	(29,973)
Commodities	0	0	1,547,031		1,547,031	1,547,031
Miscellaneous	1,202,400	1,202,400	5,558		5,558	(1,196,842)
<b>Total Other Income</b>	<u>1,232,400</u>	<u>1,232,400</u>	<u>1,552,615</u>	<u>0</u>	<u>1,552,615</u>	<u>320,215</u>
<b>Total Revenues</b>	<u>36,550,400</u>	<u>36,550,400</u>	<u>36,730,671</u>	<u>0</u>	<u>36,730,671</u>	<u>180,271</u>
<b>EXPENDITURES</b>						
General Government:						
Contingency	521,000	278,763				(278,763)
Indirect Cost Allocation	3,558,260	3,558,260	3,387,950		3,387,950	(170,310)
<b>Total General Government</b>	<u>4,079,260</u>	<u>3,837,023</u>	<u>3,387,950</u>	<u>0</u>	<u>3,387,950</u>	<u>(449,073)</u>
Chief Information Officer						
Computer Services		24,510				(24,510)
Government Communications	603,700	641,958	564,331	46,165	610,496	(31,463)
<b>Total Chief Information Officer</b>	<u>603,700</u>	<u>666,468</u>	<u>564,331</u>	<u>46,165</u>	<u>610,496</u>	<u>(55,973)</u>
Department of Finance:						
Human Resources	14,000	21,359	15,909	(2,359)	13,550	(7,809)
Revenue			23,328		23,328	23,328
Finance Administration	9,000	12,120	12,595	(3,120)	9,475	(2,645)
<b>Total Finance</b>	<u>23,000</u>	<u>33,479</u>	<u>51,831</u>	<u>(5,479)</u>	<u>46,352</u>	<u>12,873</u>
Department of Public Works:						
Streets, Roads, and Forestry	1,139,450	1,173,028	1,123,104	(444)	1,122,660	(50,368)
Traffic Engineering	4,201,000	5,695,715	4,255,165	75,484	4,330,649	(1,365,066)
Public Works Administration	8,500	8,500	4,941		4,941	(3,559)
<b>Total Public Works</b>	<u>5,348,950</u>	<u>6,877,243</u>	<u>5,383,210</u>	<u>75,040</u>	<u>5,458,250</u>	<u>(1,418,992)</u>
Department of Public Safety:						
DEEM/Enhanced 911			434,133		434,133	434,133
<b>Total Public Safety</b>	<u>0</u>	<u>0</u>	<u>434,133</u>	<u>0</u>	<u>434,133</u>	<u>434,133</u>
Dept of Environmental Quality						
Waste Management	24,514,510	24,932,899	20,869,659	4,350,221	25,219,880	286,981
Office of Compliance	1,236,430	1,309,741	537,158		537,158	(772,583)
Environmental Quality	705,520	780,267	542,617	51,646	594,263	(186,004)
<b>Total Environmental Quality</b>	<u>26,456,460</u>	<u>27,022,907</u>	<u>21,949,434</u>	<u>4,401,867</u>	<u>26,351,301</u>	<u>(671,606)</u>
Department of General Services:						
Parks and Recreation	505,610	592,095	447,075	(50,070)	397,005	(195,089)
Fleet and Facilities Management	1,812,200	1,730,596	1,549,100	80,439	1,629,539	(101,057)
<b>Total General Services</b>	<u>2,317,810</u>	<u>2,322,691</u>	<u>1,996,175</u>	<u>30,369</u>	<u>2,026,544</u>	<u>(296,147)</u>
Department of Law:						
Law			931		931	931
Risk Management	1,329,600	1,227,900	1,247,924		1,247,924	20,024
<b>Total Law</b>	<u>1,329,600</u>	<u>1,227,900</u>	<u>1,248,855</u>	<u>0</u>	<u>1,248,855</u>	<u>20,955</u>
Debt Service:						
Principal	154,960	154,960	154,960		154,960	0
Interest	10,500	10,500	10,499		10,499	(1)
<b>Total Debt Service</b>	<u>165,460</u>	<u>165,460</u>	<u>165,459</u>	<u>0</u>	<u>165,459</u>	<u>(1)</u>
<b>Total Expenditures</b>	<u>40,324,240</u>	<u>42,153,170</u>	<u>35,181,378</u>	<u>4,547,962</u>	<u>39,729,340</u>	<u>(2,423,830)</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>(3,773,840)</u>	<u>(5,602,770)</u>	<u>1,549,292</u>	<u>(4,547,962)</u>	<u>(2,998,670)</u>	<u>2,604,101</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGETARY COMPARISON  
FULL URBAN SERVICES DISTRICT FUND  
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts GAAP Basis	Adjustments Budget Basis	Actual Amounts Budget Basis	Variance with Final Budget
	Original	Final				
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers Out	(567,910)	(627,230)	(670,526)		(670,526)	(43,296)
<b>Total Other Financing Sources (Uses)</b>	<u>(567,910)</u>	<u>(627,230)</u>	<u>(670,526)</u>	<u>0</u>	<u>(670,526)</u>	<u>(43,296)</u>
<b>Net Change in Fund Balances</b>	(4,341,750)	(6,230,000)	878,766	(4,547,962)	(3,669,196)	2,560,804
<b>Fund Balance, July 1</b>	<u>17,231,460</u>	<u>10,980,087</u>	<u>33,098,895</u>	<u>(1,064,326)</u>	<u>32,034,569</u>	<u>0</u>
<b>Fund Balance, June 30</b>	<u>\$12,889,710</u>	<u>\$4,750,087</u>	<u>\$33,977,661</u>	<u>(\$5,612,288)</u>	<u>\$28,365,373</u>	<u>\$2,560,804</u>

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

Total expenditures from the budgetary comparison schedule	\$39,729,340
Differences - Budget to GAAP:	
Encumbrances for supplies and equipment ordered but not received is reported in the year the order is placed for budgetary purposes, but the year the supplies are received for financial reporting purposes.	<u>(4,547,962)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$35,181,378</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2009**

	<b>Business-type Activities</b>					<b>Total</b>	<b>Governmental Activities Internal Service Funds</b>
	<b>Sanitary Sewer System</b>	<b>Public Facilities Corporation</b>	<b>Public Parking Corporation</b>	<b>Landfill</b>	<b>Other Enterprise Funds</b>		
<b>ASSETS</b>							
Current Assets:							
Cash	\$219,834	\$82,081		\$2,481,688	\$1,208,058	\$3,991,661	\$235,600
Investments	1,039,529	2,198,596		20,587,762	2,536,912	26,362,799	1,040,231
Receivables:							
User Fees Receivable	1,498,943			505,213		2,004,156	
Other Receivables	3,203,023	76,303		509,029	49,739	3,838,094	250,084
Less Allowance for Uncollectible Accounts	(62,399)			(551,820)	(49,739)	(663,958)	
Inventories	4,159					4,159	
Restricted Investments:							
Reserved for Maintenance and Operation	5,920,705					5,920,705	
Reserved for Sinking Fund	4,752,488					4,752,488	
<b>Total Current Assets</b>	<b>16,576,282</b>	<b>2,356,980</b>	<b>0</b>	<b>23,531,872</b>	<b>3,744,970</b>	<b>46,210,104</b>	<b>1,525,915</b>
⌘ Non-Current Assets:							
Restricted Investments:							
Reserved for Construction & Capital Acquisitions	6,966,914					6,966,914	
Reserved for Depreciation	1,593,000					1,593,000	
Reserved for Debt Service	5,569,225		788,575			6,357,800	
Capital Assets:							
Land	1,448,111	32,578,647	7,985,094	5,194,637		47,206,489	
Land Improvements	254,476	26,067,064	3,110,639	16,505,871	10,000	45,948,050	
Buildings	2,148,290	117,258,885	10,342,967	64,815		129,814,957	
Sewer Plants	161,795,269					161,795,269	
Sewer Lines	140,726,656					140,726,656	
Leasehold Improvements		2,137,090				2,137,090	
Vehicles, Equipment, and Furniture	7,122,783	3,488,090	289,793	48,235	3,460,473	14,409,374	
Less Accumulated Depreciation	(127,260,706)	(81,304,137)	(6,155,958)	(5,447,140)	(2,755,816)	(222,923,757)	
Construction in Progress	21,380,396	341,031		4,466,953		26,188,380	
Unamortized Bond Costs	286,490	4,635,171	35,369			4,957,030	
<b>Total Non-Current Assets</b>	<b>222,030,904</b>	<b>105,201,841</b>	<b>16,396,479</b>	<b>20,833,371</b>	<b>714,657</b>	<b>365,177,252</b>	<b>0</b>
<b>Total Assets</b>	<b>238,607,186</b>	<b>107,558,821</b>	<b>16,396,479</b>	<b>44,365,243</b>	<b>4,459,627</b>	<b>411,387,356</b>	<b>1,525,915</b>

**LIABILITIES**

## Current Liabilities:

Accounts, Contracts and Retainage Payable	2,225,076	214,586	35,920	486,056	648,504	3,610,142	231,218
Accrued Payroll	264,883			5,636	176,607	447,126	
Internal Balances	1,786,498		(372,682)	(217,788)	(656,666)	539,362	(21,304,403)
Claims Payable						0	22,299,099
Bonds Payable		1,830,000	750,000			2,580,000	
Interest Payable		670,446	14,917			685,363	
Other	460,211	41,253				501,464	
Compensated Absences	291,105			52	1,786	292,943	
Landfill Closure and Postclosure Care Costs				405,335		405,335	
Payable from Restricted Investments:							
Accounts, Contracts and Retainage Payable	779,651					779,651	
Bonds Payable	4,040,000					4,040,000	
Interest Payable	836,862					836,862	
<b>Total Current Liabilities</b>	<b>10,684,286</b>	<b>2,756,285</b>	<b>428,155</b>	<b>679,291</b>	<b>170,231</b>	<b>14,718,248</b>	<b>1,225,914</b>
Non-Current Liabilities							
Unearned Revenues & Other	271,823				3,718	275,541	
Bonds Payable	27,820,000	63,890,000				91,710,000	
Compensated Absences	671,410			466	3,741	675,617	
Landfill Closure and Postclosure Care Costs				17,709,918		17,709,918	
<b>Total Non-Current Liabilities</b>	<b>28,763,233</b>	<b>63,890,000</b>	<b>0</b>	<b>17,710,384</b>	<b>7,459</b>	<b>110,371,076</b>	<b>0</b>
<b>Total Liabilities</b>	<b>39,447,519</b>	<b>66,646,285</b>	<b>428,155</b>	<b>18,389,675</b>	<b>177,690</b>	<b>125,089,324</b>	<b>1,225,914</b>
<b>NET ASSETS</b>							
Invested in Capital Assets, net of related debt	177,613,386	39,481,841	15,625,904	20,833,371	714,657	254,269,159	
Restricted for:							
Capital Projects	8,980,299	433,782				9,414,081	
Capital Projects - Construction						0	
Capital Projects - Park Acquisition		1,397,598				1,397,598	
Debt Service	5,569,225		768,000			6,337,225	
Depreciation	1,593,000	18,230				1,611,230	
Maintenance and Operations	5,920,705					5,920,705	
Unrestricted (Deficit)	(516,948)	(418,915)	(425,580)	5,142,197	3,567,280	7,348,034	300,001
<b>Total Net Assets</b>	<b>\$199,159,667</b>	<b>\$40,912,536</b>	<b>\$15,968,324</b>	<b>\$25,975,568</b>	<b>\$4,281,937</b>	<b>\$286,298,032</b>	<b>\$300,001</b>

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

Net Assets of Business-type Activities

51,000

\$286,349,032

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2009**

**Business-type Activities**  
**Enterprise Funds**

	<b>Sanitary Sewer System</b>	<b>Public Facilities Corporation</b>	<b>Public Parking Corporation</b>	<b>Landfill</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Governmental Activities Internal Service Funds</b>
<b>Operating Revenues</b>							
User Charges	\$35,213,276			\$8,215,397		\$43,428,673	\$41,736,931
Fees	1,048,864			264,761	5,259,876	6,573,501	
Exactions	198,914					198,914	
Licenses & Permits					403,771	403,771	
Rental Income		5,760,337	527,146			6,287,483	
Parking Revenues		347,356	845,891			1,193,247	
Theater Revenues		733,560				733,560	
Gross Profit-Commissary					854,206	854,206	
Other	93,293	18		18,979	1,326,091	1,438,381	
<b>Total Operating Revenues</b>	<u>36,554,347</u>	<u>6,841,271</u>	<u>1,373,037</u>	<u>8,499,137</u>	<u>7,843,944</u>	<u>61,111,736</u>	<u>41,736,931</u>
<b>Operating Expenses</b>							
Environmental Quality					1,817,228	1,817,228	
Public Works					24,747	24,747	
Treatment Plant	8,447,048					8,447,048	
Collection System	4,427,863					4,427,863	
Property Management		2,009,401				2,009,401	
Theater Management		672,073				672,073	
Landfill				4,669,175		4,669,175	
Right of Way					292,516	292,516	
Extended School Program					2,281,816	2,281,816	
Prisoners' Account					651,529	651,529	
Inmate Trust Account					946,282	946,282	
Enhanced 911					2,833,241	2,833,241	
LexVan Program					63,502	63,502	
Small Business Development						0	
Administration	14,325,685		579,538	609,007	40,692	15,554,922	
Depreciation	6,393,816	5,374,924	316,444	931,437	529,184	13,545,805	
Claims and Benefit Payments						0	41,459,187
<b>Total Operating Expenses</b>	<u>33,594,412</u>	<u>8,056,398</u>	<u>895,982</u>	<u>6,209,619</u>	<u>9,480,737</u>	<u>58,237,148</u>	<u>41,459,187</u>
<b>Operating Income (Loss)</b>	<u>2,959,935</u>	<u>(1,215,127)</u>	<u>477,055</u>	<u>2,289,518</u>	<u>(1,636,793)</u>	<u>2,874,588</u>	<u>277,744</u>

<b>Non-Operating Revenues (Expenses)</b>							
Income on Investments	494,577	4,143	9,598	145,562	16,075	669,955	22,257
Interest Expense and Fiscal Agent Fees	(1,777,985)	(2,706,308)	(55,785)			(4,540,078)	
Amortization of Bond Costs	(65,629)	(208,397)	(60,632)			(334,658)	
Sale of Capital Assets	93,891					93,891	
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(1,255,146)</u>	<u>(2,910,562)</u>	<u>(106,819)</u>	<u>145,562</u>	<u>16,075</u>	<u>(4,110,890)</u>	<u>22,257</u>
<b>Income (Loss) Before Contributions and Transfers</b>	1,704,789	(4,125,689)	370,236	2,435,080	(1,620,718)	(1,236,302)	300,001
Transfers In	453,974	94,958			2,371,720	2,920,652	
Transfers Out	(888,779)			(2,004,949)	(644,800)	(3,538,528)	
<b>Change in Net Assets</b>	1,269,984	(4,030,731)	370,236	430,131	106,202	(1,854,178)	300,001
<b>Net Assets - July 1</b>	197,889,683	44,943,267	15,598,088	25,545,437	4,175,735		0
<b>Net Assets - June 30</b>	<u>\$199,159,667</u>	<u>\$40,912,536</u>	<u>\$15,968,324</u>	<u>\$25,975,568</u>	<u>\$4,281,937</u>		<u>\$300,001</u>

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

51,000  
(\$1,803,178)

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, 2009**

**Business-type Activities**  
**Enterprise Funds**

	<b>Sanitary Sewer System</b>	<b>Public Facilities Corporation</b>	<b>Public Parking Corporation</b>	<b>Landfill</b>	<b>Other Enterprise Funds</b>	<b>Total</b>	<b>Governmental Activities Internal Service Funds</b>
<b>Increase (Decrease) in Cash:</b>							
<b>Cash Flows from Operating Activities:</b>							
Receipts from Customers	\$38,933,220	\$6,342,875	\$1,375,918	\$8,344,653	\$7,843,944	\$62,840,610	\$31,113,507
Receipts from Interfund Services Provided		506,000				506,000	4,412,064
Repayments of Loans					1,269	1,269	
Payments to Suppliers	(11,074,848)	(2,165,893)	(933,934)	(4,395,300)	(5,518,912)	(24,088,887)	(202,454)
Payments to Employees	(9,641,415)			(211,727)	(3,625,031)	(13,478,173)	
Payments for Interfund Services Used	(2,136,635)			(53,247)	(285,333)	(2,475,215)	
Payments for Claims						0	(40,096,119)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>16,080,322</b>	<b>4,682,982</b>	<b>441,984</b>	<b>3,684,379</b>	<b>(1,584,063)</b>	<b>23,305,604</b>	<b>(4,773,002)</b>
<b>Cash Flows from Noncapital Financing Activities:</b>							
Transfers In	453,974	94,958			2,371,720	2,920,652	
Transfers Out	(888,779)			(2,004,949)	(644,800)	(3,538,528)	
<b>Net Cash Flows from Noncapital Financing Activities</b>	<b>(434,805)</b>	<b>94,958</b>	<b>0</b>	<b>(2,004,949)</b>	<b>1,726,920</b>	<b>(617,876)</b>	<b>0</b>
<b>Cash Flows from Capital and Related Activities:</b>							
Additions to Property, Plant and Equipment	(20,724,457)	(368,762)			(44,206)	(21,137,425)	
Principal Paid on Bonds	(3,855,000)	(1,005,000)	(720,000)			(5,580,000)	
Interest and Fiscal Agent Fees Paid on Bonds	(1,777,985)	(2,706,308)	(55,785)			(4,540,078)	
Sale of Capital Assets	93,891					93,891	
<b>Net Cash Flows from Capital and Related Activities</b>	<b>(26,263,551)</b>	<b>(4,080,070)</b>	<b>(775,785)</b>	<b>0</b>	<b>(44,206)</b>	<b>(31,163,612)</b>	<b>0</b>
<b>Cash Flows from Investing Activities:</b>							
Purchases of Investments		(2,059,086)			(2,468,393)	(4,527,479)	
Proceeds from Sales and Maturities of Investments	1,637,247		3,876	(5,320,987)	65,935	(3,613,929)	4,986,345
Income on Investments	494,577	4,143	9,598	145,562	16,075	669,955	22,257
<b>Net Cash Flows from Investing Activities</b>	<b>2,131,824</b>	<b>(2,054,943)</b>	<b>13,474</b>	<b>(5,175,425)</b>	<b>(2,386,383)</b>	<b>(7,471,453)</b>	<b>5,008,602</b>

<b>Net Increase (Decrease) in Cash</b>	<u>(8,486,210)</u>	<u>(1,357,073)</u>	<u>(320,327)</u>	<u>(3,495,995)</u>	<u>(2,287,732)</u>	<u>(15,947,337)</u>	<u>235,600</u>
Cash at Beginning of Year	<u>8,706,044</u>	<u>1,439,154</u>	<u>320,327</u>	<u>5,977,683</u>	<u>3,495,790</u>	<u>19,938,998</u>	<u>0</u>
<b>Cash at End of Year</b>	<u><u>\$219,834</u></u>	<u><u>\$82,081</u></u>	<u><u>\$0</u></u>	<u><u>\$2,481,688</u></u>	<u><u>\$1,208,058</u></u>	<u><u>\$3,991,661</u></u>	<u><u>\$235,600</u></u>

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

<b>Operating Income (Loss)</b>	<u>\$2,959,935</u>	<u>(\$1,215,127)</u>	<u>\$477,055</u>	<u>\$2,289,518</u>	<u>(\$1,636,793)</u>	<u>\$2,874,588</u>	<u>\$277,744</u>
<b>Adjustments Not Affecting Cash:</b>							
Depreciation	6,393,816	5,374,924	316,444	931,437	529,184	13,545,805	
Allowance for Bad Debts	1,514			90,367		91,881	
<b>(Increase) Decrease in Assets:</b>							
Accounts Receivable	284,950			(6,090)		278,860	
Other Receivables	2,008,174	7,604	2,881	(148,394)	1,269	1,871,534	900,371
Inventories	1,512					1,512	
<b>Increase (Decrease) in Liabilities:</b>							
Accounts Payable	1,602,781	(192,411)	32,063	(1,836)	170,016	1,610,613	(202,454)
Accrued Payroll	60,727			961	69,451	131,139	
Claims Payable						0	1,363,068
Due to Other Funds	2,819,518	717,675	(372,404)	445,138	(577,135)	3,032,792	(7,111,731)
Unearned Revenue	85,749					85,749	
Other Liabilities	(196,789)	(9,683)	(14,055)	84,076	(141,020)	(277,471)	
Compensated Absences	58,435			(798)	965	58,602	
<b>Total Adjustments</b>	<u>13,120,387</u>	<u>5,898,109</u>	<u>(35,071)</u>	<u>1,394,861</u>	<u>52,730</u>	<u>20,431,016</u>	<u>(5,050,746)</u>
<b>Net Cash Provided by (Used In) Operating Activities</b>	<u><u>\$16,080,322</u></u>	<u><u>\$4,682,982</u></u>	<u><u>\$441,984</u></u>	<u><u>\$3,684,379</u></u>	<u><u>(\$1,584,063)</u></u>	<u><u>\$23,305,604</u></u>	<u><u>(\$4,773,002)</u></u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2009**

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash	\$69,990,858	\$643,071
Receivables:		
Accounts Receivable	2,446,122	17,496
Less Allowance for Uncollectible Accounts	0	(17,496)
Due from Other Funds	1,460	
<b>Total Receivables</b>	<b>2,447,582</b>	<b>0</b>
Investments, at Fair Value:		
Debt Securities		
US Agencies	32,686,372	
US Government Obligations	4,636,650	
Municipal Obligations	30,634,901	
International Bonds	2,791,159	
Corporate Debt	59,724,026	
Repurchase Agreements	15,192,376	
Other Investments		
Equity Mutual Funds	34,829,933	
Equity Real Estate	30,394,820	
Equity Securities - Domestic	71,458,938	
Equity Securities - International	54,055,396	
<b>Total Investments</b>	<b>336,404,570</b>	<b>0</b>
<b>Total Assets</b>	<b>\$408,843,010</b>	<b>\$643,071</b>
<b>LIABILITIES</b>		
Accounts Payable	20,373	
Securities Lending Transactions	15,192,376	
Due to Other Funds	163,377	
Payable to Property Owners	0	643,071
<b>Total Liabilities</b>	<b>\$15,376,126</b>	<b>\$643,071</b>
<b>NET ASSETS</b>		
Net Assets Held in Trust for Pension Benefits	<b>\$393,466,884</b>	<b>\$0</b>

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, 2009**

	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$81,680,301
Employer - Administration	2,714,303
Plan Members	7,454,031
Other	125,709
<b>Total Contributions</b>	<b>91,974,344</b>
Income on Investments:	
Net Change in Fair Value of Investments	(95,463,584)
Interest	8,638,627
Dividends	1,894,877
<b>Total Loss on Investments</b>	<b>(84,930,080)</b>
Less Investment Expense	2,143,134
<b>Net Loss on Investments</b>	<b>(87,073,214)</b>
Income from Securities Lending Activities:	
Securities Lending Income	170,421
Securities Lending Expenses	
Borrower Rebates	35,996
Management Fees	53,770
<b>Total Securities Lending Expenses</b>	<b>89,766</b>
<b>Net Income on Securities Lending Activities</b>	<b>80,655</b>
<b>Total Additions</b>	<b>4,981,785</b>
<b>DEDUCTIONS</b>	
Benefit Payments	37,076,036
Refunds of Contributions	127,896
Administrative Expense	138,927
<b>Total Deductions</b>	<b>37,342,859</b>
<b>Net Decrease</b>	(32,361,074)
<b>Net Assets, July 1</b>	<b>425,827,958</b>
<b>Net Assets, June 30</b>	<b>\$393,466,884</b>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF NET ASSETS**  
**COMPONENT UNITS**  
**June 30, 2009**

	<b>Lexington Center Corporation</b>	<b>Lexington Airport Board</b>	<b>Fayette County Department of Health</b>	<b>Nonmajor Component Units</b>	<b>Total</b>
<b>ASSETS</b>					
Cash	\$506,892	\$6,640,242	\$2,734,114	\$11,003,792	\$20,885,040
Investments		0		3,077,449	3,077,449
Receivables:					
Accounts Receivable	877,185	4,274,672	961,528	684,606	6,797,991
Other				484,133	484,133
Less Allowance for Uncollectible Account:	(17,475)				(17,475)
Due from Component Units	237,001				237,001
Due from Primary Government	195,915			372,419	568,334
Due from Other Governments				2,571,158	2,571,158
Inventories			86,645	835,513	922,158
Prepaid Items		263,693	182,657	1,707,970	2,154,320
Pension Assets				705,727	705,727
Restricted Current Assets:					
Cash		47,936,738		2,576	47,939,314
Investments	2,396,216			559,156	2,955,372
Other	426,956				426,956
Restricted Non-Current Investments	5,747,745				5,747,745
Bond Issuance Costs-Net of					
Accumulated Amortization		2,401,367			2,401,367
Other		99,522			99,522
Capital Assets:					
Non-depreciable	11,709,550	18,519,500		7,266,647	37,495,697
Depreciable (Net)	54,101,893	105,445,233	4,450,264	33,035,924	197,033,314
Other Assets	391,007				391,007
<b>Total Assets</b>	<b>76,572,885</b>	<b>185,580,967</b>	<b>8,415,208</b>	<b>62,307,070</b>	<b>332,876,130</b>
<b>LIABILITIES</b>					
Accounts, Contracts Payable and					
Accrued Liabilities	364,603	2,868,567	705,729	2,036,923	5,975,822
Interest Payable	199,432				199,432
Due to Primary Government				612,179	612,179
Due to Component Units				237,001	237,001
Unearned Revenues and Other	424,126			2,576	426,702
Liabilities Payable from Restricted Assets:					
Accounts Payable		3,230,947			3,230,947
Bonds and Notes Payable		1,105,000			1,105,000
Interest Payable		21,741			21,741
Non-Current Liabilities:					
Due Within One Year					
Compensated Absences				563,536	563,536
Bonds and Notes Payable	2,600,000		95,000	543,350	3,238,350
Capital Lease Obligations					0
Due in More Than One Year					
Compensated Absences			910,996	194,067	1,105,063
Bonds and Notes Payable	26,837,684	75,970,000	830,000	8,347,162	111,984,846
<b>Total Liabilities</b>	<b>30,425,845</b>	<b>83,196,255</b>	<b>2,541,725</b>	<b>12,536,794</b>	<b>128,700,619</b>
<b>NET ASSETS</b>					
Investment in Capital Assets, net of related debt	36,373,759	75,548,904	4,450,264	31,412,059	147,784,986
Designated for:					
Inventories			86,645		86,645
Restricted for:					
Governmental and Program Funds		150,000	11,879	262,987	424,866
Fees			112,362		112,362
Debt Service	5,747,745	21,718,069			27,465,814
Construction					0
Pension				542,968	542,968
Endowments				100,000	100,000
Unrestricted	4,025,536	4,967,739	1,212,333	17,452,262	27,657,870
<b>Total Net Assets</b>	<b>\$46,147,040</b>	<b>\$102,384,712</b>	<b>\$5,873,483</b>	<b>\$49,770,276</b>	<b>\$204,175,511</b>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF ACTIVITIES**  
**COMPONENT UNITS**  
**For the Year Ended June 30, 2009**

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets					
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	Total
<b>Lexington Center Corporation</b>									
Lexington Center Operations	\$11,965,979	\$12,375,112	\$948,000	\$1,375,584	\$2,732,717			\$2,732,717	
Depreciation	4,288,327				(4,288,327)			(4,288,327)	
Interest on Long-term Debt	1,513,068				(1,513,068)			(1,513,068)	
Total Lexington Center Corporation	<u>17,767,374</u>	<u>12,375,112</u>	<u>948,000</u>	<u>1,375,584</u>	<u>(3,068,678)</u>			<u>(3,068,678)</u>	
<b>Lexington Airport Board</b>									
Airport Operations	11,676,293	14,142,799		15,006,183		17,472,689		17,472,689	
Depreciation	7,678,890					(7,678,890)		(7,678,890)	
Interest on Long-term Debt	903,554					(903,554)		(903,554)	
Total Lexington Airport Board	<u>20,258,737</u>	<u>14,142,799</u>	<u>0</u>	<u>15,006,183</u>		<u>8,890,245</u>		<u>8,890,245</u>	
<b>Fayette County Department of Health</b>									
Department of Health Operations	26,222,105	9,882,000	9,642,720				(6,697,385)	(6,697,385)	
Depreciation	452,568						(452,568)	(452,568)	
Total Fayette County Department of Health	<u>26,674,673</u>	<u>9,882,000</u>	<u>9,642,720</u>	<u>0</u>			<u>(7,149,953)</u>	<u>(7,149,953)</u>	
<b>Nonmajor component units</b>	<u>40,461,699</u>	<u>4,422,011</u>	<u>2,418,294</u>	<u>1,001,454</u>			<u>(32,619,940)</u>	<u>(32,619,940)</u>	
Total component units	<u>\$105,162,483</u>	<u>\$40,821,922</u>	<u>\$13,009,014</u>	<u>\$17,383,221</u>				<u>(33,948,326)</u>	
General Revenues:									
Taxes					2,380,612		6,937,029	32,933,385	42,251,026
Payment from Lexington-Fayette Urban County Government								470,890	470,890
Income on Investments					211,176	133,122	28,373	136,342	509,013
Loss on Sale of Capital Assets						(564,129)			(564,129)
Net Change in Fair Value of Investments								(60,223)	(60,223)
Miscellaneous								943,816	943,816
Total General Revenues					<u>2,591,788</u>	<u>(431,007)</u>	<u>6,965,402</u>	<u>34,424,210</u>	<u>43,550,393</u>
Change in Net Assets					(476,890)	8,459,238	(184,551)	1,804,270	9,602,067
Net Assets, July 1					46,623,930	95,895,712	6,058,034	47,966,006	196,543,682
Prior Period Adjustment						(1,970,238)			(1,970,238)
Net Assets, June 30					<u>\$46,147,040</u>	<u>\$102,384,712</u>	<u>\$5,873,483</u>	<u>\$49,770,276</u>	<u>\$204,175,511</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS  
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LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS  
For the Year Ended June 30, 2009

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

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

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

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

**Governmental Fund Type**

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

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

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

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Proprietary Fund Type

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

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

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

Governmental Fund Type

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

The Lexington-Fayette Urban County Department of Health (Board of Health) has the general statutory responsibility of promoting and protecting the health of Fayette County residents. This entity provides critical services to the citizens of Fayette County on behalf of the Government. The Government appoints the nine members of the Board of Health. In accordance with Statement No. 14 issued by the Governmental Accounting Standards Board (GASB), the Health Department is considered part of the reporting entity of the Lexington-Fayette Urban County Government.

The Lexington 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
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by a majority vote of the Urban County Council. The Government has a statutory authority to provide funds for the operation of the Visitors Bureau by imposing a transient room tax not exceeding four percent of qualified occupancy rental.

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

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

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

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

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

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

The Carnegie Literacy Center, Inc. (Carnegie Center) provides adult literacy programs in Fayette County. This entity provides critical services to the citizens of Fayette County on behalf of the Government. The board consists of twelve members; eight members appointed by the Government and four members appointed by the Lexington Public Library Board. The Government has no responsibility for their budget, debt, financing deficits or fiscal management. Additionally, the Government does not influence their operations in any respect. Therefore, the Carnegie Literacy Center is not considered to be a component unit of the Government.

**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.

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

The Valley View Ferry Authority is a legally separate entity that operates and maintains the Ferry on the Kentucky River at Valley View. The board consists of seven members, two appointed by the Lexington-Fayette Urban County Government, three appointed by the Madison County Fiscal Court and two appointed by the Jessamine County Fiscal Court. The Government is not legally responsible for the Valley View Ferry Authority's finances. The Government contributed \$15,000 to support the Ferry's operations in fiscal year 2009.

**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,

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

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

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

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

**E. Basis of Presentation**

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

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

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

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,

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
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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 2009 Bond Projects accounts for the capital related projects that were approved by council in FY 2009. A general obligation bond will be issued during FY 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 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 78.)

The Public Facilities Corporation Fund accounts for the acquisition, construction and operation of government owned facilities. (See further description on page 79.)

The Public Parking Corporation Fund accounts for the construction and operation of government owned parking facilities. (See further description on page 79.)

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

Additionally, the Government reports the following fund types:

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

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

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

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

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

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

**F. Budgetary Control and Encumbrances**

Budget Policy - The Urban County Council annually approves the budget ordinance for all operating funds of the Government except for the Federal and State Grants special revenue funds and the capital projects funds, which adopt project-length budgets. Additional special revenue funds which are not budgeted include the debt service fund, the Industrial Revenue Bond Fund, Police Confiscated Funds and the Public Safety Fund. Budgets are adopted on a basis consistent with generally accepted accounting principles except that budgetary basis expenditures include purchase orders and contracts (encumbrances). Budgetary control is maintained at the division level, e.g. Division of Police, Division of Parks and Recreation, etc. The Mayor may authorize transfers within a division; however, the Urban County Council must approve by ordinance any other amendments to the budget. All budgeted amounts presented in the financial statements reflect the original budget and the amended budget (which have been adjusted for legally authorized revisions of the annual budgets during the year). Appropriations lapse at year-end; however, uncompleted capital projects may be reappropriated at the beginning of each fiscal year. The Council made several supplemental budgetary appropriations throughout fiscal year 2009. The net effect of these supplemental appropriations was an increase of \$77,444,002 in the General Fund and an increase of \$1,828,930 in the Urban Services Fund, which included reappropriations 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, 2009 for these funds are as follows:

Sanitary Sewer System	\$1,717,163
Public Facilities Corporation	358,732
Public Parking Corporation	2,770
Landfill	223,993
Stormwater	1,142,389
LexVan Program	3,508
Enhanced 911	4,674

**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

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 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the Year Ended June 30, 2009

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by ordinance for various restricted reserves. Funds that incur a negative balance in pooled cash and investments during the year are not allocated interest. The Government has adopted GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. This statement requires that investments in interest-earning investment contracts, external investment pools, open-end mutual funds and debt and equity securities be reported at fair value. Investments in the Pension Trust Funds and investments with a maturity of more than one year at the time of purchase are stated at fair value. Fair value for securities traded on a national exchange is determined by the last reported sales price. All other investments are stated at cost.

Receivables - Receivables are amounts due representing revenues earned or accrued in the current period. Allowances for uncollectible loans in the Federal and State Grants have been established at 100% because of the nature of the individual projects and terms of the loans. Accounts receivable from other governments include amounts due from grantors for grants for specific programs and capital projects. The majority of other receivables in the General Fund are for taxpayer-assessed revenues that are collected 30 days after year end. Franchise fee revenues are recognized if collected within 60 days of year end.

Property taxes for fiscal year 2009 were levied on September 11, 2008 on the assessed valuation of property located in Fayette County as of the preceding January 1, the lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

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

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

Allowance for Uncollectable Amounts – An allowance for Uncollectable Amounts relates to the projected uncollectable balance of the revenues earned or accrued that have been included in Accounts Receivable at year end. An Allowance is taken on Receivable balances based on historically bad debt experience related to the nature of each receivable balance.

Interfund Receivables - During the course of its operations, the Government has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds had not been paid or received as of June 30, 2009, 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

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

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

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

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

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

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

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

Extraordinary losses, the difference between the re-acquisition price (new debt) and the net carrying value of the old debt on refunded debt of the proprietary funds, are amortized as a component of interest expense over the life of the

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
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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.

Unearned revenues – The Government defers revenue recognition in connection with resources that have been received but not yet earned. At the end of fiscal year 2009, industrial revenue bond fees received but not earned totaling \$2,500 have been deferred.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated by outside parties for a specific future use. Designated fund balances represent tentative plans for future use of financial resources and include \$2,243,791 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.

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

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

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

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

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

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

Compensated absences are recorded when payable rather than when earned.

Interfund transactions that would be treated as revenues or expenditures/expenses if they involved organizations external to the Government are similarly treated when involving funds of the Government. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
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another fund are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the reimbursed fund. Transfers from funds receiving revenues to funds through which the resources are to be expended and operating subsidies are classified as transfers. Transfers between governmental and proprietary funds are netted as part of the reconciliation to the government-wide columnar presentation.

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

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

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

**B. Excess of Expenditures over Appropriations** - The following divisions, in funds that have budgets adopted annually, had excess expenditures over appropriations for the fiscal year ended June 30, 2009:

	Excess Expenditures
<b>General Fund:</b>	
County Judge Executive	4,845
Indirect Cost Allocation	278,800
Internal Audit Office	21,902
Finance Administration	25,617
Community Development Agencies	5,491
<b>Urban Services Fund:</b>	
Revenue	23,328
DEEM/Enhanced 911	434,133
Waste Management	286,981
Law	931
Risk Management	20,024

Excess expenditures over appropriations were funded by available fund balances.

**C. Fund Deficits**

Capital Projects Funds – The Purchase of Development Rights Fund, 2007 Bond Project and 2009 Bond Projects had a deficit fund balance of \$1,417,496, \$1,397,236 and \$10,795,009 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 \$191,013. The deficit is a result of incurring costs before the collection of fees.

**D. Prior Period Adjustments**

Lexington Airport Board – Beginning net asset balances as of July 1, 2008 were adjusted for a correction of errors in reporting capital assets and construction in progress. Projects maintained in construction in progress were actually placed in service in periods prior to July 1, 2008. However, those assets were not reclassified to capital assets. As a result, depreciation expense of approximately \$632,000 was not recorded on those assets and interest expense on related debt financing of approximately \$1,338,000 continued to be capitalized. Beginning net assets decreased by approximately \$1,970,200.

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

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

The Government’s bank balances at June 30, 2009 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, 2009 are summarized and categorized in the following table:

**Primary Government (except Fiduciary Funds)**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> <u>Less Than 1Year</u>
Money Market Mutual Funds	\$129,575,494	\$129,575,494
Certificates of Deposits	59,462	59,462
Total Investments	<u>\$129,634,956</u>	<u>\$129,634,956</u>

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.

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Investments of the PFRF as of June 30, 2009 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
<b>Debt Securities</b>					
US Agencies	\$22,837,425	\$0	\$0	\$0	\$22,837,425
US Government Obligations	1,253,360	0	1,253,360	0	0
Municipal Obligations	30,634,901	0	6,917,599	0	23,717,303
International Bonds	2,300,167	0	1,476,246	565,281	258,639
Corporate Debt	56,847,602	2,047,138	25,744,708	9,778,508	19,277,248
Repurchase Agreements	15,192,376	15,192,376	0	0	0
	<u>129,065,831</u>	<u>\$17,239,514</u>	<u>\$35,391,913</u>	<u>\$10,343,790</u>	<u>\$66,090,614</u>
<b>Other Investments</b>					
Equity Mutual Funds	34,829,933				
Equity Real Estate	30,394,820				
Equity Securities - Domestic	63,862,228				
Equity Securities - International	53,805,800				
	<u>\$311,958,611</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  
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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	\$14,493,231	\$1,253,360	\$9,793,184	\$0	\$7,900,487	\$33,440,262	30%
AA	0	0	7,894,218	0	2,508,702	10,402,920	9%
A	0	0	749,279	0	21,811,282	22,560,562	20%
BBB	0	0	0	215,048	3,316,986	3,532,033	3%
BB	0	0	0	576,650	9,077,893	9,654,543	8%
B	0	0	0	942,619	7,201,653	8,144,272	7%
CCC	0	0	0	201,075	2,462,276	2,663,351	2%
CC	0	0	0	166,075	131,402	297,477	0%
D	0	0	0	110,400	289,818	400,218	0%
NR	8,344,194	0	12,198,220	88,300	2,147,104	22,777,817	21%
Fair Value	\$22,837,425	\$1,253,360	\$30,634,901	\$2,300,167	\$56,847,602	\$113,873,455	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  
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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, 2009, the securities loaned in the portfolio did not have credit risk, and the fair value of securities on loan is \$15,192,376.

Investments of the CEPF as of June 30, 2009 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>
<b>Debt Securities</b>					
US Agencies	\$9,848,947	\$0	\$340,070	\$4,071,849	\$5,437,027
US Government Obligations	3,383,290	0	558,042	1,331,173	1,494,075
International Bonds	490,992	35,260	300,445	67,264	88,023
Corporate Debt	2,876,424	117,241	1,676,291	719,003	363,890
	<u>\$16,599,652</u>	<u>\$152,501</u>	<u>\$2,874,847</u>	<u>\$6,189,289</u>	<u>\$7,383,015</u>
<b>Other Investments</b>					
Equity Securities - Domestic	7,596,710				
Equity Securities - International	249,597				
	<u>24,445,959</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  
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**Debt Securities by Investment Type**

Quality Ratings	US Agencies	US Government Obligations	International Bonds	Corporate Debt	Total	%
	AAA	\$8,308,725	\$3,383,290	\$0	\$618,856	\$12,310,871
AA	0	0	26,919	474,657	501,575	3%
A	0	0	219,429	958,919	1,178,348	7%
BBB	0	0	223,178	658,570	881,747	5%
BB	0	0	0	25,233	25,233	0%
NR	1,540,222	0	21,466	140,189	1,701,878	10%
	<u>\$9,848,947</u>	<u>\$3,383,290</u>	<u>\$490,992</u>	<u>\$2,876,424</u>	<u>\$16,599,652</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, 2009 are summarized and categorized in the following table:

	Category			Reported Amount/ Fair Value
	1	2	3	
U.S. Government and Government Agency Obligations		\$0		\$0
Corporate Bonds				
Investments not subject to categorization:				
Certificates of Deposit				3,076,305
Money Market Funds				8,704,261
Total Investments				<u>11,780,566</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2009

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2009 was as follows:

	<b>Primary Government</b>			
	<b>Beginning Balance, Restated *</b>	<b>Additions/ Adjustments</b>	<b>Deletions / Adjustments</b>	<b>Ending Balance</b>
<b>Governmental Activities:</b>				
Non-Depreciable Assets:				
Land	\$45,234,156	\$1,802,161	\$3,750	\$47,040,067
Purchase of Development Rights	52,260,141	3,532,407		55,792,548
Construction in Progress	19,490,206	14,122,544	1,167	33,613,917
Depreciable Assets:				
Buildings	129,517,550	608,913	33,300	130,159,763
Vehicles, Equipment and Furniture	92,102,248	10,458,431	(4,507,780)	98,052,900
Land and Leasehold Improvements	13,783,109	534,902		14,318,011
Infrastructure	961,112,027	1,827,093	161,490	963,100,610
Sewer Lines	1,116,521		(18,925)	1,097,596
Sewer Plants	163,906		(163,906)	0
<b>Totals at historical cost</b>	<b>1,314,779,864</b>	<b>32,886,450</b>	<b>(4,490,904)</b>	<b>1,343,175,411</b>
Less accumulated depreciation for:				
Buildings	(29,545,905)	(3,583,473)	(1,850)	(33,131,228)
Vehicles, Equipment and Furniture	(65,028,529)	(7,988,585)	4,315,930	(68,701,183)
Land and Leasehold Improvements	(7,341,168)	(1,201,822)	(545)	(8,543,535)
Infrastructure	(126,129,859)	(30,888,456)	23	(157,018,292)
Sewer Lines	(9,767)	(21,471)	536	(30,702)
Sewer Plants	(5,322)	(1,498)	6,820	(0)
<b>Total accumulated depreciation</b>	<b>(228,060,550)</b>	<b>(43,685,306)</b>	<b>4,320,915</b>	<b>(267,424,940)</b>
<b>Governmental activities capital assets, net</b>	<b>\$1,086,719,314</b>	<b>(\$10,798,855)</b>	<b>(\$169,988)</b>	<b>\$1,075,750,470</b>
<b>Business-type Activities:</b>				
Non-Depreciable Assets:				
Land	\$47,206,488			\$47,206,488
Construction in Progress	10,705,849	16,111,509	(628,978)	26,188,380
Depreciable Assets:				
Buildings	129,171,053	643,903		129,814,956
Vehicles, Equipment and Furniture	13,476,136	953,926	(109,615)	14,320,447
Land and Leasehold Improvements	48,001,139	84,000		48,085,139
Infrastructure *	1,899,845	1,276,090	(58,618)	3,117,317
Sewer Lines *	136,265,798	2,005,723	(573,256)	137,698,266
Sewer Plants	160,472,142	62,274	1,260,851	161,795,268
<b>Totals at historical cost</b>	<b>547,198,450</b>	<b>21,137,425</b>	<b>(109,615)</b>	<b>568,226,260</b>
Less accumulated depreciation for:				
Buildings	(55,399,340)	(4,539,247)		(59,938,587)
Vehicles, Equipment and Furniture	(10,566,323)	(1,077,888)	109,615	(11,534,596)
Land and Leasehold Improvements	(27,905,266)	(2,104,995)		(30,010,261)
Infrastructure *	(30,824)	(50,699)		(81,523)
Sewer Lines *	(44,499,205)	(2,617,343)	145,511	(46,971,038)
Sewer Plants	(71,086,606)	(3,301,141)		(74,387,747)
<b>Total accumulated depreciation</b>	<b>(209,487,564)</b>	<b>(13,691,314)</b>	<b>255,126</b>	<b>(222,923,752)</b>
<b>Business-type activities capital assets, net</b>	<b>\$337,710,886</b>	<b>\$7,446,111</b>	<b>\$145,511</b>	<b>\$345,302,508</b>

\*Restated to reflect the reclassification of storm water systems in infrastructure.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2009

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

<b>Governmental activities:</b>	
General Government	\$749,988
Administrative Services	139,206
Chief Information Office	631,199
Finance	13,528
Public Works	31,583,618
Public Safety	222,397
Environmental Equality	1,666,191
Police	1,601,462
Fire and Emergency Services	1,707,019
Law	4,933
Community Corrections	1,648,587
Social Services	257,733
General Services	2,243,697
Parks and Recreation	1,207,394
<b>Total depreciation expense - governmental activities</b>	<u><u>\$43,676,952</u></u>
<b>Business-type activities:</b>	
Sanitary Sewers	\$6,393,816
Public Facilities	5,374,924
Public Parking	316,444
Landfill	931,437
Right of Way	7,082
Extended School Program	10,849
Prisoners' Account System	30,345
Enhanced 911	480,908
<b>Total depreciation expense - business-type activities</b>	<u><u>\$13,545,805</u></u>

	<u>Discretely Presented Component Units</u>			
	<u>Beginning</u>			<u>Ending</u>
	<u>Balance, Restated *</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Non-Depreciable Assets:				
Land	\$19,617,986	\$1,686,375	(\$177,100)	\$21,127,261
Construction in Progress *	12,209,799	14,551,718	(10,853,984)	15,907,533
Other	460,903			460,903
Depreciable Assets:				
Buildings and Improvements *	271,503,615	17,525,859	(7,931,325)	281,098,149
Vehicles, Equipment and Furniture *	47,108,684	2,161,758	(441,266)	48,829,176
Land and Leasehold Improvements *	34,861,274	199,360	(1,112,617)	33,948,017
<b>Totals at historical cost</b>	<u>385,762,261</u>	<u>36,125,070</u>	<u>(20,516,292)</u>	<u>401,371,039</u>
<b>Less accumulated depreciation *</b>	<u>(159,475,295)</u>	<u>(15,576,877)</u>	<u>8,210,144</u>	<u>(166,842,028)</u>
<b>Component unit activities</b>				
<b>capital assets, net</b>	<u><u>\$226,286,966</u></u>	<u><u>\$20,548,193</u></u>	<u><u>(\$12,306,148)</u></u>	<u><u>\$234,529,011</u></u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the Year Ended June 30, 2009

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Construction Commitments

The Government has active construction projects as of June 30, 2009. 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	\$2,414,222
Capital Repairs & Maintenance	798,170
Land Improvements	2,763,147
Sanitary Sewer Collection System	13,998,139
Sanitary Sewer Treatment System	661,961
Storm Drainage	484,669
Street Resurfacing/Maintenance	3,964,385
Streets & Roadways	6,659,832
Traffic Control and Markings	702,194
	\$32,446,719

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, 2009. In addition, Federal and State Grants revenues are based on reimbursable expenditures. The composition of interfund balances as of June 30, 2009, is as follows:

Fund Description	Due from (to) General Fund
Sanitary Sewer System	(\$1,786,498)
Public Parking Corporation	\$372,682
Landfill	\$217,788
Other Enterprise Funds	656,666
Total due to Proprietary Funds	(539,362)
General Fund	
Urban Service	(579,568)
Federal and State Grants	(6,162,561)
2009 Bond Projects	(9,979,115)
Other Governmental Funds	1,714,924
Internal Service Funds	21,304,403
Total due from General Fund	\$5,758,721

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2009

Receivable Entity	Payable Entity	Amount
Primary government - General fund	Component unit - Lexington Transit Authority	\$305,239
Primary government - General fund	Component unit - Explorium of Lexington	261,207
Primary government - General fund	Component unit - Downtown Development	45,733
Total		\$612,179
Component unit - Lexington Convention Visitors' Bureau	Primary government - General fund	372,419
Component unit - Lexington Center Corporation	Primary government - General fund	195,915
Total		\$568,334

**Interfund transfers:**

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

Transfers (In)/Out:

	General	Urban Service	Federal and State Grants	Nonmajor Governmental	Total Governmental	Major Proprietary	Non-Major Proprietary	Total Proprietary
General	\$257,647	\$418,650	\$849	(\$1,246,868)	(\$569,722)	\$19,880	\$549,842	\$569,722
Urban Services	(251,876)	251,876			-			-
Major Proprietary	(48,155)				(48,155)	48,155		48,155
Transfers	(\$42,384)	\$670,526	\$849	(\$1,246,868)	(\$617,877)	\$68,035	\$549,842	\$617,877

**D. Long-term Debt**

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2009

**Primary Government**

**Bonds Payable, Notes Payable, Compensated Absences Liability, Landfill Closure  
& Postclosure Care Costs, and Unfunded Pension Liability  
June 30, 2009**

Purpose of Issue	Original Issue	Interest Rates	Final Maturity	Amount Outstanding	Due Within One Year	
<b>Governmental Activities</b>						
Bonds, Notes, Loans, and Leases:						
General Obligation, Series 1999B	Branch Library Construction	\$3,570,000	4.75% - 5.60%	Nov-2019	\$2,405,000	\$165,000
General Obligation, Series 2000A	Golf Course Improvements	8,460,000	5.13% - 5.63%	Feb-2020	5,685,000	390,000
General Obligation, Series 2000D	Storm Water Improvements	10,675,000	4.25% - 5.00%	Dec-2010	2,550,000	1,245,000
General Obligation, Series 2000E	Building Purchase/Renovation and Pool Renovation	9,335,000	4.30% - 5.25%	Dec-2020	6,610,000	415,000
General Obligation, Series 2001B	Purchase of Development Rights	7,635,000	3.00% - 4.63%	Dec-2021	5,590,000	335,000
General Obligation, Series 2002B	Building Renovation	2,330,000	3.00% - 4.00%	May-2012	780,000	250,000
General Obligation, Series 2002C	Storm Water Improvements and Road Construction	4,570,000	3.00% - 4.70%	Dec-2022	2,860,000	315,000
General Obligation, Series 2003B	Purchase of Fire Equipment	1,455,000	2.00% - 3.00%	May-2010	220,000	220,000
General Obligation, Series 2003A	Refunding	19,185,000	2.00% - 3.13%	Feb-2011	2,275,000	1,110,000
General Obligation, Series 2004B	Public Safety	2,350,000	2.00% - 4.00%	May-2011	725,000	355,000
General Obligation, Series 2004C	Multi-Purpose Project	9,640,000	2.50% - 4.75%	Jul-2024	8,240,000	380,000
General Obligation, Series 2005B	Purchase of Fire Equipment	2,830,000	3.00% - 3.38%	Apr-2012	1,285,000	415,000
General Obligation, Series 2005C	Purchase of Development Rights /Building Renovation	4,490,000	3.00% - 4.20%	Jun-2025	3,515,000	260,000
General Obligation, Series 2006A	Equipment/ERP/Parks	14,390,000	4.00%	May-2011	3,665,000	1,795,000
General Obligation, Series 2006B	Blvd/Neighborhood/Stormwater/Fire Station/Cars	10,310,000	4.00% - 4.50%	Jun-2026	7,885,000	620,000
General Obligation, KLC Series 2000	Economic Development Project	360,000	3.97%	May-2012	145,000	45,000
General Obligation, Series 2006C	Purchase of Development Rights	2,055,000	3.50% - 4.20%	Nov-2026	1,910,000	75,000
General Obligation, Series 2006D	Refunding	56,850,000	4.00% - 4.25%	May-2024	55,960,000	2,960,000
General Obligation, Series 2008A	Equipment/HVAC/Vehicles	13,520,000	3.50%	Jun-2014	13,520,000	3,090,000
General Obligation, Series 2009A	Purchase of Development Rights/ Multi-Purpose Project	24,830,000	2.25% - 5.00%	Jun-2029	24,830,000	1,365,000
Pension Obligation, Series 2009B	Police/Fire Pension Fund	70,610,000	3.50% - 6.00%	Jun-2029	70,610,000	2,830,000
General Obligation Anticipation Note 2009C	Eastern State Hospital	8,000,000	1.00%	Jul-2010	8,000,000	
<b>Total Bonds, Notes and Loans</b>		<u>\$287,450,000</u>			<u>229,265,000</u>	<u>18,635,000</u>
Other Liabilities:						
Compensated Absences				18,042,515	2,489,679	
Unfunded Other Post Employment Benefit Liability				13,855,546		
Unfunded Pension Liability				1,787,708		
<b>Total Other Liabilities</b>				<u>33,685,769</u>	<u>2,489,679</u>	
<b>Total Governmental Activities</b>				<u>\$262,950,769</u>	<u>\$21,124,679</u>	
<b>Business-Type Activities</b>						
Bonds, Notes and Loans:						
Public Parking, Series 1998	Refunding	7,260,000	1.00% - 4.80%	Feb-2010	750,000	750,000
Sanitary Sewer, Series 2001A	Sewer Rehabilitation	25,150,000	4.00% - 5.00%	Jul-2021	20,205,000	1,370,000
Sanitary Sewer, Series 2001B	Refunding	16,860,000	4.00% - 5.50%	Jul-2012	11,655,000	2,670,000
Public Facilities, Series 2006	Refunding	66,725,000	3.88% - 4.25%	Oct-2031	65,720,000	1,830,000
<b>Total Bonds, Notes and Loans</b>		<u>\$130,855,000</u>			<u>98,330,000</u>	<u>6,620,000</u>
Other Liabilities:						
Compensated Absences				968,560	292,943	
Landfill Closure & Postclosure Care Costs				18,115,253	405,335	
<b>Total Other Liabilities</b>				<u>19,083,813</u>	<u>698,278</u>	
<b>Total Business-type Activities</b>				<u>\$117,413,813</u>	<u>\$7,318,278</u>	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2009

**Changes in Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2009, was as follows:

<b>Long-Term Liabilities</b>					
<b>For the Year Ended June 30, 2009</b>					
	Balance			Balance	Due Within
	06/30/2008	Additions	Reductions	06/30/2009	One Year
<b>Governmental Activities</b>					
Bonds, Notes, Loans, and Leases					
General Obligation Bonds, Notes & Leases	\$126,065,000	116,960,000	\$13,760,000	\$229,265,000	\$18,635,000
<b>Total Bonds, Notes and Loans</b>	<u>126,065,000</u>	<u>116,960,000</u>	<u>13,760,000</u>	<u>229,265,000</u>	<u>18,635,000</u>
Other Liabilities					
Compensated Absences	18,774,548	1,358,280	2,090,313	18,042,515	2,489,679
Unfunded Other Post Employment Benefit Liability	13,855,546			13,855,546	
Unfunded Pension Liability	26,910,858		25,123,150	1,787,708	
<b>Governmental Activities Long-term Liabilities</b>	<u>\$185,605,952</u>	<u>\$118,318,280</u>	<u>\$40,973,463</u>	<u>\$262,950,769</u>	<u>\$21,124,679</u>
<b>Business-type Activities</b>					
Bonds, Notes and Loans					
Revenue Bonds	\$35,715,000		\$3,855,000	\$31,860,000	\$4,040,000
Mortgage Revenue Bonds	68,195,000		1,725,000	66,470,000	2,580,000
<b>Total Bonds, Notes and Loans</b>	<u>103,910,000</u>		<u>5,580,000</u>	<u>98,330,000</u>	<u>6,620,000</u>
Other Liabilities					
Compensated Absences	908,238	100,213	39,891	968,560	292,943
Landfill Closure & Postclosure Care Costs	18,031,177	84,076		18,115,253	405,335
<b>Business-type Activities Long-term Liabilities</b>	<u>\$122,849,415</u>	<u>\$184,289</u>	<u>\$5,619,891</u>	<u>\$117,413,813</u>	<u>\$7,318,278</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2009

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	
2010	\$18,635	\$4,040	\$2,580	\$6,620	\$25,255
2011	26,565	4,255	1,900	6,155	32,720
2012	14,360	4,480	1,970	6,450	20,810
2013 - 2017	58,935	10,310	11,110	21,420	80,355
2018 - 2022	56,915	8,775	13,565	22,340	79,255
2023 - 2027	40,890		16,645	16,645	57,535
2028 - 2032	12,965		18,700	18,700	31,665
Total	229,265	31,860	66,470	98,330	327,595
Less Payable Within One Year	18,635	4,040	2,580	6,620	25,255
Long Term Principal Due After One Year	\$210,630	\$27,820	\$63,890	\$91,710	\$302,340

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

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

Fiscal Year	Governmental Activities		Business-type Activities			
	General Obligation Bonds, Notes & Leases		Revenue Bonds		Mortgage Revenue Bonds	
	Interest	Principal	Interest	Principal	Interest	Principal
2010	\$9,109	\$18,635	\$1,529	\$4,040	\$2,697	\$2,580
2011	8,974	26,565	1,314	4,255	2,589	1,900
2012	8,310	14,360	1,087	4,480	2,514	1,970
2013 - 2017	34,166	58,935	3,176	10,310	11,324	11,110
2018 - 2022	21,789	56,915	1,141	8,775	8,867	13,565
2023 - 2027	9,514	40,890			5,783	16,645
2028 - 2032	1,144	12,965			1,978	18,700
Total	\$93,006	\$229,265	\$8,247	\$31,860	\$35,752	\$66,470

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2009

**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
2010	\$2,563,352	\$1,105,000	\$95,000	\$543,350	\$4,306,702
2011	2,419,443	1,555,000	100,000	582,021	4,656,464
2012	2,281,383	1,555,000	105,000	323,013	4,264,396
2013	2,111,107	1,445,000	110,000	339,165	4,005,272
2014	1,935,000	1,210,000	115,000	286,199	3,546,199
2015 - 2019	10,825,000	10,315,000	400,000	1,721,560	23,261,560
2020 - 2024	7,610,000	12,815,000		2,152,442	22,577,442
2025- 2029		17,445,000		2,045,284	19,490,284
2030 - 2034		19,160,000		897,478	20,057,478
2035-2039		10,470,000		0	10,470,000
<b>Total</b>	<b>29,745,285</b>	<b>77,075,000</b>	<b>925,000</b>	<b>8,890,512</b>	<b>116,635,797</b>
Less Payable Within One Year	2,563,352	1,105,000	95,000	543,350	4,306,702
Less Refinancing Loss/Premium-Discount	307,601		0	0	307,601
Long Term Principal Due After One Year	<u>\$26,874,332</u>	<u>\$75,970,000</u>	<u>\$830,000</u>	<u>\$8,347,162</u>	<u>\$112,021,494</u>

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

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2009

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

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

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, 2009

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

The bond indenture requires a debt service reserve in the amount of the outstanding maximum annual debt service requirement. As of June 30, 2009, the required reserve of \$768,000 was over funded by \$20,575 resulting in a reserve of \$788,575. The monies in the debt service reserve are available to pay annual debt service in the event there are insufficient funds in the bond fund.

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

1. \$3,570,000, Series 1999B, to pay for the construction of a branch library that is located on the corner of Laredo Drive and Tates Creek Road in Lexington, Kentucky.
2. \$8,460,000, Series 2000A, to finance the acquisition of and improvements to the Picadome Golf Course facility (formerly known as the Campbell House Golf Course) and improvements to existing golf courses. The Picadome Golf Course facility is situated on approximately 103 acres in southcentral Lexington and includes an 18-hole course, a pro shop, a swimming pool, a tennis court, and a clubhouse.
3. \$10,675,000, Series 2000D, to finance the construction of various storm water improvements.
4. \$9,335,000, Series 2000E, to finance the improvement and renovation of the Tates Creek and Douglass swimming pools, and the acquisition, improvement and renovation of buildings for use as government office space.
5. \$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.
6. \$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.
7. \$4,570,000, Series 2002C, to finance the construction of various stormwater improvements and two lanes of a four-lane boulevard.
8. \$1,455,000, Series 2003B, to finance the acquisition and installation of certain fire equipment, including fire pumpers and fire aerial units.
9. \$19,185,000, Refunding Series 2003A, to refund the \$18,760,000 principal outstanding on the PFC 1993 Refunding Bonds.
10. \$2,350,000, Series 2004B, to finance the purchase of fire trucks and a public safety radio system.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2009

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11. \$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.
20. \$70,610,000 Series 2009B 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.

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 \$18,115,253 liability reported at June 30, 2009 is based on the use of 98.6% 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 2009. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2009

**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. 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					
1999B Tates Creek Library	\$2,405,000				\$2,405,000
2000 KLC	145,000		2,240		142,760
2000A Picadome Golf Course	5,685,000				5,685,000
2000D Storm Water Projects	2,550,000				2,550,000
2000E KU Building and Pool	6,610,000				6,610,000
2001B Purchase of Development Rights	5,590,000		92,334		5,497,666
2002B HVAC Government Center	780,000		7,620		772,380
2002C EAMP/Storm Water Projects	2,860,000		48,111		2,811,889
2003A Public Facilities Projects	2,275,000		(12,960)		2,287,960
2003B 2003 Go Series Notes	220,000		(1,574)		221,574
2004B Public Safety	725,000		(5,881)		730,881
2004C Multi-Purpose Project	8,240,000		130,994		8,109,006
2005A Equipment Purchase	0			295,970	(295,970)
2005B Purchase of Fire Equipment	1,285,000		5,881		1,279,119
2005C Purchase of Development Rights	3,515,000		32,395		3,482,605
2006A Equipment Purchase	3,665,000		4,600		3,660,400
2006B Various Projects	7,885,000		57,503		7,827,497
2006C Purchase of Development Rights	1,910,000		34,105		1,875,895
2006D Refunding	55,960,000		(82,458)		56,042,458
2008A 2007 & 2008 Short Term pjts	13,520,000		(89,229)	3,401,602	10,207,627
2009A 2007 & 2008 Long Term Pjts	24,830,000		(345,786)	6,118,406	19,057,380
Total Governmental	<u>\$150,655,000</u>	<u>\$0</u>	<u>(\$122,106)</u>	<u>\$9,815,978</u>	<u>\$140,961,128</u>
Net Capital Assets					<u>1,075,750,470</u>
Invested in Capital Assets, net of related debt					<u>\$934,789,342</u>
Capital Assets - Proprietary					
2001A Sanitary Sewers	\$20,205,000	\$1,593,000	\$203,122		\$18,408,878
2001B Sanitary Sewers	11,655,000		61,988		11,593,012
1998 Public Parking	750,000	768,000	35,369		(53,369)
2006 Public Facilities	65,720,000		4,635,171		61,084,829
	<u>\$98,330,000</u>	<u>\$2,361,000</u>	<u>\$4,935,650</u>	<u>\$0</u>	<u>91,033,350</u>
Net Capital Assets					<u>345,302,509</u>
Invested in Capital Assets, net of related debt					<u>\$254,269,159</u>

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2009

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Various Purpose general obligation notes account	8,683,435
Eastern State Project notes account	8,016,040
Equipment general obligation notes account	4,339,337
Public Library Corporation general obligation bond account	24,316
Total restricted assets	<u>\$21,063,128</u>

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

Sanitary sewer system maintenance and operations account	\$5,920,705
Sanitary sewer revenue bond sinking fund account	4,752,488
Sanitary sewer revenue bonds construction account	6,966,914
Sanitary sewer depreciation account	1,593,000
Sanitary sewer debt service reserve account	5,569,226
Public Parking Corporation debt service reserve account	788,575
Total restricted assets	<u><u>\$25,590,907</u></u>

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

**NOTE 4. SELF-INSURANCE PROGRAM**

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

Liability at June 30, 2007	(\$22,392)
Claims and changes in estimates - FY 2008	29,647,563
Claims paid FY 2008	<u>(29,625,171)</u>
Surplus at June 30, 2008	0
Claims and changes in estimates - FY 2009	31,113,507
Claims paid FY 2009	<u>(31,113,507)</u>
Surplus at June 30, 2009	<u><u>\$0</u></u>

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

All assets and employees of the primary government are covered by the Fund. Premiums are paid into the fund by the General Fund, the Urban Services Fund, and the Sanitary Sewer System and are based on both exposure and

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2009

experience factors. Premiums include amounts needed to pay prior and current-year claims and administrative costs.

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

Annually, as of June 30, the Fund has a third party actuary review the claim histories for all claim years for which open claims are outstanding. The actuary projects the ultimate claim payment obligation (including the incurred but not reported claims) for each year's claim experience. The Government elected to establish the liability for these claims and loss expenses at their present value with a discount rate of 3.5%. As of June 30, 2009, the undiscounted estimated liability was \$26,927,905. The discounted estimated liability as of June 30, 2009 was \$22,299,099. Changes in the balances of claims liabilities during the past two years are as follows:

	Auto Liability				
	and Physical Damage	General Liability	Property	Workmen's Compensation	Total
Liability at June 30, 2007	\$961,000	\$4,971,000	\$119,000	\$13,038,302	\$19,089,302
Claims and changes in estimates FY 2008	4,261,927	3,324,113	808,125	4,320,464	12,714,629
Claims paid FY 2008	(4,084,078)	(2,706,007)	(700,214)	(3,377,401)	(10,867,700)
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 Incurred FY 2009	(2,974,902)	(1,678,510)	(829,259)	(4,863,009)	(10,345,680)
Liability at June 30, 2009	<u>\$1,247,862</u>	<u>\$5,826,050</u>	<u>\$253,496</u>	<u>\$14,971,691</u>	<u>\$22,299,099</u>

The Fund uses excess insurance policies, purchased from various commercial carriers, to reduce its exposure to large losses on all types of insured events or for exposures that are difficult to self-insure. These insurance policies permit recovery of losses above the self-insured retention limits from the insurance carriers, although it does not discharge the primary liability of the Self-Insurance Retention Fund as the direct source for payment of claims made against the LFUCG. Workers' compensation self-insured retention was \$750,000 and Property self-insured retention remained \$250,000. Settlements have exceeded funding for each of the past five fiscal years resulting in a negative fund balance when Incurred But Not Reported (IBNR) claims are included in the total future liabilities. The following schedule indicates the types of excess insurance purchased, the deductible or SIR (self-insured retention level) maintained by the Fund and the limit of the excess insurance coverage:

Line of Coverage	Self-Insurance Retention Per Occurrence	Excess Reinsurance Annual Aggregate
Property	\$250,000	\$500,000,000 Per location
Flood loss (Excl. Zone A or B)	250,000	100,000,000 Per occurrence
Flood loss (Zone A or B)	250,000	2,000,000 Per occurrence
Earthquake loss	250,000	100,000,000 Per occurrence
Auto Physical damage	100,000	5,000,000 Per occurrence
Boiler Machinery	250,000	Included in property limits

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NOTES TO FINANCIAL STATEMENTS (Continued)  
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Electronic Data Processing	250,000	Included in property limits	Per year
Traffic Control Equipment	500,000	3,000,000	Per year
General Liability	1,500,000	5,000,000	Per occurrence
Auto Liability	1,500,000	5,000,000	Per occurrence
Workers' Compensation	750,000	Statutory	Per accident
Public Official Liability	1,500,000	5,000,000	Per occurrence

**NOTE 5. CONTINGENT LIABILITIES**

**A. Litigation** - The Lexington-Fayette Urban County Government is party to numerous legal proceedings, many of which normally occur in government operations and will not involve any potential liability to the Government. The Government's Department of Law and the Division of Risk Management estimate that there are 118 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 \$4,375,701.

The United States Environmental Protection Agency (EPA) and the Kentucky Environmental and Public Protection Cabinet ["KEPPC"] filed suit in federal court against LFUCG in 2006 alleging various violations of the Clean Water Act. LFUCG, EPA and KYEPPC have executed a Consent Decree which resolves this case. This settlement with EPA and KYEPPC, if approved by the court, will require LFUCG to undertake extensive studies, sewer improvement projects, and management plans to correct the problems that are alleged. The settlement will afford LFUCG up to 13 years to correct the problems. LFUCG has estimated that the cost of remedial measures would approach \$200 million over the life of the Consent Decree. LFUCG recently increased sanitary sewer rates to fund obligations under the Consent Decree and will adopt a storm water management fee. The District Court rejected the Consent Decree on the ground that the proposed fine for violations was excessive. EPA has appealed this issue to the Sixth Circuit Court of Appeals. In the meantime, LFUCG is proceeding with the remedial measures set forth in the Consent Decree.

On September 25, 2002 and January 13, 2003, unnamed plaintiffs filed two putative class actions against 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
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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. 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 are now set to go to trials in August 2010, but only the issue of liability (not damages). Recently, the Court entered an order permitting an interlocutory appeal of the statute of limitations ruling. The Sixth Circuit will also have to permit the appeal, and as of the date of this report, the Sixth Circuit has not ruled on whether it will accept the interlocutory appeal. The trial court also issued an order denying the plaintiffs' motion for certification of a class. The plaintiffs have asked the Sixth Circuit to consider an appeal of that ruling as well. LFUCG intends to vigorously defend its self 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 if twice the amount underpaid for LFUCG's alleged bad faith pursuant to KRS377.385. There are currently 420 individual Plaintiffs. LFUCG filed a motion for judgment on the pleadings, asking the Court to dismiss the wage and hour and breach of contract claims based on sovereign immunity. The court granted the motion and dismissed Plaintiffs' wage and hour and contract claims, leaving the pension fund claims. Plaintiffs filed an appeal to the Kentucky Court of Appeals but voluntarily dismissed it because the case is not ripe for appeal due to the one claim left alive. After getting the Circuit Court judge to sign an appropriate order, the Plaintiffs have re-filed their appeal. The appeal has been fully briefed. Oral arguments has not been set yet. LFUCG intends to defend itself vigorously in this lawsuit. Prior to filing to this lawsuit, the Labor Cabinet issued citations for some of the alleged claims pleaded in the lawsuit. In the earlier Labor Cabinet matter, the LFUCG was cited for owing \$264,023.38 for five years' worth of back pay to 602 firefighters for overtime on specialist pay. This lawsuit was filed shortly after that citation was issued, and the citation was thereafter voided. With attorneys' fees, we estimate at this time, the potential loss contingency for this lawsuit, based on the above-discussed factors, could be in the range of \$2 million or more. Nonetheless, the LFUCG intends to vigorously defend in this case based on its sovereign immune status as to numerous facets of Plaintiffs' claims.

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NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2009

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**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.

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.

On August 27, 2006, Comair Flight 5191 attempted to depart the Airport, bound for Atlanta, Georgia. It crashed on a farm situated adjacent to the western end of Runaway 8/26. With one exception, all persons on board died. Persons purporting to represent at least 24 of the occupants of Flight 5191 have notified the Airport they are considering or intend to make some form of claim against the Airport relating to Flight 5191. Dozens of lawsuits have arisen from the crash of Flight 5191. The Airport has been named as a third party defendant in some of the lawsuits and as a defendant in at least four pending lawsuits. Claims against the Airport have been made on behalf of the pilot, the co-pilot, flight attendant and Comair. The Airport has notified its insurer and the insurer is providing the defense. An appeal of the Fayette Circuit Court's determination that the Airport is immune from suit for these claims is pending before the Kentucky Supreme Court. At June 30, 2009, management was unable to assess whether the likelihood of an unfavorable outcome of the lawsuits is either probable or remote.

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NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2009

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As of October 1, 2009, the Kentucky Supreme Court concluded that the Airport Board and Corporation are covered by sovereign immunity and can not be held liable in tort. Additionally, the members of the Board, in their official or representative capacities, are immune. The judgment of the Fayette Circuit Court's was affirmed.

As of June 30, 2009, 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. Management does not anticipate any material adjustments to be made as these contracts are closed; therefore, no provision for such has been reflected in the financial statements. Outstanding construction contract commitments are approximately \$16,400,000.

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 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, 2009 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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2009

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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, 2009 the outstanding balance on conduit debt issues was \$238,664,883.

**H. Transit Authority** – In March 2009, the Authority entered an agreement with the Commonwealth of Kentucky’s Transportation Cabinet under the “Statewide Transportation Improvement Program” (STIP) and “Congestion Mitigation and Air Quality Program” (CMAQ) to purchase three trolleys to be used for downtown Lexington transportation. The agreement requires the Authority commit \$1,516,000 for the purchase of the trolleys. The Cabinet will provide 80% or \$1,212,800 and require the Authority to secure 20% additionally from local sources for a total of \$1,516,000.

**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 October 15, 2009 the Government issued Sanitary Sewer System Series 2009 bonds with a par value of \$35.96 million. These bonds will provide funding for the various Sanitary Sewer System projects. Many of the financed projects are covered under the EPA consent decree discussed in Note 5 (see page 85)

The Lexington Convention and Visitors Bureau, a component unit of the Lexington-Fayette Urban County Government, began a restructuring process at the Lexington Area Sports Authority (LASA) which resulted in the elimination of the executive director’s position. Expenses associated with this position were paid by the Lexington Convention and Visitors Bureau and reimbursed by LASA. As a result of this process, the Lexington Convention and Visitors Bureau does not currently provide staff and office provisions for LASA.

On December 3, 2009, the Lexington Airport Board, a component unit of the Lexington-Fayette Urban County Government, redeemed a portion of the 2008A and 2008B bonds using unspent Series 2008 project funds. The project funds were available due to the discontinuation of a Terminal Drive Relocation project originally funded by 2008 bond proceeds. Project funds were used to redeem \$4,820,000 of 2008A and \$5,065,000 of 2008B bonds.

Also in December 2009, the Airport issued 48,300,000 of General Airport Revenue Refunds Bonds, Series 2009A and 2009B with maturities through July 1, 2038 for the refunding of all of the remaining \$40,595,000 of Series 2008A bonds and a portion of Series 2008B bonds in the amount of \$9,815,000 representing original maturities from July 1, 2010 through July 1, 2027. The remaining Series 2008B bonds are \$11,280,000 representing all original maturities from July 1, 2028 through July 1, 2038.

- 2009 Series A (non-AMT) Fixed Rate      \$31,880,000
- 2009 Series B (non-AMT) Variable Rate      \$16,420,000

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the Year Ended June 30, 2009

The principal amount of \$48,300,000, along with a premium of approximately \$1,530,000 and 2008 Series debt service and debt service reserve funds on hand with the Trustee of approximately \$5,310,000 were used to fund a Refunding Escrow Fund (approximately \$50,925,000) and new Debt Service Reserve Fund (approximately \$3,570,000) and cost of issuance and underwriter's discount of approximately \$645,000.

**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 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, 2009:

	Policemen's and Firefighters'	City Employees'
Inactive Plan Participants:		
Retirees and beneficiaries currently receiving benefits	849	110
Active Plan Participants:		
Vested	169	1
Nonvested	927	
Total	1,945	111

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the Year Ended June 30, 2009

**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 2009, the Government contributed 18.0% to the PFRF and 17.5% to the CEPF. Administrative costs were financed by a combination of additional contributions as well as investment income. The required contribution rates are shown in the following table:

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

**D. Supplemental Information**

*Schedule of Funding Progress*

		Actuarial Accrued					
Actuarial Valuation Date	Actuarial Value of Assets (a)	Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll (b-a)/(c)	
<b><i>Policemen's and Firefighters' Pension Fund (3% COLA)</i></b>							
7/1/04	329,683,295	467,385,573	137,702,278	70.5%	40,316,319	341.6%	
7/1/05	355,459,416	520,683,849	165,224,433	68.3%	51,726,085	319.4%	
7/1/06	373,314,278	594,804,448	221,490,170	62.8%	57,192,876	387.3%	
7/1/07	397,712,302	627,939,926	230,227,624	63.3%	57,717,156	398.9%	
7/1/08	418,311,038	664,935,356	246,624,318	62.9%	61,368,960	401.9%	
7/1/09	441,772,820	699,851,128	258,078,308	63.1%	65,765,448	392.4%	
<b><i>City Employees' Pension Fund</i></b>							
7/1/04	28,029,752	28,318,018	288,266	99.0%	38,604	746.7%	
7/1/05	27,763,875	27,945,979	182,104	99.3%	39,972	455.6%	
7/1/06	27,003,663	27,598,776	595,113	97.8%	40,920	1,454.3%	
7/1/07	28,801,253	26,081,614	(2,719,639)	110.4%	40,944	(6,642.3)%	
7/1/08	27,299,997	22,917,270	(4,382,727)	119.1%	42,972	(10,199.0)%	
7/1/09	24,865,567	20,179,074	(4,686,493)	123.2%	43,416	(10,794.4)%	

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For the Year Ended June 30, 2009

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

	Policemen's and Firefighters' Pension Fund	City Employees' Pension Fund
Annual Required Contribution	\$28,689,989	\$0
Interest on net pension obligation	2,003,270	130,899
Adjustment to annual required contribution	(1,853,560)	(205,314)
Annual pension cost	28,839,699	(74,415)
Contributions made	(84,023,573)	(7,864)
Increase (decrease) in net pension obligation	(55,183,874)	(82,279)
Net pension obligation beginning of year	25,040,871	1,869,987
Net pension obligation end of year	\$(30,143,003)	\$1,787,708

***Three-Year Trend Information***

Fiscal Year Ending	Annual Pension Cost (APC)	Contribution	Percentage of APC Contributed	Net Pension Obligation
<b><i>Policemen's and Firefighters' Pension Fund</i></b>				
2007	17,633,647	16,506,722	93.6%	16,751,720
2008	27,080,947	18,791,796	69.4%	25,040,871
2009	28,839,699	84,023,573	291.3%	(30,143,003)
<b><i>City Employees' Pension Fund</i></b>				
2007	(2,593)	6,729	N/A	1,948,880
2008	(71,777)	7,116	N/A	1,869,987
2009	(74,415)	7,864	N/A	1,787,708

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

	Policemen's and Firefighters' Pension Fund	City Employees' Pension Fund
Valuation date	July 1, 2009	July 1, 2009
Actuarial cost method	Entry Age Normal Funding	Entry Age Normal Funding
Amortization method	Level Percent of Payroll	Level Dollar - Open
Remaining amortization period	23 years	15 years
Asset valuation method	Market Related Value	Market
Actuarial assumptions:		
Investment rate of return	8.0%	7.0%
Projected salary increases	5.0%	N/A
Cost-of-living adjustments	3.0%	3.0%
Inflation	3.0%	4.0%

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 NOTES TO FINANCIAL STATEMENTS (Continued)  
 For the Year Ended June 30, 2009

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

Fiscal Year	<b>Policemen's and Firefighters' Retirement</b>	<b>City Employees' Pension</b>
2003	\$7,907,845	\$9,949
2004	8,020,335	6,769
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

**E. Other Post Employment Benefit**

In August 1999, the Council passed an ordinance that authorized the Government to provide a health insurance benefit to the retirees of both retirement funds, effective July 1, 1999. All retirees who continue to participate in the Government's group health insurance plan are eligible for this benefit. The Government paid the premiums for single coverage on a pay-as-you-go basis. In fiscal year 2009, 657 retirees of the PFRF received this benefit for a total cost of \$2,549,910; and 18 retirees of the CEPF received this benefit for a total cost to the Government of \$71,280.

The GASB has issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, effective in fiscal year 2008, which establishes standards for the measurement, recognition, and display of other post employment benefits, expense/expenditures, related liabilities and note disclosures in the financial statements.

The Government completed an actuarial valuation of the future unfunded actuarial accrued liability of these benefits and it was determined that as of July 1, 2008 the liability was \$181,181,934. The annual required contribution to fund this liability over a period of 30 years is \$13,855,546. These figures represent the amount needed to provide benefits for 1,029 current retirees and beneficiaries and 1,053 active members. To date there has not been any funding of this Liability. The actuarial assumptions used for the calculations are listed below.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2009

**F. Pension Plan Financial Statements**

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2009**

	<u>Pension Trust Funds</u>		
	<u>Policemen's and Firefighters' Retirement</u>	<u>City Employees' Pension</u>	<u>Total Pension Trust Funds</u>
<b>ASSETS</b>			
Cash	\$69,686,113	\$304,745	\$69,990,858
Receivables:			
Accounts Receivable	2,325,219	120,903	2,446,122
Due from Other Funds		1,460	1,460
<b>Total Receivables</b>	<u>2,325,219</u>	<u>122,363</u>	<u>2,447,582</u>
Investments, at Fair Value:			
Debt Securities			
US Agencies	22,837,425	9,848,947	32,686,372
US Government Obligations	1,253,360	3,383,290	4,636,650
Municipal Obligations	30,634,901		30,634,901
International Bonds	2,300,167	490,992	2,791,159
Corporate Debt	56,847,602	2,876,424	59,724,026
Repurchase Agreements	15,192,376		15,192,376
Other Investments			
Equity Mutual Funds	34,829,933		34,829,933
Equity Real Estate	30,394,820		30,394,820
Equity Securities - Domestic	63,862,228	7,596,710	71,458,938
Equity Securities - International	53,805,800	249,596	54,055,396
<b>Total Investments</b>	<u>311,958,611</u>	<u>24,445,959</u>	<u>336,404,570</u>
<b>Total Assets</b>	<u>383,969,943</u>	<u>24,873,067</u>	<u>408,843,010</u>
<b>LIABILITIES</b>			
Accounts Payable	12,873	7,500	20,373
Securities Lending Transactions	15,192,376		15,192,376
Due to Other Funds	163,377		163,377
<b>Total Liabilities</b>	<u>15,368,626</u>	<u>7,500</u>	<u>15,376,126</u>
<b>NET ASSETS</b>			
Net Assets Held in Trust for Pension Benefits	<u>\$368,601,317</u>	<u>\$24,865,567</u>	<u>\$393,466,884</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
For the Year Ended June 30, 2009

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**June 30, 2009**

	<b>Policemen's and Firefighters' Retirement</b>	<b>City Employees' Pension</b>	<b>Total</b>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$81,672,437	\$7,864	\$81,680,301
Employer - Administration	2,634,977	79,326	2,714,303
Plan Members	7,449,783	4,247	7,454,030
Other	125,710		125,710
<b>Total Contributions</b>	<b>91,882,907</b>	<b>91,437</b>	<b>91,974,344</b>
Income on Investments:			
Net Change in Fair Value of Investments	(93,899,586)	(1,563,998)	(95,463,584)
Interest	7,831,715	806,912	8,638,627
Dividends	1,697,565	197,312	1,894,877
<b>Total Loss on Investments</b>	<b>(84,370,306)</b>	<b>(559,774)</b>	<b>(84,930,080)</b>
Less Investment Expense	2,088,369	54,765	2,143,134
<b>Net Loss on Investments</b>	<b>(86,458,675)</b>	<b>(614,539)</b>	<b>(87,073,214)</b>
Income from Securities Lending Activities:			
Securities Lending Income	170,421		170,421
Securities Lending Expenses			
Borrower rebates	35,996		35,996
Management Fees	53,770		53,770
<b>Total Securities Lending Expenses</b>	<b>89,766</b>	<b>0</b>	<b>89,766</b>
<b>Net Income on Securities Lending Activities</b>	<b>80,655</b>	<b>0</b>	<b>80,655</b>
<b>Total Additions</b>	<b>5,504,887</b>	<b>(523,102)</b>	<b>4,981,785</b>
<b>DEDUCTIONS</b>			
Benefit Payments	35,203,105	1,872,931	37,076,036
Refunds of Contributions	127,896		127,896
Administrative Expense	100,530	38,397	138,927
<b>Total Deductions</b>	<b>35,431,531</b>	<b>1,911,328</b>	<b>37,342,859</b>
<b>Net Increase (Decrease)</b>	<b>(29,926,644)</b>	<b>(2,434,430)</b>	<b>(32,361,074)</b>
<b>Net Assets, July 1</b>	<b>398,527,961</b>	<b>27,299,997</b>	<b>425,827,958</b>
<b>Net Assets, June 30</b>	<b>\$368,601,317</b>	<b>\$24,865,567</b>	<b>\$393,466,884</b>



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## NONMAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

### DEBT SERVICE FUND

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

### CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The **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, 2009

	Special Revenue Funds								Capital Projects Funds				
	Local Economic Assistance								Lexington Cultural Center	Storm Water Bond Projects	Public Safety Capital Projects	Reynolds Road Project	
	County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Mineral Severance	Coal Severance	Police Confiscated Funds	Police Confiscated State Funds	Public Safety Fund					Total
<b>ASSETS</b>													
Current Cash	\$1,905,979	\$6,190,911	\$164,019	\$1,036,466	\$266,614		\$256,636	\$5,351	\$9,825,976	\$4,279			
Current Investments	189,436	2,058,491		63,146					2,345,005	347,667		30,453	
Other									4,935				
<b>Total Assets</b>	<b>\$2,095,415</b>	<b>\$8,249,402</b>	<b>\$164,019</b>	<b>\$1,099,612</b>	<b>\$266,614</b>	<b>\$38,867</b>	<b>\$256,636</b>	<b>\$5,351</b>	<b>\$12,175,916</b>	<b>\$351,946</b>	<b>\$0</b>	<b>\$30,453</b>	<b>\$0</b>
<b>LIABILITIES AND FUND BALANCES</b>													
Liabilities:													
Accounts and Contracts Payable	44,100	135,824		5,548				3,399	208,595		1,499		
Accrued Payroll & Related Liabilities		1,314							1,314				
Internal Balances		1,848							(1,781,939)	115,669	(157,294)	(548,783)	(493,075)
Unearned Revenue and Other			2,500						2,500				
<b>Total Liabilities</b>	<b>44,100</b>	<b>138,986</b>	<b>2,500</b>	<b>5,548</b>	<b>0</b>	<b>(1,484,067)</b>	<b>(472,961)</b>	<b>196,364</b>	<b>(1,569,530)</b>	<b>115,669</b>	<b>(155,795)</b>	<b>(548,783)</b>	<b>(493,075)</b>
Fund Balances:													
Reserved for:													
Encumbrances	796,594	777,375							1,607,532		249,867		
Unreserved:													
Undesignated, reported in Special Revenue Funds	1,254,721	7,333,041	161,519	1,094,064	266,614	1,489,371	729,597	(191,013)	12,137,914				
Undesignated, reported in Capital Projects Funds									0	236,277	(94,072)	579,236	493,075
<b>Total Fund Balances (Deficits)</b>	<b>2,051,315</b>	<b>8,110,416</b>	<b>161,519</b>	<b>1,094,064</b>	<b>266,614</b>	<b>1,522,934</b>	<b>729,597</b>	<b>(191,013)</b>	<b>13,745,446</b>	<b>236,277</b>	<b>155,795</b>	<b>579,236</b>	<b>493,075</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$2,095,415</b>	<b>\$8,249,402</b>	<b>\$164,019</b>	<b>\$1,099,612</b>	<b>\$266,614</b>	<b>\$38,867</b>	<b>\$256,636</b>	<b>\$5,351</b>	<b>\$12,175,916</b>	<b>\$351,946</b>	<b>\$0</b>	<b>\$30,453</b>	<b>\$0</b>

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 COMBINING BALANCE SHEET, Continued  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2009

Capital Projects Funds

	2003 Bond Projects	Purchase of Development Rights	Equipment Lease Notes	2004 Bond Projects	2005 Bond Projects	2006 Bond Projects	2007 Bond Projects	2008 Bond Projects	Public Works	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total	Total Nonmajor Governmental Funds
<b>ASSETS</b>													
Current Cash									\$103,668	\$144,920	\$205,573	\$458,440	\$10,284,416
Current Investments										310,876	67,973	756,969	3,101,974
Receivables :												0	0
Other											10,558,221	10,558,221	10,563,156
Prepaid Items					4,144							4,144	4,144
Restricted Investments	504,424		1,044,799	135,733	340,811	1,576,432	1,309,026	8,111,547		24,316		13,047,088	13,047,088
<b>Total Assets</b>	<u>\$504,424</u>	<u>\$0</u>	<u>\$1,044,799</u>	<u>\$135,733</u>	<u>\$344,955</u>	<u>\$1,576,432</u>	<u>\$1,309,026</u>	<u>\$8,111,547</u>	<u>\$103,668</u>	<u>\$480,112</u>	<u>\$10,831,767</u>	<u>\$24,824,862</u>	<u>\$37,000,778</u>
<b>LIABILITIES AND FUND BALANCES</b>													
Liabilities:													
Accounts and Contracts Payable	2,200		11,245		317,056	87,678	712,598	346,140	24,148	30		1,502,594	1,711,189
Accrued Payroll & Related Liabilities												0	1,314
Internal Balances	(236,525)	1,417,496	(448,904)	(532,079)	(734,020)		1,963,664	(1,165)	(1,226,957)		948,988	67,015	(1,714,924)
Unearned Revenue and Other												0	2,500
<b>Total Liabilities</b>	<u>(234,325)</u>	<u>1,417,496</u>	<u>(437,659)</u>	<u>(532,079)</u>	<u>(416,964)</u>	<u>87,678</u>	<u>2,676,262</u>	<u>344,975</u>	<u>(1,202,809)</u>	<u>30</u>	<u>948,988</u>	<u>1,569,609</u>	<u>79</u>
Fund Balances:													
Reserved for:													
Encumbrances	127,496		10,249		329,201	139,055	402,186	2,433,173	110,743	270		3,802,240	5,409,772
Unreserved:													
Undesignated, reported in Special Revenue Funds												0	12,137,914
Undesignated, reported in Capital Projects Funds	611,253	(1,417,496)	1,472,209	667,812	432,718	1,349,699	(1,769,422)	5,333,399	1,195,734	479,812	9,882,779	19,453,013	19,453,013
<b>Total Fund Balances (Deficits)</b>	<u>738,749</u>	<u>(1,417,496)</u>	<u>1,482,458</u>	<u>667,812</u>	<u>761,919</u>	<u>1,488,754</u>	<u>(1,367,236)</u>	<u>7,766,572</u>	<u>1,306,477</u>	<u>480,082</u>	<u>9,882,779</u>	<u>23,255,253</u>	<u>37,000,699</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$504,424</u>	<u>\$0</u>	<u>\$1,044,799</u>	<u>\$135,733</u>	<u>\$344,955</u>	<u>\$1,576,432</u>	<u>\$1,309,026</u>	<u>\$8,111,547</u>	<u>\$103,668</u>	<u>\$480,112</u>	<u>\$10,831,767</u>	<u>\$24,824,862</u>	<u>\$37,000,778</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2009

	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	2002 Bond Projects
County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Mineral Severance	Coal Severance										
<b>REVENUES</b>														
Charges for Services			\$62,812				\$33,100	\$95,912						
Fines and Forfeitures						32,607		32,607						
Intergovernmental	694,508	4,816,777		338,375	191,191	1,210,334	345,139	350,989	7,947,313					
Property Sales						8,761			8,761					
Miscellaneous		249,652							249,652			1,780		
Income on Investment	4,359	32,552	215	2,001	225	1,929	859	255	42,395	3,701	4,575	2,509		
<b>Total Revenues</b>	<b>698,867</b>	<b>5,098,981</b>	<b>63,027</b>	<b>340,376</b>	<b>191,416</b>	<b>1,253,631</b>	<b>345,998</b>	<b>384,344</b>	<b>8,376,640</b>	<b>3,701</b>	<b>4,575</b>	<b>4,289</b>	<b>0</b>	<b>0</b>
<b>EXPENDITURES</b>														
Current:														
General Government										278				
Public Works		860,537							860,537		1,731			
Public Safety								13,453	13,453					
Police						385,386			385,386					
Debt Service:														
Interest and Other													41,909	6,505
Capital:														
Equipment						239,678			239,678				23,778	
Acquisitions and Construction	17,923	3,508,783				23,386			3,550,092	604,628	24,188			
<b>Total Expenditures</b>	<b>17,923</b>	<b>4,369,320</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>648,450</b>	<b>0</b>	<b>13,453</b>	<b>5,049,146</b>	<b>604,906</b>	<b>25,919</b>	<b>0</b>	<b>23,778</b>	<b>41,909</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>680,944</b>	<b>729,661</b>	<b>63,027</b>	<b>340,376</b>	<b>191,416</b>	<b>605,181</b>	<b>345,998</b>	<b>370,891</b>	<b>3,327,494</b>	<b>(601,205)</b>	<b>(21,344)</b>	<b>4,289</b>	<b>(23,778)</b>	<b>(41,909)</b>
<b>OTHER FINANCING SOURCES (USES)</b>														
Transfers Out		(880,000)						(550,000)	(1,430,000)					
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>(880,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(550,000)</b>	<b>(1,430,000)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Change in Fund Balances</b>	<b>680,944</b>	<b>(150,339)</b>	<b>63,027</b>	<b>340,376</b>	<b>191,416</b>	<b>605,181</b>	<b>345,998</b>	<b>(179,109)</b>	<b>1,897,494</b>	<b>(601,205)</b>	<b>(21,344)</b>	<b>4,289</b>	<b>(23,778)</b>	<b>(41,909)</b>
<b>Fund Balances (Deficits), July 1</b>	<b>1,370,371</b>	<b>8,260,755</b>	<b>98,492</b>	<b>753,688</b>	<b>75,198</b>	<b>917,753</b>	<b>383,599</b>	<b>(11,904)</b>	<b>11,847,952</b>	<b>837,482</b>	<b>177,139</b>	<b>574,947</b>	<b>516,853</b>	<b>41,909</b>
<b>Fund Balances (Deficits), June 30</b>	<b>\$2,051,315</b>	<b>\$8,110,416</b>	<b>\$161,519</b>	<b>\$1,094,064</b>	<b>\$266,614</b>	<b>\$1,522,934</b>	<b>\$729,597</b>	<b>(\$191,013)</b>	<b>\$13,745,446</b>	<b>\$236,277</b>	<b>\$155,795</b>	<b>\$579,236</b>	<b>\$493,075</b>	<b>\$0</b>

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2009

Capital Projects Funds

	2003 Bond Projects	Golf Course Bond Projects	Purchase of Development Rights	Equipment Lease Notes	Condemnation	2004 Bond Projects	2005 Bond Projects	2006 Bond Projects	2007 Bond Projects	2008 Bond Projects	Public Works	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total	Total Nonmajor Governmental Funds
<b>REVENUES</b>															
Charges for Services															\$95,912
Fines and Forfeitures															32,607
Intergovernmental										97,214				97,214	8,044,527
Exactions													379,575	379,575	379,575
Property Sales														0	8,761
Miscellaneous			73			5,350						315,435		322,638	572,290
Income on Investments	16,675		5,311	25,828		6,833	9,740	3,302	21,729	86,405		6,001		192,609	235,004
<b>Total Revenues</b>	<u>16,675</u>	<u>0</u>	<u>5,384</u>	<u>25,828</u>	<u>0</u>	<u>12,183</u>	<u>9,740</u>	<u>3,302</u>	<u>21,729</u>	<u>183,619</u>	<u>0</u>	<u>321,436</u>	<u>379,575</u>	<u>992,036</u>	<u>9,368,676</u>
<b>EXPENDITURES</b>															
Current:															
General Government									4,207	50,262			5,750	60,497	60,497
Administrative Services									2,155,931					2,155,931	2,155,931
Finance				11						71,008		296		71,315	71,315
Chief Information Officer							1,307,867							1,307,867	1,307,867
Public Works	45,255									8,088				55,074	915,611
Environmental Quality	4,500													4,500	4,500
Public Safety									2,172,745					2,172,745	2,186,198
Police														0	385,386
General Services							67,555							67,555	67,555
Principal												155,000		155,000	155,000
Bond Issuance Cost															
Interest and Other															
Equipment							56,828		15,229	(648,583)		133,526		(451,414)	(451,414)
Acquisitions and Construction	30,501	250	1,751,974	31,604		(50,000)	431,966	584,433	169,161	4,834,011	1,219,049		541,386	11,170,267	14,720,359
<b>Total Expenditures</b>	<u>80,256</u>	<u>250</u>	<u>1,751,974</u>	<u>31,615</u>	<u>0</u>	<u>(50,000)</u>	<u>1,864,216</u>	<u>584,433</u>	<u>4,526,423</u>	<u>10,145,913</u>	<u>1,219,049</u>	<u>288,822</u>	<u>547,136</u>	<u>21,693,104</u>	<u>26,742,250</u>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<u>(63,581)</u>	<u>(250)</u>	<u>(1,746,590)</u>	<u>(5,787)</u>	<u>0</u>	<u>62,183</u>	<u>(1,854,476)</u>	<u>(581,131)</u>	<u>(4,504,694)</u>	<u>(9,962,294)</u>	<u>(1,219,049)</u>	<u>32,614</u>	<u>(167,561)</u>	<u>(20,701,068)</u>	<u>(17,373,574)</u>
<b>OTHER FINANCING SOURCES (USES)</b>															
Transfers In			2,020,101		25,766		631,000							2,676,867	2,676,867
Transfers Out			0											0	(1,430,000)
Debt Proceeds			4,000,000						7,082,930	27,267,070				38,350,000	38,350,000
<b>Total Other Financing Sources (Uses)</b>	<u>0</u>	<u>0</u>	<u>6,020,101</u>	<u>0</u>	<u>25,766</u>	<u>0</u>	<u>631,000</u>	<u>0</u>	<u>7,082,930</u>	<u>27,267,070</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>41,026,867</u>	<u>39,596,867</u>
<b>Net Change in Fund Balances</b>	<u>(63,581)</u>	<u>(250)</u>	<u>4,273,511</u>	<u>(5,787)</u>	<u>25,766</u>	<u>62,183</u>	<u>(1,223,476)</u>	<u>(581,131)</u>	<u>2,578,236</u>	<u>17,304,776</u>	<u>(1,219,049)</u>	<u>32,614</u>	<u>(167,561)</u>	<u>20,325,799</u>	<u>22,223,293</u>
<b>Fund Balances (Deficits), July 1</b>	<u>802,330</u>	<u>250</u>	<u>(5,691,007)</u>	<u>1,488,245</u>	<u>(25,766)</u>	<u>605,629</u>	<u>1,985,395</u>	<u>2,069,885</u>	<u>(3,945,472)</u>	<u>(9,538,204)</u>	<u>2,525,526</u>	<u>447,468</u>	<u>10,050,340</u>	<u>2,929,454</u>	<u>14,777,406</u>
<b>Fund Balances (Deficits), June 30</b>	<u>\$738,749</u>	<u>\$0</u>	<u>(\$1,417,496)</u>	<u>\$1,482,458</u>	<u>\$0</u>	<u>\$667,812</u>	<u>\$761,919</u>	<u>\$1,488,754</u>	<u>(\$1,367,236)</u>	<u>\$7,766,572</u>	<u>\$1,306,477</u>	<u>\$480,082</u>	<u>\$9,882,779</u>	<u>\$23,255,253</u>	<u>\$37,000,699</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the Year Ended June 30, 2009

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2008	Revenue Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2009
<b>US Department of Labor:</b>						
Passed Through Commonwealth of Kentucky:						
WIA	17.258	8004Y		\$9,376	\$43,621	\$34,245
WIA	17.258	8004Y	20,924	20,924		
<b>Total US Department of Labor</b>			<u>20,924</u>	<u>30,300</u>	<u>43,621</u>	<u>34,245</u>
<b>US Department of Health and Human Services:</b>						
Direct Programs:						
Healthy Tomorrows	93.110	H17MC04353-04-00		36,230	36,230	
Healthy Tomorrows	93.110	H17MC04353-05-00			15,976	15,976
Runaway Youth	93.623	04CY0792/01		86,729	144,548	57,819
Runaway Youth	93.623	04CY0792/01	46,536	88,687	42,151	
Passed through Commonwealth of Kentucky:						
Senior Citizens	93.044	AS-08-09-2015		84,659	84,659	
Senior Citizens	93.044	AS-07-08-2015	28,631	28,631		
Home Network	93.597	2007-2008-PUBLIC-R	9,371	202,250	192,879	
Home Network	93.597	2008-2009-PUBLIC-R		299,460	160,283	(139,177)
Prevent Child Abuse Kentucky	93.669	N/A	42,306	42,306		
New Chance-Cab For Families	93.558	M-06069713	69,457	69,457		
New Chance-Cab For Families	93.558	PON2 736 0800008776		286,299	313,619	27,320
Local Governance-Cab for Families	93.558	PON2 736 0800008776		69,911	75,608	5,697
Mentoring-Cab for Families	93.558	PON2 736 0800008776		39,940	43,343	3,403
<b>Total US Department of Health and Human Services</b>			<u>196,301</u>	<u>1,334,559</u>	<u>1,109,296</u>	<u>(28,962)</u>
<b>US Department of Transportation:</b>						
Direct Programs:						
Passed through Commonwealth of Kentucky:						
Liberty Road/Todds Road	20.205	C-00021586	194,490	14,053	144,830	325,267
Liberty Road/Todds Road	20.205	C-04073306		70,232	70,232	
Federal Highway Planning	20.205	0700010834	150,276	150,276		
Federal Highway Planning	20.205	0800016813		128,024	301,654	173,630
Loudon Avenue Project	20.205	C-02279716	440,884	3,281,540	3,062,417	221,761
Fiber Optic Cable Installation	20.205	C-04653593	21,744	21,744		
Fiber Optic Cable Installation	20.205	C-06179870	16,750	16,750		
Fiber Optic Cable Installation	20.205	PO2-628-0700005481	140,565	268,167	157,210	29,608
Fiber Optic Cable Installation	20.205	PO2-628-0700013795		10,049	12,765	2,716
Newtown Pike	20.205	C-00343167	326,900	1,492,234	1,883,657	718,323
Newtown Landscape	20.205	PO2-628-0800015658			17,200	17,200
Newtown Pike	20.205	C-01261650			8,887	8,887
Traffic Signal Installation	20.205	PO2-625-0700012692		4,820	4,820	
Traffic Signal Installation	20.205	PO2- 625-0600004655	47,199	128,000	80,801	
Traffic Signal Installation	20.205	C-03336343	653	653		
Traffic Signal Installation	20.205	C-05196959	32,588	67,099	34,511	
Traffic Control	20.205	C-04258064	123,415	123,415		
Traffic Control	20.205	PO2-625-0600004655	17,148	95,600	154,290	75,838
Traffic Control	20.205	PO2-625-0700012692	24,342	24,342	39,329	39,329
Brighton East	20.205	C-05031709	27,951	44,812	49,398	32,537
Bike Projects	20.205	C-05139536	10,555	10,555		
Bike Projects	20.205	C-99006967		43,678	113,374	69,695
Alexander Drive/Stone	20.205	PO2-628-0600003013		260	924	664
Air Quality Planning	20.205	0700011846	40,210	40,210		
Air Quality Planning	20.205	0800020840		1,097	6,220	5,123
Pope House Project	20.205	C-01248155	28,589	56,865	32,639	4,363
West Hickman	20.205	C-04482975	33,604	45,264	12,620	960
Clays Mill Road	20.205	C-03328826	960	16,652	91,857	76,165
Clays Mill Road	20.205	C-03328686			1,942	1,942
Grimes Mill Bridge	20.205	C-05354512	47,602	68,708	21,106	
Hazard Elimination & Safety	20.205	0340027001003		14,537	375,405	360,868
Healthway	20.205	PO2-628-0900024481		11,845	16,210	4,365
Town Branch	20.205	C-03022850	2,085	74,874	74,874	2,085
Town Branch	20.205	C-02182950	6,961			6,961
Town Branch II	20.205	7-238.01		10,584	25,013	14,429
Citation Boulevard	20.205	C-05396856	15,115	33,201	30,029	11,943
Coldstream Trail	20.205	PO2-628-0800015657		14,640	87,692	73,052
Versailles Road Corridor	20.205	PO2-628-0600003375	4,584	8,584	7,416	3,416
Wellington Way	20.205	PO2-628-0600002885	8,863	3,089	13,689	19,463
MCSAP	20.218	M-05042656	44,064	75,000	30,936	
MCSAP	20.218	M-00800718583		4,205	27,663	23,458
Mobility Office	20.505	PO2-625-0600004149	5,098		4,979	(119)
Mobility Office	20.505	MA-0700011846	69,101	69,101		
Mobility Office	20.505	MA-0800020840		34,576	99,073	64,497
Fed Transit Admin Section 5303	20.505	0700013394	451			
Fed Transit Admin Section 5303	20.505	G03MP03Z		38,223	40,000	1,777
Traffic Safety Supplement	20.600	J2-08-49	15,000	15,000		
Traffic Safety Supplement	20.600	K2-09-58			14,142	14,142

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2009**

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2008	Revenue Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2009
Traffic Safety	20.600	PT-06-16	30,204	30,204		
Traffic Safety	20.600	AL-08-28		8,845	8,845	
Traffic Safety	20.600	PT-09-29		20,161	26,333	6,172
Tact	20.218	N/A		11,232	42,424	31,192
Maine Chance	20.205	PO2-628-0700013769		11,440	237,512	226,072
Safe Route to School	20.205	PO2-628-0600003702			7,533	7,533
South Elkhorn Bike	20.205	KYTC Item 7-229			3,300	3,300
South Limestone	20.205	800015399			30,720	30,720
Reversible Lanes	20.205	PO2-628-0600003022		122,111	236,645	114,534
Recreational Trails	20.219	KY 20060511-0737	3,150	3,839	2,060	1,371
<b>Total US Department of Transportation</b>			<b>1,931,101</b>	<b>6,845,820</b>	<b>7,740,078</b>	<b>2,825,358</b>
<b>US Department of Housing and Urban Development:</b>						
Direct Programs:						
Community Dev Block Grant	14.218	B07MC210004	908,172	1,534,738	690,509	63,943
Community Dev Block Grant	14.218	B08MC210004	(431,763)	618,755	1,887,121	836,603
Emergency Shelter	14.231	S07MC210003	9,611	9,614	3	
Emergency Shelter	14.231	S08MC210003		65,090	78,720	13,630
HOME	14.239	M06MC210201	92,688	264,756	248,414	76,346
HOME	14.239	M07MC210201	196,427	783,637	621,724	34,514
HOME	14.239	M08MC210201	732,627	868,407	457,593	321,813
Housing Opp for Pers with AIDS (HOPWA)	14.241	KY-H04-0001	141,181	312,392	171,211	
Housing Opp for Pers with AIDS (HOPWA)	14.241	KY-H08-0007		123,917	186,668	62,751
HPRP_R_2010	14.257	S09-MY-21-0003			679	679
<b>Total US Department of Housing and Urban Development</b>			<b>1,648,943</b>	<b>4,581,306</b>	<b>4,342,642</b>	<b>1,410,279</b>
<b>US Department of Agriculture:</b>						
Direct Programs:						
Purchase of Development Rights (PDR)	10.913	73-5C16-7-052	207,945	973,967	766,022	
Purchase of Development Rights (PDR)	10.913	73-5C16-7-052		939,445	939,445	
Wildlife Habitat Incentive Program (WHIP)	10.914	72-5C16-4-A031			100	100
Passed through Commonwealth of Kentucky:						
Food Commodities-Social Services	10.55	034-0400		4,460	4,460	
National School Lunch	10.555	034-038-999	4,511	13,996	9,485	
National School Lunch	10.555	034-038-999		22,482	27,727	5,245
Child Care Food Program	10.558	034-L95-999	9,371	21,780	12,409	
Child Care Food Program	10.558	034-L95-999		34,336	45,908	11,572
Summer Lunch	10.559	034-X75-999SU	73,009	151,847	78,838	
Summer Lunch	10.559	034-X75-999SU			21,447	21,447
Firewise Community	10.664	PO212808000192291		1,421	1,421	
Urban Forestry	10.664	M-05278134	5,000	5,000		
Urban Forestry	10.664	08-DG-11083121-001			4,555	4,555
<b>Total US Department of Agriculture</b>			<b>299,836</b>	<b>2,168,734</b>	<b>1,911,817</b>	<b>42,919</b>
<b>US Department of Interior:</b>						
Passed through Commonwealth of Kentucky:						
Historic Preservation	15.904	21-07-21621	8,500	8,500		
Historic Preservation	15.904	21-08-21722			8,100	8,100
Preserve America	15.904	21-06-PA-2056		8,823	13,427	4,604
<b>Total US Department of Interior</b>			<b>8,500</b>	<b>17,323</b>	<b>21,527</b>	<b>12,704</b>
<b>US Department of Justice:</b>						
Direct Programs:						
Police Confiscated Funds	16.000	NA	(917,752)	1,104,042	498,860	(1,522,934)
Safe Havens	16.527	2007-CW-AX-0020	53,403	102,246	86,690	37,847
Bulletproof Vests	16.607	06133999	10,962	10,962		
Bulletproof Vests	16.607	07037695	1,700	4,868	2,382	(786)
Bulletproof Vests	16.607	08041220			1,386	1,386
Arrest Policy	16.590	2006-WE-AX-0053	52,386	177,936	198,020	72,470
Project Safe Neighborhoods	16.609	2003-GP-CX-0547	113,370	113,370		
Project Safe Neighborhoods	16.609	2003-GP-CX-0547		39,860	39,860	
Project Safe Neighborhoods	16.609	2006-GP-CX-0069	20,966	65,488	49,739	5,217
Project Safe Neighborhoods	16.609	2007-GP-CX-0068		18,018	32,683	14,665
Project Safe Neighborhoods	16.609	2008-GP-CX-0060		4,233	4,233	
Air Support	16.710	2008-CKWX0302		326,325	326,325	
Crime Data	16.710	31829	(16,218)		16,218	
Justice Assistance Grant	16.738	2005-DJ-BX-0225	5,572	24,332	18,760	
Justice Assistance Grant	16.738	2006-DJ-BX-1069	2,598	2,598	35,957	35,957
Justice Assistance Grant	16.738	2007-DJ-BX-0457	118,000	118,000		
Justice Assistance Grant	16.738	2008-DJ-BX-0255			28,074	25,649
Anti Gang Initiative	16.744	2006-PG-BX-0044	26,109	73,360	71,744	24,493
Anti Gang Initiative	16.744	2007-PG-BX-0094		4,397	44,265	39,868
High Density Drug Trafficking Area Project	N/A	17PAPP501Z		168	2,772	2,604
Passed through Commonwealth of Kentucky:						
Title V	16.548	2004-JP-FX-0044	53,737	73,883	20,146	
Title V	16.548	Title V-2006-00006		13,214	37,193	23,979

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2009**

Grantor/Program Title	Federal CFDA Number	Direct/ Pass-through Grantor's Number	Accrued (Deferred) Revenue at July 1, 2008	Revenue Received	Expenditures	Accrued (Deferred) Revenue at June 30, 2009
Title V 2	16.548	Title V-2008-00012		13,781	13,781	
Juv Accountability Block Grant	16.523	2006-JB-FX-0002 (101)	4,831	6,761	1,930	
Juv Accountability Block Grant	16.523	2007-JB-FX-0023(101)		9,776	11,115	1,339
Cold Case Squad	16.579	7113-N16-1/04	6,015	13,444	47,669	40,240
Police Activity League	16.541	2006-JL-FX-0291		3,444	3,444	
Street Sales	16.579	5222-D-3/07	44,381	44,381		
Street Sales (Confiscated Funds)	16.579	2008-JAG-610858140-00051		118,405	43,090	(75,315)
Street Sales	16.579	2008-JAG-610858140-00051		22,713	48,656	25,943
Sexual Assault Nurse Examiner (SANE) /Colosco	16.588	6813-VA1/VA5-01/04		16,200	16,200	
Sexual Assault Nurse Examiner (SANE2)	16.588	VAWA-2008-00012			2,587	
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2008-00046		1,656	4,510	2,854
Sexual Assault Nurse Examiner (SANE)	16.588	6789-VA1-8/07	7,886	20,627	12,741	
Sexual Assault Nurse Examiner (SANE)	16.588	6751-VA1-7/06	1,123	1,123		
SCAAP	16.606	2008-AP-BX-0101		119,801	17,630	(102,171)
SCAAP	16.606	2007-AP-BX-0137	(32,147)		13,960	(18,187)
SCAAP	16.606	2008-AP-BX-0101	(79,127)		79,127	
<b>Total US Department of Justice</b>			<b>(482,346)</b>	<b>2,671,837</b>	<b>1,791,887</b>	<b>(1,362,295)</b>
<b>US Department of Homeland Security Office of Domestic Preparedness:</b>						
Direct Programs:						
Metro Medical Response System (MMRS)	97.071	M-05441953	9,661	12,249	2,588	
Metro Medical Response System (MMRS)	97.071	EMW-2004-GR-0802	226,701	226,701		
Metro Medical Response System (MMRS)	97.071	PON2 094 08000149192 1	12,558	92,577	81,816	1,797
Metro Medical Response System (MMRS)	97.071	PON2 094 0700005899 1	169	133,101	156,015	23,083
Metro Medical Response System (MMRS)	97.071	PON2 094 0800020954 1		16,873	38,740	21,867
Passed through Commonwealth of Kentucky:						
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	1,612,250
Disaster Reimbursement-Gustav	83.548				4,584	4,584
Flood Mitigation Assistance	97.029	PON209509000115091			2,700	2,700
Chemical Stockpile Emergency (CSEPP)	97.040	M-05374662	14,396	14,396		
Chemical Stockpile Emergency (CSEPP)	97.040	PON2 0600002230	31,505	66,810	78,469	43,164
Chemical Stockpile Emergency (CSEPP)	97.040	PON2 0700005552	21,699	66,389	78,871	34,181
Chemical Stockpile Emergency (CSEPP)	97.040	PON209508000112861		4,745	50,399	45,654
Critical Infrastructure	97.067	P0209408000212151		4,750	7,007	2,257
Emergency Management Assistance	97.042	PON2 095 07000036181	17,334	17,334		
Emergency Management Assistance	97.042	PON209508000079301		37,897	78,902	41,005
Hazard Devices	97.067	PO209408000208651			249,650	249,650
Improvised Explosive Device (IED) Training	97.067	PO209408000208691			163,253	163,253
State Homeland Security (fire)	97.067	PO2 094 0800015056 1	23,393	23,393		
State Homeland Security COMM	97.067	PO2-094-0700013217 1	48,378	98,304	49,926	
State Homeland Security	97.067	PO2-094-0700012951 1	31,481	217,844	186,363	
State Homeland Security	97.067	PO2-094-0800020862 1		51,527	63,527	12,000
Sugarmill	97.039	PON2-095-0600003029-1	3,421	9,018	9,984	4,387
Commercial Equip. Direct Assist. (CEDAP)	97.096	C-07-00802		24,345	24,345	
<b>Total US Dept. of Homeland Security Office of Domestic Preparedness</b>			<b>2,199,461</b>	<b>1,118,253</b>	<b>2,939,389</b>	<b>4,020,597</b>
<b>US Environmental Protection Agency</b>						
Passed through Commonwealth of Kentucky:						
Gainesway Retention Basin	66.46	MA-04184474		21,784	66,093	44,309
McConnell Springs Pond	66.46	MA-04180034			511	511
<b>Total US Environmental Protection Agency</b>			<b>0</b>	<b>21,784</b>	<b>66,604</b>	<b>44,820</b>
<b>US Department of Education:</b>						
Direct Programs:						
21st Century Learning	84.287	0600000407	41,034	65,252	24,218	
21st Century Learning	84.287	PON254008000083781		23,191	58,011	34,820
<b>Total US Department of Education</b>			<b>41,034</b>	<b>88,443</b>	<b>82,229</b>	<b>34,820</b>
<b>Total Federal Financial Assistance</b>			<b>\$5,863,754</b>	<b>\$18,878,359</b>	<b>\$20,049,090</b>	<b>\$7,034,485</b>

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, 2009**

<u>Grantor/Program Title</u>	<u>Grantor's Number</u>	<u>Grantor</u>	<u>Accrued or (Deferred) Revenue at July 1, 2008</u>	<u>Revenue Received</u>	<u>Expenditures</u>	<u>Accrued or (Deferred) Revenue at June 30, 2009</u>
Arts Build Project	1042	Kentucky Arts Council		\$5,000	\$5,000	
Aviation Museum	H090-1	Governor's Office for Local Development	491,622	492,748	19,952	18,826
Community Juvenile Justice	M-06232589	Kentucky Justice Cabinet	48,497	48,497		
Community Juvenile Justice	PON252308000087471	Kentucky Justice Cabinet		44,629	44,629	
Day Treatment	M-06213289	Kentucky Dept. of Juvenile Justice	38,119	38,119		
Day Treatment	PON252308000081311	Kentucky Dept. of Juvenile Justice		221,691	241,845	20,154
Disaster Reimbursement-Ice Storm	DR 1454	Kentucky Emergency Management Agency	281,403			281,403
Disaster Reimbursement-Ice Storm 2009		Kentucky Emergency Management Agency			257,960	257,960
Disaster Reimbursement-Gustav		Kentucky Emergency Management Agency			733	733
Drug Control Supplemental	ODCP-1023-D/07	Kentucky Justice Cabinet	(74)	(74)		
Drug Control Supplemental	DTF-2008-610858140-00017	Kentucky Justice Cabinet		65,000	65,000	
Emergency Medical Services	N/A	Kentucky Bd. Emergency Medical Services	(731)		731	
Emergency Medical Services	N/A	Kentucky Bd. Emergency Medical Services	(10,256)	(8)	10,248	
Emergency Medical Services	N/A	Kentucky Bd. Emergency Medical Services		10,169		(10,169)
Emergency Shelter	ES07-0049-01	Kentucky Housing Corporation	2,999	12,000	9,001	
Emergency Shelter	ES08-0409-01	Kentucky Housing Corporation		3,000	12,000	9,000
Federal Highway Planning	0700010834	Kentucky Transportation Cabinet	9,393	9,393		
Federal Highway Planning	0800016813	Kentucky Transportation Cabinet		8,002	18,853	10,851
Fire Training Incentive	155	Kentucky Commission on Fire Protection		1,708,777	1,886,221	177,444
Fire Training Incentive	155	Kentucky Commission on Fire Protection	435,485	435,485		
Gainesway Park	0700003587	Kentucky Office for Local Development	238,355	285,683	47,328	
Green Acres	276N-2007	Kentucky Infrastructure Authority	81,251	187,150	125,661	19,762
Hazard Elimination	0340027001003	Kentucky Transportation Cabinet		3,634	93,851	90,217
Home Network	2007-2008-PUBLIC-R	Lexington Fayette County Health Dept		25,207	25,207	
Home Network	2008-2009-PUBLIC-R	Lexington Fayette County Health Dept		37,095	37,095	
Kentucky Housing	N/A	Kentucky Housing Corporation		2,000		(2,000)
Kentucky Pride	N/A	Kentucky Dept. Natural Resources		145,191	78,592	(66,599)
Kentucky Pride	N/A	Kentucky Dept. Natural Resources	(45,406)	(309)	45,097	
Law Enforcement Service Fee	LSF-700-L1-08	Kentucky Justice Cabinet		33,810	39,998	6,188
Law Enforcement Service Fee	LSF-700-L1-08	Kentucky Justice Cabinet	26,828	26,828		
Newtown Pike Extension	C00343167	Kentucky Transportation Cabinet	81,725	373,058	470,914	179,581
North Elkhorn Pump	SX21067003	Kentucky Infrastructure Authority	84,575			84,575
National School Lunch	034-038-999	Kentucky Dept. of Education		451	451	
Police Training Incentive	PT-105-03	Kentucky Law Enforcement Foundation		1,829,435	2,062,558	233,123
Police Training Incentive	PT-105-03	Kentucky Law Enforcement Foundation	517,715	517,715		
Purchase of Development Rights (PDR)	A2007-0479	Kentucky Dept. Agriculture	(99,639)		99,639	
Raven Run Acquisition	N/A	Kentucky Heritage Land Conservation Fund	(118,593)		74,553	(44,040)
SANE (Sexual Assault Treatment Project)	6789-VA1-8/07	Kentucky Justice Cabinet		3,320	2,920	
SANE3 (Sexual Assault Treatment Project)	VAWA-2008-00046	Kentucky Justice Cabinet		1,000	1,200	200
Search & Rescue	PON2 095 0600000810 1	Kentucky Emergency Management Agency		4,959		4,959
State Homeland Communications	PO2-094-0700013305-1	Kentucky Justice Cabinet	147,457	147,457		
Sugarmill	PON2-095-0600003029-1	Kentucky Emergency Management Agency		468	1,597	660
Survivors II	N/A	Kentucky Office of the Governor		10,166		
Todd/Liberty Transportation Improvement Pgm.	C-04073306	Kentucky Transportation Cabinet		17,558	17,558	
Todd/Liberty Transportation Improvement Pgm.	C-0021586	Kentucky Transportation Cabinet	48,623	3,513	36,208	81,318
Transition Plus	M-06213289	Kentucky Dept. of Juvenile Justice	13,131	13,131		
Unsewered Areas 2	SX21067001 & SX21067008	Kentucky Infrastructure Authority		186,187	455,354	269,167
Unsewered Areas	SX21067001	Kentucky Infrastructure Authority	29,944	282,958	253,014	
<b>Total State Financial Assistance</b>			<u>\$2,318,416</u>	<u>\$7,236,071</u>	<u>\$6,540,968</u>	<u>\$1,623,313</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, 2009**

	<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>
<b>ASSETS</b>								
Current Assets:								
Cash	\$217,112	\$168,670	\$579,574		\$103,776	\$131,126	\$7,800	\$1,208,058
Investments	83,935	398,296	1,158,341	828,730	33,932	33,678		2,536,912
Receivables:								
Other Receivables						49,739		49,739
Less Allowance for Uncollectible Accounts						(49,739)		(49,739)
<b>Total Current Assets</b>	<u>301,047</u>	<u>566,966</u>	<u>1,737,915</u>	<u>828,730</u>	<u>137,708</u>	<u>164,804</u>	<u>7,800</u>	<u>3,744,970</u>
Non-Current Assets:								
Land Improvements		10,000						10,000
Vehicles, Equipment, and Furniture	56,652	116,098	326,827	2,960,896				3,460,473
Less Accumulated Depreciation	(17,704)	(73,253)	(326,827)	(2,338,032)				(2,755,816)
<b>Total Non-Current Assets</b>	<u>38,948</u>	<u>52,845</u>	<u>0</u>	<u>622,864</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>714,657</u>
<b>Total Assets</b>	<u>339,995</u>	<u>619,811</u>	<u>1,737,915</u>	<u>1,451,594</u>	<u>137,708</u>	<u>164,804</u>	<u>7,800</u>	<u>4,459,627</u>
<b>LIABILITIES</b>								
Current Liabilities:								
Accounts, Contracts and Retainage Payable	238	42,091	310,539	258,038			37,598	648,504
Accrued Payroll	7,329	63,024		54,765			51,489	176,607
Internal Balances	7,461	14,920		7,461			(686,508)	(656,666)
Compensated Absences		66					1,720	1,786
<b>Total Current Liabilities</b>	<u>15,028</u>	<u>120,101</u>	<u>310,539</u>	<u>320,264</u>	<u>0</u>	<u>0</u>	<u>(595,701)</u>	<u>170,231</u>
Non-Current Liabilities								
Unearned Revenues & Other							3,718	3,718
Compensated Absences		2,021					1,720	3,741
<b>Total Non-Current Liabilities</b>	<u>0</u>	<u>2,021</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,438</u>	<u>7,459</u>
<b>Total Liabilities</b>	<u>15,028</u>	<u>122,122</u>	<u>310,539</u>	<u>320,264</u>	<u>0</u>	<u>0</u>	<u>(590,263)</u>	<u>177,690</u>
<b>NET ASSETS</b>								
Invested in Capital Assets, net of related debt	38,948	52,845		622,864				714,657
Unrestricted	286,019	444,844	1,427,376	508,466	137,708	164,804	598,063	3,567,280
<b>Total Net Assets</b>	<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>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended June 30, 2009**

	<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>
<b>Operating Revenues</b>								
Fees		\$1,808,121		\$3,367,710	\$84,045			\$5,259,876
Licenses & Permits	403,771							403,771
Gross Profit-Commissary			854,206					854,206
Other			1,172,223	85,600			68,268	1,326,091
<b>Total Operating Revenues</b>	<u>403,771</u>	<u>1,808,121</u>	<u>2,026,429</u>	<u>3,453,310</u>	<u>84,045</u>	<u>0</u>	<u>68,268</u>	<u>7,843,944</u>
<b>Operating Expenses</b>								
Environmental Quality							1,817,228	1,817,228
Public Works							24,747	24,747
Right of Way	292,516							292,516
Extended School Program		2,281,816						2,281,816
Prisoners' Account			651,529					651,529
Inmate Trust Account			946,282					946,282
Enhanced 911				2,833,241				2,833,241
LexVan Program					63,502			63,502
Administration		40,692						40,692
Depreciation	7,082	10,849	30,345	480,908				529,184
<b>Total Operating Expenses</b>	<u>299,598</u>	<u>2,333,357</u>	<u>1,628,156</u>	<u>3,314,149</u>	<u>63,502</u>	<u>0</u>	<u>1,841,975</u>	<u>9,480,737</u>
<b>Operating Income (Loss)</b>	<u>104,173</u>	<u>(525,236)</u>	<u>398,273</u>	<u>139,161</u>	<u>20,543</u>	<u>0</u>	<u>(1,773,707)</u>	<u>(1,636,793)</u>
<b>Non-Operating Revenues (Expenses)</b>								
Income on Investments	297	1,250	10,372	301	599	3,206	50	16,075
<b>Total Non-Operating Revenues</b>	<u>297</u>	<u>1,250</u>	<u>10,372</u>	<u>301</u>	<u>599</u>	<u>3,206</u>	<u>50</u>	<u>16,075</u>
<b>Income (Loss) Before Contributions and Transfers</b>	104,470	(523,986)	408,645	139,462	21,142	3,206	(1,773,657)	(1,620,718)
Transfers In							2,371,720	2,371,720
Transfers Out			(644,800)					(644,800)
<b>Change in Net Assets</b>	<u>104,470</u>	<u>(523,986)</u>	<u>(236,155)</u>	<u>139,462</u>	<u>21,142</u>	<u>3,206</u>	<u>598,063</u>	<u>106,202</u>
<b>Net Assets - July 1</b>	220,497	1,021,675	1,663,531	991,868	116,566	161,598	0	4,175,735
<b>Net Assets - June 30</b>	<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>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
COMBINING STATEMENT OF CASH FLOWS  
NONMAJOR ENTERPRISE FUNDS  
For the Year Ended June 30, 2009**

	<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>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>								
<b>Cash Flows from Operating Activities:</b>								
Receipts from Customers	\$403,771	\$1,808,121	\$2,026,429	\$3,453,310	\$84,045		\$68,268	\$7,843,944
Payments for Loans						1,269		1,269
Payments to Suppliers	1,386,753	(381,267)	(1,742,875)	(2,344,279)	(5,006)		(2,432,238)	(5,518,912)
Payments to Employees	(1,678,279)	(1,678,903)		(267,849)				(3,625,031)
Payments for Interfund Services Used		(262,382)		(231)	(22,720)			(285,333)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<u>112,245</u>	<u>(514,431)</u>	<u>283,554</u>	<u>840,951</u>	<u>56,319</u>	<u>1,269</u>	<u>(2,363,970)</u>	<u>(1,584,063)</u>
<b>Cash Flows from Noncapital Financing Activities:</b>								
Transfers In							2,371,720	2,371,720
Transfers Out			(644,800)					(644,800)
<b>Net Cash Flows from Noncapital Financing Activities</b>	<u>0</u>	<u>0</u>	<u>(644,800)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,371,720</u>	<u>1,726,920</u>
<b>Cash Flows from Capital and Related Activities:</b>								
Additions to Property, Plant and Equipment				(44,206)				(44,206)
<b>Net Cash Flows from Capital and Related Activities</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(44,206)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(44,206)</u>
<b>Cash Flows from Investing Activities:</b>								
Purchases of Investments	(83,935)	(397,046)	(1,158,342)	(828,220)	(446)	(404)		(2,468,393)
Proceeds from Sales and Maturities of Investments		58,106		7,829				65,935
Income on Investments	297	1,250	10,372	301	599	3,206	50	16,075
<b>Net Cash Flows from Investing Activities</b>	<u>(83,638)</u>	<u>(337,690)</u>	<u>(1,147,970)</u>	<u>(820,090)</u>	<u>153</u>	<u>2,802</u>	<u>50</u>	<u>(2,386,383)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>28,607</u>	<u>(852,121)</u>	<u>(1,509,216)</u>	<u>(23,345)</u>	<u>56,472</u>	<u>4,071</u>	<u>7,800</u>	<u>(2,287,732)</u>
Cash and Cash Equivalents at Beginning of Year	188,505	1,020,791	2,088,790	23,345	47,304	127,055	0	3,495,790
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$217,112</u>	<u>\$168,670</u>	<u>\$579,574</u>	<u>\$0</u>	<u>\$103,776</u>	<u>\$131,126</u>	<u>\$7,800</u>	<u>\$1,208,058</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:</b>								
<b>Operating Income (Loss)</b>	<u>\$104,173</u>	<u>(\$525,236)</u>	<u>\$398,273</u>	<u>\$139,161</u>	<u>\$20,543</u>	<u>\$0</u>	<u>(\$1,773,707)</u>	<u>(\$1,636,793)</u>
<b>Adjustments Not Affecting Cash:</b>								
Depreciation	7,082	10,849	30,345	480,908				529,184
<b>(Increase) Decrease in Assets:</b>								
Other Receivables		0		0		1,269		1,269
<b>Increase (Decrease) in Liabilities:</b>								
Accounts Payable	(3,302)	16,824	115,591	3,305			37,598	170,016
Accrued Payroll	1,190	(477)		17,249			51,489	69,451
Due to Other Funds	3,102	(15,636)	(114,197)	200,328	35,776		(686,508)	(577,135)
Other Liabilities			(146,458)				5,438	(141,020)
Compensated Absences		(755)					1,720	965
<b>Total Adjustments</b>	<u>8,072</u>	<u>10,805</u>	<u>(114,719)</u>	<u>701,790</u>	<u>35,776</u>	<u>1,269</u>	<u>(590,263)</u>	<u>52,730</u>
<b>Net Cash Provided by (Used In) Operating Activities</b>	<u>\$112,245</u>	<u>(\$514,431)</u>	<u>\$283,554</u>	<u>\$840,951</u>	<u>\$56,319</u>	<u>\$1,269</u>	<u>(\$2,363,970)</u>	<u>(\$1,584,063)</u>

## **INTERNAL SERVICE FUNDS**

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

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

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2009**

	<b>Health Dental and Vision Care</b>	<b>Insurance and Risk Management</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash	\$135,400	\$100,200	\$235,600
Investments		1,040,231	1,040,231
Receivables	193,736	56,348	250,084
<b>Total Current Assets</b>	<u>329,136</u>	<u>1,196,779</u>	<u>1,525,915</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	5,102	226,116	231,218
Due to Other Funds	324,034	(21,628,437)	(21,304,403)
Claims Payable:			
Reported		7,594,264	7,594,264
Incurred But Not Reported		14,704,835	14,704,835
<b>Total Current Liabilities</b>	<u>329,136</u>	<u>896,778</u>	<u>1,225,914</u>
<b>Total Liabilities</b>	<u>329,136</u>	<u>896,778</u>	<u>1,225,914</u>
<b>NET ASSETS</b>			
Unrestricted	<u>\$0</u>	<u>\$300,001</u>	<u>\$300,001</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES & CHANGES IN FUND NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2009**

	Health, Dental and Vision Care Insurance			Total	Insurance and Risk Management	Total
	Health	Dental	Vision Care		Total	
<b>Operating Revenues</b>						
Premiums	28,940,357	2,101,739	71,411	31,113,507	10,623,424	41,736,931
<b>Total Operating Revenues</b>	28,940,357	2,101,739	71,411	31,113,507	10,623,424	41,736,931
<b>Operating Expenses</b>						
Claims and Benefit Payments	28,746,200	2,297,874	69,433	31,113,507	10,345,680	41,459,187
<b>Total Operating Expenses</b>	28,746,200	2,297,874	69,433	31,113,507	10,345,680	41,459,187
<b>Operating Income (Loss)</b>	194,157	(196,135)	1,978	0	277,744	277,744
<b>Non-Operating Revenues</b>						
Income on Investments					22,257	22,257
<b>Total Non-Operating Revenues</b>	0	0	0	0	22,257	22,257
<b>Change in Net Assets</b>	194,157	(196,135)	1,978	0	300,001	300,001
<b>Net Assets - July 1</b>	0	0	0	0	0	0
<b>Net Assets - June 30</b>	194,157	(196,135)	1,978	0	300,001	300,001

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2009**

	<b>Health Dental and Vision Care</b>	<b>Insurance and Risk Management</b>	<b>Total</b>
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>			
<b>Cash Flows from Operations:</b>			
Receipts from Customers	31,113,507		31,113,507
Receipts from Interfund Services Provided	134,760	4,277,304	4,412,064
Refunds from/(Payments) to Suppliers	640	(203,094)	(202,454)
Payments for Claims	(31,113,507)	(8,982,612)	(40,096,119)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>135,400</b>	<b>(4,908,402)</b>	<b>(4,773,002)</b>
<b>Cash Flows from Investing Activities:</b>			
Income on Investments		22,257	22,257
Proceeds from Sales and Maturities of Investments		4,986,345	4,986,345
<b>Net Cash Flows from Investing Activities</b>	<b>0</b>	<b>5,008,602</b>	<b>5,008,602</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>135,400</b>	<b>100,200</b>	<b>235,600</b>
Cash and Cash Equivalents at Beginning of Year	0	0	0
<b>Cash and Cash Equivalents at End of Year</b>	<b>135,400</b>	<b>100,200</b>	<b>235,600</b>
<b>Reconciliation of Operating Loss to Net Cash Used In Operating Activities:</b>			
<b>Operating Income (Loss)</b>		<b>277,744</b>	<b>277,744</b>
<b>(Increase) Decrease in Assets:</b>			
Other Receivables	876,743	23,628	900,371
<b>Increase (Decrease) in Liabilities:</b>			
Accounts Payable	640	(203,094)	(202,454)
Due to Other Funds	(741,983)	(6,369,748)	(7,111,731)
Claims Payable		1,363,068	1,363,068
<b>Total Adjustments</b>	<b>135,400</b>	<b>(5,186,146)</b>	<b>(5,050,746)</b>
<b>Net Cash Provided by (Used In) Operating Activities</b>	<b>135,400</b>	<b>(4,908,402)</b>	<b>(4,773,002)</b>

## **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, 2009**

	<b>Balance July 1, 2008</b>	<b>Balance June 30, 2009</b>
<b>NEIGHBORHOOD SEWER PROJECTS FUND</b>		
Cash and Short-Term Investments	\$60,002	\$43,236
Due from General Fund	34,015	0
Accounts Receivable	17,770	17,496
Allowance for Uncollectible Accounts	(17,770)	(17,496)
<b>Total Assets</b>	<b>94,017</b>	<b>43,236</b>
Payable to Property Owners	43,795	43,236
Interest Payable	222	
Reserve for Bond Redemption	50,000	
<b>Total Liabilities</b>	<b>94,017</b>	<b>43,236</b>
 <b>JUVENILE AND ADULT PROBATION FUND</b>		
Cash	336,884	338,905
<b>Total Assets</b>	<b>336,884</b>	<b>338,905</b>
Accounts Payable	336,884	338,905
<b>Total Liabilities</b>	<b>336,884</b>	<b>338,905</b>
 <b>DOMESTIC RELATIONS FUND</b>		
Cash	323,316	260,930
<b>Total Assets</b>	<b>323,316</b>	<b>260,930</b>
Accounts Payable	323,316	260,930
<b>Total Liabilities</b>	<b>323,316</b>	<b>260,930</b>
 <b>TOTALS - AGENCY FUNDS</b>		
Cash and Short-Term Investments	720,202	643,071
Due from General Fund	34,015	
Accounts Receivable	17,770	17,496
Allowance for Uncollectible Accounts	(17,770)	(17,496)
<b>Total Assets</b>	<b>754,217</b>	<b>643,071</b>
Liabilities	704,217	643,071
Reserve for Bond Redemption	50,000	
<b>Total Liabilities</b>	<b>754,217</b>	<b>643,071</b>

**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, 2009**

**General Capital Assets:**

Land	\$47,040,067
Buildings	130,159,763
Vehicles, Equipment and Furniture	98,052,900
Land Improvements	13,248,333
Leasehold Improvements	1,069,677
Purchase of Development Rights	55,792,548
Infrastructure	963,100,610
Sewer Lines	1,097,596
Construction in Progress	33,613,917

<b>Total General Capital Assets</b>	<u><u>1,343,175,411</u></u>
-------------------------------------	-----------------------------

**Investment in General Capital Assets from:**

General Fund	1,240,294,558
Special Revenue Funds	96,033,427
Donations	6,847,426

<b>Total Investment in General Capital Assets</b>	<u><u>1,343,175,411</u></u>
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**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE OF CHANGES BY FUNCTION AND ACTIVITY  
For the Year Ended June 30, 2009**

<b>Function and Activity</b>	<b>General Capital Assets July 1, 2008, restated*</b>	<b>Additions</b>	<b>Deletions/ Adjustments</b>	<b>General Capital Assets June 30, 2009</b>
<b>General Government:</b>				
<b>Control:</b>				
Legislative	\$93,565			\$93,565
Executive	24,837,582	1,139,160	2,364,386	28,341,128
Constitutional Officers and Judicial	223,007	145,344		368,351
<b>Total Control</b>	<u>25,154,154</u>	<u>1,284,504</u>	<u>2,364,386</u>	<u>28,803,044</u>
<b>Staff Agencies:</b>				
Finance*	1,450,492	901,400	(76,194)	2,275,698
Chief Information Officer*	5,543,829	380,237	(55,106)	5,868,960
Administrative Services	4,896,902			4,896,902
Law	209,577			209,577
General Services	77,578,519	8,219,570	(1,207,029)	84,591,060
<b>Total Staff Agencies</b>	<u>89,679,319</u>	<u>9,501,207</u>	<u>(1,338,329)</u>	<u>97,842,197</u>
<b>Total General Government</b>	<u>114,833,473</u>	<u>10,785,711</u>	<u>1,026,057</u>	<u>126,645,241</u>
Public Safety	148,089,866	7,214,394	(2,512,679)	152,791,581
Public Works	1,041,844,918	14,509,816	(577,893)	1,055,776,841
Social Services	10,011,608	376,529	(2,426,389)	7,961,748
<b>Total General Capital Assets</b>	<u><u>1,314,779,864</u></u>	<u><u>32,886,450</u></u>	<u><u>(4,490,904)</u></u>	<u><u>1,343,175,411</u></u>

\*Restated to reflect organization changes in FY 2009. Chief Information Officer was broken out from Finance.

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS  
SCHEDULE BY FUNCTION AND ACTIVITY  
June 30, 2009**

<u>Function and Activity</u>	<u>Land</u>	<u>Buildings</u>	<u>Vehicles, Equipment and Furniture</u>	<u>Land and Leasehold Improvements</u>	<u>Purchase of Development Rights</u>	<u>Infrastructure, Sewer Lines, Sewer Plants</u>	<u>Construction in Progress</u>	<u>Total</u>
<b>General Government:</b>								
<b>Control:</b>								
Legislative			\$93,565					\$93,565
Executive	6,183,206	20,455,348	236,945	255,598		541,230	668,801	28,341,128
Constitutional Officers and Judicial		119,800	248,551					368,351
<b>Total Control</b>	<u>6,183,206</u>	<u>20,575,148</u>	<u>579,061</u>	<u>255,598</u>	<u>0</u>	<u>541,230</u>	<u>668,801</u>	<u>28,803,044</u>
<b>Staff Agencies:</b>								
Finance	694,818	495,658	268,559	35,000			781,663	2,275,698
Chief Information Officer		354,610	5,509,132			5,218		5,868,960
Administrative Services		4,296,401	213,423	163,078		224,000		4,896,902
Law			209,577					209,577
General Services	27,695,973	24,305,282	21,862,038	9,194,184		99,500	1,434,083	84,591,060
<b>Total Staff Agencies</b>	<u>28,390,791</u>	<u>29,451,951</u>	<u>28,062,729</u>	<u>9,392,262</u>	<u>0</u>	<u>328,718</u>	<u>2,215,746</u>	<u>97,842,197</u>
<b>Total General Government</b>	<u>34,573,997</u>	<u>50,027,099</u>	<u>28,641,790</u>	<u>9,647,860</u>	<u>0</u>	<u>869,948</u>	<u>2,884,547</u>	<u>126,645,241</u>
Public Safety	8,362,598	72,615,952	60,246,019	3,075,858		959,279	7,531,875	152,791,581
Public Works	3,981,661	1,314,236	8,045,553	1,517,189	55,792,548	962,358,681	22,766,973	1,055,776,841
Social Services	121,812	6,202,475	1,119,535	77,103		10,300	430,523	7,961,748
<b>Total General Fixed Assets</b>	<u>47,040,068</u>	<u>130,159,762</u>	<u>98,052,897</u>	<u>14,318,010</u>	<u>55,792,548</u>	<u>964,198,208</u>	<u>33,613,918</u>	<u>1,343,175,411</u>



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## NONMAJOR COMPONENT UNITS

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

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

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

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

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

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
COMBINING STATEMENT OF NET ASSETS  
NONMAJOR COMPONENT UNITS  
June 30, 2009**

	<b>Lexington Transit Authority</b>	<b>Lexington Public Library</b>	<b>Lexington Convention and Visitors Bureau</b>	<b>Explorium of Lexington</b>
<b>ASSETS</b>				
Cash	8,235,592	1,779,183	344,693	156,120
Investments	0	2,076,305	1,000,000	1,144
Receivables:				
Accounts Receivable	16,561	55,692	612,353	0
Other	440,472			100
Due from Primary Government			372,419	0
Due from Other Governments	2,571,158			0
Inventories	829,586			5,927
Prepaid Items	1,439,922	158,410	109,638	0
Pension Assets	542,968	162,759		0
Restricted Current Assets:				
Cash			2,576	0
Investments		336,693		222,463
Capital Assets:				
Non-depreciable	3,265,902	4,000,745		0
Depreciable (Net)	14,297,123	18,085,946	75,955	41,717
<b>Total Assets</b>	<b>31,639,284</b>	<b>26,655,733</b>	<b>2,517,634</b>	<b>427,471</b>
<b>LIABILITIES</b>				
Accounts, Contracts Payable and				
Accrued Liabilities	977,490	739,645	207,197	11,012
Due to Primary Government	305,239			261,207
Due to Component Units			237,001	0
Unearned Revenues and Other			2,576	0
Non-Current Liabilities:				
Due Within One Year				
Compensated Absences	143,340	336,477	68,000	0
Bonds and Notes Payable		295,905		0
Capital Lease Obligations				0
Due in More Than One Year				
Compensated Absences	183,669			6,999
Bonds and Notes Payable		8,094,618		0
<b>Total Liabilities</b>	<b>1,609,738</b>	<b>9,466,645</b>	<b>514,774</b>	<b>279,218</b>
<b>NET ASSETS</b>				
Investment in Capital Assets, net of related debt	17,563,025	13,696,168	75,955	41,717
Restricted for:				
Pension	542,968			
Endowments				100,000
Projects and Programs		40,524		222,463
Unrestricted	11,923,553	3,452,396	1,926,905	(215,927)
<b>Total Net Assets</b>	<b>30,029,546</b>	<b>17,189,088</b>	<b>2,002,860</b>	<b>148,253</b>

<b>Downtown Development Authority</b>	<b>Parking Authority of Lexington</b>	<b>Total Nonmajor Component Units</b>
19,148	469,056	11,003,792
0	0	3,077,449
0	0	684,606
0	43,561	484,133
0	0	372,419
0	0	2,571,158
0	0	835,513
0	0	1,707,970
0	0	705,727
0	0	2,576
0	0	559,156
0	0	7,266,647
0	535,183	33,035,924
<u>19,148</u>	<u>1,047,800</u>	<u>62,307,070</u>
7,112	94,467	2,036,923
45,733	0	612,179
0	0	237,001
0	0	2,576
15,719	0	563,536
0	247,445	543,350
0	0	0
3,399	0	194,067
0	252,544	8,347,162
<u>71,963</u>	<u>594,456</u>	<u>12,536,794</u>
0	35,194	31,412,059
		542,968
0	0	100,000
0	0	262,987
(52,815)	418,150	17,452,262
<u>-52,815</u>	<u>453,344</u>	<u>49,770,276</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
COMBINING STATEMENT OF ACTIVITIES  
NONMAJOR COMPONENT UNITS  
For the Year Ended June 30, 2009**

	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Lexington Transit Authority</b>				
Transit Operations	17,836,648	2,366,216	2,040,054	896,454
Depreciation	1,878,058			
Total Lexington Transit Authority	<u>19,714,706</u>	<u>2,366,216</u>	<u>2,040,054</u>	<u>896,454</u>
<b>Lexington Public Library</b>				
Library Operations	12,068,698	681,196	378,240	105,000
Depreciation	1,245,487			
Total Lexington Public Library	<u>13,314,185</u>	<u>681,196</u>	<u>378,240</u>	<u>105,000</u>
<b>Lexington Convention and Visitors Bureau</b>				
Convention and Tourism Operations	5,559,402			
Depreciation	44,344			
Interest on Long-term Debt	970			
Total Lexington Convention and Visitors Bureau	<u>5,604,716</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Explorium of Lexington</b>				
Museum Operations	665,133	363,294		
Depreciation	20,273			
Total Explorium of Lexington	<u>685,406</u>	<u>363,294</u>	<u>0</u>	<u>0</u>
<b>Downtown Development Authority</b>				
Administration	247,389			
Downtown Design Center	12,529			
Total Downtown Development Authority	<u>259,918</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Parking Authority of Lexington</b>				
Parking Operations	844,787	1,011,305		
Depreciation	37,981			
Total Parking Authority of Lexington	<u>882,768</u>	<u>1,011,305</u>	<u>0</u>	<u>0</u>
Total nonmajor component units	<u>40,461,699</u>	<u>4,422,011</u>	<u>2,418,294</u>	<u>1,001,454</u>

**General Revenues:**

Taxes  
Payment from/to Lexington-Fayette Urban County Government  
Transfer from Library Corporation  
Income on Investments  
Gain (Loss) on Sale of Capital Assets  
Net Change in Fair Value of Investments  
Miscellaneous

**Total General Revenues**

Change in Net Assets  
Net Assets, July 1  
Net Assets, June 30

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

<b>Lexington Transit Authority</b>	<b>Lexington Public Library</b>	<b>Lexington Convention and Visitors Bureau</b>	<b>Explorium of Lexington</b>	<b>Downtown Development Authority</b>	<b>Parking Authority of Lexington</b>	<b>Total Nonmajor Component Units</b>
(12,533,924)						(12,533,924)
(1,878,058)						(1,878,058)
<u>(14,411,982)</u>						<u>(14,411,982)</u>
	(10,904,262)					(10,904,262)
	<u>(1,245,487)</u>					<u>(1,245,487)</u>
	<u>(12,149,749)</u>					<u>(12,149,749)</u>
		(5,559,402)				(5,559,402)
		(44,344)				(44,344)
		<u>(970)</u>				<u>(970)</u>
		<u>(5,604,716)</u>				<u>(5,604,716)</u>
			(301,839)			(301,839)
			<u>(20,273)</u>			<u>(20,273)</u>
			<u>(322,112)</u>			<u>(322,112)</u>
				(247,389)		(247,389)
				<u>(12,529)</u>		<u>(12,529)</u>
				<u>(259,918)</u>		<u>(259,918)</u>
					166,518	166,518
					<u>(37,981)</u>	<u>(37,981)</u>
					<u>128,537</u>	<u>128,537</u>
						(32,619,940)
15,070,724	13,065,890	4,796,771				32,933,385
			213,750	257,140	0	470,890
						0
36,583	66,474	31,539	13	67	1,666	136,342
(9,602)			(50,621)			(60,223)
	7,817	730,161	186,444	19,159	235	943,816
<u>15,097,705</u>	<u>13,140,181</u>	<u>5,558,471</u>	<u>349,586</u>	<u>276,366</u>	<u>1,901</u>	<u>34,424,210</u>
685,723	990,432	(46,245)	27,474	16,448	130,438	1,804,270
<u>29,343,823</u>	<u>16,198,656</u>	<u>2,049,105</u>	<u>120,779</u>	<u>(69,263)</u>	<u>322,906</u>	<u>47,966,006</u>
<u>30,029,546</u>	<u>17,189,088</u>	<u>2,002,860</u>	<u>148,253</u>	<u>(52,815)</u>	<u>453,344</u>	<u>49,770,276</u>



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## STATISTICAL SECTION

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

Financial Trends: Tables 1 – 6

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

Revenue Capacity: Tables 7 – 12

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

Debt Capacity: Tables 13 – 17

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

Demographic & Economic Indicators: Tables 18 – 20

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

Operating Information: Tables 21 – 23

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



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

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
<b>Governmental Activities</b>						
Investment in Capital Assets, net of related debt	\$108,187,766	\$128,533,898	\$964,032,556	\$965,683,982	\$963,823,728	\$934,789,342
Restricted	1,253,571	1,316,495	10,509,131	19,918,500	2,241,711	6,255,432
Unrestricted	15,892,881	29,526,571	50,390,084	30,807,379	5,930,420	(6,454,734)
Total governmental activities net assets	<u>\$125,334,218</u>	<u>\$159,376,964</u>	<u>\$1,024,931,771</u>	<u>\$1,016,409,861</u>	<u>\$971,995,859</u>	<u>\$934,590,040</u>
<b>Business-type Activities</b>						
Investment in Capital Assets, net of related debt	\$245,267,827	\$243,680,021	\$245,818,433	\$244,593,588	\$239,407,215	\$254,269,159
Restricted	31,575,194	33,688,305	34,565,941	39,914,276	24,129,422	24,680,839
Unrestricted (deficit)	(204,318)	5,634,802	11,084,804	14,020,822	24,615,573	7,399,034
Total business-type activities net assets	<u>\$276,638,703</u>	<u>\$283,003,128</u>	<u>\$291,469,178</u>	<u>\$298,528,686</u>	<u>\$288,152,210</u>	<u>\$286,349,032</u>
<b>Primary Government</b>						
Investment in Capital Assets, net of related debt	\$353,455,593	\$372,213,919	\$1,209,850,989	\$1,210,277,570	\$1,203,230,943	\$1,189,058,501
Restricted	32,828,765	35,004,800	45,075,072	59,832,776	26,371,133	30,936,271
Unrestricted	15,688,563	35,161,373	61,474,888	44,828,201	30,545,993	944,300
Total primary government net assets	<u>\$401,972,921</u>	<u>\$442,380,092</u>	<u>\$1,316,400,949</u>	<u>\$1,314,938,547</u>	<u>\$1,260,148,069</u>	<u>\$1,220,939,072</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					
	2004	2005	2006	2007	2008	2009
<b>Expenses</b>						
<b>Governmental Activities:</b>						
General Government	\$21,293,008	\$22,840,721	\$21,977,521	\$23,927,771	\$30,660,951	\$22,706,306
Administrative Services	18,938,746	23,522,220	27,674,322	34,445,260	3,832,639	3,315,306
Health, Dental and Vision Insurance	10,592,090	14,011,082	14,740,182	13,301,058	14,564,306	25,824,211
Chief Information Officer					11,216,315	14,522,324
Finance	6,876,648	6,670,050	6,629,421	10,464,204	12,376,624	13,378,819
Public Works	33,960,939	35,320,695	93,199,722	68,896,198	71,695,702	62,907,588
Public Safety	7,232,363	9,001,079	8,363,244	11,937,598	26,717,271	13,145,251
Police	42,794,170	47,320,658	56,588,057	56,980,657	63,533,856	69,507,685
Fire and Emergency Services	36,841,543	39,390,542	47,469,043	53,242,082	58,497,360	66,077,180
Community Corrections	24,478,660	27,326,172	28,539,978	29,028,326	30,686,297	30,670,339
Environmental Quality					23,947,831	24,729,110
Social Services	9,070,442	10,579,394	13,379,478	15,493,804	16,392,173	14,719,158
General Services	16,242,299	16,998,086	18,493,537	10,855,412	11,531,344	13,944,835
Parks and Recreation	13,380,436	14,840,330	16,739,980	19,428,046	21,961,714	19,955,406
Law	1,642,220	2,041,719	1,946,786	2,115,341	12,593,109	10,803,413
Outside Agencies	27,718,643	267,976	178,667			
Interest on Long-Term Debt	5,739,105	6,236,280	6,291,512	6,378,169	5,727,995	6,357,236
Debt Service - Other	6,444,538	1,261,204	1,040,970	1,056,289	1,056,179	
Total governmental activities	<u>283,245,850</u>	<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>
<b>Business-type Activities:</b>						
Sanitary Sewer System	22,347,738	23,554,596	24,553,305	26,703,501	36,565,069	35,438,026
Public Facilities	13,500,561	12,121,284	12,175,005	10,444,503	11,359,294	10,971,103
Public Parking	941,821	891,857	909,544	511,198	463,177	1,012,399
Landfill	5,423,413	4,233,412	1,391,578	1,651,318	7,250,365	6,209,619
Right of Way	261,494	266,933	292,284	307,012	333,723	299,598
Extended School Program	1,387,203	1,452,385	1,578,873	1,967,573	2,081,422	2,333,357
Prisoners' Account System	1,360,709	1,472,693	1,363,204	1,273,913	1,724,224	1,628,156
Enhanced 911	2,300,114	2,112,518	2,107,592	3,057,919	3,870,267	3,314,149
LexVan Program	17,545	40,296	35,122	62,228	54,347	63,502
Small Business Development	108,343	3,562	8,838			
Stormwater						1,841,975
Total business-type activities	<u>47,648,941</u>	<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>
Total primary government	<u>\$330,894,791</u>	<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>

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

	Fiscal Year					
	2004	2005	2006	2007	2008	2009
<b>Program Revenues</b>						
Governmental Activities:						
Charges for Services	\$33,999,515	\$41,277,818	\$41,095,215	\$52,228,120	\$69,883,918	74,492,253
Operating Grants and Contributions	33,101,398	20,838,959	19,297,952	31,988,064	17,500,905	13,251,883
Capital Grants and Contributions	13,256,243	12,970,715	15,349,943	3,138,381	7,838,458	10,276,393
Total governmental activities	<u>80,357,156</u>	<u>75,087,492</u>	<u>75,743,110</u>	<u>87,354,565</u>	<u>95,223,281</u>	<u>98,020,529</u>
Business-type Activities:						
Charges for Services	54,421,012	49,825,599	50,784,976	47,072,248	50,783,025	61,162,736
Operating Grants and Contributions	125,744					
Total business-type activities	<u>54,546,756</u>	<u>49,825,599</u>	<u>50,784,976</u>	<u>47,072,248</u>	<u>50,783,025</u>	<u>61,162,736</u>
Total primary government	<u>\$134,903,912</u>	<u>\$124,913,091</u>	<u>\$126,528,086</u>	<u>\$134,426,813</u>	<u>\$146,006,306</u>	<u>\$159,183,265</u>
<b>Net (Expense)/Revenue</b>						
Governmental activities	(\$202,888,694)	(\$202,540,716)	(\$287,509,310)	(\$270,195,650)	(\$321,768,385)	(314,543,638)
Business-type activities	6,897,815	3,676,063	6,369,631	1,093,083	(12,918,863)	(1,949,148)
Total primary government	<u>(\$195,990,879)</u>	<u>(\$198,864,653)</u>	<u>(\$281,139,679)</u>	<u>(\$269,102,567)</u>	<u>(\$334,687,248)</u>	<u>(\$316,492,786)</u>
<b>General Revenues and Other Changes in Net Assets</b>						
Governmental Activities:						
Property Taxes	\$41,964,425	\$43,189,707	\$44,889,961	\$47,791,867	\$51,455,185	54,301,749
Licenses and Permits	178,942,755	188,973,285	197,857,140	210,698,736	220,015,258	218,194,593
Grants and Contributions Not Restricted to Specific Programs:						
Community Development Block Grant	3,567,315	2,570,656	2,264,419	2,126,818	2,463,746	2,577,631
Income on Investments	507,868	1,839,509	3,395,527	6,121,269	3,582,709	804,510
Sale of Assets	457,849	523,841	956,340	(1,041,367)	457,516	641,460
Bond Refunding	(19,185,000)					
Miscellaneous	918,323	767,547	827,029	963,926		
Conveyance of Asset				(2,116,880)		
Transfers	(1,136,353)	(1,281,083)	670,254	(3,308,054)	(620,031)	617,876
Total governmental activities	<u>206,037,182</u>	<u>236,583,462</u>	<u>250,860,670</u>	<u>261,236,315</u>	<u>277,354,383</u>	<u>277,137,819</u>
Business-type Activities:						
Income on Investments	662,485	1,397,929	2,728,854	2,802,634	1,907,250	669,955
Sale of Assets	3,587	9,350	17,819	(183,523)	15,106	93,891
Bond Refunding	18,760,000					
Transfers	1,136,353	1,281,083	(670,254)	3,308,054	620,031	(617,876)
Total business-type activities	<u>20,562,425</u>	<u>2,688,362</u>	<u>2,076,419</u>	<u>5,927,165</u>	<u>2,542,387</u>	<u>145,970</u>
Total primary government	<u>\$226,599,607</u>	<u>\$239,271,824</u>	<u>\$252,937,089</u>	<u>\$267,163,480</u>	<u>\$279,896,770</u>	<u>\$277,283,789</u>
<b>Change in Net Assets</b>						
Governmental activities	\$3,148,488	\$34,042,746	(\$36,648,640)	(\$8,959,335)	(\$44,414,002)	(37,405,819)
Business-type activities	27,460,240	6,364,425	8,446,050	7,020,248	(10,376,476)	(1,803,178)
Prior Period Adjustment - Government Activities <sup>(1)</sup>			902,203,447	437,425		
Prior Period Adjustment-Business-type Activities	(1,140,149)		20,000	39,260		
Total primary government	<u>\$29,468,579</u>	<u>\$40,407,171</u>	<u>\$874,020,857</u>	<u>(\$1,462,402)</u>	<u>(\$54,790,478)</u>	<u>(\$39,208,997)</u>

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

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

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Reserved	\$5,592,934	\$5,865,274	\$4,595,676	\$6,345,782	\$3,473,224	\$4,940,741	\$4,845,381	\$4,637,101	\$5,254,246	12,177,430
Unreserved										
Designated for Economic Contingency	5,303,539	5,607,306	5,745,936	5,825,468	5,878,356	5,996,710	8,272,087	11,894,147	13,219,620	14,470,569
Designated for Payroll	1,684,209	2,241,726	2,859,554	2,890,562	3,300,418	4,260,723		556,400	1,293,279	2,116,169
Designated for Working Capital	7,148,324	7,575,459	4,757,915	3,600,360	3,864,830	3,394,250	7,036,780	9,634,602		
Designated for Pay Adjustments					906,180					
Designated for Lexington Center Corp.	654,000	540,000								
Designated for Debt										
Undesignated	20,881,587	8,730,980	4,179,207	3,674,154	12,177,065	17,468,671	17,734,190	15,713,298	4,620,501	4,365,746
Total	<u>\$41,264,593</u>	<u>\$30,560,745</u>	<u>\$22,138,288</u>	<u>\$22,336,326</u>	<u>\$29,600,073</u>	<u>\$36,061,095</u>	<u>\$37,888,438</u>	<u>\$42,435,548</u>	<u>\$24,387,646</u>	<u>\$33,129,914</u>
Urban Services										
Reserved	\$798,108	\$2,069,789	\$3,525,288	\$3,031,240	\$1,419,156	\$3,796,313	\$2,963,095	\$1,661,414	\$1,064,326	5,612,288
Designated for Payroll	127,015	158,555	191,011	233,899	302,654	367,505		45,700	99,401	127,622
Undesignated	13,464,874	16,168,353	16,720,062	15,193,297	18,167,725	17,637,287	20,771,372	26,852,738	31,935,168	28,237,751
Total	<u>\$14,389,997</u>	<u>\$18,396,697</u>	<u>\$20,436,361</u>	<u>\$18,458,436</u>	<u>\$19,889,535</u>	<u>\$21,801,105</u>	<u>\$23,734,467</u>	<u>\$28,559,852</u>	<u>\$33,098,895</u>	<u>\$33,977,661</u>
All Other Governmental Funds										
Reserved	\$20,540,550	\$21,926,669	\$11,484,513	\$12,562,673	\$9,770,889	\$9,119,957	\$11,641,885	\$6,521,413	\$18,430,040	7,944,462
Undesignated, reported in:										
Special revenues funds	3,695,720	2,907,391	1,953,071	3,462,414	3,486,847	4,315,924	6,789,094	8,770,810	9,269,371	12,137,914
Capital projects funds	(4,425,450)	(3,221,473)	9,501,913	5,883,281	1,014,962	19,410,938	25,849,967	14,852,272	(13,728,932)	6,138,952
Federal and State Grants			1,294,046	1,169,455	329,493	514,983	235,303	313,460	119,184	100,842
Total	<u>\$19,810,820</u>	<u>\$21,612,587</u>	<u>\$24,233,543</u>	<u>\$23,077,823</u>	<u>\$14,602,191</u>	<u>\$33,361,802</u>	<u>\$44,516,249</u>	<u>\$30,457,955</u>	<u>\$14,089,663</u>	<u>\$26,322,170</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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Revenues</b>										
Licenses and Permits	\$150,863,316	\$156,766,735	\$160,717,826	\$165,274,588	\$179,533,692	\$189,786,177	\$198,653,467	\$215,760,874	\$224,874,954	\$222,841,928
Taxes	33,863,033	34,100,242	37,203,745	40,127,166	41,964,425	43,189,707	44,889,961	47,791,867	51,455,185	54,301,749
Charges for Services	13,455,129	16,236,396	20,404,416	20,489,827	20,449,154	21,561,092	20,648,157	22,350,901	21,357,602	22,073,405
Fines and Forfeitures	407,111	279,558	382,532	236,226	245,150	184,104	323,063	57,192	180,785	303,205
Local Contributions			2,325,000							
Intergovernmental	22,187,033	33,095,607	38,269,881	41,632,430	47,380,792	30,321,835	31,784,556	32,419,475	45,587,385	36,462,389
Exactions			561,670	1,754,136	1,754,558	4,767,468	2,823,892	1,584,199	1,282,254	379,575
Grant Match	3,085,475	3,938,607	2,271,624	2,766,839	2,450,210	2,025,396	2,256,329	2,178,329	1,709,521	2,734,433
Property Sales	1,122,090	448,380	87,186	138,315	457,849	523,841	956,340	785,073	557,071	803,382
Income on Investments	4,502,957	4,058,755	1,562,701	773,032	451,123	1,420,555	3,366,361	5,737,945	3,582,709	804,510
Other	3,289,571	4,356,229	3,554,903	5,667,056	4,230,933	5,544,293	5,787,271	7,260,457	8,145,477	7,928,847
<b>Total Revenues</b>	<b>232,775,715</b>	<b>253,280,509</b>	<b>267,341,484</b>	<b>278,859,615</b>	<b>298,917,886</b>	<b>299,324,468</b>	<b>311,489,397</b>	<b>335,926,312</b>	<b>358,732,943</b>	<b>348,633,423</b>
<b>Expenditures</b>										
General Government	6,110,943	6,638,002	9,869,176	9,552,502	21,330,624	9,812,520	8,635,249	6,706,895	13,651,464	6,761,982
Administrative Services	12,754,916	13,081,228	15,961,216	17,683,142	29,924,619	24,077,384	25,104,922	25,431,738	1,845,175	3,213,262
Chief Information Officer									9,919,332	13,566,187
Finance	5,129,343	5,656,743	6,096,794	6,118,472	6,488,798	6,593,458	7,145,881	9,890,462	11,561,109	11,488,448
Public Works	31,857,753	35,092,859	40,375,022	42,235,913	36,175,381	41,247,381	40,430,609	34,857,640	23,013,365	24,708,831
Public Safety	78,803,752	90,116,892	98,744,205	103,806,458	106,315,766	118,307,014	137,232,016	142,764,740	153,492,722	227,892,046
Social Services	6,417,544	6,333,898	9,288,878	9,929,597	11,162,991	13,389,135	12,245,264	13,347,071	12,006,737	11,623,944
Environmental Quality									19,441,341	21,076,668
General Services	24,744,941	23,545,747	25,560,791	25,270,975	23,757,464	24,696,780	30,279,293	28,040,506	28,280,713	29,246,730
Law	1,587,512	1,552,463	1,576,323	1,879,329	1,630,466	1,861,769	1,575,637	2,064,825	23,551,596	10,851,780
Outside Agencies	22,633,574	23,672,691	31,840,555	32,513,602	27,557,006	18,876,456	15,846,048	15,613,480	20,090,648	19,236,209
Special Projects	19,617,032	28,490,679	2,044,329							
Debt Service:										
Principal	1,040,000	3,455,000	7,743,568	9,711,219	10,404,328	14,156,321	15,030,273	18,797,661	16,740,000	13,760,000
Interest and Other	16,280,100	15,429,992	14,348,596	11,914,692	12,150,607	7,634,836	7,384,493	7,594,762	6,907,518	5,495,982
Capital	56,106,029	23,009,888	22,324,958	22,168,069	17,883,186	12,927,159	21,389,866	36,861,883	47,475,384	45,435,689
<b>Total Expenditures</b>	<b>283,083,439</b>	<b>276,076,082</b>	<b>285,774,411</b>	<b>292,783,970</b>	<b>304,781,236</b>	<b>293,580,213</b>	<b>322,299,551</b>	<b>341,971,663</b>	<b>387,977,104</b>	<b>444,357,758</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(50,307,724)	(22,795,573)	(18,432,927)	(13,924,355)	(5,863,350)	5,744,255	(10,810,154)	(6,045,351)	(29,244,161)	(95,724,335)
<b>Other Financing Sources (Uses)</b>										
Transfers In	2,558,258	3,260,939	810,599	2,620,303	1,820,461	5,719,846	6,807,387	3,746,037	1,375,483	4,238,345
Transfers Out	(2,095,188)	(5,704,885)	(2,194,686)	(3,666,134)	(2,956,814)	(7,000,929)	(6,137,133)	(7,054,091)	(2,008,473)	(3,620,469)
Property Sales			1,479,458							
Debt Proceeds (net of bond refunding)	19,753,684	22,371,699	15,415,000	10,490,000	6,590,000	22,325,000	24,700,000	4,667,606		116,960,000
Bond Anticipation Note					445,187	304,813	7,599			
Premium (Discount) on Bonds Issued			(148,782)	65,121	183,730	39,218	210,968			
<b>Total Other Financing Sources (Uses)</b>	<b>20,216,754</b>	<b>19,927,753</b>	<b>13,882,131</b>	<b>10,988,748</b>	<b>6,082,564</b>	<b>21,387,948</b>	<b>25,588,821</b>	<b>1,359,552</b>	<b>(632,990)</b>	<b>117,577,876</b>
<b>Net Change in Fund Balances</b>	<b>(\$30,090,970)</b>	<b>(\$2,867,820)</b>	<b>(\$4,550,796)</b>	<b>(\$2,935,607)</b>	<b>\$219,214</b>	<b>\$27,132,203</b>	<b>\$14,778,667</b>	<b>(\$4,685,799)</b>	<b>(\$29,877,151)</b>	<b>\$21,853,541</b>
Debt Service as a percentage of noncapital expenditures	7.6%	7.5%	8.4%	8.0%	7.9%	7.8%	7.4%	8.7%	6.9%	4.8%

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									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Revenues</b>										
Licenses and Permits	\$150,426,657	\$155,566,415	\$159,054,097	\$164,661,161	\$177,623,046	\$188,632,470	\$197,805,430	\$214,665,674	\$223,622,531	\$221,612,009
Taxes	13,904,666	12,513,674	13,539,941	14,547,490	15,729,458	17,731,787	17,156,666	18,150,819	19,509,219	20,737,242
Charges for Services	13,455,129	16,198,920	17,671,856	20,402,491	20,279,414	21,260,954	21,003,296	22,215,574	21,313,927	21,965,618
Fines and Forfeitures	407,111	279,558	382,532	236,226	245,150	184,104	323,063	57,192	137,659	270,598
Intergovernmental	1,662,247	1,786,032	1,941,787	2,079,144	3,693,236	2,418,670	2,465,624	2,133,350	3,315,630	2,405,778
Property Sales	1,011,609	367,425	33,617	1,479,458	438,709	516,536	349,715	465,537	392,892	646,007
Income on Investments	1,182,639	1,399,319	334,302	127,728	90,639	533,607	1,481,463	2,971,942	1,827,694	288,720
Other	1,654,839	1,847,097	1,711,660	1,483,755	1,138,913	1,873,064	1,743,395	4,088,217	3,206,921	3,559,545
<b>Total Revenues</b>	<b>183,704,897</b>	<b>189,958,440</b>	<b>194,669,792</b>	<b>205,017,453</b>	<b>219,238,565</b>	<b>233,151,192</b>	<b>242,328,652</b>	<b>264,748,305</b>	<b>273,326,473</b>	<b>271,485,516</b>
<b>Expenditures and Other</b>										
<b>Financing Sources (Uses)</b>										
General Government <sup>(1)</sup>	4,269,422	5,255,625	4,843,238	5,513,279	3,680,801	3,668,705	4,458,163	5,048,021	11,450,829	3,337,821
Administrative Services	12,146,051	11,917,682	10,796,794	15,396,156	14,858,450	13,228,125	15,582,368	15,276,489	1,081,760	1,052,574
Chief Information Officer									6,513,655	7,610,707
Finance	5,241,297	5,652,458	5,911,517	6,061,481	6,473,910	6,773,332	7,256,067	7,745,982	7,955,937	9,057,361
Public Works	12,481,138	14,176,205	11,954,671	11,377,147	10,706,996	12,389,534	12,637,417	11,771,654	18,553,415	17,198,118
Public Safety	78,610,088	90,125,329	92,178,648	94,704,416	99,730,690	111,767,425	131,079,150	138,132,390	146,778,076	219,175,755
Social Services <sup>(1)</sup>	6,374,415	6,397,213	6,244,601	6,590,974	7,871,084	9,143,767	9,274,916	10,617,866	10,245,245	9,604,663
Environmental Quality									2,025,452	53,206
General Services	21,249,518	22,107,660	21,735,067	22,410,805	21,644,848	24,917,618	25,299,456	28,318,762	28,032,856	28,401,996
Law	1,600,344	1,579,136	1,590,374	1,820,584	1,613,724	1,876,412	1,923,928	1,782,008	2,032,934	9,602,925
Outside Agencies	23,010,520	23,190,541	23,416,545	23,526,902	22,818,075	18,258,584	14,349,512	15,464,809	16,843,781	16,913,570
Debt Service	16,176,071	17,420,469	19,360,248	18,851,660	20,447,860	20,802,641	21,585,420	25,662,867	23,163,080	19,386,936
Other Financing (Sources) Uses	1,029,332	1,511,884	973,404	(1,981,067)	(479,708)	4,860,964	140,864	202,328	(685,501)	(78,652,384)
Residual Equity Transfers	1,757,346	2,027,561								
<b>Total Expenditures and Other Financing Sources (Uses)</b>	<b>183,945,542</b>	<b>201,361,763</b>	<b>199,005,107</b>	<b>204,272,337</b>	<b>209,366,730</b>	<b>227,687,107</b>	<b>243,587,261</b>	<b>260,023,176</b>	<b>291,991,519</b>	<b>262,743,248</b>
<b>Net Change in Fund Balance</b>	<b>(\$240,645)</b>	<b>(\$11,403,323)</b>	<b>(\$4,335,315)</b>	<b>\$745,116</b>	<b>\$9,871,835</b>	<b>\$5,464,085</b>	<b>(\$1,258,609)</b>	<b>\$4,725,129</b>	<b>(\$18,665,046)</b>	<b>\$8,742,268</b>

(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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Revenues</b>										
Sewer Service Charges	\$20,644,538	\$20,410,572	\$20,425,852	\$24,298,724	\$25,457,887	\$24,049,216	\$25,602,266	\$24,014,195	\$25,884,142	\$35,213,276
Sewer Tap on Fees	1,637,052	1,185,424	1,240,051	1,227,111	1,428,449	1,584,341	1,661,417	1,629,573	1,223,820	1,048,864
Exactions			195,672	826,960	878,035	1,974,660	1,160,296	513,539	343,998	198,914
Other Income	199,296	215,435	231,850	181,146	193,694	50,204	47,965	41,731	80,462	93,293
<b>Total Revenues</b>	<b>22,480,886</b>	<b>21,811,431</b>	<b>22,093,425</b>	<b>26,533,941</b>	<b>27,958,065</b>	<b>27,658,421</b>	<b>28,471,944</b>	<b>26,199,038</b>	<b>27,532,422</b>	<b>36,554,347</b>
<b>Operating Expenses</b>										
Treatment Plant	5,322,815	5,576,923	5,692,586	6,428,699	6,616,161	6,088,076	7,106,877	7,259,708	8,164,345	8,447,048
Collection System	2,879,393	2,988,797	3,001,129	3,048,143	3,179,687	3,485,272	3,760,098	4,236,199	5,411,212	4,427,863
Administration	3,715,358	4,024,325	3,557,429	3,931,198	4,656,945	6,002,433	5,959,400	6,786,349	15,083,099	14,325,685
Depreciation	5,281,504	5,649,147	5,764,369	5,908,134	6,291,982	6,373,506	6,225,299	6,361,511	6,417,656	6,393,816
<b>Total Operating Expenses</b>	<b>17,199,070</b>	<b>18,239,192</b>	<b>18,015,513</b>	<b>19,316,174</b>	<b>20,744,775</b>	<b>21,949,287</b>	<b>23,051,674</b>	<b>24,643,767</b>	<b>35,076,312</b>	<b>33,594,412</b>
Operating Income	5,281,816	3,572,239	4,077,912	7,217,767	7,213,290	5,709,134	5,420,270	1,555,271	(7,543,890)	2,959,935
Net Nonoperating Revenues/(Expenses)	(626,073)	556,461	(954,809)	(1,138,325)	(1,074,183)	(504,103)	555,560	(279,228)	(406,882)	(1,255,146)
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)
<b>Net Income/Change in Net Assets</b>	<b>\$4,655,743</b>	<b>\$4,128,700</b>	<b>\$4,036,408</b>	<b>\$6,195,740</b>	<b>\$6,233,651</b>	<b>\$5,214,079</b>	<b>\$4,836,553</b>	<b>\$898,989</b>	<b>(\$8,466,216)</b>	<b>\$1,269,984</b>

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

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

Fiscal Year	Residential	Farms	Commercial	Oil, Mineral & Timber Rights	Tangible	Intangible	Total	Less Intangible	Total Taxable Assessed Value	Total Direct Tax Rate (Per \$100 of Assessed value)
2000	7,522,125	395,484	3,724,821	837	3,766,229	2,087,704	17,497,199	2,087,704	15,409,495	0.2965
2001	8,283,396	412,231	4,037,026	968	4,380,481	2,168,617	19,282,719	2,168,617	17,114,102	0.2955
2002	9,141,865	446,553	4,326,255		4,213,642	2,073,358	20,201,673	2,073,358	18,128,316	0.2945
2003	9,823,997	465,697	4,543,167	870	4,303,219	4,208,933	23,345,884	4,208,933	19,136,951	0.2945
2004	10,486,256	545,897	4,695,549	806	4,397,630	3,183,438	23,309,575	3,183,438	20,126,137	0.2904
2005	11,287,423	559,829	4,897,578	770	4,315,023	3,527,423	24,588,044	3,527,423	21,060,622	0.2704
2006	12,304,135	596,790	5,110,109	839	4,615,906	4,255,901	26,883,680	4,255,901	22,627,779	0.2704
2007	13,207,008	624,912	5,444,972	1,524	5,030,923		24,309,339		24,309,339	0.2704
2008	14,116,473	819,013	5,890,069	1,544	4,931,925		25,759,025		25,759,025	0.2694
2009	14,681,278	836,738	6,219,162	1,516	5,723,817		27,462,511		27,462,511	0.2694

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

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

TABLE 8

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

Fiscal Year	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2000	31,037,271	30,855,685	99.4%	89,107	30,944,792	99.7%
2001	33,902,023	33,308,041	98.2%	221,065	33,529,106	98.9%
2002	37,350,328	36,419,100	97.5%	241,290	36,660,389	98.2%
2003	39,997,319	39,116,817	97.8%	490,377	39,607,194	99.0%
2004	41,930,263	40,877,962	97.5%	496,473	41,374,436	98.7%
2005	41,915,431	41,211,370	98.3%	1,429,648	42,641,018	101.7%
2006	44,526,763	44,342,484	99.6%	231,649	44,574,133	100.1%
2007	47,282,303	47,245,216	99.9%	47,172	47,292,388	100.0%
2008	51,138,980	51,175,940	100.1%	34,628	51,210,568	100.1%
2009	53,823,142	53,901,333	100.1%	25,838	53,927,171	100.2%

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								
2000	0.0810	0.1750	0.0311	0.0094	0.2965	0.5400	0.1480					0.9845
2001	0.0800	0.1750	0.0311	0.0094	0.2955	0.5320	0.1410					0.9685
2002	0.0790	0.1750	0.0311	0.0094	0.2945	0.5280	0.1360					0.9585
2003	0.0790	0.1750	0.0311	0.0094	0.2945	0.5280	0.1350					0.9575
2004	0.0800	0.1750	0.0260	0.0094	0.2904	0.5330	0.1330	0.0032	0.0004			0.9600
2005	0.0800	0.1600	0.0210	0.0094	0.2704	0.5350	0.1310	0.0032	0.0004	0.0280		0.9680
2006	0.0800	0.1600	0.0210	0.0094	0.2704	0.5380	0.1310	0.0031	0.0004	0.0280	0.0600	1.0309
2007	0.0800	0.1600	0.0210	0.0094	0.2704	0.5410	0.1280	0.0031	0.0004	0.0280	0.0600	1.0309
2008	0.0800	0.1590	0.0210	0.0094	0.2694	0.5940	0.1240	0.0031	0.0004	0.0280	0.0600	1.0789
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

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

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

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

TABLE 10

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

Name	2009			2000		
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Lexington Joint Venture	\$58,943,600	1	0.21%	49,291,800	2	0.32%
Lexmark International Inc.	56,228,500	2	0.20%	55,065,600	1	0.36%
Fourth Quarter Properties	53,562,800	3	0.20%	\$25,732,900	10	0.17%
Meijer Stores Ltd	34,973,400	4	0.13%			
Diamondrock Griffin	32,700,000	5	0.12%			
Fayette Development	32,460,700	6	0.12%			
Weingarten Realty Inc.	31,855,300	7	0.12%			
Newtown Crossing LLC	31,500,000	8	0.11%			
Geneva Organization	30,100,000	9	0.11%			
Main Street EH LLC	29,200,000	10	0.11%			
Ball Homes Inc.				48,388,800	3	0.31%
IBM Information Products						
Bank One				35,237,700	6	0.23%
Griffin Gate Association				29,686,000	7	0.19%
W T Young Inc.				28,124,800	8	0.18%
CHCK Inc.				38,108,400	4	0.25%
Wal Mart Jdn Dev Co				32,844,300	5	0.21%
Lexington Financial						
MCV Venture				26,352,900	9	0.17%
KCL Funding Inc.						
Total	<u>\$391,524,300</u>		<u>1.43%</u>	<u>\$368,833,200</u>		<u>2.39%</u>

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

TABLE 11

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

Fiscal Year	LFUCG Direct Rate	Fayette County School	Total
2000	2.25%	0.50%	2.75%
2001	2.25%	0.50%	2.75%
2002	2.25%	0.50%	2.75%
2003	2.25%	0.50%	2.75%
2004	2.25%	0.50%	2.75%
2005	2.25%	0.50%	2.75%
2006	2.25%	0.50%	2.75%
2007	2.25%	0.50%	2.75%
2008	2.25%	0.50%	2.75%
2009	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	2009 Rank	2000 Rank
University of Kentucky	1	1
Lexmark International	2	2
Lexington-Fayette Urban County Government	3	4
St. Joseph Hospital	4	5
Fayette County Board of Education	5	3
Baptist Healthcare	6	7
L3 Communications	7	
Defense Finance & Acctg System (formerly Dept of Veterans Affairs)	8	6
Lexington Clinic	9	
Ashland, Inc.	10	10
IBM Information Products		8
Commonwealth of Kentucky		9

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			
2000	89,530,000	3,870,000	2,836,238		37,750,286	112,125,000	6,190,000	252,301,524	3.1%	966
2001	108,430,000	2,255,000	2,419,811		59,578,753	108,010,000	2,280,000	282,973,564	3.4%	1,075
2002	117,900,000	885,000	1,991,244		56,710,531	103,730,000		281,216,775	3.3%	1,063
2003	119,795,000	285,000	1,543,585		53,375,000	98,320,000		273,318,585	3.1%	1,021
2004	136,560,000		434,255		50,040,000	73,940,000		260,974,255	2.8%	968
2005	144,905,000		257,934	742,401	46,560,000	71,680,000		264,145,335	2.7%	970
2006	154,760,000		72,661	750,000	42,915,000	69,625,000		268,122,661	2.6%	972
2007	142,805,000				39,400,000	68,885,000		251,090,000	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

Note: Details regarding LFUCG outstanding debt can be found in the notes to the financial statements.  
 See page 149 for personal income and population data.

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

TABLE 14

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

Fiscal Year	General Obligation Bonds	% of Assessed Value of Property	Per Capita
2000	89,530,000	0.58%	343
2001	108,430,000	0.63%	412
2002	117,900,000	0.65%	446
2003	119,795,000	0.63%	447
2004	136,560,000	0.68%	506
2005	144,905,000	0.69%	532
2006	154,760,000	0.68%	561
2007	142,805,000	0.59%	512
2008	126,065,000	0.49%	447
2009	229,265,000	0.83%	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.

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

TABLE 15

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
SCHEDULE OF DIRECT AND OVERLAPPING INDEBTEDNESS  
AS OF JUNE 30, 2009

	<u>Principal Outstanding</u>
Lexington Center Corporation	
Refunding and Improvement Mortgage Revenue Bonds, Series 1993	9,375,285
Mortgage Revenue Bonds, Series 2008A	20,370,000
Lexington-Fayette Urban County Government Airport Corporation	
Variable Rate General Airport, Revenue and Refunding Bond 2008A (AMT)	46,395,000
Variable Rate General Airport, Revenue and Refunding Bond 2008B(non-AMT)	26,235,000
Variable Rate General Airport Taxable Revenue and Refunding Bond 2008C	4,445,000
Fayette County School & Kentucky School Commission Bonds	253,341,938
Lexington-Fayette Urban County Department of Health	925,000
Subtotal, Overlapping Debt	<u>361,087,223</u>
LFUCG, Direct Debt	<u>327,595,000</u>
Total Direct and Overlapping Indebtedness	<u><u>\$688,682,223</u></u>

## Note

Industrial Revenue Bonds, Industrial Development Bonds, Multi-Family and Single Family Housing Bonds are not included in this schedule of overlapping debt as they are not secured by the full faith and credit of Lexington-Fayette Urban County Government.

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

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

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Assessed Value	\$17,497,199	\$19,282,719	\$20,201,673	\$23,345,884	\$23,309,575	\$24,588,044	\$26,883,680	\$24,309,339	\$25,759,025	\$27,462,511
Debt limit (10% of Assessed Value)	\$1,749,720	\$1,928,272	\$2,020,167	\$2,334,588	\$2,330,958	\$2,458,804	\$2,688,368	\$2,430,934	\$2,575,902	\$2,746,251
Total net debt applicable to limit	201,302	190,933	190,533	187,635	187,350	181,675	176,110	171,270	166,455	195,775
Legal debt margin	\$1,548,418	\$1,737,339	\$1,829,634	\$2,146,953	\$2,143,608	\$2,277,129	\$2,512,258	\$2,259,664	\$2,409,447	\$2,550,476
Total net debt applicable to the limit as a percentage of debt limit	11.50%	9.90%	9.43%	8.04%	8.04%	7.39%	6.55%	7.05%	6.46%	7.13%

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
2000	24,129	11,918	12,211	2,720	2,115	2.53	12,320	1,106	11,214	3,230	2,195	2.07
2001	23,668	12,590	11,078	2,842	1,993	2.29	10,210	1,024	9,186	3,360	2,053	1.70
2002	23,343	12,251	11,092	2,868	1,989	2.28	11,021	1,840	9,181	3,505	3,407	1.33
2003	27,196	13,408	13,788	3,336	2,725	2.27	11,183	2,328	8,855	4,580	4,733	0.95
2004	28,428	14,453	13,975	3,335	2,570	2.37	11,504	2,474	9,030	4,760	4,530	0.97
2005	28,701	15,576	13,125	3,480	2,414	2.23	6,943	2,479	4,464	1,365	3,473	0.92
2006	28,472	16,826	11,646	3,515	2,076	2.08	7,251	2,600	4,651	1,485	3,348	0.96
2007	26,199	18,282	7,917	3,685	1,906	1.42	5,439	2,095	3,344	0	3,495	0.96
2008	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

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
2000	1,396	315	1,081	720	368	0.99	336	446	92	0.62
2001	1,496	322	1,174	755	337	1.08	198	335	72	0.49
2002	1,298	317	981	775	303	0.91	49	355	56	0.12
2003	1,447	335	1,112	830	268	1.01	49	555	39	0.08
2004	1,563	306	1,257	860	229	1.15	46	45	14	0.78
2005	1,451	343	1,108	895	190	1.02	34	45	12	0.60
2006	1,304	387	917	655	129	1.17	29	50	9	0.49
2007	594	149	445	690	100	0.56	26	50	7	0.46
2008	1,193	0	1,193	720	70	1.51	35	55	4	0.59
2009	1,383	580	803	720	70	1.02	0	50	1	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.

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

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

TABLE 18

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

Fiscal Year	Population	Personal Income (Thousands)	Per Capita Personal Income	Civilian Labor Force		
				Employed	Unemployed	Unemployment Rate
2000	261,192	8,135,408	31,147	144,470	4,420	3.0%
2001	263,330	8,412,416	31,946	141,950	5,522	3.7%
2002	264,568	8,558,655	32,350	139,303	6,229	4.3%
2003	267,794	8,774,357	32,765	139,285	6,837	4.7%
2004	269,631	9,197,855	34,113	137,816	6,033	4.2%
2005	272,219	9,798,607	35,995	139,182	6,679	4.6%
2006	275,915	10,437,265	37,828	142,077	6,582	4.4%
2007	279,044	11,101,170	39,891	144,393	6,056	4.0%
2008	282,000	17,115,000	37,745	144,068	7,311	4.8%
2009	n/a	n/a	n/a	141,049	13,087	8.5%

Source: The Bureau of Economic Analysis

Source: U.S. Census Bureau

Source: The Bureau of Labor Statistics

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

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

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

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

TABLE 20

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

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

Source: U.S. Census Bureau

TABLE 21

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

Function/Program	Employees as of the Last Pay Period of the Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008*	2009
Administrative Services	147	149	145	150	140	139	143	145	77	89
General Government	88	89	96	94	67	64	70	74	77	48
Finance & Administration	86	91	99	100	94	90	98	94	104	108
General Services										
Parks and Recreation	156	161	166	169	172	180	187	183	180	145
Other	169	167	166	169	157	124	129	132	123	132
Law	18	19	19	20	19	18	19	21	34	31
Public Safety										
Fire and Emergency Services										
Firefighters and Officers	461	472	477	473	464	498	504	530	512	504
Civilians	40	40	42	40	38	39	37	23	20	18
Police										
Officers	451	459	488	469	471	472	527	534	538	557
Civilians	172	189	153	162	192	184	177	151	117	77
Community Corrections	300	336	342	347	371	383	357	376	359	341
Other	57	65	69	71	72	73	78	78	99	101
Public Works & Development									221	218
Solid Waste	220	228	225	238	236	217	221	211		
Sanitary Sewers	113	121	119	121	129	125	130	135		
Other	165	167	176	173	168	154	162	162		
Environmental Quality										
Waste Management									208	199
Water & Air Quality									135	145
Other									18	10
Social Services	158	150	147	156	163	160	174	169	137	128
	<u>2,801</u>	<u>2,903</u>	<u>2,929</u>	<u>2,952</u>	<u>2,953</u>	<u>2,920</u>	<u>3,013</u>	<u>3,018</u>	<u>2,959</u>	<u>2,851</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	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Fire and Emergency Services</b>										
Emergency Medical Calls	24,102	24,743	25,901	28,345	27,750	28,698	28,772	30,087	31,336	31,490
False Calls	2,644	2,827	2,806	3,082	2,721	2,606	2,560	2,667	2,804	2,715
Fire Incidents	1,538	1,331	1,182	1,366	1,356	1,194	1,315	1,402	1,322	1,301
Good Intent Calls	na	1,112	1,090	1,245						
Hazardous Materials Calls	956	942	1,352	1,484	1,115	1,155	1,090	1,087	1,252	1,295
Other	na	129	109	134						
Rescues	na	517	387	366						
Rupture - Gas, Water, etc.	na	52	32	51						
Service Calls	1,096	1,211	1,201	1,065	985	1,022	1,128	1,161	1,313	1,330
<b>Police</b>										
Physical Arrests **	21,125	19,605	19,747	19,835	22,422	22,295	23,411	24,677	26,205	17,101
Parking Violations **	36,403	36,404	25,247	18,185	16,325	20,874	21,668	17,665	13,891	49,471
Traffic Violations **	73,298	62,141	59,059	57,351	67,115	66,954	67,487	75,014	78,950	73,854
<b>Parks and Recreation</b>										
Rounds of Golf	179,367	172,964	177,604	160,958	159,505	154,124	152,659	139,353	141,776	122,153
Pool Visits	288,208	225,522	233,689	209,408	180,417	180,619	199,496	198,181	202,093	217,917
<b>Building Inspection</b>										
Permits Issued *	12,699	11,768	12,533	19,172	19,875	20,514	20,719	16,620	14,173	13,660
Inspections	25,562	28,406	28,574	32,869	36,937	38,669	39,773	29,991	27,650	29,404
<b>Sanitary Sewers</b>										
Tap-on Inspections **	2,140	1,955	1,955	2,025	2,212	2,131	2,108	1,681	1,268	1,057
Average daily sewage treatment (mgd) **	33	36	40	43	48	51	38	42	38	40
<b>Solid Waste</b>										
Annual tons of refuse collected	na	150,622	154,178	157,121	157,618	156,347	152,969	154,637	165,087	155,645
Annual tons of recyclables collected	na	na	5,568	6,825	10,412	11,668	15,188	18,740	18,355	20,190
<b>Other Public Works</b>										
Street Resurfacing (miles)	31	25	21	19	21	23	16	40	38	35

\* 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	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Fire and Emergency Services										
Number of Fire Stations	19	21	21	21	21	21	22	23	23	23
Number of Engines	19	21	21	21	21	21	22	24	24	24
Number of Aerials	6	6	6	6	6	8	8	8	8	8
Number of EC Units	6	7	7	7	7	9	9	9	9	10
Number of Haz-Mat Units	3	3	3	3	3	3	3	3	3	3
Police										
Stations	2	3	3	3	3	3	3	3	3	3
Patrol Units	na	na	na	na	460	463	467	467	481	438
Parks and Recreation										
Acres of Parks	4,207	4,186	4,206	4,263	4,263	4,261	4,261	4,261	4,565	4565
Number of Golf Courses	6	6	6	6	6	6	6	6	6	6
Number of Swimming Pools	12	13	12	10	8	10	10	10	9	9
Sanitary Sewers										
Treatment Capacity (mgd)	52	52	64	64	64	64	64	64	64	64
Solid Waste										
Collection Trucks	na	na	na	na	117	117	118	126	116	115
Other Public Works										
Streets (miles)	na	na	na	na	1,516	1,544	1,563	1,542	1,589	1,599
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	316	325	330	344	340	349	353	357	363	367

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