



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2018



*Cover by: Amy Wallot/Communications*

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2018

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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Year Ended June 30, 2018

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## INTRODUCTORY SECTION



Lexington-Fayette Urban County Government  
OFFICE OF THE MAYOR

Jim Gray  
Mayor

November 30, 2018

Dear Citizen,

The Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018, continues to reflect growing financial health, continued fiscal discipline and strong financial management.

- We are in our seventh year of budget surpluses, continuing our emphasis on running a lean efficient city government. We live within our means.
- Our economy cooled off some this year, but we adapted and adjusted through an approach to financial management that works when the economy is moving swiftly, and as the pace eases. We have financial hiring controls and efficiencies in place, and we base our budgeting on actual spending, not on the previous year's budgeted levels.
- Job growth is a key focus for us, with an emphasis on growing or attracting good-paying jobs. We have invested in programs that produce jobs, for example, effective incentives like the Jobs Fund; workforce development to attract better jobs; construction projects like Town Branch Commons, a quality of life project, and the Convention Center; and economic development partner agencies.
- As always, public safety dominated our budget in FY18. Over the past six years we have added 75 police officers, increasing our authorized strength to 630 sworn officers, including an additional 30 new officers this year, the largest one-year increase for Lexington police since we merged our city and county governments.
- In the Fire Department, we purchased \$2.5 million in new equipment, in part to equip Station 24, the first additional fire station in Lexington in 10 years.
- We again increased funding for social service agencies to overcome federal and state cuts in funding. Since 2012, our City has doubled funding for these grants.
- We invested \$10 million in paving, and funded upgrades in traffic signals at several busy intersections ... much needed improvements in basic infrastructure.

Lexington is competing and winning. We are building a Great American City.

Sincerely,

A handwritten signature in black ink that reads "Jim Gray". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Jim Gray, Mayor

## ELECTED OFFICIALS

MAYOR  
Jim Gray

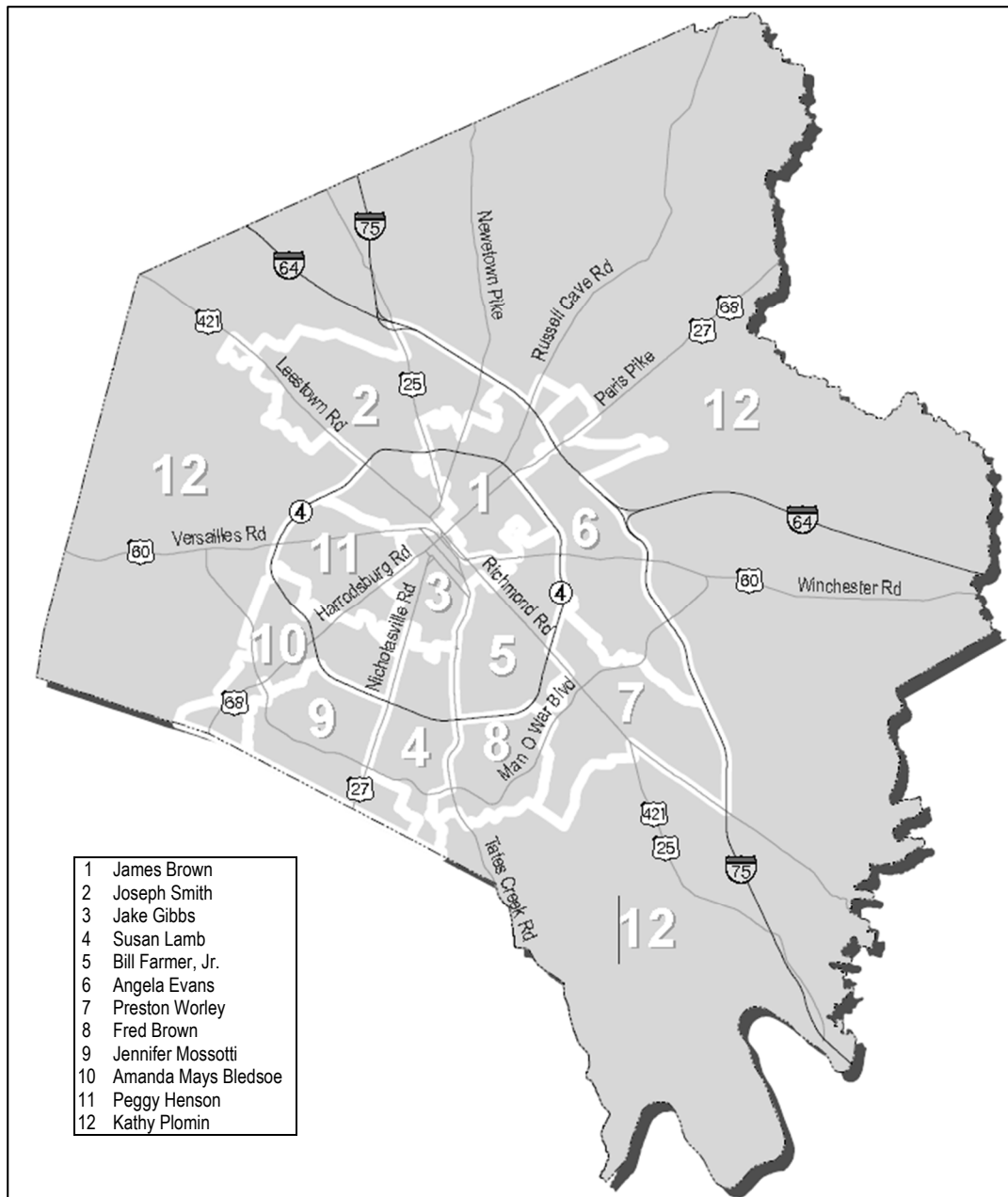
### COUNCILMEMBERS-AT-LARGE

Steve Kay – Vice Mayor

Richard Moloney

Kevin Stinnett

### DISTRICT COUNCILMEMBERS







Lexington-Fayette Government  
DEPARTMENT OF FINANCE

Jim Gray  
Mayor

William O'Mara  
Commissioner

November 30, 2018

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

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

As Commissioner of Finance, I present the Comprehensive Annual Financial Report (CAFR) of the Lexington-Fayette Urban County Government (the Government) (LFUCG) for the fiscal year ended June 30, 2018. The CAFR has been prepared in accordance with Generally Accepted Accounting Principles (GAAP) and the reporting standards of the Governmental Accounting Standards Board (GASB). The CAFR includes all funds of the Government and its component units.

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

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

State statute and the Charter of the Government both require that an independent financial audit be conducted annually. The accounting firm of Strothman and Company, PLLC performed the audit for the fiscal year ended June 30, 2018. 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, 2018 are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was

a reasonable basis for rendering an unmodified opinion that the Government's financial statements for the fiscal year ended June 30, 2018, are fairly presented in conformity with GAAP. The independent auditors' report is presented as the first component in the financial section of this report.

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

### ***Profile of the Government (As of June 30, 2018)***

#### ***Demographic Profile***

The City of Lexington, with a population of 321,959, is the second largest city in Kentucky. It is ideally located within 600 miles of 50% of the US population. Besides being the horse capital of the world, Lexington is also home of the state's flagship university, the University of Kentucky, with 40,765 students in the talent pool. . Incorporated in 1775, Lexington has since grown to encompass just over 286 square miles of land.

#### ***Form of Government***

The Government is an urban county with the powers of both a city of the second class and a county created from the merger of the City of Lexington and the County of Fayette in 1974. The Government operates pursuant to Chapter 67A of the Kentucky Revised Statutes. The Government operates under a Mayor-Council form of government, where executive and administrative functions are vested with the Mayor, and legislative authority is vested with the Urban County Council. The Mayor is assisted in the administration of the government by two senior advisors, a Chief Administration Officer (CAO), the Chief Information Officer (CIO), and seven Department Commissioners. The senior advisors, CAO, CIO and Commissioners are appointed by the Mayor with the approval of the Urban County Council. A list of principal officers begins on page 11.

The Government provides a full range of services typical to Municipal governments, including:

- General Government – Mayor, Councilmembers, Chief of Staff, Office of Economic Development, Internal Audit, Chief Administrative Officer, Council Clerk, Division of Risk Management, Division of Government Communications, Division of Human Resources, Division of Homelessness Prevention & Intervention, and the Division Grants & Special Programs
- Information Technology – Divisions of Computer Services and Enterprise Solutions
- Environmental Quality & Public Works – Divisions of Environmental Services, Waste Management, Water Quality, Streets & Roads, and Traffic Engineering
- Finance – Divisions of Accounting, Budgeting, Purchasing, and Revenue
- General Services – Divisions of Facilities & Fleet Management and Parks & Recreation
- Law – Divisions of Corporate Counsel, Litigation, and Claims Management
- Planning, Preservation and Development – Divisions of Building Inspection, Code Enforcement, Engineering, Historic Preservation, Planning, and Purchase of Development Rights
- Public Safety – Community Corrections, Emergency Management/E 911, Fire & Emergency Services, Police, and Security
- Social Services – Divisions of Adult Services, Family Services, Youth Services, and Aging Services

## ***Significant Events (as of November 30, 2018)***

### ***Economic Development***

LFUCG has developed and implemented two programs to support job growth and economic mobility. The JOBS fund has been allocated \$3.5 million, of which \$2.7 million has been committed to 23 companies, to support companies that are creating new jobs above the county median wage. Based on payroll reporting, the incentivized companies have created \$12.4 million in new payroll in Lexington-Fayette County. Some of the companies have loans, which has also generated repaid principal and interest back into the program fund. The Economic Development Grant has allocated \$150,000 between seven (7) non-profit agencies to support workforce development programs. This funding mechanism resulted in 162 unemployed and underemployed individuals receiving workforce services and training, and 62% of those individuals completing training earned new job placements. The allocation was doubled for the second year of the program to further stimulate economic mobility.

### ***Town Branch Commons***

Construction has begun on Town Branch Trail, a linear urban trail closing the gap between our downtown parks and two major trails. Once on the Town Branch Trail, users will be able to access 22 continuous miles of dedicated walking, jogging, and cycling trails connecting the city center to the countryside. Within the downtown core, the trail separates bikers from pedestrians. As it travels along Midland Ave. the walkers and bikers are combined for a different experience. Water is featured along the path in interactive fountains and planting areas to collect stormwater. The trail is separated and buffered from adjacent vehicular traffic. The trail is fully funded by a diverse array of federal and state grants that leverage local dollars. Funding sources include a \$14.1M federal TIGER Grant, a \$3.6M federal CMAQ Grant, a \$2.9M federal TAP Grant, a \$7.1M Kentucky Infrastructure Loan, and \$11.8M of local dollars.

***Old Courthouse Renovation*** In 2016, the Government issued a taxable bond in the amount of \$22 million to begin rehabilitation of the historic courthouse. The building had been in disrepair and vacant since 2012. The approximately \$32 million project is leveraging \$10 million in federal and state historic tax credits to generate additional funds for renovation. Construction began in July 2016 and was substantially completed in spring 2018. The facility is fully leased, with most tenants occupying their spaces by April of 2018. The final tenant space is presently under construction and scheduled to be open in the fall of 2018.

### ***Consent Decree***

The Government is required to reduce sanitary sewer overflows as part of a court ordered settlement, the Consent Decree, with the United States (US) Department of Justice, the US Environmental Protection Agency (EPA), and the Commonwealth of Kentucky. The Consent Decree requires Lexington to address structural, operational, and procedural issues within its storm and sanitary sewer systems in accordance with the schedule developed jointly with the EPA. To date Lexington has completed every Consent Decree requirement and has incurred no penalties for missing a deadline.

The sanitary sewer capital construction component of the Consent Decree consists of 116 capital improvement projects intended to rehabilitate the sanitary sewer system to prevent recurring sanitary sewer overflows and unpermitted bypasses. The cost estimate for all the Remedial Measures Plan (RMP) capital projects is \$591 million, and LFUCG must complete the projects by December 31, 2026. In fiscal year 2018, both the South Elkhorn Pump station upgrade and West Hickman Trunk Lines B and C were completed and placed into operation. A total of 25 RMP projects have been completed and another seventeen (17) are in the construction phase, totaling approximately \$218 million in capital expenditures. The most recent projections show total

RMP capital project expenses continuing to trend approximately 30% below the original estimated expenditure for the projects completed or are under construction to date. The Government will continue to closely monitor this trend as the overall project scope begins to transition away from the storage tank projects and into the pipeline upgrade projects.

While the RMPs outline infrastructure improvements required for Consent Decree compliance, the Capacity, Management, Operation and Maintenance (CMOM) Program is also a requirement of the Consent Decree. The CMOM Program outlines the operational changes that must be implemented and maintained. Since launching the Consent Decree, the Division of Water Quality has completed or implemented all 154 required CMOM Program elements. Many have ongoing, continuous compliance components which are being performed. A program manager is employed to continually improve operational compliance requirements.

Three of the four (4) Supplemental Environmental Projects (SEPs) that were specifically required by the Consent Decree are complete, with the flood mitigation Commonwealth SEP remaining to be completed. The Coldstream Park Stream Corridor Restoration and Preservation SEP was completed in 2018 and was recognized by the Lexington-Fayette Urban County Environmental Commission for a 2018 environmental award. LFUCG has completed \$16.7 million of \$30 million in flood mitigation projects as required by the flood mitigation SEP, completing the \$950,000 Wilson Downing culvert project in 2018. The Southland and Woodhill/Peachtree projects are currently in the design phase with construction for both scheduled to begin in 2019.

The Government has met all Consent Decree compliance measures associated with the Municipal Separate Storm Sewer System (MS4) and is in full compliance with its state-issued KPDES permit. In October 2018, the Government was recognized by the Water Environment Federation (WEF) with two national awards, one for best Program Management for Phase 1 (large system) MS4 programs and a second award for best overall score Phase 1 MS4 program.

### ***Jail Security System***

The Jail Security System (JSS) is a system of operating controls, as well as visual and audio recording devices used to provide a safe and secure environment. The current JSS is in the process of being replaced with a modernized system that takes advantage of current technologies for expanded recording and viewing in the inmate living areas. The new system will expand the number of cameras in two phases. In Phase One, the number of cameras will increase from 171 to 420. Infrastructure is being added for an additional 316 cameras that will be added as Phase Two of the project. The enhanced surveillance will improve safety for the inmates and staff. The outer ring of the detention center is currently being upgraded, which should be completed by December. The inner ring upgrade will then begin. LFUCG has budgeted \$4.0 million for Phase One of the project.

### ***PeopleSoft Upgrade***

LFUCG utilizes Oracle's PeopleSoft for its Enterprise Resource Planning (ERP) system. LFUCG has initiated a project to upgrade Human Capital Management (HCM), Financial Supply Chain Management (FSCM), and their associated technical environments to the most current version available. LFUCG has budgeted approximately \$5.1 million with a go-live scheduled for November 2018.

## ***Strengthening Fiscal Management***

### ***Introduction***

The Government has benefited from local economic growth and historically low interest rates that have allowed for significant investments in infrastructure and public safety. The Government has also restructured existing debt to benefit from the low interest rate environment and decrease its overall debt service burden. As the Federal Reserve continues to approve rate increases, the Government will monitor the bond market to ensure that it stays in a favorable position regarding its long-term debt.

### ***Local Economy***

The unemployment rate in Fayette County was 4.0% in June 2018, up from 4.3% in June 2017. The June 2018 rate was below the state rate of 5.0%. Total employment is well above pre-2008 levels. Employment, as measured by the Bureau of Labor Statistics, was 199,897 for the quarter ended December 31, 2017. By comparison, total employment was 196,650 for the quarter ending December 31, 2016 and 179,182 for the quarter ending December 31, 2007. Average annual pay has also increased in Lexington-Fayette County during that time period. The average annual pay in 2007 was \$39,823. By comparison, the average annual pay in 2017 was \$47,945.

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

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

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

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

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

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

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

The Department of Finance is responsible for the custody, investment, and disbursement of all funds of the Government in accordance with the procedures and standards adopted by the Urban County Council. It is the policy of the Government to invest funds in a manner that will provide the highest investment return with the maximum security of principal while meeting the daily cash flow demands of the Government. The Government's investments are governed by state statutes (KRS 66.480) and an investment policy approved by the Urban County Council. In fiscal year 2017 all funds were invested in either obligations of the United States and its agencies or instrumentalities, mutual funds comprised of those securities, repurchase agreements, collateralized Certificates of Deposit, or commercial paper.

### ***Awards and Acknowledgements***

For the 26th consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Lexington-Fayette Government for its comprehensive annual financial report for the fiscal year ended June 30, 2017. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

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

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

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

Respectfully submitted,



William O'Mara, Commissioner  
Department Of Finance



Government Finance Officers Association

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

Presented to

**Lexington-Fayette  
Urban County Government  
Kentucky**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2017**

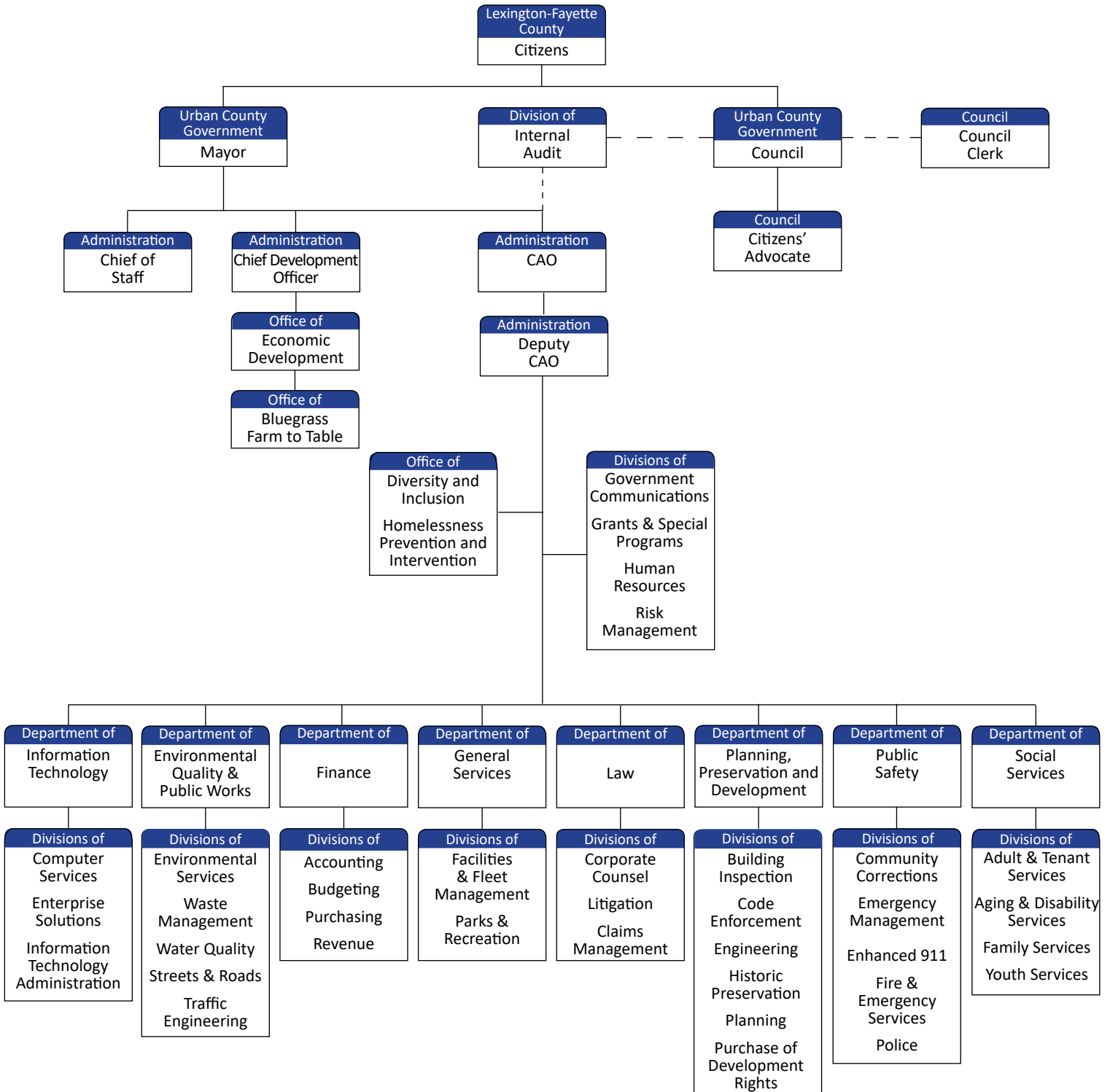
*Christopher P. Morill*

Executive Director/CEO



# LEXINGTON

## Lexington-Fayette Urban County Government Organizational Chart





*DIRECTORY OF GOVERNMENTAL OFFICIALS*

**Council Office**  
Citizens' Advocate Office

**Council Clerk's Office**

**Office of the Mayor**

**Chief Development Officer**

**Internal Audit**

**Office of the Chief Administrative Officer**  
Grants and Special Programs  
Risk Management  
Public Information Office  
LexCall  
GTV3  
Human Resources  
Office of Homelessness Prevention & Intervention

**Chief Information Officer**  
Computer Services  
Enterprise Solutions

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

**Finance**  
Accounting and Payroll  
Purchasing  
Revenue  
Budgeting

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

**Law**

**Public Safety**  
Community Corrections  
Division of Emergency Management  
E911  
Fire and Emergency Services  
Police

**Social Services**  
Adult Services  
Aging Services  
Family Services  
Youth Services

**General Services**  
Facilities and Fleet Management  
Parks and Recreation

**Stacey Maynard, Council Administrator**  
Amber Deitz, Citizens' Advocate

**Sharon Jones, Acting Director**

**Jim Gray, Mayor**

**Kevin Atkins**

**Bruce Sahli, Director**

**Sally Hamilton, Chief Administrative Officer**  
Charlie Lanter, Director  
Patrick R. Johnston, Director  
Stacey Dimon, Supervisor  
Vacant  
Chris Edwards, Supervisor  
John Maxwell, Director  
Polly Ruddick, Director

**Aldona Valicenti, Chief Information Officer**  
Mike Nugent, Director  
Phillip Stiefel, Director

**Derek Paulsen, Commissioner**  
Jim Duncan, Director  
Elizabeth Overman, Program Manager  
Bettie L. Kerr, Director  
Doug Burton, Director  
Dewey Crowe, Director  
Alex Olszowy, Director

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

**Charlie Martin, Acting Commissioner**  
Susan Plueger, Director  
Charles H. Martin, Director  
Tracey Thurman, Director  
Albert Miller, Director  
Jeff Neal, Director

**Janet Graham, Commissioner**

**Ken Armstrong, Commissioner**  
Steve Haney, Director  
Patricia Dugger, Director  
Robert Stack, Director  
Kristin Chilton, Chief  
Lawrence Weathers, Chief

**Chris Ford, Commissioner**  
Connie Godfrey, Director  
Kristina Stambaugh, Director  
Joanna Rodes, Director  
Stephanie Hong, Director

**Sally Hamilton, Commissioner**  
Jamshid Baradaran, Director  
Monica Conrad, Director



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# FINANCIAL SECTION

## **Independent Auditors' Report**



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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lexington-Fayette Urban County Government (the "Government"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Government's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following entities:

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

Collectively, these entities represent 100% of the assets, net position, and revenues of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the financial statements of the entities above, 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 from material misstatement.

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

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

### **Opinions**

In our opinion, based on our audit and the reports of the 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principal – Adoption of GASB Accounting Standard**

As discussed in Note 2 to the financial statements, the Government adopted new accounting guidance, Government Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective as of July 1, 2017. The implementation of this accounting standard resulted in a restatement of prior year net position. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 16 to 29 and budgetary comparison information on pages 110 to 114 and pension and OPEB information on pages 115 to 122 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Government's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2018, on our consideration of the Government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Government's internal control over financial reporting and compliance.

*STROTSMAN AND COMPANY*

Louisville, Kentucky  
November 30, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of Lexington-Fayette Urban County Government's Comprehensive Annual Financial Report (CAFR) presents a discussion and analysis of the Government's financial performance for the fiscal year ended June 30, 2018. It is supplementary information required by the Governmental Accounting Standards Board (GASB) and is intended to provide a readable explanation of the information within the basic financial statements. It should be read in conjunction with the Letter of Transmittal (which can be found preceding this narrative on page 3) and the financial statements immediately following the analysis.

### FINANCIAL HIGHLIGHTS – PRIMARY GOVERNMENT

#### Government–Wide Highlights

- The Government implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. This statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 75 required the Government to recognize their long-term obligation for postemployment benefits other than pensions as a liability for the first time. In addition, as a participant in a cost-sharing pension, the Government is reporting a net postemployment benefits other than pension liability, and OPEB related deferred inflows and outflows based on the proportionate share of the collective amounts for all governments in the plan. The Government's unfunded other postemployment benefits liability totals \$426.19 million. The OPEB related deferred outflows and inflows total \$23.28 million and \$32.00 million respectively.
- Total assets plus deferred outflows of resources of the Primary Government exceeded total liabilities and deferred inflows of resources by approximately \$407.50 million at the close of fiscal year 2018. This amount includes a deficit of approximately \$702.25 million in unrestricted net position.
- Governmental Activities' net position was \$46.28 million at the end of fiscal year 2018. Of this amount, \$718.48 million was the net investment in capital assets. The net investment in capital assets comprises 1,552.51% of total net position.
- Business-Type Activities held a balance of \$361.22 million in net position. The unrestricted fund balance at June 30, 2018 is \$39.30 million, or 43.83% of Business-Type Activity expenses.

#### Fund Highlights

- As of June 30, 2018, the Government's governmental funds reported combined ending fund balances of \$149.21 million, an increase of \$11.20 million compared to the previous fiscal year. Of this total amount, \$85.84 million is restricted for various projects: public works, public safety, capital projects, grants, urban services, and energy improvements.
- The General Fund, the primary operating fund of the Government, held an unassigned fund balance of \$5.76 million or 1.58% of General Fund expenditures. There are two categories of committed fund balance; general government and economic stabilization. Committed funds represent amounts restricted for use by the highest level of governing authority, an ordinance passed by the Urban County Council. The total committed fund balance is \$37.66 million. The committed fund balance designation for economic stabilization held a balance of \$34.02 million, available for spending in the event of an economic downturn or unforeseen event. There are two categories of assigned fund balance; general government and capital projects. Assignments for general government and capital projects represent planning for various projects. These assignments total \$17.06 million for fiscal year 2018.

## OVERVIEW OF THE FINANCIAL STATEMENTS

Three key elements comprise the basic financial statements, including:

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

### A. Government-Wide Financial Statements

The *Government-Wide Financial Statements* are designed to provide readers with a broad overview of the Government's finances in a manner similar to a private-sector business. These statements report financial information about the entire Government, except for fiduciary activities, and provide both short-term and long-term information about the Government's financial position, and assist in the assessment of the Government's economic condition at the end of the fiscal year. The statements are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. They take into account all revenues and expenses of the fiscal year regardless of when cash is received or paid. The *Government-Wide Financial Statements* include two statements: The *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* reflects the financial position of the Government at fiscal year ended June 30, 2018. Accordingly, the Government's net position, the difference between assets (what the citizens own) plus deferred outflows of resources and liabilities (what the citizens owe), is one way to determine the financial condition of the Government. Over time, increases or decreases in net position are one indicator of whether the financial health of the Government is improving or deteriorating. However, additional factors such as changes in the Government's revenue structure, its tax base, and its level of assets held, should be considered in order to assess thoroughly the overall financial condition of the Government.

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

The *Government-Wide Financial Statements* divide the Government's activities into three types:

1. Governmental Activities – The activities in this section are mostly supported by intergovernmental revenues (federal grants) and taxes, namely licenses and permits, property taxes, and charges for services. Most services normally associated with local government fall into this category, including police, fire, solid waste, parks and general administration. Internal Service Fund balances are reported as part of Governmental Activities.
2. Business-Type Activities – These activities normally are intended to recover all or a significant portion of costs through user fees and charges to external users of goods and services provided by the Government. The Business-Type Activities of the Government include the operations of various Enterprise Funds, including sanitary sewer services, landfill and disposal costs, water quality, and leases and operating costs for public facilities related to debt issues.
3. Discretely Presented Component Units – The Government includes eight separate legal entities in its reports. Although legally separate and possessing independent qualities, the Government maintains financial accountability for these entities.

### B. Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The *Fund Financial Statements* report the operations of the Government in greater detail than the *Government-Wide Financial Statements* by providing information about the Government's most



significant funds. Local ordinance or bond covenants may require the creation of some funds; others may be created at the discretion of the Administration for management and fiscal control of financial resources. All funds of the Government can be divided into three types of funds: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

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

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

2. Proprietary funds – When the Government charges a fee for services which is intended to cover the cost of providing those services – whether to outside customers or other units of the Government – those services are generally reported in the proprietary funds category. The subcategories of the proprietary funds include enterprise funds and internal service funds.

*Enterprise funds* are used to report the same functions presented as Business-Type Activities in the *Government-Wide Financial Statements*.

*Internal service funds* are used to accumulate and allocate costs internally among the various functions of the Government. The Government uses internal service funds to account for its health, general liability, auto, property and worker's compensation self-insurance. These services predominantly benefit Governmental Activities rather than Business-Type Activities and they have been included with Governmental Activities in the *Government-Wide Financial Statements*.

The proprietary funds are reported in the same way that all activities are reported in the *Government-Wide Financial Statements*, but the fund statements provide more detail. The Government considers the Sanitary Sewer System Fund, the Public Facilities Corporation Fund, the Landfill Fund, and the Water Quality Fund as its major proprietary funds.

3. Fiduciary funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the Government. Fiduciary funds are not reflected in the *Government-Wide Financial Statements* because the resources of those funds are not available to support the programs of the Government. The accounting used for the fiduciary funds is similar to that used for proprietary funds. The Government is the trustee, or fiduciary, for two employees' pension funds, the City Employees' Pension Fund and the Policemen's and Firefighters' Retirement Fund.

### **C. Notes to the Financial Statements**

The notes to the financial statements provide information that is essential to a full understanding of the data provided in the *Government-Wide* and *Fund Financial Statements*. They are an integral part of the financial statements and focus on the primary government and its activities.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Analysis of Net Position

Net position may serve as a useful indicator of a government's financial position. In Table 1 below, the Government's combined net position (Governmental and Business-Type Activities) totaled \$407.50 million as of June 30, 2018, a decrease of \$54.51 million from the previous year. Total depreciation expense government wide was \$72.56 million.

The largest proportion of the Government's net position, \$965.65 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. The Government uses these capital assets to provide services to its citizens. As such, these assets are not available for future spending.

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

	<b>Total Net Position</b>		
	<b>FY 2018</b>	<b>Restated FY 2017</b>	<b>Change</b>
<b>ASSETS</b>			
Current and other assets	\$407,939	\$391,876	\$16,063
Capital assets	1,409,839	1,395,604	14,235
Total assets	<u>1,817,778</u>	<u>1,787,480</u>	<u>30,298</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	226,973	138,284	88,689
<b>LIABILITIES</b>			
Current and other liabilities	79,049	87,166	(8,117)
Long-term liabilities	1,496,090	1,376,584	119,506
Total liabilities	<u>1,575,139</u>	<u>1,463,750</u>	<u>111,389</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	62,111		62,111
<b>NET POSITION</b>			
Net Investment in Capital Assets	965,647	988,532	(22,885)
Restricted for:			
Capital Projects	111,478	108,832	2,646
Energy Improvement Projects	1,271	1,240	31
Debt Service	3,440	3,480	(40)
Capital Replacement	1,327	946	381
Pension	20,632	19,265	1,367
Water Quality Incentive Program	5,217	5,189	28
Grants	250	241	9
Maintenance and Operations	489	539	(50)
Unrestricted	<u>(702,250)</u>	<u>(666,250)</u>	<u>(36,000)</u>
Total net position	<u>\$407,501</u>	<u>\$462,014</u>	<u>(\$54,513)</u>

Approximately \$144.10 million, or 35.36% of total net position, is subject to external restrictions regarding its use. Restricted amounts within Governmental Activities include fund balances of the general fund, the urban services fund and various special revenue funds. Please refer to the fund analysis beginning on page 25 for more information.

Table 2 indicates that the net position of Governmental Activities totaled \$46.28 million, or 3.85% of total assets, a decrease of \$69.10 million from the previous year. Of this total, \$718.49 million is invested in capital assets (e.g. land, infrastructures, buildings and improvements, and machinery and equipment), minus any related debt, which is still outstanding and used to acquire those assets.

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

	<b>Governmental Activities</b>		
	<b>FY 2018</b>	<b>Restated FY 2017</b>	<b>Change</b>
<b>ASSETS</b>			
Current and other assets	\$240,112	\$231,818	\$8,294
Capital assets	962,668	988,778	(26,110)
Total assets	1,202,780	1,220,596	(17,816)
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	206,056	126,059	79,997
<b>LIABILITIES</b>			
Current and other liabilities	60,298	69,969	(9,671)
Long-term liabilities	1,244,061	1,161,311	82,750
Total liabilities	1,304,359	1,231,280	73,079
<b>DEFERRED INFLOWS OF RESOURCES</b>	58,198		58,198
<b>NET POSITION</b>			
Net Investment in Capital Assets	718,485	752,688	(34,203)
Restricted for:			
Capital Projects	47,044	41,100	5,944
Energy Improvement Projects	607	682	(75)
Debt Service	812	603	209
Pension	20,632	19,265	1,367
Grants	250	241	9
Maintenance and Operations			
Unrestricted	(741,551)	(699,204)	(42,347)
Total net position	\$46,279	\$115,375	(\$69,096)

Table 3 shows the net position of Business-Type Activities totaled \$361.22 million at the end of fiscal year 2018, an increase of \$14.58 million from the previous fiscal year. Of total net position, \$247.16 million, or 68.42%, is invested in capital assets, minus related debt which is still outstanding and used to acquire those assets. The Government uses these capital assets in the same way as the capital assets held by Governmental Activities.

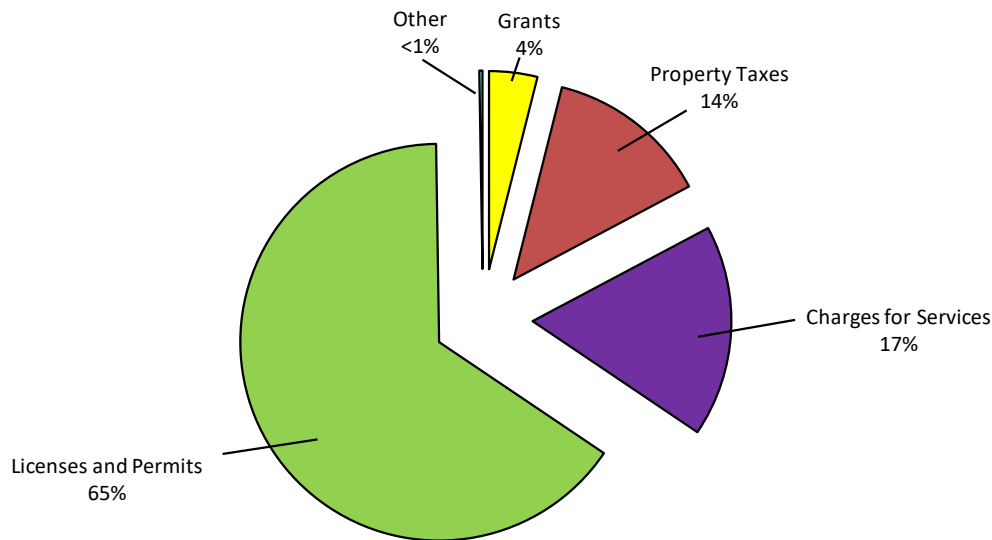
**Table 3**  
**Lexington-Fayette Urban County Government**  
**Summary of Net Position**  
**For Years as Stated**  
**(in thousands)**

	<b>Business-Type Activities</b>		
	<b>FY 2018</b>	<b>Restated FY 2017</b>	<b>Change</b>
<b>ASSETS</b>			
Current and other assets	\$167,828	\$160,059	\$7,769
Capital assets	447,171	406,826	40,345
Total assets	<u>614,999</u>	<u>566,885</u>	<u>48,114</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	20,917	12,225	8,692
<b>LIABILITIES</b>			
Current and other liabilities	18,751	17,199	1,552
Long-term liabilities	252,029	215,272	36,757
Total liabilities	<u>270,780</u>	<u>232,471</u>	<u>38,309</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	3,914		3,914
<b>NET POSITION</b>			
Net Investment in Capital Assets	247,163	235,846	11,317
Restricted for:			
Capital Projects	64,434	67,730	(3,296)
Energy Improvement Projects	664	558	106
Debt Service	2,628	2,878	(250)
Capital Replacement	1,327	946	381
Water Quality Incentive Program	5,217	5,189	28
Maintenance and Operations	489	539	(50)
Unrestricted	39,300	32,953	6,347
Total net position	<u>\$361,222</u>	<u>\$346,639</u>	<u>\$14,583</u>

### **Governmental Activities**

As indicated in Chart 1, the Government funds its Governmental Activities from revenue received from four significant categories. A clear majority, 65%, of the Government's revenue were provided through licenses and permits. This category includes fees placed on employee withholdings, business returns, insurance premiums, and franchise fees. Charges for Services were 17%, which was the second largest contributing category to governmental activity revenues. Revenues collected in this category included charges collected from the Detention Center, EMS charges, golf course collections, fees for building permits, and fees associated with parks and recreation programs. Property Taxes comprised 13% of governmental revenues. Federal and State grant funding represented 4% of governmental revenue. The remaining Other category represented miscellaneous revenues collected by the Government.

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



As indicated by Table 4, revenues from Governmental Activities totaled \$466.57 million, which was an increase of \$20.83 million, or 4.67%, from the previous fiscal year. Licenses and permits totaled \$304.63 million, representing 65.29% 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. The Government implemented a new system allowing for improvements in identifying and reporting collections within 60 days of the end of the fiscal year. Licenses and permits increased by \$15.86 million, or 5.49% from the previous fiscal year. This is primarily due to increases in occupational license fees and franchise fees collected during the fiscal year of \$11.98 million. Of that amount, \$5.86 million represents collections within 60 days of the end of the fiscal year. Insurance premiums collected increased \$3.83 million. Of that amount, \$2.91 million represents collections within 60 days of the end of the fiscal year. Property taxes increased by \$3.44 million, due to an increase in realty taxes collected. Charges for services increased by \$4.44 million from the previous fiscal year, or 5.78%. Operating and Capital grants decreased by \$3.08 million from the previous fiscal year, or 15.87%.

As noted on Table 4, total expenses of Governmental Activities were \$534.87 million; a decrease of \$2.78 million from the previous fiscal year. This is primarily due to decreases in Program Expenses of \$47.08 million. This is primarily offset by increases in the Departments of the Public Safety, Environmental Quality & Public Works, and Social Services of \$35.40 million, \$4.27 million, and \$1.19 million respectively. Other various Departments within the Government had increases totaling \$3.44 million.

### **Business-Type Activities**

Also indicated on Table 4, revenues from Business-Type Activities increased slightly, \$0.34 million from the previous fiscal year. Revenues collected for services provided by the Government increased \$0.05 million and other general revenues increased \$0.29 million. Total expenses of Business-Type Activities increased when compared to fiscal year 2017, by \$3.00 million. Primarily Sanitary Sewer and Water Quality expenses increased \$3.28 million and \$1.56 million, respectively. Other Business-Type Activities expenses increased approximately \$0.90 million. Public Facilities, Public Parking, and CKY Network expenses decreased \$0.62 million, \$1.97 million, and \$0.15 million respectively. The largest program among these activities is the Sanitary Sewer system, with expenses of \$53.35 million during the fiscal year, representing 59.51% of all Business-Type Activities expenses.

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$80,408	\$76,015	\$102,451	\$102,405	\$182,859	\$178,420
Operating Grants & Contributions	10,617	13,147			10,617	13,147
Capital Grants & Contributions	5,718	6,269			5,718	6,269
General Revenues:						
Property Taxes	62,072	58,637			62,072	58,637
Licenses & Permits	304,626	288,770			304,626	288,770
Grants & Unrestricted Contributions	1,951	1,155			1,951	1,155
Other General Revenues	1,179	1,747	991	697	2,170	2,444
Total Revenues	<u>466,571</u>	<u>445,740</u>	<u>103,442</u>	<u>103,102</u>	<u>570,013</u>	<u>548,842</u>
Program Expenses						
General Government	24,040	45,599			24,040	45,599
Administrative Services	10,333	9,578			10,333	9,578
Health, Dental, Vision, Workers Comp, General Insurance	27,763	26,895			27,763	26,895
Chief Development Officer	263	208			263	208
Information Technology	11,012	11,174			11,012	11,174
Finance	36,669	49,393			36,669	49,393
Environmental Quality & Public Works	65,541	61,270			65,541	61,270
Planning, Preservation, & Development	46,217	45,360			46,217	45,360
Public Safety	14,914	14,760			14,914	14,760
Police	94,800	74,437			94,800	74,437
Fire & Emergency Services	92,898	84,839			92,898	84,839
Community Corrections	40,749	33,771			40,749	33,771
Social Services	14,223	13,035			14,223	13,035
General Services	13,443	22,965			13,443	22,965
Parks & Recreation	24,127	23,375			24,127	23,375
Law	2,602	5,652			2,602	5,652
Interest on Long-Term Debt	15,273	15,336			15,273	15,336
Sanitary Sewer System			53,354	50,079	53,354	50,079
Public Facilities			8,050	8,667	8,050	8,667
Public Parking				1,965	1,965	1,965
Landfill			4,072	3,962	4,072	3,962
Right of Way			530	494	530	494
Extended School Program			2,137	2,023	2,137	2,023
Prisoners' Account System			2,930	2,825	2,930	2,825
Enhanced 911			4,701	4,171	4,701	4,171
CKY Network			266	413	266	413
Water Quality			13,619	12,063	13,619	12,063
Total Expenses	<u>534,867</u>	<u>537,647</u>	<u>89,659</u>	<u>86,662</u>	<u>624,526</u>	<u>624,309</u>
Increase (Decrease) in Net Position before Transfers	(68,296)	(91,907)	13,783	16,440	(54,513)	(75,467)
Transfers	(800)	1,210	800	(1,210)		
Increase (Decrease) in Net Position	(69,096)	(90,697)	14,583	15,230	(54,513)	(75,467)
Net Position, July 1	115,375	206,072	346,639	331,409	462,014	537,481
Net Position, June 30	<u>\$46,279</u>	<u>\$115,375</u>	<u>\$361,222</u>	<u>\$346,639</u>	<u>\$407,501</u>	<u>\$462,014</u>

## PERSONNEL COSTS

During the year, personnel related expenses for salaries and wages covered by collective bargaining agreements increased approximately \$3.03 million. Police and Community Corrections increased by \$3.37 million and \$4.50 million, respectively. Fire & Emergency Services decreased by \$4.84 million. Salary and wage costs, including benefits, for non-collective bargaining employees increased 12.95%. See Chart 2 for more information on personnel costs for Governmental Activities during fiscal year 2018.

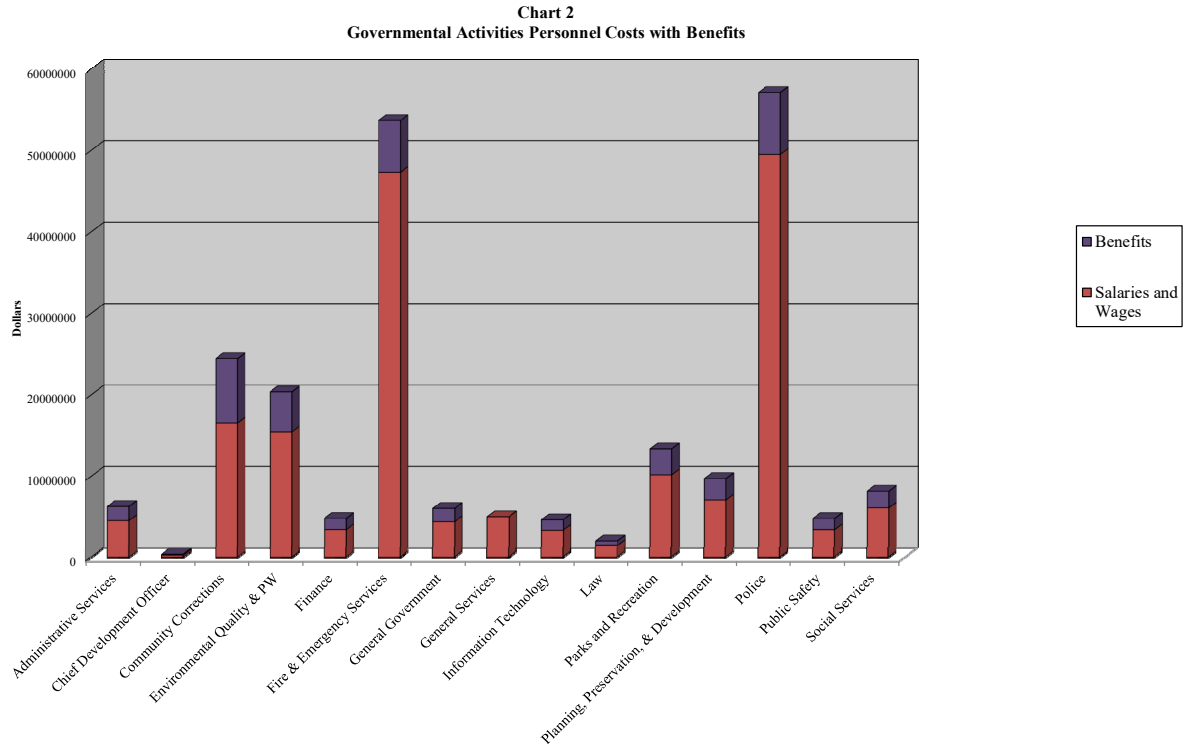
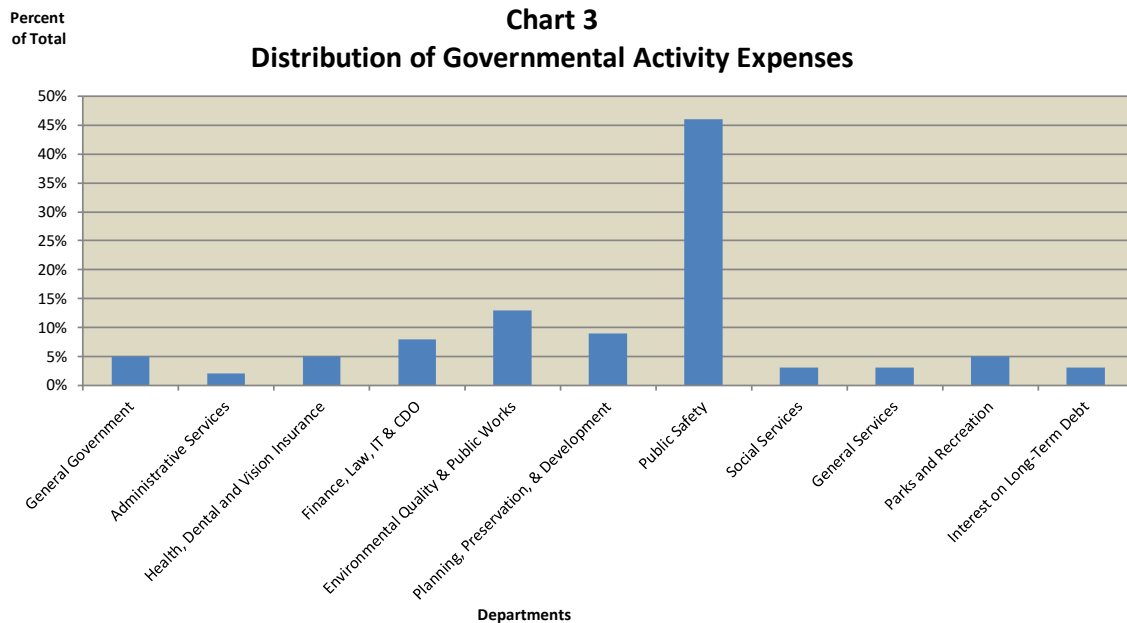


Chart 3 displays the distribution of total costs by governmental activity.



## FUNDS OF THE LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

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

### Governmental Funds

The Government's total governmental funds for the year ended June 30, 2018 reflect a combined ending fund balance of \$149.21 million, an increase of \$11.95 million from the previous fiscal year. The Government reports fund balance as nonspendable, restricted, committed, assigned, or unassigned (refer to Note 1 to the financial statements for detailed information on the fund balance classifications). The increase is primarily due to expenditures in excess of revenues of \$27.07 million, offset by net transfers out and proceeds from the issuance of bonds of \$39.02 million.

The Government had \$5.76 million of unassigned fund balance available in the General Fund at June 30, 2018. Unassigned fund balance of the General Fund (the Government's main operating fund) represents approximately 1.58% of total general fund expenditures for fiscal year 2018. At the end of fiscal year 2018, the fund balance held by the General Fund totaled \$64.36 million, a decrease of \$0.94 million, or 1.44%, from the previous fiscal year. This was primarily due to revenues in excess of expenditures of \$0.73 million, offset by other financing uses of \$0.37 million. In addition, there is a decrease from a prior period adjustment of \$1.30 million (see footnote 2.D. for additional details).

The Urban Services Fund is used to finance solid waste collection, streetlights, and street cleaning services for properties within designated property tax districts. At the end of the fiscal year, the Urban Services Fund held a total fund balance of \$28.18 million, an increase of \$4.32 million over the prior fiscal year. This increase is primarily due to revenues in excess of expenditures of \$0.55 million and transfers of \$3.77 million. Revenues of the Urban Services Fund increased by \$1.51 million or 3.74% compared to the prior fiscal year. Operating expenditures decreased \$7.51 million over the prior fiscal year. This was primarily due to a decrease in acquisitions and construction of \$9.16 million offset by an increase in departmental expenditures of \$1.65 million.

The Federal and State Grants Fund held a balance of \$0.25 million for fiscal year ended June 30, 2018, an increase of \$0.01 million over the prior fiscal year. This fund balance represents grant revenues received, but not spent, that are restricted for specific activities. During fiscal year 2012, an outstanding loan receivable balance was paid in full. The funding is being used for urban development projects.

The Other Governmental Funds primarily relate to costs associated with various capital bond projects. During fiscal year 2018, \$35.12 million was expended on these projects. Bonds in the amount of \$32.44 million were issued to reimburse these expenditures and cover any additional costs associated with the projects, for more information please see Note 3.D. to the financial statements.

### Proprietary Funds

The Government's proprietary fund statements provide the same type of information found in the *Government-Wide Financial Statements*, but in more detail. Total net position for the Government's proprietary funds totaled \$361.22 million as of June 30, 2018, an increase of \$14.58 million from the prior fiscal year. Revenues from charges for services increased \$0.34 million and total expenses increased \$3.00 million when compared to the prior fiscal year.

The Sanitary Sewer System Fund held a total net position of \$274.52 million, an increase of \$7.15 million over the prior year. Of the total net position held by the Sanitary Sewer System Fund, \$64.70 million is restricted by bond covenants for capital replacement, projects, and debt service. In addition, \$0.66 million is restricted for energy improvement projects.

The Public Facilities Corporation was created by the Government to act as an agency and instrumentality of the Government to finance and operate public projects. The net position of the Public Facilities Corporation was \$20.06 million, a decrease of \$1.53 million from the prior fiscal year. Operating income during fiscal year 2018 was \$6.15



million. The decrease in net position is primarily due to excess operating expenses of \$0.29 million and non-operating expenses of \$1.61 million, offset by transfers in of \$0.37 million.

The Water Quality Fund was established to account for the revenues and expenses of developing and operating storm water related activities. The net position of the Water Quality Fund totaled \$19.63 million, an increase of \$0.42 million from the prior fiscal year. Revenues in excess of expenses primarily contributed to this increase.

As of June 30, 2018, the total net position of the Landfill Fund held a balance of \$38.14 million, an increase of \$3.16 million from the prior fiscal year, an 8.28% increase. Revenues in excess of expenses primarily contributed to this increase.

The other enterprise funds were established to account for the acquisition, operation and maintenance of the Government's facilities and services which are entirely or predominantly self-supported by user charges or where the Government has decided that periodic determination of revenues earned, expenses incurred, and net income is appropriate for capital maintenance, public policy, management control, accountability, and other purposes. As of June 30, 2018 the other enterprise funds held total net position of \$6.80 million, a decrease of \$0.52 million over the previous fiscal year.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

For fiscal year 2018, General Fund revenues totaled \$364.10 million, an increase of 4.93% from the previous fiscal year. Total revenues were \$4.62 million above the final budgeted amount. This increase in actual revenue is the result of growth in the U.S. economy, which affected both business returns and franchise fees. Total ad valorem taxes and charges for services were equal to the final budgeted amount. Fines and forfeitures, intergovernmental, property sales, and investment returns were \$0.01 million above the final budgeted amount. Other income was \$0.79 million above the final budgeted amount. Total licenses and permits were \$3.82 above the final budgeted amount.

General Fund expenditures of the Government totaled \$363.38 million, a decrease of \$4.52 million, or 1.23% over the previous fiscal year. Expenditures were \$3.01 million below the final budgeted amount. Operating expenditures were \$2.68 million below the final budgeted amount. Personnel expenditures, accounting for 61.25% of General Fund expenditures, were \$0.23 million above the final budgeted amount. Divisions with collective bargaining agreements had personnel expenditures \$4.05 million above the final budgeted amount. Personnel expenditures from these divisions account for 52.69% of the General Fund expenditures. Please see Table 5 below for more details regarding the distribution of General Fund personnel costs and the changes from prior year.

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

<u>Departments</u>	<u>2018</u>	<u>2017</u>	<u>Change</u>	<u>% Change</u>	<u>% General Fund Expenditures</u>
Non-Collective Bargaining Divisions					
Administrative Services	\$5,217	\$4,981	\$236	4.7%	1.4%
Chief Development Officer	310	185	125	67.6%	0.1%
Information Technology	4,501	4,441	60	1.4%	1.2%
Department of Finance	4,802	4,815	(13)	(0.3%)	1.3%
Department of General Services	3,476	6,064	(2,588)	(42.7%)	1.0%
Department of Law	2,055	2,017	38	1.9%	0.6%
Department of Public Safety	4,678	4,382	296	6.8%	1.3%
Department of Social Services	7,038	6,778	260	3.8%	1.9%
Department of Environmental Quality & PW	6,028	5,750	278	4.8%	1.7%
Department of Planning, Preservation & Dev	9,053	8,992	61	0.7%	2.5%
General Government	6,048	5,755	293	5.1%	1.7%
Parks and Recreation	13,381	13,173	208	1.6%	3.7%
<b>Total Non-Collective Bargaining Divisions</b>	<b>66,587</b>	<b>67,333</b>	<b>(746)</b>	<b>(1.1%)</b>	<b>18.3%</b>
Divisions with Collective Bargaining					
Police	66,718	62,623	4,095	6.5%	18.4%
Community Corrections	24,994	24,247	747	3.1%	6.9%
Fire & Emergency Services	64,281	72,589	(8,308)	(11.4%)	17.7%
<b>Total Collective Bargaining Divisions</b>	<b>155,993</b>	<b>159,459</b>	<b>(3,466)</b>	<b>(2.2%)</b>	<b>42.9%</b>
<b>Total Personnel Costs with Benefits</b>	<b>\$222,580</b>	<b>\$226,792</b>	<b>(\$4,212)</b>	<b>(1.9%)</b>	<b>61.3%</b>

## **CAPITAL ASSETS**

The Government's capital assets totaled \$1.41 billion as of June 30, 2018, details of which are in Note 3.B. to the financial statements. This investment includes land, buildings, equipment, park facilities, roads, bridges, and sewer systems. For Governmental Activities, the net investment in capital assets totaled \$718.48 million. Governmental Activities net investment in capital assets decreased by \$34.20 million from the prior fiscal year. The net investment in capital assets of Business-Type Activities totaled \$247.16 million, an increase of \$11.32 million over the previous fiscal year.

This year's major changes in capital assets included:

- Governmental Activities total capital assets decreased by \$26.11 million compared to the previous fiscal year. The decrease was primarily due to depreciation of \$55.62 million and asset retirements of \$0.31 million, offset by capital additions of \$29.26 million and a prior period adjustment increase of \$0.56 million. Infrastructure assets decreased by \$26.99 million, primarily due to depreciation of \$34.21 million, offset by reclassifications of \$6.34 million and capital additions of \$0.88 million. Infrastructure includes roads, bridges, storm water, fiber optics, traffic signals and similar items.
- Capital assets for Business-Type Activities increased by \$40.35 million. The overall increase was primarily due to additions of \$57.31 million, offset by depreciation of \$16.94 million and asset retirements of \$0.02 million. The increase represents several projects underway related to the Government's Remedial Measures Plan, filed with the Environmental Protection Agency. Additional information can be found in Note 5.B. to the financial statements.

- Construction in progress assets totaled \$17.69 million in the Governmental Activities and \$68.87 million in Business-Type Activities. The overall increase from the previous year in construction in progress assets totaled \$28.99 million. The increase was primarily due to additions of \$71.46 million offset by net asset retirements and reclassifications of \$42.47 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$61,888	\$61,888	\$46,342	\$46,300	\$108,230	\$108,188
Purchase of Development Rights	80,220	78,809			80,220	78,809
Intangibles	7,902	8,825	4,726	5,785	12,628	14,610
Buildings	112,694	115,638	31,516	34,390	144,210	150,028
Vehicles, Equipment, & Furniture	44,323	47,378	19,174	19,999	63,497	67,377
Land and Leasehold Improvements	18,689	17,249	6,881	7,339	25,570	24,588
Infrastructure & Sewer Lines/Plants	594,357	621,349	260,198	241,453	854,555	862,802
Construction in Progress	17,689	14,511	68,869	43,057	86,558	57,568
Developments in Progress*	24,906	23,131	9,465	8,503	34,371	31,634
Total	<u>\$962,668</u>	<u>\$988,778</u>	<u>\$447,171</u>	<u>\$406,826</u>	<u>\$1,409,839</u>	<u>\$1,395,604</u>

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

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

## DEBT ADMINISTRATION

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

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

At the end of fiscal year 2018, the Government had \$585.78 million in bonds and notes outstanding; Governmental Activities' debt increased by \$10.64 million and total debt increased by \$38.40 million. The increase in debt for Governmental Activities resulted primarily from the issuance of GO bonds totaling \$39.34 million, offset by principal payments and amortized bond costs in the current fiscal year on outstanding debt of \$28.70 million. The Business-Type Activities debt increased \$27.76 million primarily from note payable proceeds of \$36.15 million, offset by principal payments and amortized bond costs of \$8.39 million.

Despite 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 \$3.22 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 \$183.99 million.

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

	Governmental		Business-Type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds, Notes, Leases	\$389,046	\$378,407	\$120,023	\$86,873	\$509,069	\$465,280
Mortgage Revenue Bonds			46,578	49,080	46,578	49,080
Revenue Bonds			30,129	33,018	30,129	33,018
Total	\$389,046	\$378,407	\$196,730	\$168,971	\$585,776	\$547,378

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

### **NEXT YEAR’S BUDGET**

The Lexington-Fayette Urban County Government Fiscal Year 2018 Budget, for all funds combined, net of interfund transfers, is \$650,354 million. Significant initiatives in the budget include:

- A commitment of \$78.26 million for storm sewer projects and programs as required by the Environmental Protection Agency Consent Decree.
- GO bonds were approved as part of the fiscal year 2018 budget for \$44.68 million. The bonds will fund projects for Public Safety, software upgrades, infrastructure improvements, parks projects, building improvements, fleet replacement, and the Lexington Convention Center renovations.

### **REQUESTS FOR INFORMATION**

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

# **BASIC FINANCIAL STATEMENTS**

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

	<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Component Units</b>
<b>ASSETS</b>				
Cash	\$41,635,617	\$66,197,871	\$107,833,488	\$41,675,197
Investments	76,891,094	91,114,167	168,005,261	14,009,961
Receivables (Net)	37,019,175	6,272,702	43,291,877	3,725,941
Due from Other Governments	5,858,009		5,858,009	5,048,477
Due from Primary Government				2,445,785
Other Current Assets				845,588
Inventories and Prepaid Expenses	2,887,494	288,191	3,175,685	852,980
Net Pension Asset	20,631,915		20,631,915	87,855
Restricted Assets:				
Cash				14,787,820
Receivables (Net)	5,145,234		5,145,234	678,592
Grants Receivable	1,000,000		1,000,000	814,366
Investments	47,657,986	3,954,901	51,612,887	45,774,257
Other				116,190
Capital Assets:				
Non-depreciable	187,924,124	125,174,745	313,098,869	69,340,961
Depreciable (Net)	774,744,316	321,995,902	1,096,740,218	231,653,285
Other Assets	1,384,503		1,384,503	10,439,909
<b>Total Assets</b>	<b>\$1,202,779,467</b>	<b>\$614,998,479</b>	<b>\$1,817,777,946</b>	<b>\$442,297,164</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Amount on Bond Refunding	\$4,243,352	\$3,499,607	\$7,742,959	\$1,553,657
Deferred Pension Amounts	181,882,704	14,067,657	195,950,361	19,317,234
Deferred Other Post Employment Benefit Amounts	19,929,895	3,350,223	23,280,118	3,589,865
<b>Total Deferred Outflows of Resources</b>	<b>\$206,055,951</b>	<b>\$20,917,487</b>	<b>\$226,973,438</b>	<b>\$24,460,756</b>
<b>LIABILITIES</b>				
Accounts, Contracts Payable and				
Accrued Liabilities	\$19,470,607	\$9,335,687	\$28,806,294	\$6,826,176
Interest Payable	4,891,678	467,095	5,358,773	
Internal Balances	2,072,912	(2,072,912)		
Due to Other Governments	9,829		9,829	
Due to Component Units	2,445,785		2,445,785	
Unearned Revenue and Other	5,548,070	4,956	5,553,026	250,737
Claims Liabilities	25,858,896		25,858,896	
Liabilities Payable from				
Restricted Assets:				
Accounts, Contracts and Retainage				
Payable		4,105,501	4,105,501	4,582,601
Bonds and Notes Payable		6,342,030	6,342,030	
Interest Payable		568,396	568,396	1,438,756
Noncurrent Liabilities:				
Due Within One Year:				
Bonds and Notes Payable	29,245,000	2,418,042	31,663,042	7,509,338
Compensated Absences	3,657,338	484,455	4,141,793	541,679
Landfill Closure and				
Postclosure Care Costs		440,069	440,069	
Due in More Than One Year:				
Unearned Revenue and Other	272,286		272,286	347,627
Bonds and Notes Payable	359,801,016	187,970,416	547,771,432	130,297,030
Compensated Absences	22,466,504	985,003	23,451,507	860,445
Landfill Closure and				
Postclosure Care Costs		12,405,492	12,405,492	
Unfunded Other Post Retirement				
Benefit Liability	413,934,415	12,252,482	426,186,897	63,487,995
Unfunded Pension Liability	414,684,282	35,073,479	449,757,761	24,605,509
<b>Total Liabilities</b>	<b>\$1,304,358,618</b>	<b>\$270,780,191</b>	<b>\$1,575,138,809</b>	<b>\$240,747,893</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Pension Amounts	\$26,875,271	\$3,234,274	\$30,109,545	\$12,568,619
Deferred Other Post Employment Benefit Amounts	31,322,574	679,313	32,001,887	515,868
<b>Total Deferred Inflows of Resources</b>	<b>\$58,197,845</b>	<b>\$3,913,587</b>	<b>\$62,111,432</b>	<b>\$13,084,487</b>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

	<b>Primary Government</b>			<b>Component Units</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	
<b>NET POSITION</b>				
Net Investment in Capital Assets	\$718,483,933	\$247,162,736	\$965,646,669	\$181,786,394
Restricted for:				
Governmental and Program Funds				607,795
Capital Projects	47,044,427	64,433,886	111,478,313	3,951,773
Energy Improvement Projects	606,795	664,122	1,270,917	
Debt Service	812,350	2,628,036	3,440,386	29,656,151
Capital Replacement		1,326,865	1,326,865	
Pension	20,631,915		20,631,915	
Water Quality Incentive Program		5,217,408	5,217,408	
Grants	250,200		250,200	
Maintenance and Operations		488,861	488,861	
Unrestricted (Deficit)	(741,550,665)	39,300,274	(702,250,391)	(3,076,573)
<b>Total Net Position</b>	<b>\$46,278,955</b>	<b>\$361,222,188</b>	<b>\$407,501,143</b>	<b>\$212,925,540</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, 2018**

Function/Program Activities	Net (Expenses) Revenue and Changes in Net Position						Component Units
	Program Revenues			Primary Government			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
<b>Primary Government:</b>							
Governmental Activities:							
Administrative Services	\$10,332,453	\$2,123,003	\$1,419,504	\$21,867	(\$6,768,079)	\$0	\$0
Chief Development Officer	263,297	9,159	9,882		(244,256)		(244,256)
Community Corrections	40,748,826	9,309,583	96,494		(31,342,749)		(31,342,749)
Environmental Quality & Public Works	65,541,170	3,005,644	274,303	1,669,604	(60,591,619)		(60,591,619)
Finance	36,669,013	462,509			(36,206,504)		(36,206,504)
Fire & Emergency Services	92,898,310	6,817,192	3,014,940		(83,066,178)		(83,066,178)
General Government	24,040,021	19,438,510	369	(577)	(4,601,719)		(4,601,719)
General Services	13,442,525	16,548			(13,425,977)		(13,425,977)
Health, Dental, and Vision	27,763,298	27,763,298					
Information Technology	11,011,888	213			(11,011,675)		(11,011,675)
Law	2,602,304	1,087			(2,601,217)		(2,601,217)
Parks & Recreation	24,127,163	4,325,061			(19,802,102)		(19,802,102)
Planning, Preservation, & Development	46,217,442	3,134,064		3,830,692	(39,252,686)		(39,252,686)
Police	94,799,943	2,068,459	3,538,945	176,886	(89,015,653)		(89,015,653)
Public Safety	14,913,489	69,023	1,164,182		(13,680,284)		(13,680,284)
Social Services	14,222,704	1,864,271	1,098,381	19,991	(11,240,061)		(11,240,061)
Interest on Long-Term Debt	15,273,176				(15,273,176)		(15,273,176)
<b>Total Governmental Activities</b>	<b>534,867,022</b>	<b>80,407,624</b>	<b>10,617,000</b>	<b>5,718,463</b>	<b>(438,123,935)</b>	<b>0</b>	<b>(438,123,935)</b>
Business-Type Activities:							
Sanitary Sewer System	53,354,239	64,451,293				11,097,054	11,097,054
Public Facilities	8,049,921	6,145,356				(1,904,565)	(1,904,565)
Landfill	4,071,987	7,028,050				2,956,063	2,956,063
Right of Way	529,580	656,344				126,764	126,764
Extended School Program	2,137,227	2,060,463				(76,764)	(76,764)
Prisoners' Account System	2,930,224	3,165,206				234,982	234,982
Enhanced 911	4,701,497	4,542,449				(159,048)	(159,048)
CKY Network	266,242	319,414				53,172	53,172
Water Quality	13,618,632	14,082,286				463,654	463,654
<b>Total Business-Type Activities</b>	<b>89,659,549</b>	<b>102,450,861</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,791,312</b>	<b>12,791,312</b>
<b>Total Primary Government</b>	<b>\$624,526,571</b>	<b>\$182,858,485</b>	<b>\$10,617,000</b>	<b>\$5,718,463</b>	<b>(\$438,123,935)</b>	<b>\$12,791,312</b>	<b>(\$425,332,623)</b>



**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2018**

Function/Program Activities Component Units:	Program Revenues				Net (Expenses) Revenue and Changes in Net Position			Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-Type Activities	Total	
Lexington Center Corporation	\$22,280,187	\$17,208,875	\$348,000	\$74,110				(\$4,649,202)
Lexington Airport Board	26,299,017	22,309,853		6,608,874				2,619,710
Fayette County Department of Health	15,105,373	3,608,203	6,853,254					(4,643,916)
Nonmajor Component Units	54,840,521	4,677,819	5,916,383	3,102,789				(41,143,530)
<b>Total Component Units</b>	<b>\$118,525,098</b>	<b>\$47,804,750</b>	<b>\$13,117,637</b>	<b>\$9,785,773</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$47,816,938)</b>
<b>General Revenues (Expenses):</b>								
Property Taxes					\$62,072,333	\$0	\$62,072,333	\$58,254,074
Licenses Fees - Wages and Net Profits Taxes					304,625,553		304,625,553	
Grants and Contributions Not Restricted to Specific Programs:								
Community Development Block Grant					1,951,474		1,951,474	1,117,155
Income on Investments					1,029,385	962,755	1,992,140	(529,954)
Net Change in Fair Value of Investments								
Gain on Sale of Capital Assets					149,226	28,641	177,867	3,238
Miscellaneous								(656,597)
Payment from Lexington-Fayette Urban County Government								186,723
Transfers					(800,072)	800,072		
Total General Revenues and Transfers					369,027,899	1,791,468	370,819,367	58,374,639
Change in Net Position					(69,096,036)	14,582,780	(54,513,256)	10,557,701
Net Position, Beginning					411,412,174	354,855,050	766,267,224	214,945,281
Adjustment to Opening Net Position (Note 2.D.)					(296,037,183)	(8,215,642)	(304,252,825)	(12,577,442)
Net Position, Beginning - Restated					115,374,991	346,639,408	462,014,399	202,367,839
Net Position, Ending					\$46,278,955	\$361,222,188	\$407,501,143	\$212,925,540

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2018**

	<u>General</u>	<u>Urban Services</u>	<u>Federal and State Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash	\$0	\$8,236,518	\$0	\$16,881,067	\$25,117,585
Investments	54,938,896	21,025,907		926,291	76,891,094
Receivables:					
Loans			2,366,938		2,366,938
License Fees	30,261,693				30,261,693
Other	10,313,180	253,359	392	750,793	11,317,724
Less Allowance for Uncollectible Amounts	(4,595,030)		(2,366,938)		(6,961,968)
Due from Other Governments			5,858,009		5,858,009
Inventories and Prepaid Items	2,480,783	62,543		5,334	2,548,660
Restricted Investments	626		28,927	47,628,433	47,657,986
<b>Total Assets</b>	<u>\$93,400,148</u>	<u>\$29,578,327</u>	<u>\$5,887,328</u>	<u>\$66,191,918</u>	<u>\$195,057,721</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Accounts and Contracts Payable	\$7,266,332	\$1,171,395	\$1,449,862	\$4,815,914	\$14,703,503
Accrued Payroll & Related Liabilities	3,669,379	223,989	48,743		3,942,111
Due to Other Funds	13,919,411		1,744,328	3,531,575	19,195,314
Due to Other Governments	9,829				9,829
Due to Component Units	2,445,785				2,445,785
Unearned Revenue and Other	1,726,698	881	2,394,195	1,426,296	5,548,070
<b>Total Liabilities</b>	<u>29,037,434</u>	<u>1,396,265</u>	<u>5,637,128</u>	<u>9,773,785</u>	<u>45,844,612</u>
Fund Balances:					
Nonspendable	2,480,783	62,543			2,543,326
Restricted for:					
Public Works				7,765,585	7,765,585
Public Safety	812,350			1,253,572	2,065,922
Capital Projects				47,044,427	47,044,427
Grants Projects			250,200		250,200
Urban Services		28,107,799			28,107,799
Energy Improvement Projects	595,075	11,720			606,795
Committed for:					
General Government	3,640,127				3,640,127
Economic Stabilization	34,015,454				34,015,454
Assigned to:					
General Government	15,400,000			390,941	15,790,941
Capital Projects	1,660,938				1,660,938
Unassigned	5,757,987			(36,392)	5,721,595
<b>Total Fund Balances</b>	<u>64,362,714</u>	<u>28,182,062</u>	<u>250,200</u>	<u>56,418,133</u>	<u>149,213,109</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$93,400,148</u>	<u>\$29,578,327</u>	<u>\$5,887,328</u>	<u>\$66,191,918</u>	<u>\$195,057,721</u>

\* Prior period adjustments were made to correctly allocate projects to funding sources for expenditures incurred in fiscal year 2014. There is no impact on total Governmental Funds.

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
June 30, 2018**

Total Fund balances - Governmental Funds		\$149,213,109
<p>Amounts reported for Governmental Activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	1,625,011,320	
Less accumulated depreciation	<u>(662,342,880)</u>	962,668,440
<p>The net pension asset is not an available resource and, therefore, is not reported in the funds.</p>		
		20,631,915
<p>Restricted receivables and other long-term assets are not available to pay for expenditures in the current period and, therefore, are not reported in the funds.</p>		
Restricted receivables (Net)		6,145,234
Other assets		1,384,503
<p>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.</p>		
Bonds and notes payable	(389,046,016)	
Unearned revenue and other	(272,286)	
Interest payable	(4,891,678)	
Compensated absences	(26,123,842)	
Unfunded pension liability and other post retirement benefits	<u>(828,618,697)</u>	(1,248,952,519)
<p>Loss on debt refunding has been deferred in the Statement of Net Position (see Note 1.G.)</p>		
		4,243,352
<p>Outflows and inflows related to pension have been deferred in the Statement of Net Position</p>		
		155,007,433
<p>Outflows and inflows related to other post employment benefit amounts have been deferred in the Statement of Net Position</p>		
		(11,392,679)
<p>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 Position.</p>		
		9,403,079
<p>Internal balances due to non-governmental activities related to items listed above</p>		
		<u>(2,072,912)</u>
Net Position of Governmental Activities		<u><u>\$46,278,955</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, 2018**

	General	Urban Services	Federal and State Grants	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
License Fees and Permits	\$308,811,807	\$1,566,983	\$0	\$0	\$310,378,790
Taxes	24,528,574	37,543,759			62,072,333
Charges for Services	24,865,154	2,461,920			27,327,074
Fines and Forfeitures	184,729	332			185,061
Intergovernmental	775,621		18,229,087	8,174,482	27,179,190
Exactions				148,447	148,447
Property Sales	248,629	84,006			332,635
Income on Investments	556,641	190,395	20,048	262,301	1,029,385
Other	4,131,498	79,618	2,269,471	290,803	6,771,390
<b>Total Revenues</b>	<b>364,102,653</b>	<b>41,927,013</b>	<b>20,518,606</b>	<b>8,876,033</b>	<b>435,424,305</b>
<b>EXPENDITURES</b>					
Current:					
Administrative Services	7,731,122	535,322	1,130,925		9,397,369
Chief Development Officer	1,288,532		33,614		1,322,146
Community Corrections	36,874,049		93,881	1,506,477	38,474,407
Environmental Quality & Public Works	11,551,435	34,866,033	327,093		46,744,561
Finance	5,938,150	23,385		42,562	6,004,097
Fire and Emergency Services	75,920,772		3,032,199		78,952,971
General Government	3,444,293	2,553,048		357,170	6,354,511
General Services	8,332,944	134,582			8,467,526
Information Technology	10,127,236	539,179		2,460,844	13,127,259
Law	2,454,494	11,218		124,638	2,590,350
Outside Agencies	20,987,190		2,483,742		23,470,932
Parks and Recreation	21,249,871		54,708	685,406	21,989,985
Planning, Preservation, & Development	13,370,172		1,035,988	100,445	14,506,605
Police	76,220,486		3,754,202	1,333,130	81,307,818
Public Safety	12,027,722		811,235		12,838,957
Social Services	9,257,104		1,595,444		10,852,548
Debt Service:					
Principal	26,334,181	278,008		242,811	26,855,000
Interest	14,917,115	208,068		18,074	15,143,257
Other Debt Service	79,583			134,038	213,621
Capital:					
Equipment	3,083,424	1,951,742	476,047	6,716,642	12,227,855
Acquisitions and Construction	2,185,957	279,635	7,787,982	21,394,659	31,648,233
<b>Total Expenditures</b>	<b>363,375,832</b>	<b>41,380,220</b>	<b>22,617,060</b>	<b>35,116,896</b>	<b>462,490,008</b>
<b>Excess (Deficiency) of Revenues</b>					
<b>Over (Under) Expenditures</b>	726,821	546,793	(2,098,454)	(26,240,863)	(27,065,703)
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of Debt				32,435,000	32,435,000
Premium on Bonds				4,660,804	4,660,804
Discount on Bonds				(138,157)	(138,157)
Issuance of Refunding Debt, par	22,445,000				22,445,000
Issuance of Refunding Debt, premium	(71,721)				(71,721)
Payment to Refunded Debt Escrow Agent	(19,990,000)				(19,990,000)
Transfers In	6,147,960	4,000,000	2,237,650		12,385,610
Transfers Out	(8,897,410)	(229,522)	(130,039)	(3,453,475)	(12,710,446)
<b>Total Other Financing Sources (Uses)</b>	<b>(366,171)</b>	<b>3,770,478</b>	<b>2,107,611</b>	<b>33,504,172</b>	<b>39,016,090</b>
<b>Net Change in Fund Balances</b>	<b>360,650</b>	<b>4,317,271</b>	<b>9,157</b>	<b>7,263,309</b>	<b>11,950,387</b>
<b>Fund Balances, Beginning</b>	65,306,186	23,864,791	241,043	48,596,149	138,008,169
<b>Adjustment to Opening Fund Balance (Note 2.D.)</b>	(1,304,122)			558,675	(745,447)
<b>Fund Balances, Beginning - Restated</b>	<b>64,002,064</b>	<b>23,864,791</b>	<b>241,043</b>	<b>49,154,824</b>	<b>137,262,722</b>
<b>Fund Balances, Ending</b>	<b>\$64,362,714</b>	<b>\$28,182,062</b>	<b>\$250,200</b>	<b>\$56,418,133</b>	<b>\$149,213,109</b>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2018**

Net change in fund balances - Governmental Funds \$11,950,387

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	28,023,830	
Less current year depreciation	<u>(55,616,290)</u>	(27,592,460)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position. (265,754)

The change in other assets is reported in the Statement of Activities and does not require the use of current resources, therefore the change is not reported as an expenditure in the funds:

Other assets	323,214
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

Exaction fees	1,093,149
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Bond proceeds provide current financial resources to Governmental Funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Issuance of debt	(32,435,000)	
Issuance of refunding debt	(22,445,000)	
Premium on bonds	(4,660,804)	
Premium on refunding bonds	71,721	
Discount on bonds	138,157	
Principal payment to refunded bond escrow agent	19,990,000	
Principal payments	<u>26,855,000</u>	(12,485,926)

Some expenses in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the Governmental Funds.

Change in net pension asset	1,366,571	
Amortization of current year bond (discounts) premiums	1,847,036	
Amortization of current year bond refunding losses	1,938,977	
Change in unfunded pension liability	(61,218,301)	
Change in unfunded other post retirement benefit liability	(10,045,294)	
Change in deferred outflows from pension plans	58,128,155	
Change in deferred outflows from other post retirement benefits	19,929,895	
Change in deferred inflows from pension plans	(26,875,271)	
Change in deferred inflows from other post retirement benefits	(31,322,574)	
Unearned revenue and other	(148,544)	
Change in accrued interest payable	(129,919)	
Change in restricted receivables (net)	2,178,496	
Change in compensated absences	<u>(789,199)</u>	(45,139,972)

Internal Service Funds are used by management to charge self-insurance to individual funds. The net expense of the Internal Service Funds is reported within Governmental Activities. 3,021,326

Change in net position of Governmental Activities (\$69,096,036)

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2018**

	Business-Type Activities					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	
	\$20,610,350	\$2,389,098	\$14,547,636	\$18,205,674	\$10,445,113	\$66,197,871
Cash	62,528,366	296,021	25,356,102	1,491,377	1,442,301	91,114,167
Investments						
Receivables:						
User Fees Receivable	10,605,006		1,670,630	2,002,547		14,278,183
Other Receivables	526,871	99,317	51,231		329,773	1,007,192
Less Allowance for Uncollectible Accounts	(6,588,005)		(1,111,052)	(1,277,749)	(35,867)	(9,012,673)
Inventories and Prepaid Expenses	128,958		20,515	38,379	100,339	288,191
Due from Other Funds						0
Restricted Investments:						
Reserved for Sinking Fund	2,628,036					2,628,036
<b>Total Current Assets</b>	<b>90,439,382</b>	<b>2,784,436</b>	<b>40,535,062</b>	<b>20,460,228</b>	<b>12,281,659</b>	<b>166,500,967</b>
Noncurrent Assets:						
Restricted Investments:						
Reserved for Capital Replacement	1,266,865			60,000		1,326,865
Capital Assets:						
Land	5,867,628	32,578,646	5,194,637	2,701,225		46,342,136
Land Improvements	354,183	23,498,213	16,832,022	169,259	10,000	40,863,677
Buildings	4,875,045	114,754,327	800,936	17,500	7,514	120,455,322
Sewer Plants	209,402,390		88,764			209,491,154
Sewer Lines	225,666,133		410,356	9,214,563		235,291,052
Leasehold Improvements		2,087,090				2,087,090
Vehicles, Equipment, and Furniture	30,955,634	3,083,345	200,830	214,710	3,317,312	37,771,831
Intangibles	6,402,794	69,281	597,535	1,037,106	1,357,849	9,464,565
Less Accumulated Depreciation	(201,771,109)	(114,158,492)	(11,907,971)	(1,176,618)	(3,916,773)	(332,930,963)
Construction in Progress	66,393,168		3,500			68,869,365
Developments in Progress	9,465,418			2,472,697		9,465,418
<b>Total Noncurrent Assets</b>	<b>358,878,149</b>	<b>61,912,410</b>	<b>12,220,609</b>	<b>14,710,442</b>	<b>775,902</b>	<b>448,497,512</b>
<b>Total Assets</b>	<b>449,317,731</b>	<b>64,696,846</b>	<b>52,755,671</b>	<b>35,170,670</b>	<b>13,057,561</b>	<b>614,998,479</b>
Deferred outflows of resources:						
Deferred Amount on Bond Refunding	\$982,219	\$2,517,388	\$0	\$0	\$0	\$3,499,607
Deferred Other Post Employment Benefit Amounts	1,767,933		152,890	863,861	565,539	3,350,223
Deferred Pension Amounts	7,423,590		641,987	3,627,371	2,374,709	14,067,657
<b>Total Deferred Outflows of Resources</b>	<b>10,173,742</b>	<b>2,517,388</b>	<b>794,877</b>	<b>4,491,232</b>	<b>2,940,248</b>	<b>20,917,487</b>
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$459,491,473</b>	<b>\$67,214,234</b>	<b>\$53,550,548</b>	<b>\$39,661,902</b>	<b>\$15,997,809</b>	<b>\$635,915,966</b>
						<b>36,086,968</b>

**ASSETS & DEFERRED OUTFLOWS OF RESOURCES**

Current Assets:	
Cash	\$20,610,350
Investments	62,528,366
Receivables:	
User Fees Receivable	10,605,006
Other Receivables	526,871
Less Allowance for Uncollectible Accounts	(6,588,005)
Inventories and Prepaid Expenses	128,958
Due from Other Funds	
Restricted Investments:	
Reserved for Sinking Fund	2,628,036
<b>Total Current Assets</b>	<b>90,439,382</b>
Noncurrent Assets:	
Restricted Investments:	
Reserved for Capital Replacement	1,266,865
Capital Assets:	
Land	5,867,628
Land Improvements	354,183
Buildings	4,875,045
Sewer Plants	209,402,390
Sewer Lines	225,666,133
Leasehold Improvements	
Vehicles, Equipment, and Furniture	30,955,634
Intangibles	6,402,794
Less Accumulated Depreciation	(201,771,109)
Construction in Progress	66,393,168
Developments in Progress	9,465,418
<b>Total Noncurrent Assets</b>	<b>358,878,149</b>
<b>Total Assets</b>	<b>449,317,731</b>
Deferred outflows of resources:	
Deferred Amount on Bond Refunding	\$982,219
Deferred Other Post Employment Benefit Amounts	1,767,933
Deferred Pension Amounts	7,423,590
<b>Total Deferred Outflows of Resources</b>	<b>10,173,742</b>
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<b>\$459,491,473</b>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2018**

	Business-Type Activities					Total	Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds		
<b>LIABILITIES</b>							
Current Liabilities:							
Accounts, Contracts and Retainage Payable	\$6,910,338	\$115,691	\$164,198	\$1,497,748	\$333,980	\$9,021,955	\$824,993
Accrued Payroll	152,730		15,930	75,442	69,630	313,732	
Claims Payable							25,858,896
Bonds Payable		2,165,000		253,042		2,418,042	
Interest Payable		459,769		7,326		467,095	
Unearned Revenue and Other	304,574		418	4,538		4,956	
Compensated Absences			4,956	128,932	45,993	484,455	
Landfill Closure and Postclosure Care Costs			440,069			440,069	
Payable from Restricted Investments:							
Accounts, Contracts and Retainage Payable	4,105,501					4,105,501	
Bonds and Notes Payable	6,342,030					6,342,030	
Interest Payable	568,396					568,396	
<b>Total Current Liabilities</b>	<b>18,383,569</b>	<b>2,740,460</b>	<b>625,571</b>	<b>1,967,028</b>	<b>449,603</b>	<b>24,166,231</b>	<b>26,683,889</b>
Noncurrent Liabilities:							
Bonds and Notes Payable	138,834,636	44,412,790		4,722,990		187,970,416	
Compensated Absences	710,673		44,605	128,932	100,793	985,003	
Landfill Closure and Postclosure Care Costs	6,465,711		12,405,492			12,405,492	
Unfunded Other Post Employment Benefit Liability	18,508,493		559,150	3,159,325	2,068,296	12,252,482	
Unfunded Pension Liability	164,519,513	44,412,790	1,600,602	9,043,761	5,920,623	35,073,479	
<b>Total Noncurrent Liabilities</b>	<b>\$182,903,082</b>	<b>\$47,153,250</b>	<b>\$15,235,420</b>	<b>\$19,022,036</b>	<b>\$8,539,315</b>	<b>\$272,853,103</b>	<b>0</b>
<b>Total Liabilities</b>							<b>\$26,683,889</b>
Deferred Inflows of Resources							
Deferred Other Post Employment Benefit Amounts	\$358,477	\$0	\$31,001	\$175,162	\$114,673	\$679,313	
Deferred Pension Amounts	1,706,747		147,598	833,964	545,965	3,234,274	
<b>Total Deferred Inflows of Resources</b>	<b>2,065,224</b>	<b>0</b>	<b>178,599</b>	<b>1,009,126</b>	<b>660,638</b>	<b>3,913,587</b>	
<b>Total Liabilities &amp; Deferred Inflows of Resources</b>	<b>\$184,968,306</b>	<b>\$47,153,250</b>	<b>\$15,414,019</b>	<b>\$20,031,162</b>	<b>\$9,199,953</b>	<b>\$276,766,690</b>	
<b>NET POSITION</b>							
Net Investment in Capital Assets	\$209,157,197	\$15,334,618	\$12,220,608	\$9,674,412	\$775,901	\$247,162,736	\$0
Restricted for:							
Capital Projects	60,806,947					60,806,947	
Capital Projects - Park Acquisition		3,626,939				3,626,939	
Debt Service	2,628,036					2,628,036	
Capital Replacement	1,266,865			60,000		1,326,865	
Energy Improvement Projects	664,122					664,122	
Water Quality Incentive Program				5,217,408		5,217,408	
Maintenance and Operations		488,861				488,861	
Unrestricted	\$274,523,167	\$20,060,984	\$38,136,529	\$19,630,740	\$6,797,856	\$359,149,276	\$9,403,079
<b>Total Net Position</b>							<b>9,403,079</b>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds  
Net Position of Business-Type Activities

2,072,912  
\$361,222,188

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2018**

	Business-Type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	
<b>OPERATING REVENUES</b>						
User Charges	\$60,398,087	\$0	\$6,762,666	\$14,021,528	\$0	\$81,182,281
Fees	2,923,533	314,953	260,559	2,083	6,918,952	10,420,080
Exactions	329,120				656,344	329,120
License Fees and Permits		5,016,976			656,344	656,344
Rental Income		813,427				813,427
Theater Revenues					2,747,822	2,747,822
Gross Profit - Commissary			4,825	20,908	420,758	529,479
Other	82,988					
<b>Total Operating Revenues</b>	<b>63,733,728</b>	<b>6,145,356</b>	<b>7,028,050</b>	<b>14,044,519</b>	<b>10,743,876</b>	<b>101,695,529</b>
						<b>46,889,213</b>
<b>OPERATING EXPENSES</b>						
Treatment Plant	8,157,629					8,157,629
Collection System	1,832,856					1,832,856
Property Management		2,212,611				2,212,611
Theater Management		747,563				747,563
Landfill			2,086,747			2,086,747
Right of Way					524,856	524,856
Extended School Program					1,895,911	1,895,911
Prisoners' Account					560,849	560,849
Inmate Trust Account					2,369,375	2,369,375
Enhanced 911					4,324,509	4,324,509
CKY Network	28,262,383		1,411,175	13,156,693	266,242	266,242
Administration	12,137,121	3,475,879	574,065	369,556	237,705	43,067,956
Depreciation					385,323	16,941,944
Claims and Benefit Payments						3,188,110
<b>Total Operating Expenses</b>	<b>50,389,989</b>	<b>6,436,053</b>	<b>4,071,987</b>	<b>13,526,249</b>	<b>10,564,770</b>	<b>84,989,048</b>
						<b>39,924,445</b>
<b>Operating Income (Loss)</b>	<b>13,343,739</b>	<b>(290,697)</b>	<b>2,956,063</b>	<b>518,270</b>	<b>179,106</b>	<b>16,706,481</b>
						<b>3,776,658</b>



**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2018**

	Business-Type Activities					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Income on Investments	620,805	4,045	282,133	38,656	17,116	962,755
Interest Expense and Fiscal Agent Fees	(3,019,649)	(1,875,009)		(92,383)		(4,987,041)
Amortization of Bond Costs	55,399	261,141				316,540
Gain (Loss) on Sale of Capital Assets	54,131	(2,700)		(22,790)		28,641
<b>Total Nonoperating Revenues (Expenses)</b>	<u>(2,289,314)</u>	<u>(1,609,823)</u>	<u>279,433</u>	<u>(76,517)</u>	<u>17,116</u>	<u>(3,679,105)</u>
<b>Income (Loss) Before Transfers</b>	11,054,425	(1,900,520)	3,235,496	441,753	196,222	3,776,658
Transfers In	150,000					150,000
Transfers Out	56,435		(77,680)	(23,170)	319,403	274,988
<b>Change in Net Position</b>	<u>11,260,860</u>	<u>(1,525,436)</u>	<u>3,157,816</u>	<u>418,583</u>	<u>515,625</u>	<u>13,827,448</u>
<b>Net Position, Beginning</b>	267,374,801	21,586,420	35,392,332	21,549,201	7,634,716	5,626,421
<b>Adjustment to Opening Net Position (Note 2.D.)</b>	<u>(4,112,494)</u>		<u>(413,619)</u>	<u>(2,337,044)</u>	<u>(1,352,485)</u>	
<b>Net Position, Beginning - Restated</b>	263,262,307	21,586,420	34,978,713	19,212,157	6,282,231	5,626,421
<b>Net Position, Ending</b>	<u>\$274,523,167</u>	<u>\$20,060,984</u>	<u>\$38,136,529</u>	<u>\$19,630,740</u>	<u>\$6,797,856</u>	<u>\$9,403,079</u>

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

755,332  
\$14,582,780

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, 2018**

	Business-Type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>						
<b>Cash Flows from Operating Activities:</b>						
Receipts from Customers	\$63,400,687	\$6,126,953	\$7,029,263	\$13,720,124	\$10,790,172	\$101,067,199
Receipts from Employees and Other Sources						\$0
Receipts from Interfund Services Provided						34,704,123
Payments to Suppliers	(16,314,149)	(1,565,510)	(2,036,610)	(6,179,545)	(368,390)	(26,464,204)
Payments to Employees	(11,970,751)	(991,083)	(5,719,142)	(5,719,142)	(4,297,107)	(22,978,083)
Payments for Interfund Services Used	(2,461,664)	(170,971)	(953,127)	(953,127)	(242,876)	(3,828,638)
Payments for Claims						(39,178,704)
<b>Net Cash Provided by Operating Activities</b>	<b>32,654,123</b>	<b>4,561,443</b>	<b>3,830,599</b>	<b>868,310</b>	<b>5,881,799</b>	<b>47,796,274</b>
<b>Cash Flows from Noncapital Financing Activities:</b>						
Transfers In	150,000	375,084				525,084
Transfers Out	56,435		(77,680)	(23,170)	319,803	275,388
<b>Net Cash Provided by (Used in) Noncapital Financing Activities</b>	<b>206,435</b>	<b>375,084</b>	<b>(77,680)</b>	<b>(23,170)</b>	<b>319,803</b>	<b>800,472</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>						
Purchase of Capital Assets	(54,331,833)	(8,829)	(314,975)	(2,038,943)	(304,421)	(56,999,001)
Proceeds from Note Payable	36,153,715					36,153,715
Principal Paid on Bonds	(5,220,135)	(2,055,000)		(248,512)		(7,523,647)
Interest and Fiscal Agent Fees Paid on Bonds	(3,038,604)	(1,875,009)		(92,383)		(5,005,996)
Proceeds on Sale of Capital Assets	54,131					54,131
<b>Net Cash Used in Capital and Related Financing Activities</b>	<b>(26,382,726)</b>	<b>(3,938,838)</b>	<b>(314,975)</b>	<b>(2,379,838)</b>	<b>(304,421)</b>	<b>(33,320,798)</b>
<b>Cash Flows from Investing Activities:</b>						
Purchase Sale of Investments	(14,847,007)				(17,117)	(14,864,124)
Proceeds from Sales and Maturities of Investments		1,745	727,808	238,001		967,554
Income on Investments	776,073	4,045	282,133	34,526	17,116	1,113,893
<b>Net Cash Flows Provided by (Used in) Investing Activities</b>	<b>(14,070,934)</b>	<b>5,790</b>	<b>1,009,941</b>	<b>272,527</b>	<b>(1)</b>	<b>(12,782,677)</b>
<b>Net Increase (Decrease)</b>	<b>(7,593,102)</b>	<b>1,003,479</b>	<b>4,447,885</b>	<b>(1,262,171)</b>	<b>5,897,180</b>	<b>2,493,271</b>
<b>Cash at Beginning of Year</b>	<b>28,203,452</b>	<b>1,385,619</b>	<b>10,099,751</b>	<b>19,467,845</b>	<b>4,547,933</b>	<b>63,704,600</b>
<b>Cash at End of Year</b>	<b>\$20,610,350</b>	<b>\$2,389,098</b>	<b>\$14,547,636</b>	<b>\$18,205,674</b>	<b>\$10,445,113</b>	<b>\$66,197,871</b>
						<b>\$16,518,032</b>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2018

	Business-Type Activities Enterprise Funds					Governmental Activities Internal Service Funds
	Sanitary Sewer System	Public Facilities Corporation	Landfill	Water Quality	Other Enterprise Funds	
<b>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:</b>						
<b>Operating Income (Loss)</b>	\$13,343,739	(\$290,697)	\$2,956,063	\$518,270	\$179,106	\$16,706,481
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:</b>						
Depreciation	12,137,121	3,475,879	574,065	369,556	385,323	16,941,944
Allowance for Bad Debts	705,739		3,189	102,922	(515)	811,335
<b>(Increase) Decrease in Assets:</b>						
Accounts Receivable	137,039		(15,558)	(328,933)		(207,452)
Other Receivables	(161,708)	(18,403)	16,353		46,296	(117,462)
Inventories and Prepaid Expenses	(126,985)		(12,914)	(37,655)	(59,928)	(237,482)
Due from Other Funds		1,498,934	12,566		3,030,509	4,542,009
Developments in Progress	(308,373)					(308,373)
<b>(Increase) Decrease in Deferred Outflows:</b>						
Deferred Other Post Employment Benefit Amounts	(1,767,933)		(152,890)	(863,861)	(565,539)	(3,350,223)
Deferred Pension Amounts	(3,141,942)		(303,927)	(1,547,490)	(902,824)	(5,896,183)
<b>Increase (Decrease) in Liabilities:</b>						
Accounts Payable	3,249,872	(78,723)	(39,868)	950,581	102,318	4,184,180
Accrued Payroll	3,077		3,722	1,779	(277)	8,301
Claims Payable						
Due to Other Funds	(3,710,383)			(4,532,435)		(8,242,818)
Unearned Revenue			418	4,538		4,956
Other Liabilities	(9,213)		(439,048)	(373)		(474,181)
Compensated Absences	(174,496)	(25,547)	39,735	92,374	23,297	(19,090)
Unfunded Other Post Employment Benefit Liability	6,465,711		559,150	3,159,325	2,068,296	12,252,482
Unfunded Pension Liability	3,947,634		450,944	1,970,586	915,099	7,284,263
<b>Increase (Decrease) in Deferred Inflows:</b>						
Deferred Other Post Employment Benefit Amounts	358,477		31,001	175,162	114,673	679,313
Deferred Pension Amounts	1,706,747		147,598	833,964	545,965	3,234,274
<b>Total Adjustments</b>	19,310,384	4,852,140	874,536	350,040	5,702,693	31,089,793
<b>Net Cash Provided by (Used in) Operating Activities</b>	\$32,654,123	\$4,561,443	\$3,830,599	\$868,310	\$5,881,799	\$47,796,274
						\$12,724,755

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2018**

	<b>Pension Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$4,466,919	\$1,743,783
Receivables:		
Interest Receivable	2,573,833	
Other Receivables		51
Investments, at Fair Value:		
Debt Securities:		
Bank Loans	347,631	
Corporate Debt	87,139,797	
International Bonds	7,513,441	
Municipal Obligations	2,990,453	
US Agencies	32,107,686	
US Government Obligations	33,342,248	
Repurchase Agreements	35,690,216	
Other Investments:		
Equity Mutual Funds	467,818,734	
Equity Real Estate	68,495,596	
Equity Securities - Domestic	357,923	
Equity Securities - International	68,224,013	
<b>Total Investments</b>	804,027,738	0
<b>Total Assets</b>	\$811,068,490	\$1,743,834
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	\$11,392	\$0
Securities Lending Transactions	35,690,216	
Payable to Others		1,743,834
<b>Total Liabilities</b>	\$35,701,608	\$1,743,834
<b>NET POSITION</b>		
Net position restricted for pensions	\$775,366,882	\$0

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF CHANGES IN NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended June 30, 2018**

	<b>Pension Trust Funds</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$27,576,764
Employer - Administration	4,952,442
Plan Members	10,750,008
Other	8,396
<b>Total Contributions</b>	<b>43,287,610</b>
Investment Income:	
Net Change in Fair Value of Investments	59,751,024
Interest	10,684,069
Dividends	4,160,319
<b>Total Investment Income</b>	<b>74,595,412</b>
Less Investment Expense	3,265,832
<b>Net Investment Income</b>	<b>71,329,580</b>
Income from Securities Lending Activities:	
Securities Lending Income	296,155
Securities Lending Expenses:	
Borrower Rebates	(871,342)
Management Fees	118,396
<b>Total Securities Lending Expenses (Income)</b>	<b>(752,946)</b>
<b>Net Income on Securities Lending Activities</b>	<b>1,049,101</b>
<b>Total Additions</b>	<b>115,666,291</b>
<b>DEDUCTIONS</b>	
Benefit Payments	65,267,163
Administrative Expense	311,710
<b>Total Deductions</b>	<b>65,578,873</b>
<b>Net Increase</b>	50,087,418
<b>Net Position, Beginning</b>	<b>725,279,464</b>
<b>Net Position, Ending</b>	<b>\$775,366,882</b>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**STATEMENT OF NET POSITION**  
**COMPONENT UNITS**  
**June 30, 2018**

	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	Total
<b>ASSETS</b>					
Cash	\$3,095,780	\$5,761,679	\$14,365,544	\$18,452,194	\$41,675,197
Investments		8,744,546		5,265,415	14,009,961
Receivables:					
Accounts Receivable	1,482,875	1,670,203	106,153	334,116	3,593,347
Other		20,254		129,406	149,660
Less Allowance for Uncollectible Accounts	(17,066)				(17,066)
Due from Primary Government	943,206			1,502,579	2,445,785
Due from Other Governments				5,048,477	5,048,477
Other Current Assets	286,121	559,467			845,588
Inventories and Prepaid Expenses			21,199	831,781	852,980
Net Pension Asset				87,855	87,855
Restricted Current Assets:					
Cash		13,574,090		1,213,730	14,787,820
Accounts Receivable		678,592			678,592
Investments	11,549,306	30,873,861		3,351,090	45,774,257
Grants Receivable		814,366			814,366
Other		116,190			116,190
Capital Assets:					
Non-depreciable	28,244,481	31,650,430		9,446,050	69,340,961
Depreciable (Net)	40,063,089	129,247,407	2,441,126	59,901,663	231,653,285
Other Assets	55,406		2,029,503	8,355,000	10,439,909
<b>Total Assets</b>	<b>85,703,198</b>	<b>223,711,085</b>	<b>18,963,525</b>	<b>113,919,356</b>	<b>442,297,164</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred amount on bond refunding	\$32,431	\$1,521,226	\$0	\$0	\$1,553,657
Deferred Pension Amounts			12,672,460	6,644,774	19,317,234
Deferred Other Post Employment Benefit Amounts			2,013,874	\$1,575,991	3,589,865
<b>Total Deferred Outflows of Resources</b>	<b>32,431</b>	<b>1,521,226</b>	<b>14,686,334</b>	<b>8,220,765</b>	<b>24,460,756</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$85,735,629</b>	<b>\$225,232,311</b>	<b>\$33,649,859</b>	<b>\$122,140,121</b>	<b>\$466,757,920</b>
<b>LIABILITIES</b>					
Accounts, Contracts Payable and					
Accrued Liabilities	\$2,374,415	\$1,483,516	\$1,033,692	\$1,934,553	\$6,826,176
Unearned Revenue and Other		227,953	19,337	3,447	250,737
Liabilities Payable from Restricted Assets:					
Accounts Payable		4,582,601			4,582,601
Interest Payable		1,438,756			1,438,756
Noncurrent Liabilities:					
Due Within One Year					
Compensated Absences				541,679	541,679
Bonds and Notes Payable	2,340,000	3,660,000		1,509,338	7,509,338
Due in More Than One Year					
Compensated Absences			501,533	358,912	860,445
Bonds and Notes Payable	18,332,275	84,797,006		27,167,749	130,297,030
Other		347,627			347,627
Unfunded Other Post Retirement					
Benefit Liability			55,998,909	7,489,086	63,487,995
Unfunded Pension Liability			10,607,093	13,998,416	24,605,509
<b>Total Liabilities</b>	<b>\$23,046,690</b>	<b>\$96,537,459</b>	<b>\$68,160,564</b>	<b>\$53,003,180</b>	<b>\$240,747,893</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Pension Amounts	\$0	\$0	\$9,052,613	\$3,516,006	\$12,568,619
Deferred Other Post Employment Benefit Amounts			228,256	287,612	515,868
<b>Total Deferred Inflows of Resources</b>	<b>0</b>	<b>0</b>	<b>9,280,869</b>	<b>3,803,618</b>	<b>13,084,487</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$23,046,690</b>	<b>\$96,537,459</b>	<b>\$77,441,433</b>	<b>\$56,806,798</b>	<b>\$253,832,380</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$47,667,726	\$89,796,131	\$2,441,126	\$41,881,411	\$181,786,394
Restricted for:					
Governmental and Program Funds			216,863	390,932	607,795
Capital Projects	3,137,407	814,366			3,951,773
Debt Service	6,139,999	23,387,302	128,850		29,656,151
Unrestricted	5,743,807	14,697,053	(46,578,413)	23,060,980	(3,076,573)
<b>Total Net Position</b>	<b>\$62,688,939</b>	<b>\$128,694,852</b>	<b>(\$43,791,574)</b>	<b>\$65,333,323</b>	<b>\$212,925,540</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, 2018**

	Program Revenues			Net (Expenses) Revenue and Changes in Net Position				Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lexington Center Corporation	Lexington Airport Board	Fayette County Department of Health	Nonmajor Component Units	
<b>Lexington Center Corporation</b>								
Lexington Center Operations	\$16,956,067	\$348,000	\$74,110	\$674,918				\$674,918
Depreciation	4,603,038			(4,603,038)				(4,603,038)
Interest on Long-Term Debt	721,082			(721,082)				(721,082)
Total Lexington Center Corporation	22,280,187	348,000	74,110					(4,649,202)
<b>Lexington Airport Board</b>								
Airport Operations	12,986,397		6,608,874		\$15,932,330			15,932,330
Depreciation	10,311,573				(10,311,573)			(10,311,573)
Interest on Long-Term Debt	3,001,047				(3,001,047)			(3,001,047)
Total Lexington Airport Board	26,299,017	0	6,608,874					2,619,710
<b>Fayette County Department of Health</b>								
Department of Health Operations	14,676,226	6,853,254				(\$4,214,769)		(4,214,769)
Depreciation	429,147					(429,147)		(429,147)
Total Fayette County Department of Health	15,105,373	6,853,254						(4,643,916)
<b>Nonmajor Component Units</b>								
Total Component Units	54,840,521	4,677,819	3,102,789			(\$4,143,530)		(41,143,530)
	\$118,523,098	\$47,804,750	\$13,117,637	(\$4,649,202)	\$2,619,710	(\$4,643,916)	(\$4,143,530)	(\$47,816,938)
<b>General Revenues (Expenses):</b>								
Taxes				\$8,261,489		\$8,580,798	\$41,411,787	\$58,254,074
Payment from/(to) Lexington-Fayette Urban County Government							186,723	186,723
Income on Investments				57,292	842,004	109,569	108,290	1,117,155
Net Change in Fair Value of Investments					(529,954)			(529,954)
Gain on Sale of Capital Assets							3,238	3,238
Miscellaneous							(656,597)	(656,597)
Total General Revenues				8,318,781	312,050	8,690,367	41,053,441	58,374,639
Change in Net Position				3,669,579	2,931,760	4,046,451	(90,089)	10,557,701
Net Position, Beginning				59,019,360	125,763,092	(39,420,748)	69,583,577	214,945,281
Adjustment to Opening Net Position (Note 2.D.)						(8,417,277)	(4,160,165)	(12,577,442)
Net Position, Beginning-Restated				59,019,360	125,763,092	(47,838,025)	65,423,412	202,367,839
Net Position, Ending				\$62,688,939	\$128,694,852	(\$43,791,574)	\$65,333,323	\$212,925,540

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

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

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

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

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
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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 Board of Health is governed by a nine-member board that is appointed by the Mayor and approved by the Urban County Council. In addition, the Urban County Council approves their Ad Valorem tax rate annually.

The Lexington Downtown Development Authority, Inc. (DDA) is a non-profit government corporation created in fiscal year 2002 to act as an agency of the Government in various economic development, redevelopment and physical improvement activities associated with downtown. The DDA is governed by a nine-member board that is appointed by the Mayor and approved by the Urban County Council. The Government provides in-kind and financial support to the DDA by providing accounting and payroll services and annual appropriations to help meet operating expenses. In fiscal year 2018, the DDA merged with the Downtown Lexington Corporation, which is an economic development partner agency of the Government. The merged entity is the Downtown Lexington Partnership (see Note 2.B.)

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. LexTran is governed by an eight-member board appointed by the Mayor and approved by the Urban County Council. In addition, the Urban County Council approves the annual budget for LexTran.

The Lexington Convention and Visitors Bureau (Visitors Bureau) was established by the Government for the purpose of promoting recreational, convention and tourist activity in Fayette County. The Government may abolish the Visitors Bureau by repealing the ordinance that created it. All nine members of the Visitors Bureau board are appointed by the Mayor and approved by 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 (4%) of qualified occupancy rental.

The Lexington Center Corporation (LCC) is a non-profit, non-stock corporate agency and instrumentality of the Government. The purpose of the LCC is to plan, finance, develop and operate a convention, trade show, performing arts venue and sports facility. The thirteen-member board is appointed by the Mayor and approved by the Urban County Council. The Government has statutory authority to impose a transient room tax, not exceeding two percent (2%) of qualified occupancy rental, to provide funds for payment of debt service. As discussed in Note 5.D., the Government entered into a Lease Agreement that provides for an annual rental to be paid by the Government if net revenues are not sufficient to pay all debt service costs.

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

The DDA is included in the comprehensive audit of the Government and does not issue separate financial statements. The DDA has one fund for financial reporting. Complete audited financial statements for the other component units may be obtained from the Commissioner of Finance of the Government or from the respective agencies.

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**B. Related Organization** – A related organization is an entity for which the Government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the Government appoints a voting majority of the related organization’s governing board.

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

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

The Downtown Lexington Management District was established for the purpose of providing and financing economic improvements that specifically benefit property within the District. 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 Downtown Lexington Management District is not considered to be a component unit of the Government.

Parking Authority of Lexington (Parking Authority) was established to centralize all public parking functions into one entity, to improve parking operations, and ultimately to improve the availability of parking in downtown Lexington. The 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 Parking Authority is not considered to be a component unit of the Government.

The Downtown Lexington Partnership (DLP) promotes physical and economic development that strengthens and maintains downtown Lexington as the cultural and economic heart of Central Kentucky as well as being dedicated to enhancing downtown Lexington as a unique and vibrant destination to live, work, and play. 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 DLP is not considered to be a component unit of the Government.

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

The Bluegrass Regional Recycling Center (BRRC) is a non-profit Kentucky corporation whose purpose is to reduce the volume of solid waste being placed in landfills and engage in activities that promote recycling. Pursuant to an Interlocal Agreement, the BRRC is operated by the Government and fourteen counties. The Government has no legal interest in or access to the resources of the BRRC. Neither does it have any legal responsibility for the deficits or debts of, or financial support to, the BRRC.

The Valley View Ferry Authority is a legally separate entity that operates and maintains the Ferry on the Kentucky River at Valley View. The board consists of seven members, two appointed by the Government, three appointed by the Madison County Fiscal Court and two appointed by the Jessamine County Fiscal Court. The Government is not legally responsible for the Valley View Ferry Authority’s finances. The Government contributed \$28,919 to support the Ferry’s operations in fiscal year 2018.

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**D. Basic Financial Statements**

**Government-Wide and Fund Financial Statements**

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

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide, proprietary, and fiduciary fund (with the exception of the agency fund, which has no measurement focus) financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities, including long-term assets as well as long-term debt and obligations, are included in the Statement of Net Position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

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

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

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

The Government reports the following major governmental funds:

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

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

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

The Government reports the following major proprietary funds:

The *Sanitary Sewer System Fund* accounts for the construction activities, operation and maintenance, and the payment of principal and interest for bond issues of the Government's sanitary sewer system.

The *Public Facilities Corporation Fund* accounts for the acquisition, construction, and operation of government-owned facilities.

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

The *Water Quality Fund* accounts for the revenues and expenses of developing and operating storm water related activities.

Additionally, the Government reports the following fund types:

*Internal Service Funds* account for the Government's insurance programs for employee health, dental and vision care insurance benefits. Workers' compensation, vehicle liability and physical damage, general liability, and property damage insurance coverage are also accounted for in Internal Service Funds.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
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*Fiduciary Funds* are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the Government. Trust funds account for assets held by the Government under the terms of a formal trust agreement. Agency funds generally are used to account for assets that the Government holds on behalf of others as their agent, are custodial in nature (assets equal liabilities), and do not involve measurement of results of operations. Fiduciary funds are as follows:

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

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

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

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

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

The Government administers the *Expansion Area Master Plan* as follows:

The Government established a program in 1996, called the Expansion Area Master Plan (EAMP), to ensure uniform development of the Urban Services Area in Fayette County. The EAMP allows for the collection of exaction fees on new construction. The Government requires that those who develop property bear the cost of improvements in approximate proportion to the need generated by the development. Ordinance 196-96 acknowledges that it is in the best interest of the Government to encourage developers to build the system improvements identified in the Infrastructure Element of the EAMP and to provide developers who "front end" public improvements with credits against fair share fees and repayment for costs incurred in excess of their fair share.

Generally credits are granted to developers via a resolution passed by the Urban County Council. The Chief Administrative Officer has the authority to grant credits outside the resolution process and has occasionally done so. Exaction fees are assessed according to the guidelines established in the EAMP. They are due and payable when a developer applies for a building permit. Fees may be satisfied either with a cash payment or the surrender of exaction credits.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
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**E. Budgetary Control**

Budget Policy – The Urban County Council annually approves the budget ordinance for all operating funds of the Government, which includes governmental, proprietary, fiduciary, and agency funds. Federal and State Grant funds and capital projects funds adopt project-length budgets. Additional special revenue funds which are not budgeted include the Industrial Revenue Bond Fund, Police Confiscated Funds, and the Public Safety Fund. Budgets are adopted on a basis consistent with GAAP except that budgetary basis expenditures include purchase orders and contracts (encumbrances). Budgetary control is maintained at the division level, e.g. Division of Police, Division of Parks and Recreation, etc. The Mayor may authorize transfers within a division; however, the Urban County Council must approve by ordinance any other amendments to the budget. All budgeted amounts presented in the financial statements reflect the original budget and the amended budget which have been adjusted for legally authorized revisions of the annual budgets during the year. Appropriations lapse at year-end; however, uncompleted capital projects may be re-appropriated at the beginning of each fiscal year. The Council made several supplemental budgetary appropriations throughout fiscal year 2018. The net effect of these supplemental appropriations was an increase of \$5,673,080 in the General Fund and a decrease of \$5,434,431 in the Urban Services Fund, which included re-appropriations of encumbrances from prior fiscal years and various waste management and street light re-appropriations to the following fiscal year 2019, respectively.

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

Cash and Investments – Management has adopted written policies and procedures for cash and investment management. Cash and cash equivalents include cash on hand, demand deposits and cash with fiscal agents. Cash balances of most Government funds are pooled and invested. Interest earned from investments purchased with pooled cash is allocated to each of the funds based on the fund's average monthly cash balance, except as required by ordinance for various restricted reserves. Funds that incur a negative balance in pooled cash and investments during the year are not allocated interest. The Government has adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This statement requires that investments in interest-earning investment contracts, external investment pools, open-end mutual funds, and debt and equity securities be reported at fair value. Investments in the Pension Trust Funds and investments with a maturity of more than one year at the time of purchase are stated at fair value. Fair value for securities traded on a national exchange is determined by the last reported sales price. All other investments are stated at cost.

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

Property taxes for fiscal year 2018 were levied on August 30, 2017 on the assessed valuation of property located in Fayette County as of the preceding January 1, the lien date. The due date and collection periods for all taxes exclusive of vehicle taxes are as follows:

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
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year, property tax revenues are recognized when cash is received. At year-end, a receivable is recorded for delinquent property taxes, but revenues are only recognized for taxes collected within 60 days of the close of the fiscal year.

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

Interfund Transactions – During the course of its operations, the Government has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2018, balances of interfund amounts receivable or payable have been recorded as “due to/from other funds”. These accounts are eliminated on the Government-Wide Statement of Net Position. Any residual balances outstanding between the Governmental Activities and Business-Type Activities are reported in the government-wide financial statements as “internal balances.”

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

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

Payments made to vendors for goods and services that will benefit periods beyond June 30, 2018 are recorded in assets as prepaid items under the consumption method.

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

Restricted Assets – Restricted assets are liquid assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. Certain proceeds of revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the Balance Sheet and Statement of Net Position since their use is limited by applicable bond indentures. The other restricted assets are required to be maintained until the related bonds mature. The Construction and Capital Acquisitions account is used to report proceeds of bonds and notes payable that are restricted for use in construction and capital acquisitions. The Government uses the Construction and Capital Acquisitions assets for their intended purpose before using unrestricted assets. The Maintenance and Operations account represents the resources set aside to operate, maintain and insure the Sanitary Sewer System for three full months. The Capital Replacement account represents the resources set aside to provide reasonable reserves for renewals, replacements, improvements, extensions, extraordinary major repairs and contingencies in the operation of the Sanitary Sewer System. The Debt Service account is used to report resources set aside to prevent a default in payment of principal or interest on the bonds. The Sinking Fund account represents the resources accumulated for debt service payments over the next twelve months.



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

Various purpose general obligation notes account	\$46,816,709
Federal Grants and Contracts	28,927
Debt Service on QECB Bond	812,350
Total restricted assets	\$47,657,986

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

Sanitary sewer revenue bond sinking fund account	\$2,628,036
Sanitary sewer and stormwater capital replacement account	1,326,865
Total restricted assets	\$3,954,901

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

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

Capital assets of the Government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	10-40 years
Land and leasehold improvements	10-50 years
Infrastructure	10-50 years
Sanitary sewer system lines and plants	10-50 years
Vehicles, equipment, and furniture	5-25 years
Intangibles	3-5 years

Construction in progress (CIP) represents construction projects for capital assets that have not yet been placed in service. Developments in progress (DIP) represent fees accrued on urban development projects in the EAMP currently underway that have not yet been completed, where settlement of the fees by the respective developer is expected to be made through contributing infrastructure type assets (e.g. roads, sewer systems, etc.) to the Government. CIP and DIP are not depreciated until the projects are complete and placed in service. For more information on the EAMP plan, please see page 55. Land, purchase of development rights, and permanent easements are not depreciated.

The Government has a collection of artwork and historical treasures presented for public exhibition and education that are being preserved for future use. These items are not capitalized or depreciated as part of capital assets.

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

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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 Position. The discounts and premiums related to bonds and notes issued are amortized over the life of the bond or note using the straight-line method. Bonds and notes payable are reported net of the applicable bond premium or discount. Issuance costs are expensed when incurred. Losses on advance refunding issues are reported as deferred outflows of resources and recognized as an outflow as required by GASB Statement No. 65.

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

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

Long-term liabilities include the following:

- Compensated absences, which is the accrual for vacation time earned but not taken by employees.
- Principal outstanding on general obligation bonds, general obligation notes, and revenue bonds.
- Unfunded Post-Retirement Health Benefits, which is the net retirement health benefit obligation for the Policemen's and Firefighters' Retirement Fund and the City Employees' Pension Fund. In addition, it includes the Government's proportionate share of the unfunded liability in the CERS multi-employer defined benefit post-employment health insurance plan.
- Landfill closure and postclosure care liability, which is the estimated total cost to perform certain maintenance and monitoring functions for thirty years after closure.
- Unearned revenue and other liabilities, which is the cash received in advance of being earned, and other long term liabilities.
- Unfunded postemployment benefit liability, which is the net postemployment benefits obligation for the Policemen's and Firefighters' Retirement Fund. In addition, it includes the Government's proportionate share of the unfunded postemployment benefits liability in the CERS multi-employer defined benefit pension plan.
- Unfunded pension liability, which is the net retirement obligation for the Policemen's and Firefighters' Retirement Fund. In addition, it includes the Government's proportionate share of the unfunded pension liability in the CERS multi-employer defined benefit pension plan.

**G. Deferred Inflows of Resources and Deferred Outflows of Resources**

With the implementation of GASB Statements 65 and 68, and GASB Statements 74 and 75, the Government's Statement of Net Position includes deferred inflows (or deferred outflows) of resources when appropriate. Deferred outflows of resources represent a consumption of net position that applies to one or more future periods. Deferred

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inflows of resources represent an acquisition of net position that applies to a future period(s). These amounts will not be recognized as expense or revenue until the applicable period.

Deferred Outflows – include the differences between reacquisition price and the net carrying amount of refunded debt obligations that is recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. In addition, it includes differences between expected and actual experience, changes of assumptions, changes in proportionate share, and differences between projected and actual earnings on investments in both pension plans and other paid employee benefit plans, and contributions to pension plans and other paid employee benefit plans made subsequent to the Government’s measurement date of June 30, 2017.

Deferred Inflows – include differences between expected and actual experience, changes of assumptions, changes in proportionate share, and projected and actual earnings on investments, in both pension plans and other paid employee benefit plans.

**H. Net Position/Fund Balances**

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

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

Restricted Net Position – represents amounts that are restricted for specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, laws/regulations of other governments or constitutional provisions, or (b) resources resulting from enabling legislation.

Unrestricted Net Position – This category represents amounts not appropriated for expenditures, or legally segregated for a specific future use.

In the Balance Sheet of governmental funds the difference between the assets and liabilities of governmental funds is reported as fund balance. The Government’s fund balance is divided into the following classifications, as applicable:

Nonspendable – These resources include amounts that cannot be spent because they are either not spendable in form, or are legally or contractually required to be maintained intact. The Government’s nonspendable funds consisted of prepaid expenses and inventories as of June 30, 2018.

Restricted – Restricted amounts represent resources that are constrained for a specific purpose by external parties, constitutional provisions, or enabling legislation. The Government had restricted funds for various projects: public works, public safety, capital projects, grants, urban services, and energy improvement as of June 30, 2018.

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
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Committed fund balance for the General Fund is further classified as follows:

Affordable Housing & Homelessness Intervention	\$1,177,283
Economic Stabilization	34,015,454
Chief Development Officer	1,353,157
Social Services	649,517
Special Programs	460,170
Committed Fund Balance	\$37,655,581

The Government developed and adopted a General Fund Balance (“Economic Stabilization Fund” or “Contingency Designation Fund”) Policy on December 5, 1996, and revised on April 17, 2016.

It is the Government’s policy to:

- Maintain a Contingency Designation Fund funding goal of ten percent (10%) of the previous year’s total General Fund Revenues. Interest earned accrues to the fund.
- Budget a deposit of \$50,000 per month, for each fiscal year until meeting the Contingency Designation Fund funding goal of 10% of the last completed fiscal year total General Fund revenues, beginning with the 2007 fiscal year.
- Annually report to the Budget, Finance, and Economic Development Committee the dollar amount that could be deposited to the fund to maintain ten percent (10%) of the previous year’s General Fund Revenues.

The Contingency Designation Fund balance may be used in the following circumstances:

- Unanticipated or unforeseen extraordinary needs of an emergency nature.
- Revenue stabilization to balance the budget in the event of an unanticipated shortfall.
- Unanticipated situations of an unusual nature involving nonrecurring expenditure(s).

The Government has made a complete and rational analysis, with justifying evidence that the Contingency Designation Fund can be maintained in the future.

Assigned – Assigned amounts represent resources that the Government intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Amounts may be assigned by the Urban County Council or by the Commissioner of Finance under the authorization of the Mayor. Amounts classified as assigned have gone before the Government’s Urban County Council subsequent to June 30, 2018 for approval through ordinance.

Assigned for:	General Fund	Non Major Funds
Information Technology	\$377,926	\$0
Environmental Quality & Public Works	60,417	
Fire & Emergency Services	599,820	
General Government	15,402,683	390,941
General Services	27,519	
Parks and Recreation	243,231	
Planning Preservation & Development	204,502	
Public Safety	115,922	
Social Services	28,918	
Assigned Fund Balance	\$17,060,938	\$390,941

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NOTES TO FINANCIAL STATEMENTS (Continued)  
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Unassigned – Unassigned amounts represent resources that have not been classified as nonspendable, restricted, committed, or assigned to a specific purpose within the General Fund. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are nonspendable, restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

When both restricted and unrestricted resources are available for use, it is the Government's policy to use restricted resources first, then unrestricted resources as they are needed. Likewise, fund balances that are committed or assigned would be used first for their approved purposes. Unassigned fund balances would be used as needed.

**I. Use of Estimates**

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

**J. Revenues**

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

The Government utilizes an internal billing system to collect sanitary sewer and landfill user fees, along with the water quality management fee.

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

**K. Pensions**

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense, information about the fiduciary net position of the County Employees' Retirement System (CERS), and additions to/deductions from CERS's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The liability was measured at June 30, 2017.

**L. Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources, deferred inflows of resources, OPEB expense, information about the fiduciary net position of the County Employees' Retirement System (CERS) Post Employment Health Insurance Plan (the Plan), and additions to/deductions from CERS the Plan's fiduciary net position have been determined on the same basis as they are reported by CERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The liability was measured at June 30, 2017.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
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**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

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

**B. Excess of Expenditures over Appropriations** - The following divisions, in funds that have budgets adopted annually, had excess expenditures over appropriations for the fiscal year ended June 30, 2018:

	Excess Expenditures
<b>General Fund:</b>	
Accounting	\$41,597
Adult Services	52,967
Circuit Judges	3,557
Community Corrections	524,045
Council Office	56,082
DEEM/Enhanced 911	172,046
Enterprise Solutions	7,405
Environmental Services	42,085
Fire & Emergency Services	2,557,367
Historic Preservation	741
Human Resources	35,694
Indirect Cost Allocation	295,589
Internal Audit Office	15,661
Planning	321,140
Police	966,442
Purchase of Development Rights	4,727
Revenue	285
Streets & Roads	217,357
Traffic Engineering	228,383
Youth Services	10,766
<b>Urban Services Fund:</b>	
Environmental Quality	\$54,849
Government Communications	107,206
Streets & Roads	291,891

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

**C. Fund Deficits**

Other Government Funds – the 2007, 2008, & 2009 Bond Projects Fund had a fund deficit of (\$36,692) as a result of capital bond projects. There is adequate funding for these projects in the General Fund.

Proprietary funds – the Extended School Program had a fund deficit of (\$611,525) as a result of the unfunded pension liability.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
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**D. Prior Period Adjustments**

Primary Government

The following prior period adjustments were made to the Governmental fund financial statements:

*General Funds:* To recognize expenditures incurred in the prior fiscal year in the amount of \$3,272. To recognize expenditures incurred in prior fiscal years and eliminate the loan receivable balance for Explorium Children's Museum in the amount of \$72,833. The amount of \$10,233 was from fiscal year 2017 and \$62,600 was from fiscal year 2015. To recognize expenditures incurred in fiscal year 2007 in the amount of \$1,228,017 to fund capital projects in the Exactions Area Master Plan (EAMP).

*Other Governmental Funds:* To recognize funding received in fiscal year 2007 in the amount of \$558,675 for infrastructure projects in the Exactions Area Master Plan (EAMP).

The following prior period adjustments were made to the government-wide financial statements:

*The Governmental Funds:* To recognize noncapital expenditures incurred in fiscal year 2007 in the amount of \$90,258 to fund projects in the Exactions Area Master Plan (EAMP).

*The Business-Type Activities Funds:* To recognize funding received in fiscal year 2007 in the amount of \$670,378 to fund infrastructure projects for the Sanitary Sewer System in the Exactions Area Master Plan (EAMP).

To derecognize expenditures incurred in prior fiscal years for overpayments in Other Enterprise Funds that were refunded in the amount of \$177,493. Of this amount \$44,988, \$127,261, and \$5,244 was overpaid in fiscal years 2017, 2016, and 2015, respectively.

GASB requires Statement No.75 to be applied retroactively, which resulted in a restatement of beginning net position. To implement GASB Statement No. 75, *Accounting and Reporting for Postemployment Benefits other than Pensions (OPEB)*, government-wide net position was reduced \$305,010,438. The Governmental Activities net position was reduced \$295,946,925 to reflect the unfunded other post-retirement benefit liability. Of that amount, \$53,406,283 represents the Governmental funds proportionate share of the unfunded other post-retirement liability in the County Employee Retirement System. In addition, \$242,540,642 represents the Governmental funds unfunded other post-retirement liability in the Policemen's and Firefighters' Retirement Plan. The Business-Type Activities net position was reduced \$9,063,513 for the proportionate share of the unfunded other post-retirement liability in the County Employee Retirement System.

Component Units

The implementation of GASB Statement No.75, *Accounting and Reporting for Postemployment Benefits other than Pensions (OPEB)* required reductions in net position. GASB requires Statement No.75 to be applied retroactively, which resulted in a restatement of beginning net position. The following reductions occurred in fiscal year 2018:

Fayette County Department of Health	\$8,417,277
Lexington Public Library	\$3,207,048
Lexington Convention and Visitors Bureau	\$752,562

The Downtown Development Authority merged with the Downtown Lexington Corporation, creating the Downtown Lexington Partnership on January 1, 2018. All assets were transferred to Downtown Lexington Partnership. The merger resulted in a reduction of net position in the amount of \$200,555.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2018

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

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

Primary Government

The Government's bank balances at June 30, 2018 are entirely insured by the Federal Deposit Insurance Corporation (FDIC) and/or collateralized with securities held by the Government's agent in the Government's name. In accordance with Kentucky Revised Statute (KRS) 66.480 and the Government's investment policy, the Government is allowed to invest in the following:

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

In addition, the Pension Trust Funds are allowed to invest in equity securities, corporate bonds and international stocks listed as American Depository Receipts (ADR). Investments of the Government as of June 30, 2018 are summarized and categorized in the following table:

<u>Investment Type</u>	<u>Fair Value</u>	Quoted Prices in	Significant Other	Significant
		Active Markets for Identical Assets Level 1	Observable Inputs Level 2	Unobservable Inputs Level 3
Cash and Cash Equivalents	\$48,118,124	\$48,118,124	\$0	\$0
Certificates of Deposit	15,464,464		15,464,464	
Money Market Mutual Funds	110,751,702		110,751,702	
U.S. Government Agency Obligations	45,283,858		45,283,858	
Total Investments	<u>\$219,618,148</u>	<u>\$48,118,124</u>	<u>\$171,500,024</u>	<u>\$0</u>

The Government categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, and Level 3 inputs are significant unobservable inputs. Level 2 fixed income securities are priced by industry standard vendors, such as Interactive Data Corporation (IDC), using inputs such as benchmark yields, reported trades, broker/dealer quotes, and



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
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issuer spreads. IDC also monitors market indices and industry and economic events including credit rating agency actions. The Government has no Level 3 inputs.

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

**Credit Risk** – The risk that an issuer or other counterparty to an investment will not fulfill its obligations. Investments are made under the “prudent person rule” outlined in the Government’s investment policy. This rule is defined to mean “investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of capital as well as the probable income to be derived.” The prudent investor standard shall be applied in the context of managing the overall portfolio.

Primary Government (except Fiduciary Funds)							
Investment Maturities (in years)							
Investment Type	Fair Value	Less Than 1 Year	1 to 5	6 to 10	More than 10	S&P Rating	Fair Value
Cash and Cash Equivalents	\$48,118,124	\$48,118,124				AA+	\$58,708,771
Certificates of Deposit	15,464,464	6,824,170	7,784,830		855,464	NR	160,909,377
Money Market Mutual Funds	110,751,702	110,751,702					
U.S. Government Agency Obligations	45,283,858	22,413,747	22,398,826	471,285			
<b>Total Investments</b>	<b>\$219,618,148</b>	<b>\$188,107,743</b>	<b>\$30,183,656</b>	<b>\$471,285</b>	<b>\$855,464</b>		<b>\$219,618,148</b>

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

**Pension Trust Funds**

The Government’s Pension Trust Funds are made up of the Policemen’s and Firefighters’ Retirement Fund (PFRF) and the City Employees’ Pension Fund (CEPF). The disclosures below are separate as the pension funds have different investment policies and different objectives. The PFRF is an active growing fund, while the CEPF has been closed since 1983. Investments of the PFRF as of June 30, 2018 are summarized and categorized in the following table:

Policemen's and Firefighters' Retirement Fund				
Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
<b>Debt Securities</b>				
Bank Loans	\$347,631	\$0	\$347,631	\$0
Corporate Debt	79,786,587		79,786,364	223
International Bonds	7,513,441		7,513,441	
Municipal Obligations	2,990,453		2,990,453	
SL Comingle Fund	35,690,216		35,690,216	
US Agencies	32,107,686		32,107,686	
US Government Obligations	30,128,911		30,128,911	
	<b>\$188,564,925</b>	<b>\$0</b>	<b>\$188,564,702</b>	<b>\$223</b>
<b>Other Investments</b>				
Equity Mutual Funds	\$448,912,777	\$358,684,835	\$90,227,942	\$0
Equity Real Estate	68,495,596		68,495,596	
Equity Securities - Domestic	357,923	355,642	2,280	1
Equity Securities - International	68,224,013		68,224,013	
	<b>\$774,555,234</b>	<b>\$359,040,477</b>	<b>\$415,514,533</b>	<b>\$224</b>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
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Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Level 2 domestic and international equities are priced using the closing price from the applicable exchange as provided by industry standard vendors, such as Interactive Data Corporation (IDC), which prices to capture market movements between local stock exchange closing time and portfolio valuation time each day. Level 2 fixed income securities are priced by industry standard vendors, such as IDC, using inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. IDC also monitors market indices and industry and economic events including credit rating agency actions. Level 3 inputs from Corporate Debt are either fair valued by a third party advisor based on quarterly financials or are fair valued internally by the Government's fund manager, subject to an internal fair valuation methodology. The share price is calculated by discounting the distribution amounts from the company's liquidation process. Level 3 inputs from Domestic Equity Securities were fair valued internally by the Government's fund manager, subject to an internal fair valuation methodology.

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 <u>Allocation</u>
Passive Large Cap Core	10.00%
Active Large Cap Growth	7.50%
Active Large Cap Value	7.50%
Small Cap Equity	15.00%
International Growth Equities	9.25%
International Value Equities	9.25%
Emerging Markets	<u>4.50%</u>
<b>Total Equities</b>	<b>63.00%</b>
US Core Fixed Income	15.50%
US High Yield Fixed Income	<u>7.50%</u>
<b>Total Fixed Income</b>	<b>23.00%</b>
Real Estate	9.00%
Real Return	<u>5.00%</u>
<b>Total Plan</b>	<b><u>100.00%</u></b>

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
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<b>Policemen's and Firefighters' Retirement Fund</b>							
Investment Maturities (in years)							
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More than 10	S&P Rating	Fair Value
<b>Debt Securities</b>							
Bank Loans	\$347,631	\$0	\$168,139	\$179,492	\$0	AA	71,077,346
Corporate Debt	79,786,587	641,226	48,957,862	24,712,134	5,475,365	AAA	5,364,818
International Bonds	7,513,441	95,627	4,493,813	2,004,384	919,617	B	16,191,695
Municipal Obligations	2,990,453	658,107	1,994,687	337,659		BB	25,220,148
SL Comingle Fund	35,690,216	24,348,012	11,033,212		308,992	BBB	15,294,542
US Agencies	32,107,686	13,949	3,621,445	4,731,535	23,740,757	CC	26,400
US Government Obligations	30,128,911		12,224,050	8,529,849	9,375,012	CCC	2,365,318
	<u>\$188,564,925</u>	<u>\$25,756,921</u>	<u>\$82,493,208</u>	<u>\$40,495,053</u>	<u>\$39,819,743</u>	NR	604,191,165
<b>Other Investments</b>							
Equity Mutual Funds	\$448,912,777						
Equity Real Estate	68,495,596						
Equity Securities - Domestic	357,923						
Equity Securities - International	68,224,013						
	<u>\$774,555,234</u>						

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

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

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

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

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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, 2018, the securities loaned in the portfolio did not have credit risk, and the fair value of securities on loan is \$35,690,216.

Investments of the CEPF as of June 30, 2018 are summarized and categorized in the following table:

<b>City Employees Pension Fund</b>				
Investment Type	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Debt Securities:				
Corporate Debt	\$7,353,210	\$0	\$7,353,210	\$0
US Agencies				
US Government Obligations	3,213,337	3,213,337		
Other Investments:				
Equity Mutual Funds	18,905,957		18,905,957	
	\$29,472,504	\$3,213,337	\$26,259,167	\$0

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Level 2 fixed income securities are priced by industry standard vendors, such as Interactive Data Corporation (IDC), using inputs such as benchmark yields, reported trades, broker/dealer quotes, and issuer spreads. IDC also monitors market indices, and industry and economic events including credit rating agency actions.

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

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	20.00%
International Equity	10.00%
Fixed Income	70.00%
	100.00%

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2018

<b>City Employees Pension Fund</b>							
Investment Maturities (in years)							
<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1 to 5</u>	<u>6 to 10</u>	<u>More than 10</u>	<u>S&amp;P Rating</u>	<u>Fair Value</u>
Debt Securities:							
Corporate Debt	\$7,353,210	\$898,360	\$5,331,981	\$1,122,869	\$0	AAA	\$257,706
US Government Obligations	3,213,337			1,078,636	2,134,701	AA	5,041,783
	<u>10,566,547</u>	<u>898,360</u>	<u>5,331,981</u>	<u>2,201,505</u>	<u>2,134,701</u>	A	4,689,518
						BBB	577,540
Other Investments:							
Equity Mutual Funds	18,905,957					NR	18,905,957
	<u>\$29,472,504</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.

**Component Units**

For complete information on custodial credit risk, interest rate risk, credit risk, and concentration of credit risk, refer to the individual reports on each component unit. Summarized investment information for the component units is included in the table below:

	<u>Reported Amount/ Fair Value</u>
U.S. Government and Government	
Agency Obligations	\$41,890,307
Investments not subject to categorization:	
Certificates of Deposit	8,616,505
Money Market Funds	<u>9,277,406</u>
Total Investments	<u>\$59,784,218</u>

As of June 30, 2018, LCC had \$1,805,560 and \$532,036 in deposits and investments, respectively, which were uninsured and uncollateralized.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2018

**B. Capital Assets**

Capital asset activity for the year ended June 30, 2018 was as follows:

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
<b>Governmental Activities:</b>				
Nondepreciable Assets:				
Land	\$61,888,243	\$0	\$0	\$61,888,243
Purchase of Development Rights	78,808,945	1,410,993		80,219,938
Intangibles	3,130,162	90,850		3,221,012
Construction in Progress	14,511,107	17,120,044	(13,941,881)	17,689,270
Developments in Progress *	23,692,748	1,346,727	(133,814)	24,905,661
Depreciable Assets:				
Buildings	183,204,377	2,895,863		186,100,240
Intangibles	16,802,019	783,232		17,585,251
Vehicles, Equipment & Furniture	139,255,665	7,821,210	(5,771,212)	141,305,663
Land & Leasehold Improvements	42,047,693	4,515,997		46,563,690
Infrastructure	1,026,741,828	6,835,235	(10,975)	1,033,566,088
Sewer Lines	11,366,648	382,819		11,749,467
Sewer Plants	216,797			216,797
<b>Totals at Historical Cost</b>	<b>1,601,666,232</b>	<b>43,202,970</b>	<b>(19,857,882)</b>	<b>1,625,011,320</b>
Less Accumulated Depreciation For:				
Buildings	(67,566,822)	(5,838,975)		(73,405,797)
Intangibles	(11,107,547)	(1,797,112)		(12,904,659)
Vehicles, Equipment & Furniture	(91,877,577)	(10,697,994)	5,593,102	(96,982,469)
Land & Leasehold Improvements	(24,798,793)	(3,075,580)		(27,874,373)
Infrastructure	(415,698,816)	(33,970,706)	6,076	(449,663,446)
Sewer Lines	(1,265,050)	(231,588)		(1,496,638)
Sewer Plants	(11,162)	(4,336)		(15,498)
<b>Total Accumulated Depreciation</b>	<b>(612,325,767)</b>	<b>(55,616,290)</b>	<b>5,599,178</b>	<b>(662,342,880)</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$989,340,465</b>	<b>(\$12,413,320)</b>	<b>(\$14,258,704)</b>	<b>\$962,668,440</b>
<b>Business-Type Activities:</b>				
Nondepreciable Assets:				
Land	\$46,299,704	\$42,432	\$0	\$46,342,136
Construction in Progress	43,057,435	54,338,939	(28,527,009)	68,869,365
Developments in Progress *	8,507,717	958,375	(674)	9,465,418
Intangibles	455,826	42,000		497,826
Depreciable Assets:				
Buildings	119,621,995	833,327		120,455,322
Intangibles	8,862,207	104,532		8,966,739
Vehicles, Equipment & Furniture	35,818,715	2,158,476	(205,360)	37,771,831
Land & Leasehold Improvements	42,950,767			42,950,767
Infrastructure	12,952,478	3,073,827		16,026,305
Sewer Lines	208,095,620	11,169,127		219,264,747
Sewer Plants	196,399,924	13,091,230		209,491,154
<b>Totals at Historical Cost</b>	<b>723,022,388</b>	<b>85,812,265</b>	<b>(28,733,043)</b>	<b>780,101,610</b>
Less Accumulated Depreciation For:				
Buildings	(85,232,464)	(3,706,399)		(88,938,863)
Intangibles	(3,532,957)	(1,205,967)		(4,738,924)
Vehicles, Equipment & Furniture	(15,820,081)	(2,980,033)	202,264	(18,597,850)
Land & Leasehold Improvements	(35,611,467)	(458,265)		(36,069,732)
Infrastructure	(1,403,604)	(303,073)		(1,706,677)
Sewer Lines	(74,253,687)	(4,064,444)		(78,318,131)
Sewer Plants	(100,337,023)	(4,223,763)		(104,560,786)
<b>Total Accumulated Depreciation</b>	<b>(316,191,283)</b>	<b>(16,941,944)</b>	<b>202,264</b>	<b>(332,930,963)</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$406,831,105</b>	<b>\$68,870,321</b>	<b>(\$28,530,779)</b>	<b>\$447,170,647</b>

\* Restated beginning balance due to prior period adjustment

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2018

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

**Governmental Activities:**

General Government	\$616,872
Computer Information Technology	519,483
Administrative Services	535,055
Finance	720,306
Public Safety	1,645,468
Environmental Quality & Public Works	4,929,513
Police	1,264,314
Fire and Emergency Services	1,860,136
Law	3,936
Community Corrections	2,676,212
Social Services	612,651
General Services	5,209,533
Parks and Recreation	1,680,987
Planning, Preservation, & Development	33,341,824
<b>Total depreciation expense - Governmental Activities</b>	<u><u>\$55,616,290</u></u>

**Business-Type Activities:**

Sanitary Sewer System	\$12,137,121
Public Facilities Corporation	3,475,879
Landfill	574,065
Right of Way	4,724
Extended School Program	3,611
Enhanced 911	376,988
Water Quality	369,556
<b>Total depreciation expense - Business-Type Activities</b>	<u><u>\$16,941,944</u></u>

**Discretely Presented Component Units**

	<u>Beginning</u>			<u>Ending</u>
	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>
Nondepreciable Assets:				
Land	\$33,017,090	\$0	\$ (392,740)	\$32,624,350
Construction in Progress	13,686,429	23,004,098	(16,969,009)	19,721,518
Other	7,963,242	9,031,851		16,995,093
Depreciable Assets:				
Buildings & Improvements	361,338,233	1,909,766	154,417	363,402,416
Vehicles, Equipment, & Furniture	76,644,729	7,901,199	(291,827)	84,254,101
Land & Leasehold Improvements	68,470,104	1,608,198	6,769,131	76,847,433
Intangibles	49,605			49,605
<b>Totals at Historical Cost</b>	<u>561,169,432</u>	<u>43,455,112</u>	<u>(10,730,028)</u>	<u>593,894,516</u>
<b>Less Accumulated Depreciation</b>	<u>(277,966,966)</u>	<u>(20,997,004)</u>	<u>6,063,700</u>	<u>(292,900,270)</u>
<b>Component Unit Activities</b>				
<b>Capital Assets, Net</b>	<u>\$283,202,466</u>	<u>\$22,458,108</u>	<u>(\$4,666,328)</u>	<u>\$300,994,246</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2018

**Construction Commitments**

The Government has active construction projects as of June 30, 2018. The projects include improvements to buildings, sanitary sewer storm water systems and major roadways. At June 30, 2018, the Government had the following commitments on construction contracts:

Project	Commitment
Buildings	\$5,704,057
Capital Repairs & Maintenance	1,758,757
Land Improvements	1,482,039
Public Safety	27,560
Sanitary Sewer Collection System	61,707,524
Sanitary Sewer Treatment System	11,720,877
Storm Drainage	1,062,394
Street Resurfacing Maintenance	4,750,289
Streets & Roadways	4,536,827
Street Lighting	259,071
Traffic Control & Markings	569,938
	\$93,579,333

Buildings are primarily financed through general obligation bonds for various renovations and construction. Capital repairs & maintenance, and traffic control & markings are funded by intergovernmental revenues and general obligation bonds. Land improvements are funded by a combination of intergovernmental revenues, general obligation bonds, and grant funds. Sanitary sewer projects are financed with both sewer revenues and Kentucky Infrastructure Authority State Revolving Fund Loans. Storm drainage improvements are supported by the water quality management fee revenues. Intergovernmental revenues, local contributions, general obligation bonds, and grants provide funding for major roadway improvements. The Urban Services funds finance the construction of street lighting.

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

The principal purpose of the Government's interfund transfers is indicative of funding for capital projects or subsidies of various Government operations and reallocation of special revenues. Due to our practice of cash management by pooling the Government's funds, interfund balances exist as of June 30, 2018. In addition, Federal and State Grants revenues are based on reimbursable expenditures. The composition of interfund balances as of June 30, 2018, is as follows:

Fund Description	Due from (to) General Fund
Federal & State Grants	(\$1,744,328)
Other Governmental Funds	(3,531,575)
Internal Service Funds	19,195,314
Total due from General Fund	\$13,919,411

Receivable Entity	Payable Entity	Amount
Component unit - Lexington Convention and Visitor's Bureau	Primary government - General fund	\$1,502,579
Component unit - Lexington Center Corporation	Primary government - General fund	943,206
Total		\$2,445,785



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 June 30, 2018

**Interfund Transfers:**

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

	General	Urban Services	Fed St Grants	Nonmajor Governmental	Total Governmental	Sanitary Sewer	Public Facilities Corp	Landfill	Water Quality	Nonmajor Proprietary	Total Proprietary
General	\$0	\$4,000,000	\$1,607,326	(\$3,182,960)	\$2,424,366	\$206,435	\$375,084	\$0	(\$23,170)	\$319,651	\$878,000
Urban Services	(4,000,000)		229,522		(3,770,478)						
Fed St Grants	(1,607,326)	(229,522)		(270,515)	(2,107,363)					(248)	(248)
Nonmajor Governmental	3,182,960		270,515		3,453,475	(77,680)					(77,680)
Public Facilities Corp	(375,084)				(375,084)						
Water Quality	50,000				50,000						
Nonmajor Proprietary			248		248						
<b>Grand Total</b>	<b>(\$2,749,450)</b>	<b>\$3,770,478</b>	<b>\$2,107,611</b>	<b>(\$3,453,475)</b>	<b>(\$324,836)</b>	<b>\$128,755</b>	<b>\$375,084</b>	<b>\$0</b>	<b>(\$23,170)</b>	<b>\$319,403</b>	<b>\$800,072</b>

**D. Long-Term Debt**

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2018

**Primary Government**

Bonds payable, notes payable, compensated absences, landfill closure and postclosure care costs, and unfunded pension liabilities at June 30, 2018 are as follows:

Purpose of Issue	Original Issue	Interest Rates	Final Maturity	Amount Outstanding	Due Within One Year	
<b>Governmental Activities</b>						
Bonds, Notes, Loans, and Leases:						
Pension Obligation, Series 2009B	Police/Fire Pension Fund	\$70,610,000	3.50% - 6.00%	1-Apr-2029	\$46,550,000	\$3,210,000
General Obligation, Series 2010B	Refunding of 1999B and 2000A	\$7,735,000	1.00% - 3.00%	1-Sep-2019	1,675,000	825,000
General Obligation, Series 2010C	Refunding of 2000E	\$6,635,000	1.00% - 3.00%	1-Dec-2020	1,955,000	630,000
Pension Obligation, Series 2010D	Police/Fire Pension Fund	\$35,825,000	.95%-5.45%	1-Jun-2030	4,960,000	1,580,000
General Obligation, Series 2010H	Refunding of 2001B	\$4,465,000	1.00%-3.80%	1-Dec-2021	2,055,000	490,000
Pension Obligation, Series 2012A	Police/Fire Pension Fund	\$31,000,000	2.50% - 4.00%	1-Oct-2032	24,850,000	1,320,000
General Obligation, Series 2012B	Refunding of 2002C and 2004C	\$6,275,000	2.00% - 4.00%	1-Jul-2024	5,245,000	700,000
General Obligation, Series 2013A	Road Resurfacing	\$11,275,000	2.00% - 5.00%	1-Oct-2023	6,725,000	990,000
General Obligation, Series 2013B	Refunding of 2004,2005C,2006B	\$6,005,000	2.00% - 4.00%	1-Jul-2025	3,855,000	455,000
General Obligation, Series 2013C	CIP projects	\$17,035,000	3.00% - 4.00%	1-Oct-2037	14,535,000	675,000
General Obligation, Series 2014A	Refunding of 2010A	\$55,925,000	3.00% - 5.00%	1-Sep-2030	44,080,000	2,560,000
General Obligation, Series 2014B	CIP projects	\$24,245,000	3.25%-5.00%	1-Jan-2035	21,970,000	850,000
General Obligation, Series 2014C	QECB Detention Center	\$2,900,000	3.25%	1-Jun-2027	2,795,000	
General Obligation, Series 2015A	Refunding of 2006C,2009A,2010G	\$19,845,000	3.00% - 5.00%	1-Oct-2028	18,605,000	2,985,000
General Obligation, Series 2015B	CIP projects	\$24,860,000	2.00% - 5.00%	1-Oct-2035	21,475,000	1,825,000
General Obligation, Series 2016A	Historic Courthouse Renovation	\$22,450,000	.80%-3.00%	1-Aug-2036	21,540,000	920,000
General Obligation, Series 2016B	CIP projects	\$8,870,000	2.00% - 5.00%	1-Aug-2036	8,320,000	570,000
General Obligation, Series 2016C	CIP projects	\$37,555,000	2.00% - 5.00%	1-Oct-2036	35,020,000	2,665,000
General Obligation, Series 2016D	Refunding of 2006D Detention Center	\$28,495,000	4.00% - 5.00%	1-Nov-2024	22,430,000	3,305,000
General Obligation, Series 2017A	CIP projects	\$32,435,000	3.00% - 5.00%	1-Sep-2037	32,435,000	2,395,000
General Obligation, Series 2017B	Refunding of 2010D Police/Fire Pension	\$22,445,000	2.00% - 2.85%	1-Jun-2030	21,975,000	295,000
Premiums and Discounts				25,996,016		
<b>Total Bonds, Notes, and Loans Payable</b>				<b>389,046,016</b>	<b>29,245,000</b>	
Other Liabilities:						
Compensated Absences				26,123,842	3,657,338	
Unfunded Other Post Employment Benefit Liability				413,934,415		
Unfunded Pension Liability				414,684,282		
<b>Total Other Liabilities</b>				<b>854,742,539</b>	<b>3,657,338</b>	
<b>Total Governmental Activities</b>				<b>\$1,243,788,555</b>	<b>\$32,902,338</b>	
<b>Business-Type Activities</b>						
Bonds, Notes and Loans:						
Sanitary Sewer, Series 2014A Refunding	Refunding	\$24,190,000	3.00% - 5.00%	1-Sep-2030	\$24,190,000	\$500,000
Sanitary Sewer, Series 2014B Refunding	Refunding	\$10,410,000	5.00%	1-Sep-2019	3,170,000	2,165,000
Public Facilities, Series 2016D Refunding	Refunding	\$42,590,000	2.65% - 5.00%	1-Oct-2031	40,535,000	2,165,000
Radcliffe road A209-09	SRF Loan	\$113,523	2.00%	1-Jun-2030	73,767	5,497
KIA Streetscape A209-8	SRF Loan	\$1,254,980	2.00%	1-Dec-2030	841,751	59,905
So. Elkhorn A09-01	SRF Loan	\$14,045,119	2.00%	1-Dec-2031	10,081,857	657,494
Wolf Run A10-08	SRF Loan	\$8,373,431	2.00%	1-Dec-2035	8,088,653	390,256
A13-002 Bob-O-Link	SRF Loan	\$2,657,197	1.75%	1-Dec-2037	2,601,428	113,006
A13-003 East Lake	SRF Loan	\$743,414	1.75%	1-Dec-2037	696,521	32,187
A13-003 Century Hills	SRF Loan	\$1,327,844	1.75%	1-Dec-2037	1,244,087	57,490
A13-003 West Hickman Trk A	SRF Loan	\$4,337,917	1.75%	1-Dec-2037	4,065,051	187,849
A13-003 Woodhill Trk	SRF Loan	\$3,588,021	1.75%	1-Dec-2037	3,362,274	155,373
A13-018 E2A	SRF Loan	\$5,264,306	1.75%	1-Dec-2037	5,042,367	225,840
A13-007 AW PH3	SRF Loan	\$989,346	1.75%	1-Dec-2037	926,500	42,819
A13-007 IDLHR N	SRF Loan	\$620,324	1.75%	1-Dec-2037	580,941	26,832
A13-002 Wolf Run Trk	SRF Loan	\$452,195	1.75%	1-Dec-2037	442,705	19,231
A13-002 Wolf Run WWS	SRF Loan	\$5,696,256	1.75%	1-Dec-2037	5,576,704	242,251
A12-016 Blue Sky	SRF Loan	\$1,594,026	2.00%	1-Dec-2037	1,461,629	68,201
A13-007 Walhampton Rogers	SRF Loan	\$719,816	1.75%	1-Dec-2037	674,100	31,148
A13-007 Cardinal-Laramie PH1-3	SRF Loan	\$226,247	1.75%	1-Dec-2037	211,871	9,795
A13-015 Town Branch*	SRF Loan	\$19,989,939	1.75%	1-Dec-2037	19,883,366	863,730
A14-001 Lower Cane Run WWS*	SRF Loan	\$7,227,053	1.75%	1-Dec-2037	11,781,461	511,785
A13-015 Marquis Ave*	SRF Loan	\$282,067	1.75%	1-Dec-2037	571,086	24,808
A13-015 UK Trunk*	SRF Loan	\$1,946,502	1.75%	1-Dec-2037	2,935,759	127,530
A15-026 West Hickman WWS*	SRF Loan	\$4,347,825	1.75%	1-Dec-2037	36,000,000	
A13-007 Rodgers Rd*	SRF Loan	\$1,742,814	1.75%	1-Dec-2037	1,667,100	77,045
A17-003 Lower Griffin Gate Trunk	SRF Loan	\$1,286,628	1.75%	1-Dec-2037	1,286,628	
Premiums and Discounts				8,737,880		
<b>Total Bonds, Notes, and Loans Payable</b>				<b>196,730,488</b>	<b>8,760,072</b>	
Other Liabilities:						
Compensated Absences				1,469,458	484,455	
Landfill Closure & Postclosure Care Costs				12,845,561	440,069	
Unfunded Other Post Employment Benefit Liability				12,252,482		
Unfunded Pension Liability				35,073,479		
<b>Total Other Liabilities</b>				<b>61,640,980</b>	<b>924,524</b>	
<b>Total Business-Type Activities</b>				<b>\$258,371,468</b>	<b>\$9,684,596</b>	

\*Amounts represents draws as of 6/30/2018

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2018

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds, Notes, Loans, and Leases:					
General and Pension Obligation Bonds	\$355,015,000	\$54,880,000	(\$46,845,000)	\$363,050,000	\$29,245,000
Net of Bond Premiums and Discounts	23,392,126	4,617,175	(2,013,285)	25,996,016	
<b>Total Bonds, Notes, and Loans Payable</b>	<b>378,407,126</b>	<b>59,497,175</b>	<b>(48,858,285)</b>	<b>389,046,016</b>	<b>29,245,000</b>
Other Liabilities:					
Compensated Absences	25,334,643	2,356,636	(1,567,437)	26,123,842	3,657,338
Unfunded Other Post Employment Benefit Liability	403,889,121	10,045,294		413,934,415	
Unfunded Pension Liability	353,465,981	195,783,347	(134,565,046)	414,684,282	
<b>Total Governmental Activities Long-Term Liabilities</b>	<b>\$1,161,096,871</b>	<b>\$267,682,452</b>	<b>(\$184,990,768)</b>	<b>\$1,243,788,555</b>	<b>\$32,902,338</b>
<b>Business-Type Activities</b>					
Bonds, Notes, and Loans:					
Revenue Bonds	\$29,900,000	\$0	(\$2,540,000)	\$27,360,000	\$2,665,000
Mortgage Revenue Bonds	42,590,000		(2,055,000)	40,535,000	2,165,000
Notes and Loans	86,872,538	36,153,717	(2,928,647)	120,097,608	3,930,073
Bonds, Notes, and Loans Payable	159,362,538	36,153,717	(7,523,647)	187,992,608	8,760,073
Net of Bond Premiums and Discounts	9,608,110		(870,230)	8,737,880	
<b>Total Bonds, Notes, and Loans Payable</b>	<b>168,970,648</b>	<b>36,153,717</b>	<b>(8,393,877)</b>	<b>196,730,488</b>	<b>8,760,073</b>
Other Liabilities:					
Compensated Absences	1,488,546	379,502	(398,590)	1,469,458	484,455
Landfill Closure and Postclosure Care Costs	13,722,665		(877,104)	12,845,561	440,069
Unfunded Other Post Employment Benefit Liability	9,063,513	3,188,969		12,252,482	
Unfunded Pension Liability	27,789,216	13,112,765	(5,828,502)	35,073,479	
<b>Total Business-Type Activities Long-Term Liabilities</b>	<b>\$221,034,588</b>	<b>\$52,834,953</b>	<b>(\$15,498,073)</b>	<b>\$258,371,468</b>	<b>\$9,684,597</b>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for Governmental Activities. For the Governmental Activities, compensated absences are generally liquidated by the General Fund and the Urban Services Fund. The General Fund is used to liquidate both the net pension obligation and the net other postemployment benefit obligation. For Business-Type Activities, landfill closure and postclosure care costs are liquidated from fees charged for landfill services.

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

Fiscal Year	Governmental Activities		Business-Type Activities				Total Primary Government	
	General Obligation Bonds, Notes, and Loans		Revenue Bonds, Notes, and Loans		Mortgage Revenue Bonds		Interest	Principal
	Interest	Principal	Interest	Principal	Interest	Principal		
2019	\$14,971,841	\$29,245,000	\$3,273,402	\$6,595,071	\$1,795,056	\$2,165,000	\$20,040,299	\$38,005,071
2020	13,683,389	29,465,000	3,037,063	9,980,997	1,684,181	2,270,000	18,404,633	41,715,997
2021	12,347,034	29,970,000	2,791,704	8,649,226	1,567,681	2,390,000	16,706,419	41,009,226
2022	11,009,251	29,135,000	2,537,678	8,902,464	1,445,181	2,510,000	14,992,110	40,547,464
2023	9,731,191	29,045,000	2,318,517	7,402,577	1,316,431	2,640,000	13,366,139	39,087,577
2024 - 2028	30,395,865	130,085,000	8,922,720	39,672,618	4,407,781	15,375,000	43,726,366	185,132,618
2029 - 2033	8,804,751	64,660,000	4,422,577	38,519,051	884,085	13,185,000	14,111,413	116,364,051
2034 - 2039	1,280,869	21,445,000	1,268,532	27,735,601			2,549,401	49,180,601
<b>Total</b>	<b>\$102,224,191</b>	<b>363,050,000</b>	<b>\$28,572,193</b>	<b>147,457,605</b>	<b>\$13,100,396</b>	<b>40,535,000</b>	<b>\$143,896,780</b>	<b>551,042,605</b>
Less principal payable within one year		29,245,000		6,595,071		2,165,000		38,005,071
Long term principal due after one year		<b>\$333,805,000</b>		<b>\$140,862,534</b>		<b>\$38,370,000</b>		<b>\$513,037,534</b>

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**Component Units**

The Government is contingently liable for the Lexington Center Corporation and Airport Board's debt. Principal and interest requirements for Component Units' debt are as follows:

Fiscal Year	Principal			Total
	Lexington Center Corporation	Lexington Airport Board	Nonmajor Component Units	
2019	\$2,340,000	\$3,660,000	\$1,509,338	\$7,509,338
2020	4,055,191	3,990,000	1,563,007	9,608,198
2021	5,021,602	4,100,000	1,614,999	10,736,601
2022	2,555,852	4,130,000	1,672,657	8,358,509
2023	2,627,030	4,210,000	1,727,613	8,564,643
2024-2028	4,067,669	21,715,000	6,835,156	32,617,825
2029-2033		24,955,000	905,568	25,860,568
2034-2038		16,990,000	175,349	17,165,349
2033-2041		680,000		680,000
2042-2047			12,673,400	12,673,400
<b>Total</b>	<b>20,667,344</b>	<b>84,430,000</b>	<b>28,677,087</b>	<b>133,774,431</b>
Less payable within one year	(2,340,000)	(3,660,000)	(1,509,338)	(7,509,338)
Refinancing loss/premium-discount	4,931	4,027,006		4,031,937
Long term principal due after one year	<u>\$18,332,275</u>	<u>\$84,797,006</u>	<u>\$27,167,749</u>	<u>\$130,297,030</u>

Fiscal Year	Interest			Total
	Lexington Center Corporation	Lexington Airport Board	Nonmajor Component Units	
2019	\$642,605	\$2,929,436	\$694,378	\$4,266,419
2020	534,509	2,896,200	640,505	4,071,214
2021	368,475	2,775,963	589,152	3,733,590
2022	271,280	2,680,903	537,251	3,489,434
2023	199,115	2,569,947	486,883	3,255,945
2024-2027	174,475	10,843,808	1,367,016	12,385,299
2028-2032		6,349,262	1,060,765	7,410,027
2033-2037		1,490,110	929,312	2,419,422
2038-2041		15,899	925,629	941,528
2042-2047			509,096	509,096
<b>Total</b>	<u>\$2,190,459</u>	<u>\$32,551,528</u>	<u>\$7,739,987</u>	<u>\$42,481,974</u>

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

Revenue and Mortgage Revenue Bonds

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

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1. \$24,190,000 of Tax-Exempt Sewer System Revenue Refunding Bonds, Series 2014A, issued at a premium, and payable annually in principal installments ranging from \$500,000 to \$3,095,000 plus interest over 13 years, to fully refund the Sewer System Revenue Bonds, Series 2009A, (Taxable Build America Bonds). The refunding provided for a cumulative savings of \$1,119,864 over the life of the bonds and a net present value savings of \$1,317,979 or 4.35% including the escrow of the partial BAB subsidy from the Sewer System Revenue Bonds, Series 2009A.
2. \$10,410,000 of Taxable Sewer System Revenue Refunding Bonds, Series 2014B, issued at a premium and payable annually in principal installments ranging from \$1,005,000 to \$2,540,000 plus interest over 5 years to fully refund the Sewer System Refunding Revenue Bonds Series 2010A. The issue resulted in a net present value loss of (\$284,163) or (2.42%). However, this issue was refunded in conjunction with the Tax-Exempt Sewer System Revenue Refunding Bonds, Series 2014A to provide the Government the opportunity to update the bond ordinances for current and future Sewer bond issues, see the below section on the updates to the Sewer System Bond Ordinances.

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

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

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

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

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

The PFC issued \$42,590,000 Mortgage Revenue Refunding Bonds, Series 2016D, to refund \$48,910,000 total principal remaining on Series 2006 bonds, issued at a premium and payable annually in principal installments ranging from \$981,387 to \$3,961,556 plus interest over 16 years. The refunding provided a cumulative savings of \$7,984,977 over the life of the bonds resulting in a net present value savings of \$6,804,749 or 13.91% of the refunded principal.

Kentucky Infrastructure Authority (KIA) State Revolving Fund (SRF) Loans

SRF Loans are loans that are issued by the Commonwealth of Kentucky for infrastructure improvements. These loans are 20 year loans with a 2% interest rate. The Government has received the following KIA SRF Loans.

1. KIA Loan A209-09 Radcliffe Road issued in the amount of \$113,523, payable annually in principal installments ranging from \$1,837 to \$3,438 plus interest over 20 years. Financing improvements to the storm water system along Radcliffe Road in Fayette County.
2. KIA Loan A209-08 Streetscape issued in the amount of \$1,254,980, payable annually in principal installments ranging from \$25,671 to \$37,843 plus interest over 20 years. Financing improvements to the storm water system in the city center of Lexington. These funds were used in conjunction with the streetscape project that included upgrades to the sidewalks, sewer and storm water systems. This capital project included South Limestone, East and West Main Street, and Vine Street.
3. KIA Loan A09-01 South Elkhorn Pump station issued in the amount of \$14,045,119, payable annually in principal installments ranging from \$281,600 to \$423,692 plus interest over 20 years. Financing the upgrade of the South Elkhorn pump station and construction of a new 36-inch force main. The Capital Replacement Reserve Fund requirement is \$43,020 annually for 10 years.
4. KIA Loan A10-08 Wolf Run Pump station issued in the amount of \$10,500,000, payable annually in principal installments ranging from \$375,028 to \$536,379 plus interest over 20 years for the upgrade and expansion of the Wolf Run pump station. The Capital Replacement Reserve Fund requirement is \$26,250 annually for 10 years.
5. KIA Loan A13-002 issued in the amount of \$8,805,648, payable annually in principal installments ranging from \$184,181 to \$259,589 for the upgrades to the Bob-O-Link Trunk Line, Wolf Run Trunk Line and the Wolf Run Storage Tank Capacity Upgrade.. The Capital Replacement Reserve Fund requirement is \$35,000 annually for 10 years.
6. KIA Loan A13-003 issued in the amount of \$9,997,196, payable annually in principal installments ranging from \$205,263 to \$582,140 plus interest over 20 years for the upgrades to the Eastlake Trunk Line, Century Hills Trunk Line, West Hickman Trunk Line and the Woodhill Trunk Line. The Capital Replacement Reserve Fund requirement is \$25,000 annually for 10 years.
7. KIA Loan A13-007 issued in the amount of \$4,298,547, payable annually in principal installments ranging from \$91,001 to \$252,328 plus interest over 20 years for the upgrades to the Storm Water Systems of Anniston Wickland, Idlehour, Walhampton Rogers, and Perimeter Park Neighborhoods. The Capital Replacement Reserve Fund requirement is \$12,000 annually for 10 years.

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8. KIA Loan A13-018 issued in the amount of \$5,264,306, payable annually in principal installments ranging from \$110,486 to \$306,355 plus interest over 20 years for the upgrades to the Expansion Area 2A Wastewater System. The Capital Replacement Reserve Fund requirement is \$15,000 annually for 10 years.
9. KIA Loan A12-016 issued in the amount of \$1,594,025, payable annually in principal installments ranging from \$32,606 to \$48,066 for the acquisition and conversion to a pump station of the Blue Sky Wastewater Treatment plant. The Capital Replacement Reserve Fund requirement is \$4,825 annually for 10 years.
10. KIA Loan A13-015 issued in the amount of \$31,801,000, payable annually in principal installments ranging from \$501,433 to \$704,322 for design and construction of Phase 1 of a multi-phase waste water storage facility at the Town Branch Wastewater Treatment Facility, upgrades to Marquis Avenue, and the UK Trunk Line. The Capital Replacement Reserve Fund requirement is \$80,000 annually for 10 years.
11. KIA Loan A14-001 issued in the amount of \$12,134,178, payable annually in principal installments ranging from \$252,567 to \$357,777 for design and construction of Phase 1 of a multi-phase waste water storage facility at the Lower Cane Run Pump Station. The Capital Replacement Reserve Fund requirement is \$50,000 annually for 10 years.
12. KIA Loan A15-026 issued in the amount of \$67,944,188 for design and construction of Phase 1 of a multi-phase waste water storage facility at the West Hickman Waste Water Treatment Plant. As of June 30, 2018 the Government has received only a partial draw of \$36,000,000 with the remaining balance of \$31,944,188 to be requested in future years. Until the remaining balance is requested, the Kentucky Infrastructure Authority does not issue an amortization schedule for the loan, nor does the Government initiate payment of principle toward the loan. Amortization estimation has been used based on information outlined in the Assistance Agreement between KIA and the Government. The Capital Replacement Reserve Fund requirement is \$170,000 annually for 10 years.
13. KIA Loan A17-003 issued in the amount of \$1,286,628, payable annually in principal installments ranging from \$27,003 to \$37,929 for the replacement of 4,700 linear feet of gravity sewer pipes. The Capital Replacement Reserve Fund requirement is \$5,900 annually for 10 years.

General Obligation Bonds and Notes

The Government issues General Obligation bonds and notes to provide funds for the acquisition and construction of capital assets used by Governmental Activities. The Government has issued the following general obligation bonds and notes:

1. \$24,830,000, Series 2009A, issued at a premium and payable annually in principal installments ranging from \$745,000 to \$1,725,000 plus interest over 20 years, to finance the cost of the Purchase of Development Rights Program, Street Resurfacing, Bluegrass Aspendale improvements, and other various construction projects. Of the outstanding balance, \$15,043,284 was refunded through the issuance of Series 2015A, leaving a remaining balance of \$1,680,000. The remaining balance was paid during fiscal year 2018.
2. \$70,610,000, Series 2009B, Taxable General Obligation Pension Funding Bonds, issued at a discount and payable annually in principal installments ranging from \$2,315,000 to \$5,515,000 plus interest over 20 years, to finance additional contributions to the Policemen's and Firefighters' Retirement Plan.
3. \$7,735,000, Series 2010B, General Obligation Refunding Bonds, for refunding the Series 1999B and 2000A General Obligation Bonds. Issued at a discount and payable annually in principal installments ranging from \$715,000 to \$850,000 plus interest over 10 years. The refunding provided for a cumulative savings of \$1,394,276 over the life of the bonds resulting in a net present value savings of \$1,189,304 or 15.37% of the refunded principal.

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4. \$6,635,000, Series 2010C, General Obligation Refunding Bonds, for refunding the Series 2000E General Obligation Bonds. Issued at a discount and payable annually in principal installments ranging from \$60,000 to \$675,000 plus interest over 12 years. The refunding provided for a cumulative savings of \$675,874 over the life of the bonds resulting in net present value savings of \$593,504 or 8.95% of the refunded principal.
5. \$35,825,000, Series 2010D, Taxable General Obligation Pension Funding Bonds issued at a discount and payable annually in principal installments ranging from \$1,195,000 to \$2,700,000 plus interest over 20 years, to finance additional contributions to the Policemen's and Firefighters' Retirement Plan. Of the outstanding balance \$22,445,000 was refunded through the issuance of Series 2017B, leaving a remaining balance of \$6,480,000.
6. \$4,465,000, Series 2010H, General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2001B. Issued at a discount and payable in annual principal payments ranging from \$30,000 to \$540,000 plus interest over 12 years. The refunding provided for a cumulative savings of \$150,459 over the life of the bonds resulting in a net present value savings of \$126,407 or 3.03% of the refunded principal.
7. \$31,000,000, Series 2012A, Taxable General Obligation Pension Funding Bonds, issued at a premium and payable annually in principal installments ranging from \$1,170,000 to \$2,110,000 plus interest over 20 years, to finance additional contributions to the Policemen's and Firefighters' Retirement Plan .
8. \$6,275,000, Series 2012B, General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2002C and the General Obligation Bond Series 2004C. Issued at a discount and payable in annual principal payments ranging from \$20,000 to \$825,000 plus interest over 12 years. The refunding provided for a cumulative savings of \$597,633 over the life of the bonds resulting in net present value savings of \$545,403 or 8.76% of the refunded principal.
9. \$11,275,000, Series 2013A, Various Purpose General Obligation Bonds to finance various street and highway improvements including the rehabilitation and paving of existing roads and streets throughout Lexington, Fayette County, Kentucky. Issued at a premium and payable in annual principal payments ranging from \$845,000 to \$1,265,000 plus interest over 10 years.
10. \$6,005,000, Series 2013B, Various Purpose General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2004C, General Obligation Bond Series 2005C and General Obligation Bond Series 2006B. Issued at a premium and payable annually in principal installments ranging from \$40,000 to \$925,000 plus interest over 13 years. The refunding provided for a cumulative savings of \$402,579 over the life of the bonds resulting in net present value savings of \$293,222 or 5.10% of the refunded principal.
11. \$17,035,000, Series 2013C, Various Purpose General Obligation Bonds to finance various projects for Departments within the Government, including but not limited to communications and computer equipment and other equipment, traffic engineering equipment, police and fire equipment, police and fire vehicles, and golf carts, remodeling and renovation of public safety buildings, Kentucky Theatre renovations, maintenance building, fire stations, street and sidewalk improvements, various park projects and improvements, HVAC system maintenance, and weather and emergency systems upgrades. Issued at a premium and payable in annual principal payments ranging from \$595,000 to \$1,195,000 plus interest over 20 years.
12. \$55,925,000, Series 2014A, Various Purpose General Obligation Refunding Bonds, for refunding the General Obligation Bond Series 2010A Build America Bonds. Issued at a premium and payable annually in principal installments ranging from \$2,325,000 to \$4,220,000 plus interest over 17 years. The refunding provided for a cumulative savings of \$2,214,916 over the life of the bonds resulting in net present value savings of \$2,437,443 or 4.35% of the refunded principal.
13. \$24,245,000 Series 2014B, Various Purpose General Obligation Bonds to finance various projects for Departments within the Government, including but not limited to financing managed email solution/exchange,



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- storage area network, new tax revenue system, procurement website upgrade, Accela software, network infrastructure remediation, police patrol transport wagon, general repairs, life safety, autos vehicle replacement, pothole patcher, public safety ops/Lexcall center, sidewalk and catch basin repair, sidewalks, jail management system, public safety radio system, roof repair and replacement, HVAC repair and replacement, infrastructure improvements, Shillito multipurpose sports fields, Carver Center improvements, dugout replacement, aquatics improvements, Kentucky Theatre concession renovation, fire training tower, land acquisition and fire station design #24 and relocation of fire station #2, providing funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights, and construction of a new senior center. Issued at a premium and payable in annual principal payments ranging from \$690,000 to \$1,830,000 plus interest over 20 years.
14. \$2,900,000 Series 2014C, Energy Conservation General Obligation Bonds-Federally Taxable Qualified Energy Conservation Bonds to finance energy conservation measures and other qualifying projects at the Fayette County Detention Center including, but not limited to, LED lighting retrofits, chiller plant optimization, intake HVAC retrofit, inner ring HVAC retrofits, constant-volume reheat fan reset, controls upgrade, demand controlled ventilation, Variable-Air-Volume (VAV) box occupancy controls, energy efficient motors, demand controlled ventilation, kitchen hoods, and installation of new walk-in refrigeration. Issued at Par with annual sinking fund payments of \$196,441 and a 70% interest subsidy with a final maturity of 12 years. In March of 2018, \$105,000 in unused proceeds were redeemed in an extraordinary call per IRS guidelines. The new par amount is \$2,795,000.
  15. \$19,845,000, Series 2015A, Various Purpose General Obligation Refunding Bonds, for refunding a portion of the General Obligation Bond Series 2006C, General Obligation Bond Series 2009A and full refunding of Series 2010G, Various Purpose General Obligation Public Projects Recovery Zone Economic Development Bonds. Issued at a premium and payable annually in principal installments ranging from \$1,080,000 to \$2,985,000 plus interest over 14 years. The refunding provided for a cumulative savings of \$1,118,502 over the life of the bonds resulting in net present value savings of \$849,671 or 4.28% of the refunded principal.
  16. \$24,860,000 Series 2015B, Various Purpose General Obligation Bonds to finance various projects for Departments within the Government, including but not limited to financing an ERP software upgrade, new Budgeting system, procurement website upgrade, general repairs, life safety, autos vehicle replacement, roof repair and replacement, HVAC repair and replacement, neighborhood paving, infrastructure improvements, parks improvements and upgrades providing funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights, and additional funding for the Emergency Operations Center. Issued at a premium and payable in annual principal payments ranging from \$495,000 to \$2,015,000 plus interest over 20 years.
  17. \$22,450,000 Series 2016A, Taxable General Obligation Bonds to finance the restoration and rehabilitation of the historic Fayette County Courthouse (the "Historic Courthouse Project") located at 215 West Main Street in downtown Lexington, Fayette County, Kentucky which Historic Courthouse Project will help preserve the history and architecture of Lexington-Fayette County, enhance the economic development of downtown Lexington, assist in elimination of blight, and reinforce and promote additional redevelopment activities in downtown Lexington-Fayette County. Issued at Par and payable in annual principal payments ranging from \$910,000 to \$1,435,000 plus interest over 20 years.
  18. \$8,870,000 Series 2016B, Various Purpose General Obligation Bonds to finance various projects for Departments within the Government, including but not limited to: financing the design and infrastructure improvements for Town Branch Commons Corridor (TBCC), an innovative multimodal greenway that will link two regional trail systems, the Legacy Trail and Town Branch Trail, and through its unique linear park-like design and stormwater management systems, TBCC will create a livable, sustainable streetscape in downtown Lexington and will connect established and emerging neighborhoods to each other, downtown, and adjacent higher education (collectively, the "Town Branch Commons Corridor Project"); streetscape and sidewalk

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improvements located in the Versailles Road area; and street improvements including widening, opening, extending, realigning, grading, repaving, resurfacing, and otherwise rehabilitating and improving streets, roads, thoroughfares, avenues, and expressways throughout Lexington-Fayette County. Issued at a premium and payable in annual principal payments ranging from \$190,000 to \$815,000 plus interest over 20 years.

19. \$37,555,000 Series 2016C, Various Purpose General Obligation Bonds financing the acquisition of various projects for departments within the Lexington-Fayette Urban County Government, including, but not limited to, (i) the construction, installation and equipping of a new fire station, software system upgrades, safety operations and other safety related projects, road resurfacing, road maintenance, road upgrades, streetscapes and sidewalk improvements, renovations, repairs and upgrades related to public buildings, renovations, repairs and upgrades related to park projects, and providing financial assistance to Lexington Center Corporation for the expansion and replacement of the Lexington Convention Center, and (ii) providing funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights. Issued at a premium and payable in annual principal payments ranging from \$975,000 to \$3,100,000 plus interest over 20 years.
20. \$28,495,000 Series 2016D, Various Purpose General Obligation Refunding Bonds to finance the refunding of the 2006D Detention Center Refunding Bond. Issued at a premium and payable in annual principal payments ranging from \$2,920,000 to \$4,180,000 plus interest over 8 years. The refunding provided for a cumulative savings of \$3,942,183 over the life of the bonds resulting in net present value savings of \$3,742,315 or 11.47% of the refunded principal.
21. \$32,435,000 Series 2017A, Various Purpose General Obligation Bonds financing the acquisition of various projects for departments within the Lexington-Fayette Urban County Government, including, but not limited to, (i) the construction, installation, renovations, repairs and upgrades and equipping of fire stations, software system upgrades, safety operations and other safety related projects, new firetrucks, new police equipment, new police cars, road resurfacing, road maintenance, road upgrades, streetscapes and sidewalk improvements, renovations, repairs and upgrades related to public buildings, renovations, repairs and upgrades related to park projects, and various other improvements within departments of the Lexington-Fayette Urban County Government, (ii) providing funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights. Issued at a premium and payable in annual principal payments ranging from \$585,000 to \$2,925,000 plus interest over 20 years.
22. \$22,445,000 Series 2017B Taxable General Obligation Pension Funding Refunding Bonds issued to finance the refunding of a portion of the 2010D Lexington-Fayette Urban County Government Taxable General Obligation Pension Funding Bonds. Issued at a premium and payable in annual principal payments ranging from \$295,000 to \$2,595,000 plus interest over 13 years. The refunding provided for a cumulative savings of \$1,963,714 over the life of the bonds resulting in net present value savings of \$1,964,340 or 9.82% of the refunded principal.

Landfill Closure and Postclosure Care Cost

State and Federal laws and regulations require the Government to place final covers on its landfills and to perform certain maintenance and postclosure monitoring functions at its landfills for thirty years. Since the operations and maintenance of the Government's landfills are accounted for in an Enterprise Fund, the accrued liability for these costs are reported in the Landfill Fund as required by GASB 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*. The liability at June 30, 2018 is based on the estimated cost of maintaining and monitoring the Old Frankfort Pike Landfill (OFPLF) and the Haley Pike Landfill. Actual cost may be higher due to inflation, changes in technology, or changes in regulations and these costs will be funded by the Landfill Fund. The OFPLF ceased accepting waste decades ago. The Haley Pike Landfill ceased accepting waste in December 2011. Both of these landfills are at 100% capacity. The Haley Pike Landfill has been capped. Environmental monitoring and maintenance of the property will occur over the next 30 years, in accordance with Kentucky State Law.

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**NOTE 4. SELF-INSURANCE PROGRAM**

**A. Health, Dental, and Vision Care** – The Government offers health, dental, and vision care insurance options to employees of the Government. The self-insured medical and pharmacy health plan is provided by Anthem and City Pharmacy. The fully insured dental and vision plans are provided by Delta Dental and Eye Med, respectively. Third party administrators are responsible for the processing of claims and cost containment. Premiums are paid through payroll deductions and may be funded fully or partially by the Benefit Pool provided by the Government. The Health, Dental, and Vision Care Insurance Fund accounts for these activities and is reported in an internal service fund. Changes in the balances of claims liabilities during the past two years are as follows:

Surplus at June 30, 2016	\$0
Claims and changes in estimates	33,203,405
Claims paid	(33,203,405)
Surplus at June 30, 2017	0
Claims and changes in estimates	34,704,123
Claims paid	(34,704,123)
Surplus at June 30, 2018	\$0

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

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

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

Annually, as of June 30, the Fund has a third party actuary review the claim histories for all claim years for which open claims are outstanding. The actuary projects the ultimate claim payment obligation (including the IBNR claims) for each year's claim experience. The Government elected to establish the liability for these claims and loss expenses at their present value, with a discount rate of 3.5%. As of June 30, 2018 the undiscounted estimated liability was \$30,154,492. The discounted estimated liability as of June 30, 2018 was \$24,893,740. Changes in the balances of claims liabilities during the past two years are as follows:

	Auto Liability and Physical Damage	General Liability	Property	Workmens' Compensation	Total
Liability at June 30, 2016	\$2,815,109	\$6,523,013	\$192,470	\$17,219,578	\$26,750,170
Claims and changes in estimates FY17	(971,181)	2,329,098	353,971	5,768,560	7,480,448
Claims paid 2017	(313,330)	(3,383,255)	(390,572)	(6,060,512)	(10,147,669)
Liability at June 30, 2017	1,530,598	5,468,856	155,869	16,927,626	24,082,949
Claims and changes in estimates FY18	(113,378)	402,117	5,850,015	2,565,896	8,704,650
Claims Incurred FY 2018	293,551	(1,241,718)	(5,843,586)	(1,102,106)	(7,893,859)
Liability at June 30, 2018	\$1,710,771	\$4,629,255	\$162,298	\$18,391,416	\$24,893,740

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The Fund uses excess insurance policies, purchased from various commercial carriers, to reduce its exposure to large losses on all types of insured events or for exposures that are difficult to self-insure. These insurance policies permit recovery of losses above the self-insured retention limits from the insurance carriers, although it does not discharge the primary liability of the Self-Insured Retention Fund as the direct source for payment of claims made against the Government. Workers' compensation self-insured retention was \$1,000,000 and property self-insured retention was \$250,000. The following schedule indicates the types of excess insurance purchased, the SIR (self-insured retention level) maintained by the Fund, limits and some of the sub-limits of the excess insurance coverage:

Line of coverage	Self-insured Retention Per	
	Occurrence	Excess Reinsurance Annual Limit
Property	\$250,000	\$500,000,000 Per Occurrence
Flood Loss	250,000	\$50,000,000 Per Occurrence
Flood-Specified (3) Locations	500,000	\$5,000,000 Annual Aggregate for (3) Specified Locations
Earthquake Loss	250,000	\$100,000,000 Per Occurrence
EDP - Equipment Only	250,000	Included in Property Limits
Data, Programs or Software	250,000	\$5,000,000 Sublimit
Traffic Control Equipment	250,000	Included in Property Limits
Cyber Coverage – First Party	75,000	\$2,000,000 Aggregate (Separate Policy - Not Included in Property)
Boiler and Machinery	250,000	Included in Property Limits
Auto Physical Damage	100,000	Included in Property Limits
Auto Liability	1,500,000	\$2,000,000 Combined Single Limit Per occurrence/\$8,000 000 Commercial Excess Liability Umbrella
General Liability	1,500,000	\$2,000,000 Per Occurrence with varying sublimits/\$8,000 000 Commercial Excess Liability Umbrella
Public Officials Liability	1,500,000	\$2,000,000 Per Occurrence/\$8,000 000 Commercial Excess Liability Umbrella
Law Enforcement Liability	1,500,000	\$2,000,000 Per Occurrence/\$8,000 000 Commercial Excess Liability Umbrella
Workers' Compensation	1,000,000	Statutory Per Occurrence
Employers' Liability	1,000,000	\$2,000,000 Occurrence/\$2,000,000 Aggregate
Pollution Liability	75,000 per pollution loss	\$1,000,000 Aggregate

**NOTE 5. CONTINGENT LIABILITIES AND COMMITMENTS**

**A. Litigation** – The Government is party to numerous legal proceedings where the ultimate outcome cannot be determined with certainty or cannot be reasonably estimated, many of which normally occur in government operations. The Government’s Department of Law estimates that there are pending cases in which there is a reasonably possible likelihood that the Government will incur some liability. As of June 30, 2018 the Government has accrued approximately \$12,500,000 for potential liabilities for the cases covered by self-insurance (See Note 4.B.).

**B. United States Environmental Protection Agency Consent Decree** – The United States Environmental Protection Agency (EPA) and the Kentucky Environmental and Public Protection Cabinet (KYEPPC) filed suit in federal court against the Government in 2006 alleging various violations of the Clean Water Act. The Government completed negotiations with the EPA and KYEPPC to resolve the alleged violations. The resulting Consent Decree agreement was entered in the United States District Court – Eastern District of Kentucky on January 3, 2011. The settlement agreement requires the Government to undertake extensive studies, sewer improvement projects, and management plans to correct the problems that were alleged. The settlement affords the Government up to 13 years to correct the problems. The Government has estimated that the cost of remedial measures would approach \$591 million over the life of the Consent Decree. The Government increased sanitary sewer rates to fund obligations under the Consent Decree and also adopted a storm water management fee.

**C. Federal and State Grants** – The Government receives grant funds from various Federal and State government agencies to be used for specific designated purposes and are governed by various rules and regulations of the grantor agencies. The grant programs are subject to audit by agents of the granting authorities, the purpose of which is to ensure compliance with conditions surrounding the granting of funds. If a grantor’s review indicates that the funds have not been used for the intended purpose, the grantor may request a refund of monies advanced or refuse

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to reimburse the Government for its expenditures. In management's opinion, any liability for any refunds or reimbursements which may arise as a result of audits of grant funds would not have a material impact on the financial position of the Government. Continuation of the Government's grant programs is predicated upon the grantor's satisfaction that the funds provided are being spent as intended and the grantor's intent to continue their programs.

**D. Lexington Center Corporation** – LCC is a non-profit, non-stock corporate agency and instrumentality of the Government. The Government entered into a lease agreement that provides for leasing the Lexington Center from LCC on an annual basis beginning June 15, 1993. This lease agreement replaces a contract lease and option agreement that began October 1, 1974. The annual rental to be paid by the Government to LCC is an amount equal to interest and principal paid on the Series 2008A Bonds and Capital Appreciation Bonds, less a credit for interest earned by investments in the Debt Service Reserve Account and Bonds Service Account, plus a credit for any revenues or assets of LCC constituting operation revenue. The agreement grants the Government an exclusive option to renew the lease for additional one-year periods through June 30, 2022, but the Government may elect not to renew the lease with written notice to LCC. The Government may acquire title to the facilities on any interest payment date by notifying LCC and the Trustee within sixty days before such date and by paying to the Trustee an amount equal to principal, interest, and redemption premiums on bonds outstanding at that time, plus costs associated with the redemption of the bonds.

On July 13, 2001, LCC and the University of Kentucky (UK) Athletic Association entered into a lease agreement through the 2017-18 basketball season for the use of Rupp Arena. In December 15, 2016, the University signed a Letter of Intent with LCC outlining goals and terms to be negotiated in a new 15-year lease that would extend to 2033. On February 7, 2018 UK signed a Facility Right of Use Agreement with a minimum of 16 events must be University of Kentucky men's basketball games. LCC is to provide UK four club spaces to be constructed in the Convention Project. The agreement has a term of 15 years and will terminate June 30, 2033.

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

A Memorandum of Agreement dated March 23, 2016 between the Finance and Administration Cabinet (the cabinet), a governmental agency of the Commonwealth of Kentucky (the Commonwealth), LFUCG, and LCC provides that the Cabinet shall pay to LCC \$60,000,000 if LFUCG agrees to levy an additional 2.5% transient room tax (2% to LCC and 0.5% to the Cabinet for the recoupment of its \$60 million investment) and contribute an additional \$10,000,000 to LCC. LCC agrees to finance approximately \$171,000,000 through the sale of bonds, and spend all funds for the renovation, expansion, or improvement of a convention center. LCC also agrees to reimburse the Commonwealth for \$2,187,500, on or before December 31, 2016, it previously received towards the Arts and Entertainment Project. LCC repaid its commitment to the Commonwealth in fiscal 2017. LCC anticipates obtaining \$214 million for the convention project through the sales of bonds before the end of calendar year 2018.

On January 1, 2018, LCC entered into an agreement with Oak View Group LLC (OVG) to retain OVG as exclusive third party booking agent for events and concerts at Rupp Arena. This agreement expires December 31, 2022.

**E. Lexington-Fayette Urban County Airport Corporation (Airport Corporation)** – The Airport Corporation is a non-profit, non-stock corporate agency and instrumentality of the Government and the Airport Board. The Government and the Airport Board have entered into a joint and severable Contract Lease and Option Agreement that provides for leasing the Bluegrass Airport from the Airport Corporation on an annual basis beginning October 1, 1976. The annual rental to be paid by the Government to the Airport Corporation is an amount equal to interest and principal on the bonds, plus costs of operating, maintaining, and insuring the leased premises, less all receipts of the Airport Corporation that are not required to be otherwise applied. The agreement grants the Government the option to renew the lease for additional one-year periods through June 30, 2024, but the Government may elect not to renew the lease with written notice to the Airport Corporation. The Airport Corporation has had sufficient revenues to pay

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all debt service costs without a lease payment from the Government. The financial status is expected to remain the same.

The Airport Corporation is subject to federal, state, and local regulations in regards to the discharge of various materials into the environment. Costs are routinely incurred to remove, contain, and neutralize existing environmental 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 Corporation is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; general liability claims; and natural disasters. The Airport Corporation manages these risks through the purchase of commercial insurance. The amount of settlements has not exceeded coverage in any of the past three fiscal years.

**F. Lexington Public Library** – The Library is a non-profit, non-stock corporate agency and instrumentality of the Government. The Lexington Public Library Board of Trustees is a defendant in a lawsuit filed by the Library's former Director, for contract damages associated with her 2009 termination by the Board. This matter came before an American Arbitration Association panel that on May 17, 2014 issued an Order of Damages totaling \$907,762. On each of the panel's findings for damages, a panel member dissented to the order except in the case of the salary remaining on the contract which totals \$257,731. The Lexington Public Library Board of Trustee's legal counsel presented to the Fayette Circuit Court arguments and memoranda supporting the Board's position that the Arbitration Panel exceeded its authority under Kentucky law. On August 18, 2016, the Kentucky Supreme Court denied the Motion for Discretionary Review filed by the Plaintiff. The case was remanded to the Fayette Circuit Court. Since remand, the Library filed two motions for summary judgement. On August 9, 2017, the Fayette Circuit Court granted both motions for summary judgment and held that the Plaintiff was not entitled to recover damages. The deadline for appeal has not passed. On September 5, 2017, the Plaintiff filed a Notice of Appeal. The parties have fully briefed the Court of Appeals and are awaiting the Court's decision.

In November 1999 the Public Library Corporation (the Corporation), a component unit of the Lexington-Fayette Urban County Government, issued \$3,570,000 in tax-exempt bonds for the construction of the Tates Creek Branch. As security for the bonds, the Library has pledged to transfer amounts equal to annual debt service plus the highest annual debt service amount that will be on hand in the Corporation.

Through cancelable lease and sublease agreements, the Library is leasing the Tates Creek Branch from the Public Library Corporation for an annual rental equal to the annual debt service on the bonds. During the past fiscal year, the Library transferred \$256,580 to the Public Library Corporation to pay current debt service. As of June 30, 2018, the Library is committed to fund a total of \$519,632 through fiscal year 2020 for this purpose.

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

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amount of \$75,000. The Government has recorded a long term note receivable in the guaranteed amount of \$150,000. The remaining principal balance of \$355,000 has been forgiven. The Government has recorded a long term note receivable in the amount of \$405,000 due from Lexington Centercourt on June 13, 2019. The Government anticipates the amount to be paid in full.

**H. Liens and Encumbrances** – While the Government has satisfactory title to all owned assets, there may be some liens and encumbrances on such assets for matters unrelated to bond issues. Only a complete accurate title search of all properties would disclose such liens and encumbrances.

**I. Conduit Debt** – The Government has issued Industrial Revenue Bonds to provide financial assistance to private sector and nonprofit entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector or nonprofit entity served by the bond issue. The Government is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2018, there were 23 series of Industrial Revenue Bonds outstanding with an aggregate amount payable of approximately \$141,867,000.

To provide for the construction of a hospital facility, the PFC issued Lease Revenue Bonds, Series 2011A (Eastern State Hospital Project). The bonds are a special limited obligation of the PFC, payable solely from and secured by a pledge of rentals to be received from a lease agreement between the PFC and the Commonwealth of Kentucky. The bonds do not constitute a debt or pledge of the faith and credit of the PFC or the Government, and accordingly have not been reported in the accompanying financial statements. At June 30, 2018, the Lease Revenue Bonds outstanding total approximately \$115,575,000.

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

In governmental funds, encumbrances outstanding at year-end represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriations, is utilized in the governmental funds. Encumbrances are not treated as expenditures or liabilities because the commitments will be honored during the subsequent year. Outstanding encumbrances for the governmental funds at June 30, 2018 were as follows:

General Fund	\$4,697,148
Urban Service Fund	6,873,200
Nonmajor Governmental Funds	11,880,562

Encumbrances are not recorded in the financial statements for proprietary fund types and Pension Trust Funds. However, the purchase orders outstanding at June 30, 2018 for these funds are as follows:

Sanitary Sewer System	\$71,927,721
Public Facilities Corporation	1,492
Water Quality	5,745,996
Landfill	510,023
Nonmajor Enterprise Funds	494,555

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

As of June 30, 2018, the Government has property tax abatement agreements through two programs available for specific projects designated to be within the blighted redevelopment areas as follows (dollars in thousands):

- *Commonwealth Participation Program for Real Property Ad Valorem Tax Revenues* – The Government’s revenues for realty, business returns, and employee withholdings will be reduced by an estimated \$21,947 for tax credits related to fiscal year 2018 under an agreement entered into by the state in the next fiscal year. Participation requirements include a positive impact on the Commonwealth as certified by a qualified independent consultant; a minimum capital investment of \$10 million; not more than 20 percent of the approved project costs or 20 percent of the finished square footage shall be devoted to retail; and pledged revenues shall not exceed 100 percent of approved public infrastructure costs. The Government has pledged 80% of its revenues for realty, business returns, and employee withholdings for 20 years. As of June 30, 2018, one state abatement agreement has been entered into with a local business.
- *Commonwealth Participation Program for Mixed Use Redevelopment in Blighted Urban Areas* – The Government’s revenues for realty, business returns, and employee withholdings will be reduced by an estimated \$334,342 for tax credits related to fiscal year 2018 under an agreement entered into by the state in the next fiscal year. Projects must meet several qualifications for mixed use and blighted/deteriorated conditions. Participation requirements include being a new economic activity in the Commonwealth; having a positive impact on the Commonwealth; a minimum capital investment of at least \$20 million but not over \$200 million; and recovery of up to 100 percent of approved public infrastructure costs, and costs related to land preparation, demolition and clearance up to 20 years. The Government has pledged 80% of its revenues for realty, business returns, and employee withholdings for 20 years. As of June 30, 2018, four state abatement agreements have been entered into with local businesses.
- *Commonwealth Participation Program for Signature Projects* – The Government’s revenues for realty, business returns, and employee withholdings will be reduced by an estimated \$100,000 for tax credits related to fiscal year 2018 under an agreement entered into by the state in the next fiscal year. Participation requirements include a positive impact on the Commonwealth as certified by a qualified independent consultant; a minimum capital investment of \$200 million; not more than 20 percent of the approved project costs or 20 percent of the finished square footage shall be devoted to retail; pledged revenues shall not exceed 80 percent of approved public infrastructure costs; recovery of up to 100 percent of public infrastructure costs less sales taxes paid, signature costs less sales tax paid, and financing costs related to the public infrastructure costs over a period of up to 30 years; and qualifies for a sales tax refund on the purchase of construction materials that do not qualify as an approved public infrastructure cost or an approved signature cost. The Government has pledged 80% of its revenues for realty, business returns, and employee withholdings for 30 years. As of June 30, 2018, one state abatement agreement has been entered into with a local business.

The Government participates in the Commonwealth of Kentucky’s Kentucky Business Investment Program. This program is a state administered tax incentive, authorized by KRS 154.32, and approved by the Kentucky Economic Development Finance Authority. In order to be eligible, a company must create ten (10) new full-time jobs for



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Kentucky residents, incur eligible costs of at least \$100,000, pay average hourly wages of at least one hundred fifty percent (150%) of the federal minimum wage, and provide a minimum level of benefits by the activation date. Incentives are approved for up to ten (10) years. The Government participates by providing an inducement of one percent (1%) of payroll taxes to the company per authorized job. This reduces the payroll taxes paid per job from 2.25% to 1.25%. The local inducement is approved by resolution of the Urban County Council. As of June 30, 2018, twenty five (25) companies participated in that program at the local level. Payroll withholdings are reduced by an estimated amount of \$741,182.

**NOTE 6. THE SINGLE AUDIT ACT**

Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires non-federal entities that expend \$750,000 or more a year in Federal awards to have an audit performed in accordance with the provisions of the Circular. A separate supplemental report will be issued on active grant programs of the Government in accordance with applicable provisions of the Single Audit Act of 1984, P.L. 98-502 and the Single Audit Act Amendments of 1996, P.L. 104-156.

**NOTE 7. SUBSEQUENT EVENTS**

Primary Government

On September 12, 2018, the Urban County Council approved the issuance of General Obligation bonds with a par value of \$42.06 million to finance various projects including, but not limited to, (i) software system upgrades, safety operations and other safety related projects, new firetrucks, new police cars, road resurfacing, road maintenance, streetscapes and sidewalk improvements, renovations and upgrades related to public buildings, fleet vehicle replacement, and upgrades related to park projects, and various other improvements within departments of the Lexington-Fayette Urban County Government, and (ii) providing funding for renovations to the Lexington Convention Center.

Component Unit

On September 2018, the Lexington Convention and Visitors Bureau entered into an agreement with the Lexington Center Corp. to pledge \$750,000 annually for thirty years beginning January 1, 2019 in order to support the Lexington Center Corp. and its convention and tourism facilities.

On June 2018, Lexington Center Corp. (LCC) Board of Directors approved final plans for the Convention Project which is approximately \$300 million project and will be built over three years in two phases. The Project will be funded by a \$214 million in the sale of bonds, \$60 million from Commonwealth of Kentucky and a \$30 million contribution from LFUCG. The \$35 million interim loan will be repaid through the sale of the Project bonds scheduled to take place in late October 2018.

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

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

**A. Plan Descriptions**

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

The sworn personnel of the divisions of Police and Fire are eligible to participate in the PFRF. For members whose participation date in the PFRF is prior to March 14, 2013, benefits vest after twenty years of service. The annuity is 2.5% of average salary multiplied by years of total service. For members whose participation date is on or after March 14, 2013, benefits vest after twenty-five years of service. The annuity is 2.25% of average salary multiplied by years

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of total service. Cost of living adjustments (COLA) will be granted on the following schedule for both current and future retirees beginning on the earlier of a member turning age 50 or being retired for five years until the PFRF, utilizing the current COLA provisions, is 85% funded. At that time, COLA's will be granted each year by an amount, determined by the Board, of between 2% and 5% compounded annually. In addition, those receiving an annuity of over \$100,000 will not be eligible to receive a COLA until the later of the proposed conditions or January 1, 2018.

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

Members may add unused sick leave to service credit and average annual salary for purposes of calculating retirement benefits. The costs of administering the PFRF are financed by a combination of additional contributions as well as investment income.

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

Both pension plans are included in the Government's comprehensive annual report and do not issue stand-alone financial reports. Membership for both plans consisted of the following at June 30, 2017:

	<u>Number</u>
Inactive Plan Participants:	
Retirees and beneficiaries currently receiving benefits	1,230
Active Plan Participants:	
Active members	1,123
Total	<u><u>2,353</u></u>

**B. Summary of Significant Accounting Policies**

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

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**C. Contributions**

The contribution requirements and benefit provisions for the PFRF are established by state statute and Government ordinance. In fiscal year 2017, the Government contributed 35.85% to the PFRF. Administrative costs were financed by a combination of additional contributions as well as investment income. The required contribution rate is shown in the following table:

	PFRF
Required Contribution Rates:	
Government	35.85%
Plan Member	12.00%

**D. Net Pension Liability**

The Government's net pension liability/(asset) was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. Additional information as of the latest actuarial valuation is presented in the following table.

	Policemen's and Firefighters' Pension Fund	City Employees' Pension Fund
Valuation date	July 1, 2017	July 1, 2017
Actuarial cost method	Entry Age Normal Funding	Entry Age Normal Funding
Amortization method	Level Dollar - Closed	Level Dollar - Open
Remaining amortization period	27 years closed	15 years open
Asset valuation method	5 year smoothed market	Market
Actuarial assumptions:		
Investment rate of return	7.50%	7.00%
Projected salary increases	9.50% to 3.50%	N/A
Cost-of-living adjustments	See Note 8.A. on page 94	3.00%
Inflation	2.75%	N/A

*Changes in the Net Pension Liability (Asset)*

	PFRF			CEPF		
	Increase (Decrease)			Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability / (Asset)
	(a)	(b)	(a)-(b)	(a)	(b)	(a)-(b)
<b>Balances at 6/30/2016</b>	\$814,146,141	\$619,901,142	\$194,244,999	\$10,841,052	\$30,106,397	(\$19,265,345)
<b>Changes for the year:</b>						
Service Cost		15,736,332	15,736,332			
Interest		58,934,015	58,934,015	712,234		712,234
Differences between expected and actual experience	17,343,653		17,343,653	(756,397)		(756,397)
Changes of assumptions	53,757,251		53,757,251			
Contributions-employer		29,667,706	(29,667,706)			
Contributions-employee		11,186,704	(11,186,704)			
Net investment income		91,231,369	(91,231,369)		1,329,650	(1,329,650)
Benefit payments, including refunds of employee contributions	(56,718,545)	(56,718,545)		(1,332,557)	(1,332,557)	
Administrative expense		(226,211)	226,211		(7,240)	7,240
Other changes		141,051	(141,051)		(2)	2
<b>Net changes</b>	89,052,706	75,282,074	13,770,632	(1,376,720)	(10,149)	(1,366,571)
<b>Balances at 6/30/2017</b>	\$903,198,847	\$695,183,216	\$208,015,631	\$9,464,332	\$30,096,248	(\$20,631,916)

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

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
<b>CEPF's net pension liability (asset)</b>	(\$20,078,207)	(\$20,631,916)	(\$21,127,995)

The following presents the net pension liability of the Government's PFRF pension plan, calculated using the discount rate of 7.50%, as well as what the PFRF's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
<b>PFRF's net pension liability</b>	\$312,941,463	\$208,015,631	\$120,745,457

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

At June 30, 2017, the CEPF and PFRF reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

**CEPF**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$994,735	\$0
Total	\$994,735	\$0

**PFRF**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$27,905,747	\$0
Changes of assumptions	43,005,801	
Net difference between projected and actual earnings on pension plan investments		9,748,520
Employer contributions subsequent to the Measurement date	27,576,764	
Total	\$98,488,312	\$9,748,520

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

**Year ended June 30:**

2019	\$36,467
2020	526,476
2021	285,611
2022	146,181
Thereafter	0

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

<b>Year ended June 30:</b>	
2019	\$12,061,511
2020	23,114,230
2021	17,073,559
2022	8,071,462
Thereafter	842,266

**E. Other Post Employment Benefit (OPEB)**

The Governmental Accounting Standards Board issued Statement No. 75 (GASB 75), “Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pensions” in June 2015. GASB 75’s effective date is for an employer’s fiscal year beginning after June 15, 2017. For the purposes of reporting under GASB 75, the Plan is assumed to be a single-employer defined benefit OPEB plan without a special funding situation where no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

**Plan Description** – In August 1999, the Urban County Council passed an ordinance that authorized the Government to provide a health insurance benefit to the retirees of both retirement funds, effective July 1, 1999 (the Plan). All retirees who continue to participate in the Government’s group health insurance plan are eligible for this benefit.

**Funding Policy** – The Government pays the premiums for single coverage on a pay-as-you-go basis.

**Plan membership** – As of June 30, 2017 the plan membership data is as follows:

	Number
Inactive Plan Participants:	
Retirees and beneficiaries currently receiving benefits	1,029
Active Plan Participants:	
Active members	1,123
Total	2,152

**Benefits Provided** – The Government administers a single-employer defined benefit post-employment health insurance plan. This plan does not include the pension benefits discussed in Note 8. This plan is included in Trust Funds for the City Employees’ Pension Fund and the in the Government’s financial statements. The plan does not issue a publicly available financial report.

**ELIGIBILITY FOR BENEFITS** – 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 retire (according to the one of the retirement eligibilities listed above) after July 1, 1999 and have continuous participation in the health insurance programs sponsored by the Government are eligible to receive a health insurance benefit.

**AMOUNT OF ALLOWANCE** – For eligible employees the Government pays the single premium for the plan coverage selected by the retiree, but not more than one hundred percent (100%) of the Government’s contribution to the health insurance component of the benefit pool for current urban-county government employees for eligible members. All payments are made to the approved provider of the group health insurance plan, not to the retiree, and the retiree shall not be entitled to receive any portion of the government contribution remaining after payment is made to the approved provider. Upon the death of an active member due to occupational causes, the Government will pay one hundred percent (100%) of the cost of the family medical coverage for the member’s surviving spouse and dependent children as long as they remain eligible for a monthly retirement allowance from the retirement fund. Upon

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 NOTES TO FINANCIAL STATEMENTS (Continued)  
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the death of an active member due to non-occupational causes, the member’s surviving spouse and dependent children are able to stay on the plan as long as the applicable premium payments are made.

**DEPENDENT COVERAGE** – Group rates under the group health insurance plan approved by the Government are made available to the spouse, dependents and disabled children of a qualified and participating retiree, if the premium is paid by the retired member, spouse, dependent, or disabled child. Upon the death of a retiree, the retiree’s surviving spouse is able to stay on the plan as long as the applicable premium payments are made.

**RETIREE GROUP HEALTH INSURANCE PLAN OPTIONS:**

- Humana PPO-A
- Humana PPO-B
- Humana HSA1
- Humana HSA2
- Humana Seniors Medicare Advantage Plan
- Anthem Seniors Standard Plan
- Anthem Seniors Comprehensive Plan

Retirees under age 65 may select from the Humana PPO Plan options. Retirees age 65 and older may select from any of the last three plan options above only if they are covered under Medicare Parts A and B. Medicare Part D coverage is provided to those retirees electing one of the Senior Plans above.

**CURRENT GROUP HEALTH MONTHLY INSURANCE PREMIUMS EFFECTIVE JANUARY 1, 2016:**

Plan Option	Single	Two Party
Humana PPO-A	\$696.57	\$1,267.75
Humana PPO-B	515.47	938.15
Humana HSA1	469.16	853.85
Humana HSA2	460.30	731.30
Humana Seniors Medicare Advantage Plan	360.79	721.58
Anthem Seniors Standard Plan	157.98	315.96
Anthem Seniors Comprehensive Plan	198.05	396.10

The Government contributes \$430.75 for an individual without the tobacco credit, \$455.74 for an individual or an individual covering a spouse with the tobacco credit, and \$480.74 for a family with the tobacco credit toward the premium for single coverage for retirees and \$75 for surviving spouses without the tobacco credit and \$100 for surviving spouses with the tobacco credit of active members who die in service due to occupational causes. The remainder of any premium is paid by retirees.

The amounts contributed to both retirement funds OPEB were \$4,952,442, \$5,638,286, and \$4,632,488 respectively, for the years ended June 30, 2018, 2017, and 2016.

**OTHER POST EMPLOYMENT BENEFITS** – Health care and prescription drug coverage is provided in all of the group health insurance plan options. Vision coverage is extended to those members electing the Humana Platinum Plan or the Humana Gold Plan.

**Total OPEB Liability (TOL) of the Government**

Total OPEB Liability	\$341,737,302
Fiduciary Net Position	0
Net OPEB Liability	<u>\$341,737,302</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
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**Actuarial Assumptions** – The total OPEB liability was determined by an actuarial valuation as of July 1, 2016 and rolled forward to June 30, 2017, the measurement date. The following actuarial assumptions applied to all periods in the measurement, unless otherwise specified:

Inflation	2.75%
Real Wage growth	N/A
Wage Inflation	N/A
Municipal Bond Index Rate	
Prior Measurement Date	3.01%
Measurement Date	3.56%
Health Care Cost Trends	
Pre-Medicare	7.50% for 2018 decreasing to an ultimate rate of 5.00% by 2024
Post-Medicare	5.50% for 2018 decreasing to an ultimate rate of 5.00% by 2024

**Discount rate** – The discount rate used to measure the TOL was based on the June average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by The Bond Buyer. Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56% due to a change in the Municipal Bond Rate.

The RP-2000 Combined Table Generational with Scale AA was used for the inactive members receiving a benefit in the City Employees’ Pension Fund. The RP-2000 Combined Table Projected with scale BB to 2017 was used for the members of the Policemen’s and Firefighters’ Retirement Fund, both actives and the inactive members receiving a benefit.

*Changes in the Total OPEB Liability (Asset)*

	<b>Increase / (Decrease)</b>
<b>Total OPEB Liability (TOL)</b>	
<b>Balances at 6/30/2016</b>	\$350,482,838
<b>Changes for the year:</b>	
Service Cost	18,518,517
Interest on the TOL and Cash Flow	10,445,265
Differences between expected and actual experience	(1,289,809)
Changes of assumptions	(30,781,223)
Benefit payments	(5,638,286)
<b>Net changes</b>	<b>(8,745,536)</b>
<b>Balances at 6/30/2017</b>	<b>\$341,737,302</b>

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate** – The following presents the net OPEB liability of the Government, as well as what the Government’s net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower and 1-percentage point higher than the current discount rate:

	1% Decrease	Current Discount Rate	1% Increase
Net OPEB Liability	\$379,841,269	\$341,737,302	\$271,006,000

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NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2018

**Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate** – The following presents the net OPEB liability of the Government, as well as what the Government’s net OPEB liability would be if it were calculated using a discount rate 1-percentage point lower and 1-percentage point higher than the current healthcare cost trend rate:

	1% Decrease	Current Discount Rate	1% Increase
	2.56%	3.56%	4.56%
Net OPEB Liability	\$266,578,188	\$341,737,302	\$386,368,430

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

Since certain expense items are recognized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts will increase OPEB Expense they are labeled Deferred Outflows of Resources. If they serve to reduce OPEB Expense they are labeled Deferred Inflows of Resources. The recognition of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions or other inputs, if any, are recognized over the average expected remaining service life of the active and inactive Plan members at the beginning of the measurement period.

For the year ended June 30, 2017, the Government recognized OPEB expense of \$24,212,518. At June 30, 2017 the Government reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$0	\$1,098,726
Changes of assumptions		26,221,042
Total	\$0	\$27,319,768

Amounts to be recognized as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2018	\$(4,751,264)
2019	(4,751,264)
2020	(4,751,264)
2021	(4,751,264)
2022	(4,751,264)
Thereafter	(3,563,448)

**Payable to the OPEB Plan**

At June 30, 2017, the Government had no payables for outstanding contributions to the Plan required for the year ended June 30, 2017.



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**F. Pension Plan Financial Statements**

**STATEMENT OF NET POSITION**  
**June 30, 2018**

	<u>PFRF</u>	<u>CEPF</u>	<u>Total Pension Trust Funds</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$3,796,104	\$670,815	\$4,466,919
Receivables:			
Interest Receivable	2,519,453	54,380	2,573,833
Investments, at Fair Value:			
Debt Securities:			
Bank Loans	347,631		347,631
Corporate Debt	79,786,587	7,353,210	87,139,797
International Bonds	7,513,441		7,513,441
Municipal Obligations	2,990,453		2,990,453
SL Comingled Funds	35,690,216		35,690,216
US Agencies	32,107,686		32,107,686
US Government Obligations	30,128,911	3,213,337	33,342,248
Other Investments:			
Equity Mutual Funds	448,912,777	18,905,957	467,818,734
Equity Real Estate	68,495,596		68,495,596
Equity Securities - Domestic	357,923		357,923
Equity Securities - International	68,224,013		68,224,013
<b>Total Investments</b>	<u>774,555,234</u>	<u>29,472,504</u>	<u>804,027,738</u>
<b>Total Assets</b>	<u>\$780,870,791</u>	<u>\$30,197,699</u>	<u>\$811,068,490</u>
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	\$9,601	\$1,791	\$11,392
Securities Lending Transactions	35,690,216		35,690,216
<b>Total Liabilities</b>	<u>\$35,699,817</u>	<u>\$1,791</u>	<u>\$35,701,608</u>
<b>NET POSITION</b>			
Net position restricted for pensions	<u>\$745,170,974</u>	<u>\$30,195,908</u>	<u>\$775,366,882</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
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**STATEMENT OF CHANGES IN NET POSITION**  
**June 30, 2018**

	<u>PFRF</u>	<u>CEPF</u>	<u>Total Pension Trust Funds</u>
<b>ADDITIONS</b>			
Contributions:			
Employer	\$27,576,764	\$0	\$27,576,764
Employer - Administration	4,904,724	47,718	4,952,442
Plan Members	10,750,008		10,750,008
Other	8,396		8,396
<b>Total Contributions</b>	<u>43,239,892</u>	<u>47,718</u>	<u>43,287,610</u>
Investment Income:			
Net Change in Fair Value of Investments	58,922,532	828,492	59,751,024
Interest	10,285,518	398,551	10,684,069
Dividends	3,924,933	235,386	4,160,319
<b>Total Investment Income</b>	<u>73,132,983</u>	<u>1,462,429</u>	<u>74,595,412</u>
Less Investment Expense	3,172,768	93,064	3,265,832
<b>Net Investment Income</b>	<u>69,960,215</u>	<u>1,369,365</u>	<u>71,329,580</u>
Income from Securities Lending Activities:			
Securities Lending Income	296,155		296,155
Securities Lending Expenses:			
Borrower Rebates	(871,342)		(871,342)
Management Fees	118,396		118,396
<b>Total Securities Lending Expenses (Income)</b>	<u>(752,946)</u>	<u>0</u>	<u>(752,946)</u>
<b>Net Income on Securities Lending Activities</b>	<u>1,049,101</u>	<u>0</u>	<u>1,049,101</u>
<b>Total Additions</b>	<u>114,249,208</u>	<u>1,417,083</u>	<u>115,666,291</u>
<b>DEDUCTIONS</b>			
Benefit Payments	63,954,734	1,312,429	65,267,163
Administrative Expense	306,716	4,994	311,710
<b>Total Deductions</b>	<u>64,261,450</u>	<u>1,317,423</u>	<u>65,578,873</u>
<b>Net Decrease</b>	49,987,758	99,660	50,087,418
<b>Net Position, Beginning</b>	<u>695,183,216</u>	<u>30,096,248</u>	<u>725,279,464</u>
<b>Net Position, Ending</b>	<u>\$745,170,974</u>	<u>\$30,195,908</u>	<u>\$775,366,882</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
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June 30, 2018

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

**Plan description** – The Government contributes to the Commonwealth of Kentucky's County Employees' Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement System. CERS is a cost-sharing multi-employer public employee retirement system which covers substantially all regular full-time employees of each county, school board, and any additional eligible local agencies electing to participate in the System. At June 30, 2016, there were over 1,400 local government agencies participating in CERS, which provides for retirement, disability and death benefits. Beginning October 27, 1975, all eligible full-time employees of the Government were required to participate in CERS.

**Contributions** – Nonhazardous covered employees are required to contribute 5% of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6% of their salary to the plan. The Government's contribution rate for nonhazardous employees was 14.48%. Hazardous covered employees are required to contribute 8% of their salary to the plan. Hazardous covered employees who began participation on or after September 1, 2008 are required to contribute 9% of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The Government's contribution rate for hazardous employees was 22.20%.

The contribution requirements and the amounts contributed to CERS were \$18,775,515 and \$17,646,807 respectively, for the years ended June 30, 2018 and 2017.

**Benefits provided** – Benefits fully vest upon reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (member's age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit. A cash balance plan was introduced for members whose participation date is on or after January 1, 2014.

Benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who began participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit. Prior to July 1, 2009, cost-of-living adjustments (COLA) were provided annually equal to the percentage increase in the annual average of the consumer price index for all urban consumers for the most recent calendar year, not to exceed 5% in any plan year. Effective July 2, 2009, and on July 1 of each year thereafter, the COLA is limited to 1.5% provided the recipient has been receiving a benefit for at least 12 months prior to the effective date of the COLA. If the recipient has been receiving a benefit for less than 12 months prior to the effective date of the COLA, the increase shall be reduced on a pro-rata basis for each month the recipient has not been receiving benefits in the 12 months preceding the effective date of the COLA. The Kentucky General Assembly reserves the right to suspend or reduce cost-of-living adjustments if, in its judgment, the welfare of the Commonwealth so demands.

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

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

At June 30, 2017, the Government reported a liability of \$241,742,130 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Government's proportion of the net pension liability was based on a projection of the Government's long term share of contributions to the pension

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June 30, 2018

plan relative to the projected contributions of all participating governmental agencies, actuarially determined. At June 30, 2017, the Government's portion of nonhazardous and hazardous was 3.20% and 2.44%, respectively.

At June 30, 2017, the Government reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$2,235,114	\$4,750,231
Net difference between projected and actual earnings on pension plan investments	18,402,620	15,610,795
Change of assumptions	45,424,387	
Changes in proportion and differences between Employer contributions and proportionate share of contributions	11,639,912	
Government contributions subsequent to the measurement date	18,765,280	
Total	\$96,467,313	\$20,361,026

\$18,765,280 reported as deferred outflows of resources related to pensions resulting from Government contributions subsequent to the measurement date will be recognized as a reductions of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2018	\$25,747,273
2019	24,512,230
2020	10,080,253
2021	(2,998,749)
2022	0
Thereafter	0

The Schedule of Deferred Inflows and Outflows, and Pension Expense include certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments, change in the Government's proportionate share of contributions, and contributions made subsequent to the measurement date. Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce pension expense, they are labeled deferred inflows. If they will increase pension expense, they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average remaining service life of the active and inactive System members at the beginning of the fiscal year. Investment gains and losses are amortized over a fixed 5 year period. The amortization period of the unfunded liability has been reset as of July 1, 2013 to a closed 30-year period. Since the prior measurement date, the demographic and economic assumptions that affect the measurement of the total pension liability have been updated as follows:

- The assumed investment rate of return was decreased from 7.50% to 6.25%.
- The assumed rate of inflation was reduced from 3.25% to 2.30%.
- The assumed rate of wage inflation is 0.75%.
- Payroll growth assumption was reduced from 4.00% to 2.00%.
- The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females).

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June 30, 2018

- For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set back 1 year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back 4 years for males) is used for the period after disability retirement. There is some margin in the current mortality tables for possible future improvement in mortality rates and that margin will be reviewed again when the next experience investigation is conducted.
- The assumed rates of retirement, withdrawal, and disability were updated to more accurately reflect experience.

The Actuarial Cost Method is Entry Age Normal, Level Percentage of Pay, as required by GASB Statement No. 67. The Entry Age Normal actuarial cost method allocates the System’s actuarial present value of future benefits to various periods based upon service. The portion of the present value of future benefits allocated to years of service prior to the valuation date is the actuarial accrued liability, and the portion allocated to years following the valuation date is the present value of future normal costs. The normal cost is determined for each active member as the level percent of pay necessary to fully fund the expected benefits to be earned over the career of each individual active member. The normal cost is partially funded with active member contributions with the remainder funded by employer contributions.

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	6.25%, net of pension plan investment expense, including inflation
Projected salary increases	2 %, average, including inflation
Inflation	2.00%

The following presents the net pension liability of the Government’s CERS pension plan, calculated using the discount rate of 6.25%, as well as what the CERS’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.25%) or 1-percentage-point higher (7.25%) than the current rate:

	1% Decrease (5.25%)	Current Discount Rate (6.25%)	1% Increase (7.25%)
Nonhazardous	\$236,014,853	\$187,132,756	\$146,243,250
Hazardous	68,661,394	54,609,374	43,004,458
<b>CERS’s net pension liability</b>	<b>\$304,676,247</b>	<b>\$241,742,130</b>	<b>\$189,247,708</b>

**Payable to the Pension Plan**

At June 30, 2018, the CERS reported payables of \$333,068 from the Government for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

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

**H. The County Employees' Retirement System Other Paid Employee Benefits (OPEB)**

Under the provisions of Kentucky Revised Statute Section 61.645, the Board of Trustees (the Board) of Kentucky Retirement Systems (KRS) administers the Kentucky Employees Retirement System (KERS), County Employees Retirement System (CERS), and State Police Retirement System (SPRS). Although the assets of the systems are invested as a whole, each system’s assets are used only for the payment of benefits to the members of that plan, and

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2018

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the administrative costs incurred by those receiving an insurance benefit, in accordance with the provisions of Kentucky Revised Statute Sections 16.510, 61.515, 61.702, 78.520, and 78.630.

The Board of Trustees, as of December 1, 2017, is comprised of John Farris, Chair, Governor Appointee; David L. Harris, Vice Chair, Governor Appointee; W. Joe Brothers, Governor Appointee; John E. Chilton, Governor Appointee; William S. Cook, Governor Appointee; Kelly Downard, Governor Appointee; Thomas K. Elliott, Governor Appointee (non-voting); J. T. Fulkerson, Governor Appointee; David M. Gallagher, Governor Appointee; Matthew Monteiro, Governor Appointee; Neil P. Ramsey, Governor Appointee; Thomas B. Stephens, Personnel Secretary, Ex-Officio; Vince Lang, elected by KERS; Keith Peercy, elected by SPRS; Betty Pendergrass, elected by CERS; Mary Helen Peter, elected by KERS; Jerry W. Powell, elected by CERS; and David Rich, elected by CERS.

CERS Non-hazardous and CERS Hazardous Insurance Funds are costsharing multiple-employer defined benefit Other Postemployment Benefits (OPEB) plans for members that cover all regular full-time members employed in non-hazardous and hazardous duty positions of any state department, board, agency, county, city, school board, and any additional eligible local agencies electing to participate. The plans provide for health insurance benefits to plan members. OPEB may be extended to beneficiaries of plan members under certain circumstances.

#### **Relationship to Combining Financial Statements**

The Schedule was reconciled to the Plan's Statement of Changes in Plan Net Position – Insurance Fund in KRS' Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017, with the following difference.

- The 1% of pay member contributions for Tier 2 and Tier 3 members to a 401(h) subaccount on the Pension Funds is considered as an OPEB asset. As a result, the reported plan net position for the Insurance Fund as of June 30, 2017, includes the 401(h) asset balance.

The components associated with OPEB expense and deferred outflows and inflows of resources have been determined based on the net increase in fiduciary net position as shown in the Combining Statement of Changes in Plan Net Position and in accordance with requirements promulgated by GASB Statements No. 74 and 75. The net OPEB liability at June 30, 2017, is reported in the Notes to Combining Financial Statements and Required Supplementary Information.

#### **Summary of Significant Accounting and Reporting Policies**

##### **Measurement Focus, Basis of Accounting and Basis of Presentation**

The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles as applicable to governmental organizations. In doing so, KRS adheres to the reporting requirements established by the Governmental Accounting Standards Board (GASB).

The CERS Non-hazardous and CERS Hazardous Insurance Funds are reported as OPEB trust funds, and are accounted for on the accrual basis of accounting. OPEB contributions are determined by the KRS Board and required by the employers and employees. KRS recognized employer and employee contributions to the plans through June 30, 2017. OPEB expenses are recognized as the benefits come due for the CERS Non-hazardous and CERS Hazardous Insurance Funds, which includes payments made to the Department of Employee Insurance (DEI), and Humana Inc. for OPEB costs incurred for the fiscal year ended June 30, 2017. KRS contracts with DEI and Humana to administer the claims. DEI administers retiree claims for retirees under the age of 65, and Humana administers retiree claims for members 65 and over. Since, the average cost of providing health care benefits to retirees under age 65 is higher than the average cost of providing health care benefits to active employees, there is an implicit employer subsidy for the non-Medicare eligible retirees. GASB 74 requires that the liability associated with this implicit subsidy be included in the calculation of the Total OPEB Liability.

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2018

Net investment income represents realized and unrealized gains and losses based on the fair value of investments, interest, and dividends, net of investment expenses. Investment income/loss is allocated to each plan based on the plan's ownership in the respective investment account.

The systems are charged administrative expenses based on the number of members and dependents electing an insurance policy provided by DEI or Humana, on a monthly basis. The administrative expenses are reported in KRS' basic financial statements included in its CAFR for the Insurance Fund. The Schedule of Employer Allocations reflects employer contributions received for the fiscal year ended June 30, 2017, and includes the following for each individual employer:

- employer contributing entity and reporting code;
- the amount of the employer contributing entity's contributions; and,
- the employer contributing entity's contributions as a percentage of total employer contributions, as defined by this policy.

The components of the net OPEB liability of CERS for the Government as of June 30, 2017, calculated in accordance with GASB Statement No. 74, are as follows (dollars in thousands):

	CERS Non-Hazardous	CERS Hazardous
Total OPEB Liability	\$135,007,225	\$49,200,240
Fiduciary Net Position	70,735,725	29,022,146
Net OPEB Liability	<u>\$64,271,500</u>	<u>\$20,178,094</u>

**Actuarial Methods and Assumptions to Determine the Total OPEB Liability and the Net OPEB Liability**

For financial reporting the actuarial valuation as of June 30, 2017, was performed by Gabriel Roeder Smith (GRS). The total OPEB liability, net OPEB liability, and sensitivity information as of June 30, 2017, were based on an actuarial valuation date of June 30, 2016. The total OPEB liability was rolled-forward from the valuation date (June 30, 2016) to the plan's fiscal year ending June 30, 2017, using generally accepted actuarial principles. GRS did not perform the actuarial valuation as of June 30, 2016, but did replicate the prior actuary's valuations results on the same assumption, methods, and data, as of that date. The roll-forward is based on the results of GRS' replication. Subsequent to the actuarial valuation date (June 30, 2016), but prior to the measurement date, and before the required 2019 experience study, the KRS Board of Trustees reviewed investment trends, inflation, and payroll growth historical trends. Based on this review the Board adopted the following updated actuarial assumptions which were used in performing the actuarial valuation as of June 30, 2017:

Inflation	2.30%
Payroll Growth Rate	2.0% for CERS nonhazardous and hazardous
Salary Increase	3.05%, average
Investment Rate of Return	6.25%
Healthcare Trend Rates	Initial trend starting at 7.25% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 13 years.
Pre-65	Initial trend starting at 5.10% at January 1, 2019, and gradually decreasing to an ultimate trend rate of 4.05% over a period of 11 years.
Post-65	

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females).

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2018

For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

**Discount Rate**

The projection of cash flows used to determine the discount rate of 5.84% for CERS Non-hazardous, and 5.96% for CERS Hazardous assumed that local employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26 years (closed) amortization period of the unfunded actuarial accrued liability. The discount rate determination used an expected rate of return of 6.25%, and a municipal bond rate of 3.56%, as reported in Fidelity Index’s “20 –Year Municipal GO AA Index” as of June 30, 2017. However, the cost associated with the implicit employer subsidy was not included in the calculation of the System’s actuarial determined contributions, and any cost associated with the implicit subsidy will not be paid out of the System’s trusts. Therefore, the municipal bond rate was applied to future expected benefit payments associated with the implicit subsidy. The target asset allocation and best estimates of arithmetic nominal rates of return for each major asset class are summarized in the CAFR.

The following presents the net OPEB liability of the Government’s CERS OPEB plan, calculated using the discount rate of 5.84%, as well as what the CERS’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.84%) or 1-percentage-point higher (6.84%) than the current rate:

	<b>1% Decrease (4.84%)</b>	<b>Current Discount Rate (5.84%)</b>	<b>1% Increase (6.84%)</b>
Nonhazardous	\$81,781,920	\$64,271,500	\$49,700,078
Hazardous	27,041,411	20,178,094	14,562,773
<b>CERS’s net OPEB liability</b>	<b>\$108,823,331</b>	<b>\$84,449,594</b>	<b>\$64,262,851</b>

The following presents the net OPEB liability of the Government’s CERS OPEB plan, as well as what the Government’s net OPEB liability of the Government’s CERS OPEB plan would be if it were calculated using a discount rate 1-percentage point lower and 1-percentage point higher than the current healthcare cost trend rate:

	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Nonhazardous	\$49,299,548	\$64,271,500	\$83,734,157
Hazardous	14,283,763	20,178,094	27,472,224
<b>CERS’s net OPEB liability</b>	<b>\$63,583,311</b>	<b>\$84,449,594</b>	<b>\$111,207,381</b>

**Use of Estimates in the Preparation of the Schedules**

The preparation of the Schedules in conformity with U.S. generally accepted accounting principles requires management to make significant estimates and assumptions that affect the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

**Actuarial Methods and Assumptions used to determine the Actuarial Determined Contribution for the Fiscal Year 2017**

The following actuarial methods and assumptions, for actuarially determined contributions effective for fiscal year ending June 30, 2017:

Valuation Date	June 30, 2015
Experience Study	July 1, 2008 – June 30, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2018

Remaining Amortization Period	28 Years, Closed
Payroll Growth Rate	4.00%
Asset Valuation Method	20% of the difference between the market value of assets and the expected actuarial value of assets is recognized
Inflation	3.25%
Salary Increase	4.00%, average
Investment Rate of Return	7.50%
Healthcare Trend Rates	Initial trend starting at 7.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 5 years.
Pre-65	
Post-65	Initial trend starting at 5.50% and gradually decreasing to an ultimate trend rate of 5.00% over a period of 2 years.

The mortality table used for active members is RP-2000 Combined Mortality Table projected with Scale BB to 2013 (multiplied by 50% for males and 30% for females). For healthy retired members and beneficiaries, the mortality table used is the RP-2000 Combined Mortality Table projected with Scale BB to 2013 (set-back for one year for females). For disabled members, the RP-2000 Combined Disabled Mortality Table projected with Scale BB to 2013 (set back four years for males) is used for the period after disability retirement.

**Contributions**

The Government’s non-hazardous contribution rate was 4.70%. Hazardous covered employees who began participation on or after September 1, 2008 are required to contribute 9% of their salary to be allocated as follows: 8% will go to the member’s account and 1% will go to the KRS insurance fund. The Government’s contribution rate for hazardous employees was 9.35%.

The contribution requirements and the amounts contributed to CERS were \$1,135,927 and \$1,072,259 respectively, for the years ended June 30, 2018 and 2017.

**Deferred Inflows and Outflows of Resources**

The Deferred Inflows and Outflows of Resources, and OPEB Expense included in the Schedule of OPEB Amounts by Employer include only certain categories of deferred outflows of resources and deferred inflows of resources. These include differences between expected and actual experience, changes of assumptions and differences between projected and actual earnings on plan investments. The Schedule of OPEB Amounts by Employer does not include deferred outflows/inflows of resources for changes in the employer’s proportionate share of contributions or employer contributions made subsequent to the measurement date. The net OPEB liability as of June 30, 2017, is based on the June 30, 2016, actuarial valuation rolled forward. Deferred outflows and inflows related to differences between projected and actual earnings on plan investments are netted and amortized over a closed five-year period. At June 30, 2017, the Government reported deferred outflows if resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$0	\$225,531
Net difference between projected and actual earnings on pension plan investments		4,303,446
Change of assumptions	24,427,925	
Changes in proportion and differences between Employer contributions and proportionate share of contributions		153,141
Government contributions subsequent to the measurement date	1,135,927	
Total	<u>\$25,563,852</u>	<u>\$4,682,118</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 NOTES TO FINANCIAL STATEMENTS (Continued)  
 June 30, 2018

The \$1,135,927 reported as deferred outflows of resources related to OPEB resulting from Government contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amount reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30:</b>	
2018	\$3,598,859
2019	3,598,859
2020	3,598,859
2021	2,638,339
2022	2,586,635
Thereafter	724,258

**Payable to the OPEB Plan**

At June 30, 2018, the CERS reported payables of \$57,557 from the Government for the outstanding amount of contributions to the OPEB plan required for the year ended June 30, 2018.

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

**NOTE 9. RECENT GASB PRONOUNCEMENTS**

The Government implemented the following accounting pronouncements during the fiscal year ended June 30, 2018:

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement was issued to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or “OPEB”), and provides guidance for measuring the present value of the projected benefits to be provided to employees that is attributed to those employees’ past periods of service. This Statement was adopted during the current year and the impact is reflected on the Statement of Net Position and notes to the financial statements.

Statement No. 81, *Irrevocable Split-Interest Agreements*, establishes accounting and financial reporting standards for irrevocable split-interest agreements created through trusts, or other legally enforceable agreements. This primarily affects colleges. This Statement was adopted during the current year and did not have an impact on the financial statements.

Statement No. 86, *Certain Debt Extinguishment Issues*, this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement is applicable to advanced refundings using only existing resources. The Statement was adopted during the current year and did not have an impact on the financial statements.

The Government will implement the following new accounting pronouncements in future years:

Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). (FY 2019)

Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities of all state and local governments. (FY 2020)

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2018

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Statement No. 87, *Leases*, the objective of which is to better meet the information needs financial statement users by improving accounting and financial reporting for leases by governments. (FY 2021)

Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, the objective of this Statement is to improve the information that is disclosed in the notes to the financial statements relating to debt. (FY2019)

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, this Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. Thus, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. (FY 2021)

The Government has not yet determined the effect, if any, that the adoption of these Statements may have on its financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY COMPARISON  
GENERAL FUND  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive (Negative)
<b>REVENUES</b>				
Licenses and Permits:				
Employee Withholdings	\$198,631,800	\$198,631,800	\$199,492,920	\$861,120
Business Returns	43,700,000	43,700,000	44,427,190	727,190
Insurance Premiums	32,029,000	32,029,000	34,581,967	2,552,967
Bond Deposits			(2,500)	(2,500)
Regulated License Fee	886,486	886,486	913,239	26,753
Franchise Fee	25,340,000	25,360,000	25,212,737	(147,263)
Bank Franchise Fee	1,510,000	1,510,000	1,566,983	56,983
Vehicle License	240,000	240,000		(240,000)
Deed Tax Fee	2,000,000	2,000,000	2,004,880	4,880
Registration Fee	415,000	415,000	412,868	(2,132)
Filing Fee - Planning & Zoning	129,000	129,000	117,354	(11,646)
Animal License	46,000	46,000	41,061	(4,939)
Certificates of Occupancy	9,000	9,000	6,390	(2,610)
Hotel - Motel License Fee	35,000	35,000	36,718	1,718
<b>Total Licenses and Permits</b>	<u>304,971,286</u>	<u>304,991,286</u>	<u>308,811,807</u>	<u>3,820,521</u>
Taxes:				
Realty Taxes	20,336,320	20,915,190	20,832,659	(82,531)
Personal Taxes	1,631,000	1,668,000	1,733,582	65,582
PSC Taxes	840,000	886,000	1,076,974	190,974
Property Tax Discount	(376,980)	(366,000)	(408,932)	(42,932)
Property Tax Commission	(936,270)	(960,000)	(996,218)	(36,218)
Delinquent - Realty & Personal	200,000	200,000	66,411	(133,589)
Motor Vehicle Ad Valorem Tax	1,842,000	1,926,000	2,088,136	162,136
County Clerk Com - Motor Vehicle	(72,000)	(72,000)	(73,633)	(1,633)
Supplementary Tax Bills	15,000	3,500	118,557	115,057
Omitted Tax	150,000	150,000	91,038	(58,962)
<b>Total Taxes</b>	<u>23,629,070</u>	<u>24,350,690</u>	<u>24,528,574</u>	<u>177,884</u>
Charges for Services:				
Accident Report Sales	110,000	110,000	121,117	11,117
Administrative Collection Fees	12,000	12,000	12,802	802
Adult Probation Fees	80,000	80,000	46,055	(33,945)
Animal Shelter Collections	20,000	20,000	18,000	(2,000)
Building Permits	1,613,975	1,613,975	1,697,476	83,501
Computer Services Fees	4,500	4,500	2,956	(1,544)
Detention Center	7,582,000	7,582,000	8,469,445	887,445
Developer Landscape Fees	1,800	1,800	11,710	9,910
District Court Jail Fees	90,000	90,000	87,995	(2,005)
Domestic Relations Collection	1,000	1,000	398	(602)
Downtown Arts Center	109,048	109,048	91,916	(17,132)
EMS	8,000,000	8,000,000	6,775,382	(1,224,618)
Excess Fees and Collections	2,850,000	2,850,000	2,887,431	37,431
Golf Course Collections	2,645,069	2,645,069	2,516,045	(129,024)
Park Land Acquisition	275,000	275,000	351,445	76,445
Parks & Recreation Programs	1,039,080	1,039,080	1,143,939	104,859
Rent or Lease Income	609,800	609,800	631,042	21,242
<b>Total Charges for Services</b>	<u>25,043,272</u>	<u>25,043,272</u>	<u>24,865,154</u>	<u>(178,118)</u>
<b>Fines and Forfeitures</b>	239,216	239,216	184,729	(54,487)
<b>Intergovernmental</b>	797,630	797,630	775,621	(22,009)
<b>Property Sales</b>	200,000	200,000	248,629	48,629
<b>Investments</b>	521,350	521,350	556,641	35,291
Other Income:				
Contributions	3,600	87,304	97,857	10,553
Other Income			735,332	735,332
Penalties & Interest	1,826,500	1,826,500	1,598,346	(228,154)
School Board Tax Fee	15,000	15,000	15,000	
Payment in Lieu of Taxes			87,483	87,483
Miscellaneous	1,121,685	1,408,871	1,597,480	188,609
<b>Total Other Income</b>	<u>2,966,785</u>	<u>3,337,675</u>	<u>4,131,498</u>	<u>793,823</u>
<b>Total Revenues</b>	<u>358,368,609</u>	<u>359,481,119</u>	<u>364,102,653</u>	<u>4,621,534</u>

continued

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY COMPARISON  
GENERAL FUND**

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget-Positive (Negative)
<b>EXPENDITURES</b>				
General Government:				
Council Office	2,748,696	2,791,565	2,847,647	56,082
Office of the Mayor	1,699,593	1,723,333	1,667,688	(55,645)
Special Programs	254,810	254,810	233,249	(21,561)
Board of Elections	707,794	707,794	660,237	(47,557)
Clerk of the Urban County Council	523,228	521,260	479,915	(41,345)
County Attorney	1,161,200	1,161,200	1,160,865	(335)
Coroner	1,169,475	1,178,673	1,147,957	(30,716)
Property Valuation Administrator	341,800	341,800	341,800	
Contingency	6,257,172	4,500,000		(4,500,000)
Circuit Judges	424,926	424,926	428,483	3,557
County Court Clerk	111,552	106,918	68,746	(38,172)
Citizens' Advocate	37,006	37,006	20,773	(16,233)
Commonwealth Attorney	269,162	273,022	232,245	(40,777)
County Judge Executive	16,165	16,165	4,875	(11,290)
Indirect Cost Allocation	(6,145,776)	(6,145,776)	(5,850,187)	295,589
<b>Total General Government</b>	<b>9,576,803</b>	<b>7,892,696</b>	<b>3,444,293</b>	<b>(4,448,403)</b>
Administrative Services:				
Office of the Chief Administrative Officer	1,985,994	2,175,035	2,168,843	(6,192)
Government Communications	1,091,642	1,145,132	1,049,776	(95,356)
Grants & Special Projects	611,388	689,567	651,634	(37,933)
Human Resources	3,077,486	3,128,766	3,164,460	35,694
Internal Audit Office	610,796	606,801	622,462	15,661
Neighborhood Programs	100,000	108,141	94,569	(13,572)
<b>Total Administrative Services</b>	<b>7,477,306</b>	<b>7,853,442</b>	<b>7,751,744</b>	<b>(101,698)</b>
Chief Development Officer				
Chief Development Officer	752,654	1,437,224	1,288,532	(148,692)
<b>Total Chief Development Officer</b>	<b>752,654</b>	<b>1,437,224</b>	<b>1,288,532</b>	<b>(148,692)</b>
Department of Information Technology:				
Office of the CIO	1,785,830	2,583,137	2,434,825	(148,312)
Computer Services	7,358,061	7,475,760	7,122,594	(353,166)
Enterprise Solutions	1,178,481	1,239,485	1,246,890	7,405
<b>Total Information Technology</b>	<b>10,322,372</b>	<b>11,298,382</b>	<b>10,804,309</b>	<b>(494,073)</b>
Department of Finance:				
Accounting	1,488,305	1,535,499	1,577,096	41,597
Budgeting	546,575	546,942	535,906	(11,036)
Central Purchasing	690,657	690,584	617,117	(73,467)
Revenue	2,354,811	2,356,994	2,357,279	285
Finance Administration	824,882	859,413	850,752	(8,661)
<b>Total Finance</b>	<b>5,905,230</b>	<b>5,989,432</b>	<b>5,938,150</b>	<b>(51,282)</b>
Division of Environmental Quality & Public Works:				
Environmental Quality & PW Admin	280,930	351,467	337,222	(14,245)
Division of Water & Air Quality			(173)	(173)
Division of Environmental Services	2,615,022	2,729,971	2,772,056	42,085
Streets & Roads	3,599,611	4,568,236	4,785,593	217,357
Traffic Engineering	3,985,500	4,246,196	4,474,579	228,383
<b>Total Environmental Quality &amp; Public Works</b>	<b>10,481,063</b>	<b>11,895,870</b>	<b>12,369,277</b>	<b>473,407</b>
Department of Planning, Preservation, & Development:				
Building Inspection	2,572,288	2,572,288	2,567,106	(5,182)
Code Enforcement	2,243,569	2,251,399	2,021,518	(229,881)
Engineering	1,764,522	1,795,578	1,675,273	(120,305)
Planning, Preservation, & Development Admin	2,636,890	4,101,093	4,060,139	(40,954)
Historic Preservation	441,197	441,227	441,968	741
Planning	2,025,660	2,115,642	2,436,782	321,140
Purchase of Development Rights	192,207	192,207	196,934	4,727
<b>Total Planning, Preservation, &amp; Development</b>	<b>11,876,333</b>	<b>13,469,434</b>	<b>13,399,720</b>	<b>(69,714)</b>
Department of Public Safety:				
Police	73,951,047	76,255,854	77,222,296	966,442
Fire & Emergency Services	72,118,967	74,641,372	77,198,739	2,557,367
Community Corrections	36,012,898	36,504,867	37,028,912	524,045
Public Safety Administration	7,381,327	7,394,733	6,910,325	(484,408)
DEEM/Enhanced 911	4,489,829	4,342,123	4,514,169	172,046
Security	944,618	951,712	747,694	(204,018)
<b>Total Public Safety</b>	<b>194,898,686</b>	<b>200,090,661</b>	<b>203,622,135</b>	<b>3,531,474</b>
Department of Social Services:				
Youth Services	2,519,255	2,496,871	2,507,637	10,766
Family Services	2,812,977	2,903,590	2,865,627	(37,963)
Adult Services	1,292,089	1,317,770	1,370,737	52,967
Social Services Administration	2,525,733	2,540,183	2,518,531	(21,652)
<b>Total Social Services</b>	<b>9,150,054</b>	<b>9,258,414</b>	<b>9,262,532</b>	<b>4,118</b>

continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGETARY COMPARISON  
 GENERAL FUND  
 For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
<b>EXPENDITURES, continued</b>				
Department of General Services:				
Parks & Recreation	21,431,413	22,459,936	22,234,790	(225,146)
Fleet & Facilities Management	9,463,963	6,889,460	5,734,820	(1,154,640)
General Services Administration	2,911,386	2,844,325	2,752,966	(91,359)
<b>Total General Services</b>	<u>33,806,762</u>	<u>32,193,721</u>	<u>30,722,576</u>	<u>(1,471,145)</u>
Department of Law:				
Law	2,514,692	2,461,019	2,454,494	(6,525)
<b>Total Law</b>	<u>2,514,692</u>	<u>2,461,019</u>	<u>2,454,494</u>	<u>(6,525)</u>
Outside Agencies:				
Commerce Lexington	457,000	571,250	457,000	(114,250)
Downtown Lexington Corporation	40,000	30,678	20,000	(10,678)
Downtown Lexington Partnership		181,734	181,734	
Environmental Commission	5,910	5,660	5,040	(620)
World Trade Center	55,000	73,000	55,000	(18,000)
Grants & Special Projects Agencies	682,750	684,500	682,750	(1,750)
Social Service Agencies	2,645,976	2,669,820	2,654,490	(15,330)
LexArts	489,050	489,053	489,050	(3)
Lexington Center Corporation	750,000			
Lexington Public Library	15,291,270	15,786,567	15,786,567	
Explorium of Lexington	263,500	263,500	263,500	
Carnegie Literacy Center	106,900	106,900	80,326	(26,574)
Downtown Development Authority	323,467	161,734	161,734	
Lyric Theatre	150,000	187,500	150,000	(37,500)
<b>Total Outside Agencies</b>	<u>21,260,823</u>	<u>21,211,896</u>	<u>20,987,191</u>	<u>(224,705)</u>
Debt Service:				
Principal	27,509,181	26,333,289	26,334,181	892
Interest	15,179,562	14,918,911	14,917,115	(1,796)
Other Debt Service		80,210	79,583	(627)
<b>Total Debt Service</b>	<u>42,688,743</u>	<u>41,332,410</u>	<u>41,330,879</u>	<u>(1,531)</u>
<b>Total Expenditures</b>	<u>360,711,521</u>	<u>366,384,601</u>	<u>363,375,832</u>	<u>(3,008,769)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(2,342,912)	(6,903,482)	726,821	7,630,303
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of Debt			22,445,000	22,445,000
Premium on Bonds			(71,721)	(71,721)
Payment to Refunded Debt Escrow Agent			(19,990,000)	(19,990,000)
Transfers In	6,215,710	6,505,314	6,147,960	(357,354)
Transfers Out	(3,758,488)	(10,062,251)	(8,897,410)	1,164,841
<b>Total Other Financing Sources</b>	<u>2,457,222</u>	<u>(3,556,937)</u>	<u>(366,171)</u>	<u>3,190,766</u>
<b>Net Change in Fund Balance</b>	114,310	(10,460,419)	360,650	10,821,069
<b>Fund Balance, Beginning</b>	<u>1,500,000</u>	<u>1,500,000</u>	<u>65,306,186</u>	<u>63,806,186</u>
Adjustment to Opening Fund Balance (Note 2.D.)			(1,304,122)	(1,304,122)
<b>Fund Balances - Restated July 1</b>	<u>1,500,000</u>	<u>1,500,000</u>	<u>64,002,064</u>	<u>62,502,064</u>
<b>Fund Balance, Ending</b>	<u>\$1,614,310</u>	<u>(\$8,960,419)</u>	<u>\$64,362,714</u>	<u>\$73,323,133</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGETARY COMPARISON  
FULL URBAN SERVICES DISTRICT FUND  
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Licenses and Permits:				
Bank Franchise Fee	\$1,510,000	\$1,510,000	\$1,566,983	\$56,983
<b>Total Licenses and Permits</b>	<u>1,510,000</u>	<u>1,510,000</u>	<u>1,566,983</u>	<u>56,983</u>
Taxes:				
Realty Taxes	36,874,000	37,769,000	37,904,574	135,574
PSC Taxes	304,000	347,000	355,099	8,099
Property Tax Discount	(627,260)	(640,000)	(675,720)	(35,720)
Property Tax Commission	(350,000)	(350,000)	(350,000)	
Delinquent - Realty & Personal	268,000	268,000	91,502	(176,498)
Supplementary Tax Bills	1,000	1,000	218,304	217,304
<b>Total Taxes</b>	<u>36,469,740</u>	<u>37,395,000</u>	<u>37,543,759</u>	<u>148,759</u>
Charges for Services:				
Rent or Lease Income	4,500	4,500	4,085	(415)
Commodities	2,333,900	2,333,900	2,447,120	113,220
Dumpster Permit Fees	12,330	12,330	10,715	(1,615)
<b>Total Charges for Services</b>	<u>2,350,730</u>	<u>2,350,730</u>	<u>2,461,920</u>	<u>111,190</u>
<b>Property Sales</b>	100,000	100,000	84,006	(15,994)
<b>Fines and Forfeitures</b>	200	200	332	132
<b>Investments</b>	286,952	286,952	190,395	(96,557)
Other Income:				
Penalties & Interest	15,000	15,000	73,276	58,276
Miscellaneous	20,000	20,000	6,342	(13,658)
<b>Total Other Income</b>	<u>35,000</u>	<u>35,000</u>	<u>79,618</u>	<u>44,618</u>
<b>Total Revenues</b>	<u>40,752,622</u>	<u>41,677,882</u>	<u>41,927,013</u>	<u>249,131</u>
<b>EXPENDITURES</b>				
General Government:				
Contingency	235,196	95,000		(95,000)
Indirect Cost Allocation	2,721,468	2,721,468	2,553,048	(168,420)
<b>Total General Government</b>	<u>2,956,664</u>	<u>2,816,468</u>	<u>2,553,048</u>	<u>(263,420)</u>
Administrative Services:				
Government Communications	1,080,486	902,289	1,009,495	107,206
Human Resources	7,000	7,000	4,740	(2,260)
<b>Total Administrative Services</b>	<u>1,087,486</u>	<u>909,289</u>	<u>1,014,235</u>	<u>104,946</u>
Department of Information Technology				
Computer Services	378,855	318,823	249,179	(69,644)
Office of the CIO		290,000	290,000	
<b>Total Information Technology</b>	<u>378,855</u>	<u>608,823</u>	<u>539,179</u>	<u>(69,644)</u>
Department of Finance:				
Finance	31,940	31,940	23,385	(8,555)
<b>Total Finance</b>	<u>31,940</u>	<u>31,940</u>	<u>23,385</u>	<u>(8,555)</u>
Division of Environmental Quality & Public Works				
Waste Management	30,686,463	30,579,203	26,569,984	(4,009,219)
Division of Environmental Service:	689,692	731,863	723,569	(8,294)
Environmental Quality	160,895	158,395	213,244	54,849
Streets & Roads	2,113,082	2,128,692	2,420,583	291,891
Traffic Engineering	6,508,871	6,475,148	6,223,023	(252,125)
<b>Total Environmental Quality &amp; Public Works</b>	<u>40,159,003</u>	<u>40,073,301</u>	<u>36,150,403</u>	<u>(3,922,898)</u>
Department of General Services:				
Fleet & Facilities Management	6,059,954	799,650	602,676	(196,974)
<b>Total General Services</b>	<u>6,059,954</u>	<u>799,650</u>	<u>602,676</u>	<u>(196,974)</u>

continued



**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGETARY COMPARISON**  
**FULL URBAN SERVICES DISTRICT FUND**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget-Positive (Negative)
	Original	Final		
<b>EXPENDITURES, continued</b>				
Department of Law:				
Law	20,210	20,210	11,218	(8,992)
<b>Total Law</b>	<u>20,210</u>	<u>20,210</u>	<u>11,218</u>	<u>(8,992)</u>
Debt Service:				
Principal	278,008	278,008	278,008	
Interest	208,068	208,068	208,068	
<b>Total Debt Service</b>	<u>486,076</u>	<u>486,076</u>	<u>486,076</u>	<u>0</u>
<b>Total Expenditures</b>	<u>51,180,188</u>	<u>45,745,757</u>	<u>41,380,220</u>	<u>(4,365,537)</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	(10,427,566)	(4,067,875)	546,793	4,614,668
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	2,000,000	4,000,000	4,000,000	
Transfers Out	(40,450)	(370,765)	(229,522)	141,243
<b>Total Other Financing Sources (Uses)</b>	<u>1,959,550</u>	<u>3,629,235</u>	<u>3,770,478</u>	<u>141,243</u>
<b>Net Change in Fund Balance</b>	(8,468,016)	(438,640)	4,317,271	4,755,911
<b>Fund Balance, Beginning</b>	<u>31,400,000</u>	<u>31,400,000</u>	<u>23,864,791</u>	<u>(7,535,209)</u>
<b>Fund Balance, Ending</b>	<u>\$22,931,984</u>	<u>\$30,961,360</u>	<u>\$28,182,062</u>	<u>(\$2,779,298)</u>

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 REQUIRED SUPPLEMENTARY INFORMATION - SINGLE EMPLOYER PENSIONS  
 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
 LAST TEN FISCAL YEARS

	Fiscal Year 2014		Fiscal Year 2015		Fiscal Year 2016		Fiscal Year 2017	
	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City
<b>Total pension liability</b>								
Service cost	\$15,273,403	\$0	\$15,682,820	\$0	\$15,545,613	\$0	\$15,736,332	\$0
Interest	53,365,849	852,811	54,617,104	805,933	56,566,064	736,800	58,934,015	712,334
Changes of benefit terms			7,523,715	(345,366)	14,500,618	291,530	17,343,653	(756,397)
Differences between expected and actual experience								
Changes of assumptions								
Benefit payments, including refunds of member contributions	(53,597,352)	(1,574,594)	(50,314,337)	(1,470,392)	(53,360,681)	(1,425,983)	(56,718,545)	(1,332,557)
<b>Net change in total pension liability</b>	<b>15,041,900</b>	<b>(721,783)</b>	<b>27,509,302</b>	<b>(1,009,825)</b>	<b>33,251,614</b>	<b>(397,653)</b>	<b>89,052,706</b>	<b>(1,376,620)</b>
<b>Total pension liability-beginning</b>	<b>738,343,325</b>	<b>12,970,313</b>	<b>753,385,225</b>	<b>12,248,530</b>	<b>780,894,527</b>	<b>11,238,705</b>	<b>814,146,141</b>	<b>10,841,052</b>
<b>Total pension liability-ending (a)</b>	<b>\$753,385,225</b>	<b>\$12,248,530</b>	<b>\$780,894,527</b>	<b>\$11,238,705</b>	<b>\$814,146,141</b>	<b>\$10,841,052</b>	<b>\$903,198,847</b>	<b>\$9,464,432</b>
<b>Plan fiduciary net position</b>								
Contributions-employer	\$27,636,473	\$0	\$22,705,036	\$0	\$24,755,620	\$0	\$29,667,706	\$0
Contributions-member	9,730,115		9,881,338		9,493,378		11,186,704	
Net investment income	96,386,758	4,356,048	16,827,976	898,062	4,396,040	1,365,187	91,231,369	1,329,650
Benefit payments, including refunds of member contributions	(53,597,352)	(1,574,594)	(50,314,338)	(1,470,392)	(53,360,681)	(1,425,983)	(56,718,545)	(1,332,557)
Administrative Expense	(598,923)	(27,178)	(665,175)	(28,356)	(178,943)	(15,639)	(226,211)	(7,240)
Other					80,010		141,051	(2)
<b>Net change in plan fiduciary net position</b>	<b>79,557,071</b>	<b>2,754,276</b>	<b>(1,565,163)</b>	<b>(600,686)</b>	<b>(14,814,576)</b>	<b>(76,435)</b>	<b>75,282,074</b>	<b>(10,149)</b>
<b>Plan fiduciary net position-beginning</b>	<b>556,723,810</b>	<b>28,029,242</b>	<b>636,280,881</b>	<b>30,783,518</b>	<b>634,715,718</b>	<b>30,182,832</b>	<b>619,901,142</b>	<b>30,106,397</b>
<b>Plan fiduciary net position-ending (b)</b>	<b>\$636,280,881</b>	<b>\$30,783,518</b>	<b>\$634,715,718</b>	<b>\$30,182,832</b>	<b>\$619,901,142</b>	<b>\$30,106,397</b>	<b>\$695,183,216</b>	<b>\$30,096,248</b>
<b>Net pension liability-ending (a) - (b)</b>	<b>\$117,104,344</b>	<b>(\$18,534,988)</b>	<b>\$146,178,809</b>	<b>(\$18,944,127)</b>	<b>\$194,244,999</b>	<b>(\$19,265,345)</b>	<b>\$208,015,631</b>	<b>(\$20,631,816)</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>84.46%</b>	<b>251.32%</b>	<b>81.28%</b>	<b>268.56%</b>	<b>76.14%</b>	<b>277.71%</b>	<b>76.97%</b>	<b>317.99%</b>
<b>Covered payroll</b>	<b>\$63,248,485</b>	<b>\$0</b>	<b>\$62,102,632</b>	<b>\$0</b>	<b>\$65,934,339</b>	<b>\$0</b>	<b>\$73,360,313</b>	<b>\$0</b>
<b>Net pension liability as a percentage of covered payroll</b>	<b>185.15%</b>	<b>0.00%</b>	<b>235.38%</b>	<b>0.00%</b>	<b>294.60%</b>	<b>0.00%</b>	<b>283.55%</b>	<b>0.00%</b>

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

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 REQUIRED SUPPLEMENTARY INFORMATION - SINGLE EMPLOYER PENSIONS  
 SCHEDULE OF THE GOVERNMENT'S CONTRIBUTIONS  
 LAST TEN FISCAL YEARS

	Fiscal Year									
	2009	2010		2011		2012		2013		
	Police & Fire	City	Police & Fire	City*	Police & Fire	City	Police & Fire	City	Police & Fire	City
Actuarially determined contribution	\$28,689,989	\$0	\$30,665,280	\$0	\$28,216,938	\$0	\$30,665,280	\$0	\$22,322,068	\$0
Contributions in relation to the actuarially determined contribution	84,023,573	7,864	49,469,806	2,632	14,408,809		47,585,689		22,322,068	
Contribution deficiency (excess)	(\$55,333,584)	(\$7,864)	(\$18,804,526)	(\$2,632)	\$13,808,129	\$0	(\$16,920,409)	\$0	\$0	\$0
Covered payroll	\$61,368,960	\$42,972	\$65,765,448	\$43,416	\$60,512,412	\$0	\$64,258,162	\$0	\$62,455,725	\$0
Contributions as a percentage of covered payroll	136.92%	18.30%	75.22%	NA	23.81%	NA	74.05%	NA	35.74%	NA
*In 1973 the City of Lexington froze new entrants into the CEPF; In fiscal year 2010 the last active employee retired										
Source: Department of Finance, Lexington-Fayette Urban County Government										

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 REQUIRED SUPPLEMENTARY INFORMATION - SINGLE EMPLOYER PENSIONS  
 SCHEDULE OF THE GOVERNMENT'S CONTRIBUTIONS  
 LAST TEN FISCAL YEARS

	Fiscal Year									
	2014	2015		2016		2017		2018		
	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City
Actuarially determined contribution	\$23,217,413	\$0	\$22,705,036	\$0	\$24,755,620	\$0	\$29,808,757	\$0	\$27,576,764	\$0
Contributions in relation to the actuarially determined contribution	23,217,413		22,705,036		24,755,620		29,808,757		27,576,764	
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll	\$63,248,485	\$0	\$62,102,632	\$0	\$65,934,339	\$0	\$73,360,313	\$0	\$73,131,137	\$0
Contributions as a percentage of covered payroll	36.71%	NA	36.56%	NA	37.55%	NA	40.63%	NA	37.71%	NA
*In 1973 the City of Lexington froze new entrants into the CEPF; In fiscal year 2010 the last active employee retired										
Source: Department of Finance, Lexington-Fayette Urban County Government										

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 REQUIRED SUPPLEMENTARY INFORMATION - SINGLE EMPLOYER PENSIONS  
 SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS  
 LAST TEN FISCAL YEARS

	2014		2015		2016		2017		2018	
	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City	Police & Fire	City
Annual money-weighted rate of return, net of investment expense	7.45%	5.56%	3.08%	3.49%	-0.23%	2.17%	6.20%	3.80%	18.37%	6.48%

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

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

SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS  
LAST TEN FISCAL YEARS

	Fiscal Year
	2017
	Police & Fire
<b>Total OPEB liability</b>	
Service cost	\$18,518,517
Interest	10,445,265
Changes of benefit terms	
Differences between expected and actual experience	(1,289,809)
Changes of assumptions	(30,781,223)
Benefit payments, including refunds of member contributions	(5,638,286)
<b>Net change in total OPEB liability</b>	<b>(8,745,536)</b>
<b>Total OPEB liability-beginning</b>	350,482,838
<b>Total OPEB liability-ending</b>	341,737,302
<b>Covered payroll</b>	\$73,360,313
<b>Net OPEB liability as a percentage of covered payroll</b>	465.83%

<p>This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the Government will present information for those years for which information is available.</p>
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Source: Department of Finance, Lexington-Fayette Urban County Government

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 REQUIRED SUPPLEMENTARY INFORMATION - CERS PENSION  
 SCHEDULE OF THE GOVERNMENT'S PROPORTIONATE SHARE OF THE NET LIABILITY  
 LAST TEN FISCAL YEARS

	2014	2015	2016	2017
The Government's proportion of the net pension liability (asset)	\$115,215,078	\$155,544,394	\$187,010,198	\$241,742,130
The Government's proportionate share of the net pension liability (asset)				
Nonhazardous	2.71%	2.76%	2.96%	3.20%
Hazardous	2.28%	2.39%	2.41%	2.44%
Covered payroll	\$72,558,727	\$74,948,371	\$84,194,948	\$88,823,610
The Government's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	158.79%	207.54%	222.12%	287.12%
Plan fiduciary net position as a percentage of the total pension liability	66.06%	66.12%	55.19%	55.19%

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

Source: Kentucky Retirement Systems

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 REQUIRED SUPPLEMENTARY INFORMATION - CERS PENSION  
 SCHEDULE OF THE GOVERNMENT'S CONTRIBUTIONS

LAST TEN FISCAL YEARS

	2014	2015	2016	2017
Contractually required contribution	\$15,852,724	\$10,836,390	\$10,952,366	\$13,388,248
Contribution in relation to the contractually required contribution	16,161,747	16,354,078	16,954,959	13,767,651
Contribution deficiency (excess)	<u>(\$309,023)</u>	<u>(\$5,517,688)</u>	<u>(\$6,002,593)</u>	<u>(\$379,403)</u>
Government's covered payroll	\$72,558,727	\$74,948,371	\$84,194,948	\$88,823,610
Contributions as a percentage of covered payroll	22.27%	21.82%	20.14%	15.50%

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

Source: Kentucky Retirement Systems

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 REQUIRED SUPPLEMENTARY INFORMATION - CERS OPEB  
 SCHEDULE OF THE GOVERNMENT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 LAST TEN FISCAL YEARS

	2016	2017
The Government's proportion of the collective net OPEB liability (asset)	\$62,469,796	\$84,449,594
The Government's proportionate share of the net OPEB liability (asset)		
Nonhazardous	50,412,648	64,271,500
Hazardous	12,057,148	20,178,094
Covered payroll	84,194,948	88,823,610
The Government's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	74.20%	95.08%
Plan fiduciary net position as a percentage of the total OPEB liability	359.01%	272.62%

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

Source: Kentucky Retirement Systems



LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 REQUIRED SUPPLEMENTARY INFORMATION - CERS OPEB  
 SCHEDULE OF THE GOVERNMENT'S CONTRIBUTIONS  
 LAST TEN FISCAL YEARS

	2017
Contractually required contribution	\$5,205,891
Contribution in relation to the contractually required contribution	4,934,657
Contribution deficiency (excess)	\$271,234
Government's covered payroll	\$88,823,610
Contributions as a percentage of covered payroll	5.56%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled,
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Source: Kentucky Retirement Systems

## 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 Government's Division of Police. Expenditures are restricted to police law enforcement programs.

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

### CAPITAL PROJECTS FUNDS

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

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

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

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

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

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

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

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

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

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

The **2016 Bond Projects** will fund projects and infrastructure improvements for departments within the Government including but not limited to Chief Information Officer, General Services, Public Safety, and Planning, Preservation, & Development. Additional projects include a greenway that will link two regional trail systems, the Legacy Trail and Town Branch Trail; streetscape improvements on the Versailles Road Corridor; and paving. A taxable bond portion will finance the restoration and rehabilitation of the historic Fayette County Courthouse in order to preserve the history and architecture of Lexington.

The **2017 Bond Projects** will fund projects including, but not limited to, (i) the construction, installation and equipping of a new fire station, software system upgrades, safety operations and other safety related projects, road resurfacing, road maintenance, road upgrades, streetscapes and sidewalk improvements, renovations, repairs and upgrades related to public buildings, renovations, repairs and upgrades related to park projects, and (ii) providing funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights.

The **2018 Bond Projects** will fund projects for Public Safety, software upgrades, infrastructure improvements, parks projects, and building improvements. In addition it will provide funding for a program to preserve and manage agricultural, rural and natural lands, including the purchase of conservation easements or development rights.

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

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

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2018

	Special Revenue Funds										Capital Projects Funds								
	Local Economic Assistance					Police Confiscated State Funds					Total	Lexington Cultural Center	2003 Bond Projects	2007, 2008, & 2009 Bond Projects					
	County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Mineral Severance	Coal Severance	Police Confiscated Funds	Police Confiscated State Funds	Public Safety Fund											
<b>ASSETS</b>																			
Current Cash	\$3,485,913	\$2,800,787	\$205,725	\$345,846	\$186,246	\$1,442,055	\$252,550	\$950,378	\$9,669,500	\$4,309	\$0	\$0	\$0						
Current Investments	193,003	312,232		64,334					569,569	39,542									
Receivables:																			
Other	71,842	550,104		56,570		5,040		67,237	750,793										
Restricted Investments									0										
<b>Total Assets</b>	<b>\$3,750,758</b>	<b>\$3,663,123</b>	<b>\$205,725</b>	<b>\$466,750</b>	<b>\$186,246</b>	<b>\$1,447,095</b>	<b>\$252,550</b>	<b>\$1,017,615</b>	<b>\$10,989,862</b>	<b>\$43,851</b>	<b>\$463,854</b>	<b>\$1,351,582</b>	<b>\$1,351,582</b>						
<b>LIABILITIES AND FUND BALANCES</b>																			
Liabilities:																			
Accounts and Contracts Payable	\$15,470	\$24,797	\$0	\$75,809	\$0	\$20,799	\$16,593	\$0	\$153,468	\$0	\$3,511	\$0	\$0						
Due to Other Funds									0		427,568	1,387,974							
Unearned Revenue & Other									1,426,296										
<b>Total Liabilities</b>	<b>15,470</b>	<b>24,797</b>	<b>0</b>	<b>75,809</b>	<b>0</b>	<b>1,447,095</b>	<b>16,593</b>	<b>0</b>	<b>1,579,764</b>	<b>0</b>	<b>431,079</b>	<b>1,387,974</b>	<b>1,387,974</b>						
Fund Balances:																			
Restricted for:																			
Public Works	3,735,288	3,638,326	205,725	186,246					7,765,585										
Public Safety							235,957	1,017,615	1,253,572										
Capital Projects									0	43,851	32,775								
Assigned				390,941					390,941										
Unassigned									0										
<b>Total Fund Balances</b>	<b>3,735,288</b>	<b>3,638,326</b>	<b>205,725</b>	<b>390,941</b>	<b>186,246</b>	<b>0</b>	<b>235,957</b>	<b>1,017,615</b>	<b>9,410,098</b>	<b>43,851</b>	<b>32,775</b>	<b>(36,392)</b>	<b>(36,392)</b>						
<b>Total Liabilities and Fund Balances</b>	<b>\$3,750,758</b>	<b>\$3,663,123</b>	<b>\$205,725</b>	<b>\$466,750</b>	<b>\$186,246</b>	<b>\$1,447,095</b>	<b>\$252,550</b>	<b>\$1,017,615</b>	<b>\$10,989,862</b>	<b>\$43,851</b>	<b>\$463,854</b>	<b>\$1,351,582</b>	<b>\$1,351,582</b>						

Continued

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
COMBINING BALANCE SHEET, Continued  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2018

		Capital Projects Funds												
		2011 & 2012	2013	2014	2015	QECB	2016	2017	2018	Public	Roads, Parks,	Total	Total	
2010	2011 & 2012	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Bond	Library	Open Space,	2018	2011 & 2012	
Projects	Projects	Projects	Projects	Projects	Projects	Projects	Projects	Projects	Projects	Corporation	Storm Water	Projects	Nonmajor	
											Exactions		Governmental	
													Funds	
<b>ASSETS</b>														
Current Cash	\$0	\$346,461	\$14,095	\$37,419	\$7,551	\$0	\$473,328	\$0	\$1,763,485	\$495,506	\$4,069,413	\$7,211,567	\$16,881,067	
Current Investments										317,180		356,722	926,291	
Receivables:														
Other												0	750,793	
Inventories and Prepaid Items									5,334			5,334	5,334	
Restricted Investments	1,219,251	340,041	12,347	415,259	920,663	812,351	5,543,706	13,540,138	23,009,241			47,628,433	47,628,433	
<b>Total Assets</b>	\$1,219,251	\$686,502	\$26,442	\$452,678	\$928,214	\$812,351	\$6,017,034	\$13,540,138	\$24,778,060	\$812,686	\$4,069,413	\$55,202,056	\$66,191,918	
<b>LIABILITIES AND FUND BALANCES</b>														
Liabilities:														
Accounts and Contracts Payable	\$73,351	\$1,251	\$2	\$15,411	\$524	\$0	\$471,240	\$609,848	\$3,487,308	\$0	\$0	\$4,662,446	\$4,815,914	
Due to Other Funds	927,597					721,638		66,798				3,531,575	3,531,575	
Unearned Revenue & Other												0	1,426,296	
<b>Total Liabilities</b>	1,000,948	1,251	2	15,411	524	721,638	471,240	676,646	3,487,308	0	0	8,194,021	9,773,785	
Fund Balances:														
Restricted for:														
Public Works												0	7,765,585	
Public Safety												0	1,253,572	
Capital Projects	218,303	685,251	26,440	437,267	927,690	90,713	5,545,794	12,863,492	21,290,752	812,686	4,069,413	47,044,427	47,044,427	
Assigned												0	390,941	
Unassigned												(36,392)	(36,392)	
<b>Total Fund Balances</b>	218,303	685,251	26,440	437,267	927,690	90,713	5,545,794	12,863,492	21,290,752	812,686	4,069,413	47,008,035	56,418,133	
<b>Total Liabilities and Fund Balances</b>	\$1,219,251	\$686,502	\$26,442	\$452,678	\$928,214	\$812,351	\$6,017,034	\$13,540,138	\$24,778,060	\$812,686	\$4,069,413	\$55,202,056	\$66,191,918	

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2018

	Special Revenue Funds										Capital Projects Funds		
	County Aid Program	Municipal Aid Program	Industrial Revenue Bond	Local Economic Assistance			Police Confiscated Funds	Police Confiscated State Funds	Public Safety Fund	Total	Lexington Cultural Center	2003 Bond Projects	2007, 2008, & 2009 Bond Projects
				Mineral Severance	Coal Severance	Police Confiscated Funds							
<b>REVENUES</b>	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Changes for Services	784,281	5,797,526		233,151	71,020	817,750	221,335	249,419	8,174,482				
Intergovernmental	2,292	3,730		764		882	1,744		9,412	364	1,685	5,276	
Income on Investments	786,573	5,801,256	0	233,915	71,020	818,632	223,079	249,419	8,183,894	364	1,685	5,276	
<b>Total Revenues</b>													
<b>EXPENDITURES</b>													
Current:													
Planning, Preservation, & Development		70								70			0
Police						372,931	187,426			560,357			28,469
Parks and Recreation				29,938						29,938			
Capital:													
Equipment						445,701	150,000			595,701			1,455
Acquisitions and Construction	811,300	547,913		270,803	27,675				1,657,691		106,993		169,985
<b>Total Expenditures</b>	811,300	547,983	0	300,741	27,675	818,632	337,426	0	2,843,757	0	106,993	199,909	
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	(24,727)	5,253,273		(66,826)	43,345	0	(114,347)	249,419	5,340,137	364	(105,308)	(194,633)	
<b>OTHER FINANCING SOURCES (USES)</b>													
Transfers Out		(3,124,988)						(300,000)	(3,424,988)				0
<b>Total Other Financing Sources (Uses)</b>	0	(3,124,988)	0	0	0	0	0	(300,000)	(3,424,988)	0	0	0	0
<b>Net Change in Fund Balances</b>	(24,727)	2,128,285	0	(66,826)	43,345	0	(114,347)	(50,581)	1,915,149	364	(105,308)	(194,633)	
<b>Fund Balances (Deficits), Beginning</b>	3,760,015	1,510,041	205,725	457,767	142,901	0	350,304	1,068,196	7,494,949	43,487	138,083	158,241	
<b>Adjustment to Opening Fund Balance (Note 2.D.)</b>													
<b>Fund Balances, Beginning - Restated</b>	3,760,015	1,510,041	205,725	457,767	142,901	0	350,304	1,068,196	7,494,949	43,487	138,083	158,241	
<b>Fund Balances (Deficits), Ending</b>	\$3,735,288	\$3,638,326	\$205,725	\$390,941	\$186,246	\$0	\$235,957	\$1,017,615	\$9,410,098	\$43,851	\$32,775	(\$36,392)	

Continued

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES, Continued**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2018**

	Capital Projects Funds											
	2010 Bond Projects	2011 & 2012 Bond Projects	2013 Bond Projects	2014 Bond Projects	2015 Bond Projects	OFCB Bond Projects	2016 Bond Projects	2017 Bond Projects	2018 Bond Projects	Public Library Corporation	Roads, Parks, Open Space, Storm Water Exactions	Total Nonmajor Governmental Funds
<b>REVENUES</b>												
Charges for Services	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Intergovernmental												8,174,482
Exactions											148,447	148,447
Other				13,008						277,795		290,803
Income on Investments	4,731	1,340	48	2,578	6,203	13,378	43,067	72,618	79,034	3,798	18,769	252,889
<b>Total Revenues</b>	<b>4,731</b>	<b>1,340</b>	<b>48</b>	<b>15,586</b>	<b>6,203</b>	<b>13,378</b>	<b>43,067</b>	<b>72,618</b>	<b>79,034</b>	<b>281,593</b>	<b>167,216</b>	<b>8,876,033</b>
<b>EXPENDITURES</b>												
Current:												
General Government								357,170				357,170
Finance						42,188				374		42,562
Information Technology	62,000					878,290		500,000	1,020,554			2,460,844
Planning, Preservation, & Development						100,375						100,375
Police								445,250	269,600			1,333,130
Community Corrections		4,953	24,501					1,506,477				1,506,477
General Services							90,600	685,406				685,406
Parks and Recreation								4,100				94,700
Debt Service:												
Principal									242,811			242,811
Interest									18,074			18,074
Other Debt Service												134,038
Capital:												
Equipment	6	1,250	3	13,937	1,840	69,339	55,854	321,103	5,725,493			6,120,941
Acquisitions and Construction	266,144	100,000		327,117	1,140,674	69,339	5,072,357	5,751,762	6,732,597			19,736,968
<b>Total Expenditures</b>	<b>328,150</b>	<b>106,203</b>	<b>24,504</b>	<b>341,054</b>	<b>1,142,514</b>	<b>69,339</b>	<b>6,239,664</b>	<b>7,707,621</b>	<b>15,745,929</b>	<b>261,259</b>	<b>0</b>	<b>32,273,139</b>
<b>Excess (Deficiency) of Revenues over (under) Expenditures</b>	<b>(323,419)</b>	<b>(104,863)</b>	<b>(24,456)</b>	<b>(325,468)</b>	<b>(1,136,311)</b>	<b>(55,961)</b>	<b>(6,196,597)</b>	<b>(7,635,003)</b>	<b>(15,666,895)</b>	<b>20,334</b>	<b>167,216</b>	<b>(26,240,863)</b>
<b>OTHER FINANCING SOURCES (USES)</b>												
Transfers Out							(28,487)					(28,487)
Issuance of Debt									32,435,000			32,435,000
Premium on Bonds							4,660,804					4,660,804
Discount on Bonds							(138,157)					(138,157)
<b>Total Other Financing Sources (Uses)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(28,487)</b>	<b>0</b>	<b>36,957,647</b>	<b>0</b>	<b>0</b>	<b>33,504,172</b>
<b>Net Change in Fund Balances</b>	<b>(323,419)</b>	<b>(104,863)</b>	<b>(24,456)</b>	<b>(325,468)</b>	<b>(1,136,311)</b>	<b>(55,961)</b>	<b>(6,225,084)</b>	<b>(7,635,003)</b>	<b>21,290,752</b>	<b>20,334</b>	<b>167,216</b>	<b>7,263,309</b>
<b>Fund Balances (Deficits), Beginning</b>	<b>541,722</b>	<b>790,114</b>	<b>50,896</b>	<b>762,735</b>	<b>2,064,001</b>	<b>146,674</b>	<b>11,770,878</b>	<b>20,498,495</b>	<b>0</b>	<b>792,352</b>	<b>3,343,522</b>	<b>48,596,149</b>
<b>Adjustment to Opening Fund Balance (Note 2.D.)</b>	<b>541,722</b>	<b>790,114</b>	<b>50,896</b>	<b>762,735</b>	<b>2,064,001</b>	<b>146,674</b>	<b>11,770,878</b>	<b>20,498,495</b>	<b>0</b>	<b>792,352</b>	<b>3,902,197</b>	<b>49,154,824</b>
<b>Fund Balances, Beginning - Restated</b>	<b>\$218,303</b>	<b>\$685,251</b>	<b>\$26,440</b>	<b>\$437,567</b>	<b>\$927,690</b>	<b>\$90,713</b>	<b>\$5,545,794</b>	<b>\$12,863,492</b>	<b>\$21,290,752</b>	<b>\$812,686</b>	<b>\$4,069,413</b>	<b>\$56,418,133</b>
<b>Fund Balances (Deficits), Ending</b>	<b>\$218,303</b>	<b>\$685,251</b>	<b>\$26,440</b>	<b>\$437,567</b>	<b>\$927,690</b>	<b>\$90,713</b>	<b>\$5,545,794</b>	<b>\$12,863,492</b>	<b>\$21,290,752</b>	<b>\$812,686</b>	<b>\$4,069,413</b>	<b>\$56,418,133</b>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ending 6/30/18

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Direct/ Pass-through Grantor's Number</u>	<u>Accrued (Deferred) Revenue at July 1, 2017</u>	<u>Revenue Received</u>	<u>Passed Through to Sub recipients Expenditures</u>	<u>Total Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2018</u>
<b>US Department of Agriculture:</b>							
Direct Programs:							
Child Care Food Program	10.558	11475	\$3,619	\$17,321	\$0	\$13,702	\$0
Child Care Food Program	10.558	11475		38,086		46,955	8,869
Purchase of Development Rights (PDR)	10.931	545C161501JPC				702,043	702,043
<b>Total US Department of Agriculture</b>			3,619	55,407	0	762,700	710,912
<b>US Department of Housing and Urban Development:</b>							
Direct Programs:							
Community Dev Block Grant	14.218		33	65,568	106,000	80,536	121,001
Community Dev Block Grant	14.218		60,548	157,650	55,296	91,891	50,085
Community Dev Block Grant	14.218			57,924	474,839	226,731	643,646
Community Dev Block Grant	14.218			486,782	123,074	793,107	429,399
Emergency Solutions	14.231		245	245			
Emergency Solutions	14.231		18,582	68,083	21,722	55,525	27,746
Emergency Solutions	14.231				83,146	2,836	85,982
HOME	14.239		85,481	537,123	511,882	558	60,798
HOME	14.239		11,280	124,089	55,984	68,379	11,554
HOME	14.239		17,995	109,301	126,064		34,758
HOME	14.239			64,085	66,688		2,603
Housing Opp for Pers with AIDS (HOPWA)	14.241		31,516	276,208	242,156	2,536	
Housing Opp for Pers with AIDS (HOPWA)	14.241			79,326	162,468		83,142
Continuum of Care	14.267		18,182	29,641		11,459	
Continuum of Care	14.267			5,928		8,100	2,172
<b>Total US Department of Housing and Urban Development</b>			243,862	2,061,953	2,029,319	1,341,658	1,552,886
<b>US Department of Justice:</b>							
Direct Programs:							
Police Confiscated Funds	16.001	NA	(1,483,952)	760,977		818,633	(1,426,296)
Safe Havens	16.527		11,294	134,771	123,477		
Arrest Policy	16.590		22,184	43,411	7,450	13,777	
SCAAP	16.606		(124)			124	
SCAAP	16.606		(46,602)			45,658	(944)
SCAAP	16.606		(33,501)			2,613	(30,888)
SCAAP	16.606		(42,100)				(42,100)
SCAAP	16.606		(44,231)				(44,231)
Cops Hire	16.710		157,165	489,019		386,996	55,142
Justice Assistance Grant	16.738		(34)			34	
Justice Assistance Grant	16.738		(11,407)			10,681	(726)
Justice Assistance Grant	16.738		(16,957)			2,786	(14,171)
Passed through Commonwealth of Kentucky:							
Office Justice Delinquency Prevention	16.540	2016-JF-FX-0029		5,514		12,059	6,545
Lexington Police Victim Advocate Project	16.575	VOCA-2016-LFUCG-STRE-0026	2,468	13,409		10,941	
Lexington Police Victim Advocate Project	16.575	VOCA-2017-LFUCG-STRE-00039				4,324	4,324
Underserved Minority Victim	16.575	VOCA-2017-LFUCG-STRE-00058		3,220		16,191	12,971
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2016-LFUCG-ST-00483	5,698	16,280		10,582	
Sexual Assault Nurse Examiner (SANE)	16.588	VAWA-2017-LFUCG-ST-00531		1,976		5,929	3,953
National PAL Mentoring Program	16.726	2016-JU-FX-0014	1,080	15,942		14,862	
Street Sales (Confiscated Funds)	16.738	2016-JAG-LFUCG-STRE-01144		23,978		23,978	
Street Sales (Confiscated Funds)	16.738	2017-JAG-LFUCG-STRE-01160		11,903		11,903	
Street Sales	16.738	2016-JAG-LFUCG-STRE-01144	18,845	18,845			
<b>Total US Department of Justice</b>			(1,460,174)	1,539,245	130,927	1,392,071	(1,476,421)



**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ending 6/30/18**

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Direct/ Pass-through Grantor's Number</u>	<u>Accrued (Deferred) Revenue at July 1, 2017</u>	<u>Revenue Received</u>	<u>Passed Through to Sub recipients Expenditures</u>	<u>Total Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2018</u>
<b>US Department of Transportation:</b>							
Passed through Commonwealth of Kentucky:							
Air Quality Planning	20.205	PO2-625-1600006758	47,723	47,723			
Air Quality Planning	20.205	1700006017		29,349		91,960	62,611
Armstrong Mill Sidewalks	20.205	PO2-628-1700004143				29,700	29,700
Beaumont YMCA Trail Project	20.205	PO2-628-1700004155		7,000		12,000	5,000
Bicycle and Pedestrian Planning	20.205	PO2-625-1600006758	17,581	17,581			
Bicycle and Pedestrian Planning	20.205	1700006017		33,099		51,066	17,967
Bike Plan	20.205	1600006170	14,567	149,741		135,174	
Brighton Trail Pedestrian Bridge	20.205	PO2-628-1700002505		340		340	
Citation Trail	20.205	PO2-628-1700004156		9,694		48,153	38,459
Clays Mill Road	20.205	C-03328686		31,561		31,561	
Clays Mill Road	20.205	PO2-625-1500002693	184,150	556,910		451,708	78,948
CNG Fueling Station (Compressed Nat.Gas)	20.205	PO2-628-1600005819		776,240		776,240	
Federal Highway Planning	20.205	1600003892	67,515	67,515			
Federal Highway Planning	20.205	1700005044		298,673		392,000	93,327
Fiber Optic Cable Installation	20.205	PO2-628-1600004546				3,277	3,277
Forbes Road	20.205	PO2-628-1700002506	16,683	21,523		5,091	251
Four Side	20.205	PO2-628-1600005725	47,921	112,634		70,174	5,461
Intelligent Transpor. System (ITS)	20.205	PO2-625-1600002350	1,592	415,670		414,078	
Intelligent Transpor. System (ITS)	20.205	PO2-625-1700002191		113,285		476,008	362,723
Legacy Trail Enhancements	20.205	PO2-625-1200003879		8,580		10,775	2,195
Legacy Trail Phase III	20.205	PO2-628-1400005764	45,269	115,535		70,266	
Lexington Community Land Trust	20.205	PO2-625-1500000828	55,358				55,358
Liberty Road/Todds Road	20.205	C-00021586	50,510	50,510			
Liberty Road/Todds Road	20.205	C-04073306	485,243	485,243		7,686	7,686
Loudon Avenue Sidewalk Project	20.205	PO2-628-1100001626	48,285	50,729		2,444	
W. Loudon Avenue Streetscape	20.205	PO2-628-1800002729		5,420		5,420	
Man O' War & Alumni Intersection Project	20.205	PO2-625-1400004868		310,830		310,830	
Mercer Rd/Greendale Rd Turn lanes	20.205	PO2-628-1800001345				12,215	12,215
Mobility Office	20.205	PO2-625-1600006758	67,043	67,043			
Mobility Office	20.205	1700006017				100,681	100,681
Newtown Pike	20.205	C-00343167	21,326				21,326
Newtown Pike Supplement #1	20.205	C-00343167	719,283	22,893		443	696,833
Newtown Pike Supplement #2	20.205	C-00343167	530,183	54,082		297,759	773,860
Old Frankfort Pike Scenic Byway Viewing Area	20.205	PO2-628-1500003392	4,000	23,425		21,867	2,442
Oxford Circle Sidewalks	20.205	PO2-628-1700004160		15,900		18,000	2,100
Polo Club Boulevard Project	20.205	PO2-625-1300001036				18,084	18,084
Rose Street Bike Lanes	20.205	C-01099430	1,760	1,760			
Rosemont Garden Sidewalks	20.205	PO2-628-1700004171		8,209		15,749	7,540
South Elkhorn Trail	20.205	PO2-628-1700004176		23,916		31,212	7,296
Squires Road Sidewalks	20.205	PO2-628-1600003546		12,002		12,002	
Todds Road Sidewalks	20.205	PO2-628-1700004177				52,110	52,110
Town Branch	20.205	PO2-628-1200004353	9,915	36,013		41,648	15,550
Town Branch Commons Corridor-Zone 2	20.205	PO2-628-1600003719	30,492	82,120		115,502	63,874
Town Branch Trail Commons-Midland Section	20.205	PO2-628-1600005544	85,102	250,132		203,231	38,201
Town Branch Trail Crossing	20.205	PO2-628-1500004792	3,664	5,130		1,466	
Town Branch Trail Phase IV, V, VI	20.205	PO2-628-1500003706	103,452	293,083		225,590	35,959
Transit Route Facilities Inventory	20.205	PO2-620-1700000432	652	20,643		19,991	
West Hickman Trail	20.205	PO2-628-1600005956	19,302	83,091		71,305	7,516
Wilson Downning Sidewalks	20.205	PO2-628-1700004178		12,456		33,088	20,632
Winchester/Liberty Intersection Improvements	20.205	PO2-628-1600003038	5,687	5,687			
MCSAP	20.218	No Number	1,499	5,448		3,949	
MCSAP	20.218	No Number		29,392		40,159	10,767
Ticketing Aggressive Cars/Trucks (TACT)	20.218	No Number	5,545	16,977		11,432	
Ticketing Aggressive Cars/Trucks (TACT)	20.218	No Number		4,601		6,736	2,135
Brighton Rail Trail Phase 4	20.219	RTP 484-13	4,288	89,951		85,663	
Fed Transit Admin Section 5303	20.505	P030217442		18,504		48,400	29,896
Traffic Safety	20.600	PO2-625-17000005061	3,211	16,485		13,274	
Traffic Safety Supplement	20.600	PO2-625-18000010731		27,609		37,735	10,126
Traffic Safety Supplement	20.600	PO2-625-18000045321				2,684	2,684
Traffic Safety Supplement #2	20.600	PO2-625-17000043701	13,178	24,992		11,814	
Traffic Safety	20.616	PO2-625-18000009371		30,485		37,952	7,467
Traffic Safety Impaired Driving Enforcement	20.616	PO2-625-17000007651	1,745	12,897		11,152	
<b>Total US Department of Transportation</b>			<u>2,713,724</u>	<u>5,010,311</u>	<u>0</u>	<u>4,998,844</u>	<u>2,702,257</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the year ending 6/30/18**

<u>Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Direct/ Pass-through Grantor's Number</u>	<u>Accrued (Deferred) Revenue at July 1, 2017</u>	<u>Revenue Received</u>	<u>Passed Through to Sub recipients Expenditures</u>	<u>Total Expenditures</u>	<u>Accrued (Deferred) Revenue at June 30, 2018</u>
<b>US Environmental Protection Agency</b>							
Passed through Commonwealth of Kentucky:							
Century Hills	66.458	A13-003 SWR					
Town Branch WWS	66.458	A13-015 SWR		319,678		319,678	
Lower Cane Run WWS	66.458	A14-001 SWR		1,541,779		1,541,779	
Lower Griffin Gate Trunk	66.458	A17-003 SWR		1,286,628		1,286,628	
Marquis Ave	66.458	A13-015 SWR		301,262		301,262	
UK Trunk Sewer A	66.458	A13-015 SWR		1,052,193		1,052,193	
West Hickman Wet Weather Storage	66.458	A15-026 SWR	5,522,776	31,652,175		26,355,894	226,495
<b>Total US Environmental Protection Agency</b>			<u>5,522,776</u>	<u>36,153,715</u>	<u>0</u>	<u>30,857,434</u>	<u>226,495</u>
<b>US Department of Health and Human Services:</b>							
Passed through Commonwealth of Kentucky:							
Senior Citizens	93.044	PON2-725-1600003936	1,092	1,092			
Senior Citizens	93.044	PON2-725-1600003936		69,911		72,081	2,170
Refugee Targeted Assistance Program	93.584	257-107042-2017	2,664	5,309		2,645	
Refugee Targeted Assistance Program	93.584	257-107042-2018		686		686	
Home Network	93.597	2013-1014-PUBLIC-R	(6,505)			6,505	
Home Network	93.597	2014-2015-PUBLIC-R	(21,988)			21,988	
Home Network	93.597	2015-2016-PUBLIC-R	(343,715)			343,715	
Home Network	93.597	2016-2017-PUBLIC-R	(233,890)	45,320			(279,210)
Home Network	93.597	2017-2018-PUBLIC-R		236,540			(236,540)
Head Start Program	93.600	No Number	4,592	4,592			
Head Start Program	93.600	No Number		29,129		32,162	3,033
<b>Total US Department of Health and Human Services</b>			<u>(597,750)</u>	<u>392,579</u>	<u>0</u>	<u>479,782</u>	<u>(510,547)</u>
<b>US Department of Homeland Security Office of Domestic Preparedness:</b>							
Direct Programs:							
Assistance to Firefighters	97.044		2,003	2,003			
Assistance to Firefighters	97.044					110,286	110,286
Passed through Commonwealth of Kentucky:							
Hazard Mitigation Grant Prog.(HMGP_Versailles)	97.039	PON20951300000009		23,625		23,625	
Hazard Mitigation Grant Prog.(HMGP_EOC)	97.039	PON209513000000082	1,346	13,504		12,158	
Hazard Mitigation Grant Prog.(HMGP_PLAN)	97.039	PON209517000013341		11,372		42,965	31,593
Chemical Stockpile Emergency (CSEPP)	97.040	PO209513000036521	78,527	129,788		51,261	
Chemical Stockpile Emergency (CSEPP)	97.040	PO209514000033041	210,102	210,102			
Chemical Stockpile Emergency (CSEPP)	97.040	PO209515000044461	120,364	125,961		5,597	
Chemical Stockpile Emergency (CSEPP)	97.040	PO209516000047101	59,129	264,372		259,917	54,674
Chemical Stockpile Emergency (CSEPP)	97.040	PO209517000054301		153,709		275,109	121,400
Emergency Management Assistance	97.042	PO209517000014471	13,142	40,677		27,535	
Emergency Management Assistance	97.042	PO209518000015671		63,161		94,131	30,970
State Homeland Police	97.067	PO2-094-1700002251	24,028	57,008		32,980	
State Homeland Police	97.067	PO209418000022321		32,747		41,200	8,453
State Homeland Personal Protection Equip.	97.067	PO2-094-1700002261	5,384	5,900		516	
State Homeland Fire	97.067	PO209417000023251				39,200	39,200
State Homeland Fire Infrastructure	97.067	P02-094-1700000910	7,830	7,830			
<b>Total US Dept. of Homeland Security Office of Domestic Preparedness</b>			<u>521,855</u>	<u>1,141,759</u>	<u>0</u>	<u>1,016,480</u>	<u>396,576</u>
<b>Total Federal Financial Assistance</b>			<u>\$6,947,912</u>	<u>\$46,354,969</u>	<u>\$2,160,246</u>	<u>\$40,848,969</u>	<u>\$3,602,158</u>

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Year Ended June 30, 2018**

Grantor/Program Title	Grantor's Number	Grantor	Accrued or (Deferred) Revenue at July 1, 2017	Revenue Received	Passed Through to Sub recipients Expenditures	Expenditures	Accrued or (Deferred) Revenue at June 30, 2018
Day Treatment	PON252316000030821	Kentucky Dept. of Juvenile Justice	\$16,506	\$16,506	\$0	\$0	\$0
Day Treatment	PON252316000030821	Kentucky Dept. of Juvenile Justice		165,058		198,071	33,013
Economic Development-Ashland	N/A	Kentucky Cabinet Economic Development	(450,000)				(450,000)
Economic Development-Belcan Engineer.	N/A	Kentucky Cabinet Economic Development	(34,000)				(34,000)
Economic Development-Bingham McCutchen	N/A	Kentucky Cabinet Economic Development	(200,000)				(200,000)
Economic Development-Tiffany	N/A	Kentucky Cabinet Economic Development	(13,800)	27,000			(40,800)
FCDC Substance Abuse Recovery Program	PON2-527-1600001825	Kentucky Dept. of Corrections	4,923	4,923		45,486	
FCDC Substance Abuse Recovery Program	PON2-527-17000014611	Kentucky Dept. of Corrections		45,486			
Federal Highway Planning	1600003892	Kentucky Transportation Cabinet	4,220	4,220		24,500	5,834
Federal Highway Planning	1700005044	Kentucky Transportation Cabinet				2,864,938	
Fire Training Incentive	155	Kentucky Fire Commission		18,666		1,945	
Hazard Mitigation Grant Prog.(HMGP_EOC)	PON209513000000082	Kentucky Emergency Management Agency	215	2,160		6,875	5,056
Hazard Mitigation Grant Prog.(HMGP_PLAN)	PON209517000013341	Kentucky Emergency Management Agency		1,819		3,780	
Hazard Mitigation Grant Prog.(HMGP_Versailles)	PON209513000000009	Kentucky Emergency Management Agency		3,780		29,017	
Home Network	2015-2016-PUBLIC-C-R	Lexington Fayette County Health Dept	(29,017)				(122,379)
Home Network	2016-2017-PUBLIC-C-R	Lexington Fayette County Health Dept	(147,420)	33,520		58,561	(129,759)
Home Network	2017-2018-PUBLIC-C-R	Lexington Fayette County Health Dept		129,800		41	
Local Food Coordinator	A2015-008	Kentucky Agricultural Development Board	(9,882)			9,882	
Kentucky Fire Commission Training Facility	N/A	Kentucky Fire Commission		65,000		107,036	(65,000)
Kentucky Pride	N/A	Kentucky Energy & Environmental Cabinet	(107,036)			45,030	(109,767)
Kentucky Pride	N/A	Kentucky Energy & Environmental Cabinet		154,797		33,500	
Kentucky Pride Fund Composting	PO2-625-1700097314	Kentucky Division of Waste Management	(10,356)	33,500		75,447	(3,334)
KY Pride Household Hazardous Waste Mgmt	N/A	Kentucky Division of Waste Management		(10,356)			(213,603)
KY Pride Household Hazardous Waste Mgmt	N/A	Kentucky Division of Waste Management	(213,603)	78,781			
LPS Settlement	N/A	Kentucky Office of the Attorney General		11,400		(66,694)	5,766
Law Enforcement Service Fee	LSF-2016-LFUCG-STRE-00288	Kentucky Justice Cabinet	11,400				
Legacy Trail Enhancements	PO2-625-1200003879	Kentucky Transportation Cabinet	66,694				
Lexington Community Land Trust	PO2-625-1500000828	Kentucky Transportation Cabinet	5,766				
Liberty Road/Todds Road	C-0021586	Kentucky Transportation Cabinet	12,627	12,627		1,921	1,921
Liberty Road/Todds Road	C-04073306	Kentucky Transportation Cabinet	12,312	121,312			
Newtown Pike Extension	C00343167	Kentucky Transportation Cabinet	5,331				5,331
Paula Nye Memorial Education	2016-02	Kentucky Bicycle and Bikeway Commission	(11,034)			10,635	(399)
Paula Nye Memorial Education	2017-13	Kentucky Bicycle and Bikeway Commission		10,000		1,637	(8,363)
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation	234,411	234,411			
Police Training Incentive	N/A	Kentucky Law Enforcement Foundation		2,702,303		2,947,647	245,344
Recycling	N/A	Kentucky Division of Waste Management	(1,619)	(1,619)			
SANE3 (Sexual Assault Treatment Project)	VAWA-2015-LFUCG-ST-00438	Kentucky Justice Cabinet	200	200		4,800	
SANE3 (Sexual Assault Treatment Project)	VAWA-2016-LFUCG-ST-00483	Kentucky Justice Cabinet	3,400	8,200		3,600	3,600
SANE3 (Sexual Assault Treatment Project)	VAWA-2017-LFUCG-ST-00531	Kentucky Justice Cabinet					
Senior Citizens	PON2-725-1600003936	Bluegrass Area Development District	1	1			
Senior Citizens	PON2-725-1600003936	Bluegrass Area Development District		120,525		120,525	
State Homeland Commercial Mobile Radio	PO2 094 1800001186 1	Kentucky Office Homeland Security		29,921		29,921	29,921
State Homeland Commercial Mobile Radio (2)	PO2 094 1800001195 1	Kentucky Office Homeland Security		257,903		329,363	71,460
Unsewered Areas 2	SX21067001 & SX21067008	Kentucky Infrastructure Authority	65,507	65,507			
Waste Tire	PO2-625-1700099294	Kentucky Energy & Environmental Cabinet		4,000		4,000	
<b>Total State Financial Assistance</b>			<u>(\$675,254)</u>	<u>\$7,186,368</u>	<u>\$0</u>	<u>\$6,891,464</u>	<u>(\$970,158)</u>

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

## NONMAJOR ENTERPRISE FUNDS

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

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

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

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

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

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

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

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**June 30, 2018**

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
<b>ASSETS</b>								
Current Assets:								
Cash	\$1,881,863	\$848,428	\$854,405	\$5,045,773	\$261,501	\$154,640	\$1,398,503	\$10,445,113
Investments				1,425,979		16,322		1,442,301
Receivables:								
Other Receivables		2,680		260,447	30,779	35,867		329,773
Less Allowance for Uncollectible Accounts						(35,867)		(35,867)
Inventories and Prepaid Expenses	48,152	1,238		46,509	4,440			100,339
<b>Total Current Assets</b>	<u>1,930,015</u>	<u>852,346</u>	<u>854,405</u>	<u>6,778,708</u>	<u>296,720</u>	<u>170,962</u>	<u>1,398,503</u>	<u>12,281,659</u>
Noncurrent Assets:								
Land Improvements		10,000						10,000
Buildings				7,514				7,514
Vehicles, Equipment, and Furniture	107,245	103,481	143,647	2,962,939				3,317,312
Intangibles				1,357,849				1,357,849
Less Accumulated Depreciation	(61,743)	(99,484)	(143,647)	(3,611,899)				(3,916,773)
<b>Total Noncurrent Assets</b>	<u>45,502</u>	<u>13,997</u>	<u>0</u>	<u>716,403</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>775,902</u>
<b>Total Assets</b>	<u>\$1,975,517</u>	<u>\$866,343</u>	<u>\$854,405</u>	<u>\$7,495,111</u>	<u>\$296,720</u>	<u>\$170,962</u>	<u>\$1,398,503</u>	<u>\$13,057,561</u>
Deferred outflows of resources:								
Deferred Pension Amounts	\$228,514	\$573,085	\$0	\$1,573,110	\$0	\$0	\$0	\$2,374,709
Deferred Other Post Employment Benefit Amounts	54,421	136,481		374,637				565,539
<b>Total Deferred Outflows of Resources</b>	<u>282,935</u>	<u>709,566</u>	<u>0</u>	<u>1,947,747</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,940,248</u>
<b>Total Assets &amp; Deferred Outflows of Resources</b>	<u>\$2,258,452</u>	<u>\$1,575,909</u>	<u>\$854,405</u>	<u>\$9,442,858</u>	<u>\$296,720</u>	<u>\$170,962</u>	<u>\$1,398,503</u>	<u>\$15,997,809</u>
<b>LIABILITIES</b>								
Current Liabilities:								
Accounts, Contracts and Retainage Payable	\$50,330	\$14,325	\$226,529	\$42,037	\$759	\$0	\$0	\$333,980
Accrued Payroll	4,566	27,428		37,636				69,630
Compensated Absences	7,554	1,749		36,690				45,993
<b>Total Current Liabilities</b>	<u>62,450</u>	<u>43,502</u>	<u>226,529</u>	<u>116,363</u>	<u>759</u>	<u>0</u>	<u>0</u>	<u>449,603</u>
Noncurrent Liabilities:								
Compensated Absences	7,556	56,547		36,690				100,793
Unfunded Other Post Employment Benefit Liability	199,028	499,139		1,370,129				2,068,296
Unfunded Pension Liability	569,730	1,428,815		3,922,078				5,920,623
<b>Total Noncurrent Liabilities</b>	<u>776,314</u>	<u>1,984,501</u>	<u>0</u>	<u>5,328,897</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>8,089,712</u>
<b>Total Liabilities</b>	<u>\$838,764</u>	<u>\$2,028,003</u>	<u>\$226,529</u>	<u>\$5,445,260</u>	<u>\$759</u>	<u>\$0</u>	<u>\$0</u>	<u>\$8,539,315</u>
Deferred inflows of resources:								
Deferred Pension Amounts	\$52,537	\$131,757	\$0	\$361,671	\$0	\$0	\$0	\$545,965
Deferred Other Post Employment Benefit Amounts	11,035	27,674		75,964				114,673
<b>Total Deferred Inflows of Resources</b>	<u>63,572</u>	<u>159,431</u>	<u>0</u>	<u>437,635</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>660,638</u>
<b>Total Liabilities &amp; Deferred Inflows of Resources</b>	<u>\$902,336</u>	<u>\$2,187,434</u>	<u>\$226,529</u>	<u>\$5,882,895</u>	<u>\$759</u>	<u>\$0</u>	<u>\$0</u>	<u>\$9,199,953</u>
<b>NET POSITION</b>								
Net Investment in Capital Assets	\$45,502	\$13,996	\$0	\$716,403	\$0	\$0	\$0	\$775,901
Unrestricted (Deficits)	1,310,614	(625,521)	627,876	2,843,560	295,961	170,962	1,398,503	6,021,955
<b>Total Net Position</b>	<u>\$1,356,116</u>	<u>(\$611,525)</u>	<u>\$627,876</u>	<u>\$3,559,963</u>	<u>\$295,961</u>	<u>\$170,962</u>	<u>\$1,398,503</u>	<u>\$6,797,856</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended June 30, 2018**

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
<b>Operating Revenues</b>								
User Charges	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Fees		2,060,409		4,539,129	319,414			6,918,952
License Fees and Permits	656,344							656,344
Gross Profit - Commissary			2,747,822					2,747,822
Other		54	417,384	3,320				420,758
<b>Total Operating Revenues</b>	<u>656,344</u>	<u>2,060,463</u>	<u>3,165,206</u>	<u>4,542,449</u>	<u>319,414</u>	<u>0</u>	<u>0</u>	<u>10,743,876</u>
<b>Operating Expenses</b>								
Right of Way	524,856							524,856
Extended School Program		1,895,911						1,895,911
Prisoners' Account			560,849					560,849
Inmate Trust Account			2,369,375					2,369,375
Enhanced 911				4,324,509				4,324,509
CKY Network					266,242			266,242
Administration		237,705						237,705
Depreciation	4,724	3,611		376,988				385,323
<b>Total Operating Expenses</b>	<u>529,580</u>	<u>2,137,227</u>	<u>2,930,224</u>	<u>4,701,497</u>	<u>266,242</u>	<u>0</u>	<u>0</u>	<u>10,564,770</u>
<b>Operating Income (Loss)</b>	126,764	(76,764)	234,982	(159,048)	53,172	0	0	179,106
<b>Nonoperating Revenues (Expenses)</b>								
Income on Investments				16,931		185		17,116
<b>Total Nonoperating Revenues</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,931</u>	<u>0</u>	<u>185</u>	<u>0</u>	<u>17,116</u>
<b>Income (Loss) Before Transfers</b>	126,764	(76,764)	234,982	(142,117)	53,172	185	0	196,222
Transfers Out	26,540	24,549	(400)	244,330	24,384			319,403
<b>Change in Net Position</b>	<u>153,304</u>	<u>(52,215)</u>	<u>234,582</u>	<u>102,213</u>	<u>77,556</u>	<u>185</u>	<u>0</u>	<u>515,625</u>
<b>Net Position, Beginning</b>	1,350,039	(190,083)	215,801	4,471,274	218,405	170,777	1,398,503	7,634,716
<b>Net Position, Beginning - Restated</b>	(147,227)	(369,227)	177,493	(1,013,524)				(1,352,485)
<b>Net Position, Ending</b>	<u>\$1,356,116</u>	<u>(\$611,525)</u>	<u>\$627,876</u>	<u>\$3,559,963</u>	<u>\$295,961</u>	<u>\$170,962</u>	<u>\$1,398,503</u>	<u>\$6,797,856</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR ENTERPRISE FUNDS**  
**For the Year Ended June 30, 2018**

	Right of Way	Extended School Program	Prisoners' Account System	Enhanced 911	CKY Network	Small Business Development	Public Parking Corporation	Total
<b>Increase (Decrease) in Cash and Cash Equivalents:</b>								
<b>Cash Flows from Operating Activities:</b>								
Receipts from Customers	\$656,344	\$2,059,723	\$3,165,206	\$4,551,193	\$357,706	\$0	\$0	\$10,790,172
Payments to Suppliers	1,065,668	322,645	(2,873,411)	926,432	(192,940)		383,216	(368,390)
Payments to Employees	(376,468)	(1,439,928)		(2,480,419)	(292)			(4,297,107)
Payments for Interfund Services Used	(3,616)	(237,705)		(1,307)	(248)			(242,876)
<b>Net Cash Provided by (Used in) Operating Activities</b>	<b>1,341,928</b>	<b>704,735</b>	<b>291,795</b>	<b>2,995,899</b>	<b>164,226</b>	<b>0</b>	<b>383,216</b>	<b>5,881,799</b>
<b>Cash Flows from Noncapital Financing Activities:</b>								
Transfers Out	26,540	24,549	0	244,330	24,384	0	0	319,803
<b>Net Cash Flows Provided by (Used in) Noncapital Financing Activities</b>	<b>26,540</b>	<b>24,549</b>	<b>0</b>	<b>244,330</b>	<b>24,384</b>	<b>0</b>	<b>0</b>	<b>319,803</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>								
Purchases of Capital Assets	(25,608)	0	0	(278,813)	0	0	0	(304,421)
<b>Net Cash Flows Used in Capital and Related Financing Activities</b>	<b>(25,608)</b>	<b>0</b>	<b>0</b>	<b>(278,813)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(304,421)</b>
<b>Cash Flows Provided by Investing Activities:</b>								
Purchases of Investments				(16,931)		(186)		(17,117)
Income on Investments				16,931		185		17,116
<b>Net Cash Flows Provided by (Used in) Investing Activities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1)</b>	<b>0</b>	<b>(1)</b>
<b>Net Increase (Decrease)</b>	<b>1,342,860</b>	<b>729,284</b>	<b>291,795</b>	<b>2,961,416</b>	<b>188,610</b>	<b>(1)</b>	<b>383,216</b>	<b>5,897,180</b>
<b>Cash at Beginning of Year</b>	<b>539,003</b>	<b>119,144</b>	<b>562,610</b>	<b>2,084,357</b>	<b>72,891</b>	<b>1,54,641</b>	<b>1,015,287</b>	<b>4,547,933</b>
<b>Cash at End of Year</b>	<b>\$1,881,863</b>	<b>\$848,428</b>	<b>\$854,405</b>	<b>\$5,045,773</b>	<b>\$261,501</b>	<b>\$154,640</b>	<b>\$1,398,503</b>	<b>\$10,445,113</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:</b>								
Operating Income (Loss)	\$126,764	(\$76,764)	\$234,982	(\$159,048)	\$53,172	\$0	\$0	\$179,106
<b>Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used In) Operating Activities:</b>								
Depreciation	4,724	3,611		376,988				385,323
Allowance for Bad Debts		(515)						(515)
<b>(Increase) Decrease in Assets:</b>								
Other Receivables		(740)		8,744	38,292			46,296
Inventories and Prepaid Expenses	(48,152)	(1,238)		(6,098)	(4,440)			(59,928)
Due from Other Funds	998,282	204,509		1,344,612	99,890		383,216	3,030,509
<b>(Increase) Decrease in Deferred Outflows:</b>								
Deferred Other Post Employment Benefit Amounts	(54,421)	(136,481)		(374,637)	8,979			(565,539)
Deferred Pension Amounts	(88,429)	(237,083)		(586,291)				(902,824)
<b>Increase (Decrease) in Liabilities:</b>								
Accounts Payable	48,642	780	56,813	(3,077)	(840)			102,318
Accrued Payroll	12	(2,170)		2,173	(292)			(277)
Compensated Absences	(1,430)	6,101		18,626				23,297
Unfunded Other Post Employment Benefit Liability	199,028	499,139		1,370,129				2,068,296
Unfunded Pension Liability	93,336	286,155		566,143	(30,535)			915,099
<b>Increase (Decrease) in Deferred Inflows:</b>								
Deferred Other Post Employment Benefit Amounts	11,035	27,674		75,964				114,673
Deferred Pension Amounts	52,537	131,757		361,671				545,965
<b>Total Adjustments</b>	<b>1,215,164</b>	<b>781,499</b>	<b>56,813</b>	<b>3,154,947</b>	<b>111,054</b>	<b>0</b>	<b>383,216</b>	<b>5,702,693</b>
<b>Net Cash Provided by (Used In) Operating Activities</b>	<b>\$1,341,928</b>	<b>\$704,735</b>	<b>\$291,795</b>	<b>\$2,995,899</b>	<b>\$164,226</b>	<b>\$0</b>	<b>\$383,216</b>	<b>\$5,881,799</b>

## **INTERNAL SERVICE FUNDS**

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

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

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



**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS  
June 30, 2018**

	<b>Health, Dental and Vision Care</b>	<b>Insurance and Risk Management</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash	\$1,376,557	\$15,141,475	\$16,518,032
Due from Other Funds		19,195,314	19,195,314
Receivables	1,724	33,064	34,788
Inventories and Prepaid Expenses	338,834		338,834
<b>Total Current Assets</b>	<b>\$1,717,115</b>	<b>\$34,369,853</b>	<b>\$36,086,968</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts Payable	\$751,959	\$73,034	\$824,993
Claims Payable:			
Reported		11,518,706	11,518,706
Incurred But Not Reported	965,156	13,375,034	14,340,190
<b>Total Current Liabilities</b>	<b>1,717,115</b>	<b>24,966,774</b>	<b>26,683,889</b>
<b>Total Liabilities</b>	<b>\$1,717,115</b>	<b>\$24,966,774</b>	<b>\$26,683,889</b>
<b>NET POSITION</b>			
Unrestricted	\$0	\$9,403,079	\$9,403,079

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, & CHANGES IN FUND NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended June 30, 2018**

	<u>Health, Dental and Vision Care Insurance</u>				<u>Insurance and Risk Management</u>	<u>Total</u>
	<u>Health</u>	<u>Dental</u>	<u>Vision Care</u>	<u>Total</u>		
<b>Operating Revenues</b>						
Premiums	\$32,219,317	\$2,304,790	\$180,016	\$34,704,123	\$12,185,090	\$46,889,213
<b>Total Operating Revenues</b>	<u>32,219,317</u>	<u>2,304,790</u>	<u>180,016</u>	<u>34,704,123</u>	<u>12,185,090</u>	<u>46,889,213</u>
<b>Operating Expenses</b>						
Claims and Benefit Payments	28,971,775	2,331,090	213,148	31,516,013	8,408,432	39,924,445
Operating Supplies and Expense	3,188,110			3,188,110		3,188,110
<b>Total Operating Expenses</b>	<u>32,159,885</u>	<u>2,331,090</u>	<u>213,148</u>	<u>34,704,123</u>	<u>8,408,432</u>	<u>43,112,555</u>
<b>Operating Income (Loss)</b>	59,432	(26,300)	(33,132)	0	3,776,658	3,776,658
<b>Change in Net Position</b>	<u>59,432</u>	<u>(26,300)</u>	<u>(33,132)</u>	<u>0</u>	<u>3,776,658</u>	<u>3,776,658</u>
<b>Net Position, Beginning</b>	<u>315,600</u>	<u>(352,084)</u>	<u>36,484</u>	<u>0</u>	<u>5,626,421</u>	<u>5,626,421</u>
<b>Net Position, Ending</b>	<u>\$375,032</u>	<u>(\$378,384)</u>	<u>\$3,352</u>	<u>\$0</u>	<u>\$9,403,079</u>	<u>\$9,403,079</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
For the Year Ended June 30, 2018**

	<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 Operating Activities:</b>			
Receipts from Employees and Other Sources	\$34,704,123	\$0	\$34,704,123
Receipts from Interfund Services Provided	1,147,174	19,016,626	20,163,800
Refunds from/(Payments to) Suppliers	(2,958,183)	(6,281)	(2,964,464)
Payments for Claims	(31,581,063)	(7,597,641)	(39,178,704)
<b>Net Cash Used in Operating Activities</b>	<b>1,312,051</b>	<b>11,412,704</b>	<b>12,724,755</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,312,051</b>	<b>11,412,704</b>	<b>12,724,755</b>
Cash at Beginning of Year	64,506	3,728,771	3,793,277
<b>Cash at End of Year</b>	<b>\$1,376,557</b>	<b>\$15,141,475</b>	<b>\$16,518,032</b>
<b>Reconciliation of Operating Income to Net Cash Used In Operating Activities:</b>			
<b>Operating Income</b>	<b>\$0</b>	<b>\$3,776,658</b>	<b>\$3,776,658</b>
<b>Adjustments to Reconcile Operating Income to Net Cash Used in Operating Activities:</b>			
<b>(Increase) Decrease in Assets:</b>			
Due from Other Funds	1,143,631	6,810,612	7,954,243
Other Receivables	3,543	20,924	24,467
Inventories and Prepaid Expenses	17,364		17,364
<b>Increase (Decrease) in Liabilities:</b>			
Accounts Payable	212,563	(6,281)	206,282
Claims Payable	(65,050)	810,791	745,741
<b>Total Adjustments</b>	<b>1,312,051</b>	<b>7,636,046</b>	<b>8,948,097</b>
<b>Net Cash Used in Operating Activities</b>	<b>\$1,312,051</b>	<b>\$11,412,704</b>	<b>\$12,724,755</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 & 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 **Property & Evidence Fund** accounts for monies collected from prisoners. Once the case has been adjudicated through the court system, money is distributed as ordered.

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

The **Representative Payee Fund** accounts for funds managed by the Government on behalf of adults who are unable to manage their own money in order to prevent the exploitation, abuse, and neglect of these citizens.

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF NET POSITION**  
**AGENCY FUNDS**  
**For Years as Stated**

	<u>Balance</u> <u>June 30, 2017</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>NEIGHBORHOOD SEWER PROJECTS FUND</b>		
Cash and Short-Term Investments	\$714	\$714
<b>Total Assets</b>	<u>\$714</u>	<u>\$714</u>
Payable to Property Owners	\$714	\$714
<b>Total Liabilities</b>	<u>\$714</u>	<u>\$714</u>
<b>JUVENILE &amp; ADULT PROBATION FUND</b>		
Cash	\$316,826	\$321,223
<b>Total Assets</b>	<u>\$316,826</u>	<u>\$321,223</u>
Accounts Payable	\$316,826	\$321,223
<b>Total Liabilities</b>	<u>\$316,826</u>	<u>\$321,223</u>
<b>PROPERTY &amp; EVIDENCE FUND</b>		
Cash	\$1,162,913	\$1,031,366
<b>Total Assets</b>	<u>\$1,162,913</u>	<u>\$1,031,366</u>
Accounts Payable	\$1,162,913	\$1,031,366
<b>Total Liabilities</b>	<u>\$1,162,913</u>	<u>\$1,031,366</u>
<b>DOMESTIC RELATIONS FUND</b>		
Cash	\$314,226	\$314,226
Accounts Receivable	51	51
<b>Total Assets</b>	<u>\$314,277</u>	<u>\$314,277</u>
Accounts Payable	\$314,277	\$314,277
<b>Total Liabilities</b>	<u>\$314,277</u>	<u>\$314,277</u>
<b>REPRESENTATIVE PAYEE FUND</b>		
Cash	\$23,423	\$76,254
<b>Total Assets</b>	<u>\$23,423</u>	<u>\$76,254</u>
Accounts Payable	\$23,423	\$76,254
<b>Total Liabilities</b>	<u>\$23,423</u>	<u>\$76,254</u>
<b>TOTALS - AGENCY FUNDS</b>		
Cash and Short-Term Investments	\$1,818,102	\$1,743,783
Accounts Receivable	51	51
<b>Total Assets</b>	<u>\$1,818,153</u>	<u>\$1,743,834</u>
Liabilities	\$1,818,153	\$1,743,834
<b>Total Liabilities</b>	<u>\$1,818,153</u>	<u>\$1,743,834</u>

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**For the Year Ended June 30, 2018**

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>NEIGHBORHOOD SEWER PROJECTS FUND</b>				
Cash and Short-Term Investments	\$714	\$0	\$0	\$714
<b>Total Assets</b>	<u>\$714</u>	<u>\$0</u>	<u>\$0</u>	<u>\$714</u>
Payable to Property Owners	\$714	\$0	\$0	\$714
<b>Total Liabilities</b>	<u>\$714</u>	<u>\$0</u>	<u>\$0</u>	<u>\$714</u>
<b>JUVENILE &amp; ADULT PROBATION FUND</b>				
Cash	\$316,826	\$18,431	\$14,034	\$321,223
<b>Total Assets</b>	<u>\$316,826</u>	<u>\$18,431</u>	<u>\$14,034</u>	<u>\$321,223</u>
Accounts Payable	\$316,826	\$18,431	\$14,034	\$321,223
Due to Other Funds		354	354	
<b>Total Liabilities</b>	<u>\$316,826</u>	<u>\$18,785</u>	<u>\$14,388</u>	<u>\$321,223</u>
<b>PROPERTY &amp; EVIDENCE FUND</b>				
Cash	\$1,162,913	\$198,915	\$330,462	\$1,031,366
<b>Total Assets</b>	<u>\$1,162,913</u>	<u>\$198,915</u>	<u>\$330,462</u>	<u>\$1,031,366</u>
Accounts Payable	\$1,162,913	\$191,757	\$323,304	\$1,031,366
Due to Other Funds		51,938	51,938	
<b>Total Liabilities</b>	<u>\$1,162,913</u>	<u>\$243,695</u>	<u>\$375,242</u>	<u>\$1,031,366</u>
<b>DOMESTIC RELATIONS FUND</b>				
Cash	\$314,226	\$964	\$964	\$314,226
Accounts Receivable	51	51	51	51
<b>Total Assets</b>	<u>\$314,277</u>	<u>\$1,015</u>	<u>\$1,015</u>	<u>\$314,277</u>
Accounts Payable	\$314,277	\$0	\$0	\$314,277
Due to Other Funds		354	354	
<b>Total Liabilities</b>	<u>\$314,277</u>	<u>\$354</u>	<u>\$354</u>	<u>\$314,277</u>
<b>REPRESENTATIVE PAYEE FUND</b>				
Cash	\$23,423	\$603,644	\$550,813	\$76,254
<b>Total Assets</b>	<u>\$23,423</u>	<u>\$603,644</u>	<u>\$550,813</u>	<u>\$76,254</u>
Accounts Payable	\$23,423	\$504,578	\$451,747	\$76,254
Due to Other Funds		141,992	141,992	
<b>Total Liabilities</b>	<u>\$23,423</u>	<u>\$646,570</u>	<u>\$593,739</u>	<u>\$76,254</u>
<b>TOTALS - AGENCY FUNDS</b>				
Cash and Short-Term Investments	\$1,818,102	\$821,954	\$896,273	\$1,743,783
Accounts Receivable	51	51	51	51
<b>Total Assets</b>	<u>\$1,818,153</u>	<u>\$822,005</u>	<u>\$896,324</u>	<u>\$1,743,834</u>
Liabilities	\$1,818,153	\$909,404	\$983,723	\$1,743,834
<b>Total Liabilities</b>	<u>\$1,818,153</u>	<u>\$909,404</u>	<u>\$983,723</u>	<u>\$1,743,834</u>

## NONMAJOR COMPONENT UNITS

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

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

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

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

**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
COMBINING STATEMENT OF NET POSITION  
NONMAJOR COMPONENT UNITS**

June 30, 2018

	Lexington Transit Authority	Lexington Public Library	Lexington Convention and Visitors Bureau	Downtown Development Authority	Total Nonmajor Component Units
<b>ASSETS</b>					
Cash	\$11,022,614	\$6,795,634	\$633,946	\$0	\$18,452,194
Investments		5,265,415			5,265,415
Receivables:					
Accounts Receivable	233,237		100,879		334,116
Other	111,874	17,532			129,406
Due from Primary Government			1,502,579		1,502,579
Due from Other Governments	5,048,477				5,048,477
Inventories and Prepaid Expenses	485,054	127,304	219,423		831,781
Net Pension Asset	87,855				87,855
Restricted Current Assets:					
Cash	1,210,784		2,946		1,213,730
Investments			3,351,090		3,351,090
Restricted Non-Current Investments					
Capital Assets:					
Non-depreciable	4,578,833	4,844,615	22,602		9,446,050
Depreciable (Net)	37,384,736	20,510,791	2,006,136		59,901,663
Other Assets	8,355,000				8,355,000
<b>Total Assets</b>	<b>\$68,518,464</b>	<b>\$37,561,291</b>	<b>\$7,839,601</b>	<b>\$0</b>	<b>\$113,919,356</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Pension Amounts	\$1,063,261	\$4,398,604	\$1,182,909	\$0	\$6,644,774
Deferred Other Post Employment Benefit Amounts		1,279,368	296,623		1,575,991
<b>Total Deferred Outflows of Resources</b>	<b>1,063,261</b>	<b>5,677,972</b>	<b>1,479,532</b>	<b>0</b>	<b>8,220,765</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$69,581,725</b>	<b>\$43,239,263</b>	<b>\$9,319,133</b>	<b>\$0</b>	<b>\$122,140,121</b>
<b>LIABILITIES</b>					
Accounts, Contracts Payable and Accrued Liabilities	\$827,720	\$755,018	\$351,815	\$0	\$1,934,553
Unearned Revenue and Other		501	2,946		3,447
Non-Current Liabilities:					
Due Within One Year:					
Compensated Absences	151,547	311,312	78,820		541,679
Bonds and Notes Payable	911,425	597,913			1,509,338
Due in More Than One Year:					
Compensated Absences	358,912				358,912
Bonds and Notes Payable	18,517,412	8,650,337			27,167,749
Unfunded Other Post Retirement Benefit Liability		4,449,229	3,039,857		7,489,086
Unfunded Pension Liability		12,954,365	1,044,051		13,998,416
<b>Total Liabilities</b>	<b>\$20,767,016</b>	<b>\$27,718,675</b>	<b>\$4,517,489</b>	<b>\$0</b>	<b>\$53,003,180</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Pension Amounts	\$1,719,259	\$1,516,429	\$280,318	\$0	\$3,516,006
Deferred Other Post Employment Benefit Amounts		232,950	54,662		287,612
<b>Total Deferred Inflows of Resources</b>	<b>1,719,259</b>	<b>1,749,379</b>	<b>334,980</b>	<b>0</b>	<b>3,803,618</b>
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$22,486,275</b>	<b>\$29,468,054</b>	<b>\$4,852,469</b>	<b>\$0</b>	<b>\$56,806,798</b>
<b>NET POSITION</b>					
Net Investment in Capital Assets	\$23,745,516	\$16,107,156	\$2,028,739	\$0	\$41,881,411
Restricted for:					
Governmental and Program Funds		390,932			390,932
Unrestricted	23,349,934	(2,726,879)	2,437,925		23,060,980
<b>Total Net Position</b>	<b>\$47,095,450</b>	<b>\$13,771,209</b>	<b>\$4,466,664</b>	<b>\$0</b>	<b>\$65,333,323</b>



**LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**  
**COMBINING STATEMENT OF ACTIVITIES**  
**NONMAJOR COMPONENT UNITS**  
**For the Year Ended June 30, 2018**

	Program Revenues					Net (Expenses) Revenue and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Lexington Transit Authority	Lexington Public Library	Lexington Convention and Visitors Bureau	Downtown Development Authority	Total Nonmajor Component Units	
<b>Lexington Transit Authority</b>										
Transit Operations	\$24,499,618	\$4,054,156	\$4,892,175	\$3,018,618	(\$12,534,669)				(\$12,534,669)	
Depreciation	3,904,155				(3,904,155)				(3,904,155)	
Interest on Long-Term Debt	219,660				(219,660)				(219,660)	
Total Lexington Transit Authority	28,623,433	4,054,156	4,892,175	3,018,618					(16,658,484)	
<b>Lexington Public Library</b>										
Library Operations	16,057,277	623,663	701,880	105,000		(\$14,626,734)			(\$14,626,734)	
Depreciation	1,592,398					(1,592,398)			(1,592,398)	
Interest on Long-Term Debt	357,419					(357,419)			(357,419)	
Total Lexington Public Library	18,007,094	623,663	701,880	105,000					(16,576,551)	
<b>Lexington Convention and Visitors Bureau</b>										
Convention and Tourism Operations	7,837,827		322,328			(\$7,515,499)			(7,515,499)	
Depreciation	174,194					(174,194)			(174,194)	
Total Lexington Convention and Visitors Bureau	8,012,021	0	322,328	0					(7,689,693)	
<b>Downtown Development Authority</b>										
Downtown Design Center	197,973			(20,829)			(\$218,802)		(218,802)	
Total Downtown Development Authority	197,973	0	0	(20,829)					(218,802)	
Total Nonmajor Component Units	\$54,840,521	\$4,677,819	\$5,916,383	\$3,102,789	(\$16,658,484)	(\$16,576,551)	(\$7,689,693)	(\$218,802)	(\$41,143,530)	
General Revenues (Expenses):										
Taxes					\$18,225,355	\$15,786,567	\$7,399,865	\$0	\$41,411,787	
Payment from/to Lexington-Fayette Urban County Government					24,989			\$161,734	186,723	
Income on Investments						97,436	10,718	136	108,290	
Gain on Sale of Capital Assets						3,238			3,238	
Miscellaneous					(751,523)	73,290	21,636		(656,597)	
<b>Total General Revenues</b>					17,498,821	15,960,531	7,432,219	161,870	41,053,441	
Change in Net Position					840,337	(616,020)	(257,474)	(56,932)	(90,089)	
Net Position, Beginning					46,255,113	17,594,277	5,476,700	257,487	69,583,577	
Adjustment to Opening Net Position (Note 2.D.)						(3,207,048)	(752,562)	(200,555)	(4,160,165)	
Net Position, Beginning - Restated					46,255,113	14,387,229	4,724,138	56,932	65,423,412	
Net Position, Ending					\$47,095,450	\$13,771,209	\$4,466,664	\$0	\$65,333,323	

# STATISTICAL SECTION

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

Financial Trends: Tables 1 – 6

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

Revenue Capacity: Tables 7 – 12

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

Debt Capacity: Tables 13 – 17

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

Demographic & Economic Indicators: Tables 18 – 21

These schedules offer demographic and economic indicators to help the reader understand the environment within which the Government's financial activity takes place.

Operating Information: Tables 22 – 24

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

TABLE 1

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental Activities</b>										
Net Investment in Capital Assets	\$934,789,342	\$920,938,945	\$921,236,876	\$899,350,344	\$877,691,469	\$860,074,409	\$838,877,310	\$813,823,945	\$752,686,501	\$718,483,933
Restricted	6,255,432	(31,494,181)	32,640,718	20,289,131	26,895,407	22,045,314	34,719,227	58,884,930	61,892,472	69,345,687
Unrestricted (Deficit)	(6,454,734)		(110,023,238)	(98,714,274)	(94,638,121)	(83,112,939)	(350,353,804)	(370,433,940)	(403,166,799)	(741,550,665)
Total governmental activities net position	934,590,040	889,444,764	843,854,356	820,925,201	809,948,755	799,006,784	523,242,733	502,274,935	411,412,174	46,278,955
<b>Business-type Activities</b>										
Net Investment in Capital Assets	254,269,159	239,666,463	209,276,568	217,434,369	217,313,258	222,913,279	227,825,104	231,848,112	235,845,376	247,162,736
Restricted	24,680,839	35,249,098	50,637,360	57,712,759	66,194,803	68,209,300	60,086,906	69,892,072	77,840,186	74,759,178
Unrestricted (Deficit)	7,399,034	14,702,006	33,023,663	29,435,424	27,429,362	33,237,351	36,179,971	38,061,916	41,169,488	39,300,274
Total business-type activities net position	286,349,032	289,617,567	292,937,591	304,582,552	310,937,423	324,359,930	324,091,981	339,802,100	354,855,050	361,222,188
<b>Primary Government</b>										
Net Investment in Capital Assets	1,189,058,501	1,160,605,408	1,130,513,444	1,116,784,713	1,095,004,727	1,082,987,688	1,066,702,414	1,045,672,057	988,531,877	965,646,669
Restricted	30,936,271	3,754,917	83,278,078	78,001,890	93,090,210	90,254,614	94,806,133	128,777,002	139,732,658	144,104,865
Unrestricted (Deficit)	944,300	14,702,006	(76,999,575)	(69,278,850)	(67,208,759)	(49,875,588)	(314,173,833) *	(332,372,024)	(361,997,311)	(702,250,391)
Total primary government net position	\$1,220,939,072	\$1,179,062,331	\$1,136,791,947	\$1,125,507,753	\$1,120,886,178	\$1,123,366,714	\$847,334,714	\$842,077,035	\$766,267,224	\$407,501,143

\* In 2015, the Government implemented GASB Statement No. 68 which revised the reporting for its liability related to pensions.

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

TABLE 2

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental Activities:										
Administrative Services	\$3,315,306	\$1,299,382	\$1,138,040	\$21,143,480	\$11,761,053	\$5,342,699	\$7,433,487	\$7,800,854	\$9,578,189	\$10,339,453
Chief Development Officer	30,670,339	30,894,261	31,104,781	470,018	620,665	192,555	513,854	2,074,348	207,793	263,297
Community Corrections	24,729,110	21,516,034	23,500,067	31,286,365	32,631,937	34,000,937	30,066,104	30,814,452	33,771,433	40,748,826
Environmental Quality & Public Works	13,378,819	24,047,223	28,515,655	80,559,723	83,878,537	45,339,718	54,933,912	60,134,890	61,270,031	65,541,170
Fire & Emergency Services	66,077,180	67,106,441	67,106,441	19,357,661	14,744,087	16,726,346	14,049,319	39,135,165	49,393,398	36,669,013
General Government	22,706,306	22,726,537	24,197,239	66,413,015	62,781,239	67,689,682	56,832,342	66,853,053	84,838,719	92,898,310
General Services**	13,944,835	14,629,238	14,242,698	22,985,046	23,692,990	26,973,537	25,480,664	30,180,917	45,598,791	24,040,021
Health, Dental and Vision Insurance	25,824,211	26,711,492	34,755,417	10,041,709	10,898,533	10,551,162	11,827,132	12,486,401	22,964,722	13,442,525
Information Technology**	14,522,324	9,161,677	9,713,226	26,211,457	25,006,634	24,893,545	25,000,892	22,632,726	26,894,758	27,763,298
Law	10,803,413	9,301,249	10,227,268	3,497,483	4,006,240	6,983,029	8,401,242	9,464,131	11,174,379	11,011,888
Outside Agencies	19,955,406	18,320,506	19,064,298	19,386,251	19,653,677	19,693,483	18,854,526	21,010,506	23,375,486	24,127,163
Parks & Recreation	69,507,685	70,694,372	71,714,415	68,164,371	69,945,322	47,343,980	42,415,735	53,776,224	45,359,659	46,217,442
Planning, Preservation, & Development*	13,145,251	11,259,687	11,162,765	13,042,056	14,666,437	69,822,219	56,418,416	64,145,155	74,436,600	94,799,943
Public Safety**	62,907,588	61,841,096	63,671,436	9,780,945	10,194,745	10,776,283	12,593,479	12,560,199	14,759,631	14,913,489
Public Works	14,719,158	11,836,703	10,672,881	9,780,945	10,194,745	10,478,516	10,964,083	11,754,471	13,035,311	14,222,704
Social Services	6,357,236	10,692,416	13,131,617	12,835,920	13,116,205	13,053,635	13,116,151	13,722,941	15,336,458	15,273,176
Special Projects										
Interest on Long-Term Debt										
Debt Service - Other										
Total governmental activities	412,564,167	408,047,873	434,166,244	405,175,480	401,365,596	413,673,193	391,551,819	400,655,438	337,647,840	534,867,022
Business-type Activities:										
Sanitary Sewer System	35,438,026	41,453,360	42,472,580	40,124,346	39,014,016	43,664,387	41,207,716	44,271,125	50,078,962	53,354,239
Public Facilities	10,971,103	10,806,267	10,741,225	10,333,320	9,419,886	8,895,507	8,829,979	9,596,104	8,666,540	8,049,921
Public Parking	1,012,399	927,900	906,926	847,894	84,866	265,226	66,994	66,987	1,965,274	
Landfill	6,209,619	6,641,801	6,581,625	5,271,593	4,099,770	6,060,197	4,426,038	5,542,566	3,962,016	4,071,987
Right of Way	299,598	313,383	312,770	298,896	284,470	308,683	280,214	336,415	493,872	529,580
Extended School Program	2,333,357	2,456,874	2,207,310	2,339,148	2,198,555	1,977,394	1,951,359	2,262,605	2,023,018	2,137,227
Prisoners' Account System	1,628,156	1,421,523	1,287,139	1,373,473	1,395,543	1,844,393	1,253,423	1,716,855	3,002,164	2,930,224
Enhanced 911	3,314,149	3,634,032	3,083,806	2,973,088	2,930,379	2,384,796	2,638,373	3,940,313	4,170,674	4,701,497
CKY Network	63,502	57,644	84,242	29,307	10,668	450,919	1,307,829	879,328	412,763	266,242
Small Business Development										
Water Quality	1,841,975	4,528,403	6,380,081	9,182,669	8,308,501	9,139,302	8,618,921	11,290,945	12,062,937	13,618,632
Total Business-type Activities	63,111,884	72,241,187	73,857,704	72,773,734	67,744,654	74,990,894	70,580,846	79,073,233	86,838,220	89,639,549
Total Primary Government	\$475,676,051	\$480,289,060	\$508,123,948	\$477,949,214	\$469,110,250	\$488,664,087	\$462,132,665	\$540,528,681	\$624,486,060	\$624,506,571

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services	\$0	\$0	\$1,000	\$1,603,453	\$559,050	\$367,363	\$351,158	\$498,615	\$769,505	\$2,125,003
Administrative Services	6,413,349	6,319,484	7,429,351	7,707,225	8,286,565	9,161,315	76,504	2,500	9,159	9,159
Chief Development Officer	1,265,393	1,850,487	2,406,997	2,912,917	2,757,405	2,081,977	3,140,243	2,485,454	3,113,988	3,005,644
Community Corrections	4,385,600	3,807,077	3,145,043	2,511,142	2,413,363	3,358,781	1,912,603	472,126	55,401	462,509
Environmental Quality	6,773,040	6,191,913	6,478,108	7,340,946	6,952,394	7,036,029	8,211,753	9,210,668	6,422,785	6,817,192
Environmental Quality & Public Works	14,300,517	13,541,123	15,644,382	15,086,369	23,141,015	17,046,255	19,035,778	18,642,898	18,642,898	19,438,510
Finance	104,442	113,498	97,898	63,132	28,827	41,555	97,971	18,346	1,700	16,548
Fire & Emergency Services	25,824,211	26,711,492	34,755,417	26,211,457	25,006,634	24,893,545	25,000,892	22,632,726	26,894,758	27,763,298
General Services**	56,344	14,368	20,876	35,293	36,944	49,006	3,821	3,096	981	1,087
Health, Dental, and Vision	21,528	34,444	18,217	4,258,091	4,156,325	3,869,990	4,327,985	4,403,431	4,333,455	4,325,061
Information Technology**	5,381,956	4,691,533	4,258,091	4,810,535	4,156,325	3,869,990	4,327,985	4,403,431	4,333,455	4,325,061
Law	2,031,643	2,007,988	2,402,840	1,528,342	1,942,297	2,245,228	2,709,381	3,119,969	3,114,354	3,134,064
Outside Agencies	408,491	445,029	329,460	2,045,401	1,857,059	64,898	1,640,754	1,513,686	1,717,739	2,068,459
Parks & Recreation	3,775,946	5,770,608	4,088,338	2,045,401	1,857,059	64,898	247,994	69,522	73,187	69,023
Planning, Preservation, & Development*	3,754,793	2,848,473	3,542,915	1,766,790	1,857,123	1,703,695	1,804,885	1,662,363	1,586,791	1,864,271
Police	13,251,883	20,192,672	13,849,522	14,139,426	13,066,758	15,108,425	15,087,470	13,383,964	13,146,822	10,617,000
Public Safety**	10,276,393	10,434,599	7,078,729	8,316,236	6,272,539	9,200,572	8,190,685	8,319,315	6,269,038	5,718,463
Public Works	98,020,529	104,974,288	105,547,184	96,078,664	98,573,466	98,840,995	100,429,782	96,193,389	95,431,223	96,743,087
Social Services	36,605,347	47,470,305	48,803,593	47,287,791	52,927,780	50,480,049	52,007,762	58,394,719	63,890,717	64,451,293
Debt Service - other	6,841,271	6,405,531	7,157,088	7,156,666	5,830,285	6,375,794	6,405,783	6,987,558	7,303,362	6,145,356
Operating Grants & Contributions	1,373,037	1,203,102	859,874	977,414	4,560	705	705	705	705	705
Capital Grants & Contributions	8,499,137	8,240,762	7,203,610	7,183,611	6,845,329	7,064,989	7,211,864	7,050,937	7,060,342	7,028,050
Total Governmental Activities	403,771	479,012	483,196	419,676	392,466	508,812	475,126	495,400	703,959	656,344
Business-Type Activities:										
Charges for Services	1,808,121	2,097,145	2,038,391	2,338,245	2,379,751	2,202,171	2,229,896	2,289,089	1,904,620	2,066,463
Sanitary Sewer System	2,026,429	1,915,510	1,121,799	1,524,127	1,619,626	2,372,285	1,621,110	1,426,181	3,146,187	3,165,206
Public Facilities	3,453,310	4,069,027	3,749,409	3,994,658	3,517,634	4,273,106	3,810,087	4,126,861	4,542,449	4,542,449
Public Parking	84,045	91,090	140,699	25,738	111,576	111,576	1,269,890	815,110	400,735	319,414
Landfill	68,268	5,581,104	11,604,569	12,095,514	12,296,476	13,119,524	13,341,859	13,661,911	13,565,209	14,082,286
Right of Way	61,162,736	77,552,988	83,162,228	83,034,498	85,839,645	86,520,306	87,979,682	95,443,490	102,404,830	102,450,861
Extended School Program	159,183,265	182,527,776	188,709,412	179,113,162	184,413,111	185,361,301	188,409,464	191,636,879	197,836,055	199,193,948
Phoned Account System										
CKY Network										
Small Business Development										
Water Quality										
Total Business-Type Activities	314,543,638	(303,073,085)	(328,619,060)	(309,096,816)	(302,792,130)	(314,832,198)	(291,122,037)	(364,462,049)	(442,216,615)	(438,123,935)
Total Primary Government	(1,949,148)	5,311,801	9,204,524	10,260,764	18,094,991	11,529,502	17,398,836	15,540,247	15,566,610	12,791,312
Net (Expense)/Revenue	(316,492,786)	(297,761,284)	(298,836,052)	(284,697,139)	(284,697,139)	(303,302,696)	(273,723,201)	(348,921,802)	(426,650,005)	(425,332,623)
Governmental Activities:										
Property Taxes	54,301,749	51,143,199	52,548,109	52,860,840	53,597,311	54,759,199	55,241,837	56,751,090	58,636,843	62,072,333
Licenses and Permits	218,194,593	215,196,838	234,999,866	230,580,201	238,924,158	248,271,270	265,596,253	275,539,490	288,771,661	304,625,553
Grants & Contributions Not Restricted to Specific Programs:										
Community Development Block Grant	2,577,631	2,250,779	2,175,565	2,171,901	2,176,035	2,009,120	1,719,372	8,018,438	1,154,744	1,951,474
Income on Investments	804,510	300,149	589,967	(509,890)	(509,890)	263,242	1,341,333	602,208	1,029,385	1,029,385
Sale of Assets	641,460	(45,882)	2,300,242	311,259	283,406		413,379		1,144,379	149,226
Bond Refunding										
Miscellaneous										
Conveyance of Asset										
Transfers	617,876	1,737,884	1,249,888	(346,507)	(1,106,585)	(871,447)	(2,546)	(313,102)	1,210,302	(800,072)
Total Governmental Activities	277,137,819	270,382,937	282,803,509	286,167,661	293,364,435	304,431,384	324,496,198	341,750,628	351,520,137	369,027,899
Business-Type Activities:										
Income on Investments	669,955	96,285	540,692	1,029,866	(215,314)	1,021,538	(604,800)	547,366	159,737	962,755
Sale of Assets	93,891	(401,697)	39,149	7,824			10,168		536,905	28,641
Bond Refunding										
Transfers	(617,876)	(1,737,884)	(1,249,888)	346,507	(1,106,585)	871,447	2,546	313,102	(1,210,302)	800,072
Total Business-Type Activities	145,970	(2,043,266)	(70,047)	1,384,197	(1,126,295)	1,895,005	(592,086)	860,408	(513,660)	1,791,468
Total Primary Government	277,283,789	268,339,671	282,733,462	287,551,858	282,238,140	306,326,389	323,904,112	342,651,096	351,006,477	370,819,367
<b>Change in Net Position</b>										
Governmental activities	(37,405,819)	(32,490,148)	(45,815,551)	(22,929,155)	(9,427,695)	(10,400,814)	33,374,161	(22,711,421)	(90,696,478)	(69,096,036)
Business-type activities	(1,803,178)	3,268,535	8,534,477	11,644,961	5,976,696	13,422,507	16,806,750	16,400,715	15,052,950	14,582,780
Prior Period Adjustment - Government Activities										
Prior Period Adjustment-Business-Type Activities										
Total Primary Government	(39,209,000)	(29,221,613)	(37,281,074)	(11,284,194)	(3,450,999)	(7,978,307)	49,780,911	(6,310,466)	(75,643,528)	(54,513,256)
Planning, Preservation, & Development* added in FY13 and was previously included with Administration.										
**In FY16 the Chief Information Officer was added to the Department of Information Technology. In addition, the Division of Security was moved from the Department of General Services to the Department of Public Safety.										
Source: Department of Finance, Lexington-Fayette Urban County Government										

TABLE 3

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund											
Reserved	\$5,254,246	\$12,177,430	\$12,019,893	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Unreserved											
Designated for Economic Contingency	13,219,620	14,470,569	14,470,569								
Designated for Payroll	1,293,279	2,116,169	2,923,169								
Designated for Working Capital											
Designated for Pay Adjustments	4,620,501	4,365,746	2,106,483	1,493,737	1,461,447	1,405,198	1,627,367	2,064,127	2,102,194	2,343,585	2,480,783
Unassigned											
Nonspendable											
Restricted for:											
Public Safety						408,227	636,874	198,175	397,688	602,807	812,350
Energy Improvement Projects								552,989	552,011	676,218	595,075
Committed for:											
General Government				3,931,000		6,612,684	11,249,146	11,606,932	13,353,512	5,941,545	3,640,127
Economic Stabilization				18,200,738	18,482,971	23,290,466	25,224,221	29,685,851	30,687,844	31,408,506	34,015,454
Assigned to:											
Capital Projects					6,972,224	8,060,560	8,137,251	20,449,635	13,924,969	4,913,896	1,660,938
General Government					11,583,075	10,325,000	12,700,000	14,500,000	21,200,000	14,000,000	15,400,000
Urban Services					2,500,000						
Unassigned				562,360	3,265,872	4,309,677	4,176,646	4,273,341	4,789,658	5,419,629	5,757,987
Total	24,387,646	33,129,914	31,520,114	24,187,835	44,265,589	54,411,812	63,751,505	83,331,050	87,007,876	65,306,186	64,362,714
Urban Services											
Reserved	1,064,326	5,612,288	8,842,245								
Designated for Payroll	99,401	127,622	154,622								
Unassigned	31,935,168	28,237,751	16,986,960								
Nonspendable				4,031	604	175	11,112	2,735	2,603	22,900	62,543
Restricted for:											
Urban Service Projects				20,420,741	22,767,570	28,631,854	29,855,868	31,391,398	30,368,714	23,836,031	28,107,799
Energy Improvement Projects						10,383	13,314	2,930	2,930	5,860	11,720
Unassigned											
Total	33,098,895	33,977,661	25,983,827	20,424,772	22,768,174	28,642,412	29,880,294	31,397,063	30,374,247	23,864,791	28,182,062
All Other Governmental Funds											
Reserved	18,430,040	7,944,462	12,702,665								
Unassigned, reported in:											
Nonspendable				369	6,604	22,376	77,859	106,066	2,680		
Restricted for:											
Public Works				10,357,176	8,238,721	9,032,953	11,534,007	8,202,688	6,271,461	5,618,682	7,765,585
Public Safety				3,117,402	2,812,852	1,659,378	1,569,569	1,529,730	1,460,930	1,418,500	1,253,572
Special Revenue Funds	9,269,371	12,137,914	13,742,070								
Capital Projects	(13,728,932)	6,138,952	36,272,857	32,094,257	19,027,031	25,214,697	20,133,026	33,754,253	57,700,163	41,101,200	47,044,427
Grants Projects	119,184	100,842	116,485	546,461	1,262,100	1,262,100		210,880	232,138	241,043	250,200
Committed for:											
General Government				410,544	447,605						
Assigned to:											
General Government				(974,484)	(370,103)	445,690	1,721,084	1,327,774	720,741	457,767	390,941
Unassigned									(82,433)		(36,392)
Total	\$14,089,663	\$26,322,170	\$62,834,077	\$45,551,725	\$31,424,810	\$37,637,194	\$36,297,645	\$45,131,391	\$66,305,680	\$48,837,192	\$56,668,333

LFUCG elected to implement GASB Statement No. 54, Fund Balance Reporting and the Governmental Fund Type Definitions, in fiscal year 2011. This statement allows the entity to apply prospectively in the statistical section. Therefore, LFUCG has not reclassified prior information.

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

TABLE 4

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Licenses and Permits	\$222,841,928	\$219,586,264	\$228,816,452	\$235,226,117	\$243,655,298	\$253,581,959	\$271,354,443	\$281,240,662	\$294,952,524	\$310,378,790
Taxes	54,301,749	51,143,199	52,548,109	52,860,840	53,597,311	54,759,199	55,241,837	56,751,090	58,636,843	62,072,333
Charges for Services	22,073,405	21,182,005	24,158,224	26,262,822	26,365,849	26,797,087	28,056,635	29,175,200	27,222,202	27,327,074
Fines and Forfeitures	303,205	268,459	220,449	176,319	311,930	258,112	235,626	222,201	234,820	185,061
Local Contributions										
Intergovernmental	36,462,389	41,088,818	33,622,666	35,125,072	32,365,491	38,199,741	35,010,716	38,232,668	28,719,916	27,179,190
Excise taxes	379,575	601,993	96,613	129,603	532,410	486,643	2,074,477	317,370	514,337	148,447
Grant Match	2,734,433	2,619,353								
Property Sales	803,382	499,119	2,681,463	453,540	462,570	181,052	529,770	585,626	1,766,593	332,635
Income on Investments	804,510	300,149	129,839	589,902	(509,785)	263,298	1,941,301	1,341,478	602,208	1,029,385
Other	7,928,848	9,988,984	8,998,513	4,002,075	3,436,946	4,067,219	5,244,909	4,536,586	5,011,982	6,771,390
<b>Total Revenues</b>	<b>348,633,424</b>	<b>347,278,343</b>	<b>351,272,328</b>	<b>354,826,290</b>	<b>360,218,020</b>	<b>378,594,310</b>	<b>399,669,714</b>	<b>412,402,881</b>	<b>417,661,425</b>	<b>435,424,305</b>
<b>Expenditures</b>										
Administrative Services	3,213,262	1,098,505	1,209,504	19,612,467	10,370,972	5,014,372	7,431,873	8,060,766	9,259,948	9,397,369
Chief Development Officer	21,076,668	20,398,457	22,544,214	458,932	613,743	190,339	537,986	1,107,841	963,105	1,322,146
Environmental Quality										
Environmental Quality & Public Works	11,488,448	11,979,265	9,271,854	36,315,403	37,037,311	36,407,046	40,387,589	42,819,684	43,305,223	46,744,561
Finance	6,761,982	6,962,873	7,382,550	5,405,089	5,115,502	5,020,225	5,225,806	5,536,971	5,977,862	6,004,097
General Government	29,246,730	26,370,443	25,763,110	5,059,177	5,678,539	5,678,539	6,306,980	6,542,424	6,556,907	6,354,511
General Services**	13,566,187	10,287,205	8,450,628	24,095,490	26,517,790	24,348,481	26,139,238	29,278,819	30,038,997	30,457,511
Information Technology**	10,851,780	9,327,861	10,237,207	3,571,448	3,994,327	4,035,593	2,844,757	9,187,214	9,964,616	13,127,259
Law	19,236,209	18,123,297	19,244,315	20,571,727	20,260,096	23,623,807	22,958,277	22,755,312	10,462,417	2,900,350
Outside Agencies	227,892,046	191,233,566	160,552,216	193,328,465	172,413,558	173,507,393	10,436,351	12,486,736	14,614,512	14,506,605
Planning, Preservation, & Development*	24,708,831	22,514,826	21,858,996	7,804,749	8,222,664	8,196,041	8,422,005	9,190,567	10,296,721	10,852,548
Public Safety**	11,623,944	9,615,423								
Social Services										
Special Projects										
Debt Service:										
Principal	13,760,000	26,230,000	20,035,000	18,465,000	17,855,000	21,925,000	20,850,000	22,010,000	21,470,000	26,855,000
Interest and Other	5,495,982	9,409,512	13,703,243	12,927,929	13,108,740	13,667,645	12,558,133	13,938,702	15,073,088	15,356,878
Capital	45,435,689	70,941,523	49,010,038	29,785,796	28,336,917	48,815,941	51,092,128	70,848,354	95,073,861	43,876,088
<b>Total Expenditures</b>	<b>444,357,758</b>	<b>434,492,756</b>	<b>377,664,929</b>	<b>377,401,672</b>	<b>353,153,928</b>	<b>386,234,545</b>	<b>400,586,967</b>	<b>448,310,292</b>	<b>505,606,546</b>	<b>462,490,008</b>
Excess (Deficiency) of Revenues over (under) Expenditures	(95,724,334)	(87,214,413)	(26,392,601)	(22,575,382)	7,064,092	(7,640,235)	(917,253)	(35,907,411)	(87,945,121)	(27,065,703)
<b>Other Financing Sources (Uses)</b>										
Transfers In	4,238,345	6,723,504	3,843,657	18,102,675	7,226,272	28,308,895	21,319,957	24,833,948	11,581,277	12,385,610
Transfers Out	(3,620,469)	(4,985,650)	(3,773,123)	(18,493,131)	(7,822,695)	(29,163,490)	(21,316,119)	(25,134,821)	(11,801,402)	(12,710,446)
Property Sales										
Debt Proceeds (net of bond refunding)	116,960,000	119,515,000	19,720,000	37,275,000	21,177,299	78,350,131	49,993,988	56,180,000	70,278,668	54,808,279
Bond Anticipation Note										
Premium (Discount) on Bonds Issued										
<b>Total Other Financing Sources (Uses)</b>	<b>117,577,876</b>	<b>114,122,686</b>	<b>15,210,279</b>	<b>30,869,623</b>	<b>16,031,851</b>	<b>16,878,261</b>	<b>30,847,313</b>	<b>59,242,087</b>	<b>42,431,770</b>	<b>(15,467,353)</b>
<b>Net Change in Fund Balances</b>	<b>\$21,853,542</b>	<b>\$26,908,273</b>	<b>(\$11,182,322)</b>	<b>\$8,294,241</b>	<b>\$23,095,943</b>	<b>\$9,238,026</b>	<b>\$29,930,060</b>	<b>\$23,334,676</b>	<b>(\$45,513,351)</b>	<b>\$11,950,387</b>
Debt Service as a Percentage of Noncapital Expenditures*	4.5%	9.5%	10.2%	8.7%	9.1%	10.1%	9.1%	9.0%	7.8%	9.9%

\*Planning, Preservation, & Development was added in FY13 and was previously included with Administration.

\*\*In FY16 the Chief Information Officer was changed to the Department of Information Technology. In addition, the Division of Security was moved from the Department of General Services to the Department of Public Safety.

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



TABLE 5

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Licenses and Permits	\$221,612,009	\$218,333,096	\$227,486,734	\$233,898,045	\$242,304,633	\$252,196,981	\$269,928,753	\$279,796,674	\$293,445,670	\$308,811,807
Taxes	20,737,242	20,222,945	20,992,845	20,880,351	21,368,326	21,899,738	21,826,464	22,599,975	23,068,237	24,528,574
Charges for Services	21,965,618	21,002,080	24,084,059	23,879,484	24,202,174	24,643,221	25,633,499	27,409,249	24,604,479	24,865,154
Fines and Forfeitures	270,598	262,040	215,493	170,001	309,442	257,039	234,615	220,612	234,363	184,729
Intergovernmental	2,405,778	1,156,085	2,441,417	1,942,553	1,978,891	1,720,761	797,537	858,600	546,939	775,621
Property Sales	646,007	473,784	1,985,318	152,194	137,719	56,688	1,265,147	205,560	1,265,147	248,629
Income on Investments	288,720	62,901	(2,381)	390,823	(556,777)	432,454	1,564,895	775,012	339,889	556,641
Other	3,559,545	5,640,858	4,159,715	2,213,409	2,388,300	2,509,949	4,198,344	3,669,875	3,502,017	4,131,498
Total Revenues	271,485,517	267,153,789	281,363,200	283,526,860	292,132,708	303,716,831	324,502,643	335,535,557	347,006,741	364,102,653
<b>Expenditures and Other Financing Sources (Uses)</b>										
Administrative Services	1,052,574	1,098,505	1,209,504	15,973,425	8,112,087	2,656,141	5,617,560	6,177,391	7,524,232	7,751,744
Chief Development Officer			6,407	158,932	163,743	182,074	267,683	1,001,763	845,523	1,288,532
Environmental Quality	53,206	3,217								
Environmental Quality & Public Works										
Finance	9,057,361	8,297,391	7,936,589	8,380,410	8,103,750	7,366,215	9,814,924	11,746,025	11,730,796	12,369,277
General Government	3,337,821	3,206,859	3,872,271	1,700,098	3,476,730	3,664,554	4,109,338	4,265,335	5,494,593	5,938,150
General Services**	28,401,996	26,464,121	25,414,155	24,165,031	26,774,613	29,847,860	27,906,695	31,355,145	4,333,737	3,444,293
Information Technology**	7,610,707	7,366,977	7,820,811			6,018,605	8,213,083	8,887,236	31,546,178	30,722,576
Law	9,602,925	8,601,967	9,607,308	3,494,863	3,926,008	3,974,171	2,315,205	2,182,164	10,471,207	10,804,309
Outside Agencies	16,913,570	16,786,200	16,935,373	17,206,291	17,121,904	18,935,337	19,540,759	20,264,359	10,186,108	20,987,191
Planning, Preservation, & Development*										
Public Safety**	219,175,755	183,918,587	154,017,726	187,071,884	167,821,104	165,631,441	172,810,800	186,461,715	206,803,147	203,622,135
Public Works	17,198,118	18,296,963	16,628,445							
Social Services	9,604,663	7,439,405	6,801,050	6,003,513	6,566,634	6,633,883	6,821,502	7,870,878	9,209,025	9,262,532
Debt Service	19,386,936	27,749,206	33,701,269	30,937,819	29,748,196	34,160,768	31,970,746	34,481,109	35,216,103	41,330,879
Other Financing (Sources) Uses	(78,652,384)	(40,465,809)	(3,207,654)	(37,031,128)	2,332,547	2,541,672	643,862	1,181,014	694,993	366,171
Residual Equity Transfers										
Total Expenditures and Other Financing Sources (Uses)	262,743,248	268,763,589	280,743,254	263,449,106	281,986,485	294,377,138	304,923,098	333,240,985	368,587,574	363,742,003
Net Change in Fund Balance	\$8,742,269	(\$1,609,800)	\$619,946	\$20,077,754	\$10,146,223	\$9,339,693	\$19,579,545	\$2,294,572	(\$21,580,833)	\$360,650

\*Planning, Preservation, & Development was added in FY13 and was previously included with Administration.

\*\* In FY16 the Chief Information Officer was changed to the Department of Information Technology. In addition, the Division of Security was moved from the Department of General Services to the Department of Public Safety.

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

TABLE 6

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Revenues</b>										
Sewer Service Charges	\$35,213,276	\$45,578,971	\$45,663,797	\$44,334,743	\$45,990,027	\$46,577,092	\$46,845,571	\$53,005,210	\$60,085,888	\$60,398,087
Sewer Tap on Fees	1,048,864	1,072,452	1,523,169	1,944,010	2,325,787	2,013,656	2,482,245	3,249,636	2,154,652	2,923,533
Exactions	198,914	287,677	885,730	150,120	4,002,945	801,569	426,085	411,513	294,332	329,120
Other Income	93,293	448,880	776,339	615,624	609,021	1,155,128	2,297,116	1,127,145	912,835	82,988
Total Revenues	36,554,347	47,387,980	48,849,035	47,044,497	52,927,780	50,547,445	52,051,017	57,793,504	63,447,707	63,733,728
<b>Operating Expenses</b>										
Treatment Plant	8,447,048	8,502,531	8,411,093	7,933,477	8,217,471	7,935,854	7,318,958	6,713,706	7,116,239	8,157,629
Collection System	4,427,863	4,297,166	5,544,184	5,064,273	4,405,020	4,461,052	4,187,968	4,413,641	4,536,910	1,832,856
Administration	14,325,685	18,974,390	18,243,183	17,142,578	16,216,619	20,773,379	20,119,458	21,566,883	24,011,158	28,262,383
Depreciation	6,393,816	7,113,944	7,214,960	7,299,442	7,683,896	8,047,827	8,471,363	9,130,305	10,568,196	12,137,121
Total Operating Expenses	33,594,412	38,888,031	39,413,420	37,439,770	36,523,006	41,218,112	40,097,747	41,824,535	46,232,503	50,389,989
Operating Income	2,959,935	8,499,949	9,435,615	9,604,727	16,404,774	9,329,333	11,953,270	15,968,969	17,215,204	13,343,739
Net Nonoperating Revenues/(Expenses)	(1,255,146)	(2,909,369)	(2,486,197)	(1,697,841)	(2,649,715)	(1,451,967)	(1,710,547)	(2,005,954)	(4,005,015)	(2,289,314)
Capital Contributions										
Transfers In	453,974		3,010,299	422,187	1,208,935	88,369,088	6,230			150,000
Transfers Out	(888,779)	(394,869)	(4,283,344)	(466,138)	(1,039,194)	(88,351,969)	354	(4,236)		56,435
Net Income/Change in Net Position	\$1,269,984	\$5,195,711	\$5,676,373	\$7,862,935	\$13,924,800	\$7,894,485	\$10,249,307	\$13,958,779	\$13,025,163	\$11,260,860

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

TABLE 7

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

Fiscal Year	Residential	Farms	Commercial	Oil, Mineral & Timber Rights	Tangible	Intangible	Total	Less Intangible	Total Taxable Assessed Value	Total Direct Tax Rate (Per \$100 of Assessed value)
2009	\$14,681,278	\$836,738	\$6,219,162	\$1,516	\$5,723,817		\$27,462,511		\$27,462,511	0.2535
2010	14,887,510	866,958	6,310,733	1,530	5,076,606		27,143,337		27,143,337	0.2535
2011	15,043,326	880,219	6,377,418	2,241	4,975,027		27,278,231		27,278,231	0.2535
2012	15,164,243	898,982	6,421,877	1,880	5,014,698		27,501,680		27,501,680	0.2535
2013	15,235,648	897,667	6,523,119	1,499	5,333,542		27,991,475		27,991,475	0.2535
2014	15,299,695	899,945	6,757,308	1,127	5,395,493		28,353,568		28,353,568	0.2535
2015	15,741,024	919,466	7,162,151	1,080	5,793,103		29,616,824 *		29,616,824	0.2535
2016	15,497,091	911,673	6,935,829	995	5,527,611		28,873,199 *		28,873,199	0.2538
2017	16,346,959	948,410	7,509,402	1,345	5,801,304		30,607,420		30,607,420	0.2538
2018	17,358,420	746,352	8,117,423	1,740	5,953,135		32,177,070		32,177,070	0.2533

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.  
\* Year 2015 & 2016 data was flipped: Corrected Error

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
2009	\$53,823,142	\$53,779,117	99.9%	\$44,025 *	\$53,823,142	100.0%
2010	51,262,112	50,085,884	97.7%	1,176,228 *	51,262,112	100.0%
2011	52,264,220	51,732,977	99.0%	531,243 *	52,264,220	100.0%
2012	52,631,283	52,011,046	98.8%	620,237 *	52,631,283	100.0%
2013	53,136,159	52,567,908	98.9%	568,251 *	53,136,159	100.0%
2014	53,598,026	53,147,356	99.2%	450,670 *	53,598,026	100.0%
2015	54,798,187	53,072,141	96.9%	1,314,601	54,386,742	99.2%
2016	55,935,427	54,402,567	97.3%		54,402,567	97.3%
2017	58,046,716	56,107,829	96.7%		56,107,829	96.7%
2018	61,778,968	59,899,917	97.0%		59,899,917	97.0%

Note: Data provided by the Sheriff's Tax Settlement Report

\*Corrected to reflect collections to date by fiscal year of levies

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

TABLE 9

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

Fiscal Year	LFUCG Direct Rates					Overlapping Rates					Total	
	Urban Services					Fayette County School	Commonwealth of Kentucky	Extension Services	Soil & Water			Lextran
	General	Refuse	Street Lights	Street Cleaning	Total Direct				Conservation	Water		
2009	0.0800	0.1590	0.0210	0.0094	0.2694	0.6050	0.1220	0.0032	0.0004	0.0280	0.0600	1.0880
2010	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0280	0.0600	1.0951
2011	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0280	0.0600	1.0951
2012	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0280	0.0600	1.0951
2013	0.0800	0.1431	0.0210	0.0094	0.2535	0.6280	0.1220	0.0032	0.0004	0.0280	0.0600	1.0951
2014	0.0800	0.1431	0.0210	0.0094	0.2535	0.6740	0.1220	0.0033	0.0004	0.0280	0.0600	1.1412
2015	0.0800	0.1431	0.0210	0.0094	0.2535	0.6960	0.1220	0.0034	0.0005	0.0280	0.0600	1.1634
2016	0.0800	0.1431	0.0210	0.0097	0.2538	0.7400	0.1220	0.0035	0.0005	0.0280	0.0600	1.2078
2017	0.0800	0.1431	0.0210	0.0097	0.2538	0.7500	0.1220	0.0035	0.0006	0.0280	0.0600	1.2179
2018	0.0800	0.1426	0.0210	0.0097	0.2533	0.7500	0.1220	0.0035	0.0006	0.0280	0.0600	1.2174

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

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

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

TABLE 10

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

Name	2018			2010		
	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	% of Total City Taxable Assessed Value
Hap Property Owner, LP	\$184,865,800	1	0.60%			
Fayette Mall SPE LLC	117,000,000	2	0.38%	\$64,943,600	2	0.24%
Fritz Farm Retail Company LLC	80,567,400	3	0.26%			
Fayette Middle Anchor LLC	63,000,000	4	0.21%			
Inland American Lodging Lex	53,501,500	5	0.17%			
Newtown Crossing II LLC	53,000,000	6	0.17%	31,500,000	10	0.12%
Strata Racquet LLC	51,500,000	7	0.17%			
Healthsouth Kentucky Real Estate	50,678,300	8	0.17%			
Sir Forty 57 LLC	50,000,000	9	0.16%			
Mid America Apts	48,177,600	10	0.16%			
Fourth Quarter Properties*				32,700,000	8	0.12%
Lexmark International Inc.				101,405,300	1	0.37%
Weingarten Realty Inc.				56,497,100	3	0.21%
War Admiral Place				47,774,200	4	0.18%
Ball Realty, Inc.				44,321,300	5	0.16%
Meijer Stores, Ltd				38,248,700	6	0.14%
Diamondrock Griffin				33,573,600	7	0.12%
Fayette Plaza CMBS LLC				32,700,000	8	0.12%
				32,566,000	9	0.12%
<b>Total</b>	<b>\$752,290,600</b>		<b>2.45%</b>	<b>\$516,229,800</b>		<b>1.90%</b>

\*Hap Properties purchased Hamburg Pavillion from Fourth Quarter Properties in July 2014.

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

TABLE 11

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

Fiscal Year	LFUCG Direct		Fayette County School	Total
	Rate			
2009	2.25%	0.50%		2.75%
2010	2.25%	0.50%		2.75%
2011	2.25%	0.50%		2.75%
2012	2.25%	0.50%		2.75%
2013	2.25%	0.50%		2.75%
2014	2.25%	0.50%		2.75%
2015	2.25%	0.50%		2.75%
2016	2.25%	0.50%		2.75%
2017	2.25%	0.50%		2.75%
2018	2.25%	0.50%		2.75%

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

TABLE 12

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT  
 TEN MAJOR OCCUPATIONAL TAX WITHHOLDERS  
 CURRENT YEAR AND NINE YEARS AGO

Name	2018 Rank	2010 Rank
University of Kentucky	1	1
Fayette County Board of Education	2	3
Lexmark International	3	2
Lexington-Fayette Urban County Government	4	4
Baptist Healthcare	5	5
Defense Finance & Acctg System (formerly Dept of Veterans Affairs)	6	9
St. Joseph Hospital	7	6
Amazon.com	8	
Valvoline International, Inc.	9	
Lexington Clinic	10	8
L3 Communications		7
Commonwealth of Kentucky		10

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



TABLE 13

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

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	% of Personal Income	Primary Government Debt Per Capita
	General Obligation Bonds	QE/CB Bond	Lease Revenue Notes Payable	Bond Anticipation Notes	Revenue Bonds	Mortgage Revenue Bonds	Notes Payable	Total Primary Government			
2009	\$229,265,000	\$0	\$0	\$0	\$31,860,000	\$66,470,000	\$0	\$327,595,000	2.9%	\$1,120	
2010	308,355,000			8,000,000	64,565,000	63,890,000		444,810,000	3.8%	1,499	
2011	303,865,000				60,055,000	61,990,000	15,105,027	441,015,027	3.6% *	1,464	
2012	315,714,650				48,121,327	56,708,664	14,766,530	435,311,171	3.4%	1,425	
2013	314,541,343				45,400,398	54,830,752	14,403,727	429,176,220	3.3%	1,390	
2014	310,040,731				42,590,809	52,872,841	27,785,157	433,289,538	3.2% *	1,391	
2015	319,736,652	2,900,000	**		38,561,469	53,625,000	36,968,889	451,792,010	3.2% *	1,435	
2016	356,149,549	2,900,000	**		35,850,000	51,315,000	64,267,000	510,481,549	3.6%	1,603	
2017	375,507,126	2,900,000	**		33,017,706	49,080,404	86,872,538	547,377,774	na	na	
2018	386,251,016	2,795,000	**		30,129,000	46,578,000	120,023,000	585,776,016	na	na	

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

See table 18 for population data.

Personal income data for 2017 and 2018 not available at time of publication.

Population data for 2017 and 2018 not available at time of publication.

\* Updated in 2017

\*\* Moved the Qualified Energy Conservation Bond (QE/CB) from the General Obligation Bonds total.

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
2009	\$229,265,000	0.83%		\$784
2010	308,355,000	1.14%		1,054 *
2011	303,865,000	1.11%		1,009 *
2012	315,714,650	1.15%		1,033 *
2013	314,541,343	1.12%		1,018 *
2014	310,040,731	1.09%		996 *
2015	319,736,652	1.08%		1,025 *
2016	356,149,549	1.23%		1,127
2017	378,407,126	1.24%		na **
2018	386,251,016	1.20%		na **

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

See Table 7 for property value date and Table 18 for population data.

\* Updated in 2017

\*\* Population data for 2017 & 2018 not available at time of publication.

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, 2018

	Debt Outstanding (1)	Estimated Percentage Applicable (2)	Estimated Share of Overlapping Debt
Lexington Center Corporation			
Refunding and Improvement Mortgage Revenue Bonds, Series 1993	\$0	0.00%	\$0
Mortgage Revenue Bonds, Series 2008A	7,310,000	3.69%	269,537
Mortgage Revenue Bonds, Series 2015	9,000,000	3.69%	331,852
Mortgage Revenue Bonds, Series 2016	4,357,344	3.69%	160,666
Lexington-Fayette Urban County Government Airport Corporation			
Fixed Rate General Airport, Revenue, and Refunding Bond 2009A (non-AMT)	4,500,000	4.78%	215,109
Variable Rate General Airport, Revenue, and Refunding Bond 2009B (AMT)	5,400,000	4.78%	258,131
Fixed Rate General Airport, Revenue and Refunding Bond 2012A (AMT)	6,770,000	4.78%	323,619
Fixed Rate General Airport, Revenue, and Refunding Bond 2012B (non-AMT)	11,230,000	4.78%	536,816
Fixed Rate General Airport, Revenue Bonds Bond 2016A (non-AMT)	4,615,000	4.78%	220,606
Fixed Rate General Airport, Revenue Bonds Bond 2016B (AMT)	4,660,000	4.78%	222,757
Fixed Rate General Airport, Revenue & Refunding Bond Bond 2016C (Fed Taxable)	37,660,000	4.78%	1,800,223
Fixed Rate General Airport, Revenue Bonds Bond 2016D (non-AMT)	5,345,000	4.78%	255,502
Fixed Rate General Airport, Revenue and Refunding Bond 2016E (AMT)	4,250,000	4.78%	203,158
Fayette County School & Kentucky School Commission Bonds	427,787,701	100.00%	427,787,701
Subtotal, Overlapping Debt			<u>432,585,677</u>
LFUCG, Direct Debt			<u>389,046,016</u>
Total Direct and Overlapping Indebtedness			<u><u>\$821,631,693</u></u>

## Notes

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

(2) Determined by ratio of assessed valuation of property subject to taxation in overlapping unit to valuation of property subject to taxation in LFUCG or by ratio of total revenue of overlapping unit to total revenue of LFUCG.

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

TABLE 16

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Assessed Value	\$27,462,511	\$27,143,337	\$27,278,231	\$27,501,680	\$27,991,475	\$28,353,568	\$29,616,824	\$28,873,199	\$30,607,420	\$32,177,070
Debt limit (10% of Assessed Value)	2,746,251	2,714,334	2,727,823	2,750,168	2,799,148	2,835,357	2,961,682	2,887,320	3,060,742	3,217,707
Total net debt applicable to limit	195,775	171,510	108,710	203,817	194,414	200,820	171,917	162,861	184,801	183,990
Legal debt margin	\$2,550,476	\$2,542,824	\$2,619,113	\$2,546,351	\$2,604,734	\$2,634,537	\$2,789,765	\$2,724,459	\$2,875,941	\$3,033,717
Total net debt applicable to the limit as a percentage of debt limit	7.13%	6.32%	3.99%	7.41%	6.95%	7.08%	5.80%	5.64%	6.04%	5.72%

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			
	Less:		Net Available		Less:		Net Available	
	Gross Revenue	Operating Expenses	Debt Service Interest	Coverage	Gross Revenue	Operating Expenses	Debt Service Interest	Coverage
2009	\$37,049	\$27,201	\$3,855	1.77	\$6,841	\$2,681	\$1,005	1.12
2010	47,446	31,774	4,040	2.66	6,431	2,670	2,643	0.71
2011	49,383	32,198	4,510	2.41	7,159	2,789	1,900	0.98
2012	48,023	30,140	11,117	1.25	7,157	2,697	1,970	1.00
2013	52,769	28,839	3,413	4.12	5,830	2,305	2,050	0.79
2014	51,542	33,170	18,372	3.14	6,376	2,111	2,130	0.96
2015	51,440	31,626	2,067	4.97	6,406	2,436	2,215	0.89
2016	58,234	32,694	3,094	4.54	6,988	2,708	2,310	0.86
2017	63,289	35,664	3,688	4.36	7,305	2,625	2,405	1.00
2018	64,355	38,253	5,220	3.16	6,149	2,960	2,055	0.81

Fiscal Year	Public Parking Corporation				Special Assessment Bonds			
	Less:		Net Available		Special Assessment Collections		Debt Service Interest	
	Gross Revenue	Operating Expenses	Debt Service Interest	Coverage	Assessment Collections	Principal	Interest	Coverage
2009	\$1,383	\$580	\$720	1.02	\$0	\$50	\$1	\$0
2010	1,203	539	750	0.84	0	0	0	0
2011	861	600	0	0	0	0	0	0
2012	978	540	0	0	0	0	0	0
2013	5	4	0	0	0	0	0	0
2014	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0
2016	1	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0

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

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

TABLE 18

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

Fiscal Year	Population	Personal Income (Thousands)	Per Capita Personal Income	Civilian Labor Force			Unemployment Rate
				Employed	Unemployed	Unemployment Rate	
2009	292,514	\$11,220,857	\$38,360	140,328	11,852	7.8%	*
2010	296,717	11,568,412	38,988	151,190	12,096	7.4%	*
2011	301,272	* 12,147,960	40,322	153,602	11,324	6.9%	*
2012	305,201	* 12,701,835	41,618	156,579	9,688	5.8%	*
2013	308,501	* 12,826,933	41,578	158,648	9,769	5.8%	*
2014	310,725	* 13,472,243	43,357	158,848	7,983	4.8%	*
2015	314,767	* 14,224,629	45,191	160,099	6,423	3.9%	*
2016	318,449	* 14,338,062	45,025	163,637	6,153	3.6%	*
2017	na	na	na	167,944	6,360	3.6%	*
2018	na	na	na	na	na	na	na

\* Updated in 2018

Note:

Population, Personal Income and Per Capita Personal Income data for 2017 & 2018 not available at time of publication.  
 Employed, Unemployed and Unemployment Rate data for 2018 not available at time of publication.

Source: The Bureau of Economic Analysis

Source: U.S. Census Bureau

Source: The Bureau of Labor Statistics

TABLE 19

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

Name	2018			2010		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
University of Kentucky	12,800	1	7.62%	12,096	1	8.00%
Fayette County Public Schools	5,900	2	3.51%	5,300	2	3.51%
Lexington-Fayette Urban County Government	2,945	3	1.75%	2,973	4	1.97%
Amazon.com	2,500	4/5	1.49%	n/a	n/a	n/a
Conduent	2,500	4/5	1.49%	n/a	n/a	n/a
Veterans Medical Center	2,086	6	1.24%	n/a	n/a	n/a
Baptist Healthcare	1,852	7	1.10%	2,006	7	1.33%
KentuckyOne Health	1,847	8	1.10%	n/a	n/a	n/a
Lemark International	1,500	9	0.89%	3,130	3	2.07%
Lockheed Martin	1,100	10	0.65%	n/a	n/a	n/a
St.Joseph Hospital				2,300	5	1.52%
ACS a Zerox Company				2,050	6	1.36%
Defense Finance & Acctg System ( formerly Dept of Veterans Affairs				1,565	8	1.04%
L3 Communications				1,412	9	0.93%
Trane Co.				1,300	10	0.86%
	<u>35,030</u>		<u>20.84%</u>	<u>34,132</u>		<u>22.59%</u>

## Note:

First year of presentation for Employees and Percentage of Total City Employment was FY2010. This data is not available for FY2008.

Source: Lexington Chamber of Commerce

TABLE 20

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

Year	Construction	Education and Health Services	Financial Activities	Information	Leisure and Hospitality	Manufacturing	Natural Resources and Mining	Other Services	Professional and Business Services	Trade, Transportation, and Utilities	Others	Total Employment by Place of Work
2001	9,331	20,008	8,367	4,593	18,194	15,185	2,028	4,819	19,241	33,600	77	135,443
2002	8,249	20,919	8,330	4,670	17,756	14,703	1,959	4,786	20,866	33,424	71	135,733
2003	8,727	21,100	8,359	4,365	18,199	13,874	1,890	4,746	21,765	34,276	135	137,436
2004	8,451	21,377	8,822	3,833	18,109	14,133	1,959	4,848	22,944	34,208	200	138,884
2005	8,568	21,728	8,901	3,803	18,360	14,703	2,056	4,727	23,644	34,567	274	141,331
2006	8,291	21,980	9,222	3,743	19,572	14,878	2,552	4,718	25,608	34,416	228	145,208
2007	8,628	20,919	8,811	3,600	19,626	15,299	2,473	4,696	25,352	34,347	304	144,055
2008	7,723	21,035	8,583	5,086	19,427	14,929	2,260	4,941	23,700	34,320	0	142,004
2009	7,109	21,603	7,921	4,403	19,455	13,194	2,043	5,138	23,745	32,697	0	137,308
2010	6,937	21,477	8,046	4,628	20,176	12,882	2,170	5,383	22,186	30,782	36	134,703
2011	7,078	23,186	8,167	5,144	20,123	12,241	2,245	5,514	22,646	31,404	36	137,784
2012	6,733	24,230	7,994	5,393	20,313	12,325	2,059	5,348	27,491	35,039	53	146,978
2013	7,097	23,796	7,851	5,030	21,128	12,210	1,919	5,317	32,405	35,614	116	152,483
2014	7,541	23,518	7,662	5,316	22,282	12,230	2,000	4,923	30,587	37,211	40	153,310
2015	8,594	24,377	7,740	4,837	22,981	12,283	2,095	5,066	28,359	35,114	41	151,487
2016	9,270	24,820	7,773	2,405	23,839	12,079	1,838	5,413	28,649	36,625	47	152,758
2017	8,958	26,346	7,913	2,184	23,823	11,312	2,056	5,308	28,137	36,096	47	152,180

\*The Government has corrected years 2001-2015 to reflect the correct employment numbers per category. In addition, fiscal years 2001-2007 have been updated to reflect categories using current industry standards.

Source: Bureau of Labor Statistics



TABLE 21

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

	1990 Census		2000 Census		2010 Census	
	Value	%	Value	%	Value	%
<b>Population and Number of Households</b>						
Population						
Under 18 years	50,416	22.4%	55,533	21.3%	62,633	21.2%
18 - 64 years	152,638	67.7%	178,805	68.7%	202,032	68.3%
65 years and over	22,312	9.9%	26,174	10.0%	31,138	10.5%
Total	<u>225,366</u>	100.0%	<u>260,512</u>	100.0%	<u>295,803</u>	100.0%
Number of Households	89,529		108,288		123,043	
<b>Economic and Education</b>						
Family Income						
Less than \$10,000	5,979	10.5%	3,587	5.6%	4,407	6.3%
\$10,000 - \$24,999	12,365	21.7%	8,947	14.1%	8,791	12.7%
\$25,000 - \$49,999	20,889	36.8%	17,124	26.9%	15,164	21.9%
\$50,000 - \$74,999	10,790	19.0%	14,759	23.2%	12,913	18.6%
\$75,000 or more	6,850	12.0%	19,231	30.2%	28,149	40.5%
Total Families	<u>56,873</u>	100.0%	<u>63,648</u>	100.0%	<u>69,424</u>	100.0%
Median Family Income	\$35,936		\$53,264		\$63,086	
Mean Family Income	\$44,467		\$52,261		\$76,373	
Per Capita Income	\$20,355		\$23,109		\$25,561	
School Enrollment						
Elementary/Secondary	32,858		36,938		43,918	
College	28,339		31,508		41,238	
Education for Individuals 25+ years of age						
Less than 9th grade	11,760	8.3%	8,539	5.1%	8,813	4.6%
High School, No Diploma	16,365	11.5%	15,213	9.1%	13,986	7.3%
High School Graduate	33,238	23.4%	37,448	22.4%	43,875	22.9%
College 1 - 3 years	37,299	26.2%	46,420	27.8%	54,796	28.6%
College 4 or more years	43,454	30.6%	59,615	35.6%	70,123	36.6%
Total	<u>142,116</u>	100.0%	<u>167,235</u>	100.0%	<u>191,593</u>	100.0%
Unemployment Rate	3.7%		1.8%		7.0%	

Source: U.S. Census Bureau

TABLE 22

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Administrative Services	89	91	86	129	94	47	49	76	78	79
Chief Development Officer										
General Government	48	73	70	66	66	67	69	65	67	67
Finance & Administration	108	103	94	68	65	69	70	73	74	73
Information Technology										
General Services										
Parks & Recreation	145	138	132	140	139	138	144	146	144	139
Other	132	134	130	97	93	98	102	102	97	92
Law	31	26	26	37	40	39	42	23	23	23
Planning, Preservation, & Development										
Public Safety										
Fire & Emergency Services										
Firefighters & Officers	504	522	520	500	520	566	560	565	558	568
Civilians	18	15	18	17	16	16	18	18	26	25
Police										
Officers	557	542	511	504	524	542	518	554	572	604
Civilians	77	102	93	127	126	122	112	87	104	112
Community Corrections	341	294	284	321	312	330	298	293	340	320
Other	101	75	79	81	80	68	74	73	92	91
Public Works & Development	218	244								
Solid Waste										
Sanitary Sewers			240							
Other										
Environmental Quality & Public Works										
Waste Management	199	206	196	508	484	451	453	468	475	488
Water & Air Quality	145	149	151							
Other	10	15	16							
Social Services	128	113	99	94	96	96	98	108	109	114
	2,851	2,842	2,745	2,689	2,694	2,821	2,796	2,846	2,956	2,991

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 Public Works & Development; Computer Services moved from Finance & Administration to Administrative Services; Building Inspection moved from Public Safety to Public Works & Development; Solid Waste (Waste Management) and Sanitary Sewers (Water & Air Quality) moved from Public Works and Development to Environmental Quality.

The following Departmental reorganization took place in FY2012:  
 Communications, Enterprise Solutions, Information Technology and PeopleSoft moved from Chief Information Officer to Administrative Services; Historic Preservation, Planning and Purchase of Development Rights moved from Public Works to Administrative Services; Risk Management moved from Law to Administrative Services; Budgeting moved from Administrative Services to Finance; Chief Development Administration was created under Chief Development Officer; Office of Economic Development moved from General Government to Chief Development Officer; Community Development changed to Grants and Special Projects and moved from Finance to Administrative Services; Human Resources moved from Finance to Law; Environmental Quality and Public Works were merged to form Environmental Quality & Public Works; Police and Fire Pension moved from Public Safety to Finance; Building Inspection moved from Public Works to Public Safety; Community Corrections, Police and Fire and Emergency Services moved to Public Safety.

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

The following Departmental reorganization took place in FY2014:  
 Division of Engineering moved from Environmental Quality & Public Works to Planning, Preservation & Development; Division of Code Enforcement and Division of Building Inspection moved from Public Safety to Planning, Preservation & Development; Computer Services & Division of Enterprise Solutions moved from Administrative Services to Chief Information Officer.

The following Departmental reorganization took place in FY2015:  
 The Division of Human Resources moved from Law and Risk Management to Administrative Services.

In FY2016 the Chief Information Officer was changed to the Department of Information Technology. In addition, the Division of Security was moved from the Department of General Services to the Department of Public Safety.

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

TABLE 23

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fire and Emergency Services										
Emergency Medical Calls	31,490	32,199	34,197	37,000	36,619	37,971	42,151	43,076	46,476	47,930
False Calls	2,715	2,653	2,870	2,673	2,585	2,983	3,077	2,898	2,915	3,108
Fire Incidents	1,301	1,129	1,337	1,564	1,293	1,226	1,249	1,248	1,364	1,125
Good Intent Calls	1,245	1,265	1,271	1,153	1,107	1,108	1,180	1,180	1,128	169
Hazardous Materials Calls	1,295	1,192	1,118	1,248	1,451	1,686	1,766	2,021	1,976	1,827
Other	134	62	79	60	44	54	40	34	46	32
Rescues	366	451	460	421	449	443	462	501	545	570
Rupture - Gas, Water, etc.	51	45	47	36	34	31	35	41	44	45
Service Calls	1,330	1,227	1,529	1,707	1,598	2,209	1,968	2,099	2,336	2,838
Police										
Physical Arrests	18,155	17,126	15,248	20,214	14,592	13,773	17,442	16,356 *	10,990 **	12,481 **
Parking Violations	49,471	46,949	42,675	41,849	47,201	46,709	43,055	45,360	48,776	43,305
Traffic Violations	73,945	64,954	63,546	52,086	40,478	48,193	44,795	36,561	37,635	37,173
Parks and Recreation										
Rounds of Golf	122,153	107,565	89,291	95,382	96,607	90,410	91,407	101,535	102,082	90,915
Pool Visits	217,917	188,389	185,421	205,353	169,820	142,062	145,911	167,351	152,466	137,855
Building Inspection										
Permits Issued	13,660	13,646	13,090	13,623	13,860	16,141	15,363	16,653 ***	13,343 ***	9,752 ***
Inspections	29,404	28,915	24,563	23,957	24,518	23,262	21,909	27,406 ***	13,517 ***	15,850 ***
Sanitary Sewers										
Tap-on Inspections	879	946	625	644	861	897	930	786	811	573
Average daily sewage treatment (mgd)	40	36	41	39	39	42	41	41	33	35
Solid Waste										
Annual Tons of Refuse Collected	155,645	141,831	138,331	134,788	135,595	137,728	138,714	149,226	155,493	159,320
Annual Tons of Recyclables Collected	20,190	18,831	20,402	21,834	22,446	22,583	22,509	21,436	21,041	19,502
Annual Tons of Yard Waste Collected		18,199	18,049	21,801	20,492	19,984	21,609	21,933	24,053	21,425
Other Public Works										
Street Resurfacing (miles)	35	30	15	28	22	27	27	51	61	41

\* The physical arrest data was based on the jail import data.

\*\* The physical arrest data is based on ticket data.

\*\*\* In the prior fiscal years permits were counted as issued, in the new system permits are counted by address. In prior fiscal years inspections were counted, including drive-by inspections. The current system limits the number of inspections per day, eliminating drive-by inspections.

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

TABLE 24

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Fire and Emergency Services										
Number of Fire Stations	23	23	23	23	23	23	23	23	23	23
Number of Engines	24	23	23	22	22	22	22	22	22	22
Number of Aerials	8	7	7	7	7	7	7	7	7	7
Number of EC Units	10	10	10	10	10	10	11	11	11	12
Number of Haz-Mat Units	3	2	2	2	2	2	2	2	2	2
Number of Special Operations*	0	0	0	0	0	0	0	1	1	1
Police										
Stations	3	3	3	3	3	3	3	3	2	2
Patrol Units	438	444	440	429	424	424	430	457	480	517
Parks and Recreation										
Acres of Parks	4,565	4,917	4,917	4,282	4,282	4,282	4,282	4,282	4,282	4,273
Number of Golf Courses	6	6	6	5	5	5	5	5	5	5
Number of Swimming Pools	9	9	9	7	7	7	7	7	7	7
Sanitary Sewers										
Treatment Capacity (mgd)	64	64	64	64	64	64	64	64	64	64
Solid Waste										
Collection Trucks	115	119	113	119	119	116	118	123	135	127
Other Public Works										
Streets (miles)	1,599	1,628	1,634	1,636	1,638	1,641	1,652	1,663	1,667	1,673
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	367	376	380	382	376	378	365	374	377	379

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